



NEW YORK CITY BALLET, INC.

FINANCIAL STATEMENTS

JUNE 30, 2015 and 2014

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, 2015 and 2014, 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of City Ballet, Inc. as of June 30, 2015 and 2014, 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
December 14, 2015

NEW YORK CITY BALLET, INC.

Statements of Financial Position

(in thousands)

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 11,447	\$ 8,636
Endowment investments (see Note C)	181,363	183,368
Gift annuities and other investments	1,334	1,455
Pledges receivable (see Note B)	26,253	18,111
Accounts receivable	563	606
Inventory	395	371
Deferred production costs	908	1,161
Due from CCMD	2,057	2,905
Construction in progress	16,146	6,013
Leasehold in Rose Building and other property and equipment, less accumulated depreciation of \$10,349 in 2015 and \$10,492 in 2014	<u>3,316</u>	<u>3,924</u>
	<u>\$ 243,782</u>	<u>\$ 226,550</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,424	\$ 4,102
Advance ticket sales and other deferred revenue	5,352	4,491
Loan payable	12,000	5,000
Payroll-related liabilities due to CCMD	1,572	1,480
Payroll-related and other liabilities	<u>10,820</u>	<u>9,213</u>
Total liabilities	<u>33,168</u>	<u>24,286</u>
Net assets:		
Unrestricted (see Note E)	<u>15,919</u>	<u>17,459</u>
Temporarily restricted:		
Time and other restrictions (see Note F)	30,082	20,172
Endowment appreciation (see Note D)	<u>43,773</u>	<u>48,757</u>
	<u>73,855</u>	<u>68,929</u>
Permanently restricted (see Note D):		
Wallace endowment	57,751	57,751
Endowments for which income is unrestricted	24,365	22,656
Endowments for which income is restricted	<u>38,724</u>	<u>35,469</u>
	<u>120,840</u>	<u>115,876</u>
Total net assets	<u>210,614</u>	<u>202,264</u>
	<u>\$ 243,782</u>	<u>\$ 226,550</u>

See notes to financial statements

NEW YORK CITY BALLET, INC.

Statement of Activities

Year Ended June 30, 2015

(with summarized financial information for 2014)

(in thousands)

	2015						2014	
	General Operating	Board-Designated	Fixed Assets	Unrestricted Total	Temporarily Restricted	Permanently Restricted	Total	Total
Operating revenues:								
Performance ticket sales and tour fees	\$ 33,717			\$ 33,717			\$ 33,717	\$ 32,902
Investment earnings per spending policy	7,494			7,494			7,494	7,229
(Loss) income in excess of spending policy in endowment		\$ (1,191)		(1,191)	\$ (4,984)		(6,175)	18,987
Investment income (loss) other than endowment		(7)		(7)			(7)	192
Other revenues	13,940			13,940			13,940	3,542
Total operating revenues	55,151	(1,198)		53,953	(4,984)		48,969	62,852
Operating expenses:								
Program services:								
Ballet production costs	44,833			44,833			44,833	43,533
Depreciation			\$ 655	655			655	650
Facility expenses	18,264			18,264			18,264	9,467
Production-management expenses	4,158			4,158			4,158	4,075
	67,255		655	67,910			67,910	57,725
Supporting services:								
Administration	6,694			6,694			6,694	5,188
Public support	5,242			5,242			5,242	4,770
	11,936			11,936			11,936	9,958
Total operating expenses	79,191		655	79,846			79,846	67,683
(Loss) income from operations before public support	(24,040)	(1,198)	(655)	(25,893)	(4,984)		(30,877)	(4,831)
Public support:								
Appropriation from the City of New York	2,305			2,305	10		2,315	1,453
Other public support	16,630	2,409		19,039	16,382	\$ 4,964	40,385	38,170
Utilization of temporarily restricted net assets	6,482			6,482	(6,482)		0	0
Total public support	25,417	2,409		27,826	9,910	4,964	42,700	39,623
Earnings (deficit) before adjustments	1,377	1,211	(655)	1,933	4,926	4,964	11,823	34,792
Capital renewal and replacement	(500)	446	54	0			0	0
Surplus (deficit) after capital renewal and replacement	877	1,657	(601)	1,933	4,926	4,964	11,823	34,792
Pension, postemployment and other adjustments	(3,468)	(5)		(3,473)			(3,473)	813
Change in net assets	(2,591)	1,652	(601)	(1,540)	4,926	4,964	8,350	35,605
Net assets - beginning of year	(8,358)	23,201	2,616	17,459	68,929	115,876	202,264	166,659
Net assets - end of year	\$ (10,949)	\$ 24,853	\$ 2,015	\$ 15,919	\$ 73,855	\$ 120,840	\$ 210,614	\$ 202,264

