

EISNERAMPER

NEW YORK CITY BALLET, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020 and 2019



NEW YORK CITY BALLET, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
New York City Ballet, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the New York City Ballet, Inc. ("City Ballet"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and cash flows for each of the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of City Ballet, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for each of the years then ended, in accordance with accounting principles generally accepted in the United States of America.



EISNERAMPER LLP
New York, New York
December 18, 2020



NEW YORK CITY BALLET, INC.

Statements of Financial Position

(amounts in thousands)

	June 30,	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 4,972	\$ 14,195
Pledges receivable (see Note B)	8,293	12,342
Accounts receivable	842	811
Endowment investments (see Note C)	214,442	220,949
Other investments (see Note C)	1,662	1,678
Inventory	665	416
Deferred production costs	829	1,566
Leasehold improvements and other property and equipment, net	69,566	73,466
	\$ 301,271	\$ 325,423
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 6,951	\$ 9,141
Advance ticket sales and other deferred revenue	1,953	6,966
Payroll-related and other liabilities	15,887	13,970
	24,791	30,077
Commitments, contingencies, and other uncertainty (see Notes C and P)		
Net assets:		
Without donor restrictions (see Note E)	93,217	107,264
With donor restrictions:		
Time and purpose restrictions (see Note F)	46,695	52,227
Perpetual in nature (see Note D)	136,568	135,855
	183,263	188,082
Total net assets with donor restrictions	276,480	295,346
	\$ 301,271	\$ 325,423

See notes to financial statements.

NEW YORK CITY BALLET, INC.

Statement of Activities

Year Ended June 30, 2020

(with summarized financial information for 2019)

(amounts in thousands)

	Year Ended June 30,					
	Net Assets Without Donor Restriction			Net Assets With Donor Restrictions	Total	
	General Operating	Other	Total		2020	2019
Operating revenues:						
Performance ticket sales and tour fees	\$ 29,253	\$ -	\$ 29,253	\$ -	\$ 29,253	\$ 39,757
Investment earnings per spending policy	11,197	-	11,197	-	11,197	9,974
Losses in excess of spending policy in endowment	-	(4,047)	(4,047)	(5,850)	(9,897)	(3,068)
Investment income other than endowment	-	(7)	(7)	-	(7)	120
Rental and other revenues	10,181	-	10,181	-	10,181	11,521
Total operating revenues	50,631	(4,054)	46,577	(5,850)	40,727	58,304
Operating expenses:						
Program services:						
Ballet production	45,590	-	45,590	-	45,590	49,759
Funded depreciation	-	4,766	4,766	-	4,766	5,096
Facility management	16,620	-	16,620	-	16,620	17,705
Production management	4,384	-	4,384	-	4,384	6,781
Total program services	66,594	4,766	71,360	-	71,360	79,341
Supporting services:						
Administration	8,030	-	8,030	-	8,030	8,096
Public support	4,313	-	4,313	-	4,313	5,119
Total supporting services	12,343	-	12,343	-	12,343	13,215
Total operating expenses	78,937	4,766	83,703	-	83,703	92,556
Decrease in net assets from operations before public support and non-operating activities	(28,306)	(8,820)	(37,126)	(5,850)	(42,976)	(34,252)
Public support:						
Appropriation from the City of New York	2,256	-	2,256	7	2,263	2,479
Other public support	18,627	977	19,604	5,460	25,064	23,883
Net assets released from restrictions	4,110	326	4,436	(4,436)	-	-
Total public support	24,993	1,303	26,296	1,031	27,327	26,362
Decrease in net assets before non-operating activities	(3,313)	(7,517)	(10,830)	(4,819)	(15,649)	(7,890)
Non-operating activities:						
Net periodic pension, postemployment benefits, and other adjustments – related changes other than service costs (see Note A[13](ii))	(421)	-	(421)	-	(421)	(247)
Pension, postemployment benefits, and other adjustments, other than periodic costs (see Note A[13](ii))	(3,734)	(7,517)	(11,251)	(4,819)	(16,070)	(8,137)
	(2,816)	20	(2,796)	-	(2,796)	(1,010)
Decrease in net assets	(6,550)	(7,497)	(14,047)	(4,819)	(18,866)	(9,147)
Net assets, beginning of year	(13,773)	121,037	107,264	188,082	295,346	304,493
Net assets, end of year	\$ (20,323)	\$ 113,540	\$ 93,217	\$ 183,263	\$ 276,480	\$ 295,346

See notes to financial statements.

NEW YORK CITY BALLET, INC.

Statement of Activities Year Ended June 30, 2019 (amounts in thousands)

