



# NEW YORK CITY BALLET, INC.

FINANCIAL STATEMENTS

JUNE 30, 2011 and 2010

## 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, 2011 and 2010, 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, 2011 and 2010, 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 16, 2011

# NEW YORK CITY BALLET, INC.

## Statements of Financial Position

(in thousands)

	June 30,	
	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,932	\$ 4,070
Endowment investments (see Note B)	163,449	148,565
Gift annuities and other investments	1,412	885
Pledges receivable (see Note C)	7,308	11,333
Accounts receivable	413	330
Inventory	267	184
Deferred production costs	2,535	1,609
Due from CCMD	3,754	3,227
Leasehold in Rose Building and other property and equipment, less accumulated depreciation of \$9,734 in 2011 and \$9,207 in 2010	<u>5,231</u>	<u>5,247</u>
	<u>\$ 187,301</u>	<u>\$ 175,450</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,908	\$ 4,337
Advance ticket sales and other deferred revenue	4,265	2,641
Payroll-related liabilities due to CCMD	877	1,010
Payroll-related and other liabilities	<u>9,719</u>	<u>10,219</u>
Total liabilities	<u>17,769</u>	<u>18,207</u>
Net assets:		
Unrestricted (see Note I)	<u>17,298</u>	<u>15,276</u>
Temporarily restricted:		
Time and other restrictions	9,729	10,676
Endowment appreciation (see Note H)	<u>32,499</u>	<u>21,549</u>
	<u>42,228</u>	<u>32,225</u>
Permanently restricted (see Note H):		
Wallace endowment	57,750	57,750
Endowments for which income is unrestricted	21,611	21,382
Endowments for which income is restricted	<u>30,645</u>	<u>30,610</u>
	<u>110,006</u>	<u>109,742</u>
Total net assets	<u>169,532</u>	<u>157,243</u>
	<u>\$ 187,301</u>	<u>\$ 175,450</u>

# NEW YORK CITY BALLET, INC.

## Statement of Activities

Year Ended June 30, 2011

(with summarized financial information for 2010)

(in thousands)

	2011						2010	
	General Operating	Board Designated	Funded Fixed Assets	Unrestricted Total	Temporarily Restricted	Permanently Restricted	Total	
<b>Operating revenues:</b>								
Performance ticket sales and tour fees	\$ 27,768			\$ 27,768			\$ 27,768	\$ 25,358
Investment earnings per spending policy	7,235			7,235	\$ 30		7,265	9,717
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	10,928
Other revenues	1,025			1,025			1,025	822
<b>Total operating revenues</b>	<b>38,705</b>	<b>2,436</b>		<b>41,141</b>	<b>10,949</b>		<b>52,090</b>	<b>46,825</b>
<b>Operating expenses:</b>								
Program services:								
Ballet production costs	41,599			41,599			41,599	42,379
Depreciation			\$ 351	351			351	352
Facility expenses	4,843			4,843			4,843	4,690
Production-management expenses	4,116			4,116			4,116	4,385
	<b>50,558</b>		<b>351</b>	<b>50,909</b>			<b>50,909</b>	<b>51,806</b>
Supporting services:								
Administration	5,478			5,478			5,478	5,409
Public support expense	3,843			3,843			3,843	4,643
	<b>9,321</b>			<b>9,321</b>			<b>9,321</b>	<b>10,052</b>
<b>Total operating expenses</b>	<b>59,879</b>		<b>351</b>	<b>60,230</b>			<b>60,230</b>	<b>61,858</b>
Loss from operations before public support	(21,174)	2,436	(351)	(19,089)	10,949		(8,140)	(15,033)
<b>Public support:</b>								
Appropriation from the City of New York	1,156			1,156			1,156	1,113
Other public support	13,576			13,576	3,621	\$ 264	17,461	17,483
Utilization of temporarily restricted net assets	4,567			4,567	(4,567)		0	
<b>Total public support</b>	<b>19,299</b>			<b>19,299</b>	<b>(946)</b>	<b>264</b>	<b>18,617</b>	<b>18,596</b>
<b>Surplus (deficit) before capital expenditures:</b>	<b>(1,875)</b>	<b>2,436</b>	<b>(351)</b>	<b>210</b>	<b>10,003</b>	<b>264</b>	<b>10,477</b>	<b>3,563</b>
Capital expenditures	(240)	(260)	500	0			0	
<b>Surplus (deficit):</b>	<b>(2,115)</b>	<b>2,176</b>	<b>149</b>	<b>210</b>	<b>10,003</b>	<b>264</b>	<b>10,477</b>	<b>3,563</b>
Pension plan and postemployment adjustments	1,812			1,812			1,812	(865)
Interest on operating funds								223
<b>Change in net assets</b>	<b>(303)</b>	<b>2,176</b>	<b>149</b>	<b>2,022</b>	<b>10,003</b>	<b>264</b>	<b>12,289</b>	<b>2,921</b>
Net assets, beginning of year	(7,459)	19,155	3,580	15,276	32,225	109,742	157,243	154,322
<b>Net assets, end of year</b>	<b>\$ (7,762)</b>	<b>\$ 21,331</b>	<b>\$ 3,729</b>	<b>\$ 17,298</b>	<b>\$ 42,228</b>	<b>\$ 110,006</b>	<b>\$ 169,532</b>	<b>\$ 157,243</b>

