

EISNERAMPER

NEW YORK CITY BALLET, INC.

FINANCIAL STATEMENTS

JUNE 30, 2022 and 2021



NEW YORK CITY BALLET, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
New York City Ballet, Inc.

Report on the Audit of the Financial Statements***Opinion***

We have audited the financial statements of the New York City Ballet, Inc. ("City Ballet"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for each of the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New York City Ballet, Inc. as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City Ballet and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City Ballet's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City Ballet's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City Ballet's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

EisnerAmper LLP

EISNERAMPER LLP
New York, New York
December 12, 2022



NEW YORK CITY BALLET, INC.

Statements of Financial Position

(amounts in thousands)

	June 30,	
	2022	2021
ASSETS		
Cash and cash equivalents	\$ 21,633	\$ 12,721
Pledges receivable, net (see Note B)	8,532	6,031
Accounts receivable	677	647
Endowment investments (see Note C)	216,718	263,434
Other investments (see Note C)	1,458	1,722
Inventory	853	991
Deferred production costs	1,037	1,034
Leasehold improvements and other property and equipment, net (see Note G)	<u>62,082</u>	<u>65,475</u>
	<u>\$ 312,990</u>	<u>\$ 352,055</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 12,793	\$ 9,410
Advance ticket sales and tour fees (see Note H)	5,289	5,821
Postemployment and other liabilities	<u>9,219</u>	<u>10,973</u>
Total liabilities	<u>27,301</u>	<u>26,204</u>
Commitments, contingencies, and other uncertainty (see Notes C and Q)		
Net assets:		
Without donor restrictions (see Note E)	<u>91,665</u>	<u>104,976</u>
With donor restrictions:		
Time and purpose restrictions (see Note F)	55,402	82,633
Perpetual in nature (see Note D)	<u>138,622</u>	<u>138,242</u>
Total net assets with donor restrictions	<u>194,024</u>	<u>220,875</u>
Total net assets	<u>285,689</u>	<u>325,851</u>
	<u>\$ 312,990</u>	<u>\$ 352,055</u>

See notes to financial statements.

NEW YORK CITY BALLET, INC.

Statement of Activities Year Ended June 30, 2022

(with summarized financial information for 2021)

(amounts in thousands)

	Year Ended June 30,					
	Net Assets Without Donor Restriction			Total		
	General Operating	Other	Total	Net Assets With Donor Restrictions	2022	2021
Operating revenues:						
Performance ticket sales and tour fees	\$ 25,701	\$ -	\$ 25,701	\$ -	\$ 25,701	\$ 129
Investment earnings per spending policy	10,771	-	10,771	-	10,771	10,898
Investment (deficit) earnings in excess of spending policy in endowment	-	(11,765)	(11,765)	(36,177)	(47,942)	44,842
Investment (losses) income other than endowment	-	(289)	(289)	-	(289)	239
Rental and other revenues	6,229	-	6,229	-	6,229	2,470
Total operating revenues	42,701	(12,054)	30,647	(36,177)	(5,530)	58,578
Operating expenses:						
Program services:						
Ballet production	48,737	183	48,920	-	48,920	18,384
Facility management	15,508	13,228	28,736	-	28,736	23,156
Production management	4,704	-	4,704	-	4,704	2,191
Total program services	68,949	13,411	82,360	-	82,360	43,731
Supporting services:						
Administration	8,516	-	8,516	-	8,516	5,530
Public support	3,997	-	3,997	-	3,997	2,653
Total supporting services	12,513	-	12,513	-	12,513	8,183
Total operating expenses	81,462	13,411	94,873	-	94,873	51,914
Change in net assets from operations before public support and non-operating activities	(38,761)	(25,465)	(64,226)	(36,177)	(100,403)	6,664
Public support:						
Appropriation from the City of New York	2,472	-	2,472	6	2,478	1,940
Other public support, net	29,513	1,433	30,946	16,498	47,444	26,734
Contributions of nonfinancial assets	414	8,771	9,185	-	9,185	9,362
Utilization of net assets with donor restrictions	7,178	-	7,178	(7,178)	-	-
Total public support	39,577	10,204	49,781	9,326	59,107	38,036
Change in net assets before capital renewal and replacement and non-operating activities	816	(15,261)	(14,445)	(26,851)	(41,296)	44,700
Capital renewal and replacement	(800)	800	-	-	-	-
Change in net assets before non-operating activities	16	(14,461)	(14,445)	(26,851)	(41,296)	44,700
Non-operating activities:						
Pension and postemployment benefits adjustments	845	289	1,134	-	1,134	4,671
Change in net assets	861	(14,172)	(13,311)	(26,851)	(40,162)	49,371
Net assets, beginning of year	(14,548)	119,524	104,976	220,875	325,851	276,480
Net assets, end of year	\$ (13,687)	\$ 105,352	\$ 91,665	\$ 194,024	\$ 285,689	\$ 325,851

See notes to financial statements.