	Year Ended June 30, 2019				
	Net Assets Without Donor Restriction			Net Assets With Donor Restrictions	
	General Operating	Other	Total		Total
Operating revenues:					
Performance ticket sales and tour fees	\$ 39,757	\$ -	\$ 39,757	\$ -	\$ 39,757
Investment earnings per spending policy	9,974	-	9,974	-	9,974
Losses in excess of spending policy in endowment	-	(1,030)	(1,030)	(2,038)	(3,068)
Investment income other than endowment	-	120	120	-	120
Rental and other revenues	11,521	-	11,521	-	11,521
Total operating revenues	61,252	(910)	60,342	(2,038)	58,304
Operating expenses:					
Program services:					
Ballet production	49,759	-	49,759	-	49,759
Funded depreciation	-	5,096	5,096	-	5,096
Facility management	17,705	-	17,705	-	17,705
Production management	6,781	-	6,781	-	6,781
Total program services	74,245	5,096	79,341	-	79,341
Supporting services:					
Administration	8,096	-	8,096	-	8,096
Public support	5,119	-	5,119	-	5,119
Total supporting services	13,215	-	13,215	-	13,215
Total operating expenses	87,460	5,096	92,556	-	92,556
Decrease in net assets from operations before public support and non-operating activities	(26,208)	(6,006)	(32,214)	(2,038)	(34,252)
Public support:					
Appropriation from the City of New York	2,472	-	2,472	7	2,479
Other public support	17,793	25	17,818	6,065	23,883
Net assets released from restrictions	6,207	2,567	8,774	(8,774)	-
Total public support	26,472	2,592	29,064	(2,702)	26,362
Change in net assets before non-operating activities	264	(3,414)	(3,150)	(4,740)	(7,890)
Non-operating activities:					
Net periodic pension, postemployment benefits, and other adjustments – related changes other than service costs (see Note A[13](ii))	(247)	-	(247)	-	(247)
Pension, postemployment benefits, and other adjustments, other than periodic costs (see Note A[13](ii))	17	(3,414)	(3,397)	(4,740)	(8,137)
	(890)	(120)	(1,010)	-	(1,010)
Decrease in net assets	(873)	(3,534)	(4,407)	(4,740)	(9,147)
Net assets, beginning of year	(12,900)	124,571	111,671	192,822	304,493
Net assets, end of year	\$ (13,773)	\$ 121,037	\$ 107,264	\$ 188,082	\$ 295,346

See notes to financial statements.

NEW YORK CITY BALLET, INC.

Statements of Cash Flows

(amounts in thousands)

	Year Ended June 30,	
	2020	2019
Cash flows from operating activities:		
Decrease in net assets:	\$ (18,866)	\$ (9,147)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation and amortization	4,886	5,225
Write off of property and equipment	-	304
Contributions restricted for long-term activities	(2,461)	(3,070)
Donated securities	(1,174)	(1,404)
Proceeds from the sale of donated securities	1,174	1,404
Net gains on investments	(498)	(6,400)
Changes in:		
Pledges receivable	4,049	3,255
Accounts receivable	(31)	(33)
Gift annuities and other investments	16	(30)
Inventory	(249)	91
Deferred production costs	737	(411)
Accounts payable and accrued expenses	(2,190)	3,173
Advance ticket sales and other deferred revenue	(5,013)	779
Payroll-related and other liabilities	1,917	1,971
Net cash used in operating activities	(17,703)	(4,293)
Cash flows from investing activities:		
Proceeds from sales of investments	54,209	60,426
Purchases of investments	(47,204)	(54,053)
Purchases of property and equipment	(986)	(218)
Net cash provided by investing activities	6,019	6,155
Cash flows from financing activities:		
Contributions restricted for endowment	2,461	3,070
Principal payments on line of credit	-	(4,000)
Net cash provided by (used in) financing activities	2,461	(930)
Net change in cash and cash equivalents	(9,223)	932
Cash and cash equivalents, beginning of year	14,195	13,263
Cash and cash equivalents, end of year	\$ 4,972	\$ 14,195
Supplemental disclosure of cash flow information:		
Interest paid	\$ -	\$ 334
Donated services	\$ 779	\$ 871

See notes to financial statements.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(amounts in thousands)

NOTE A - CITY BALLET AND ITS SIGNIFICANT ACCOUNTING POLICIES

[1] City Ballet:

The New York City Ballet, Inc. ("City Ballet") is a not-for-profit organization incorporated in 1977 in the State of New York. Its primary home and principal place of performance is the David H. Koch Theater, in Lincoln Center.

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

[2] Basis of accounting:

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

[3] Use of estimates:

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

[4] Cash and cash equivalents:

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

[5] Investments:

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

NEW YORK CITY BALLET, INC.

Notes to Financial Statements **June 30, 2020 and 2019** (amounts in thousands)

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

[5] Investments: (continued)

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

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

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

[6] Property and equipment:

City Ballet does not own any land or buildings, but instead occupies space owned by The City of New York. Purchases of furniture and equipment that are not material are charged to current operations. Significant additions, those that have a cost of \$35 or more and a useful life greater than three years, are capitalized and depreciated using the straight-line method over the estimated useful lives of the assets. The fiscal-years 2020 and 2019 financials include leasehold improvements and significant property additions made to David H. Koch Theater, which are capitalized and depreciated using the straight-line method over their estimated useful lives of 3-37 years. Leasehold improvements are recorded at their costs and are amortized over the life of the lease. Funded fixed assets include amounts received from donors that were disbursed for fixed assets.

Management evaluates the recoverability of the investment in long-lived assets on an on-going basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of June 30, 2020 and 2019, respectively, and, in the opinion of management, there were no impairments. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimates of the recoverability of these assets.

[7] Revenue recognitions:

(i) Contributions:

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

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2020 and 2019 (amounts in thousands)

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

[7] Revenue recognitions: (continued)

(ii) Performance ticket sales and tour fees:

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

(iii) Rental income:

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

[8] Production costs:

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

[9] Functional allocation of expenses:

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

[10] Measure of operations:

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

[11] Net assets:

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

(i) *Net Assets Without Donor Restrictions:*

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

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2020 and 2019 (amounts in thousands)

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

[11] Net assets: (continued)

(ii) *Net Assets With Donor Restrictions:*

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

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

[12] Income tax:

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

[13] Adoption of accounting principles:

(i) *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made:*

In June 2018, the FASB issued Accounting Standards Update ("ASU") No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 985)*. ASU No. 2018-08 clarifies and improves guidance concerning: i) evaluating whether a transaction should be accounted for as an exchange transaction or as a contribution, and ii) determining whether a contribution received is conditional. ASU No. 2018-08 is effective for annual periods beginning after December 15, 2018 for entities that are resource recipients, and periods beginning after December 15, 2019 for entities that are resource providers. City Ballet adopted the resource recipient portion of the standard and early adopted the resource provider portion of the standard for the fiscal-year ending June 30, 2020 and this accounting guidance did not have a material effect on City Ballet's financial statements.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2020 and 2019 (amounts in thousands)

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

[13] Adoption of accounting principles: (continued)

- (ii) *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost:*

ASU No. 2017-07, *Compensation - Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, requires the service cost component of net periodic benefit cost for pension and other postretirement benefits be presented as a component part of employee benefit expense. The other components of net periodic benefit cost, such as interest, expected return on net assets and amortization of other actuarially determined amounts, are required to be presented as a non-operating change in net assets without restrictions. The standard is effective for annual reporting periods beginning after December 15, 2018; accordingly, City Ballet has adopted this ASU on the retrospective basis. Although City Ballet's adoption of ASU No. 2017-07 had no effect on City Ballet's total net assets or its changes in net assets for the fiscal-years 2020 and 2019, certain reclassifications were required. Accordingly, City Ballet changed its presentation within the statements of activities and schedules of functional expenses (Note I). The effect of the adoption decreased the fiscal-year 2020 loss in net assets before non-operating activities from (\$3,734) to (\$3,313) for a change of \$421 and increased the fiscal-year 2019 gain in net assets before non-operating activities from \$17 to \$264 for a change of \$247.

- (iii) *Disclosure Requirements for Fair Value Measurement:*

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*, which modified the disclosure requirements for fair value measurements and is effective for years beginning after December 15, 2019, with early adoption permitted. The effect of adopting this accounting guidance will result in the removal or modification of certain fair value measurement disclosures presented in City Ballet's financial statements. City Ballet early-adopted this pronouncement as of June 30, 2020, which under U.S. GAAP, is a change in accounting principle requiring retroactive application in the financial statements for all periods presented.

[14] Upcoming accounting principles:

- (i) *Revenue from Contracts with Customers:*

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance. ASU No. 2014-09 requires an entity to recognize revenue depicting the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard permits the use of either the retrospective or cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers – Deferral of the Effective Date*, which delayed the effective date by one year. As a result of this recent deferral due to COVID-19, the new standard is effective for fiscal years beginning after December 15, 2019; accordingly, management plans to adopt the new standard using the modified retrospective approach and is in the process of assessing the impact of this ASU on the financial statements.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2020 and 2019 (amounts in thousands)

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

[14] Upcoming accounting principles: (continued)

(ii) Leases:

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which will require entities to recognize lease assets and lease liabilities (related to leases previously classified as operating under previous U.S. GAAP) on the balance sheets. The ASU is effective for fiscal years beginning after December 15, 2021. Management is in the process of assessing the impact of this ASU on the financial statements.

(iii) Contributed Nonfinancial Assets:

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. For each category of contributed nonfinancial assets recognized, the not-for-profit organization will need to disclose: (i) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period; if utilized, a description of the programs or other activities in which those assets were used; (ii) the not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; (iii) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; (iv) the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, *Fair Value Measurement*, at initial recognition; and (v) the principal market (or most advantageous market) used to arrive at a fair value measure, if it is a market in which the recipient entity is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. The amendments in this ASU will be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Management is in the process of assessing the impact of this ASU on the financial statements.

[15] Subsequent events:

City Ballet has evaluated all subsequent events through December 18, 2020, the date on which the financial statements were available to be issued.

NOTE B - PLEDGES RECEIVABLE

In fiscal-years 2020 and 2019, respectively, pledges of \$8,293 and \$12,342 have been recorded net of applicable discounts of \$373 and \$620. Included in pledges receivable are pledges specifically for City Ballet's endowment, net of applicable discounts, totaled \$3,770 and \$5,518 in fiscal-years 2020 and 2019, respectively.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2020 and 2019 (amounts in thousands)

NOTE B - PLEDGES RECEIVABLE (CONTINUED)

Pledges are expected to be collected as follows:

	June 30,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Less than one year	\$ 1,291	\$ 4,858	\$ 6,149	\$ 1,381	\$ 6,981	\$ 8,362
One to five years	-	2,789	2,789	-	4,881	4,881
	1,291	7,647	8,938	1,381	11,862	13,243
Less discount to present value at rates ranging from 3% - 6%	-	(373)	(373)	-	(620)	(620)
	1,291	7,274	8,565	1,381	11,242	12,623
Allowance for doubtful pledges	(272)	-	(272)	(281)	-	(281)
Total	\$ 1,019	\$ 7,274	\$ 8,293	\$ 1,100	\$ 11,242	\$ 12,342

At June 30, 2020, pledges receivable from five unrelated private funders totaled approximately \$4,325 and represented approximately 46% of pledges receivable. At June 30, 2019, pledges receivable from three unrelated private funders totaled approximately \$ 6,750 and represented 54% of pledges receivable.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2020 and 2019 (amounts in thousands)

