

2001 Annual Report

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The George Balanchine Trust
20 Lincoln Center
New York, NY 10023

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Leadership in Classical Dance

New York City Ballet's 2000-01 performance season was a testament to something we can never take for granted: our incomparable repertory. Only at New York City Ballet can audiences see such a variety of works as we continue to program as Balanchine taught us, interweaving ballets from evening to evening so that no repertory performance is ever quite like the one before or after it.

While the work of Balanchine and Robbins will forever be the soul of our repertory, this year we announced the appointment of Christopher Wheeldon as the Company's first-ever Artist in Residence. This position, made possible by the Campaign for New York City Ballet, will allow us to recruit choreographers, musicians and designers to work in residence with us over the course of a year. During his year as Artist in Residence Christopher created two new ballets, *Polyphonia* and *Variations Sérieuses*, and now that his residency is completed, he will continue to make ballets for the Company as our newly appointed Resident Choreographer.

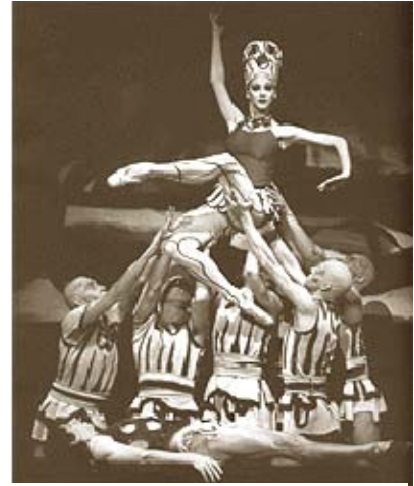
In addition to the ballets by Wheeldon, four other ballets premiered this past year. Eliot Feld choreographed *Organon*, featuring a cast of 63 dancers and set to the organ music of Johann Sebastian Bach. Richard Tanner created *Soirée* to the music of Nino Rota, a showcase for some of our younger dancers, and I choreographed *Morgen*, based on lieder by Richard Strauss, and *Burleske*, which was also set to the music of Strauss.

In addition to making works for the public, successful artists need the means to experiment, and choreographers are no exception. In September we launched a long-held dream of mine: the New York Choreographic Institute. Through the extraordinary support of Irene Diamond, the Institute provides both nascent and experienced choreographers with a chance to work with some of the world's finest classical dancers as they explore their craft. At the same time, they have the opportunity to share and exchange ideas in a collegial environment. It is my hope that the Institute will identify and further develop gifted choreographers, while serving as an advocate for choreography and classical ballet.

During the summer of 2000 the Company traveled to Scotland for a week of performances at the Edinburgh International Festival, followed by engagements in Osaka and Tokyo, Japan. In both countries we performed repertory consisting of works by Balanchine and Robbins, and we were met with sold-out houses and enthusiastic audiences. Such positive feedback from unfamiliar sources invigorates the dancers, and reaffirms the Company's position of leadership in the field of classical dance.

None of our accomplishments this past year could have happened without the extreme dedication of the dancers, musicians, and artistic and administrative staff, as well as the generosity of our patrons and the loyalty of our audience members. I am deeply grateful to all, and extend utmost thanks on behalf of the entire Company.

Peter Martins—*Ballet Master in Chief*



Maria Kowroski, Damian Woetzel and NYCB ensemble in *Prodigal Son* Choreographed by George Balanchine © The George Balanchine Trust Photo © Paul Kolnik

The Genius of Repertory

New York City Ballet is correctly perceived as a unique dance company—unique in repertory, unique in style, unique in achievement and unique in ambition. Our repertory continues, at its core, to be one of the world's most serious collections of dance art— not merely bravura showpieces, nor works with lavish sets and costumes for their own sake, but above all beauty and feeling captured in movement and music. At its best it can be unsurpassingly revelatory and communicative—like all great art. Of course, the Company does, and should, perform works that entertain with humor, virtuosity and spectacle. But what our dancers and musicians and audiences love the most are those transporting moments that reach some deeper part of us.

Of course there can be no repertory without performers, and what NYCB achieves year after year are performances that express the genius of its repertory through our superb dancers and through our orchestra, which is playing wonderfully under the leadership of our new music director, Andrea Quinn. Ms. Quinn was selected after a yearlong search in consultation with our orchestra, who enthusiastically endorsed her appointment.