See notes to financial statements

# NEW YORK CITY BALLET, INC.

**Statement of Activities**  
**Year Ended June 30, 2010**  
(in thousands)

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	General Operating	Board Designated	Fixed Assets			
<b>Operating revenues:</b>						
Performance ticket sales and tour fees	\$ 25,358			\$ 25,358		\$ 25,358
Investment earnings per spending policy	7,879			7,879	\$ 1,838	9,717
Income in excess of spending policy		\$ 2,473		2,473	8,455	10,928
Other revenues	822			822		822
<b>Total operating revenues</b>	<u>34,059</u>	<u>2,473</u>		<u>36,532</u>	<u>10,293</u>	<u>46,825</u>
<b>Operating expenses:</b>						
Program services:						
Ballet production costs	42,379			42,379		42,379
Depreciation			\$ 352	352		352
Facility expenses	4,690			4,690		4,690
Production-management expenses	4,385			4,385		4,385
	<u>51,454</u>		<u>352</u>	<u>51,806</u>		<u>51,806</u>
Supporting services:						
Administration	5,409			5,409		5,409
Public support expense	4,643			4,643		4,643
	<u>10,052</u>			<u>10,052</u>		<u>10,052</u>
<b>Total operating expenses</b>	<u>61,506</u>		<u>352</u>	<u>61,858</u>		<u>61,858</u>
Loss from operations before public support	<u>(27,447)</u>	<u>2,473</u>	<u>(352)</u>	<u>(25,326)</u>	<u>10,293</u>	<u>(15,033)</u>
<b>Public support:</b>						
Appropriation from the City of New York	1,113			1,113		1,113
Other public support	12,377			12,377	4,141	17,483
Utilization of temporarily restricted net assets	5,828			5,828	(5,828)	0
<b>Total public support</b>	<u>19,318</u>			<u>19,318</u>	<u>(1,687)</u>	<u>18,596</u>
Surplus (deficit) before capital expenditure	<u>(8,129)</u>	<u>2,473</u>	<u>(352)</u>	<u>(6,008)</u>	<u>8,606</u>	<u>3,563</u>
<b>Surplus (deficit):</b>	(8,129)	2,473	(352)	(6,008)	8,606	3,563
Reimbursement from board-designated funds	6,323	(6,323)		0		0
Pension plan and postemployment adjustments	(865)			(865)		(865)
Interest on operating funds	223			223		223
<b>Change in net assets</b>	<u>(2,448)</u>	<u>(3,850)</u>	<u>(352)</u>	<u>(6,650)</u>	<u>8,606</u>	<u>2,921</u>
Net assets, beginning of year	<u>(5,011)</u>	<u>23,005</u>	<u>3,932</u>	<u>21,926</u>	<u>23,619</u>	<u>154,322</u>
<b>Net assets, end of year</b>	<u>\$ (7,459)</u>	<u>\$ 19,155</u>	<u>\$ 3,580</u>	<u>\$ 15,276</u>	<u>\$ 32,225</u>	<u>\$ 157,243</u>