NOTE C - INVESTMENTS

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

	June 30, 2020		
	Endowment Investments	Other Investments	Total
Cash and cash equivalents	\$ 15,035	\$ 57	\$ 15,092
Equities (a)	54,091	656	54,747
Fixed-income mutual funds	38	949	987
Alternative investments:			
Hedge funds (b):			
Domestic	49,216	-	49,216
Offshore	49,032	-	49,032
Private equity fund (c)	5,191	-	5,191
Other investment funds (d)	26,650	-	26,650
Common trust funds (e)	15,189	-	15,189
Total	<u>\$ 214,442</u>	<u>\$ 1,662</u>	<u>\$ 216,104</u>
	June 30, 2019		
	Endowment Investments	Other Investments	Total
Cash and cash equivalents	\$ 8,706	\$ 17	\$ 8,723
Equities (a)	56,199	702	56,901
Fixed-income mutual funds	87	959	1,046
Alternative investments:			
Hedge funds (b):			
Domestic	46,572	-	46,572
Offshore	59,917	-	59,917
Private equity fund (c)	3,603	-	3,603
Other investment funds (d)	30,739	-	30,739
Common trust funds (e)	15,126	-	15,126
Total	<u>\$ 220,949</u>	<u>\$ 1,678</u>	<u>\$ 222,627</u>

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

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(amounts in thousands)

NOTE C - INVESTMENTS (CONTINUED)

During fiscal-years 2020 and 2019, net investment income from the endowment consisted of the following:

	June 30,	
	2020	2019
Net realized gains	\$ 565	\$ 13,928
Net unrealized losses	(67)	(7,528)
Net gains on investments	498	6,400
Interest and dividends, net	802	506
	<u>\$ 1,300</u>	<u>\$ 6,906</u>

Interest and dividends are net of management fees expenses of \$676 and \$692 for fiscal-years 2020 and 2019, respectively. Net investment income other than endowment amounted to (\$7) and \$120 for fiscal-years 2020 and 2019, respectively.

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

Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for those investments, at the reporting date.

Level 2: Valuations are based on (i) quoted prices for similar investments in active markets, or (ii) quoted prices for those investments or similar investments in markets that are not active or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.

Level 3: Valuations are based on pricing inputs that are unobservable and that includes situations where (i) there is little, if any, market activity for the investments, or (ii) the investments cannot be independently valued.

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

City Ballet's investments are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

The availability of relevant market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2020 and 2019 (amounts in thousands)

NOTE C - INVESTMENTS (CONTINUED)

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

June 30, 2020				
Fair-Value Hierarchy				
	Level 1	Total	Valued at NAV	Total Investments
Cash and cash equivalents	\$ 15,092	\$ 15,092	\$ -	\$ 15,092
Equities	54,747	54,747	-	54,747
Fixed-income mutual funds	987	987	-	987
Alternative investments	-	-	145,278	145,278
Total	\$ 70,826	\$ 70,826	\$ 145,278	\$ 216,104

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

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(amounts in thousands)

NOTE C - INVESTMENTS (CONTINUED)

The following table describes the funding commitment (in thousands of dollars) and redemption information as of June 30, 2020 for City Ballet's alternative investments:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Hedge funds - domestic:				
Farallon Equity Partners, LP	\$ 25,697	\$ -	Quarterly	30 days
Renaissance Inst'l Diversified Alpha Fund, LLC	9,392	-	Monthly	2 months
Davidson Kempner LT Distressed Opps Int'l IV, LP	4,345	785	Upon liquidation	N/A
Canyon DOF III (Delaware)	2,399	2,350	Upon liquidation	N/A
Varde	7,138	-	Monthly	90 days
Davidson Kempner LT Distressed Opps Int'l V, LP	245	4,796	Upon liquidation	N/A
Total hedge funds - domestic	<u>49,216</u>	<u>7,931</u>		
Hedge funds - offshore:				
Nut Tree Offshore Fund Ltd.	8,292	-	Quarterly	75 days
Nitorum Offshore Fund, Ltd.	7,720	-	Quarterly	60 days
Valinor Capital Partners Offshore, Ltd.	3,841	-	Quarterly	60 days
York Credit Opportunities Master Fund, L.P.	4,292	-	Anniversary of Fund	60 days
Coatue Offshore Fund, Ltd.	9,386	-	Quarterly	45 days
Indus Select	5,824	-	Monthly	30 days
Canyon DOF II (Cayman)	1,681	1,700	Upon liquidation	N/A
Durable Capital Offshore Fund LP	6,170	-	Every 36-months	150 days
Junto Offshore Fund, LTD	1,826	-	Quarterly	45 days
Total hedge funds - offshore	<u>49,032</u>	<u>1,700</u>		
Private equity funds:				
Incline Equity Partners V Fund	-	5,000	Upon liquidation	N/A
Sageview Capital Partners II (Offshore), LP	5,191	1,828		N/A
Total private equity funds	<u>5,191</u>	<u>6,828</u>		
Other investment funds:				
Highclere Int'l Investors SMID Fund	4,837	-	Monthly	10 days
GQG Partners Emerging Markets Equity Fund	8,515	-	Weekly	Prior Friday
HCIF Offshore LP.	8,403	-	Annually	90 days
Farallon Special Situations Fund	3,172	1,895	Upon liquidation	N/A
Abingworth Bioventures VII LP	1,723	1,414	Upon liquidation	N/A
Total other investment funds	<u>26,650</u>	<u>3,309</u>		
Common trust funds:				
Wellington CTF Select Leaders	6,944	-	Monthly	10 days
Wellington CTF Int'l Quality Growth	8,245	-	Daily	1 day
Total common trust funds	<u>15,189</u>	<u>-</u>		
	<u>\$ 145,278</u>	<u>\$ 19,768</u>		

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2020 and 2019 (amounts in thousands)

NOTE D - ENDOWMENTS

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

[1] Endowment net assets (inclusive of approximately \$3,770 and \$5,518 pledges in fiscal-years 2020 and 2019, respectively), by type of fund, as of each fiscal-year end, are as follows:

	June 30, 2020				
	Without Donor Restriction	With Donor Restrictions			
		Endowment appreciation	Endowment	Total	Total
Functioning as endowment	\$ 10,178	\$ -	\$ 7,162	\$ 7,162	\$ 17,340
Touring	2,240	-	-	-	2,240
Delmas Repertory	6,771	-	-	-	6,771
Capital Campaign 1999	-	3,331	13,814	17,145	17,145
Martison Memorial/Society Loan	-	125	84	209	209
General	-	228	1,000	1,228	1,228
Capital Campaign 2014 General	-	360	10,163	10,523	10,523
Board Designated	21,427	-	-	-	21,427
Bequests	3,636	-	-	-	3,636
Wallace Endowment	-	19,127	57,751	76,878	76,878
	<u>44,252</u>	<u>23,171</u>	<u>89,974</u>	<u>113,145</u>	<u>157,397</u>
Choreographic Institute	-	8,215	16,378	24,593	24,593
Nureyev Repertory	-	322	1,000	1,322	1,322
Martins Repertory	-	1,148	3,000	4,148	4,148
Martins' 25	-	65	344	409	409
Martins' 30	-	4	115	119	119
Balanchine Repertory	-	504	1,320	1,824	1,824
Symphony in C	-	633	1,000	1,633	1,633
Robbins Repertory	-	15	67	82	82
Touring	-	1,180	2,975	4,155	4,155
Education	-	220	775	995	995
Levin Dance	-	385	1,000	1,385	1,385
Dance On	-	102	1,000	1,102	1,102
Musical Leadership	-	698	2,000	2,698	2,698
Scenic Design Maintenance	-	81	250	331	331
Kirstein Memorial	-	110	235	345	345
Capital Campaign 2014 Stepping	-	285	7,000	7,285	7,285
Capital Campaign 2014 Education	-	43	750	793	793
Capital Campaign 2014 Repertory	-	23	450	473	473
Capital Campaign 2014 Toe Shoes	-	19	150	169	169
Capital Campaign 2014 Dancers' Salary	-	52	1,210	1,262	1,262
Capital Campaign 2014 New Works	-	45	900	945	945
Capital Campaign 2014 Costumes	-	34	1,000	1,034	1,034
Capital Campaign 2014 Ballet Master	-	57	2,500	2,557	2,557
Capital Campaign 2014 Jacob Funds	-	29	1,000	1,029	1,029
	<u>-</u>	<u>14,269</u>	<u>46,419</u>	<u>60,688</u>	<u>60,688</u>
Investments held by others (Stern)	-	(48)	175	127	127
	<u>\$ 44,252</u>	<u>\$ 37,392</u>	<u>\$ 136,568</u>	<u>\$ 173,960</u>	<u>\$ 218,212</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2020 and 2019 (amounts in thousands)

NOTE D - ENDOWMENTS (CONTINUED)

[1] Endowment net assets (inclusive of approximately \$3,770 and \$5,518 pledges in fiscal-years 2020 and 2019, respectively), by type of fund, as of each fiscal-year end, are as follows: (continued)

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

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2020 and 2019 (amounts in thousands)

NOTE D - ENDOWMENTS (CONTINUED)

- [2] Changes in endowment net assets (exclusive of approximately \$3,770 and \$5,518 pledges in fiscal-years 2020 and 2019, respectively) during each fiscal-year:

	Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 47,394	\$ 173,555	\$ 220,949
Investment return:			
Investment management fees	294	(970)	(676)
Interest, dividends and realized gains	(888)	2,931	2,043
Unrealized losses	29	(96)	(67)
	(565)	1,865	1,300
Other charges:			
Additions	953		953
Other additions		2,461	2,461
Spending policy of 5% - appropriation	(3,530)	(7,667)	(11,197)
	(2,577)	(5,206)	(7,783)
	44,252	170,214	214,466
Net income on investments held by others	-	(24)	(24)
Endowment net assets, end of year	\$ 44,252	\$ 170,190	\$ 214,442

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

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(amounts in thousands)

NOTE D - ENDOWMENTS (CONTINUED)

[3] Donor-restricted endowment:

The historic dollar value of City Ballet's donor-restricted endowment as of June 30, 2020 and 2019 was approximately \$136,568 and \$135,855, respectively. A portion of the income derived from donor-restricted endowment may be used for general operating purposes, while some donors have restricted the income from their endowment contributions for specific purposes.

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

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

[4] Funds with deficiencies:

Due to unfavorable market fluctuations, from time to time, the fair value of assets associated with individual donor-restricted endowment funds may decline below historic dollar value of the donor's original contribution - perpetual in nature. Although, under the terms of NYPMIFA, City Ballet has no responsibility to restore such decreases in value. At June 30, 2020 and 2019, a deficiency existed in one of City Ballets donor restricted endowment funds of \$48 and \$23, respectively.

[5] Spending policy:

City Ballet has a policy permitting management to budget and expend a percentage of endowment earnings, based on each fund's average market value over the preceding 20 quarters. For fiscal-years 2020 and 2019, the applied percentage was 5.0%.

