



NEW YORK CITY BALLET, INC.

FINANCIAL STATEMENTS

JUNE 30, 2013 and 2012

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, 2013 and 2012, and 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, 2013 and 2012, 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 11, 2014

NEW YORK CITY BALLET, INC.

Statements of Financial Position

(in thousands)

	June 30,	
	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 9,100	\$ 4,469
Endowment investments (see Note C)	163,214	151,033
Gift annuities and other investments	1,384	1,307
Pledges receivable (see Note B)	3,367	5,602
Accounts receivable	589	453
Inventory	354	171
Deferred production costs	1,535	1,426
Due from CCMD	3,545	3,661
Leasehold in Rose Building and other property and equipment, less accumulated depreciation of \$10,834 in 2013 and \$10,211 in 2012	<u>4,669</u>	<u>5,124</u>
	<u>\$ 187,757</u>	<u>\$ 173,246</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,425	\$ 3,195
Advance ticket sales and other deferred revenue	6,182	4,549
Payroll-related liabilities due to CCMD	1,087	913
Payroll-related and other liabilities	<u>10,404</u>	<u>12,295</u>
Total liabilities	<u>21,098</u>	<u>20,952</u>
Net assets:		
Unrestricted (see Note E)	<u>13,384</u>	<u>9,979</u>
Temporarily restricted:		
Time and other restrictions	9,135	9,509
Endowment appreciation (see Note D)	<u>32,888</u>	<u>22,751</u>
	<u>42,023</u>	<u>32,260</u>
Permanently restricted (see Note D):		
Wallace endowment	57,751	57,751
Endowments for which income is unrestricted	22,657	21,635
Endowments for which income is restricted	<u>30,844</u>	<u>30,669</u>
	<u>111,252</u>	<u>110,055</u>
Total net assets	<u>166,659</u>	<u>152,294</u>
	<u>\$ 187,757</u>	<u>\$ 173,246</u>

See notes to financial statements

NEW YORK CITY BALLET, INC.

Statement of Activities

Year Ended June 30, 2013

(with summarized financial information for 2012)

(in thousands)

	2013					2012		
	General Operating	Board-Designated	Fixed Assets	Unrestricted Total	Temporarily Restricted	Permanently Restricted	Total	Total
Operating revenues:								
Performance ticket sales and tour fees	\$ 32,926			\$ 32,926			\$ 32,926	\$ 30,882
Investment earnings per spending policy	7,385			7,385			7,385	7,253
Income (deficit) in excess of spending policy		\$ 819		819	\$ 10,137		10,956	(12,476)
Other revenues	1,002	11		1,013			1,013	1,831
Total operating revenues	<u>41,313</u>	<u>830</u>		<u>42,143</u>	<u>10,137</u>		<u>52,280</u>	<u>27,490</u>
Operating expenses:								
Program services:								
Ballet production	43,064			43,064			43,064	44,462
Depreciation			\$ 501	501			501	352
Facility expenses	6,620			6,620			6,620	4,558
Production-management expenses	3,970			3,970			3,970	4,129
	<u>53,654</u>		<u>501</u>	<u>54,155</u>			<u>54,155</u>	<u>53,501</u>
Supporting services:								
Administration	5,853			5,853			5,853	5,957
Public support	4,478			4,478			4,478	4,399
	<u>10,331</u>			<u>10,331</u>			<u>10,331</u>	<u>10,356</u>
Total operating expenses	<u>63,985</u>		<u>501</u>	<u>64,486</u>			<u>64,486</u>	<u>63,857</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>	<u>(36,367)</u>
Public support:								
Appropriation from the City of New York	1,176			1,176			1,176	1,152
Other public support	16,766		650	17,416	5,032	\$ 1,197	23,645	21,208
Utilization of temporarily restricted net assets	5,406			5,406	(5,406)		0	
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>	<u>22,360</u>
Capital expenditures		260	(260)	0			0	0
(Deficit) earnings before adjustments:								
Pension, postemployment and other adjustments	676	1,090	(111)	1,655	9,763	1,197	12,615	(14,007)
	<u>1,768</u>	<u>(18)</u>		<u>1,750</u>			<u>1,750</u>	<u>(3,231)</u>
Change in net assets	2,444	1,072	(111)	3,405	9,763	1,197	14,365	(17,238)
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>	<u>169,532</u>
Net assets, end of year	\$ (9,557)	\$ 19,675	\$ 3,266	\$ 13,384	\$ 42,023	\$ 111,252	\$ 166,659	\$ 152,294