See notes to financial statements

# NEW YORK CITY BALLET, INC.

## Statements of Cash Flows

(in thousands)

	<u>Year Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities:</b>		
Change in net assets:		
Unrestricted	\$ 2,022	\$ (6,650)
Temporarily restricted	10,003	8,606
Permanently restricted	<u>264</u>	<u>965</u>
	12,289	2,921
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	527	622
Contributions restricted for long-term activities	(410)	(2,758)
Bad debt expense	83	268
Donated securities	(296)	(701)
Net gain on investments	(22,800)	(20,322)
Changes in:		
Gift annuities	(527)	(288)
Pledges receivable	3,942	2,981
Accounts receivable	(83)	259
Inventory	(83)	(26)
Deferred production costs	(926)	(306)
Due from CCMD	(527)	870
Accounts payable and accrued expenses	(1,429)	1,654
Advance ticket sales and other deferred revenue	1,624	2,507
Payroll-related liabilities due to CCMD	(133)	90
Payroll-related and other liabilities	<u>(500)</u>	<u>256</u>
Net cash used in operating activities	<u>(9,249)</u>	<u>(11,973)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	74,045	35,048
Purchases of investments	(65,833)	(22,822)
Purchases of property and equipment	<u>(511)</u>	<u>(101)</u>
Net cash provided by investing activities	<u>7,701</u>	<u>12,125</u>
<b>Cash flows from financing activities:</b>		
Endowment contributions	<u>410</u>	<u>2,758</u>
<b>Net change in cash and cash equivalents</b>	<b>(1,138)</b>	2,910
Cash and cash equivalents - beginning of year	<u>4,070</u>	<u>1,160</u>
<b>Cash and cash equivalents - end of year</b>	<b><u>\$ 2,932</u></b>	<b><u>\$ 4,070</u></b>

## **NEW YORK CITY BALLET, INC.**

### **Notes to Financial Statements June 30, 2011 and 2010**

#### **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 and a constituent of City Center of Music and Drama, Inc. ("CCMD"). City Ballet operates as an entity independent of CCMD that provides certain services 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 market 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.

## **NEW YORK CITY BALLET, INC.**

### **Notes to Financial Statements June 30, 2011 and 2010**

#### **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") 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 958 also requires additional disclosures about endowments for all organizations (see Note H).

##### **[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] 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.

##### **[8] Allocation of expenses, income and support:**

CCMD provides services to City Ballet and New York City Opera, Inc. ("City Opera"), a constituent of CCMD through fiscal-year 2011, in connection with its operation and management of the David H. Koch Theater and other administrative and accounting services under a management and services agreement. CCMD's David H. Koch Theater facility expenses, facility income, and New York City facility support are allocated among the constituents based upon the number of scheduled performance weeks in the theater during the year. Administrative revenue and expense are allocated equally among 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. City Opera has announced its intention to move from Lincoln Center, and it is currently negotiating the terms of its departure with CCMD and City Ballet.

##### **[9] 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 in reasonable ratios by management.



# NEW YORK CITY BALLET, INC.

## Notes to Financial Statements June 30, 2011 and 2010

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

#### [10] 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. City Ballet's board-designated funds are presented as unrestricted because there are no donor restrictions on the use of these net assets.

(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 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 members of the board. Under the terms on NYPMIFA, market appreciation will be classified as temporarily restricted in the accompanying statement of activities, pending appropriations by the Board of Directors. For comparative purposes, fiscal-year 2010 market appreciation on endowment funds has been reclassified from board-designated to temporarily restricted.

(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. For comparative purposes, fiscal-year 2010 market appreciation has been reclassified to temporarily restricted. 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.

