

EISNERAMPER

NEW YORK CITY BALLET, INC.

FINANCIAL STATEMENTS

JUNE 30, 2021 and 2020



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, 2021 and 2020, 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.



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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, 2021 and 2020, 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

EISNERAMPER LLP
New York, New York
December 15, 2021

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NEW YORK CITY BALLET, INC.

Statements of Financial Position

(amounts in thousands)

	June 30,	
	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 12,721	\$ 4,972
Pledges receivable (see Note B)	6,031	8,293
Accounts receivable	647	842
Endowment investments (see Note C)	263,434	214,442
Other investments (see Note C)	1,722	1,662
Inventory	991	665
Deferred production costs	1,034	829
Leasehold improvements and other property and equipment, net (see Note G)	<u>65,475</u>	<u>69,566</u>
	<u>\$ 352,055</u>	<u>\$ 301,271</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 9,410	\$ 6,951
Advance ticket sales and tour fees (see Note H)	5,821	1,953
Postemployment and other liabilities	<u>10,973</u>	<u>15,887</u>
Total liabilities	<u>26,204</u>	<u>24,791</u>
Commitments, contingencies, and other uncertainty (see Notes C and Q)		
Net assets:		
Without donor restrictions (see Note E)	<u>104,976</u>	<u>93,217</u>
With donor restrictions:		
Time and purpose restrictions (see Note F)	82,633	46,695
Perpetual in nature (see Note D)	<u>138,242</u>	<u>136,568</u>
Total net assets with donor restrictions	<u>220,875</u>	<u>183,263</u>
Total net assets	<u>325,851</u>	<u>276,480</u>
	<u>\$ 352,055</u>	<u>\$ 301,271</u>

See notes to financial statements.

NEW YORK CITY BALLET, INC.

Statement of Activities

Year Ended June 30, 2021

(with summarized financial information for 2020)

(amounts in thousands)

	Year Ended June 30, 2021					
	Net Assets Without Donor Restriction			Net Assets With Donor Restrictions	Total	
	General Operating	Other	Total		2021	2020
Operating revenues:						
Performance ticket sales and tour fees	\$ 129	\$ -	\$ 129	\$ -	\$ 129	\$ 29,253
Investment earnings per spending policy	10,898	-	10,898	-	10,898	11,197
Gains (losses) in excess of spending policy in endowment	-	10,027	10,027	34,815	44,842	(9,897)
Investment income other than endowment	-	239	239	-	239	(7)
Rental and other revenues	2,470	-	2,470	-	2,470	10,181
Total operating revenues	13,497	10,266	23,763	34,815	58,578	40,727
Operating expenses:						
Program services:						
Ballet production	18,293	-	18,293	-	18,293	45,590
Funded depreciation	-	4,564	4,564	-	4,564	4,766
Facility management	9,912	-	9,912	-	9,912	16,620
Production management	2,191	-	2,191	-	2,191	4,384
Total program services	30,396	4,564	34,960	-	34,960	71,360
Supporting services:						
Administration	5,530	-	5,530	-	5,530	8,030
Public support	2,653	-	2,653	-	2,653	3,691
Total supporting services	8,183	-	8,183	-	8,183	11,721
Total operating expenses	38,579	4,564	43,143	-	43,143	83,081
Change in net assets from operations before public support and non-operating activities	(25,082)	5,702	(19,380)	34,815	15,435	(42,354)
Public support:						
Appropriation from the City of New York	1,934	-	1,934	6	1,940	2,263
Other public support, net	19,369	520	19,889	7,436	27,325	24,442
Utilization of temporarily restricted net assets	4,645	-	4,645	(4,645)	-	-
Total public support	25,948	520	26,468	2,797	29,265	26,705
Change in net assets before non-operating activities	866	6,222	7,088	37,612	44,700	(15,649)
Non-operating activities:						
Net periodic pension, postemployment benefits, and other adjustments – related changes other than service costs	(835)	-	(835)	-	(835)	(421)
Pension, postemployment benefits, and other adjustments, other than periodic costs	31	6,222	6,253	37,612	43,865	(16,070)
	5,744	(238)	5,506	-	5,506	(2,796)
Change in net assets	5,775	5,984	11,759	37,612	49,371	(18,866)
Net assets, beginning of year	(20,323)	113,540	93,217	183,263	276,480	295,346
Net assets, end of year	\$ (14,548)	\$ 119,524	\$ 104,976	\$ 220,875	\$ 325,851	\$ 276,480

See notes to financial statements.

NEW YORK CITY BALLET, INC.

