



# NEW YORK CITY BALLET, INC.

FINANCIAL STATEMENTS

JUNE 30, 2014 and 2013

## **INDEPENDENT AUDITORS' REPORT**

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

### **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, 2014 and 2013, the related statements of activities and cash flows for 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.

### ***Auditors' 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 audit to obtain reasonable assurance about whether the financial statements are free from 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 risk 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 the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New York City Ballet, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



New York, New York  
February 13, 2015

# NEW YORK CITY BALLET, INC.

## Statements of Financial Position

(in thousands)

	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 8,636	\$ 9,100
Endowment investments (see Note C)	183,368	163,214
Gift annuities and other investments	1,455	1,384
Pledges receivable (see Note B)	18,111	3,367
Accounts receivable	606	589
Inventory	371	354
Deferred production costs	1,161	1,535
Due from CCMD	2,905	3,545
Construction in progress	6,013	
Leasehold in Rose Building and other property and equipment, less accumulated depreciation of \$10,492 in 2014 and \$10,834 in 2013	<u>3,924</u>	<u>4,669</u>
	<u>\$ 226,550</u>	<u>\$ 187,757</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 4,102	\$ 3,425
Advance ticket sales and other deferred revenue	4,491	6,182
Line of credit payable	5,000	
Payroll-related liabilities due to CCMD	1,480	1,087
Payroll-related and other liabilities	<u>9,213</u>	<u>10,404</u>
Total liabilities	<u>24,286</u>	<u>21,098</u>
Net assets:		
Unrestricted (see Note E)	<u>17,459</u>	<u>13,384</u>
Temporarily restricted:		
Time and other restrictions	20,172	9,135
Endowment appreciation (see Note F)	<u>48,757</u>	<u>32,888</u>
	<u>68,929</u>	<u>42,023</u>
Permanently restricted (see Note D):		
Wallace endowment	57,751	57,751
Endowments for which income is unrestricted	22,656	22,657
Endowments for which income is restricted	<u>35,469</u>	<u>30,844</u>
	<u>115,876</u>	<u>111,252</u>
Total net assets	<u>202,264</u>	<u>166,659</u>
	<u>\$ 226,550</u>	<u>\$ 187,757</u>

# NEW YORK CITY BALLET, INC.

## Statement of Activities

Year Ended June 30, 2014

(with summarized financial information for 2013)

(in thousands)

	2014						2013	
	General Operating	Board-Designated	Fixed Assets	Unrestricted Total	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Operating revenues:</b>								
Performance ticket sales and tour fees	\$ 32,902			\$ 32,902			\$ 32,902	\$ 32,926
Investment earnings per spending policy	7,229			7,229			7,229	7,385
Income in excess of spending policy		\$ 3,119		3,119	\$ 15,868		18,987	10,956
Interest other than endowment		192		192			192	11
Other revenues	3,542			3,542			3,542	1,002
Total operating revenues	43,673	3,311		46,984	15,868		62,852	52,280
<b>Operating expenses:</b>								
Program services:								
Ballet production costs	43,533			43,533			43,533	43,064
Depreciation			\$ 650	650			650	501
Facility expenses	9,467			9,467			9,467	6,620
Production-management expenses	4,075			4,075			4,075	3,970
	57,075		650	57,725			57,725	54,155
Supporting services:								
Administration	5,188			5,188			5,188	5,853
Public support	4,770			4,770			4,770	4,478
	9,958			9,958			9,958	10,331
Total operating expenses	67,033		650	67,683			67,683	64,486
(Loss) income from operations before public support	(23,360)	3,311	(650)	(20,699)	15,868		(4,831)	(12,206)
<b>Public support:</b>								
Appropriation from the City of New York	1,448			1,448	5		1,453	1,176
Other public support	17,178			17,178	16,368	\$ 4,624	38,170	23,645
Utilization of temporarily restricted net assets	5,335			5,335	(5,335)		0	0
Total public support	23,961			23,961	11,038	4,624	39,623	24,821
Earnings (deficit) before adjustments	601	3,311	(650)	3,262	26,906	4,624	34,792	12,615
Capital renewal and replacement	(400)	400		0			0	0
Surplus (deficit) after capital renewal and replacement	201	3,711	(650)	3,262	26,906	4,624	34,792	12,615
Pension, postemployment and other adjustments	998	(185)		813			813	1,750
<b>Change in net assets</b>	1,199	3,526	(650)	4,075	26,906	4,624	35,605	14,365
Net assets - beginning of year	(9,557)	19,675	3,266	13,384	42,023	111,252	166,659	152,294
<b>Net assets - end of year</b>	\$ (8,358)	\$ 23,201	\$ 2,616	\$ 17,459	\$ 68,929	\$ 115,876	\$ 202,264	\$ 166,659