See notes to financial statements

NEW YORK CITY BALLET, INC.

Statement of Activities Year Ended June 30, 2012 (in thousands)

	2012						
	General Operating	Board-Designated	Fixed Assets	Unrestricted Total	Temporarily Restricted	Permanently Restricted	Total
Operating revenues:							
Performance ticket sales and tour fees	\$ 30,882			\$ 30,882			\$ 30,882
Investment earnings per spending policy	7,253			7,253			7,253
Additional board-designated spending policy							
Deficit in excess of spending policy		\$ (2,728)		(2,728)	\$ (9,748)		(12,476)
Other revenues	1,831			1,831			1,831
Total operating revenues	<u>39,966</u>	<u>(2,728)</u>		<u>37,238</u>	<u>(9,748)</u>		<u>27,490</u>
Operating expenses:							
Program services:							
Ballet production	44,462			44,462			44,462
Facility expenses	4,558			4,558			4,558
Production management	4,129			4,129			4,129
Depreciation			\$ 352	352			352
	<u>53,149</u>		<u>352</u>	<u>53,501</u>			<u>53,501</u>
Supporting services:							
Administration	5,957			5,957			5,957
Public support	4,399			4,399			4,399
	<u>10,356</u>			<u>10,356</u>			<u>10,356</u>
Total operating expenses	<u>63,505</u>		<u>352</u>	<u>63,857</u>			<u>63,857</u>
Loss from operations before public support	<u>(23,539)</u>	<u>(2,728)</u>	<u>(352)</u>	<u>(26,619)</u>	<u>(9,748)</u>		<u>(36,367)</u>
Public support:							
Appropriation from the City of New York	1,152			1,152			1,152
Other public support	15,652			15,652	5,507	\$ 49	21,208
Utilization of temporarily restricted net assets	5,727			5,727	(5,727)		
Total public support	<u>22,531</u>			<u>22,531</u>	<u>(220)</u>	<u>49</u>	<u>22,360</u>
(Deficit) earnings before adjustments:							
Pension, postemployment and other adjustments	(1,008)	(2,728)	(352)	(4,088)	(9,968)	49	(14,007)
	<u>(3,231)</u>			<u>(3,231)</u>			<u>(3,231)</u>
Change in net assets	(4,239)	(2,728)	(352)	(7,319)	(9,968)	49	(17,238)
Net assets, beginning of year	<u>(7,762)</u>	<u>21,331</u>	<u>3,729</u>	<u>17,298</u>	<u>42,228</u>	<u>110,006</u>	<u>169,532</u>
Net assets, end 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>

See notes to financial statements

NEW YORK CITY BALLET, INC.

Statements of Cash Flows

(in thousands)