Statement of Activities Year Ended June 30, 2020 (amounts in thousands)

Year Ended June 30, 2020

	Net Assets Without Donor Restriction			Net Assets With Donor Restrictions	
	General Operating	Other	Total	Restrictions	Total
Operating revenues:					
Performance ticket sales and tour fees	\$ 29,253	\$ -	\$ 29,253	\$ -	\$ 29,253
Investment earnings per spending policy	11,197	-	11,197	-	11,197
Losses in excess of spending policy in endowment	-	(4,047)	(4,047)	(5,850)	(9,897)
Investment income other than endowment	-	(7)	(7)	-	(7)
Rental and other revenues	10,181	-	10,181	-	10,181
Total operating revenues	50,631	(4,054)	46,577	(5,850)	40,727
Operating expenses:					
Program services:					
Ballet production	45,590	-	45,590	-	45,590
Funded depreciation	-	4,766	4,766	-	4,766
Facility management	16,620	-	16,620	-	16,620
Production management	4,384	-	4,384	-	4,384
Total program services	66,594	4,766	71,360	-	71,360
Supporting services:					
Administration	8,030	-	8,030	-	8,030
Public support	3,691	-	3,691	-	3,691
Total supporting services	11,721	-	11,721	-	11,721
Total operating expenses	78,315	4,766	83,081	-	83,081
Decrease in net assets from operations before public support and non-operating activities	(27,684)	(8,820)	(36,504)	(5,850)	(42,354)
Public support:					
Appropriation from the City of New York	2,256	-	2,256	7	2,263
Other public support, net	18,005	977	18,982	5,460	24,442
Net assets released from restrictions	4,110	326	4,436	(4,436)	-
Total public support	24,371	1,303	25,674	1,031	26,705
Decrease in net assets before non-operating activities	(3,313)	(7,517)	(10,830)	(4,819)	(15,649)
Non-operating activities:					
Net periodic pension, postemployment benefits, and other adjustments - related changes other than service costs	(421)	-	(421)	-	(421)
	(3,734)	(7,517)	(11,251)	(4,819)	(16,070)
Pension, postemployment benefits, and other adjustments, other than periodic costs	(2,816)	20	(2,796)	-	(2,796)
Decrease in net assets	(6,550)	(7,497)	(14,047)	(4,819)	(18,866)
Net assets, beginning of year	(13,773)	121,037	107,264	188,082	295,346
Net assets, end of year	\$ (20,323)	\$ 113,540	\$ 93,217	\$ 183,263	\$ 276,480

See notes to financial statements.

NEW YORK CITY BALLET, INC.

Statements of Cash Flows

(amounts in thousands)

	Year Ended June 30,	
	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 49,371	\$ (18,866)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	4,723	4,886
Contributions restricted for long-term activities	(3,312)	(2,461)
Donated securities	(1,553)	(1,174)
Proceeds from the sale of donated securities	1,553	1,174
Net gains on investments	(55,389)	(498)
Changes in:		
Pledges receivable	2,262	4,049
Accounts receivable	195	(31)
Inventory	(326)	(249)
Deferred production costs	(205)	737
Accounts payable and accrued expenses	2,459	(2,190)
Advance ticket sales and tour fees	3,868	(5,013)
Postemployment and other liabilities	(4,914)	1,917
Net cash used in operating activities	<u>(1,268)</u>	<u>(17,719)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	51,568	54,209
Purchases of investments	(45,231)	(47,188)
Purchases of property and equipment	<u>(632)</u>	<u>(986)</u>
Net cash provided by investing activities	<u>5,705</u>	<u>6,035</u>
Cash flows from financing activities:		
Contributions restricted for endowment	<u>3,312</u>	<u>2,461</u>
Net cash provided by financing activities	<u>3,312</u>	<u>2,461</u>
Net change in cash and cash equivalents	7,749	(9,223)
Cash and cash equivalents, beginning of year	<u>4,972</u>	<u>14,195</u>
Cash and cash equivalents, end of year	\$ <u>12,721</u>	\$ <u>4,972</u>
Supplemental disclosure of cash flow information:		
Donated services	<u>\$ 591</u>	<u>\$ 779</u>

See notes to financial statements.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2021 and 2020

(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 investments.

[5] Investments:

Investments in debt and equity securities, are reported at their fair values, which are based on quoted market prices. Cash and cash equivalents held as part of City Ballet's endowment investment portfolio are also included in the balances reported as investments.

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, 2021 and 2020

(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 statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted through donor stipulation. Realized gains and losses on investments are determined by comparison of the cost of acquisition to proceeds at the time of disposition. Distributions from alternative investments that represent returns of contributed capital reduce the cumulative costs basis of the respective investment. Distributions received from alternative investments in excess of City Ballet's cumulative cost basis are recognized as realized gains. Unrealized gains and losses on investments are determined by comparing the investment's cost to the fair value at the end of each year. The earnings from dividends and interest are recognized when earned.

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 2021 and 2020 financial statements include leasehold improvements and significant property additions made to the 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. There were no triggering events during fiscal-years 2021 or 2020 requiring management to test for impairment that would require adjustments to property and equipment. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

[7] 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 represent 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 (see Note E).

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2021 and 2020 (amounts in thousands)

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

[7] 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" (see Note F).

[8] Revenue recognition:

(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. Membership dues are considered to be contribution revenue to City Ballet as the member receives only de minimis benefits from membership.