See notes to financial statements

# NEW YORK CITY BALLET, INC.

**Statement of Activities**  
**Year Ended June 30, 2013**  
(in thousands)

	2013						
	General Operating	Unrestricted		Unrestricted Total	Temporarily Restricted	Permanently Restricted	Total
	Board- Designated	Fixed Assets					
<b>Operating revenues:</b>							
Performance ticket sales and tour fees	\$ 32,926			\$ 32,926			\$ 32,926
Investment earnings per spending policy	7,385			7,385			7,385
Income (deficit) in excess of spending policy		\$ 819		819	\$ 10,137		10,956
Other revenues	<u>1,002</u>	<u>11</u>		<u>1,013</u>			<u>1,013</u>
Total operating revenues	<u>41,313</u>	<u>830</u>		<u>42,143</u>	<u>10,137</u>		<u>52,280</u>
<b>Operating expenses:</b>							
Program services:							
Ballet production	43,064			43,064			43,064
Depreciation			\$ 501	501			501
Facility expenses	6,620			6,620			6,620
Production-management expenses	<u>3,970</u>			<u>3,970</u>			<u>3,970</u>
	<u>53,654</u>		<u>501</u>	<u>54,155</u>			<u>54,155</u>
Supporting services:							
Administration	5,853			5,853			5,853
Public support	<u>4,478</u>			<u>4,478</u>			<u>4,478</u>
	<u>10,331</u>			<u>10,331</u>			<u>10,331</u>
Total operating expenses	<u>63,985</u>		<u>501</u>	<u>64,486</u>			<u>64,486</u>
(Loss) income from operations before public support	<u>(22,672)</u>	<u>830</u>	<u>(501)</u>	<u>(22,343)</u>	<u>10,137</u>		<u>(12,206)</u>
<b>Public support:</b>							
Appropriation from the City of New York	1,176			1,176			1,176
Other public support	16,766		650	17,416	5,032	\$ 1,197	23,645
Utilization of temporarily restricted net assets	<u>5,406</u>			<u>5,406</u>	<u>(5,406)</u>		<u>0</u>
Total public support	<u>23,348</u>		<u>650</u>	<u>23,998</u>	<u>(374)</u>	<u>1,197</u>	<u>24,821</u>
Capital expenditures		<u>260</u>	<u>(260)</u>	<u>0</u>			<u>0</u>
Earnings (deficit) before adjustments	676	1,090	(111)	1,655	9,763	1,197	12,615
Pension, postemployment and other adjustments	<u>1,768</u>	<u>(18)</u>		<u>1,750</u>			<u>1,750</u>
<b>Change in net assets</b>	2,444	1,072	(111)	3,405	9,763	1,197	14,365
Net assets - beginning of year	<u>(12,001)</u>	<u>18,603</u>	<u>3,377</u>	<u>9,979</u>	<u>32,260</u>	<u>110,055</u>	<u>152,294</u>
<b>Net assets - end of year</b>	<u>\$ (9,557)</u>	<u>\$ 19,675</u>	<u>\$ 3,266</u>	<u>\$ 13,384</u>	<u>\$ 42,023</u>	<u>\$ 111,252</u>	<u>\$ 166,659</u>

See notes to financial statements

# NEW YORK CITY BALLET, INC.

## Statements of Cash Flows

(in thousands)

	Year Ended June 30,	
	<u>2014</u>	<u>2013</u>
<b>Cash flows from operating activities:</b>		
Changes in net assets:		
Unrestricted	\$ 4,075	\$ 3,405
Temporarily restricted	26,906	9,763
Permanently restricted	<u>4,624</u>	<u>1,197</u>
	35,605	14,365
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	773	623
Contributions restricted for long-term activities	(1,166)	(1,225)
Bad debt expense		1,316
Donated securities	(700)	(400)
Proceeds from the sale of donated securities	700	400
Net (gains) losses on investments	(25,975)	(18,077)
Changes in:		
Gift annuities	(71)	(77)
Pledges receivable	(14,745)	2,185
Accounts receivable	(17)	(164)
Inventory	(17)	(183)
Deferred production costs	374	(109)
Due from CCMD	640	(1,120)
Accounts payable and accrued expenses	677	230
Advance ticket sales and other deferred revenue	(1,691)	1,632
Payroll-related liabilities due to CCMD	393	174
Payroll-related and other liabilities	<u>(1,191)</u>	<u>(1,892)</u>
Net cash used in operating activities	<u>(6,411)</u>	<u>(2,322)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	45,992	65,999
Purchases of investments	(40,170)	(60,103)
Construction in progress	(6,013)	
Purchases of property and equipment	<u>(28)</u>	<u>(168)</u>
Net cash (used in) provided by investing activities	<u>(219)</u>	<u>5,728</u>
<b>Cash flows from financing activities:</b>		
Endowment contributions	1,166	1,225
Proceeds from line of credit payable	<u>5,000</u>	
Net cash provided by financing activities	<u>6,166</u>	<u>1,225</u>
<b>Net change in cash and cash equivalents</b>	<b>(464)</b>	<b>4,631</b>
Cash and cash equivalents - beginning of year	<u>9,100</u>	<u>4,469</u>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 8,636</b>	<b>\$ 9,100</b>

See notes to financial statements

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

### **Notes to Financial Statements June 30, 2014 and 2013**

#### **NOTE A - SUMMARY OF FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

The New York City Ballet, Inc. ("City Ballet") is a not-for-profit organization incorporated in 1977 in the State of New York. Its primary home and principal place of performance is the David H. Koch Theater, which is operated for City Ballet by City Center of Music and Drama, Inc. ("CCMD"), which also provides certain administrative services to City Ballet. City Ballet is represented on the Board of Governors of CCMD, and the Chairman of the CCMD Board of Governors is an *ex officio* member of the Board of Directors of City Ballet.

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

The following is a summary of significant accounting policies consistently followed by City Ballet in the preparation of its financial statements:

#### **[1] Financial statement presentation:**

The accounts of City Ballet are maintained in accordance with the principles of fund accounting. This procedure classifies resources for accounting purposes into funds established to reflect the activities and objectives specified by donors and/or City Ballet's Board of Directors. The financial statements are presented in accordance with accounting principles generally accepted in the United States of America, which require that a not-for-profit organization's statement of financial position report the amounts for each of three classes of net assets permanently restricted, temporarily restricted, and unrestricted based upon the existence or absence of donor-imposed restrictions. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make assumptions and estimates that affect the amounts reported. Actual results could differ from those estimates.

#### **[2] Cash and cash equivalents:**

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

#### **[3] Leasehold, property and equipment:**

City Ballet does not own any of the land or buildings it occupies in Lincoln Center. Purchases of furniture and equipment that are not material are charged to current operations. Significant additions are capitalized and are depreciated using the straight-line method over the estimated useful lives of the assets, which range from three to fifty years.

#### **[4] Investments:**

Investments in cash, debt and equity securities and money-market funds maintained by investment managers are reported at their fair values, which are based on quoted market prices. The alternative investments, consisting of diversified hedge funds and limited partnerships, are adjusted to fair values annually, at City Ballet's fiscal year-end, based on the valuations of the underlying assets as provided by the respective investment managers. Management reviews the calendar year-end audited values provided by the investment managers and believes the reported amounts of these investments at City Ballet's fiscal year-end to be reasonable estimates of fair value.