See notes to financial statements

NEW YORK CITY BALLET, INC.

Statement of Activities
Year Ended June 30, 2014
(in thousands)

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

See notes to financial statements

NEW YORK CITY BALLET, INC.**Statements of Cash Flows**

(in thousands)

	Year Ended June 30,	
	2015	2014
Cash flows from operating activities:		
Changes in net assets:		
Unrestricted	\$ (1,540)	\$ 4,075
Temporarily restricted	4,926	26,906
Permanently restricted	<u>4,964</u>	<u>4,624</u>
	8,350	35,605
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	736	773
Contributions restricted for long-term activities	(1,761)	(1,166)
Donated securities	(3,300)	(700)
Proceeds from the sale of donated securities	2,205	700
Net (gains) losses on investments	(1,139)	(25,975)
Changes in:		
Gift annuities	121	(71)
Pledges receivable	(8,142)	(14,745)
Accounts receivable	43	(17)
Inventory	(24)	(17)
Deferred production costs	253	374
Due from CCMD	848	640
Accounts payable and accrued expenses	(678)	677
Advance ticket sales and other deferred revenue	861	(1,691)
Payroll-related liabilities due to CCMD	92	393
Payroll-related and other liabilities	<u>1,607</u>	<u>(1,191)</u>
Net cash provided by (used in) operating activities	<u>72</u>	<u>(6,411)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	75,372	45,992
Purchases of investments	(71,133)	(40,170)
Construction in progress	(10,133)	(6,013)
Purchases of property and equipment	<u>(128)</u>	<u>(28)</u>
Net cash used in investing activities	<u>(6,022)</u>	<u>(219)</u>
Cash flows from financing activities:		
Endowment contributions	1,761	1,166
Proceeds from line of credit payable	<u>7,000</u>	<u>5,000</u>
Net cash provided by financing activities	<u>8,761</u>	<u>6,166</u>
Net change in cash and cash equivalents	2,811	(464)
Cash and cash equivalents - beginning of year	<u>8,636</u>	<u>9,100</u>
Cash and cash equivalents - end of year	<u>\$ 11,447</u>	<u>\$ 8,636</u>

See notes to financial statements

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2015 and 2014

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] Property and equipment:

City Ballet does not own any land or buildings. 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.

[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, 2015 and 2014

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

[4] Investments: (continued)

Donated securities are initially recorded at their fair values on the dates of the gifts, and it is typically 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") 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 including 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. Ticket sales received in advance are deferred until the day of the event.

[8] Production costs:

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

[9] Allocation of expenses, income and support:

Under the current Sublicense and Management and Services Agreement between CCMD and City Ballet, CCMD operates and manages the David H. Koch Theater for City Ballet and provides City Ballet with certain administrative services. Under an earlier agreement among CCMD, City Ballet, and New York City Opera, Inc. ("City Opera"), CCMD also operated and managed the Koch Theater for the use of City Opera and provided City Opera with certain administrative services. 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 it has since moved its operations accordingly.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2015 and 2014

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 Southern District of New York. Both CCMD and City Ballet have filed claims in the City Opera bankruptcy case, with City Ballet filing a claim in the amount of approximately \$781,000.