Gross proceeds paid by attendees at special events held as fundraising activities represents contribution revenue, as well as the payment of the direct cost of the benefit received by the attendee at the event. Special-event income is reported net of the direct benefit to donors. Special-event revenues, other than contributions, applicable to a current year are recognized as revenue in the year a special-event takes place. Special-event revenue received for a future year's event is deferred and recognized when the event takes place. Special-event revenue is net of direct benefit to donor of \$80 and \$622 during June 30, 2021 and 2020, respectively.

(ii) *Revenue from contracts with customers:*

City Ballet recognizes revenue when, or as, performance obligations are satisfied associated with contracts with customers. Revenue is measured as the amount of consideration City Ballet expects to receive in exchange for providing services. The primary source of revenue from contracts with customers for City Ballet is 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 tour fees on the statements of financial position.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2021 and 2020

(amounts in thousands)

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

[8] Revenue recognition: (continued)

(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 in accordance with contractual provisions in satisfaction of the performance obligations. There is no performance obligation required of City Ballet beyond the completion of the rental of facilities and services for the related event.

[9] Inventory:

City Ballet's inventory consists mainly of toe shoes for Ballet performances, which is reported at net realizable value. Management periodically evaluates the inventory for obsolescence, and when appropriate, provides for allowances as necessary.

[10] 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.

[11] Functional allocation of expenses:

City Ballet's expenses are summarized on a functional basis in Note J. 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 space. Costs that have been allocated include certain salaries and employee benefits and occupancy. In addition, depreciation has been further allocated between operating and non-operating activities.

[12] 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, and other non-periodic adjustments.

[13] 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.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2021 and 2020

(amounts in thousands)

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

[14] Adoption of accounting principle:

In May 2014, the FASB issued Accounting Standards Update ("ASU") 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 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. Analysis of various provisions of this standard resulted in no significant changes in the way City Ballet recognized revenue, and therefore, no changes to the previously issued audited financial statements were required on a retrospective basis.

[15] Upcoming accounting principles:

(i) 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.

(ii) 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.

[16] Subsequent events:

City Ballet has evaluated all subsequent events through December 15, 2021, the date on which the financial statements were available to be issued. Subsequent to June 30, 2021, City Ballet received a Shuttered Venue Operations Grant from the Small Business Administration in the amount of \$10 million.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2021 and 2020

(amounts in thousands)

NOTE B - PLEDGES RECEIVABLE

In fiscal-years 2021 and 2020, respectively, pledges of \$6,031 and \$8,293 have been recorded net of applicable discounts of \$206 and \$373. Included in pledges receivable are pledges specifically for City Ballet's endowment, net of applicable discounts, totaled \$2,139 and \$3,770 in fiscal-years 2021 and 2020, respectively.

Pledges are expected to be collected as follows:

	June 30,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Less than one year	\$ 2,888	\$ 1,836	\$ 4,724	\$ 1,291	\$ 4,858	\$ 6,149
One to five years	-	1,730	1,730	-	2,789	2,789
	2,888	3,566	6,454	1,291	7,647	8,938
Less discount to present value at rates ranging from 3% - 6%	-	(206)	(206)	-	(373)	(373)
	2,888	3,360	6,248	1,291	7,274	8,565
Allowance for doubtful pledges	(217)	-	(217)	(272)	-	(272)
Total	<u>\$ 2,671</u>	<u>\$ 3,360</u>	<u>\$ 6,031</u>	<u>\$ 1,019</u>	<u>\$ 7,274</u>	<u>\$ 8,293</u>

At June 30, 2021, pledges receivable from two unrelated donors totaled approximately \$3,323 and represented 51% of pledges receivable. At June 30, 2020, pledges receivable from five unrelated donors totaled approximately \$4,325 and represented 48% of pledges receivable.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2021 and 2020

(amounts in thousands)

NOTE C - INVESTMENTS

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

	June 30, 2021		
	Endowment Investments	Other Investments	Total
Cash and cash equivalents	\$ 23,679	\$ 38	\$ 23,717
Equities (a)	55,382	779	56,161
Fixed-income mutual funds	39	905	944
Alternative investments:			
Hedge funds (b):			
Domestic	57,265	-	57,265
Offshore	67,465	-	67,465
Private equity funds (c)	7,920	-	7,920
Other investment funds (d)	32,369	-	32,369
Common trust funds (e)	<u>19,315</u>	<u>-</u>	<u>19,315</u>
Total	<u>\$ 263,434</u>	<u>\$ 1,722</u>	<u>\$ 265,156</u>
	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)	<u>15,189</u>	<u>-</u>	<u>15,189</u>
Total	<u>\$ 214,442</u>	<u>\$ 1,662</u>	<u>\$ 216,104</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 funds are 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 funds 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, 2021 and 2020

(amounts in thousands)

NOTE C - INVESTMENTS (CONTINUED)