NOTE E - NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	June 30,	
	2020	2019
General operating:		
Undesignated	\$ (9,299)	\$ (5,966)
Pension/postemployment accumulated other income and loss	(11,024)	(7,807)
	(20,323)	(13,773)
Other:		
Fixed assets - funded	68,442	72,797
Capital renewal and replacement Board designated capital reserve	846	846
Board-designated to function as endowment	44,252	47,394
	113,540	121,037
	\$ 93,217	\$ 107,264

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2020 and 2019 (amounts in thousands)

NOTE E - NET ASSETS WITHOUT DONOR RESTRICTIONS (CONTINUED)

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

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

	Year Ended June 30,	
	2020	2019
Pension	\$ (11,560)	\$ (8,440)
Post-employment	536	633
Total	<u>\$ (11,024)</u>	<u>\$ (7,807)</u>

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

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

	June 30,	
	2020	2019
Perpetual in nature (see Note D)	<u>\$ 136,568</u>	<u>\$ 135,855</u>
Time and purpose restrictions:		
Productions	2,264	1,975
Emergency	418	418
Education	1,166	811
Passage of time	<u>5,455</u>	<u>5,782</u>
	9,303	8,986
Accumulation of endowment income reserved for appropriations	<u>37,392</u>	<u>43,241</u>
	<u>46,695</u>	<u>52,227</u>
	<u>\$ 183,263</u>	<u>\$ 188,082</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2020 and 2019 (amounts in thousands)

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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

	Year Ended June 30,	
	2020	2019
Productions	\$ 1,527	\$ 1,802
Emergency	-	92
Education	683	705
Passage of time	2,226	6,175
Total	<u>\$ 4,436</u>	<u>\$ 8,774</u>

NOTE G - LEASEHOLD, PROPERTY AND EQUIPMENT

Leasehold improvements and other property and equipment consisted of the following:

	June 30,	
	2020	2019
Leasehold improvements	\$ 76,161	\$ 75,712
Property and equipment	21,023	20,552
	97,184	96,264
Less accumulated depreciation	(27,618)	(22,798)
	<u>\$ 69,566</u>	<u>\$ 73,466</u>

During-fiscal 2020, City Ballet disposed of approximately \$51 of fully-depreciated equipment no longer in service.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2020 and 2019 (amounts in thousands)

NOTE H - PUBLIC SUPPORT

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

	Year Ended June 30,	
	2020	2019
Appropriation from the City of New York	\$ 2,263	\$ 2,479
Other governmental agencies	175	175
Special events	5,377	5,937
Membership	2,299	2,650
Foundation	4,007	4,519
Corporate	3,266	4,683
Individual	7,332	7,996
Estates	1,577	625
	<u>\$ 26,296</u>	<u>\$ 29,064</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2020 and 2019 (amounts in thousands)

NOTE I - SCHEDULE OF FUNCTIONAL EXPENSES

For fiscal-years 2020 and 2019, the following schedules describe management's allocation of expenses by natural classification to City Ballet's various functional categories:

	Year Ended June 30, 2020							
	Program Services				Supporting Services			Total
	Ballet Production	Facility Management	Production Management	Total Program Services	Administration	Public Support Expenses	Total Supporting Services	
Salaries	\$ 25,792	\$ 7,574	\$ 3,478	\$ 36,844	\$ 3,793	\$ 2,096	\$ 5,889	\$ 42,733
Benefits	11,880	3,393	957	16,230	1,591	679	2,270	18,500
Salaries and related benefits	37,672	10,967	4,435	53,074	5,384	2,775	8,159	61,233
Occupancy	84	4,388	-	4,472	13	18	31	4,503
Depreciation	76	43	-	119	1	-	1	120
Printing	2,696	3	-	2,699	-	181	181	2,880
Transportation	556	22	-	578	22	50	72	650
Scenery, music, and costumes	1,218	57	-	1,275	24	33	57	1,332
Professional fees	1,039	314	-	1,353	2,106	189	2,295	3,648
Data processing, telephone and office expenses	101	59	-	160	291	53	344	504
Insurance	38	525	-	563	279	-	279	842
Royalties	838	-	-	838	-	-	-	838
Miscellaneous expenses	1,381	260	7	1,648	-	1,062	1,062	2,710
Total expenses before funded depreciation	45,699	16,638	4,442	66,779	8,120	4,361	12,481	79,260
Funded depreciation	5	4,761	-	4,766	-	-	-	4,766
Total expenses	45,704	21,399	4,442	71,545	8,120	4,361	12,481	84,026
Less:								
Funded depreciation	(5)	(4,761)		(4,766)				(4,766)
Other components of net periodic costs	(109)	(18)	(58)	(185)	(90)	(48)	(138)	(323)
Total expenses, statement of activities	\$ 45,590	\$ 16,620	\$ 4,384	\$ 66,594	\$ 8,030	\$ 4,313	\$ 12,343	\$ 78,937

NEW YORK CITY BALLET, INC.

Notes to Financial Statements
June 30, 2020 and 2019
(amounts in thousands)

NOTE I - SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)

Year Ended June 30, 2019								
	Program Services				Supporting Services			Total
	Ballet Production	Facility Management	Production Management	Total Program Services	Administration	Public Support Expenses	Total Supporting Services	
Salaries	\$ 27,775	\$ 8,104	\$ 5,462	\$ 41,341	\$ 3,720	\$ 1,941	\$ 5,661	\$ 47,002
Benefits	12,138	3,748	1,143	17,029	1,635	609	2,244	19,273
Salaries and related benefits	39,913	11,852	6,605	58,370	5,355	2,550	7,905	66,275
Occupancy	76	4,894	-	4,970	8	32	40	5,010
Depreciation	64	37	-	101	28	-	28	129
Printing	2,961	1	-	2,962	9	215	224	3,186
Transportation	946	18	8	972	34	82	116	1,088
Scenery, music, and costumes	1,782	40	-	1,822	27	34	61	1,883
Professional fees	1,091	193	181	1,465	2,247	36	2,283	3,748
Data processing, telephone and office expenses	111	39	21	171	319	70	389	560
Insurance	44	474	-	518	173	-	173	691
Royalties	948	-	-	948	-	-	-	948
Miscellaneous expenses	1,844	190	17	2,051	36	2,102	2,138	4,189
Total expenses before funded depreciation	49,780	17,738	6,832	74,350	8,236	5,121	13,357	87,707
Funded depreciation	11	5,085	-	5,096	-	-	-	5,096
Total expenses	49,791	22,823	6,832	79,446	8,236	5,121	13,357	92,803
Less:								
Funded depreciation	(11)	(5,085)		(5,096)				(5,096)
Other components of net periodic costs	(21)	(33)	(51)	(105)	(140)	(2)	(142)	(247)
Total expenses, statement of activities	\$ 49,759	\$ 17,705	\$ 6,781	\$ 74,245	\$ 8,096	\$ 5,119	\$ 13,215	\$ 87,460

