NEW YORK CITY BALLET, INC.

FINANCIAL STATEMENTS

JUNE 30, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of the New York City Ballet, Inc. ("City Ballet") as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of City Ballet's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designating audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements enumerated above present fairly, in all material respects, the financial position of the New York City Ballet, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

EisnerAmper LLP

New York, New York
December 3, 2012

NEW YORK CITY BALLET, INC.

Statements of Financial Position
(in thousands)

	June 30, 2012	June 30, 2011
ASSETS		
Cash and cash equivalents	**$ 4,469**	$ 2,932
Endowment investments (see Note B)	**151,033**	163,449
Gift annuities and other investments	**1,307**	1,412
Pledges receivable (see Note C)	**5,602**	7,308
Accounts receivable	**453**	413
Inventory	**171**	267
Deferred production costs	**1,426**	2,535
Due from CCMD	**3,767**	3,754
Leasehold in Rose Building and other property and equipment, less accumulated depreciation of $10,211 in 2012 and $9,734 in 2011	**5,124**	5,231
	$ 173,352	$ 187,301
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	**$ 3,301**	$ 2,908
Advance ticket sales and other deferred revenue	**4,549**	4,265
Payroll-related liabilities due to CCMD	**913**	877
Payroll-related and other liabilities	**12,295**	9,719
Total liabilities	**21,058**	17,769
Net assets:		
Unrestricted (see Note K)	**9,979**	17,298
Temporarily restricted:		
Time and other restrictions	**9,509**	9,729
Endowment appreciation (see Note J)	**22,751**	32,499
	32,260	42,228
Permanently restricted (see Note J):		
Wallace endowment	**57,751**	57,750
Endowments for which income is unrestricted	**21,635**	21,611
Endowments for which income is restricted	**30,669**	30,645
	110,055	110,006
Total net assets	**152,294**	169,532
	$ 173,352	$ 187,301

See notes to financial statements

NEW YORK CITY BALLET, INC.

Statement of Activities
Year Ended June 30, 2012
(with summarized financial information for 2011)
(in thousands)

	2012							2011
	Unrestricted							
	General Operating	Board Designated	Fixed Assets	Unrestricted Total	Temporarily Restricted	Permanently Restricted	Total	Total
Operating revenues:								
Performance ticket sales and tour fees	$ 30,882			$ 30,882			$ 30,882	$ 27,768
Investment earnings per spending policy	7,253			7,253			7,253	7,265
Additional board-designated spending policy								2,677
Income (deficit) in excess of spending policy		$ (2,728)		(2,728)	$ (9,748)		(12,476)	13,355
Other revenues	1,831			1,831			1,831	1,025
Total operating revenues	39,966	(2,728)		37,238	(9,748)		27,490	52,090
Operating expenses:								
Program services:								
Ballet production	44,462			44,462			44,462	41,599
Facility expenses	4,558			4,558			4,558	4,843
Production management	4,129			4,129			4,129	4,116
Depreciation			$ 352	352			352	351
	53,149		352	53,501			53,501	50,909
Supporting services:								
Administration	5,957			5,957			5,957	5,478
Public support	4,399			4,399			4,399	3,843
	10,356			10,356			10,356	9,321
Total operating expenses	63,505		352	63,857			63,857	60,230
Loss from operations before public support	(23,539)	(2,728)	(352)	(26,619)	(9,748)		(36,367)	(8,140)
Public support:								
Appropriation from the City of New York	1,152			1,152			1,152	1,156
Other public support	15,652			15,652	5,507	$ 49	21,208	17,461
Utilization of temporarily restricted net assets	5,727			5,727	(5,727)			
Total public support	22,531			22,531	(220)	49	22,360	18,617
(Deficit) earnings before adjustments:	(1,008)	(2,728)	(352)	(4,088)	(9,968)	49	(14,007)	10,477
Pension, postemployment and other adjustments	(3,231)			(3,231)			(3,231)	1,812
Change in net assets	(4,239)	(2,728)	(352)	(7,319)	(9,968)	49	(17,238)	12,289
Net assets, beginning of year	(7,762)	21,331	3,729	17,298	42,228	110,006	169,532	157,243
Net assets, end of year	$ (12,001)	$ 18,603	$ 3,377	$ 9,979	$ 32,260	$ 110,055	$ 152,294	$ 169,532

See notes to financial statements

NEW YORK CITY BALLET, INC.