	Year Ended June 30,	
	2013	2012
Cash flows from operating activities:		
Changes in net assets:		
Unrestricted	\$ 3,405	\$ (7,319)
Temporarily restricted	9,763	(9,968)
Permanently restricted	<u>1,197</u>	<u>49</u>
	14,365	(17,238)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	623	476
Contributions restricted for long-term activities	(1,225)	(75)
Bad debt expense	1,316	357
Donated securities	(400)	(710)
Net (gain) loss on investments	(18,077)	5,388
Changes in:		
Gift annuities	(77)	104
Pledges receivable	2,185	1,349
Accounts receivable	(164)	(40)
Inventory	(183)	97
Deferred production costs	(109)	1,109
Due from CCMD	(1,120)	(13)
Accounts payable and accrued expenses	230	393
Advance ticket sales and other deferred revenue	1,632	284
Payroll-related liabilities due to CCMD	174	36
Payroll-related and other liabilities	<u>(1,892)</u>	<u>2,577</u>
Net cash used in operating activities	<u>(2,722)</u>	<u>(5,906)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	66,399	70,666
Purchases of investments	(60,103)	(62,928)
Purchases of property and equipment	<u>(168)</u>	<u>(370)</u>
Net cash provided by investing activities	<u>6,128</u>	<u>7,368</u>
Cash flows from financing activities:		
Endowment contributions	<u>1,225</u>	<u>75</u>
Net increase in cash and cash equivalents	4,631	1,537
Cash and cash equivalents - beginning of year	<u>4,469</u>	<u>2,932</u>
Cash and cash equivalents - end of year	<u>\$ 9,100</u>	<u>\$ 4,469</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(in thousands)

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, and a constituent of City Center of Music and Drama, Inc. ("CCMD"). City Ballet operates as an entity independent of CCMD, which provides certain services to City Ballet as described further below.

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 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.

Donated securities are initially recorded at the fair values on the dates of the gifts.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements **June 30, 2013 and 2012** (in thousands)

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

[5] Endowments:

City Ballet is subject to the provisions of the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") Topic 958, 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 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:

CCMD provides services to City Ballet and previously provided services to New York City Opera, Inc. ("City Opera"), which was formerly 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 Koch Theater by January 1, 2012 and it has since moved its operations accordingly.

During 2013, City Ballet paid approximately \$1,277,000 to CCMD to cover City Opera's unfunded obligations. In September 2013, City Opera filed for chapter 11 with the United States Bankruptcy Court Southern District of New York. Both CCMD and City Ballet have filed claims regarding City Opera's financial obligations. The result is uncertain.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2013 and 2012 (in thousands)

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

[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 H. 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 E).

(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 ASC Topic 740-10-05 relating to accounting and reporting for uncertainty in income taxes. Because of City Ballet's general tax-exempt status, ASC Topic 740-10-05 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 assets and liabilities (see Note C).

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(in thousands)

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

[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 the date of the independent auditors' report.

[16] Reclassification:

Certain fiscal-year 2012 balances have been reclassified for comparison with fiscal-year 2013 disclosures.

NOTE B - PLEDGES RECEIVABLE

Pledges of \$3,367 and \$5,602 have been recorded net of applicable discounts of \$144 and \$209 in fiscal-years 2013 and 2012, respectively. Pledges specifically for City Ballet's endowment, net of applicable discounts, totaled \$419 and \$448 in fiscal-years 2013 and 2012, respectively. Pledges are expected to be collected as follows:

	June 30,			
	2013		2012	
	Operating	Endowment	Operating	Endowment
Less than one year	\$ 2,378	\$ 120	\$ 4,570	\$ 170
One to five years	919	299	935	278
Allowance for doubtful pledges	<u>(349)</u>	<u>—</u>	<u>(351)</u>	<u>—</u>
Total	<u>\$ 2,948</u>	<u>\$ 419</u>	<u>\$ 5,154</u>	<u>\$ 448</u>

NOTE C - INVESTMENTS

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

	2013	2012
Endowment investments:		
Cash equivalents	\$ 10,215	\$ 11,712
Equity securities	63,784	33,341
Alternative investments	<u>89,215</u>	<u>105,980</u>
	<u>\$ 163,214</u>	<u>\$ 151,033</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(in thousands)

NOTE C - INVESTMENTS (CONTINUED)

During fiscal-years 2013 and 2012, net investment income consisted of the following:

	<u>2013</u>	<u>2012</u>
Interest and dividends, net	\$ 264	\$ 182
Net realized gains	5,563	12,127
Net unrealized gains (losses)	<u>12,514</u>	<u>(17,515)</u>
	<u>\$ 18,341</u>	<u>\$ (5,206)</u>

Included in interest and dividends are management fees of \$433 and \$468 for fiscal-years 2013 and 2012, respectively.