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(amounts in thousands)

NOTE J - DONATED SERVICES

Donated services, including legal services, are valued at the standard market rate that would have been incurred by City Ballet if it would have had to expend its own resources to acquire them. The fair value of these donations were \$779 and \$871 for fiscal-years 2020 and 2019, respectively. These amounts are reported, as both revenue and expense in the accompanying statements of activities.

NOTE K - PENSION PLANS

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

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

	June 30,	
	2020	2019
Projected benefit obligation	\$ (33,515)	\$ (31,859)
Plan assets at fair value	24,267	24,932
Funded status deficit, recognized as liabilities in the statements of financial position	\$ (9,248)	\$ (6,927)

At June 30, 2020, the percentages of the fair values of the types of plan assets held were approximately 18% money-market funds, 38% equity securities, 8% in debt securities, and 36% mutual and hedge funds. At June 30, 2019, the percentages of the fair values of the types of plan assets held were approximately 4% money-market funds, 44% equity securities, 24% in debt securities and 28% in mutual and hedge funds. The Plan's investments are considered all level 1 within the fair-value hierarchy, except for the hedge funds which are measure at fair value using NAV per share (or its equivalent) as a practical expedient and have not been classified in the fair-value hierarchy.

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

	Year Ended June 30,	
	2020	2019
Discount rate	3.79%	4.55%
Long-range return on assets	7.00%	7.50%
Rate of compensation increase	N/A	N/A

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2020 and 2019 (amounts in thousands)

NOTE K - PENSION PLANS (CONTINUED)

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

	Year Ended June 30,	
	2020	2019
Expected return on plan assets	\$ (1,697)	\$ (1,754)
Interest cost on projected benefit obligation	1,167	1,279
Amortization of accumulated loss	921	491
Net periodic pension cost	<u>\$ 391</u>	<u>\$ 16</u>

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

	Year Ended June 30,	
	2020	2019
Employer contributions	<u>\$ 800</u>	<u>\$ 750</u>
Benefits paid	<u>\$ 1,161</u>	<u>\$ 1,020</u>

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

Fiscal-year ending June 30,	Pension Benefits
2021	\$ 2,009
2022	2,087
2023	2,048
2024	2,063
2025	2,034
2026-2030	9,865

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. Asset-manager performance is reviewed at least once every three months and benchmarked against the peer universe for the given investment style.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2020 and 2019 (amounts in thousands)

NOTE K - PENSION PLANS (CONTINUED)

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

	<u>Target 2020</u>	<u>Actual 2020</u>	<u>Actual 2019</u>
Cash equivalents	18%	18%	4%
Equity securities	38%	38%	44%
Debt securities	8%	8%	24%
Mutual funds and hedge funds	36%	36%	28%

City Ballet's net periodic pension cost for fiscal-years 2020 and 2019 was approximately \$391 and \$16, respectively. City Ballet's accrued benefit liability at June 30, 2020 and 2019 was approximately \$9,248 and \$6,927, respectively, and is reported in payroll-related liabilities in the accompanying statements of financial position. Accumulated other comprehensive loss associated with City Ballet's pension plan, was approximately \$11,153 and \$8,424 in fiscal-years 2020 and 2019, respectively. Net assets without donor restrictions were decreased by \$3,120 and \$2,867 in fiscal-year 2020 and 2019, respectively, to record the adjustments required to balance the accrued benefit liability to the amount of the unfunded projected benefit obligation as of fiscal-year end.

City Ballet also contributes to union pension plans based upon a percentage of employee salaries. Pension costs associated with these plans amounted to approximately \$3,640 and \$4,000 in fiscal-years 2020 and 2019, respectively.

NOTE L - POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

City Center of Music and Drama, Inc. ("CCMD") operated the David H. Koch Theater for City Ballet until July 1, 2017 when CCMD was merged with and into City Ballet. In fiscal-year 1978, CCMD adopted the policy of providing the option to certain employees (i.e., those who had at least 20 years of service and who were 65 years of age upon their retirement from CCMD to continue in the group medical and life insurance plan, at no cost to the employee. CCMD's Board of Governors ended this policy in April 1995 for employees who had not vested in this benefit, but in fiscal-year 1997, CCMD Board of Governors 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 as benefits are actually paid.