Statement of Activities
Year Ended June 30, 2011
(in thousands)

	Unrestricted						
	General Operating	**Board Designated**	**Fixed Assets**	**Unrestricted Total**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Operating revenues:							
Performance ticket sales and tour fees	$ 27,768			$ 27,768			$ 27,768
Investment earnings per spending policy	7,235			7,235	$ 30		7,265
Additional board-designated spending policy	2,677			2,677			2,677
Income in excess of spending policy		$ 2,436		2,436	10,919		13,355
Other revenues	1,025			1,025			1,025
Total operating revenues	38,705	2,436		41,141	10,949		52,090
Operating expenses:							
Program services:							
Ballet production	41,599			41,599			41,599
Facility expenses	4,843			4,843			4,843
Production-management	4,116			4,116			4,116
Depreciation			$ 351	351			351
	50,558		351	50,909			50,909
Supporting services:							
Administration	5,478			5,478			5,478
Public support	3,843			3,843			3,843
	9,321			9,321			9,321
Total operating expenses	59,879		351	60,230			60,230
Loss from operations before public support	(21,174)	2,436	(351)	(19,089)	10,949		(8,140)
Public support:							
Appropriation from the City of New York	1,156			1,156			1,156
Other public support	13,576			13,576	3,621	$ 264	17,461
Utilization of temporarily restricted net assets	4,567			4,567	(4,567)		
Total public support	19,299			19,299	(946)	264	18,617
Surplus (deficit) before capital expenditures:	(1,875)	2,436	(351)	210	10,003	264	10,477
Capital expenditures	(240)	(260)	500	0			
Earnings (deficit) before adjustments:	(2,115)	2,176	149	210	10,003	264	10,477
Pension and postemployment adjustments	1,812			1,812			1,812
Change in net assets	(303)	2,176	149	2,022	10,003	264	12,289
Net assets, beginning of year	(7,459)	19,155	3,580	15,276	32,225	109,742	157,243
Net assets, end of year	$ (7,762)	$ 21,331	$ 3,729	$ 17,298	$ 42,228	$ 110,006	$ 169,532

See notes to financial statements

NEW YORK CITY BALLET, INC.

Statements of Cash Flows
(in thousands)

	Year Ended June 30, 2012	Year Ended June 30, 2011
Cash flows from operating activities:		
Changes in net assets:		
Unrestricted	**$ (7,319)**	$ 2,022
Temporarily restricted	**(9,968)**	10,003
Permanently restricted	**49**	264
	(17,238)	12,289
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	**476**	527
Contributions restricted for long-term activities	**(75)**	(410)
Bad debt expense	**357**	83
Donated securities	**(710)**	(296)
Net loss (gain) on investments	**5,388**	(22,800)
Changes in:		
Gift annuities	**104**	(527)
Pledges receivable	**1,349**	3,942
Accounts receivable	**(40)**	(83)
Inventory	**97**	(83)
Deferred production costs	**1,109**	(926)
Due from CCMD	**(13)**	(527)
Accounts payable and accrued expenses	**393**	(1,429)
Advance ticket sales and other deferred revenue	**284**	1,624
Payroll-related liabilities due to CCMD	**36**	(133)
Payroll-related and other liabilities	**2,577**	(500)
Net cash used in operating activities	**(5,906)**	(9,249)
Cash flows from investing activities:		
Proceeds from sales of investments	**70,666**	74,045
Purchases of investments	**(62,928)**	(65,833)
Purchases of property and equipment	**(370)**	(511)
Net cash provided by investing activities	**7,368**	7,701
Cash flows from financing activities:		
Endowment contributions	**75**	410
Net change in cash and cash equivalents	**1,537**	(1,138)
Cash and cash equivalents - beginning of year	**2,932**	4,070
Cash and cash equivalents - end of year	**$ 4,469**	$ 2,932

NOTE A - SUMMARY OF FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The New York City Ballet, Inc. ("City Ballet") is a not-for-profit organization incorporated in 1977 in the State of New York, and a constituent of City Center of Music and Drama, Inc. ("CCMD"). City Ballet operates as an entity independent of CCMD, which provides certain services to City Ballet as described further below.

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

The following is a summary of significant accounting policies consistently followed by City Ballet in the preparation of its financial statements:

[1] Financial statement presentation:

The accounts of City Ballet are maintained in accordance with the principles of fund accounting. This procedure classifies resources for accounting purposes into funds established to reflect the activities and objectives specified by donors and/or City Ballet's Board of Directors. The financial statements are presented in accordance with accounting principles generally accepted in the United States of America, which require that a not-for-profit organization's statement of financial position report the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, based upon the existence or absence of donor-imposed restrictions. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make assumptions and estimates that affect the amounts reported. Actual results could differ from those estimates.