Realized gains and losses on assets sold, and unrealized appreciation or depreciation on investments held, are reported in the accompanying statements of activities.

## NEW YORK CITY BALLET, INC.

### Notes to Financial Statements June 30, 2014 and 2013

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

##### [4] Investments: (continued)

Donated securities are initially recorded at the fair values on the dates of the gifts, and it is City Ballet's policy to sell donated securities upon receipt.

##### [5] Endowments:

City Ballet is subject to the provisions of the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit Entities*, which provides guidance on the net-asset classification of donor-restricted endowment funds, and to the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). ASC Topic 958 also requires additional disclosures about endowments for all organizations (see Note D).

##### [6] Public support, grants, and contributions:

City Ballet reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donation. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as part of public support and as the utilization of temporarily restricted net assets. City Ballet recognizes contribution revenue for donated goods and services at their fair values, with a corresponding expense categorized as supporting services.

Pledges that are collectible in future years have been discounted to their present values and recorded as income. Amortization of this discount will be recorded as additional contributions over the term of each pledge.

##### [7] Performance sales:

Revenue from ticket sales is recognized when the services have been rendered.

##### [8] Production costs:

City Ballet charges costume, scenery, and other production costs for current productions to expense as they are incurred. Costs relating to future productions are deferred until the fiscal year in which the productions are first presented.

##### [9] Allocation of expenses, income and support:

CCMD provides services to City Ballet and previously provided services to New York City Opera, Inc. ("City Opera"), which was previously a constituent of CCMD, in connection with its operation and management of the David H. Koch Theater as well as other administrative and accounting services under a management and services agreement. These allocated expenses have resulted in intercompany receivables and payables that have been periodically liquidated in the past through cash transfers.

In May 2011, City Opera announced its intention to move from Lincoln Center and the Koch Theater. In June 2011, City Opera formally submitted a letter of intention to CCMD informing CCMD that they would withdraw from using CCMD's accounting services by September 2011 and from using its information services by December 2011. City Opera also informed CCMD and City Ballet that it would move its operations from the Theater by January 1, 2012 and then moved its operations accordingly.



## NEW YORK CITY BALLET, INC.

### Notes to Financial Statements June 30, 2014 and 2013

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

##### [9] Allocation of expenses, income and support: (continued)

In fiscal-years 2014 and 2013, respectively, City Ballet paid approximately \$267,000 and \$1,277,000 to CCMD to cover City Opera's unfunded obligations. In September 2013, City Opera filed for Chapter 11 protection with the United States Bankruptcy Court of the Southern District of New York. Both CCMD and City Ballet have filed claims regarding City Opera's financial obligations. The ultimate collectability of such claims is uncertain.

##### [10] Functional allocation of expenses:

Expenses are classified according to the programs for which they were incurred and are summarized on a functional basis in the accompanying statements of activities and in Note I. Accordingly, certain costs have been allocated among programs and supporting services, using reasonable ratios determined by management.

##### [11] Net assets:

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

###### (i) *Unrestricted:*

Unrestricted net assets represent resources that are not subject to donor-imposed restrictions. The Board of Directors has designated certain of the unrestricted net assets to function as endowment (see Note D).

###### (ii) *Temporarily restricted:*

Temporarily restricted net assets represent those resources that are subject to the requirements of NYPMIFA and the use of which has been restricted by donors to specific purposes and/or the passage of time. Net assets released from restrictions represent the passage of time, satisfaction of the restricted purposes, and/or explicit appropriation action by the Board of Directors.

###### (iii) *Permanently restricted:*

Permanently restricted net assets represent the historic dollar value of those resources that have been designated by the donor to be held and invested in perpetuity. Generally, the donors of these assets direct City Ballet to use all or part of the accumulated investment returns on related investments to support specific City Ballet programs or activities. Under the terms of NYPMIFA, market appreciation will be classified as temporarily restricted in the accompanying statement of activities, pending appropriations by the Board of Directors.

##### [12] Gift annuities:

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

##### [13] Income tax:

City Ballet is subject to the provisions of the FASB's ASC Topic 740, *Income Taxes*, relating to accounting and reporting for uncertainty in income taxes. Because of City Ballet's general tax-exempt status, ASC 740 has not had, and is not expected to have, a material impact on its financial statements. Management believes that there is little likelihood of an audit of its tax compliance for periods prior to fiscal-year 2011.

## NEW YORK CITY BALLET, INC.

### Notes to Financial Statements June 30, 2014 and 2013

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

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

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

##### [15] Subsequent events:

City Ballet considers the accounting treatments, and the related disclosures in the current fiscal-year's financial statements, that may be required as the result of all events or transactions that occur after the fiscal year-end through February 13, 2015, the date of the independent auditors' report.

##### [16] NYC Ballet 422, LLC:

NYC Ballet 422, LLC (the "LLC") was formed on May 2014 as a limited liability company under New York law. The LLC is a disregarded entity of City Ballet. In fiscal-year 2014, the LLC had contributions of \$181,000 and expenses of \$145,000, which are included in the accompanying statements of activities.