ASC Topic 820-10-05 prescribes three levels of fair-value measurement as follows:

- 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: Fair value is determined based on pricing inputs that are unobservable and includes situations where (i) there is little, if any, market activity for the asset or liability, or (ii) the underlying investments of which cannot be independently valued, or (iii) they cannot be immediately redeemed at or near the fiscal year-end.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2013 and 2012 (in thousands)

NOTE C - INVESTMENTS (CONTINUED)

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

	June 30, 2013			Total
	Level 1	Level 2	Level 3	
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			1,204	1,204
	<u>\$ 53,022</u>	<u>\$ 21,157</u>	<u>\$ 90,419</u>	<u>\$ 164,598</u>

	June 30, 2012			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 11,712			\$ 11,712
Equity securities	33,341			33,341
Alternative investments		\$ 19,312	\$ 86,668	105,980
Morgan Stanley Stern Endowment			186	186
Charitable gift annuities			1,121	1,121
	<u>\$ 45,053</u>	<u>\$ 19,312</u>	<u>\$ 87,975</u>	<u>\$ 152,340</u>

The following summarizes the changes in the fair values of Level 3 investments during fiscal-years 2013 and 2012:

	Fair-Value Measurements Using Level 3 Inputs	
	2013	2012
Opening balance	\$ 87,975	\$ 95,548
Transfer to Level 2	(186)	
Purchases	16,240	22,473
Redemptions	(23,505)	(27,556)
Realized gains	2,529	6,603
Unrealized gains (losses)	<u>7,366</u>	<u>(9,093)</u>
Closing balance	<u>\$ 90,419</u>	<u>\$ 87,975</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(in thousands)

NOTE C - INVESTMENTS (CONTINUED)

The following table lists investments in other investment companies by major category:

	June 30, 2013			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Offshore hedge funds:				
Archer Capital Offshore Fund, Ltd.	\$ 8,961	None	Quarterly	90 days
Black Rock Asia Pacific Partners, Ltd.	144	None	Monthly	90 days
Black Rock Multi-Manager Partners, Ltd.	156	None	Monthly	90 days
Oz Overseas Fund, Ltd.	770	None	Monthly	45 days
Blackstone / GSO Secured Trust, Ltd.	10,640	None	Quarterly	30 days
Lakeview Opportunity Fund, Ltd.	1,596	None	Monthly	100 days
TVF Feeder Fund, Ltd.	2,239	None	6/30 or 12/31	45 days
Pennant Windward Fund, Ltd., Class A	14,771	None	Quarterly	Subject to "gate"
Pennant Credit Opportunities Offshore	4,357	None	Quarterly	Subject to "gate"
Gotham Hedged Value Strategies (Intl)	11,492	None	Monthly	15 days
CC Asia Absolute Return Fund	2,048	None	Monthly	30 days
Limited partnerships:				
AG Super Fund, L.P.	7,018	None	Annual (12/31)	60 days
York Credit Opportunities Unit Trust	16,479	None	Monthly	1 day
Empire Capital Partners, L.P.	8,544	None	Quarterly	30 days
Wells Fargo Annuity	<u>1,204</u>	None	N/A	N/A
	<u>\$ 90,419</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 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, 2013, or within a reasonable period of time.

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.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(in thousands)

NOTE D - ENDOWMENTS

City Ballet's endowments consist of both Board-designated and donor-restricted funds, established for a variety of purposes. NYPMIFA requires the preservation of the historic dollar value of the original gift as of the gift date, absent explicit donor stipulations to the contrary.