[2] Cash and cash equivalents:

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

[3] Property and equipment:

City Ballet does not own any land or buildings. Purchases of furniture and equipment that are not material are charged to current operations. Significant additions are capitalized and are depreciated using the straight-line method over the estimated useful lives of the assets.

[4] Investments:

Investments in cash, debt and equity securities and money-market funds maintained by investment managers are reported at their fair values, which are based on quoted market prices. The alternative investments, consisting of diversified hedge funds and limited partnerships, are adjusted to fair values annually, at City Ballet's fiscal year-end, based on the valuations of the underlying assets as provided by the respective investment managers. Management reviews the calendar year-end audited values provided by the investment managers and believes the reported amounts of these investments at City Ballet's fiscal year-end to be reasonable estimates of fair value.

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 the fair values on the dates of gift.

NOTE A - SUMMARY OF FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[5] Endowments:

City Ballet is subject to the provisions of the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") Topic 958, which provides guidance on the net-asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The State of New York's version of UPMIFA, the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), was signed into law on September 17, 2010, with an immediate effective date. ASC Topic 958 also requires additional disclosures about endowments for all organizations (see Note J).

[6] Public support, grants, and contributions:

City Ballet reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donation. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as part of public support including utilization of temporarily restricted net assets. City Ballet recognizes contribution revenue for donated goods and services at their fair values, with a corresponding expense categorized as supporting services.

Pledges that are collectible in future years have been discounted to their present values and recorded as income. Amortization of this discount will be recorded as additional contributions over the term of each pledge.

[7] Performance sales:

Revenue from ticket sale is recognized when the services have been rendered.

[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 until the year in which the productions are first presented.

[9] Allocation of expenses, income and support:

CCMD provides services to City Ballet and to New York City Opera, Inc. ("City Opera"), which was previously a constituent of CCMD, in connection with its operation and management of the David H. Koch Theater, as well as other administrative and accounting services under a management and services agreement. CCMD's Koch Theater facility expenses, facility income, and New York City facility support is allocated to the constituents based upon the number of scheduled performance weeks in the theater during the year. Administrative revenue and expense have been allocated equally between the constituents, except for contributions and grants restricted for theater improvements and depreciation of donated equipment and facilities. Allocated expenses result in intercompany receivables and payables that are periodically liquidated through cash transfers.

In May 2011, City Opera announced its intention to move from Lincoln Center and the Koch Theater. In June 2011, City Opera formally submitted a letter of intention to CCMD informing CCMD that it would withdraw from using CCMD's accounting services by September 2011, and from using its information services by December 2011. City Opera also informed CCMD and City Ballet that it would move its operations from the Theater by January 1, 2012, and it has since moved its operations accordingly.

NOTE A - SUMMARY OF FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[9] Allocation of expenses, income and support: (continued)

After City Opera's departure, the agreed-upon obligation due to CCMD from City Opera, including the balances reported in CCMD's statement of financial position, is approximately $2,600,000. Negotiations among City Opera, CCMD and City Ballet regarding the terms of its financial obligations are ongoing.

[10] Functional allocation of expenses:

Expenses are classified according to the programs for which they were incurred and are summarized on a functional basis in the accompanying statements of activities and in Note G. Accordingly, certain costs have been allocated among programs and supporting services, using reasonable ratios determined by management.

[11] Net assets:

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

(i) Unrestricted:

Unrestricted net assets represent resources that are not subject to donor-imposed restrictions. The Board of Directors has designated certain of the unrestricted net assets to function as endowment (see Note J).

(ii) Temporarily restricted:

Temporarily restricted net assets represent those resources that are subject to the requirements of NYPMIFA and the use of which has been restricted by donors to specific purposes and/or the passage of time. Net assets released from restrictions represent the passage of time, satisfaction of the restricted purposes and/or explicit appropriation action by the Board of Directors.

(iii) Permanently restricted:

Permanently restricted net assets represent the historic dollar value of those resources that have been designated by the donor to be held and invested in perpetuity. Generally, the donors of these assets direct City Ballet to use all or part of the accumulated investment returns on related investments to support specific City Ballet programs or activities. Under the terms of NYPMIFA, market appreciation will be classified as temporarily restricted in the accompanying statement of activities, pending appropriations by the Board of Directors.

[12] Gift annuities:

City Ballet is the beneficiary of planned gifts under certain split-interest agreements, consisting of charitable gift annuities, for which City Ballet does not serve as trustee.