#### [11] Gift annuities:

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

#### [12] Income tax:

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

#### [13] Fair-value measurement:

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

#### [14] 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.

## NEW YORK CITY BALLET, INC.

### Notes to Financial Statements June 30, 2011 and 2010

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

##### [15] Reclassifications:

Certain prior-year balances have been reclassified for comparative purposes.

#### NOTE B - INVESTMENTS

At each fiscal year-end, investments consisted of the following (in thousands):

	<u>2011</u>	<u>2010</u>
Endowment investments:		
Equities	\$ 41,080	\$ 47,307
Alternative investments	112,990	84,424
Cash equivalents	<u>9,379</u>	<u>16,834</u>
	<u>\$ 163,449</u>	<u>\$ 148,565</u>

During fiscal-years 2011 and 2010, net investment income consisted of the following (in thousands):

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 497	\$ 323
Net realized gains	14,111	10,345
Net unrealized gains	<u>8,689</u>	<u>9,977</u>
	<u>\$ 23,297</u>	<u>\$ 20,645</u>

Included in interest and dividends are management fees of \$433,000 and \$416,000 for fiscal-years 2011 and 2010, respectively.

Fair-value measurement as defined in ASC 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 1 assets include cash and cash equivalents, U.S. Treasury Bills, equity and fixed-income securities, and mutual funds.
- 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 equity and fixed-income securities and mutual fund that are redeemable at or near the balance sheet date and for which a model was derived for a valuation.
- Level 3 - Fair value is determined based on pricing inputs that are unobservable and includes situations where there is little, if any, market activity for the asset or liability. Level 3 assets include diversified hedge funds and investments in limited partnerships, the underlying investments of which could not be independently valued, or cannot be immediately redeemed at or near fiscal year-end.

**NEW YORK CITY BALLET, INC.**

**Notes to Financial Statements  
June 30, 2011 and 2010**

**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, 2011 and 2010. 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 City Ballet's assets at each fiscal year-end, in accordance with the valuation hierarchy levels:

	<b>June 30, 2011</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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
	<u>\$ 50,459</u>	<u>\$ 18,854</u>	<u>\$ 95,548</u>	<u>\$ 164,861</u>

  

	<b>June 30, 2010</b>		
	<b>Level 1</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 16,834		\$ 16,834
Equity securities	47,307		47,307
Alternative investments		\$ 84,424	84,424
Charitable gift annuities		885	885
	<u>\$ 64,141</u>	<u>\$ 85,309</u>	<u>\$ 149,450</u>

The following summarizes the changes in fair value of City Ballet's Level 3 investments in fiscal-years 2011 and 2010 (in thousands):

	<b>Fair-Value Measurements Using Level 3 Inputs</b>	
	<b>2011</b>	<b>2010</b>
Opening balance	\$ 85,309	\$ 70,911
Purchases	17,133	4,048
Redemptions	(18,379)	(795)
Realized gains	3,587	204
Unrealized gains	7,898	10,941
Closing balance	<u>\$ 95,548</u>	<u>\$ 85,309</u>

## NEW YORK CITY BALLET, INC.

### Notes to Financial Statements June 30, 2011 and 2010

#### NOTE B - INVESTMENTS (CONTINUED)

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

	June 30, 2011			
	Fair Value (in thousands)	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Offshore hedge funds:				
	\$ 6,052	None	Monthly	90 days
	12,122	None	Annually	45 days
	8,004	None	Quarterly	90 days
	6,251	None	Quarterly	90 days
	4,760	None	Quarterly	100 days
	7,433	None	Quarterly	65 days
	5,749	None	6/30 or 12/31	45 days
	12,953	None	Quarterly	Subject to "gate"
	4,146	None	Quarterly	Subject to "gate"
Limited partnerships:				
	\$ 5,974	None	Annual (12/31)	60 days
	13,920	None	Monthly	1 day
	6,772	None	Quarterly	30 days