[1] Endowment net assets inclusive of \$419 and \$448 in pledges, composed by type of fund as of June 30, 2013 and 2012:

	Year Ended June 30, 2013			Total
	Board-Designated	Temporarily Restricted	Permanently Restricted	
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		19,373	57,751	77,124
Total unrestricted	<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		112	236	348
Total restricted		<u>10,127</u>	<u>30,845</u>	<u>40,972</u>
Investment held by others		<u>6</u>	<u>174</u>	<u>180</u>
Total	<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, 2013 and 2012
(in thousands)

NOTE D - ENDOWMENTS (CONTINUED)

	Year Ended June 30, 2012			
	Board- Designated	Temporarily Restricted	Permanently Restricted	Total
Functioning as endowment	\$ 10,191		\$ 7,162	\$ 17,353
Touring	2,106			2,106
Delmas Repertory	6,566			6,566
Capital Campaign		\$ 1,871	14,214	16,085
Martison Memorial/Society Loan		126	84	210
Wallace	<u> </u>	<u>13,975</u>	<u>57,751</u>	<u>71,726</u>
 Total unrestricted	 <u>18,863</u>	 <u>15,972</u>	 <u>79,211</u>	 <u>114,046</u>
 Choreographic Institute		2,653	16,203	18,856
Nureyev Repertory		174	1,000	1,174
Martins Repertory		899	3,000	3,899
Martins' 25		30	344	374
Balanchine Repertory		390	1,320	1,710
Symphony in C		557	1,000	1,557
Robbins Repertory		8	67	75
Touring		935	2,975	3,910
Education		148	775	923
Levin Dance		301	1,000	1,301
Dance On		6	500	506
Musical Leadership		525	2,000	2,525
Scenic Design Maintenance		49	250	299
Kirstein Memorial		<u>92</u>	<u>236</u>	<u>328</u>
 Total restricted		 <u>6,767</u>	 <u>30,670</u>	 <u>37,437</u>
 Investment held by others		 <u>12</u>	 <u>174</u>	 <u>186</u>
 Total	 <u>\$ 18,863</u>	 <u>\$ 22,751</u>	 <u>\$ 110,055</u>	 <u>\$ 151,669</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements
June 30, 2013 and 2012
(in thousands)

NOTE D - ENDOWMENTS (CONTINUED)

[2] Changes in endowment net assets in fiscal-years 2013 and 2012:

	Year Ended June 30, 2013			
	Board- Designated	Temporarily Restricted	Permanently Restricted	Total
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			<u>1,225</u>	<u>1,225</u>
Spending policy-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 investment held by other Spending rate excess	<u>(7)</u>	<u>12</u>		
Endowment net assets, end of year	<u>\$ 19,675</u>	<u>\$ 32,888</u>		
	Year Ended June 30, 2012			
	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Opening balance	<u>\$ 21,591</u>	<u>\$ 32,502</u>	<u>\$ 109,356</u>	<u>\$ 163,449</u>
Investment management fees	(243)	(225)		(468)
Interest, dividends and realized gains	6,617	6,160		12,777
Unrealized gains	<u>(9,070)</u>	<u>(8,445)</u>		<u>(17,515)</u>
Subtotal	<u>(2,696)</u>	<u>(2,510)</u>		<u>(5,206)</u>
Additions			<u>75</u>	<u>75</u>
Adjustment on valuation of endowment	<u>(32)</u>			<u>(32)</u>
Spending policy-5%		<u>(7,253)</u>		<u>(7,253)</u>
	18,863	22,739	<u>\$ 109,431</u>	<u>\$ 151,033</u>
Capital expenditures yet to be funded	(260)			
Interest on investment held by others	<u>12</u>	<u>12</u>		
Endowment net assets, end of year	<u>\$ 18,603</u>	<u>\$ 22,751</u>		

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(in thousands)

NOTE D - ENDOWMENTS (CONTINUED)

[3] Donor-restricted endowment:

The historic dollar value of City Ballet's donor-restricted endowment as of June 30, 2013 was \$30,844. 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 quarterly market values of its investment portfolio. For fiscal-years 2013 and 2012, the spending rate was 5.0% of a moving average of 20 quarterly market values, through December 2012.