[13] Income tax:

City Ballet is subject to the provisions of ASC Topic 740-10-05 relating to accounting and reporting for uncertainty in income taxes. Because of City Ballet's general tax-exempt status, ASC Topic 740-10-05 has not had, and is not expected to have, a material impact on its financial statements.

[14] Fair-value measurement:

City Ballet reports a fair-value measurement of all applicable assets and liabilities (see Note B).

NOTE A - SUMMARY OF FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[15] Subsequent events:

City Ballet considers the accounting treatments, and the related disclosures in the current fiscal-year's financial statements, that may be required as the result of all events or transactions that occur after the fiscal year-end through the date of the independent auditors' report.

NOTE B - INVESTMENTS

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

	2012	2011
	(in thousands)	
Endowment investments:		
Cash equivalents	**$ 21,757**	$ 9,379
Equity securities	**52,569**	41,080
Alternative investments	**76,707**	112,990
	$ 151,033	$ 163,449

During fiscal-years 2012 and 2011, net investment income consisted of the following:

	2012	2011
	(in thousands)	
Interest and dividends	**$ 182**	$ 497
Net realized gains	**12,127**	14,111
Net unrealized (losses) gains	**(17,515)**	8,689
	$ (5,206)	$ 23,297

Included in interest and dividends are management fees of $468,000 and $433,000 for fiscal-years 2012 and 2011, respectively.

Fair-value measurement, as defined in ASC Topic 820-10-05, prescribes levels of fair-value measurement as follows:

Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for identical assets and liabilities at the reporting date.

Level 2: Valuations are based on (i) quoted prices for similar assets or liabilities in active markets, or (ii) quoted prices for identical or similar assets or liabilities 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 2 assets include alternative investments that are redeemable at or near the balance sheet date and for which a model was derived for valuation.

Level 3: Fair value is determined based on pricing inputs that are unobservable and includes situations where (i) there is little, if any, market activity for the asset or liability, (ii) the underlying investments of which could not be independently valued, or (iii) they cannot be immediately redeemed at or near the fiscal year-end.

NOTE B - INVESTMENTS (CONTINUED)

Most investments classified in Level 3 consist of shares or units in investment funds, as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net-asset value reported by each fund is used as a practical expedient to estimate fair value of City Ballet's interest therein, its classification in Level 3 is based on City Ballet's ability to redeem its interest at or near June 30, 2012 and 2011. If the interest can be redeemed in the near term, the investment is classified as Level 2. The classification of investments in the fair-value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

The following tables summarize the fair values of investments assets at each fiscal year-end, in accordance with the valuation hierarchy levels:

	June 30, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	(in thousands)			
Cash and cash equivalents	**$ 11,712**			**$ 11,712**
Equity securities	**33,341**			**33,341**
Alternative investments		**$ 19,312**	**$ 86,668**	**105,980**
Charitable gift annuities			**1,307**	**1,307**
	$ 45,053	**$ 19,312**	**$ 87,975**	**$ 152,340**

	June 30, 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
	(in thousands)			
Cash and cash equivalents	$ 9,379			$ 9,379
Equity securities	41,080			41,080
Alternative investments		$ 18,854	$ 94,136	112,990
Charitable gift annuities			1,412	1,412
	$ 50,459	$ 18,854	$ 95,548	$ 164,861

The following summarizes the changes in the fair values of Level 3 investments during fiscal-years 2012 and 2011:

	Fair-Value Measurements Using Level 3 Inputs	
	2012	**2011**
	(in thousands)	
Opening balance	**$ 95,548**	$ 85,309
Purchases	**22,473**	17,133
Redemptions	**(27,556)**	(18,379)
Realized gains	**6,603**	3,587
Unrealized (losses) gains	**(9,093)**	7,898
Closing balance	**$ 87,975**	$ 95,548

NOTE B - INVESTMENTS (CONTINUED)

The following table lists investments in other investment companies by major category:

	June 30, 2012			
	Fair Value (in thousands)	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Offshore hedge funds:				
	$ 7,786	None	Monthly	90 days
	1,447	None	Annually	45 days
	169	None	Quarterly	90 days
	1,208	None	Quarterly	90 days
	7,480	None	Quarterly	65 days
	1,965	None	Quarterly	100 days
	4,435	None	6/30 or 12/31	45 days
	13,817	None	Quarterly	Subject to "gate"
	4,330	None	Quarterly	Subject to "gate"
	3,715	None	Monthly	15 days
	1,754	None	Monthly	30 days
Limited partnerships:				
	6,085	None	Annual (12/31)	60 days
	13,838	None	Monthly	1 day
	8,594	None	Quarterly	30 days
	10,045	None	Quarterly	30 days
	1,307	None	N/A	N/A
	$ 87,975			