NEW YORK CITY BALLET, INC.

Statement of Activities Year Ended June 30, 2021 (amounts in thousands)

	Year Ended June 30, 2021				
	Net Assets Without Donor Restriction				
	General Operating	Other	Total	Net Assets With Donor Restrictions	Total
Operating revenues:					
Performance ticket sales and tour fees	\$ 129	\$ -	\$ 129	\$ -	\$ 129
Investment earnings per spending policy	10,898	-	10,898	-	10,898
Investment earnings in excess of spending policy in endowment	-	10,027	10,027	34,815	44,842
Investment income other than endowment	-	239	239	-	239
Rental and other revenues	2,470	-	2,470	-	2,470
Total operating revenues	13,497	10,266	23,763	34,815	58,578
Operating expenses:					
Program services:					
Ballet production	18,293	91	18,384	-	18,384
Facility management	9,912	13,244	23,156	-	23,156
Production management	2,191	-	2,191	-	2,191
Total program services	30,396	13,335	43,731	-	43,731
Supporting services:					
Administration	5,530	-	5,530	-	5,530
Public support	2,653	-	2,653	-	2,653
Total supporting services	8,183	-	8,183	-	8,183
Total operating expenses	38,579	13,335	51,914	-	51,914
Change in net assets from operations before public support and non-operating activities	(25,082)	(3,069)	(28,151)	34,815	6,664
Public support:					
Appropriation from the City of New York	1,934	-	1,934	6	1,940
Other public support, net	18,778	520	19,298	7,436	26,734
Contributions of nonfinancial assets	591	8,771	9,362	-	9,362
Utilization of net assets with donor restrictions	4,645	-	4,645	(4,645)	-
Total public support	25,948	9,291	35,239	2,797	38,036
Change in net assets before non-operating activities	866	6,222	7,088	37,612	44,700
Non-operating activities:					
Pension and postemployment benefits adjustments	4,909	(238)	4,671	-	4,671
Change in net assets	5,775	5,984	11,759	37,612	49,371
Net assets, beginning of year	(20,323)	113,540	93,217	183,263	276,480
Net assets, end of year	<u>\$ (14,548)</u>	<u>\$ 119,524</u>	<u>\$ 104,976</u>	<u>\$ 220,875</u>	<u>\$ 325,851</u>

See notes to financial statements.

NEW YORK CITY BALLET, INC.

Statements of Cash Flows

(amounts in thousands)

	Year Ended June 30,	
	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (40,162)	\$ 49,371
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	4,801	4,723
Contributions restricted for long-term activities	(867)	(3,312)
Bad debts expense	300	-
Donated securities	(2,581)	(1,553)
Proceeds from the sale of donated securities	2,581	1,553
Net losses (gains) on investments	37,473	(55,389)
Changes in:		
Pledges receivable	(2,801)	2,262
Accounts receivable	(30)	195
Inventory	138	(326)
Deferred production costs	(3)	(205)
Accounts payable and accrued expenses	3,383	2,459
Advance ticket sales and tour fees	(532)	3,868
Postemployment and other liabilities	(1,754)	(4,914)
Net cash used in operating activities	(54)	(1,268)
Cash flows from investing activities:		
Proceeds from sales of investments	39,601	51,568
Purchases of investments	(30,094)	(45,231)
Purchases of property and equipment	(1,408)	(632)
Net cash provided by investing activities	8,099	5,705
Cash flows from financing activities:		
Contributions restricted for endowment	867	3,312
Net cash provided by financing activities	867	3,312
Increase in cash and cash equivalents	8,912	7,749
Cash and cash equivalents, beginning of year	12,721	4,972
Cash and cash equivalents, end of year	\$ 21,633	\$ 12,721
Supplemental disclosure of cash flow information:		
Contributions of nonfinancial assets	\$ 9,185	\$ 9,362

See notes to financial statements.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2022 and 2021

(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 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, 2022 and 2021

(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] Leasehold Improvements and other 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 2022 and 2021 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. Leaseholds 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 2022 or 2021 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, 2022 and 2021 (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. 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 \$873 and \$80 during the years ended June 30, 2022 and 2021, respectively.

(ii) *Contributions of nonfinancial assets:*

Contributions of nonfinancial assets are reported as both contributions and offsetting expenses in the statements of activities (see Note J).

City Ballet, from time-to-time, receives various forms of gifts-in-kind, which are contributions of nonfinancial assets. 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, 2022 and 2021

(amounts in thousands)

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

[8] Revenue recognition: (continued)

(iii) 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.