NOTE E - UNRESTRICTED NET ASSETS

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

	<u>2013</u>	<u>2012</u>
Undesignated	\$ (2,277)	\$ (2,972)
Pension/postemployment accumulated other income and loss	(7,279)	(9,029)
Fixed assets	3,265	3,377
Board-designated	<u>19,675</u>	<u>18,603</u>
Total	<u>\$ 13,384</u>	<u>\$ 9,979</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements
June 30, 2013 and 2012
(in thousands)

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 for fiscal-years 2013 and 2012:

New York City Ballet			
AOCI Fund Balance Analysis			
<u>Fiscal-Year 2013</u>	<u>Pension</u>	<u>Post-employment</u>	<u>Total AOCI</u>
Allocated from CCMD	\$ (723)	\$ (77)	\$ (800)
City Ballet direct	<u>(5,974)</u>	<u>(505)</u>	<u>(6,479)</u>
Total - 6/30/12	<u>\$ (6,697)</u>	<u>\$ (582)</u>	<u>\$ (7,279)</u>
<u>Fiscal-Year 2012</u>			
Allocated from CCMD	\$ (995)	\$ (30)	\$ (1,025)
City Ballet direct	<u>(7,640)</u>	<u>(364)</u>	<u>(8,004)</u>
Total - 6/30/11	<u>\$ (8,635)</u>	<u>\$ (394)</u>	<u>\$ (9,029)</u>

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

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

	June 30,	
	<u>2013</u>	<u>2012</u>
Productions	\$ 1,611	\$ 2,087
Emergency	607	656
CLUT	323	331
Education	227	91
Accumulation endowment income reserve for appropriations	32,888	22,751
Passage of time	<u>6,367</u>	<u>6,344</u>
End of year	<u>\$ 42,023</u>	<u>\$ 32,260</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2013 and 2012 (in thousands)

NOTE F - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

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

	June 30,	
	2013	2012
Productions	\$ 1,947	\$ 2,307
Emergency	56	30
CLUT	49	50
Education	446	677
Passage of time	<u>2,908</u>	<u>2,663</u>
End of year	<u>\$ 5,406</u>	<u>\$ 5,727</u>

NOTE G - PUBLIC SUPPORT

Detail of unrestricted net public support and the utilization of temporarily restricted net assets by major classifications are as follows for each fiscal-year:

	Year Ended June 30,	
	2013	2012
Appropriation from the City of New York	\$ 1,201	\$ 1,152
Other governmental agencies	329	309
Special events	6,339	6,755
Guild	2,335	2,563
Foundation	3,781	3,517
Corporate	1,858	1,215
Individual	6,920	6,765
Estates	<u>1,235</u>	<u>255</u>
Total	<u>\$ 23,998</u>	<u>\$ 22,531</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(in thousands)

NOTE H - SCHEDULE OF FUNCTIONAL EXPENSES

For fiscal-year 2013 (with summary totals for fiscal-year 2012), 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>2013 Total</u>	<u>2012 Total</u>
Salaries	\$ 23,846	\$ 1	\$ 3,113	\$ 26,960	\$ 1,826	\$ 1,660	\$ 30,446	\$ 31,923
Benefits	<u>9,886</u>	<u>0</u>	<u>839</u>	<u>10,725</u>	<u>720</u>	<u>617</u>	<u>12,062</u>	<u>11,806</u>
Salaries and related benefits	33,732	1	3,952	37,685	2,546	2,277	42,508	43,729
Occupancy	82	951		1,033	6	85	1,124	1,101
Depreciation	228	355		583	28	12	623	476
Printing	3,095			3,095	4	247	3,346	3,295
Transportation	1,202			1,202	27	90	1,319	1,331
Scenery, music, and costumes	2,365			2,365			2,365	2,837
Professional fees	1,545			1,545	833	1,693	4,071	4,278
Data processing, telephone and office expenses	185	18		203	76	73	352	406
Miscellaneous expenses	451	1,434	18	1,903	388		2,291	1,027
Departmental overhead allocation	328			328	(328)			
CCMD shared services allocation		4,213		4,213	2,272		6,485	5,377
	<u>\$ 43,213</u>	<u>\$ 6,972</u>	<u>\$ 3,970</u>	<u>\$ 54,155</u>	<u>\$ 5,852</u>	<u>\$ 4,477</u>	<u>\$ 64,484</u>	<u>\$ 63,857</u>