We continue to present at least 60 different ballets each year, an incredible diversity that our audiences, half of which are subscribers, demand. The workload on our dancers to rehearse and perform so many ballets each season is enormous. So the first message this year is to express our appreciation to them and to our orchestra for the great pleasure they give us year after year.

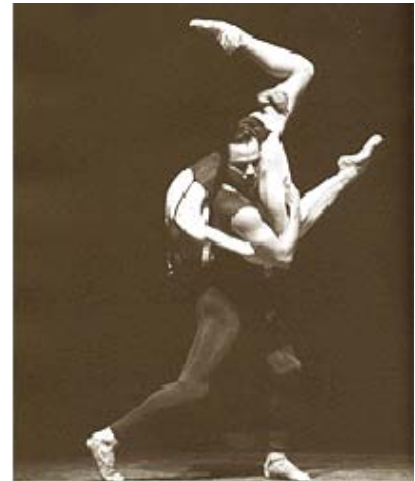
Last year we also saw the initiation of the New York Choreographic Institute, an ambitious effort to discover and encourage new choreography. Great art is a rare residue of many efforts, but if promising choreographers do not have the opportunity to develop their art with trained bodies, we will not be able to achieve the repertory of the future to mingle with the great repertory we have today.

All of these achievements, of course, could not be possible without the leadership of Peter Martins and his staff and ultimately the generosity of our patrons and audiences, for which we are profoundly grateful.

These are stressful times, emotionally for all of us and financially for art institutions, and yet we need the salutary benefits of great art greatly performed to confirm why we live in and around New York, the cultural capital of the world, and indeed why it makes our lives themselves so much more precious and pleasurable.

Finally, I would like to welcome members of our newly formed advisory board—H. Paul Burak, Esq., Denise Dennis, Fiona Druckenmiller, Mary Anne Gilmartin, Wendy Durst Kreeger, David Nadler, Valerie S. Peltier, Michael A. Stocker, MD, and Sandra A. Wijnberg— and to express deep appreciation to the entire board of directors for its continued guidance and support, especially those who have completed terms of service this past year: Judy Bernstein Bunzl, Michael Cooper, Arie Kopelman, Mary O'Boyle, and Lucile Peyrelongue. These individuals have demonstrated exceptional devotion to NYCB and we all hope they will maintain close ties to the Company in the future.

Howard Solomon — *Chairman*



Wendy Whelan, Jock Soto
Polyphonia
Choreography © Christopher Wheeldon
Photo © Paul Kolnik

Season Highlights 2000-2001

Winter Season

New York City Ballet was conceived by George Balanchine and Lincoln Kirstein as a company that would be firmly anchored in and representative of its hometown, and its extensive repertory and frequency of performance (seven times a week during the winter and spring seasons) are in their own way an expression of the city. The Company's winter season at the New York State Theater began on November 21, with an opening night benefit, called "*Looking at Love...*," which featured excerpts from 10 ballets celebrating love in all its many forms. The Chair for the evening was Kate Betts, with Corporate Chairs Elizabeth and Jeffrey Peek. Merrill Lynch & Co., Inc. was the evening's generous sponsor. From November 24 to December 21, the Company presented *George Balanchine's The Nutcracker*™ which was generously sponsored by Citibank for the third year running. Created by Balanchine for the Company in 1954, *The Nutcracker* has been an annual holiday tradition in New York ever since, and also an inspiration for the 100-plus versions currently seen in the U.S. every December.

The winter repertory season began on January 2 with a pot works by Balanchine and Robbins, and continued through February 25, featuring 46 ballets that included three world premieres. The first of these, by Christopher Wheeldon, took place on JanuSet to piano compositions by György Ligeti, Wheeldon's *Polyphonia* offered an homage to Balanchine's leotard ballets and confirmed the young choreographer's appointment as NYCB's first-ever Artist in Residence. The Wheeldon residency was made possible by the Geoffrey C. Hughes Foundation. The second new work, by Eliot Feld, was presented on January 23 as part of the Company's annual New Combinations Evening honoring the anniversary of Balanchine's birth. Set to organ music by J.S. Bach, *Organon*, Mr. Feld's second work for the Company, featured an unusually large cast of 63 dancers, including 30 students from the School of American Ballet. At the conclusion of the premiere performance New Combinations Fund members joined the dancers backstage for toasts to Mr. Feld and to Balanchine and his legacy. The third premiere of the season was Peter Martins' *Burleske*, the 68th ballet he has created for the Company.