#### NOTE B - PLEDGES RECEIVABLE

Pledges of \$18,111,000 and \$3,367,000 have been recorded, net of applicable discounts of \$1,832,000 and \$144,000 in fiscal-years 2014 and 2013, respectively. Pledges specifically for City Ballet's endowment, net of applicable discounts, totaled \$3,879,000 and \$419,000 in fiscal-years 2014 and 2013, respectively. At each fiscal year-end, pledges were expected to be collected as follows:

	June 30,			
	2014		2013	
	<u>Operating</u>	<u>Endowment</u>	<u>Operating</u>	<u>Endowment</u>
	(in thousands)			
Less than one year	\$ 6,272	\$ 1,050	\$ 2,378	\$ 120
One to five years	8,170	2,829	919	299
Allowance for doubtful pledges	<u>(210)</u>	<u>          </u>	<u>(349)</u>	<u>          </u>
Total	<u>\$ 14,232</u>	<u>\$ 3,879</u>	<u>\$ 2,948</u>	<u>\$ 419</u>

## NEW YORK CITY BALLET, INC.

### Notes to Financial Statements June 30, 2014 and 2013

#### NOTE C - INVESTMENTS

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

	<b>June 30,</b>	
	<b>2014</b>	<b>2013</b>
	(in thousands)	
Endowment investments:		
Cash equivalents	<b>\$ 3,986</b>	\$ 10,215
Equity securities	<b>81,810</b>	63,784
Alternative investments	<b><u>97,572</u></b>	<u>89,215</u>
	<b><u>\$ 183,368</u></b>	<u>\$ 163,214</u>

During fiscal-years 2014 and 2013, net investment income consisted of the following:

	<b>Year Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
	(in thousands)	
Net realized gains	<b>\$ 7,274</b>	\$ 5,563
Net unrealized gains	<b><u>18,701</u></b>	<u>12,514</u>
Net gains on investments	<b>25,975</b>	18,077
Interest and dividends, net	<b><u>242</u></b>	<u>264</u>
	<b><u>\$ 26,217</u></b>	<u>\$ 18,341</u>

Offset in interest and dividends are management fee expenses of \$482,000 and \$433,000 for fiscal-years 2014 and 2013, respectively.

The FASB's ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a three-level 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, or similar investments, at the reporting date.
- Level 2: Valuations are based on (i) quoted prices for those investments, or 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 2 assets include those investments that are redeemable at or near the balance sheet date and for which a model was derived for valuation.
- Level 3: Valuations are based on pricing inputs that are unobservable and include situations where (i) there is little, if any, market activity for the investments, or (ii) the investments cannot be independently valued, or (iii) the investments cannot be immediately redeemed at or near the fiscal year-end.

## NEW YORK CITY BALLET, INC.

### Notes to Financial Statements June 30, 2014 and 2013

#### NOTE C - INVESTMENTS (CONTINUED)

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. In such instances, the transfer is reported at the beginning of the reporting period. During fiscal-year 2013, there was a transfer to Level 2. There were no transfers among Levels 1, 2 or 3 in fiscal-year 2014.

Investment expenses include the services of investment managers and custodians. The balances of investment management fees disclosed 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.

The following tables summarize the fair values of investments at each fiscal year-end, in accordance with the valuation-hierarchy levels:

	<b>June 30, 2014</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	(in thousands)			
Cash and cash equivalents	\$ 3,986			\$ 3,986
Equity securities	56,989	\$ 24,821		81,810
Alternative investments			\$ 97,572	97,572
Morgan Stanley Stern Endowment	12	175		187
Charitable gift annuities			<u>1,268</u>	<u>1,268</u>
	<u>\$ 60,987</u>	<u>\$ 24,996</u>	<u>\$ 98,840</u>	<u>\$ 184,823</u>

Included in the investment categories above are two Merrill Lynch accounts in which the Bank of America has a security interest as collateral for \$5,000,000 in borrowings by City Ballet under a line-of-credit agreement (see Note M[3]).

	<b>June 30, 2013</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	(in thousands)			
Cash and cash equivalents	\$ 10,215			\$ 10,215
Equity securities	42,783	\$ 21,001		63,784
Alternative investments			\$ 89,215	89,215
Morgan Stanley Stern Endowment	24	156		180
Charitable gift annuities			<u>1,204</u>	<u>1,204</u>
	<u>\$ 53,022</u>	<u>\$ 21,157</u>	<u>\$ 90,419</u>	<u>\$ 164,598</u>

**NEW YORK CITY BALLET, INC.**

**Notes to Financial Statements  
June 30, 2014 and 2013**

**NOTE C - INVESTMENTS (CONTINUED)**

The following table summarizes the changes in the fair values of Level 3 investments during each fiscal-year:

	<b>Fair-Value Measurements Using Level 3 Inputs For Year Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
	<b>(in thousands)</b>	
Opening balance	<b>\$ 90,419</b>	\$ 87,975
Transfer to Level 2		(186)
Purchases	<b>9,581</b>	16,240
Redemptions	<b>(12,429)</b>	(23,505)
Realized gains	<b>3,321</b>	2,529
Unrealized gains	<b><u>7,948</u></b>	<u>7,366</u>
Closing balance	<b><u>\$ 98,840</u></b>	<u>\$ 90,419</u>

## NEW YORK CITY BALLET, INC.

### Notes to Financial Statements June 30, 2014 and 2013

#### NOTE C - INVESTMENTS (CONTINUED)

The following table lists investments in Level 3 of the fair-value hierarchy, by major category, at June 30, 2014:

	<u>Fair Value</u>	<u>Unfunded</u> <u>Commitments</u>	<u>Redemption</u> <u>Frequency</u>	<u>Redemption</u> <u>Notice Period</u>
	(in thousands)			
Offshore hedge funds:				
Archer Capital Offshore Fund, Ltd.	\$ 9,810	None	Quarterly	90 days
Black Rock Asia Pacific Partners, Ltd.	73	None	Monthly	90 days
Black Rock Multi-Manager Partners, Ltd.	80	None	Monthly	90 days
Oz Overseas Fund, Ltd.	367	None	Monthly	45 days
GSO Secured Trust, Ltd.	11,037	None	Monthly	30 days
Lakeview Opportunity Fund, Ltd.	770	None	Monthly	100 days
Pennant Windward Fund, Ltd., Class A	16,024	None	Quarterly	Subject to "gate"
Gotham Hedged Value Strategies (Intl)	19,365	None	Monthly	15 days
CC Asia Absolute Return Fund	1,666	None	Monthly	30 days
Coatue Offshore Fund, Ltd.	5,243	None	Quarterly	45 days
Limited partnerships:				
AG Super Fund, L.P.	8,068	None	Annual (12/31)	60 days
Empire Capital Partners, L.P.	5,010	None	Quarterly	30 days
Other:				
Wells Fargo Annuity / NYCB-CGA	1,268	None	N/A	N/A
York Credit Opportunities Unit Trust	<u>20,059</u>	None	Monthly	1 day
	<u>\$ 98,840</u>			