NOTE I - DONATED SERVICES

Donated services are valued at the standard market rate that would have been incurred by City Ballet to obtain them and they are recognized as both revenue and expenses in the accompanying statement of activities.

City Ballet received donated legal services in the amount of \$315 and \$256 for fiscal-years 2013 and 2012, respectively.

NOTE J - PENSION PLANS

Until fiscal-year 2011, City Ballet participated in a non-contributory, 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. City Ballet plan was frozen effective June 15, 2012. In place of this frozen pension plan, management amended the existing 403(b) plan to include employer contributions, retroactive to January 1, 2012. Pension benefits for vested employees as of the freeze date are based on years of service and final average compensation, as defined in the plan. Plan benefit obligations and assets are combined for all participants in the plan. CCMD's policy is to fund annually the required contribution necessary to comply with the Employee Retirement Income Security Act of 1974.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(in thousands)

NOTE J - PENSION PLANS (CONTINUED)

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

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
Projected benefit obligation	\$ (19,454)	\$ (19,817)
Plan assets at fair value	<u>12,809</u>	<u>11,359</u>
Funded status (asset deficit), recognized as liabilities in the statements of financial position	<u>\$ (6,645)</u>	<u>\$ (8,458)</u>

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

	<u>2013</u>	<u>2012</u>
Discount rate	3.85%	5.41%
Long-range return on assets	7.50%	7.50%
Rate of compensation increase	N/A	4.00%

The following items are the components of the net periodic pension cost for the plan for fiscal-years June 30, 2013 and 2012, respectively:

	<u>2013</u>	<u>2012</u>
Expected return on plan assets	\$ (872)	\$ (817)
Service cost benefit earned during the year	0	432
Interest cost on projected benefit obligation	755	865
Amortization of prior service cost	0	42
Amortization of accumulated loss	<u>653</u>	<u>336</u>
Net periodic pension cost	<u>\$ 536</u>	<u>\$ 858</u>

Information with regards to contributions to the plan and benefits paid during fiscal-years 2013 and 2012 are as follows:

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
Employer contributions	<u>\$ 683</u>	<u>\$ 1,200</u>
Benefits paid	<u>\$ 384</u>	<u>\$ 351</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(in thousands)

NOTE J - PENSION PLANS (CONTINUED)

City Ballet expects to contribute approximately \$693,000 to its pension plan in fiscal-year 2014.

The following benefit payments are actuarially expected to be paid as follows:

<u>Fiscal-year Ending June 30,</u>	<u>Pension Benefits</u>
2014	\$ 887
2015	950
2016	1,016
2017	1,124
2018	1,109
2019-2023	6,595

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.

City Ballet's target allocations of plan assets as of June 30, 2013, and the actual weighted-average allocations as of June 30, 2013 and July 1, 2012, are as follows:

	<u>Target 2013</u>	<u>Actual 2013</u>	<u>Actual 2012</u>
Cash equivalents	14%	14%	8%
Equity securities	75%	75%	81%
Debt securities	11%	11%	11%

City Ballet's net periodic pension cost for fiscal-year 2013 and allocated net periodic pension cost for fiscal-year 2012 was approximately \$536 and \$858 respectively. City Ballet's accrued benefit liability at June 30, 2013 and 2012 was approximately \$6,645 and \$8,458, respectively, and is reflected in payroll-related liabilities in the accompanying statements of financial position. Accumulated other comprehensive loss associated with the plan, inclusive of amounts allocated from CCMD, was \$6,697 and \$8,635 in fiscal-years 2013 and 2012, 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 \$2,389 and \$2,616 in fiscal-years 2013 and 2012, respectively.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(in thousands)

NOTE K - 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 with 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 employee. CCMD ended this policy in April 1995 for employees who had not vested in this benefit, but in fiscal-year 1997, CCMD 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 using the "pay-as-you-go" method.