Among the 24 Balanchine ballets and 9 Jerome Robbins ballets featured during the winter season, highlights included the return of Balanchine's *Variations pour une Porte et un Soupir*, last performed in 1994, and *Prodigal Son*, last performed in 1998. Four ballets from the 2000 Diamond Project were also reprised: Peter Martins' *Harmonielehre* and *Slonimsky's Earbox*, Helgi Tomasson's *Prism*, and Christopher Wheeldon's *Mercurial Manoeuvres*. A special performance on February 20 commemorated the 50th anniversary of Balanchine's *La Valse*, and featured that ballet alongside the choreographer's *Stars and Stripes* and Peter Martins' *Burleske*.



Jock Soto, Darci Kistler, Jenifer Ringer,
and Janie Taylor in *Morgen*
Choreography by Peter Martins
Photo © Paul Kolnik



Maria Kowroski and NYCB ensemble in *Variations Sérieuses*
Choreography © Christopher Wheeldon
Photo © Paul Kolnik

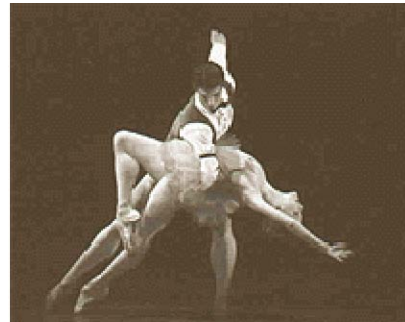
Spring Season

The New York City Ballet's spring season opened on May 1 with an all-Balanchine program, and featured 45 ballets over the following nine-week season. Christopher Wheeldon's *Variations Sérieuses* and Peter Martins' *Morgen* premiered at the Company's Spring Gala on May 10, which was chaired by Nina Griscom, Carolyn Roehm, and Annette Tapert, with corporate chairs Mary Kay and John Strangfeld and sponsored by Prudential Securities. Richard Tanner contributed a third premiere during the spring season, *Soirée*, a showcase for the Company's next generation of dancers, set to a score by Italian composer Nino Rota. A special Bach Tribute program, in remembrance of the 250th anniversary of the composer's death, provided a season highlight, as did the return to the repertory of Jerome Robbins' comic *The Concert*, and four Balanchine ballets: *Swan Lake*, *Cortège Hongrois*, *Firebird*, and *La Sonnambula*. The last week of the season featured Balanchine's enchanting *A Midsummer Night's Dream*.

During the course of *The Nutcracker* and both the winter and spring seasons at the New York State Theater, more than 350,000 people saw the Company perform, resulting in more than \$18.5 million in ticket sales.

New York and Beyond

The annual exception to the Company's urban existence is a three-week residency in upstate New York at the Saratoga Performing Arts Center, which has welcomed NYCB since 1966. Summer 2000, however, held not just a sojourn in Saratoga Springs from July 5 through 22, but a tour to the Edinburgh International Festival and to Japan. Following the annual three-week season in Saratoga Springs, which included a week of Peter Martins' full-length *The Sleeping Beauty*, the Company began an engagement, August 14 through 19, at The Edinburgh Playhouse in the Scottish capital—marking the Company's first appearance in Edinburgh since 1967. The sold-out week of performances featured nine ballets by Balanchine, Robbins' *Dances at a Gathering*, and Martins' *Fearful Symmetries*. The Company then traveled to Japan for the first time since 1988, giving one performance at Osaka's Festival Hall on August 23, followed by four performances at Tokyo's Orchard Hall, August 25 through 27. The repertory for Japan was drawn from the same repertory performed in Edinburgh, as well as Robbins' *West Side Story Suite*.



Carla Körbes and Seth Orza in *Soirée*
Choreography by Richard Tanner
Photo © Paul Kolnik

In conjunction with the tour, NYCB also conducted several outreach programs in advance of the performances. In Scotland, former NYCB dancer Zippora Karz and teaching artist David Healey offered three weeks of workshops for children, exploring tradition and innovation in dance and music in a number of towns around Scotland. In Japan, choreographer Richard Tanner, with two School of American Ballet students, conducted four Balanchine master classes for more than 100 advanced students from ballet schools in the Tokyo area. They also presented *The Music and Movement of the New York City Ballet* at Tokyo's Orchard Hall for family audiences. This program was presented five times and was so successful that the presenters have decided to use it as a model for future touring companies.