The FASB provides accounting guidance on measuring the fair value of certain investments, such as funds-of-funds and hedge funds, to offer investors a practical expedient for measuring the fair value of investments in certain entities that calculate net asset value ("NAV"). Under this practical expedient, entities are permitted to use NAV without adjustment for certain investments that qualify under the guidance. City Ballet's investments in funds fitting this description, classified within Level 3 of the fair-value hierarchy, are carried at fair value based on NAV. Investments in these types of funds are subject to withdraw restrictions, and, for these Level 3 investments, City Ballet does not have the ability to withdraw at reported NAV at June 30, 2014, or within another reasonable period of time.

City Ballet's investments in limited partnerships are valued based on the valuation policies and procedures of the general partners. The general partners perform oversight of the underlying managers' material positions both on an investment level and from a risk perspective. The general partners are responsible for ensuring the investments are valued according to the policies and procedures adopted by the partnerships. City Ballet places reliance upon those procedures and records these investments at fair value, as determined by the general partners.

**NEW YORK CITY BALLET, INC.**

**Notes to Financial Statements  
June 30, 2014 and 2013**

**NOTE D - ENDOWMENTS**

City Ballet's endowments consist of both Board-designated and donor-restricted funds, established for a variety of purposes.

[1] Endowment net assets, inclusive of \$3,879,000 and \$419,000 in pledges and composed by type of fund, as of each fiscal year-end:

	June 30, 2014			
	Board- Designated	Temporarily Restricted	Permanently Restricted	Total
	(in thousands)			
Functioning as endowment	\$ 12,335		\$ 7,162	\$ 19,497
Touring	2,503			2,503
Delmas Repertory	7,594			7,594
Capital Campaign		\$ 5,233	14,235	19,468
Martison Memorial/Society Loan		151	84	235
General	369		1,000	1,369
Wallace		<u>28,059</u>	<u>57,751</u>	<u>85,810</u>
Total	<u>22,801</u>	<u>33,443</u>	<u>80,232</u>	<u>136,476</u>
Choreographic Institute		7,536	16,378	23,914
Nureyev Repertory		453	1,000	1,453
Martins Repertory		1,636	3,000	4,636
Martins' 25		112	344	456
Martins' 30		17	115	132
Balanchine Repertory		716	1,320	2,036
Symphony in C		826	1,000	1,826
Robbins Repertory		23	67	90
Touring		1,669	2,975	4,644
Education		335	775	1,110
Levin Dance		547	1,000	1,547
Dance On		125	500	625
Musical Leadership		1,013	2,000	3,013
Scenic Design Maintenance		117	250	367
Kirstein Memorial		151	235	386
Stepping		<u>26</u>	<u>4,510</u>	<u>4,536</u>
Total restricted		<u>15,302</u>	<u>35,469</u>	<u>50,771</u>
Investments held by others		<u>12</u>	<u>175</u>	<u>187</u>
Total	<u>\$ 22,801</u>	<u>\$ 48,757</u>	<u>\$ 115,876</u>	<u>\$ 187,434</u>

**NEW YORK CITY BALLET, INC.**

**Notes to Financial Statements  
June 30, 2014 and 2013**

**NOTE D - ENDOWMENTS (CONTINUED)**

[1] Endowment net assets, inclusive of \$3,879,000 and \$419,000 in pledges and composed by type of fund, as of each fiscal year-end: (continued)

	<b>June 30, 2013</b>			
	<b>Board- Designated</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
	(in thousands)			
Functioning as endowment	\$ 10,409		\$ 7,163	\$ 17,572
Touring	2,250			2,250
Delmas Repertory	6,837			6,837
Capital Campaign		\$ 3,254	14,235	17,489
Martison Memorial/Society Loan		128	84	212
General	179		1,000	1,179
Wallace		<u>19,373</u>	<u>57,751</u>	<u>77,124</u>
<b>Total</b>	<u>19,675</u>	<u>22,755</u>	<u>80,233</u>	<u>122,663</u>
Choreographic Institute		4,660	16,278	20,938
Nureyev Repertory		297	1,000	1,297
Martins Repertory		1,169	3,000	4,169
Martins' 25		65	344	409
Martins' 30			100	100
Balanchine Repertory		510	1,320	1,830
Symphony in C		640	1,000	1,640
Robbins Repertory		14	67	81
Touring		1,201	2,975	4,176
Education		223	775	998
Levin Dance		391	1,000	1,391
Dance On		60	500	560
Musical Leadership		709	2,000	2,709
Scenic Design Maintenance		76	250	326
Kirstein Memorial		<u>112</u>	<u>236</u>	<u>348</u>
<b>Total restricted</b>		<u>10,127</u>	<u>30,845</u>	<u>40,972</u>
Investments held by others		<u>6</u>	<u>174</u>	<u>180</u>
<b>Total</b>	<u>\$ 19,675</u>	<u>\$ 32,888</u>	<u>\$ 111,252</u>	<u>\$ 163,815</u>