NOTE C - PLEDGES RECEIVABLE

Pledges of $5,602,000 and $7,308,000 have been recorded net of applicable discounts of $209,000 and $146,000 in fiscal-years 2012 and 2011, respectively. Pledges specifically for City Ballet's endowment, net of applicable discounts, totaled $448,000 and $474,000 in fiscal-years 2012 and 2011, respectively. Pledges are expected to be collected as follows:

	June 30,			
	2012		2011	
	Operating	Endowment (in thousands)	Operating	Endowment (in thousands)
Less than one year	**$ 4,570**	**$ 170**	$ 4,590	$ 120
One to five years	**935**	**278**	2,344	354
Allowance for doubtful pledges	**(351)**		(100)	
Total	**$ 5,154**	**$ 448**	$ 6,834	$ 474

NOTE D - PENSION PLANS

Until fiscal-year 2011, City Ballet participated in a non-contributory, defined-benefit pension plan (the "Plan") for nonunion, salaried employees of CCMD and its constituents. In July 2010, City Ballet separated its portion of the Plan into the "NYCB Retirement Plan for Salaried Employees." The assets were allocated to the successor plan in accordance with the prescribed methodology for a spin-off plan, as outlined by Pension Benefit Guaranty Corporation ("PBGC") regulations. Benefits are based on years of service and final average compensation, as defined in the Plan. Plan benefit obligations and assets are combined for all participants of the Plan. City Ballet's policy is to fund annually the required contribution necessary to comply 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:

	June 30,	
	2012	**2011**
	(in thousands)	
Projected benefit obligation	**$ (19,817)**	$ (16,185)
Plan assets at fair value	**11,359**	10,353
Funded status (asset deficit), recognized as liabilities in the statements of financial position	**$ (8,458)**	$ (5,832)

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

	2012	**2011**
Discount rate	**5.41%**	5.34%
Long-range return on assets	**7.50%**	7.50%
Rate of compensation increase	**4.00%**	4.00%

The following items are the components of the net periodic pension cost for the Plan for the fiscal-year ended June 30, 2012 and 2011, respectively:

	2012	**2011**
	(in thousands)	
Expected return on plan assets	**$ (817)**	$ (645)
Service cost benefit earned during the year	**432**	412
Interest cost on projected benefit obligation	**865**	801
Amortization of prior service cost	**42**	
Amortization of accumulated loss	**336**	415
Net periodic pension cost	**$ 858**	$ 983

NOTE D - PENSION PLANS (CONTINUED)

Information with regards to contributions to the Plan and benefits paid during fiscal-year 2012 and 2011 are as follows:

	June 30, 2012	June 30, 2011
	(in thousands)	
Employer contributions	**$ 1,200**	$ 756
Benefits paid	**$ 351**	$ 312

City Ballet expects to contribute approximately $1,089,000 to its pension plan in fiscal-year 2013.

The following benefit payments, which include expected future service, are actuarially expected to be paid as follows:

Fiscal-year Ending June 30,	Pension Benefits (in thousands)
2013	$ 715
2014	699
2015	816
2016	878
2017	949
2018-2022	5,925

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, 2012, the asset allocation is 8% cash equivalents, 81% U.S. equity securities, and 11% debt securities. Asset-manager performance is reviewed at least once every three months and benchmarked against the peer universe for the given investment style.

City Ballet's target allocations of plan assets as of June 30, 2012, and the actual weighted-average allocations as of June 30, 2012 and July 1, 2011, are as follows:

	Target 2012	Actual 2012	Actual 2011
Cash equivalents	**8%**	**8%**	6%
Equity securities	**81%**	**81%**	82%
Debt securities	**11%**	**11%**	2%
Other			10%

NOTE D - PENSION PLANS (CONTINUED)

City Ballet's net periodic pension cost for fiscal-year 2012 and allocated net periodic pension cost for fiscal-year 2011 was approximately $858,000 and $983,000, respectively. City Ballet's accrued benefit liability at June 30, 2012 and 2011 was approximately $8,458,000 and $5,831,000, respectively, and is reflected in payroll-related liabilities in the accompanying statements of financial position. Accumulated other comprehensive loss associated with City Ballet's pension plan, inclusive of amounts allocated from CCMD, was $8,635,000 and $5,311,000 in fiscal-years 2012 and 2011, respectively.