NYCB ensemble in *Organon*
Choreography by Eliot Feld
Photo © Paul Kolnik

Demonstrating remarkable devotion to the Company, a number of New York City Ballet patrons traveled to Saratoga and Scotland to attend performances. Each year NYCB offers its Guild members a special Saratoga Weekend package. During the summer of 2000, more than 100 Guild members took advantage of this offer, while many more traveled upstate independently, making their own arrangements. Twenty NYCB patrons crossed the Atlantic to see the Company perform at the Edinburgh International Festival as part of a special trip organized for Dancers Circle Members. In addition to seeing the Company perform, patrons attended the Military Tattoo's 50th Anniversary performance at Edinburgh Castle, and participated in a number of other activities including a private tour of the National Gallery of Scotland and lunch with the Duke and Duchess of Roxburghe at Floors Castle, the largest inhabited castle in Scotland.

The Campaign for New York City Ballet

Launched in April 2000, The Campaign for New York City Ballet is the Company's first capital fundraising effort, aimed primarily at building an endowment for the Company. As of June 30, 2001, the Campaign had \$35,893,771 in endowment and working capital funds. With a goal of more than \$50 million, the Campaign will help to ensure that the Company has the necessary resources to secure its future. Income generated from endowment resources raised thus far generated some \$400,000 in support of the 2000-2001 season.

Over the past year, a number of pledges were received for unrestricted endowment, which supports the core of the Company's work including the maintenance of Balanchine and Robbins masterworks. The endowment also provides support for the creation of new works, touring, enhanced media efforts, education and outreach programs, and the development of choreographers through the New York Choreographic Institute. Lead gifts were made by Jane and Robert Carroll and Whitney and Robert Clay, the estate of Gerard Mandelbaum, James O'Neill, Audrey and Irving Rose, Ted and Carol Shen, and David and Susan Viniar. In addition, Howard Berkowitz, a member of New York City Ballet's board of directors, and his wife created the Judy and Howard Berkowitz Digital Recordings Collection, which will preserve and restore the Company's videotape archive. The archive serves as an historical record of performances as well as a resource for dancers who are learning new roles. This is just one of the many special programs made possible in full, or in part, by The Campaign for New York City Ballet.

Archive

Concurrent with The Campaign for New York City Ballet, the Company began an effort several years ago to organize, preserve, and make useful original materials from New York City Ballet's history. The New York City Ballet Archive endeavors to preserve a treasure trove of documents, photographs, costume sketches, original scores, correspondence, film, and videotapes from NYCB and its precursor Ballet Society, Inc. It also plans to build on related contributions of historical materials from individuals and organizations.

This archival effort reflects the value New York City Ballet places on keeping its history close and accessible, so that future generations of artists, coaches and teachers, administrative staff and leadership will never lose the intent of the Company's founders. In practice, having the materials at hand has already proven useful. It will undoubtedly prove even more so as time makes these materials even more essential to understanding the Company's history. The archive will also serve the broader historical purpose of collecting materials that document the creative accomplishments of George Balanchine, Lincoln Kirstein, and Jerome Robbins in one location.

NYCB Director Emerita Nancy Norman Lassalle, whose gift to The Campaign for New York City Ballet provided working capital needed to begin work on the collections, initiated the effort to establish the archive. Major support for the archive has been provided by Howard and Judy Berkowitz, the National Endowment for the Arts, The Gladys Krieble Delmas Foundation, and New York City Department of Cultural Affairs.

New York Choreographic Institute



Christian Spuck rehearsing
Deana McBrearty and Craig Hall
New York Choreographic Institute

During the Company break in the fall, a pilot session of the newly created New York Choreographic Institute took place, from September 18-30. Established in April 2000 through a gift from The Irene Diamond Fund, the Institute provided nine participating choreographers (seven from NYCB, two from outside the Company) with the opportunity to work with some 40 NYCB dancers over a two-week period at the Rose Building on the Lincoln Center campus. During this time, the participating choreographers—Melissa Barak, Albert Evans, Ryan Kelly, Philip Neal, Dwight Rhoden, Aaron Severini, Christian Spuck, Christopher Wheeldon and Damian Woetzel—were able to work without any pressure to produce a finished piece. At the conclusion of this pilot session, major donors—especially those who support new choreography gathered to meet the participating choreographers and dancers as well as to view an informal presentation of the resulting works.