(iv) 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.

[9] Inventory:

City Ballet's inventory consists mainly of toe shoes for Ballet performances, and 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 K. 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.

[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 and postemployment benefits adjustments.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2022 and 2021 (amounts in thousands)

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

[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.

[14] Adoption of accounting principle:

In September 2020, the FASB issued Accounting Standards Update ("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 have been applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Analysis of the various provisions of this standard resulted in a reclassification of fiscal-year in-kind contribution amount due to donated rental.

[15] Upcoming accounting principle:

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.

[16] Reclassification:

Certain information in the prior year's financial statements has been reclassified to conform to the current year's presentation.

[17] Subsequent events:

City Ballet has evaluated all subsequent events through December 12, 2022, the date on which the financial statements were available to be issued.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2022 and 2021 (amounts in thousands)

NOTE B - PLEDGES RECEIVABLE

In fiscal-years 2022 and 2021, respectively, pledges of \$8,532 and \$6,031 have been recorded net of applicable discounts of \$355 and \$206. Included in pledges receivable are pledges specifically for City Ballet's endowment, net of applicable discounts, totaled \$1,644 and \$2,139 in fiscal-years 2022 and 2021, respectively.

Pledges are expected to be collected as follows:

	June 30,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Less than one year	\$ 990	\$ 3,893	\$ 4,883	\$ 2,888	\$ 1,836	\$ 4,724
One to five years	-	4,500	4,500	-	1,730	1,730
	990	8,393	9,383	2,888	3,566	6,454
Less discount to present value at rates ranging from 3% - 6%	-	(355)	(355)	-	(206)	(206)
	990	8,038	9,028	2,888	3,360	6,248
Allowance for doubtful pledges	(496)	-	(496)	(217)	-	(217)
Total	\$ 494	\$ 8,038	\$ 8,532	\$ 2,671	\$ 3,360	\$ 6,031

At June 30, 2022, pledges receivable from two unrelated donors totaled approximately \$5,000 and represented 53% of pledges receivable. At June 30, 2021, pledges receivable from two unrelated donors totaled approximately \$3,323 and represented 51% of pledges receivable.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2022 and 2021 (amounts in thousands)

NOTE C - INVESTMENTS

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

	June 30, 2022		
	Endowment Investments	Other Investments	Total
Cash and cash equivalents	\$ 23,257	\$ 39	\$ 23,296
Equities (a)	37,522	604	38,126
Fixed-income mutual funds	27	815	842
Alternative investments:			
Hedge funds (b):			
Domestic	55,558	-	55,558
Offshore	50,441	-	50,441
Private equity funds (c)	9,899	-	9,899
Other investment funds (d)	24,473	-	24,473
Common trust funds (e)	15,541	-	15,541
Total	<u>\$ 216,718</u>	<u>\$ 1,458</u>	<u>\$ 218,176</u>
	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 fund (c)	7,920	-	7,920
Other investment funds (d)	32,369	-	32,369
Common trust funds (e)	19,315	-	19,315
Total	<u>\$ 263,434</u>	<u>\$ 1,722</u>	<u>\$ 265,156</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, 2022 and 2021

(amounts in thousands)

NOTE C - INVESTMENTS (CONTINUED)

During fiscal-years 2022 and 2021, net investment income from the endowment consisted of the following:

	June 30,	
	2022	2021
Net realized gains	\$ 3,015	\$ 6,047
Net unrealized (losses) gains	<u>(40,488)</u>	<u>49,342</u>
Net (losses) gains on investments	(37,473)	55,389
Interest and dividends, net	<u>302</u>	<u>351</u>
	<u>\$ (37,171)</u>	<u>\$ 55,740</u>

Interest and dividends are net of management fees expenses of \$682 and \$694 for fiscal-years 2022 and 2021, respectively. Net investment (loss) income other than endowment amounted to \$(289) and \$239 for fiscal-years 2022 and 2021, 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, 2022 and 2021 (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, 2022				
Fair-Value Hierarchy				
	Level 1	Total	Valued at NAV	Total Investments
Equities	\$ 38,126	\$ 38,126	\$ -	\$ 38,126
Fixed-income mutual funds	842	842	-	842
Alternative investments	-	-	155,912	155,912
Total	<u>\$ 38,968</u>	<u>\$ 38,968</u>	<u>\$ 155,912</u>	<u>\$ 194,880</u>

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	-	-	184,334	184,334
Total	<u>\$ 57,105</u>	<u>\$ 57,105</u>	<u>\$ 184,334</u>	<u>\$ 241,439</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2022 and 2021

(amounts in thousands)

NOTE C - INVESTMENTS (CONTINUED)