City Ballet also contributes to union pension plans based upon a percentage of employee salaries. Pension costs associated with these plans amounted to approximately $2,616,000 and $2,519,000 in fiscal-years 2012 and 2011, respectively.

NOTE E - DONATED SERVICES

Donated services are valued at the standard market rate that would have been incurred by City Ballet to obtain them and they are recognized as both revenue and expenses in the accompanying statement of activities.

City Ballet received donated legal services in the amount of $256,000 and $240,000 for fiscal-year 2012 and 2011, respectively.

NOTE F - COMMITMENTS

[1] Samuel B. and David Rose Building:

During fiscal-year 1985, City Ballet entered into an agreement whereby it 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 $352,000 for each of the fiscal-years 2012 and 2011. 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 2012 and 2011, City Ballet leased space for two warehouses and a telemarketing office under an agreement expiring in fiscal-year 2020. Rent expense, including rent applicable to these spaces, was $457,000 and $352,000 for fiscal-year 2012 and 2011, respectively. Future minimum lease payments under these leases are $193,000 at June 30, 2012, approximately $195,000 for each fiscal-year from 2013 through 2016, and $779,000 thereafter.

NOTE G - TEMPORARILY RESTRICTED NET ASSETS

At each fiscal-year, temporarily restricted net assets consisted of the following:

	June 30, 2012	June 30, 2011
	(in thousands)	
Productions	**$ 2,087**	$ 1,107
Emergency	**656**	686
Clut	**331**	380
Education	**91**	211
Accumulation endowment income reserve for appropriations	**22,751**	32,499
Passage of time	**6,344**	7,345
End of year	**$ 32,260**	$ 42,228

At each fiscal year-end, temporarily restricted net assets were released from restrictions in fulfillment of the following:

	June 30, 2012	June 30, 2011
	(in thousands)	
Productions	**$ 2,307**	$ 1,137
Emergency	**30**	225
Clut	**50**	49
Education	**677**	414
Passage of time	**2,663**	2,742
End of year	**$ 5,727**	$ 4,567

NOTE H - POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In fiscal-year 1978, CCMD adopted the policy of providing the option to certain employees with 20 years of service and who were 65 years of age upon their retirement from City Ballet or CCMD, to continue in the group medical and life insurance plan, at no cost to the employee. The CCMD Board of Governors ended this policy in April 1995 for employees who had not vested in this benefit. In fiscal-year 1997, the CCMD Board of Governors reinstituted 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 using the "pay-as-you-go" method.

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

Unrestricted net assets of City Ballet were increased by $61,000 in fiscal-year 2012 and decreased by $179,000 in fiscal-year 2011, to record the adjustments required to balance the accrued postretirement benefit liability to the amount of the unfunded projected benefit obligation as of June 30. These amounts were inclusive of City Ballet's share of CCMD's costs. Such amounts are reflected as adjustments to net assets in the accompanying statements of activities.

The following tables set forth basic information relating to the accrued benefit liability:

	June 30,	
	2012	**2011**
	(in thousands)	
Accumulated obligation	**$ 1,126**	$ 1,126
Unrecognized amounts	**(787)**	(799)
	$ 339	$ 327

	June 30	
	2012	**2011**
	(in thousands)	
Postretirement benefit obligation at the end of year:		
Actives not fully eligible to retire	**$ 192**	$ 192
Actives fully eligible to retire	**199**	199
Retirees	**736**	736
Total	**$ 1,127**	$ 1,127

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

	June 30,	
	2012	**2011**
	(in thousands)	
Net periodic postretirement benefit cost:		
Service	**$ 5**	$ 5
Interest	**53**	65
Amortization of accumulated loss	**32**	54
Net periodic postretirement benefit cost	**90**	124
Actual payments	**(102)**	(95)
Net change	**(12)**	29
Accumulated obligation:		
Beginning of year	**799**	770
End of year	**$ 787**	$ 799

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

Estimated benefit payments are as follows:

Year Beginning July 1,	Estimated Employer Benefit Payment (in thousands)
2012	$ 82
2013	82
2014	86
2015	85
2016 - 2011	426

The accumulated postretirement benefit obligation was actuarially determined as of June 30, 2012, using assumed discount rates of 4.85%. The assumed rate of future increases in health care was 8.0% in the first year, declining to 4.5% by fiscal-year year 2018. Had the health-care cost-trend rate assumption been increased by 1.0%, the accumulated postretirement benefit obligation would have increased by 9.5%. 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 11.7%. The postretirement balance is reflected as part of payroll-related liabilities.