Educating Audiences

During the 2000-2001 season, New York City Ballet was able to offer a new program for families, *The Family Fun Series*, thanks to a grant given by American Express. The series included a new program, *Ballet for Young People*, which was launched on Saturday, February 17 with a program featuring Ballet Master in Chief Peter Martins, together with Richard Tanner, principal dancer Albert Evans and *corps de ballet* member Melissa Barak, demonstrating various aspects involved in creating a ballet. During the course of the program Barak and Evans created short dances for the children in the audience, finishing with a presentation of the dances on stage. During the spring season the Company presented a second *Ballet for Young People* program featuring Christopher Wheeldon in an exploration of the relationship between music and choreography on the ballet stage. Throughout the year the Company continued to present its *Ballet Fundamentals*, and *Ballet in 3-D* programs for adult and young-adult audiences, and *Family Fanfare*, for small children, as a means of introducing classical dance to a range of age groups. Additional *Ballet Insights* and *Family Insights* programs included a number of public pre-performance discussions providing valuable insights into various aspects of Company life and works. Two Monday night seminars allowed an in-depth focus on two of the season's topics: the work of Artist in Residence Christopher Wheeldon, and the collaboration between principal dancer Damian Woetzel and choreographer Eliot Feld in his new *Organon*.

Volunteers

New York City Ballet volunteers play an important part in the Company's performing and administrative functions. Since 1985, a dedicated group of nearly 350 men and women—their ages ranging from teens to eighties—have provided around 30,000 work hours per year. Volunteers are grouped in different committees, according to their skills, interests, and the time they are able to give. These cover such areas as audience research, developing the Company's repertory notes, archival work, translating foreign language articles about NYCB, staffing the Green Room for receptions, staffing information booths and the gift shop during performances, and providing year-round reception service for the Company's rehearsal studios and offices at the Rose Building. An influx of young corporate volunteers has greatly helped the Business and Professional Committee, one of the most important sources of support for the Dancers Emergency Fund. Volunteers also conduct backstage tours and rehearsal visits, and assist at education programs.

Online Media

New York City Ballet has been a leader in website development since the creation of its site in 1998. In addition to offering online ticketing, the sales of which have grown exponentially, the site also provides information about schedules, casting, ballets, and dancers, and answers queries relating to both the Company and the broader dance world. During the 2000-2001 season, the entire website was redesigned, and its capabilities expanded even further. Secure online shopping at NYCB's gift shop was implemented, as was an intranet system—enabling NYCB to record customer preferences based on box office sales, subscriptions, gift shop sales and inquiries. Other updated features include an expanded NYCB Workout section, a broadened Educational Resources section, and an entirely new News Room feature, which serves as a news service that posts articles on dance that have appeared in publications around the world.

The website's popularity and the success of these changes were made clear by the 43% increase in user activity, with nearly 1.3 million user visits during the year (approximately 5,750 per day) and a 64% increase in website revenue. The site's importance to dance fans, however, goes beyond the capability it offers to purchase tickets or merchandise; it provides up-to-the-minute Company news, exposure to the wider dance world, and a chance to voice opinions and engage, through email, in a dialogue with NYCB. In turn, the site permits the Company to know its audience—and potential audiences—with a much greater degree of accuracy.

Last year New York City Ballet said goodbye to one of its founding members and one of America's greatest ballerinas, Tanaquil Le Clercq, who passed away on December 31, 2000. On May 20 at the New York State Theater the Company paid tribute to this extraordinary woman with 'A Tribute to the Life of Tanaquil Le Clercq,' an evening of film clips, remarks by friends and colleagues, and performances of works closely associated with Miss Le Clercq's career with NYCB.



Tanaquil Le Clercq in *La Valse*
Choreography by George Balanchine
© The George Balanchine Trust
Photo © Walter E. Owen

Statements of Financial Position

at June 30, 2001 and 2000
(in thousands)