Net assets without donor restrictions were (decreased) increased by \$(97) and \$1,610 in fiscal-year 2020 and 2019, respectively, to record the adjustments required to balance the accrued postretirement benefit liability to the amount of the unfunded projected benefit obligation as of fiscal-year end.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2020 and 2019 (amounts in thousands)

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

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

	June 30,	
	2020	2019
Projected postretirement benefit obligation	\$ 650	\$ 627
Plan assets at fair value	-	-
Funded status	\$ 650	\$ 627

	June 30,	
	2020	2019
Postretirement benefit obligation at the end of year:		
Active employees not fully eligible to retire	\$ -	\$ -
Active employees fully eligible to retire	87	88
Retirees	563	539
Total	\$ 650	\$ 627

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

	Year Ended June 30,	
	2020	2019
Net periodic postretirement benefit cost:		
Service	\$ -	\$ -
Interest	21	106
Amortization of prior service cost	(279)	-
Amortization of accumulated loss	189	125
Net periodic postretirement benefit cost	\$ (69)	\$ 231

Actual payments	\$ 46	\$ 168
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In fiscal-year 2019, City Ballet's postretirement benefit plan had a substantial experience gain of \$2,025 due to the movement of the retirees to a Medicare Advantage Plan.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2020 and 2019 (amounts in thousands)

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

Estimated benefit payments are as follows:

<u>Year Beginning July 1,</u>	<u>Employer Benefit Payment</u>
2020	\$ 61
2021	60
2022	57
2023	55
2024	52
2025 - 2030	296

The accumulated postretirement benefit obligation was actuarially determined as of June 30, 2020, using assumed discount rates of 2.77%. The assumed rate of future increases in health care was not applicable in the first year, increasing to 4.5% by fiscal-year 2026. Had the health-care cost-trend rate assumption been increased by 1.0%, the accumulated postretirement benefit obligation would have increased by 7.5%. The effect of this change on the sum of the service and interest cost components of net periodic postretirement benefit cost would have been an increase of 6.8%. The postretirement balance is included as part of payroll-related and other liabilities in the accompanying statements of financial position.

The expected employer contribution for fiscal-year 2021 is \$61.

NOTE M- KOCH THEATER RENTAL ACTIVITIES

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

NOTE N- NEW YORK CITY CONTRIBUTIONS FOR CAPITAL EXPENDITURES

The City of New York owns the Koch Theater and partially supports the operation of the facility through energy subsidies and an annual appropriation from the New York City Department of Cultural Affairs ("DCA"). This annual appropriation amounted to approximately \$2,263 and \$2,479 in fiscal-years 2020 and 2019, respectively. Under the terms of its license agreement with the City of New York for the Koch Theater, City Ballet pays a nominal rent and the operating and maintenance costs of the building. City Ballet has taken the position that no comparable market exists for the rental of the buildings occupied by any of the 33 members of its Cultural Institutions Group, of which City Ballet is a member; therefore, no provision for that contribution nor for the associated expense has been provided in the accompanying financial statements.

The City and State of New York also provide capital support for the Koch Theater. City Ballet reports this capital support as an increase in construction in progress until the associated assets are placed in service. Historically, the City of New York made \$38,940 in capital expenditures from fiscal-years 1990 to 2020.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(amounts in thousands)

NOTE O - LIQUIDITY AND AVAILABILITY OF RESOURCES

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

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

	June 30,	
	2020	2019
Cash and cash equivalents	\$ 4,972	\$ 14,195
Pledges receivable, net	8,293	12,342
Accounts receivable	842	924
Investments	216,104	222,627
Total financial assets available within one year	230,211	250,088
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with:		
Time and purpose restrictions	(46,695)	(52,227)
Perpetual in nature	(136,568)	(135,855)
	(183,263)	(188,082)
Amounts available to management with Board's approval:		
Board-designated capital reserve	(846)	(846)
Board-designated quasi-endowment fund	(44,252)	(47,394)
	(45,098)	(48,240)
Total amounts unavailable for general expenditure within one year	(228,361)	(236,322)
Total financial assets available to meet cash needs for general expenditures within one year	\$ 1,850	\$ 13,766

Liquidity policy:

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

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2020 and 2019 (amounts in thousands)

NOTE P- COMMITMENTS, CONTINGENCIES, AND OTHER UNCERTAINTY:

[1] Samuel B. and David Rose Building:

During fiscal-year 1985, City Ballet entered into an agreement whereby City Ballet contributed, based on space usage, a pro rata share of the costs of the Rose Building. Under the agreement, City Ballet received a 99-year lease for its space. Construction costs were capitalized and are being amortized over the anticipated useful life of the building. Depreciation began in fiscal-year 1992, when the space was put into service, and amounted to \$415 for both fiscal-years 2020 and 2019. 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 2020 and 2019, City Ballet leased space for two warehouses and archival space under agreements expiring in fiscal-year 2025. Rent expense was approximately \$370 and \$362 for fiscal-year 2020 and 2019, respectively. Future minimum commitments under these leases are approximately \$263 for fiscal-year 2021, \$265 for fiscal-year 2022, \$272 for fiscal-year 2023, \$277 for fiscal-year 2024, \$239 for fiscal-year 2025, \$232 for fiscal-year 2026, \$236 for fiscal-year 2027 and \$668 for fiscal-years 2028-2030.

[3] Litigation:

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

[4] Other uncertainty:

The extent of the impact of the COVID-19 outbreak on City Ballet's programming, operational, and financial performance is uncertain and will depend on the continued future developments of the outbreak and external restrictions imposed. The potential economic impact brought by, and the duration of, the COVID-19 pandemic is difficult to assess or predict, and may potentially have an adverse impact on City Ballet's operations.

NOTE Q - LINE OF CREDIT

In May 2020, City Ballet entered into an agreement with Bank of America for an \$11,500 line of credit. Under the terms of the agreement, interest is charged at a rate equal to the one-month LIBOR rate, plus 0.75 percentage points. The line of credit has no expiration date. As collateral, the bank has a secured interest in one investment account held by Merrill Lynch.

NOTE R - CREDIT RISK

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