Accumulated other comprehensive loss associated with City Ballet's postretirement benefits, inclusive of amounts allocated from CCMD, was $494,000 and $455,000 in fiscal-years 2012 and 2011, respectively.

NOTE I - SCHEDULE OF FUNCTIONAL EXPENSES

For fiscal-year 2012 (with summary totals for fiscal-year 2011), the following schedule reports the allocation of expenses to the various functional categories (in thousands):

	Ballet Production	Facility Management	Production Management	Total	Administration	Public Support	2012 Total	2011 Total
Salaries	$ 25,138	$ 29	$ 3,171	$ 28,338	$ 2,133	$ 1,452	$ 31,923	$ 30,064
Benefits	9,636	8	922	10,566	670	570	11,806	11,285
Salaries and related benefits	34,774	37	4,093	38,904	2,803	2,022	43,729	41,349
Occupancy	75	891		966	3	132	1,101	894
Depreciation	76	355		431	29	16	476	527
Printing	3,039			3,039	7	249	3,295	3,472
Transportation	1,221		3	1,224	25	82	1,331	1,246
Scenery, music, and costumes	2,837			2,837			2,837	2,582
Professional fees	1,217		25	1,242	1,229	1,807	4,278	3,250
Data processing, telephone and office expenses	235	15		250	65	91	406	378
Miscellaneous expenses	428	107	8	543	484		1,027	826
Departmental overhead allocation	560			560	(560)		0	0
CCMD shared services allocation		3,505		3,505	1,872		5,377	5,706
	$ 44,462	$ 4,910	$ 4,129	$ 53,501	$ 5,957	$ 4,399	$ 63,857	$ 60,230

NOTE J - ENDOWMENTS

City Ballet's endowments consist of both Board-designated and donor-restricted funds, established for a variety of purposes. NYPMIFA requires the preservation of the historic dollar value of the original gift as of the gift date, absent explicit donor stipulations to the contrary.

[1] Endowment net assets inclusive of $448,000 and $474,000 in pledges, composed by type of fund as of June 30, 2012 and 2011:

	Year Ended June 30, 2012			
	Board-Designated	Temporarily Restricted	Permanently Restricted	Total
	(in thousands)			
Functioning as endowment	$ 10,191		$ 7,162	$ 17,353
Touring	2,106			2,106
Delmas Repertory	6,566			6,566
Capital Campaign		$ 1,871	14,214	16,085
Martison Memorial/Society Loan		126	84	210
Wallace		13,975	57,751	71,726
Total unrestricted	18,863	15,972	79,211	114,046
Choreographic Institute		2,653	16,203	18,856
Nureyev Repertory		174	1,000	1,174
Martins Repertory		899	3,000	3,899
Martins' 25		30	344	374
Balanchine Repertory		390	1,320	1,710
Symphony in C		557	1,000	1,557
Robbins Repertory		8	67	75
Touring		935	2,975	3,910
Education		148	775	923
Levin Dance		301	1,000	1,301
Dance On		6	500	506
Musical Leadership		525	2,000	2,525
Scenic Design Maintenance		49	250	299
Kirstein Memorial		92	235	327
Total restricted		6,767	30,669	37,436
Investment held by others		12	175	187
Total	$ 18,863	$ 22,751	$ 110,055	$ 151,669

NOTE J - ENDOWMENTS (CONTINUED)

	Year Ended June 30, 2011			
	Board-Designated	Temporarily Restricted	Permanently Restricted	Total
	(in thousands)			
Functioning as Endowment	$ 11,630		$ 7,162	$ 18,792
Touring	2,851			2,851
Delmas Repertory	7,110			7,110
Capital Campaign		$ 3,079	14,190	17,269
Martison Memorial/Society Loan		143	84	227
Wallace		19,905	57,750	77,655
Total unrestricted	21,591	23,127	79,186	123,904
Choreographic Institute		3,732	16,178	19,910
Nureyev Repertory		209	1,000	1,209
Martins Repertory		1,222	3,000	4,222
Martins' 25		60	345	405
Balanchine Repertory		531	1,320	1,851
Symphony in C		742	1,000	1,742
Robbins Repertory		14	67	81
Touring		1,259	2,975	4,234
Education		225	775	1,000
Levin Dance		409	1,000	1,409
Dance On		46	500	546
Musical Leadership		734	2,000	2,734
Scenic Design Maintenance		70	250	320
Kirstein Memorial		119	235	354
Total restricted		9,372	30,645	40,017
Investment held by others			175	175
Total	$ 21,591	$ 32,499	$ 110,006	$ 164,096