#### NOTE C - PLEDGES RECEIVABLE

Pledges of \$7,308,000 and 11,333,000 have been recorded net of applicable discounts of \$146,000 and \$505,000 in fiscal-years 2011 and 2010, respectively. Pledges specifically for City Ballet's endowment, net of applicable discounts, totaled \$474,000 and \$1,880,000 in fiscal-years 2011 and 2010, respectively. Pledges are expected to be collected as follows (in thousands):

	June 30,			
	2011		2010	
	Operating	Endowment	Operating	Endowment
Less than one year	\$ 4,590	\$ 120	\$ 5,600	\$ 1,880
One to five years	2,344	354	4,121	
Allowance for doubtful pledges	(100)		(268)	
Total	<u>\$ 6,834</u>	<u>\$ 474</u>	<u>\$ 9,453</u>	<u>\$ 1,880</u>

#### NOTE D - PENSION PLANS

Until fiscal-year 2011, City Ballet participated in a noncontributory, 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, 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. The policy is to fund annually the required contribution necessary to comply with the Employee Retirement Income Security Act of 1974 ("ERISA").

## NEW YORK CITY BALLET, INC.

### Notes to Financial Statements June 30, 2011 and 2010

#### NOTE D - PENSION PLANS (CONTINUED)

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

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Projected benefit obligation	<u>\$ (16,185)</u>	\$ (15,172)
Plan assets at fair value	<u>10,353</u>	<u>8,347</u>
Funded status (asset deficit), recognized as liabilities in the statements of financial position	<u>\$ (5,832)</u>	<u>\$ (6,825)</u>

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

	<u>2011</u>	<u>2010*</u>
Discount rate	<b>5.43%</b>	6.29%
Long-range return on assets	<b>7.50%</b>	7.50%
Rate of compensation increase	<b>4.00%</b>	4.00%

\* Assumptions made in CCMD plan

The following items are the components of the net periodic pension cost for the Plan for the fiscal-year ended June 30, 2011 (in thousands):

Expected return on plan assets	\$ (646)
Service cost benefit earned during the year	412
Interest cost on projected benefit obligation	801
Amortization of prior service cost	15
Amortization of accumulated loss	<u>401</u>
Net periodic pension cost	<u>\$ 983</u>

Information with regards to contributions to the Plan and benefits paid during fiscal-year 2011 and 2010 are as follows:

	<u>June 30,</u>	
	<u>2011</u>	<u>2010*</u>
Employer contributions	<u>\$ 756</u>	<u>\$ 1,123</u>
Benefits paid	<u>\$ 312</u>	<u>\$ 274</u>

\* Contributions and payments made through the CCMD's plan.

City Ballet expects to contribute approximately \$1,240,000 to its pension plan in fiscal-year 2012.

## NEW YORK CITY BALLET, INC.

### Notes to Financial Statements June 30, 2011 and 2010

#### NOTE D - PENSION PLANS (CONTINUED)

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

<u>Fiscal-year ending June 30,</u>	<u>Pension Benefits</u>
2012	\$ 688
2013	672
2014	795
2015	868
2016	966
2017-2021	6,325

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 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, 2011, the asset allocation is 67% U.S. equity securities, 15% international equity securities, 10% alternative investments, 4% debt securities, and 4% cash equivalents. 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, 2011, and the actual weighted-average allocations as of June 30, 2011 and July 1, 2010, are as follows:

	<u>Target 2011</u>	<u>Actual 2011</u>	<u>Actual 2010*</u>
Equity securities	80%	82%	49%
Debt securities	5%	4%	33%
Alternative investments	10%	10%	13%
Cash equivalents	5%	4%	5%

\*Asset allocation for CCMD plan

City Ballet's net periodic pension cost for fiscal-year 2011 and allocated net periodic pension cost for fiscal-year 2010 was approximately \$983,000 and \$1,058,000, respectively. City Ballet's accrued benefit liability at June 30, 2011 and 2010 was approximately \$5,831,000 and \$6,825,000, 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, were \$5,311,000 and \$6,916,000 in fiscal-years 2011 and 2010, 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 \$2,519,000 and \$2,514,000 in fiscal years 2011 and 2010, respectively.