**NEW YORK CITY BALLET, INC.**

**Notes to Financial Statements  
June 30, 2014 and 2013**

**NOTE D - ENDOWMENTS (CONTINUED)**

**[2] Changes in endowment net assets during each fiscal-year:**

	Year Ended June 30, 2014			Total
	Board- Designated	Temporarily Restricted	Permanently Restricted	
	(in thousands)			
Opening balance	<u>\$ 19,682</u>	<u>\$ 32,876</u>	<u>\$ 110,656</u>	<u>\$ 163,214</u>
Investment management fees	(81)	(401)		(482)
Interest, dividends and realized gains	1,344	6,655		7,999
Unrealized gains	<u>3,142</u>	<u>15,558</u>		<u>18,700</u>
Subtotal	<u>4,405</u>	<u>21,812</u>		<u>26,217</u>
Additions			1,166	<u>1,166</u>
Spending policy of 5%	<u>(1,286)</u>	<u>(5,943)</u>		<u>(7,229)</u>
	<u>\$ 22,801</u>	48,745	<u>\$ 111,822</u>	<u>\$ 183,368</u>
Net income on investments held by others		<u>12</u>		
Endowment net assets, end of year		<u>\$ 48,757</u>		
	Year Ended June 30, 2013			
	Board- Designated	Temporarily Restricted	Permanently Restricted	Total
	(in thousands)			
Opening balance	<u>\$ 18,863</u>	<u>\$ 22,739</u>	<u>\$ 109,431</u>	<u>\$ 151,033</u>
Investment management fees	(52)	(381)		(433)
Interest, dividends and realized gains	750	5,510		6,260
Unrealized gains	<u>1,499</u>	<u>11,015</u>		<u>12,514</u>
Subtotal	<u>2,197</u>	<u>16,144</u>		<u>18,341</u>
Additions			1,225	<u>1,225</u>
Spending policy of 5%	<u>(1,378)</u>	<u>(6,007)</u>		<u>(7,385)</u>
	19,682	32,876	<u>\$ 110,656</u>	<u>\$ 163,214</u>
Net income on investments held by others		12		
Spending rate excess	<u>(7)</u>			
Endowment net assets, end of year	<u>\$ 19,675</u>	<u>\$ 32,888</u>		

## NEW YORK CITY BALLET, INC.

### Notes to Financial Statements June 30, 2014 and 2013

#### NOTE D - ENDOWMENTS (CONTINUED)

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

The historic dollar value of City Ballet's donor-restricted endowment as of June 30, 2014 was \$35,469,000. A portion of the income derived from donor-restricted endowment may be used for unrestricted purposes, while some donors have restricted the income from their endowment contributions for specific purposes.

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 the historic dollar value of the donors' original permanently restricted contributions. Under the terms of NYPMIFA, City Ballet has no responsibility to restore such decreases in value.

##### [5] Spending policy:

City Ballet has a policy permitting management to budget and expend a percentage of quarterly market values of its investment portfolio. For fiscal-years 2014 and 2013, the spending rate was 5.0% of a moving average of 20 quarterly market values, through December 2013.

#### NOTE E - UNRESTRICTED NET ASSETS

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

	<u>2014</u>	<u>2013</u>
	(in thousands)	
Undesignated	\$ (1,899)	\$ (2,277)
Pension/postemployment accumulated other income and loss	(6,459)	(7,279)
Fixed assets	2,616	3,265
Capital renewal and replacement	400	
Board-designated	<u>22,801</u>	<u>19,675</u>
Total	<u>\$ 17,459</u>	<u>\$ 13,384</u>

**NEW YORK CITY BALLET, INC.**

**Notes to Financial Statements  
June 30, 2014 and 2013**

**NOTE E - UNRESTRICTED NET ASSETS (CONTINUED)**

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

The pension/postemployment accumulated other comprehensive income and loss ("AOCI") was composed of the following during each fiscal-year:

<b>AOCI Fund Balance Analysis</b>			
<b>Fiscal-Year 2014</b>	<b>Pension</b>	<b>Post-employment</b>	<b>Total AOCI</b>
		(in thousands)	
Allocated from CCMD	\$ (798)	\$ 23	\$ (775)
Direct from City Ballet	<u>(5,110)</u>	<u>(574)</u>	<u>(5,684)</u>
Total	<u>\$ (5,908)</u>	<u>\$ (551)</u>	<u>\$ (6,459)</u>
<b>Fiscal-Year 2013</b>			
Allocated from CCMD	\$ (723)	\$ (77)	\$ (800)
Direct from City Ballet	<u>(5,974)</u>	<u>(505)</u>	<u>(6,479)</u>
Total	<u>\$ (6,697)</u>	<u>\$ (582)</u>	<u>\$ (7,279)</u>

**NOTE F - TEMPORARILY RESTRICTED NET ASSETS**

At each fiscal year-end, temporarily restricted net assets consisted of the following:

	<b>June 30,</b>	
	<b>2014</b>	<b>2013</b>
	(in thousands)	
Productions	\$ 2,655	\$ 1,611
Emergency	607	607
CLUT	340	323
Education	79	227
Accumulation endowment income reserve for appropriations	48,757	32,888
Passage of time	<u>16,491</u>	<u>6,367</u>
End of year	<u>\$ 68,929</u>	<u>\$ 42,023</u>

## NEW YORK CITY BALLET, INC.

### Notes to Financial Statements June 30, 2014 and 2013

#### NOTE F - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

During each fiscal year, temporarily restricted net assets were released from restrictions in fulfillment of the following:

	Year Ended June 30,	
	2014	2013
	(in thousands)	
Productions	\$ 941	\$ 1,947
Emergency	37	56
CLUT	41	49
Education	430	446
Passage of time	<u>3,886</u>	<u>2,908</u>
End of year	<u>\$ 5,335</u>	<u>\$ 5,406</u>

#### NOTE G - LEASEHOLD, PROPERTY AND EQUIPMENT

##### [1] Construction in progress:

The construction in progress at June 30, 2014 of \$6,013,000 represents construction costs for leasehold improvements in the space utilized by City Ballet in the Koch Theater. City Ballet expects the remaining commitment of approximately \$1,000,000 to be paid in fiscal-year 2015.