Unrestricted net assets of City Ballet were decreased by \$188 in fiscal-year 2013 and increased by \$81 in fiscal-year 2012, 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:

	June 30,	
	2013	2012
Accumulated obligation	\$ 1,379	\$ 1,126
Unrecognized amounts	(586)	(787)
	<u>\$ 793</u>	<u>\$ 339</u>

	June 30	
	2013	2012
Postretirement benefit obligation at the end of year:		
Active employees not fully eligible to retire	\$ 266	\$ 192
Active employees fully eligible to retire	187	199
Retirees	<u>926</u>	<u>736</u>
Total	<u>\$ 1,379</u>	<u>\$ 1,127</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(in thousands)

NOTE K - 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 for each fiscal-year:

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
Net periodic postretirement benefit cost:		
Service	\$ 6	\$ 5
Interest	42	53
Amortization of accumulated loss	<u>39</u>	<u>32</u>
Net periodic postretirement benefit cost	87	90
Actual payments	<u>(96)</u>	<u>(102)</u>
Net change	(9)	(12)
Accumulated obligation:		
Beginning of year	<u>802</u>	<u>799</u>
End of year	<u>\$ 793</u>	<u>\$ 787</u>

Estimated benefit payments are as follows:

<u>Year</u> <u>Beginning</u> <u>July 1,</u>	<u>Estimated</u> <u>Employer</u> <u>Benefit Payment</u>
2013	\$ 96
2014	101
2015	101
2016	100
2017	98
2018 - 2022	498

The accumulated postretirement benefit obligation was actuarially determined as of June 30, 2013, using assumed discount rates of 4.03%. The assumed rate of future increases in health care was 9.6% in the first year, declining to 4.5% by fiscal-year 2020. Had the health-care cost-trend rate assumption been increased by 1.0%, the accumulated postretirement benefit obligation would have increased by 9.5%. The effect of this change on the sum of the service and interest cost components of net periodic postretirement benefit cost would have been an increase of 10.2%. The postretirement balance is reflected as part of payroll-related liabilities.

Accumulated other comprehensive loss associated with City Ballet's postretirement benefits, inclusive of amounts allocated from CCMD, was \$582 and \$394 in fiscal-years 2013 and 2012, respectively.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(in thousands)

NOTE L - COMMITMENTS

[1] Samuel B. and David Rose Building:

During fiscal-year 1985, City Ballet entered into an agreement with the City of New York, whereby, based on space usage, it contributed a pro rata share of the costs of the Rose Building where City Ballet's operations are located. Under the agreement, City Ballet received a 99-year lease for its space. Construction costs were capitalized and are being amortized over the anticipated useful life of the building. Depreciation began in fiscal-year 1992, when the space was put into service, and amounted to \$352 for each of the fiscal-years 2013 and 2012. 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 2013 and 2012, City Ballet leased space for two warehouses and a telemarketing office under an agreement with unrelated third party expiring in fiscal-year 2020. Rent expense, including rent applicable to these spaces, was \$441 and \$457 for fiscal-year 2013 and 2012, respectively. Future minimum lease payments under these leases are \$204 at June 30, 2014, approximately \$200 for each fiscal-year from 2014 through 2016, and \$779 thereafter.

[3] Loan payable:

In December 2013, City Ballet entered into an agreement with the 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 will have a security interest in two investment accounts held by Merrill Lynch.