The following table describes the funding commitment and redemption information as of June 30, 2022 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:				
Echo Spring Goo Co Select II, LP	\$ 8,864	\$ -	Monthly	30 days
Varde	8,385	-	Monthly	90 days
Farallon Equity Partners, LP	18,866	-	Quarterly	30 days
Davidson Kempner LT Distressed Opps Int'l IV, LP	5,817	343	Upon liquidation	N/A
Canyon DOF III (Delaware)	3,600	-	Upon liquidation	N/A
Davidson Kempner LT Distressed Opps Int'l V, LP	4,932	651	Upon liquidation	N/A
Davidson Kempner Institutional Partners, LP	5,016	-	Upon liquidation	N/A
AG Super Fund, LP	<u>78</u>	<u>-</u>	Upon liquidation	N/A
Total hedge funds - domestic	<u>55,558</u>	<u>994</u>		
Hedge funds - offshore:				
Indus Select	7,301	-	Monthly	30 days
Junto Offshore Fund, LTD	7,433	-	Quarterly	45 days
Coatue Offshore Fund, Ltd.	11,079	-	Quarterly	45 days
Casdin Partners Offshore, Ltd.	1,244	-	Quarterly	60 days
Nitorum Offshore Fund, Ltd.	4,804	-	Quarterly	60 days
Valinor Capital Partners Offshore, Ltd.	224	-	Quarterly	60 days
Nut Tree Offshore Fund Ltd.	10,525	-	Quarterly	75 days
York Credit Opportunities Master Fund, LP	1,329	-	Anniversary of Fund	60 days
Durable Capital Offshore Fund LP	6,288	-	Every 36-months	150 days
Canyon DOF II (Cayman)	32	1,700	Upon liquidation	N/A
Durable Capital Opp. Offshore Fund LP	<u>182</u>	<u>768</u>	Upon liquidation	N/A
Total hedge funds - offshore	<u>50,441</u>	<u>2,468</u>		
Private equity funds:				
Incline Equity Partners V Fund	1,850	3,180	Upon liquidation	N/A
StepStone VC Secondaries Fund V (Cayman) LP	797	1,200	Upon liquidation	N/A
Sageview Capital Partners II (Offshore), LP	<u>7,252</u>	<u>205</u>	Upon liquidation	N/A
Total private equity funds	<u>9,899</u>	<u>4,585</u>		
Other investment funds:				
Highclere Int'l Investors SMID Fund	4,945	-	Monthly	10 days
GQG Partners Emerging Markets Equity Fund	7,766	-	Weekly	Prior Friday
HCIF Offshore LP.	5,892	-	Annually	105 days
Farallon Special Situations Fund	3,242	1,063	Upon liquidation	N/A
Abingworth Bioventures VII LP	<u>2,628</u>	<u>393</u>	Upon liquidation	N/A
Total other investment funds	<u>24,473</u>	<u>1,456</u>		
Common trust funds:				
Wellington CTF Int'l Quality Growth	8,441	-	Daily	1 day
Wellington CTF Select Leaders	<u>7,100</u>	<u>-</u>	Daily	1 day
Total common trust funds	<u>15,541</u>	<u>-</u>		
	<u>\$ 155,912</u>	<u>\$ 9,503</u>		

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2022 and 2021 (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 \$1,644 and \$2,139 pledges in fiscal-years 2022 and 2021, respectively), by type of fund, as of each fiscal-year end, are as follows:

	June 30, 2022				
	Without Donor Restriction	With Donor Restrictions			Total
		Endowment Appreciation	Endowment	Total	
Functioning as endowment	\$ 9,886	\$ -	\$ 7,162	\$ 7,162	\$ 17,048
Touring	2,203	-	-	-	2,203
Delmas Repertory	6,657	-	-	-	6,657
Capital Campaign 1999	-	3,058	13,818	16,876	16,876
Martison Memorial/Society Loan	-	122	84	206	206
General	-	206	1,000	1,206	1,206
Capital Campaign 2014 General	-	194	11,974	12,168	12,168
Board Designated	20,221	-	-	-	20,221
Bequests	4,743	-	-	-	4,743
Wallace Endowment	-	17,847	57,751	75,598	75,598
	<u>43,710</u>	<u>21,427</u>	<u>91,789</u>	<u>113,216</u>	<u>156,926</u>
Choreographic Institute	-	9,047	16,378	25,425	25,425
Nureyev Repertory	-	300	1,000	1,300	1,300
Martins Repertory	-	1,079	3,000	4,079	4,079
Martins' 25	-	59	344	403	403
Martins' 30	-	2	115	117	117
Balanchine Repertory	-	473	1,320	1,793	1,793
Symphony in C	-	606	1,000	1,606	1,606
Robbins Repertory	-	14	67	81	81
Touring	-	1,111	2,975	4,086	4,086
Education	-	204	775	979	979
Levin Dance	-	362	1,000	1,362	1,362
Dance On	-	117	1,000	1,117	1,117
Musical Leadership	-	652	2,000	2,652	2,652
Scenic Design Maintenance	-	76	250	326	326
Kirstein Memorial	-	104	235	339	339
Capital Campaign 2014 Stepping	-	184	7,000	7,184	7,184
Capital Campaign 2014 Education	-	42	750	792	792
Capital Campaign 2014 Repertory	-	17	450	467	467
Capital Campaign 2014 Toe Shoes	-	17	150	167	167
Capital Campaign 2014 Dancers' Salary	-	91	1,210	1,301	1,301
Capital Campaign 2014 New Works	-	36	900	936	936
Capital Campaign 2014 Costumes	-	22	1,000	1,022	1,022
Capital Campaign 2014 Repertory Director	-	17	2,500	2,517	2,517
Capital Campaign 2014 Jacob Funds	-	20	1,000	1,020	1,020
Capital Campaign 2014 Dancers' Wellness	-	(8)	239	231	231
	<u>-</u>	<u>14,644</u>	<u>46,658</u>	<u>61,302</u>	<u>61,302</u>
Investments held by others (Stern)	-	(41)	175	134	134
	<u>\$ 43,710</u>	<u>\$ 36,030</u>	<u>\$ 138,622</u>	<u>\$ 174,652</u>	<u>\$ 218,362</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2022 and 2021 (amounts in thousands)

NOTE D - ENDOWMENTS (CONTINUED)

[2] Endowment net assets (inclusive of approximately \$1,644 and \$2,139 pledges in fiscal-years 2022 and 2021, respectively), by type of fund, as of each fiscal-year end, are as follows: (continued)

	June 30, 2021				
	Without Donor Restriction	With Donor Restrictions			
		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)	-	(29)	175	146	146
	<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, 2022 and 2021 (amounts in thousands)

NOTE D - ENDOWMENTS (CONTINUED)

- [2] Changes in endowment net assets (exclusive of approximately \$1,644 and \$2,139 pledges in fiscal-years 2022 and 2021, respectively) during each fiscal-year: (continued)

	Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 55,124	\$ 208,310	\$ 263,434
Investment return:			
Investment management fees	(160)	(522)	(682)
Interest, dividends and realized gains	941	3,058	3,999
Unrealized gains	(9,528)	(30,960)	(40,488)
	(8,747)	(28,424)	(37,171)
Other charges:			
Additions	371	867	1,238
Spending policy of 5% - appropriation	(3,038)	(7,733)	(10,771)
	(2,667)	(6,866)	(9,533)
	43,710	173,020	216,730
Net income on investments held by others	-	(12)	(12)
Endowment net assets, end of year	\$ 43,710	\$ 173,008	\$ 216,718

	Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 44,252	\$ 170,190	\$ 214,442
Investment return:			
Investment management fees	(169)	(525)	(694)
Interest, dividends and realized (losses) gains	1,728	5,364	7,092
Unrealized gains (losses)	12,026	37,316	49,342
	13,585	42,155	55,740
Other charges:			
Additions	820	3,312	4,132
Spending policy of 5% - appropriation	(3,533)	(7,365)	(10,898)
	(2,713)	(4,053)	(6,766)
	55,124	208,292	263,416
Net income on investments held by others	-	18	18
Endowment net assets, end of year	\$ 55,124	\$ 208,310	\$ 263,434

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2022 and 2021

(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, 2022 and 2021 was approximately \$138,600 and \$138,200, 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, 2022, a deficiency existed in two of City Ballets donor restricted endowment funds totaling \$49. At June 30, 2021, a deficiency existed in one of City Ballets donor restricted endowment funds totaling \$29.

[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 2022 and 2021, 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,	
	2022	2021
General operating:		
Undesignated	\$ (7,045)	\$ (8,195)
Pension/postemployment accumulated other income and loss	<u>(6,642)</u>	<u>(6,353)</u>
	<u>(13,687)</u>	<u>(14,548)</u>
Other:		
Fixed assets - funded	59,996	63,554
Capital renewal and replacement Board designated capital reserve	1,646	846
Board-designated to function as endowment	<u>43,710</u>	<u>55,124</u>
	<u>105,352</u>	<u>119,524</u>
	<u>\$ 91,665</u>	<u>\$ 104,976</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2022 and 2021 (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,	
	2022	2021
Pension	\$ (7,158)	\$ (6,865)
Post-employment	<u>516</u>	<u>512</u>
	<u>\$ (6,642)</u>	<u>\$ (6,353)</u>