##### [2] Leasehold in Rose Building and other property and equipment consisted of the following:

	June 30,	
	2014	2013
	(in thousands)	
Leasehold improvements	\$ 9,918	\$ 11,034
Property and equipment	<u>4,498</u>	<u>4,469</u>
	14,416	15,503
Less accumulated depreciation	<u>(10,492)</u>	<u>(10,834)</u>
	<u>\$ 3,924</u>	<u>\$ 4,669</u>

During 2014, City Ballet wrote off fully depreciated equipment with an original cost of \$1,115,000.

**NEW YORK CITY BALLET, INC.**

**Notes to Financial Statements  
June 30, 2014 and 2013**

**NOTE H - PUBLIC SUPPORT**

For each fiscal year, the following is a summary of unrestricted net public support, and the utilization of temporarily restricted net assets, by major classifications:

	<b>Year Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
	(in thousands)	
Appropriation from the City of New York	\$ 1,453	\$ 1,201
Other governmental agencies	267	329
Special events	6,569	6,339
Guild	2,437	2,335
Foundation	5,035	3,781
Corporate	1,990	1,858
Individual	4,385	6,902
Estates	<u>1,825</u>	<u>1,235</u>
<b>Total</b>	<b><u>\$ 23,961</u></b>	<b><u>\$ 23,980</u></b>

**NOTE I - SCHEDULE OF FUNCTIONAL EXPENSES**

For fiscal-year 2014 (with summary totals for fiscal-year 2013), the following schedule reports the allocation of expenses to the various functional categories:

	<b>Ballet Production</b>	<b>Facility Management</b>	<b>Production Management</b>	<b>Total</b>	<b>Administration</b>	<b>Public Support</b>	<b>2014 Total</b>	<b>2013 Total</b>
	(in thousands)							
Salaries	\$ 23,704		\$ 3,193	\$ 26,897	\$ 2,142	\$ 1,840	\$ 30,879	\$ 30,446
Benefits	<u>10,024</u>		<u>842</u>	<u>10,866</u>	<u>770</u>	<u>617</u>	<u>12,253</u>	<u>12,062</u>
Salaries and related benefits	33,728		4,035	37,763	2,912	2,457	43,132	42,508
Occupancy	117	\$ 899		1,016	1	99	1,116	1,124
Depreciation	357	388		745	28	6	779	623
Printing	3,496			3,496	11	195	3,702	3,346
Transportation	902		1	903	15	92	1,010	1,319
Scenery, music, and costumes	2,592			2,592			2,592	2,365
Professional fees	1,227			1,227	1,053	1,836	4,116	4,071
Data processing, telephone and office expenses	217	4	2	223	66	85	374	354
Miscellaneous expenses	557	2	37	596	483		1,079	2,291
Departmental overhead allocation	340			340	(340)			
CCMD shared services allocation		<u>8,824</u>		<u>8,824</u>	<u>959</u>		<u>9,783</u>	<u>6,485</u>
	<b><u>\$ 43,533</u></b>	<b><u>\$ 10,117</u></b>	<b><u>\$ 4,075</u></b>	<b><u>\$ 57,725</u></b>	<b><u>\$ 5,188</u></b>	<b><u>\$ 4,770</u></b>	<b><u>\$ 67,683</u></b>	<b><u>\$ 64,486</u></b>

## NEW YORK CITY BALLET, INC.

### Notes to Financial Statements June 30, 2014 and 2013

#### NOTE J - DONATED SERVICES

Donated services are valued at the standard market rate that would have been incurred by City Ballet to obtain them, and donated legal services of \$430,000 and \$315,000 for fiscal-years 2014 and 2013, respectively, are included as both revenue and expense in the accompanying statements of activities.

#### NOTE K - PENSION PLANS

Until fiscal-year 2011, City Ballet participated in a noncontributory, defined-benefit pension plan (the "Plan") for nonunion, salaried employees of CCMD and its constituents. In July 2010, City Ballet separated its portion of the Plan into the "NYCB Retirement Plan for Salaried Employees." The assets were allocated to the successor plan in accordance with the prescribed methodology for a spin-off, as outlined by Pension Benefit Guaranty Corporation regulations. Benefits are based on years of service and final average compensation, as defined in the Plan. Plan benefit obligations and assets are combined for all participants of the Plan. City Ballet's policy is to fund annually the required contribution necessary to comply 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 at each fiscal year-end:

	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
	(in thousands)	
Projected benefit obligation	\$ (21,335)	\$ (19,454)
Plan assets at fair value	<u>16,202</u>	<u>12,809</u>
Funded status (asset deficit), recognized as liabilities in the statements of financial position	<u>\$ (5,133)</u>	<u>\$ (6,645)</u>

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

	<u>Year Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Discount rate	4.44%	3.85%
Long-range return on assets	7.50%	7.50%
Rate of compensation increase	N/A	N/A

**NEW YORK CITY BALLET, INC.**

**Notes to Financial Statements  
June 30, 2014 and 2013**

**NOTE K - PENSION PLANS (CONTINUED)**

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

	<b>Year Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
	(in thousands)	
Expected return on plan assets	<b>\$ (961)</b>	\$ (872)
Interest cost on projected benefit obligation	<b>845</b>	755
Amortization of accumulated loss	<b><u>502</u></b>	<u>653</u>
Net periodic pension cost	<b><u>\$ 386</u></b>	<u>\$ 536</u>

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

	<b>Year Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
	(in thousands)	
Employer contributions	<b><u>\$ 1,034</u></b>	<u>\$ 683</u>
Benefits paid	<b><u>\$ 389</u></b>	<u>\$ 384</u>

City Ballet expects to contribute approximately \$930,000 to the Plan in fiscal-year 2015.

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

<b>Year Ending June 30,</b>	<b>Pension Benefits</b>
	(in thousands)
2015	\$ 932
2016	1,033
2017	1,051
2018	1,129
2019	1,138
2020-2024	6,776

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 (i) monitored on a monthly basis, (ii) is reviewed by City Ballet's Investment Committee at least four times a year, and (iii) is benchmarked against other entities with a similar investment style.