While the amount that City Ballet will ultimately receive from City Opera is uncertain at this point, a plan of reorganization was recently filed in the City Opera bankruptcy case that would provide distributions to its general unsecured creditors that are estimated by the proponents of the plan to be in the 4.7% - 10% range. Accordingly, assuming that City Ballet's claim survives any and all objections, and assuming that the current version of the plan is approved by the Court, becomes effective, and is successful, City Ballet would be likely to receive cash distributions from the City Opera on behalf of its claim totaling between \$36,000 and \$78,000 payable over a four-year period. Of course, as described above, the probability of City Ballet receiving such an amount is subject to substantial contingencies.

[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 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 by the passage of time. Net assets released from restrictions represent the passage of time, satisfaction of the restricted purposes and/or explicit appropriation 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.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2015 and 2014

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

[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 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 Topic 740 has not had, and is not expected to have, a material impact on its financial statements.

[14] Fair-value measurement:

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

[15] Reclassification:

Certain accounts in fiscal-year 2014 have been reclassified to conform with the fiscal-year 2015 presentation.

[16] 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, June 30, 2015, through December 14, 2015, the date the financial statements were available to be issued.

[17] NYC Ballet 422, LLC:

NYC Ballet 422, LLC (the "LLC") was formed in May 2014 as a limited liability company under the New York liability law. The LLC is a disregarded entity of City Ballet. In fiscal-year 2015, the LLC had income of \$63,000 and expenses of \$100,000. In fiscal-year 2014, The LLC had income of \$181,000 and expenses of \$145,000. These activities are included in the accompanying statements of activities.

NOTE B - PLEDGES RECEIVABLE

Pledges of \$26,253,000 and \$18,111,000 have been recorded net of applicable discounts of \$3,574,000 and \$1,832,000 in fiscal-years 2015 and 2014, respectively. Pledges specifically for City Ballet's endowment, net of applicable discounts, totaled \$7,083,000 and \$3,879,000 in fiscal-years 2015 and 2014, respectively. Pledges are expected to be collected as follows:

	June 30,			
	2015		2014	
	<u>Operating</u>	<u>Endowment</u>	<u>Operating</u>	<u>Endowment</u>
	(in thousands)			
Less than one year	\$ 7,635	\$ 1,500	\$ 6,272	\$ 1,050
One to five years	11,630	5,583	8,170	2,829
Allowance for doubtful pledges	<u>(95)</u>	<u> </u>	<u>(210)</u>	<u> </u>
Total	<u>\$ 19,170</u>	<u>\$ 7,083</u>	<u>\$ 14,232</u>	<u>\$ 3,879</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2015 and 2014

NOTE C - INVESTMENTS

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

	June 30,	
	2015	2014
	(in thousands)	
Endowment investments:		
Cash equivalents	\$ 7,475	\$ 3,986
Equity securities	73,072	81,810
Alternative investments	<u>100,816</u>	<u>97,572</u>
	<u>\$ 181,363</u>	<u>\$ 183,368</u>

During fiscal-years 2015 and 2014, net investment income consisted of the following:

	Year Ended June 30,	
	2015	2014
	(in thousands)	
Net realized gains	\$ 15,528	\$ 7,274
Net unrealized gains	<u>(14,389)</u>	<u>18,701</u>
Net gains on investments	1,139	25,975
Interest and dividends, net	<u>180</u>	<u>241</u>
	<u>\$ 1,319</u>	<u>\$ 26,216</u>

Offset in interest and dividends are management fees expenses of \$644,000 and \$482,000 for fiscal-years 2015 and 2014, 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 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 alternative investments that are redeemable at or near the balance sheet date and for which a model was derived for a valuation.
- Level 3: Valuations are based on pricing inputs that are unobservable and includes 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 fiscal year-end.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2015 and 2014

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-years 2015 and 2014, there were no transfers among the fair value hierarchy levels.