## NEW YORK CITY BALLET, INC.

### Notes to Financial Statements June 30, 2011 and 2010

#### NOTE E - 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 2011 and 2010. 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 2011 and 2010, 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 \$352,000 and \$424,000 for fiscal-year 2011 and 2010, respectively. Future minimum lease payments under these leases are \$188,000 at June 30, 2012, approximately \$195,000 for each fiscal year from 2013 through 2016, and \$779,000 thereafter.

#### NOTE F - 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 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 using the "pay-as-you-go" method.

Unrestricted net assets of City Ballet were increased by \$ 179,000 in fiscal-year 2011 and decreased by \$117,000 in fiscal-year 2010, 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 (in thousands):

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Accumulated obligation	\$ 1,126	\$ 1,300
Unrecognized amounts	<u>799</u>	<u>770</u>
	<u>\$ 327</u>	<u>\$ 530</u>
	<u>June 30</u>	
	<u>2011</u>	<u>2010</u>
Postretirement benefit obligation at the end of year:		
Actives not fully eligible to retire	\$ 192	\$ 168
Actives fully eligible to retire	199	241
Retirees	<u>736</u>	<u>891</u>
Total	<u>\$ 1,127</u>	<u>\$ 1,300</u>

**NEW YORK CITY BALLET, INC.**

**Notes to Financial Statements  
June 30, 2011 and 2010**

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

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

	<b>June 30,</b>	
	<b>2011</b>	<b>2010</b>
Net periodic postretirement benefit cost:		
Service	\$ 5	\$ 3
Interest	65	74
Amortization of accumulated loss	<u>54</u>	<u>33</u>
Net periodic postretirement benefit cost	<b>124</b>	110
Actual payments	<u>(95)</u>	<u>(75)</u>
Net change	<b>29</b>	35
Accumulated obligation:		
Beginning of year	<u>770</u>	<u>735</u>
End of year	<u><b>\$ 799</b></u>	<u><b>\$ 770</b></u>

Estimated benefit payments are as follows:

<b>Year Beginning July 1,</b>	<b>Estimated Employer Benefit Payment</b>
2011	\$ 82
2012	82
2013	82
2014	86
2015	85
2016 - 2010	426

The accumulated postretirement benefit obligation was actuarially determined as of June 30, 2011, 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 10.1%. 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, were \$455,000 and \$604,000 in fiscal-years 2011 and 2010, respectively.



**NEW YORK CITY BALLET, INC.**

**Notes to Financial Statements  
June 30, 2011 and 2010**

**NOTE G - SCHEDULE OF FUNCTIONAL EXPENSES (in thousands)**

	<u>Ballet Production Costs</u>	<u>Facility Expenses</u>	<u>Production Management Expenses</u>	<u>Total Program Services</u>	<u>Administration</u>	<u>Public Support Expenses</u>	<u>2011 Total</u>	<u>2010 Total</u>
Salaries	\$ 23,163	\$ 31	\$ 3,119	\$ 26,313	\$ 2,369	\$ 1,382	\$ 30,064	\$ 30,047
Benefits	<u>8,940</u>	<u>9</u>	<u>921</u>	<u>9,870</u>	<u>835</u>	<u>580</u>	<u>11,285</u>	<u>11,379</u>
Salaries and related benefits	32,103	40	4,040	36,183	3,204	1,962	41,349	41,426
Occupancy	102	777		879	9	6	894	911
Depreciation	107	354		461	31	35	527	622
Printing	3,231			3,231	5	236	3,472	3,543
Transportation	1,118			1,118	25	103	1,246	1,272
Scenery, music, and costumes	2,582			2,582			2,582	3,093
Professional fees	1,117	2	60	1,179	652	1,419	3,250	4,005
Data processing, telephone and office expenses	218			218	78	82	378	360
Miscellaneous expenses	357	12	16	385	441		826	1,144
Departmental overhead allocation	664			664	(664)		0	
CCMD shared services allocation		4,009		4,009	1,697		5,706	5,482
	<u>\$ 41,599</u>	<u>\$ 5,194</u>	<u>\$ 4,116</u>	<u>\$ 50,909</u>	<u>\$ 5,478</u>	<u>\$ 3,843</u>	<u>\$ 60,230</u>	<u>\$ 61,858</u>