	2001	2000
Assets		
Cash and cash equivalents	\$ 4,789	\$ 6,231
Investments	60,789	54,136
Pledges receivable	71,118	10,361
Accounts receivable	686	216
Inventory	291	246
Deferred production costs	605	665
Due from CCMD	843	239
Leasehold in Rose Building and other fixed assets, less accumulated depreciation of \$4,314 in 2001 and \$3,760 in 2000	<u>8,811</u>	<u>9,013</u>
Total Assets	<u>\$147,932</u>	<u>\$81,107</u>
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	\$4,352	\$2,878
Advance ticket sales and other deferred expenses	95	65
Payroll related liabilities due to CCMD	566	561
Payroll related and other liabilities	<u>2,319</u>	<u>2,198</u>
Total liabilities	<u>7,332</u>	<u>5,682</u>
Net Assets:		
Unrestricted:		
Undesignated	6,245	5,429
Investment in Rose Building	6,745	7,097
Board designated (see note 7)	30,743	30,108
	<u>43,733</u>	<u>42,634</u>
Temporarily restricted:		
Future productions	1,639	1,562
Time and other restrictions	6,160	6,247
Dancer's emergency	544	505
	<u>8,343</u>	<u>8,314</u>
Permanently restricted:		
Wallace Endowment	57,737	—
Unrestricted endowments	15,944	14,421
Restricted endowments (see note 7)	14,843	10,056
	<u>88,524</u>	<u>24,477</u>
Total net assets	<u>140,600</u>	<u>75,425</u>
Total liabilities and net assets	<u>\$147,932</u>	<u>\$81,107</u>

Statements of Activities

For the year ended June 30, 2001 and 2000
(in thousands)

	2001	2000
Changes in unrestricted net assets		
Operating revenues:		
Performance ticket sales and tour fees	\$ 21,388	\$ 20,476
Investment income not to exceed spending policy	2,873	2,514
Other revenues	<u>1,027</u>	<u>785</u>
Total operating revenue	<u>25,288</u>	<u>23,775</u>
Operating expenses:		
Program services:		
Ballet production costs	30,604	28,306
Facility expenses	3,649	3,150
Production management expenses	2,794	2,477
	<u>37,047</u>	<u>33,933</u>
Supporting services:		
Administration	3,122	3,110
Public support expense	4,254	3,671
	<u>7,376</u>	<u>6,781</u>
Total Operating expense	<u>44,423</u>	<u>40,714</u>
Loss from operations before public support	<u>(19,135)</u>	<u>(16,939)</u>
Public support including utilization of temporarily restricted net assets:		
Appropriation from the City of New York	1,056	969
Other governmental agencies	525	482
Special events support	3,647	3,136
Guild memberships and activities	2,255	2,177
Foundations	6,316	6,078
Corporations	1,666	1,804
Individuals	2,953	2,716
Estates and trusts	<u>1,181</u>	<u>105</u>
Total Public Support	<u>19,599</u>	<u>17,467</u>
Operating Surplus	464	528
Investment income over (under) spending policy	<u>635</u>	<u>(1,296)</u>
Increase (decrease) in unrestricted net assets	\$ 1,099	\$ (768)

Changes in temporarily restricted net assets

Public support:

City Support	\$ 75	\$ 75
Other government	185	167
Foundations	5,840	6,477
Corporations	937	1,263
Individuals	199	178
Estates and trusts	45	
Utilization of temporarily restricted net assets	(7,159)	(6,947)
Change in value of split-interest arrangements	<u>(93)</u>	<u>(128)</u>
Increase in temporarily restricted net assets	<u>29</u>	<u>1,341</u>

Change in permanently restricted net assets

Public support

Foundations	4,646	482
Corporations	7	114
Individuals	1,608	7,656
Estates and trusts	<u>49</u>	<u>250</u>
Subtotal	6,310	8,502
Lila Acheson and DeWitt Wallace Fund	<u>57,737</u>	<u>—</u>
Increase in permanently restricted net assets	<u>64,047</u>	<u>8,502</u>

Change in total net assets

Net assets

Beginning of year	<u>75,425</u>	<u>66,350</u>
End of year	<u>\$ 140,600</u>	<u>\$ 75,425</u>

The accompanying footnotes are an integral part of these financial statements.