During fiscal-years 2021 and 2020, net investment income from the endowment consisted of the following:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Net realized gains	\$ 6,047	\$ 565
Net unrealized gains (losses)	<u>49,342</u>	<u>(67)</u>
Net gains on investments	55,389	498
Interest and dividends, net	<u>351</u>	<u>802</u>
	<u>\$ 55,740</u>	<u>\$ 1,300</u>

Interest and dividends are net of management fees expenses of \$694 and \$676 for fiscal-years 2021 and 2020, respectively. Net investment income other than endowment amounted to \$239 and \$(7) for fiscal-years 2021 and 2020, 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, 2021 and 2020

(amounts in thousands)

NOTE C - INVESTMENTS (CONTINUED)

The following tables summarize the fair values of City Ballet's investments, excluding cash and cash equivalents, at each fiscal year-end, in accordance with the ASC Topic 820 valuation levels:

June 30, 2021				
Fair-Value Hierarchy				
	Level 1	Total	Valued at NAV	Total Investments
Equities	\$ 56,161	\$ 56,161	\$ -	\$ 56,161
Fixed-income mutual funds	944	944	-	944
Alternative investments	-	-	<u>184,334</u>	<u>184,334</u>
Total	<u>\$ 57,105</u>	<u>\$ 57,105</u>	<u>\$ 184,334</u>	<u>\$ 241,439</u>

June 30, 2020				
Fair-Value Hierarchy				
	Level 1	Total	Valued at NAV	Total Investments
Equities	\$ 54,747	\$ 54,747	\$ -	\$ 54,747
Fixed-income mutual funds	987	987	-	987
Alternative investments	-	-	<u>145,278</u>	<u>145,278</u>
Total	<u>\$ 55,734</u>	<u>\$ 55,734</u>	<u>\$ 145,278</u>	<u>\$ 201,012</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2021 and 2020

(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, 2021 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	\$ 32,245	\$ -	Quarterly	30 days
Davidson Kempner LT Distressed Opps Int'l IV, LP	5,516	343	Upon liquidation	N/A
Canyon DOF III (Delaware)	2,896	2,500	Upon liquidation	N/A
Varde	8,828	-	Monthly	90 days
Davidson Kempner LT Distressed Opps Int'l V, LP	2,523	2,476	Upon liquidation	N/A
Davidson Kempner Institutional Partners, LP	5,157	-	Upon liquidation	N/A
AG Super Fund, LP	<u>100</u>	<u>-</u>	In liquidation	N/A
Total hedge funds - domestic	<u>57,265</u>	<u>5,319</u>		
Hedge funds - offshore:				
Nut Tree Offshore Fund Ltd.	11,443	-	Quarterly	75 days
Nitorum Offshore Fund, Ltd.	7,671	-	Quarterly	60 days
Valinor Capital Partners Offshore, Ltd.	252	-	Quarterly	60 days
York Credit Opportunities Master Fund, LP	1,829	-	Anniversary of Fund	60 days
Coatue Offshore Fund, Ltd.	13,475	-	Quarterly	45 days
Indus Select	9,109	-	Monthly	30 days
Canyon DOF II (Cayman)	1,482	3,703	Upon liquidation	N/A
Durable Capital Offshore Fund LP	10,130	903	Every 36-months	150 days
Junto Offshore Fund, LTD	7,073	-	Quarterly	45 days
Casdin Partners Offshore, Ltd.	<u>5,001</u>	<u>-</u>	Quarterly	60 days
Total hedge funds - offshore	<u>67,465</u>	<u>4,606</u>		
Private equity funds:				
Incline Equity Partners V Fund	423	4,482	Upon liquidation	N/A
Sageview Capital Partners II (Offshore), LP	<u>7,497</u>	<u>205</u>	Upon liquidation	N/A
Total private equity funds	<u>7,920</u>	<u>4,687</u>		
Other investment funds:				
Highclere Int'l Investors SMID Fund	6,483	-	Monthly	10 days
GQG Partners Emerging Markets Equity Fund	10,060	-	Weekly	Prior Friday
HCIF Offshore LP	8,489	-	Annually	90 days
Farallon Special Situations Fund	4,282	832	Upon liquidation	N/A
Abingworth Bioventures VII LP	<u>3,055</u>	<u>361</u>	Upon liquidation	N/A
Total other investment funds	<u>32,369</u>	<u>1,193</u>		
Common trust funds:				
Wellington CTF Select Leaders	7,940	-	Monthly	10 days
Wellington CTF Int'l Quality Growth	<u>11,375</u>	<u>-</u>	Daily	1 day
Total common trust funds	<u>19,315</u>	<u>-</u>		
	<u>\$ 184,334</u>	<u>\$ 15,805</u>		

NEW YORK CITY BALLET, INC.