**NEW YORK CITY BALLET, INC.**

**Notes to Financial Statements  
June 30, 2011 and 2010**

**NOTE H - 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 \$474,000 and \$1,880,000 in pledges, composed by type of fund as of June 30, 2011 and 2010:**

	<b>Year Ended June 30, 2011</b>			<b>Total</b>
	<b>Board- Designated</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
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		<u>19,905</u>	<u>57,750</u>	<u>77,655</u>
Total unrestricted	<u>21,591</u>	<u>23,127</u>	<u>79,186</u>	<u>123,904</u>
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		<u>119</u>	<u>235</u>	<u>354</u>
Total restricted		<u>9,372</u>	<u>30,645</u>	<u>40,017</u>
Investment held by others			<u>175</u>	<u>175</u>
Total	<u>\$ 21,591</u>	<u>\$ 32,499</u>	<u>\$ 110,006</u>	<u>\$ 164,096</u>

**NEW YORK CITY BALLET, INC.**

**Notes to Financial Statements  
June 30, 2011 and 2010**

**NOTE H - ENDOWMENTS (CONTINUED)**

	<b>Year Ended June 30, 2010</b>			
	<b>Board- Designated</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Functioning as Endowment	\$ 10,475		\$ 7,162	\$ 17,637
Tour	2,100			2,100
Delmas	6,580			6,580
Capital Campaign		\$ 1,769	14,136	15,905
Martison Memorial/Society Loan		127	84	211
Wallace	<u>          </u>	<u>14,073</u>	<u>57,750</u>	<u>71,823</u>
Total unrestricted	<u>19,155</u>	<u>15,969</u>	<u>79,132</u>	<u>114,256</u>
Choreographic Institute		1,605	16,153	17,758
Nureyev Repertory		58	1,000	1,058
Martins Repertory		909	3,000	3,909
Martins' 25		28	345	373
Balanchine Repertory		393	1,310	1,703
Symphony in C		509	1,000	1,509
Robbins Repertory		8	67	75
Touring		943	2,975	3,918
Education		151	775	926
Levin Dance		304	1,000	1,304
Dance On		4	500	504
Musical Leadership		530	2,000	2,530
Scenic Design Maintenance		45	250	295
Kirstein Memorial		<u>93</u>	<u>235</u>	<u>328</u>
Total restricted	<u>          </u>	<u>5,580</u>	<u>30,610</u>	<u>36,190</u>
Total	<u>\$ 19,155</u>	<u>\$ 21,549</u>	<u>\$ 109,742</u>	<u>\$ 150,446</u>