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 City Ballet's assets at each fiscal year-end, in accordance with the ASC Topic 820 valuation levels:

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Cash and cash equivalents	\$ 7,475			\$ 7,475
Equity securities	57,680			57,680
Alternative investments		\$ 15,392	\$ 100,816	116,208
Morgan Stanley Stern Endowment	7	157		164
Charitable gift annuities			1,170	1,170
	<u>\$ 65,162</u>	<u>\$ 15,549</u>	<u>\$ 101,986</u>	<u>\$ 182,697</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 \$12,000,000 in borrowings by City Ballet under a line-of-credit agreement (see Note M[3]).

	June 30, 2014			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Cash and cash equivalents	\$ 3,986			\$ 3,986
Equity securities	56,989			56,989
Alternative investments		\$ 24,821	\$ 97,572	122,393
Morgan Stanley Stern Endowment	12	175		187
Charitable gift annuities			1,268	1,268
	<u>\$ 60,987</u>	<u>\$ 24,996</u>	<u>\$ 98,840</u>	<u>\$ 184,823</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2015 and 2014

NOTE C - INVESTMENTS (CONTINUED)

The following table summarizes the changes in fair value of City Ballet's Level 3 investments for each fiscal-year:

	Fair-Value Measurements Using Level 3 Inputs For Year Ended June 30,	
	2015	2014
	(in thousands)	
Opening balance	\$ 98,840	\$ 90,419
Purchases	39,620	9,581
Redemptions	(34,850)	(12,429)
Realized gains	8,456	3,321
Unrealized (losses) gains	(10,080)	7,948
Closing balance	<u>\$ 101,986</u>	<u>\$ 98,840</u>

The following table lists investments in Level 3 of the fair-value hierarchy, by major category, at June 30, 2015:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Offshore hedge funds:				
Archer Capital Offshore Fund, Ltd.	\$ 10,130	None	Quarterly	90 days
BlackRock Asia Pacific Partners, Ltd.	5	None	Monthly	90 days
BlackRock Multi-Manager Partners, Ltd.	16	None	Monthly	90 days
Oz Overseas Fund, Ltd.	277	None	Monthly	45 days
GSO Secured Trust, Ltd.	15,346	None	Monthly	30 days
Lakeview Opportunity Fund, Ltd.	883	None	Monthly	100 days
Gotham Hedged Value Strategies (Intl)	19,019	None	Monthly	15 days
Coatue Offshore Fund, Ltd.	5,383	None	Quarterly	45 days
Limited partnerships:				
AG Fund, L.P.	7,834	None	Annual (12/31)	60 days
TV Feeder Fund, Ltd.	7,423	None	Quarterly	45 days
Valinor Capital Partners Offshore, Ltd.	14,777	None	Quarterly	60 days
Other:				
York Credit Opportunities Unit Trust	18,642	None	Monthly	1 day
Wells Fargo Annuity/NYCB-CGA	1,170	None	N/A	N/A
Sequoia Fund, Inc.	1,081	None	Quarterly	N/A
	<u>\$ 101,986</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 per share ("NAV"). Under the 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 withdrawal restrictions, and, for these Level 3 investments, the fund does not have the ability to withdraw at reported NAV at June 30, 2015, or within a reasonable period of time.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2015 and 2014

NOTE C - INVESTMENTS (CONTINUED)

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

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 \$7,083,000 and \$3,879,000 in pledges), by type of fund as of each fiscal year-end:

	June 30, 2015			
	Board- Designated	Temporarily Restricted	Permanently Restricted	Total
		(in thousands)		
Functioning as endowment	\$ 11,576		\$ 7,162	\$ 18,738
Touring	2,410			2,410
Delmas Repertory	7,305			7,305
Capital Campaign		\$ 4,571	14,235	18,806
Martison Memorial/Society Loan		142	84	226
General	319		1,000	1,319
CC General			1,709	1,709
Bequest	2,409			2,409
Wallace		24,924	57,751	82,675
Total	<u>24,019</u>	<u>29,637</u>	<u>81,941</u>	<u>135,597</u>
Choreographic Institute		7,168	16,378	23,546
Nureyev Repertory		409	1,000	1,409
Martins Repertory		1,465	3,000	4,465
Martins' 25		96	344	440
Martins' 30		13	115	128
Balanchine Repertory		640	1,320	1,960
Symphony in C		760	1,000	1,760
Robbins Repertory		20	67	87
Touring		1,496	2,975	4,471
Education		294	775	1,069
Levin Dance		490	1,000	1,490
Dance On		103	500	603
Musical Leadership		902	2,000	2,902
Scenic Design Maintenance		104	250	354
Kirstein Memorial		136	235	371
Stepping		28	6,413	6,441
CC Education			225	225
CC Dancer's Salary			1,127	1,127
Total restricted		<u>14,124</u>	<u>38,724</u>	<u>52,848</u>
Investments held by others	<u>(12)</u>	<u>12</u>	<u>175</u>	<u>175</u>
Total	<u>\$ 24,007</u>	<u>\$ 43,773</u>	<u>\$ 120,840</u>	<u>\$ 188,620</u>

NEW YORK CITY BALLET, INC.

**Notes to Financial Statements
June 30, 2015 and 2014**

NOTE D - ENDOWMENTS (CONTINUED)

	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, 2015 and 2014**

NOTE D - ENDOWMENTS (CONTINUED)

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

	Year Ended June 30, 2015			Total
	Board- Designated	Temporarily Restricted	Permanently Restricted	
	(in thousands)			
Opening balance	<u>\$ 22,801</u>	<u>\$ 48,745</u>	<u>\$ 111,822</u>	<u>\$ 183,368</u>
Investment management fees	(108)	(536)		(644)
Interest, dividends and realized gains	2,752	13,600		16,352
Unrealized gains	<u>(2,422)</u>	<u>(11,967)</u>		<u>(14,389)</u>
Subtotal	<u>222</u>	<u>1,097</u>		<u>1,319</u>
Additions	<u>2,409</u>		1,761	<u>4,170</u>
Spending policy of 5%	<u>(1,413)</u>	<u>(6,081)</u>		<u>(7,494)</u>
Net income on investments held by others	<u>24,019</u>	<u>43,761</u>	<u>\$ 113,583</u>	<u>\$ 181,363</u>
Endowment net assets, end of year	<u>\$ 24,007</u>	<u>\$ 43,773</u>		
	Year Ended June 30, 2014			
	Board- Designated	Temporarily Restricted	Permanently Restricted	Total
	(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>
Net income on investments held by others	<u>\$ 22,801</u>	<u>48,745</u>	<u>\$ 111,822</u>	<u>\$ 183,368</u>
Endowment net assets, end of year		<u>\$ 48,757</u>		

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2015 and 2014

NOTE D - ENDOWMENTS (CONTINUED)

[3] Donor-restricted endowment:

The historic dollar value of City Ballet's donor-restricted endowment as of June 30, 2015 was \$38,724,000. 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 historic dollar value of the donor's original permanently restricted contribution. 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 endowment draw on each fund's average market value over 20 quarters of its investment portfolio. For fiscal-years 2015 and 2014, this was 5.0% through December 2013 and 2012, respectively.

NOTE E - UNRESTRICTED NET ASSETS

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

	<u>2015</u>	<u>2014</u>
	(in thousands)	
Undesignated	\$ (1,017)	\$ (1,899)
Pension/postemployment accumulated other income and loss	(9,932)	(6,459)
Fixed assets	2,015	2,616
Capital renewal and replacement	846	400
Board-designated	<u>24,007</u>	<u>22,801</u>
Total	<u>\$ 15,919</u>	<u>\$ 17,459</u>

NEW YORK CITY BALLET, INC.