Notes to Financial Statements
June 30, 2021 and 2020
(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 \$2,139 and \$3,770 pledges in fiscal-years 2021 and 2020, respectively), by type of fund, as of each fiscal-year end, are as follows:

	June 30, 2021				
	Without Donor Restriction	With Donor Restrictions			Total
		Endowment Appreciation	Endowment	Total	Total
Functioning as endowment	\$ 13,724	\$ -	\$ 7,162	\$ 7,162	\$ 20,886
Touring	2,698	-	-	-	2,698
Delmas Repertory	8,153	-	-	-	8,153
Capital Campaign 1999	-	6,787	13,818	20,605	20,605
Martison Memorial/Society Loan	-	168	84	252	252
General	-	477	1,000	1,477	1,477
Capital Campaign 2014 General	-	2,520	11,833	14,353	14,353
Board Designated	25,163	-	-	-	25,163
Bequests	5,386	-	-	-	5,386
Wallace Endowment	-	34,830	57,751	92,581	92,581
	<u>55,124</u>	<u>44,782</u>	<u>91,648</u>	<u>136,430</u>	<u>191,554</u>
Choreographic Institute	-	13,944	16,378	30,322	30,322
Nureyev Repertory	-	592	1,000	1,592	1,592
Martins Repertory	-	1,995	3,000	4,995	4,995
Martins' 25	-	149	344	493	493
Martins' 30	-	28	115	143	143
Balanchine Repertory	-	876	1,320	2,196	2,196
Symphony in C	-	967	1,000	1,967	1,967
Robbins Repertory	-	32	67	99	99
Touring	-	2,029	2,975	5,004	5,004
Education	-	424	775	1,199	1,199
Levin Dance	-	668	1,000	1,668	1,668
Dance On	-	334	1,000	1,334	1,334
Musical Leadership	-	1,248	2,000	3,248	3,248
Scenic Design Maintenance	-	149	250	399	399
Kirstein Memorial	-	180	235	415	415
Capital Campaign 2014 Stepping	-	1,797	7,000	8,797	8,797
Capital Campaign 2014 Education	-	214	750	964	964
Capital Campaign 2014 Repertory	-	121	450	571	571
Capital Campaign 2014 Toe Shoes	-	55	150	205	205
Capital Campaign 2014 Dancers' Salary	-	348	1,210	1,558	1,558
Capital Campaign 2014 New Works	-	234	900	1,134	1,134
Capital Campaign 2014 Costumes	-	250	1,000	1,250	1,250
Capital Campaign 2014 Repertory Director	-	587	2,500	3,087	3,087
Capital Campaign 2014 Jacob Funds	-	233	1,000	1,233	1,233
	<u>-</u>	<u>27,454</u>	<u>46,419</u>	<u>73,873</u>	<u>73,873</u>
Investments held by others (Stern)	<u>-</u>	<u>(29)</u>	<u>175</u>	<u>146</u>	<u>146</u>
	<u>\$ 55,124</u>	<u>\$ 72,207</u>	<u>\$ 138,242</u>	<u>\$ 210,449</u>	<u>\$ 265,573</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2021 and 2020 (amounts in thousands)

NOTE D - ENDOWMENTS (CONTINUED)

[2] Endowment net assets (inclusive of approximately \$2,139 and \$3,770 pledges in fiscal-years 2021 and 2020, respectively), by type of fund, as of each fiscal-year end, are as follows: (continued)

	June 30, 2020				
	Without Donor Restriction	With Donor Restrictions			Total
		Endowment Appreciation	Endowment	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 Repertory Director	-	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)	<u>-</u>	<u>(48)</u>	<u>175</u>	<u>127</u>	<u>127</u>
	<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, 2021 and 2020 (amounts in thousands)

NOTE D - ENDOWMENTS (CONTINUED)

- [2] Changes in endowment net assets (exclusive of approximately \$2,139 and \$3,770 pledges in fiscal-years 2021 and 2020, respectively) during each fiscal-year: (continued)

	Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	<u>\$ 44,252</u>	<u>\$ 170,190</u>	<u>\$ 214,442</u>
Investment return:			
Investment management fees	(169)	(525)	(694)
Interest, dividends and realized gains	1,728	5,364	7,092
Unrealized gains	<u>12,026</u>	<u>37,316</u>	<u>49,342</u>
	<u>13,585</u>	<u>42,155</u>	<u>55,740</u>
Other charges:			
Additions	820	-	820
Other additions	-	3,312	3,312
Spending policy of 5% - appropriation	<u>(3,533)</u>	<u>(7,365)</u>	<u>(10,898)</u>
	<u>(2,713)</u>	<u>(4,053)</u>	<u>(6,766)</u>
	55,124	208,292	263,416
Net income on investments held by others	<u>-</u>	<u>18</u>	<u>18</u>
Endowment net assets, end of year	<u>\$ 55,124</u>	<u>\$ 208,310</u>	<u>\$ 263,434</u>

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

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2021 and 2020

(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, 2021 and 2020 was approximately \$138,300 and \$136,500, 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, 2021 and 2020, a deficiency existed in one of City Ballets donor restricted endowment funds of \$29 and \$48, 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 2021 and 2020, 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,	
	2021	2020
General operating:		
Undesignated	\$ (8,195)	\$ (9,299)
Pension/postemployment accumulated other income and loss	<u>(6,353)</u>	<u>(11,024)</u>
	<u>(14,548)</u>	<u>(20,323)</u>
Other:		
Fixed assets - funded	63,554	68,442
Capital renewal and replacement Board designated capital reserve	846	846
Board-designated to function as endowment	<u>55,124</u>	<u>44,252</u>
	<u>119,524</u>	<u>113,540</u>
	<u>\$ 104,976</u>	<u>\$ 93,217</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements
June 30, 2021 and 2020
(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:

	June 30,	
	2021	2020
Pension	\$ (6,865)	\$ (11,560)
Post-employment	<u>512</u>	<u>536</u>
	<u>\$ (6,353)</u>	<u>\$ (11,024)</u>

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at each fiscal-year ended:

	June 30,	
	2021	2020
Perpetual in nature (see Note D)	<u>\$ 138,242</u>	<u>\$ 136,568</u>
Time and purpose restrictions:		
Productions	3,532	2,264
Emergency	418	418
Education	1,091	1,166
Passage of time	<u>5,385</u>	<u>5,455</u>
	10,426	9,303
Accumulation of endowment income reserved for appropriations	<u>72,207</u>	<u>37,392</u>
	<u>82,633</u>	<u>46,695</u>
	<u>\$ 220,875</u>	<u>\$ 183,263</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2021 and 2020

(amounts in thousands)

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets released from restrictions in fulfillment of the following during each fiscal-year ended:

	June 30,	
	2021	2020
Productions	\$ 1,964	\$ 1,527
Education	1,088	683
Passage of time	<u>1,593</u>	<u>2,226</u>
Total	<u>\$ 4,645</u>	<u>\$ 4,436</u>

NOTE G - LEASEHOLD, PROPERTY AND EQUIPMENT

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

	June 30,	
	2021	2020
Leasehold improvements	\$ 76,481	\$ 76,161
Property and equipment	<u>20,440</u>	<u>21,023</u>
	96,921	97,184
Less accumulated depreciation	<u>(31,446)</u>	<u>(27,618)</u>
	<u>\$ 65,475</u>	<u>\$ 69,566</u>

During fiscal-year 2021, City Ballet disposed of approximately \$895 of fully-depreciated property and equipment no longer in service. During fiscal-year 2020, there were no disposals.

NOTE H - ADVANCE TICKET SALES AND TOUR FEES

The following table provides information about significant changes in deferred revenue from ticket sales and tour fees consisting of the following:

	June 30,	
	2021	2020
Advance ticket sales and tour fees, beginning of year	\$ 1,953	\$ 6,966
Revenue recognized or refunds provided that was included in advance ticket sales and tour fees at the beginning of the year	(193)	(6,966)
Increase in advance ticket sales and tour fees due to cash received during the period	<u>4,061</u>	<u>1,953</u>
Advance ticket sales and tour fees, end of year	<u>\$ 5,821</u>	<u>\$ 1,953</u>

There were no other significant contract assets or liabilities at June 30, 2021 or 2020, respectively.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2021 and 2020

(amounts in thousands)

NOTE I - 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,	
	2021	2020
Appropriation from the City of New York	\$ 1,940	\$ 2,263
Other governmental agencies	3,686	175
Special events, net	4,159	4,755
Membership	2,385	2,299
Foundation	3,124	4,007
Corporate	3,107	3,266
Individual	6,947	7,332
Estates	<u>600</u>	<u>600</u>
	25,948	24,697
Estates (Board-designated)	<u>520</u>	<u>977</u>
	<u>\$ 26,468</u>	<u>\$ 25,674</u>

On March 27, 2020, Congress enacted the Coronavirus Aid Relief, and Economic Security Act ("CARES Act"). The Employee Retention Credit ("ERC"), established by the CARES Act, provides businesses, including not-for-profit organizations, with funding to assist in the payment of payroll and employee health care costs during COVID-19 outbreak. During the year ended June 30, 2021, City Ballet was awarded ERC funding totaling \$3,536, which is included in contributions in the statements of activities.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements
June 30, 2021 and 2020
(amounts in thousands)

NOTE J - SCHEDULE OF FUNCTIONAL EXPENSES

For fiscal-years 2021 and 2020, the following schedules describe management's allocation of expenses by natural classification to City Ballet's various functional categories:

	Year Ended June 30, 2021							
	Program Services				Supporting Services			
	Ballet Production	Facility Management	Production Management	Total Program Services	Administration	Public Support Expenses	Total Supporting Services	Total
Salaries	\$ 9,791	\$ 3,055	\$ 1,485	\$ 14,331	\$ 2,167	\$ 1,739	\$ 3,906	\$ 18,237
Benefits	<u>6,369</u>	<u>1,836</u>	<u>843</u>	<u>9,048</u>	<u>1,368</u>	<u>661</u>	<u>2,029</u>	<u>11,077</u>
Salaries and related benefits	16,160	4,891	2,328	23,379	3,535	2,400	5,935	29,314
Occupancy	166	4,127	-	4,293	8	4	12	4,305
Depreciation and amortization	72	87	-	159	-	-	-	159
Printing	638	-	-	638	-	134	134	772
Transportation	41	9	-	50	9	25	34	84
Scenery, music, and costumes	305	40	-	345	4	21	25	370
Professional fees	220	73	-	293	1,226	-	1,226	1,519
Data processing, telephone and office expenses	75	62	-	137	387	48	435	572
Insurance	42	606	-	648	357	-	357	1,005
Royalties	417	-	-	417	-	-	-	417
Miscellaneous expenses	<u>342</u>	<u>51</u>	<u>-</u>	<u>393</u>	<u>245</u>	<u>184</u>	<u>429</u>	<u>822</u>
Total expenses before funded depreciation	18,478	9,946	2,328	30,752	5,771	2,816	8,587	39,339
Funded depreciation	<u>91</u>	<u>4,473</u>	<u>-</u>	<u>4,564</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,564</u>
Total expenses	18,569	14,419	2,328	35,316	5,771	2,816	8,587	43,903
Less:								
Special event expenses – direct benefit	-	-	-	-	-	(80)	(80)	(80)
Funded depreciation	(91)	(4,473)	-	(4,564)	-	-	-	(4,564)
Other components of net periodic costs	<u>(185)</u>	<u>(34)</u>	<u>(137)</u>	<u>(356)</u>	<u>(241)</u>	<u>(83)</u>	<u>(324)</u>	<u>(680)</u>
Total expenses, statement of activities	\$ <u>18,293</u>	\$ <u>9,912</u>	\$ <u>2,191</u>	\$ <u>30,396</u>	\$ <u>5,530</u>	\$ <u>2,653</u>	\$ <u>8,183</u>	\$ <u>38,579</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements
June 30, 2021 and 2020
(amounts in thousands)

NOTE J - SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)

	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	<u>11,880</u>	<u>3,393</u>	<u>957</u>	<u>16,230</u>	<u>1,591</u>	<u>679</u>	<u>2,270</u>	<u>18,500</u>
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 and amortization	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	<u>1,381</u>	<u>260</u>	<u>7</u>	<u>1,648</u>	<u>-</u>	<u>1,062</u>	<u>1,062</u>	<u>2,710</u>
Total expenses before funded depreciation	45,699	16,638	4,442	66,779	8,120	4,361	12,481	79,260
Funded depreciation	<u>5</u>	<u>4,761</u>	<u>-</u>	<u>4,766</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,766</u>
Total expenses	45,704	21,399	4,442	71,545	8,120	4,361	12,481	84,026
Less:								
Special event expenses – direct benefit	-	-	-	-	-	(622)	(622)	(622)
Funded depreciation	(5)	(4,761)	-	(4,766)	-	-	-	(4,766)
Other components of net periodic costs	<u>(109)</u>	<u>(18)</u>	<u>(58)</u>	<u>(185)</u>	<u>(90)</u>	<u>(48)</u>	<u>(138)</u>	<u>(323)</u>
Total expenses, statement of activities	<u>\$ 45,590</u>	<u>\$ 16,620</u>	<u>\$ 4,384</u>	<u>\$ 66,594</u>	<u>\$ 8,030</u>	<u>\$ 3,691</u>	<u>\$ 11,721</u>	<u>\$ 78,315</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2021 and 2020

(amounts in thousands)

NOTE K - 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 \$591 and \$779 for fiscal-years 2021 and 2020, respectively. These amounts are reported, as both revenue and expense in the accompanying statements of activities.

NOTE L - 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,	
	2021	2020
Projected benefit obligation	\$ (31,156)	\$ (33,515)
Plan assets at fair value	<u>26,603</u>	<u>24,267</u>
Funded status deficit, recognized as liabilities in the statements of financial position	<u>\$ (4,553)</u>	<u>\$ (9,248)</u>

At June 30, 2021, the percentages of the fair values of the types of plan assets held were approximately 3% money-market funds, 55% equity securities, and 42% in mutual and hedge funds. 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. 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,	
	2021	2020
Discount rate	3.07%	3.79%
Long-range return on assets	7.00%	7.00%
Rate of compensation increase	N/A	N/A

NEW YORK CITY BALLET, INC.

Notes to Financial Statements
June 30, 2021 and 2020
(amounts in thousands)

NOTE L - 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,	
	2021	2020
Expected return on plan assets	\$ (1,638)	\$ (1,697)
Interest cost on projected benefit obligation	996	1,167
Amortization of accumulated loss	<u>1,407</u>	<u>921</u>
Net periodic pension cost	<u>\$ 765</u>	<u>\$ 391</u>

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

	Year Ended June 30,	
	2021	2020
Employer contributions	<u>\$ -</u>	<u>\$ 800</u>
Benefits paid	<u>\$ 1,240</u>	<u>\$ 1,161</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
2022	\$ 1,978
2023	1,965
2024	1,972
2025	1,931
2026	1,928
2027-2031	9,277

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, 2021 and 2020

(amounts in thousands)