**NEW YORK CITY BALLET, INC.**

**Notes to Financial Statements  
June 30, 2011 and 2010**

**NOTE H - ENDOWMENTS (CONTINUED)**

**[2] Changes in endowment net assets in fiscal-years 2011 and 2010:**

	Year Ended June 30, 2011			
	Board- Designated	Temporarily Restricted	Permanently Restricted	Total
Opening balance	<u>\$ 19,155</u>	<u>\$ 21,549</u>	<u>\$ 107,861</u>	<u>\$ 148,565</u>
Expenses	(45)	(388)		(433)
Realized gains	1,573	13,474		15,047
Unrealized gains	<u>908</u>	<u>7,779</u>		<u>8,687</u>
Subtotal	<u>2,436</u>	<u>20,865</u>		<u>23,301</u>
Additions			1,495	1,495
Spending policy draw-5%		<u>(7,235)</u>		<u>(7,235)</u>
Additional draw-2%		<u>(2,677)</u>		<u>(2,677)</u>
	21,591	<u>\$ 32,502</u>	<u>\$ 109,356</u>	<u>\$ 163,449</u>
Capital expenditures yet to be funded	<u>(260)</u>			
Endowment net assets, end of year	<u>\$ 21,331</u>			
	Year Ended June 30, 2010			
	Board- Designated	Temporarily Restricted	Permanently Restricted	Total
Opening balance	<u>\$ 23,005</u>	<u>\$ 11,255</u>	<u>\$ 105,704</u>	<u>\$ 139,964</u>
Expenses	(50)	(366)		(416)
Realized gains	1,328	9,757		11,085
Unrealized gains	<u>1,195</u>	<u>8,782</u>		<u>9,977</u>
Subtotal	<u>2,473</u>	<u>18,173</u>		<u>20,646</u>
Additions			2,157	2,157
Spending policy draw		<u>(7,879)</u>		<u>(7,879)</u>
Additional draw	<u>(6,323)</u>			<u>(6,323)</u>
Endowment net assets, end of year	<u>\$ 19,155</u>	<u>\$ 21,549</u>	<u>\$ 107,861</u>	<u>\$ 148,565</u>

**[3] Donor-restricted endowment:**

The historic dollar value of City Ballet's donor-restricted endowment as of June 30, 2011 was \$30,645,000. 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.

# NEW YORK CITY BALLET, INC.

## Notes to Financial Statements June 30, 2011 and 2010

### NOTE H - ENDOWMENTS (CONTINUED)

#### [3] Donor-restricted endowment: (continued)

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 2011, this was 5.0% of a moving average of 20 quarterly market values, through December 2009. Also, for fiscal-year 2011 the Board of Directors approved an additional 2.0% appropriation, based on the same average market value calculation. Further, board designated funds have been re-designated in the amount of \$2,115,000 to fund the fiscal-year 2011 operating deficit. The spending policy draw in fiscal-year 2010 was 5.0%; that fiscal-year's operating deficit was partially funded from accumulated funds functioning as endowment in the amount of \$6,323,000.

### NOTE I - UNRESTRICTED NET ASSETS

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

	<u>2011</u>	<u>2010</u>
Undesignated	\$ (1,996)	\$ 119
Pension/postemployment accumulated other income and loss	(5,766)	(7,578)
Fixed assets	3,729	3,580
Board-designated	<u>21,331</u>	<u>19,155</u>
Total	<u>\$ 17,298</u>	<u>\$ 15,276</u>

**NEW YORK CITY BALLET, INC.**

**Notes to Financial Statements  
June 30, 2011 and 2010**

**NOTE I - 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 2011 and 2010:

<b>New York City Ballet AOCI Fund Balance Analysis</b>			
<u>Fiscal-Year 2011</u>	<u>Pension</u>	<u>Post- employment</u>	<u>Total AOCI</u>
Allocated from CCMD	\$ (639)	\$ (31)	\$ (670)
City Ballet direct	<u>(4,672)</u>	<u>(424)</u>	<u>(5,096)</u>
Total - 6/30/11	<u>\$ (5,311)</u>	<u>\$ (455)</u>	<u>\$ (5,766)</u>
<u>Fiscal-Year 2010</u>			
Allocated from CCMD	\$ (1,051)	\$ (227)	\$ (1,278)
City Ballet direct	<u>(5,893)</u>	<u>(407)</u>	<u>(6,300)</u>
Total - 6/30/11	<u>\$ (6,944)</u>	<u>\$ (634)</u>	<u>\$ (7,578)</u>

**NOTE J - 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 (in thousands):

	<b>Year Ended June, 30</b>	
	<u>2011</u>	<u>2010</u>
Appropriation from the City of New York	\$ 1,156	\$ 1,113
Other governmental agencies	271	350
Special events	4,191	3,638
Guild	2,341	2,373
Foundation	2,639	2,659
Corporate	1,359	1,210
Individual	6,954	7,534
Estates	<u>388</u>	<u>441</u>
Total	<u>\$ 19,299</u>	<u>\$ 19,318</u>