Statements of Cash Flows

For the year ended June 30, 2001 and 2000
(in thousands)

	2001	2000
Cash flows from operating activities		
Change in net assets:		
Unrestricted	\$ 1,099	\$ (768)
Temporarily restricted	29	1,341
Permanently restricted	<u>64,047</u>	<u>8,502</u>
	65,175	9,075
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	554	498
Contributions restricted for long-term activities	(760)	(2,872)
Net losses (gains) on investments	(1,344)	(1,138)
(Increases) decreases in assets:		
Pledges receivable	(60,757)	(1,285)
Accounts receivable	(470)	581
Inventory	(45)	(27)
Deferred production costs	60	(48)
Due from CCMD	(604)	64
Increases (decreases) in liabilities:		
Accounts payable and accrued expenses	1,474	(632)
Advance ticket sales	30	(181)
Payroll related liabilities due to CCMD	25	79
Payroll related and other liabilities	<u>121</u>	<u>242</u>
Net cash provided by operating activities	<u>3,459</u>	<u>6,632</u>
Cash flows from investing activities		
Proceeds from sale of investments	40,666	36,105
Purchase of investments	(45,974)	(42,577)
Fixed-asset purchases	<u>(353)</u>	<u>(733)</u>
Net cash used in investing activities	<u>(5,661)</u>	<u>(7,205)</u>
Cash flows from financing activities		
Endowment contributions	760	2,872
Net cash provided by financing activities	<u>760</u>	<u>2,872</u>
Net decrease (increase) in cash and cash equivalents	<u>(1,442)</u>	<u>2,299</u>
Cash and cash equivalents		
Beginning of year	<u>6,231</u>	<u>3,932</u>
End of year	<u>\$ 4,789</u>	<u>\$ 6,231</u>

The accompanying footnotes are an integral part of these financial statements.

Footnotes

Footnote 1. 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. CCMD is the sole member of City Ballet.

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

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 generally accepted accounting principles 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 requires management to make assumptions and estimates that affect the amounts reported. Certain prior year balances have been reclassified for comparative purposes.

Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments with original maturity of three months or less.

Fixed assets

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

Investments

Investments are stated at market value. Donated securities are initially recorded at market value at the date of gift.

Board-designated funds

Board-designated funds have been established by City Ballet as part of unrestricted net assets for purposes similar to those with donor-imposed restrictions. In June 1991 the Board adopted a policy permitting management to budget and expend a percentage (5.0% for 2001 and 2000) of a moving average of quarterly market values of its investment portfolio. The difference between this calculated amount and actual investment income is shown as "Investment income over (under) spending policy" in the Statement of Activities and added to "Board Designated."

Endowments, NEA and Working capital reserve

Endowments, including certain National Endowment for the Arts (NEA) Challenge Grant funds, are subject to the donor-imposed restriction requiring that the gift be maintained in perpetuity with only the income being utilized. All such funds are included as part of permanently restricted net assets. Amounts may be withdrawn from these funds during a year to finance current operations with the condition that all withdrawals are fully repaid in cash prior to that fiscal year-end. Investment income from these funds is available for operations.

On April 30, 2001, an endowment to support new productions, touring, education, and outreach programs was established by the Lila Acheson and DeWitt Wallace fund. The value of this endowment has been adjusted to reflect market conditions subsequent to June 30, 2001. City Ballet based on its spending policy will determine the annual contribution.

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 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.

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.

Allocation of expenses, income, and support

CCMD provides services to City Ballet in connection with its operation and management of the New York State Theater and other administrative and accounting services under a management and services agreement. CCMD's New York State 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, depreciation of donated equipment and facilities, and certain interest income. Allocated expenses result in inter-company receivables and payables that are periodically liquidated through cash transfers.

Footnote 2. Investments

The following is a summary of quoted market value of investments and cash equivalents as of June 30th (in thousands):

	2001	2000
Equities	\$ 43,380	\$ 28,095
Corporate bonds	300	300
Government bonds	17,109	25,741
Cash equivalents	4,555	6,388
	\$ 65,344	\$ 60,524

Total income from investments amounted to \$3,508,000 and \$1,218,000 in 2001 and 2000, respectively. Year to year variation is due to market fluctuations and the performance of the portfolio managers.

Footnote 3. Pledges receivable

Pledges have been recorded at their present value net of applicable discounts of \$1,032,000 and \$461,000 in 2001 and 2000, respectively. No provision for un-collectible pledges has been made. Pledges specifically for the Ballet's endowment, net of applicable discounts, totaled \$66,977,000 and \$6,550,000 in 2001 and 2000, respectively. Pledges are expected to be collected as follows (in thousands):

	2001	2000
Less than one year	\$ 65,780	\$ 7,742
One to five years	5,338	2,619

Footnote 4. Pension Plans

City Ballet participates in a noncontributory defined benefit pension plan (the Plan) for nonunion, salaried employees of CCMD and its constituents. Pension 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 annually hand the required contribution necessary to comply with the Employee Retirement Income Security Act of 1974.