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

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

	June 30,	
	2022	2021
Perpetual in nature (see Note D)	<u>\$ 138,622</u>	<u>\$ 138,242</u>
Time and purpose restrictions:		
Productions	4,816	3,532
Emergency	418	418
Education	1,131	1,091
Passage of time and other	<u>13,007</u>	<u>5,385</u>
	19,372	10,426
Accumulation of endowment income reserved for appropriations	<u>36,030</u>	<u>72,207</u>
	<u>55,402</u>	<u>82,633</u>
	<u>\$ 194,024</u>	<u>\$ 220,875</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2022 and 2021 (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,	
	2022	2021
Productions	\$ 3,000	\$ 1,964
Education	1,124	1,088
Passage of time and other	<u>3,054</u>	<u>1,593</u>
Total	<u>\$ 7,178</u>	<u>\$ 4,645</u>

NOTE G - LEASEHOLD IMPROVEMENTS AND OTHER PROPERTY AND EQUIPMENT

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

	June 30,	
	2022	2021
Leasehold improvements	\$ 77,864	\$ 76,481
Property and equipment	<u>20,465</u>	<u>20,440</u>
	98,329	96,921
Less: accumulated depreciation	<u>(36,247)</u>	<u>(31,446)</u>
	<u>\$ 62,082</u>	<u>\$ 65,475</u>

During fiscal-year 2021, City Ballet disposed of approximately \$895 of fully depreciated property and equipment no longer in service. During fiscal-year 2022, 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,	
	2022	2021
Advance ticket sales and tour fees, beginning of year	\$ 5,821	\$ 1,953
Revenue recognized or refunds provided that were included in advance ticket sales and tour fees at the beginning of the year	(5,392)	(193)
Increase in advance ticket sales and tour fees due to cash received during the period	<u>4,860</u>	<u>4,061</u>
Advance ticket sales and tour fees, end of year	<u>\$ 5,289</u>	<u>\$ 5,821</u>

There were no other significant contract assets or liabilities at June 30, 2022 or 2021, respectively.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2022 and 2021 (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,	
	2022	2021
Appropriation from the City of New York	\$ 2,478	\$ 1,940
Other governmental agencies	10,100	3,686
Special events, net	5,455	4,159
Membership	2,888	2,385
Foundation	4,590	3,124
Corporate	2,498	2,516
Individual	9,464	6,947
Estates	<u>2,753</u>	<u>600</u>
	40,226	25,357
Contributions of nonfinancial assets	9,185	9,362
Estates (Board-designated)	<u>370</u>	<u>520</u>
	<u>\$ 49,781</u>	<u>\$ 35,239</u>

In April 2021, City Ballet applied for a federal Shuttered Venue Operators Grant ("SVOG") which was established by the Hard-hit Small Businesses, Nonprofits, and Venues Act, and amended by the American Rescue Plan Act. The SVOG provided businesses, including not-for-profit organizations, with emergency assistance for eligible venues affected by the coronavirus ("COVID-19") outbreak. During the year ended June 30, 2022, City Ballet was awarded a SVOG totaling \$10,000, which is included in public support revenue in the statement of activities.

In addition, in March 2020, Congress enacted the Coronavirus Aid Relief, and Economic Security Act ("CARES Act"). The Employee Retention Credit ("ERC"), established by the CARES Act, provided 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 public support revenue in the statement of activities.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2022 and 2021 (amounts in thousands)

NOTE J - CONTRIBUTIONS OF NONFINANCIAL ASSETS

Contributions of nonfinancial assets included in the statements of activities consisted of the following during each fiscal-year ended:

	Year Ended June 30,	
	2022	2021
Supplies	\$ 28	\$ 5
Legal services	386	586
Koch Theater space	<u>8,771</u>	<u>8,771</u>
	<u>\$ 9,185</u>	<u>\$ 9,362</u>

City Ballet recognized contributed nonfinancial assets within public support revenue, including contributed supplies, legal services, and space usage of the Koch Theater. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed supplies was utilized as auction items at City Ballet's special event and were valued at their estimated fair value on the basis of comparable sales prices. Contributed legal services recognized comprise professional services from attorneys advising City Ballet on various legal matters and the fair value of the services is based on current rates for similar legal services. Contributed space at the Koch Theater recognized is based on an estimate of the fair value of the space on the basis of recent comparable rental prices in City Ballet's real estate market for the square footage of donated space.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2022 and 2021 (amounts in thousands)

NOTE K - SCHEDULE OF FUNCTIONAL EXPENSES

For fiscal-years 2022 and 2021, the following schedules describe management's allocation of expenses by natural classification to City Ballet's various functional categories:

	Year Ended June 30, 2022							
	Program Services				Supporting Services			Total
	Ballet Production	Facility Management	Production Management	Total Program Services	Administration	Public Support	Total Supporting Services	
Salaries	\$ 26,462	\$ 6,464	\$ 3,600	\$ 36,526	\$ 3,239	\$ 2,179	\$ 5,418	\$ 41,944
Benefits	<u>11,473</u>	<u>2,874</u>	<u>943</u>	<u>15,290</u>	<u>1,391</u>	<u>663</u>	<u>2,054</u>	<u>17,344</u>
Salaries and related benefits	37,935	9,338	4,543	51,816	4,630	2,842	7,472	59,288
Occupancy	91	13,527	-	13,618	22	94	116	13,734
Depreciation and amortization	46	115	-	161	-	-	-	161
Printing	2,633	3	-	2,636	-	201	201	2,837
Transportation	396	17	-	413	6	37	43	456
Scenery, music and costumes	1,850	35	-	1,885	14	22	36	1,921
Professional fees	1,205	119	15	1,339	2,203	211	2,414	3,753
Data processing, telephone and office expenses	101	158	-	259	387	55	442	701
Insurance	43	663	-	706	397	-	397	1,103
Royalties	955	-	-	955	1	-	1	956
Advertising	501	-	-	501	100	481	581	1,082
Catering and other related expenses	-	-	-	-	136	873	1,009	1,009
Medical supplies	1,676	-	-	1,676	-	-	-	1,676
Bad debts	-	-	-	-	300	-	300	300
Miscellaneous expenses	<u>1,169</u>	<u>254</u>	<u>-</u>	<u>1,423</u>	<u>101</u>	<u>-</u>	<u>101</u>	<u>1,524</u>
Total expenses before funded depreciation	48,601	24,229	4,558	77,388	8,297	4,816	13,113	90,501
Funded depreciation	<u>183</u>	<u>4,457</u>	<u>-</u>	<u>4,640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,640</u>
Total expenses	48,784	28,686	4,558	82,028	8,297	4,816	13,113	95,141
Less:								
Special event expenses - direct benefit	-	-	-	-	-	(873)	(873)	(873)
Other components of net periodic costs	<u>136</u>	<u>50</u>	<u>146</u>	<u>332</u>	<u>219</u>	<u>54</u>	<u>273</u>	<u>605</u>
Total expenses, statement of activities	<u>\$ 48,920</u>	<u>\$ 28,736</u>	<u>\$ 4,704</u>	<u>\$ 82,360</u>	<u>\$ 8,516</u>	<u>\$ 3,997</u>	<u>\$ 12,513</u>	<u>\$ 94,873</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2022 and 2021 (amounts in thousands)

NOTE K - SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)

	Year Ended June 30, 2021							
	Program Services				Supporting Services			
	Ballet Production	Facility Management	Production Management	Total Program Services	Administration	Public Support	Total Supporting Services	Total
Salaries	\$ 9,791	\$ 3,055	\$ 1,485	\$ 14,331	\$ 2,167	\$ 1,739	\$ 3,906	\$ 18,237
Benefits	6,369	1,836	843	9,048	1,368	661	2,029	11,077
Salaries and related benefits	16,160	4,891	2,328	23,379	3,535	2,400	5,935	29,314
Occupancy	166	12,898	-	13,064	8	4	12	13,076
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
Catering and other related expenses	-	-	-	-	-	80	80	80
Miscellaneous expenses	342	51	-	393	245	104	349	742
Total expenses before funded depreciation	18,478	18,717	2,328	39,523	5,771	2,816	8,587	48,110
Funded depreciation	91	4,473	-	4,564	-	-	-	4,564
Total expenses	18,569	23,190	2,328	44,087	5,771	2,816	8,587	52,674
Less:								
Special event expenses – direct benefit	-	-	-	-	-	(80)	(80)	(80)
Other components of net periodic costs	(185)	(34)	(137)	(356)	(241)	(83)	(324)	(680)
Total expenses, statement of activities	\$ 18,384	\$ 23,156	\$ 2,191	\$ 43,731	\$ 5,530	\$ 2,653	\$ 8,183	\$ 51,914

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2022 and 2021

(amounts in thousands)

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,	
	2022	2021
Projected benefit obligation	\$ (25,565)	\$ (31,156)
Plan assets at fair value	<u>22,107</u>	<u>26,603</u>
Funded status deficit, recognized as liabilities in the statements of financial position	<u>\$ (3,458)</u>	<u>\$ (4,553)</u>