## NEW YORK CITY BALLET, INC.

### Notes to Financial Statements June 30, 2014 and 2013

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

City Ballet's target allocation of Plan assets, and the actual weighted-average allocations, was as follows for each fiscal-year:

	Year Ended June 30,		
	Target 2014	Actual 2014	Actual 2013
Cash equivalents	4%	4%	14%
Equity securities	96%	96%	75%
Debt securities	0%	0%	11%

City Ballet's net periodic pension cost for fiscal-year 2014 and allocated net periodic pension cost for fiscal-year 2013 was approximately \$386,000 and \$536,000, respectively. City Ballet's accrued benefit liabilities at June 30, 2014 and 2013 were approximately \$5,133,000 and \$6,645,000, respectively, and are reported as payroll-related and other liabilities in the accompanying statements of financial position. Accumulated other comprehensive loss associated with the Plan, inclusive of amounts allocated from CCMD, were \$5,908,000 and \$6,697,000 in fiscal-years 2014 and 2013, respectively.

City Ballet also contributes to union pension plans, based upon a percentage of employee salaries. Pension costs associated with these plans amounted to approximately \$2,514,000 and \$2,389,000 in fiscal-years 2014 and 2013, respectively.

#### NOTE L - POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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 City Ballet or CCMD) to continue in the group medical and life insurance plans, at no cost to the employees. The CCMD Board of Governors ended this policy in April 1995 for employees who had not yet vested in this benefit, but, in fiscal-year 1997, the CCMD Board 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.

Unrestricted net assets of City Ballet were decreased by \$70,000 in fiscal-year 2014 and decreased by \$188,000 in fiscal-year 2013, to record the adjustments required to balance the accrued postretirement benefit liability to the amount of the unfunded projected benefit obligation as of each June 30. These amounts were inclusive of City Ballet's share of CCMD's costs. Such amounts are reported as adjustments to net assets in the accompanying statements of activities.



**NEW YORK CITY BALLET, INC.**

**Notes to Financial Statements  
June 30, 2014 and 2013**

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

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

	<b>June 30,</b>	
	<b>2014</b>	<b>2013</b>
	(in thousands)	
Accumulated obligation	<b>\$ 1,362</b>	\$ 1,379
Unrecognized amounts	<b>(802)</b>	(586)
	<b><u>\$ 560</u></b>	<u>\$ 793</u>

	<b>June 30</b>	
	<b>2014</b>	<b>2013</b>
	(in thousands)	
Postretirement benefit obligation at the end of year:		
Active employees not fully eligible to retire	<b>\$ 179</b>	\$ 266
Active employees fully eligible to retire	<b>192</b>	187
Retirees	<b><u>981</u></b>	<u>926</u>
Total	<b><u>\$ 1,352</u></b>	<u>\$ 1,379</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:

	<b>Year Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
	(in thousands)	
Net periodic postretirement benefit cost:		
Service	<b>\$ 5</b>	\$ 6
Interest	<b>54</b>	42
Amortization of accumulated loss	<b><u>50</u></b>	<u>39</u>
Net periodic postretirement benefit cost	<b>109</b>	87
Actual payments	<b><u>(101)</u></b>	<u>(96)</u>
Net change	<b>8</b>	(9)
Accumulated obligation:		
Beginning of year	<b><u>793</u></b>	<u>802</u>
End of year	<b><u>\$ 801</u></b>	<u>\$ 793</u>

# NEW YORK CITY BALLET, INC.

## Notes to Financial Statements June 30, 2014 and 2013

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

Estimated future benefit payments are as follows:

<u>Year Beginning July 1,</u>	<u>Employer Benefit Payment</u> (in thousands)
2014	\$ 79
2015	79
2016	79
2017	78
2018	87
2019 - 2023	395

The accumulated postretirement benefit obligation was actuarially determined as of June 30, 2014, using an assumed discount rate of 3.7%. The assumed rate of future increases in health care was 8.0%, declining to 4.5% by fiscal-year year 2021. Had the health-care cost-trend rate assumption been increased by 1.0%, the accumulated postretirement benefit obligation would have increased by 8.3%. The effect of this change on the sum of the service and interest cost components of net periodic postretirement benefit cost would have been an increase of 10.5%. The postretirement balance is reported as part of payroll-related liabilities in the accompanying statements of financial position.

Accumulated other comprehensive loss associated with City Ballet's postretirement benefits, inclusive of amounts allocated from CCMD, were \$551,000 and \$582,000 in fiscal-years 2014 and 2013, respectively.

### NOTE M - COMMITMENTS

#### [1] Samuel B. and David Rose Building:

During fiscal-year 1985, City Ballet entered into an agreement whereby it contributed, based on its space usage, a pro rata share of the costs of the Rose Building at Lincoln Center. Under the agreement, City Ballet received a 99-year lease for its space. Construction costs were capitalized and are being amortized over the anticipated useful life of the building. Depreciation began in fiscal-year 1992, when the space was put into service, and amounted to \$352,000 for each of the fiscal-years 2014 and 2013. 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 2014 and 2013, City Ballet leased space for two warehouses, archival space, and a telemarketing office under agreements expiring in fiscal-year 2020. Rent expense, including rent applicable to these spaces, was \$456,000 and \$441,000 for fiscal-years 2014 and 2013, respectively. Future minimum commitments under these leases are \$236,000 at June 30, 2015 and will be approximately \$245,000 for each fiscal year from 2016 through 2018, and \$419,000 for fiscal-years 2019 and 2020.

#### [3] Line of credit:

In December 2013, City Ballet entered into an agreement with Bank of America for a line of credit in the amount of \$12,000,000. Under the terms of the agreement, interest will be charged at a rate equal to the LIBOR daily floating rate, plus 0.75 percentage points, and City Ballet can borrow and repay through January 2, 2015. As collateral, the bank has a security interest in two investment accounts held by Merrill Lynch (see investment information in Note C). As of June 30, 2014, \$5,000,000 of this line of credit had been drawn down to pay for capital expenditures made in fiscal-year 2014.