**Notes to Financial Statements
June 30, 2015 and 2014**

NOTE E - UNRESTRICTED NET ASSETS (CONTINUED)

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

The pension/postemployment accumulated other income and loss ("AOCI") is composed of the following for fiscal-years 2015 and 2014:

AOCI Fund Balance Analysis			
Fiscal-Year 2015	Pension	Post-employment	Total AOCI
		(in thousands)	
Allocated from CCMD	\$ (1,035)	\$ (518)	\$ (1,553)
Direct from City Ballet	<u>(6,497)</u>	<u>(1,882)</u>	<u>(8,379)</u>
Total	<u>\$ (7,532)</u>	<u>\$ (2,400)</u>	<u>\$ (9,932)</u>
Fiscal-Year 2014			
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>

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

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

	June 30,	
	2015	2014
	(in thousands)	
Productions	\$ 2,898	\$ 2,655
Emergency	574	607
CLUT	302	340
Education	206	79
Accumulation endowment income reserve for appropriations	43,773	48,757
Passage of time	<u>26,102</u>	<u>16,491</u>
End of year	<u>\$ 73,855</u>	<u>\$ 68,929</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2015 and 2014

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,	
	2015	2014
	(in thousands)	
Productions	\$ 2,230	\$ 941
Emergency	68	37
CLUT	59	41
Education	505	430
Passage of time	<u>3,620</u>	<u>3,886</u>
End of year	<u>\$ 6,482</u>	<u>\$ 5,335</u>

NOTE G - LEASEHOLD, PROPERTY AND EQUIPMENT

[1] Construction in progress:

The construction in progress at June 30, 2015 of \$16,146,000 represents construction costs for leasehold improvements in the space utilized by City Ballet in the Koch Theater. City Ballet presently is in discussions with the contractor for modifications to the construction agreement. City Ballet expects the remaining commitment of approximately \$1,200,000 to be paid in fiscal-year 2016.

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

	June 30,	
	2015	2014
	(in thousands)	
Leasehold improvements	\$ 11,034	\$ 11,034
Property and equipment	<u>2,631</u>	<u>3,382</u>
	13,665	14,416
Less accumulated depreciation	<u>(10,349)</u>	<u>(10,492)</u>
	<u>\$ 3,316</u>	<u>\$ 3,924</u>

During fiscal-years 2015 and 2014, City Ballet wrote-off fully depreciated equipment with an original cost of \$879,000 and \$1,115,000, respectively.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2015 and 2014

NOTE H - PUBLIC SUPPORT

Unrestricted net public support and the utilization of temporarily restricted net assets by major classifications were as follows during each fiscal-year (in thousands):

	Year Ended June 30,	
	2015	2014
	(in thousands)	
Appropriation from the City of New York	\$ 2,315	\$ 1,453
Other governmental agencies	224	267
Special events	5,626	6,569
Guild	2,654	2,437
Foundation	3,027	5,035
Corporate	2,963	1,990
Individual	8,008	4,385
Estates	<u>600</u>	<u>1,825</u>
Subtotal	25,417	23,961
Estates (Board Designated)	<u>2,409</u>	<u> </u>
Total	<u>\$ 27,826</u>	<u>\$ 23,961</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2015 and 2014

NOTE I - SCHEDULE OF FUNCTIONAL EXPENSES

For fiscal-year 2015 (with summary totals for fiscal-year 2014), the following schedule reports the allocation of expenses to the various functional categories:

	<u>Ballet Production</u>	<u>Facility Management</u>	<u>Production Management</u>	<u>Total</u>	<u>Administration</u>	<u>Public Support</u>	<u>2015 Total</u>	<u>2014 Total</u>
	(in thousands)							
Salaries	\$ 24,888		\$ 3,350	\$ 28,238	\$ 2,343	\$ 1,958	\$ 32,539	\$ 30,879
Benefits	<u>10,343</u>		<u>789</u>	<u>11,132</u>	<u>728</u>	<u>629</u>	<u>12,489</u>	<u>12,253</u>
Salaries and related benefits	35,231		4,139	39,370	3,071	2,587	45,028	43,132
Occupancy	59	\$ 920		979	1	86	1,066	1,116
Depreciation	348	360		708	28		736	779
Printing	3,358			3,358	2	220	3,580	3,702
Transportation	801		16	817	16	92	925	1,010
Scenery, music, and costumes	1,856			1,856			1,856	2,592
Professional fees	1,181			1,181	329	2,172	3,682	4,116
Data processing, telephone and office expenses	120			120	43	85	248	374
Miscellaneous expenses	1,522		3	1,525	839		2,364	1,079
Departmental overhead allocation	357			357	(357)		0	
CCMD shared services allocation		<u>17,639</u>		<u>17,639</u>	<u>2,722</u>		<u>20,361</u>	<u>9,783</u>
	<u>\$ 44,833</u>	<u>\$ 18,919</u>	<u>\$ 4,158</u>	<u>\$ 67,910</u>	<u>\$ 6,694</u>	<u>\$ 5,242</u>	<u>\$ 79,846</u>	<u>\$ 67,683</u>

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 \$554,000 and \$430,000 for fiscal-years 2015 and 2014, respectively, 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 ("PBGC") 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").

NEW YORK CITY BALLET, INC.

**Notes to Financial Statements
June 30, 2015 and 2014**

NOTE K - PENSION PLANS (CONTINUED)

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>2015</u>	<u>2014</u>
	(in thousands)	
Projected benefit obligation	\$ (22,125)	\$ (21,335)
Plan assets at fair value	<u>16,786</u>	<u>16,202</u>
Funded status (asset deficit), recognized as liabilities in the statements of financial position	<u>\$ (5,339)</u>	<u>\$ (5,133)</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>2015</u>	<u>2014</u>
Discount rate	4.00%	4.44%
Long-range return on assets	7.50%	7.50%
Rate of compensation increase	N/A	N/A

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

	<u>Year Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
	(in thousands)	
Expected return on plan assets	\$ (1,224)	\$ (961)
Interest cost on projected benefit obligation	836	845
Amortization of accumulated loss	<u>415</u>	<u>502</u>
Net periodic pension cost	<u>\$ 27</u>	<u>\$ 386</u>

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

	<u>Year Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
	(in thousands)	
Employer contributions	<u>\$ 1,209</u>	<u>\$ 1,034</u>
Benefits paid	<u>\$ 427</u>	<u>\$ 389</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2015 and 2014

NOTE K - PENSION PLANS (CONTINUED)

City Ballet expects to contribute approximately \$422,000 to its pension plan in fiscal-year 2016.

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

<u>Fiscal-year ending June 30,</u>	<u>Pension Benefits</u>
	(in thousands)
2016	\$1,020
2017	1,124
2018	1,113
2019	1,195
2020	1,208
2021-2025	7,262

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. As of June 30, 2015, the asset allocation was 8% in cash equivalents, 57% in U.S. equity securities, and 35% in debt securities. Asset-manager performance is reviewed at least once every three months and benchmarked against the peer universe for the given investment style.

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

	<u>Year Ended June 30,</u>		
	<u>Target</u>	<u>Actual</u>	<u>Actual</u>
	<u>2015</u>	<u>2015</u>	<u>2014</u>
Cash equivalents	8%	8%	4%
Equity securities	57%	57%	96%
Debt securities	35%	5%	0%

City Ballet's net periodic pension cost for fiscal-year 2015 and allocated net periodic pension cost for fiscal-year 2014 was approximately \$27,000 and \$386,000 respectively. City Ballet's accrued benefit liability at June 30, 2015 and 2014 was approximately \$5,339,000 and \$5,133,000, respectively, and is reported in payroll-related liabilities in the accompanying statements of financial position. The accumulated other comprehensive loss associated with City Ballet's pension plan, inclusive of amounts allocated from CCMD, was \$7,532,000 and \$5,908,000 in fiscal-years 2015 and 2014, respectively.