NOTE J - ENDOWMENTS (CONTINUED)

[2] Changes in endowment net assets in fiscal-years 2012 and 2011:

	Year Ended June 30, 2012			
	Board-Designated	Temporarily Restricted	Permanently Restricted	Total
	(in thousands)			
Opening balance	**$ 21,591**	**$ 32,502**	**$ 109,356**	**$ 163,499**
Investment management fees	**(243)**	**(225)**		**(468)**
Interest, dividends and realized gains	**6,617**	**6,160**		**12,777**
Unrealized gains	**(9,070)**	**(8,445)**		**(17,515)**
Subtotal	**(2,696)**	**(2,510)**		**(5,206)**
Additions			**75**	**75**
Adjustment on valuation of endowment	**(32)**			**(32)**
Additional draw-5%		**(7,253)**		**(7,253)**
	18,863	**22,739**	**$ 109,431**	**$ 151,033**
Capital expenditures yet to be funded	**(260)**			
Interest on investment held by others		**12**		
Endowment net assets, end of year	**$ 18,603**	**$ 22,751**		

	Year Ended June 30, 2011			
	Board-Designated	Temporarily Restricted	Permanently Restricted	Total
	(in thousands)			
Opening balance	$ 19,155	$ 21,549	$ 107,861	$ 148,565
Investment management fees	(45)	(388)		(433)
Interest, dividends and realized gains	1,573	13,474		15,047
Unrealized gains	908	7,779		8,687
Subtotal	2,436	20,865		23,301
Additions			1,495	1,495
Spending policy draw		(7,235)		(7,235)
Additional draw		(2,677)		(2,677)
	21,591	$ 32,502	$ 109,356	$ 163,449
Capital expenditures yet to be funded	(260)			
Endowment net assets, end of year	$ 21,331			

NOTE J - ENDOWMENTS (CONTINUED)

[3] Donor-restricted endowment:

The historic dollar value of City Ballet's donor-restricted endowment as of June 30, 2012 was $30,669,000. A portion of the income derived from donor-restricted endowment may be used for unrestricted 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 permanently restricted contribution. Under the terms of NYPMIFA, City Ballet has no responsibility to restore such decreases in value.

[5] Spending policy:

City Ballet has a policy permitting management to budget and expend a percentage of quarterly market values of its investment portfolio. For fiscal-year 2012, this was 5.0% of a moving average of 20 quarterly market values, through December 2010. The spending policy draw in fiscal-year 2011 was 5.0%; that fiscal-year 2011, the Board of Directors approved an additional 2.0% appropriation, based on the average market value calculation.

NOTE K - UNRESTRICTED NET ASSETS

[1] Unrestricted net assets at each fiscal year end consisted of the following:

	2012	2011
	(in thousands)	
Undesignated	**$ (2,972)**	$ (1,996)
Pension/postemployment accumulated other income and loss	**(9,029)**	(5,766)
Fixed assets	**3,377**	3,729
Board-designated	**18,603**	21,331
Total	**$ 9,979**	$ 17,298

NOTE K - UNRESTRICTED NET ASSETS (CONTINUED)

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

The pension/postemployment accumulated other income and loss ("AOCI") is composed of the following for fiscal-years 2012 and 2011:

New York City Ballet
AOCI Fund Balance Analysis

Fiscal-Year 2012	Pension	Post-employment	Total AOCI
		(in thousands)	
Allocated from CCMD	**$ (995)**	**$ (30)**	**$ (1,025)**
City Ballet direct	**(7,640)**	**(364)**	**(8,004)**
Total - 6/30/12	**$ (8,635)**	**$ (394)**	**$ (9,029)**
Fiscal-Year 2011			
Allocated from CCMD	$ (639)	$ (31)	$ (670)
City Ballet direct	(4,672)	(424)	(5,096)
Total - 6/30/11	$ (5,311)	$ (455)	$ (5,766)

NOTE L - PUBLIC SUPPORT

Detail of unrestricted net public support and the utilization of temporarily restricted net assets by major classifications are as follows for each fiscal-year:

	Year Ended June 30, 2012	Year Ended June 30, 2011
	(in thousands)	
Appropriation from the City of New York	**$ 1,152**	$ 1,156
Other governmental agencies	**309**	271
Special events	**6,755**	4,191
Guild	**2,563**	2,341
Foundation	**3,517**	2,639
Corporate	**1,215**	1,359
Individual	**6,765**	6,954
Estates	**255**	388
Total	**$ 22,531**	$ 19,299