City Ballet's allocated net periodic pension cost was \$210,000 and \$125,000 for 2001 and 2000, respectively. City Ballet's allocated accrued pension cost at June 30, 2001 and 2000 was \$656,000 and \$514,000, respectively. Amounts are allocated to City Ballet based on a separately performed actuarial valuation of City Ballet's participation in the Plan. Separate information regarding the components of pension cost, the fair value of plan assets, and accumulated and projected benefit obligations is not available for City Ballet. Such information, along with the key actuarial assumptions, is contained in the financial statements of CCMD.

City Ballet also contributes to union pension plans based upon a percentage of employee salaries. Pension costs associated with these plans amounted to \$1,698,000 and \$1,421,000 in 2001 and 2000, respectively.

Footnote 5. Commitments

Samuel B. and David Rose Building (Rose Building):

During fiscal 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 1992 when the space was put into service, and amounted to \$352,000 for 2001 and 2000. 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.

Warehouse and telemarketing office:

During 2001 and 2000, City Ballet leased space for two warehouses and a telemarketing office. Rent expense for 2001 and 2000 was \$178,000 and \$90,000, respectively. Future minimum lease payments under these leases at June 30, 2001 are (in thousands) \$162 for 2002, \$136 for 2003, \$131 for 2004, \$107 for 2005 and \$467 for the period 2006 through 2010.

Footnote 6. Post-retirement and Post-employment Benefits other than Pensions

In 1978, CCMD adopted the policy of providing the option to certain employees with 20 years of service and who were years of age upon their retirement from the 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 1997 the CCMD Board of Governors reinstated this benefit for all active employees who had, at that date, already achieved the requisite 20 years of service. In addition, City Ballet contracts with various unions 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.

Net post-retirement cost for the year ended June 30, 2001 and 2000 and the accumulated obligation at year end for Ballet employees (included in Payroll related and other liabilities) and for Ballet's share of CCMD's employees (included in Payroll related liabilities due to CCMD) are summarized as follows (in thousands):

	2001	2000
Net Periodic post-retirement benefit cost:		
Service	\$ 4	\$ 2
Interest	41	28
Amortization of prior years' service cost	6	6
Amortization of accumulated gain	<u>3</u>	<u>(7)</u>
	54	29
Actual Payments	<u>(27)</u>	<u>(28)</u>
<i>Net Change</i>	27	1
Accumulated obligation		
Beginning of year	<u>459</u>	<u>458</u>
End of year	\$ 486	\$ 459

The accumulated post-retirement benefit obligation was actuarially determined as of June 30, 2000 using an assumed discount rate of 7.5% and 7.25% beginning June 30, 2001. The assumed rate of future increases in health care ranged from 6 to 10% in the first year and expected to decline to 4% by the year 2001. Had the health care cost trend rate assumption been increased by 1% the accumulated post-retirement benefit obligation as of June 30, 2000 would have increased by 8.4%. The effect of this change on the sum of the service and interest cost components of net periodic post-retirement benefit cost would have been an increase of 8.5%.

Footnote 7. Net asset Designations and Restrictions

City Ballet's Board has designated some of its unrestricted net assets for certain purposes as follows (in thousands):

	2001	2000
Cash/Investment reserves	\$ 7,091	\$ 7,091
Fuctioning as endowment	18,810	18,175
Touring	1,606	1,606
Repertory	<u>3,236</u>	<u>3,236</u>
	\$30,743	\$30,108

City Ballet's donors have restricted the income from some of their endowment contributions for certain purposes as follows (in thousands):

	2001	2000
Touring	\$ 2,975	\$ 2,975
Martins repertory fund	3,000	3,000
Levin Dancer	1,000	972
Education	634	564
Scenic design maintenance	199	199
Robbins repertory fund	25	—
Choreographic Institute	4,563	—
Balanchine repertory	2,242	2,199
Kirstein apprentice and loan funds	<u>205</u>	<u>155</u>
	\$ 14,843	\$ 10,056

Report Of Independent Accountants



September 7, 2001

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

We have audited the accompanying statements of financial position of New York City Ballet, Inc. ("the Ballet") as of June 30, 2001 and 2000 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 New York City Ballet, Inc. as of June 30, 2001 and 2000, 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.

A handwritten signature in cursive script that reads "Richard A. Eisner & Company, LLP".

Richard A. Eisner & Company, LLP
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New York, NY 10022-2597