NOTE L - 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 2021</u>	<u>Actual 2021</u>	<u>Actual 2020</u>
Cash equivalents	3%	3%	18%
Equity securities	55%	55%	38%
Debt securities	0%	0%	8%
Mutual funds and hedge funds	42%	42%	36%

City Ballet's net periodic pension cost for fiscal-years 2021 and 2020 was approximately \$765 and \$391, respectively. City Ballet's accrued benefit liability at June 30, 2021 and 2020 was approximately \$4,553 and \$9,248, respectively, and is reported in postemployment and other liabilities in the accompanying statements of financial position. Accumulated other comprehensive loss associated with City Ballet's pension plan, was approximately \$6,348 and \$11,808 in fiscal-years 2021 and 2020, respectively. Net assets without donor restrictions were increased (decreased) by \$4,695 and \$(3,120) in fiscal-years 2021 and 2020, 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 \$304 and \$3,640 in fiscal-years 2021 and 2020, respectively.

NOTE M - 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's Board of Governors reinstated this benefit for all active employees who, at that date, had already achieved the requisite 20 years of service. In addition, City Ballet contracts with various unions to include provisions for severance payments to members after they reach a predetermined length of service. City Ballet funds both of these obligations as benefits are actually paid.

Net assets without donor restrictions were decreased by \$24 and \$97 in fiscal-year 2021 and 2020, 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, 2021 and 2020
(amounts in thousands)

NOTE M - 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:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Projected postretirement benefit obligation	\$ 604	\$ 650
Plan assets at fair value	<u>-</u>	<u>-</u>
Funded status	<u>\$ 604</u>	<u>\$ 650</u>
	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Postretirement benefit obligation at the end of year:		
Active employees not fully eligible to retire	\$ -	\$ -
Active employees fully eligible to retire	81	87
Retirees	<u>523</u>	<u>563</u>
Total	<u>\$ 604</u>	<u>\$ 650</u>

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

	<u>Year Ended</u> <u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Net periodic postretirement benefit cost:		
Service	\$ -	\$ -
Interest	17	21
Amortization of prior service cost	(279)	(279)
Amortization of accumulated loss	<u>177</u>	<u>189</u>
Net periodic postretirement benefit cost	<u>\$ (85)</u>	<u>\$ (69)</u>
Actual payments	<u>\$ 70</u>	<u>\$ 74</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2021 and 2020 (amounts in thousands)

NOTE M - 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>
2021	\$ 64
2022	61
2023	58
2024	55
2025	51
2026 - 2030	280

The accumulated postretirement benefit obligation was actuarially determined as of June 30, 2021, using assumed discount rates of 3.0%. The assumed rate of future increases in health care was not applicable in the first year, increasing to 4.5% by fiscal-year year 2026. Had the health-care cost-trend rate assumption been increased by 1.0%, the accumulated postretirement benefit obligation would have increased by 7.2%. 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 6.2%. The postretirement balance is included as part of postemployment and other liabilities in the accompanying statements of financial position.

The expected employer contribution for fiscal-year 2021 is \$64.

NOTE N- 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 O- 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 \$1,940 and \$2,263 in fiscal-years 2021 and 2020, 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 2021.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2021 and 2020

(amounts in thousands)

NOTE P - 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,	
	2021	2020
Cash and cash equivalents	\$ 12,721	\$ 4,972
Pledges receivable, net	6,031	8,293
Accounts receivable	647	842
Investments	<u>265,156</u>	<u>216,104</u>
Total financial assets available within one year	<u>284,555</u>	<u>230,211</u>
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with:		
Time and purpose restrictions	(82,633)	(46,695)
Perpetual in nature	<u>(138,242)</u>	<u>(136,568)</u>
	<u>(220,875)</u>	<u>(183,263)</u>
Amounts available to management with Board's approval:		
Board-designated capital reserve	(846)	(846)
Board-designated quasi-endowment fund	<u>(55,124)</u>	<u>(44,252)</u>
	<u>(55,970)</u>	<u>(45,098)</u>
Total amounts unavailable for general expenditure within one year	<u>(276,845)</u>	<u>(228,361)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,710</u>	<u>\$ 1,850</u>

Liquidity policy:

City Ballet maintains a sufficient level of operating cash and investments to be available as its general expenditures, liabilities, and other obligations come due. Additionally, City Ballet has a Quasi-endowment fund and capital reserve fund, whereby amounts could be made available for current operations, if necessary; however, City Ballet does not intend to spend this fund for purposes other than those approved by the Board. 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, 2021 and 2020

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NOTE Q- 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 \$352 and for both fiscal-years 2021 and 2020. 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 2021 and 2020, City Ballet leased space for two warehouses and archival space under agreements expiring in fiscal-year 2030. Rent expense was approximately \$342 and \$370 for fiscal-years 2021 and 2020, respectively. Future minimum commitments under these leases are approximately \$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 R - 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. There were no drawdowns during fiscal-years 2021 and 2020, and no outstanding balance as of June 30, 2021 and 2020.

NOTE S - 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.