At June 30, 2022, the percentages of the fair values of the types of plan assets held were approximately 2% money-market funds, 56% equity and debt securities, and 42% in mutual and hedge funds. 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 and debt securities, and 42% 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,	
	2022	2021
Discount rate	5.02%	3.07%
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, 2022 and 2021 (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,	
	2022	2021
Expected return on plan assets	\$ (1,874)	\$ (1,638)
Interest cost on projected benefit obligation	965	996
Amortization of accumulated loss	<u>404</u>	<u>1,407</u>
Net periodic pension cost	<u>\$ (505)</u>	<u>\$ 765</u>

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

	Year Ended June 30,	
	2022	2021
Benefits paid	<u>\$ 1,260</u>	<u>\$ 1,240</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
2023	\$ 2,091
2024	2,081
2025	2,036
2026	2,029
2027	1,966
2028-2031	9,587

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, 2022 and 2021 (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 2022</u>	<u>Actual 2022</u>	<u>Actual 2021</u>
Cash equivalents	2%	2%	3%
Equity and debt securities	56%	56%	55%
Mutual funds and hedge funds	42%	42%	42%

City Ballet's net periodic pension cost for fiscal-years 2022 and 2021 was approximately \$(505) and \$765, respectively. City Ballet's accrued benefit liability at June 30, 2022 and 2021 was approximately \$3,458 and \$4,553, 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 \$5,758 and \$6,348 in fiscal-years 2022 and 2021, respectively. Net assets without donor restrictions were increased by \$1,095 and \$4,695 in fiscal-years 2022 and 2021, 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 \$2,851 and \$304 in fiscal-years 2022 and 2021, 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 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 increased (decreased) by \$39 and \$(24) in fiscal-years 2022 and 2021, 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, 2022 and 2021

(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:

	June 30,	
	2022	2021
Projected postretirement benefit obligation	\$ 535	\$ 604
Plan assets at fair value	<u>-</u>	<u>-</u>
Funded status	<u>\$ 535</u>	<u>\$ 604</u>
	June 30,	
	2022	2021
Postretirement benefit obligation at the end of year:		
Active employees not fully eligible to retire	\$ -	\$ -
Active employees fully eligible to retire	79	81
Retirees	<u>456</u>	<u>523</u>
Total	<u>\$ 535</u>	<u>\$ 604</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:

	Year Ended June 30,	
	2022	2021
Net periodic postretirement benefit cost:		
Service	\$ -	\$ -
Interest	17	17
Amortization of prior service cost	(278)	(279)
Amortization of accumulated loss	<u>161</u>	<u>177</u>
Net periodic postretirement benefit cost	<u>\$ (100)</u>	<u>\$ (85)</u>
Actual payments	<u>\$ 66</u>	<u>\$ 70</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements
June 30, 2022 and 2021
(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>
2022	\$ 61
2023	59
2024	57
2025	54
2026	52
2027 - 2031	289

The accumulated postretirement benefit obligation was actuarially determined as of June 30, 2022, using assumed discount rates of 5.0%. 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 6.5%. 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 6.0%. 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 2023 is \$61.

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 \$2,478 and \$1,940 in fiscal-years 2022 and 2021, 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.

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 2022.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2022 and 2021

(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,	
	2022	2021
Cash and cash equivalents	\$ 21,633	\$ 12,721
Pledges receivable, net	8,532	6,031
Accounts receivable	677	647
Investments	<u>218,176</u>	<u>265,156</u>
Total financial assets available within one year	<u>249,018</u>	<u>284,555</u>
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with:		
Time and purpose restrictions	(55,402)	(82,633)
Perpetual in nature	<u>(138,622)</u>	<u>(138,242)</u>
	<u>(194,024)</u>	<u>(220,875)</u>
Amounts available to management with Board's approval:		
Board-designated capital reserve	(1,646)	(846)
Board-designated quasi-endowment fund	<u>(43,710)</u>	<u>(55,124)</u>
	<u>(45,356)</u>	<u>(55,970)</u>
Total amounts unavailable for general expenditure within one year	<u>(239,380)</u>	<u>(276,845)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,638</u>	<u>\$ 7,710</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.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2022 and 2021

(amounts in thousands)

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 for both fiscal-years 2022 and 2021. 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 2022 and 2021, City Ballet leased space for two warehouses and archival space under agreements expiring in fiscal-year 2030. Rent expense was approximately \$479 and \$342 for fiscal-years 2022 and 2021, respectively. Future minimum commitments under these leases are approximately \$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, \$238 for fiscal-year 2028, and \$430 for fiscal-years 2029-2030.

[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 worldwide pandemic and other global events on City Ballet's programming, operational, and financial performance is uncertain and will depend on the continued future developments and external restrictions imposed. The potential economic impact brought by, and the duration of, these conditions is difficult to assess or predict, and may 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 2022 and 2021, and no outstanding balance as of June 30, 2022 and 2021. In October 2022, the line of credit was closed.

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.