City Ballet also contributes to union pension plans based upon a percentage of its employees' salaries. Pension costs associated with these plans amounted to approximately \$2,560,000 and \$2,514,000 in fiscal-years 2015 and 2014, respectively.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2015 and 2014

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 at least 65 years of age upon their retirement from City Ballet or CCMD) to continue in the group medical and life insurance plan, at no cost to the employee. The CCMD Board of Governors ended this policy in April 1995 for employees who had not vested in this benefit, but, in fiscal-year 1997, the CCMD Board of Governors reinstated this benefit for all active employees who, at that date, had already achieved the requisite 20 years of service. In addition, City Ballet contracts with various unions to include provisions for severance payments to members after they reach a predetermined length of service. City Ballet funds both of these obligations as benefits are actually paid.

Unrestricted net assets of City Ballet were increased by \$1,849,000 in fiscal-year 2015 and decreased by \$70,000 in fiscal-year 2014, to record the adjustments required to balance the accrued postretirement benefit liability to the amount of the unfunded projected benefit obligation as of 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.

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

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
	(in thousands)	
Accumulated obligation	\$ 3,409	\$ 1,362
Unrecognized amounts	<u>(1,539)</u>	<u>(802)</u>
	<u>\$ 1,870</u>	<u>\$ 560</u>

	<u>June 30</u>	
	<u>2015</u>	<u>2014</u>
	(in thousands)	
Postretirement benefit obligation at the end of year:		
Active employees not fully eligible to retire	\$ 412	\$ 179
Active employees fully eligible to retire	402	192
Retirees	<u>2,594</u>	<u>981</u>
Total	<u>\$ 3,408</u>	<u>\$ 1,352</u>

NEW YORK CITY BALLET, INC.

**Notes to Financial Statements
June 30, 2015 and 2014**

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

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

	Year Ended June 30,	
	2015	2014
	(in thousands)	
Net periodic postretirement benefit cost:		
Service	\$ 5	\$ 5
Interest	57	54
Amortization of accumulated loss	<u>64</u>	<u>50</u>
Net periodic postretirement benefit cost	126	109
Actual payments	<u>(140)</u>	<u>(101)</u>
Net change	(14)	8
Accumulated obligation:		
Beginning of year	<u>801</u>	<u>793</u>
End of year	<u>\$ 787</u>	<u>\$ 801</u>

Estimated benefit payments are as follows:

Year Beginning July 1,	Employer Benefit Payment
	(in thousands)
2015	\$ 204
2016	205
2017	205
2018	253
2019	253
2020 - 2024	1,179

The accumulated postretirement benefit obligation was actuarially determined as of June 30, 2015, using assumed discount rates of 3.72%. The assumed rate of future increases in health care was 8.0% in the first year, declining to 4.5% by fiscal-year year 2022. Had the health-care cost-trend rate assumption been increased by 1.0%, the accumulated postretirement benefit obligation would have increased by 10.0%. 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 11.2%. The postretirement balance is reported as part of payroll-related liabilities in the accompanying statements of financial position.

The accumulated other comprehensive loss associated with City Ballet's postretirement benefits, inclusive of amounts allocated from CCMD, was \$2,400,000 and \$551,000 in fiscal-years 2015 and 2014, respectively.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2015 and 2014

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 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 \$352,000 for each of the fiscal-years 2015 and 2014. 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 2015 and 2014, 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 \$373,000 and \$456,000 for fiscal-years 2015 and 2014, respectively. Future minimum commitments under these leases are \$242,000 at June 30, 2016, approximately \$245,000 for each fiscal year from 2017 through 2018, and \$419,000 thereafter.

[3] Loan payable:

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, 2016. As collateral, the bank has a security interest in two investment accounts held by Merrill Lynch. At June 30, 2015 and 2014, the balance outstanding on the line of credit used to pay for capital expenditures was \$12,000,000 and \$5,000,000, respectively.