PITTSBURGH BALLET THEATRE, INC.
Pittsburgh, Pennsylvania

Financial Statements
and
Supplementary Information
For the years ended June 30, 2019 and 2018

and Independent Auditors' Report Thereon

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Pittsburgh Ballet Theatre, Inc.
Pittsburgh, Pennsylvania

We have audited the accompanying financial statements of the Pittsburgh Ballet Theatre, Inc. (Ballet) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 entity'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 entity'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 the Ballet as of June 30, 2019 and 2018, and the changes in its net assets, functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 2 to the financial statements, in the year ended June 30, 2019, the Ballet adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. As part of the implementation, as discussed in Note 2 to the financial statements, the 2018 financial statements have been restated for an increase to the Ballet's net assets without donor restrictions for the net book value of property and equipment previously recorded as net assets with donor restrictions. Our opinion is not modified with respect to this matter.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
November 12, 2019

PITTSBURGH BALLET THEATRE, INC.

STATEMENTS OF FINANCIAL POSITION

	June 30 2019	June 30 2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 714,301	$ 662,064
Accounts receivable	20,608	34,261
Pledges receivable	1,117,021	933,623
Prepaid expenses and other current assets	402,296	368,602
Total Current Assets	2,254,226	1,998,550
ENDOWMENT ASSETS		
Cash and cash equivalents	299,906	364,830
Investments	8,444,856	8,117,852
	8,744,762	8,482,682
INVESTMENT HELD BY TRUST	372,162	379,117
PLEDGES RECEIVABLE	117,761	362,550
FIXED ASSETS, net	9,188,616	9,401,684
PRODUCTION ASSETS (less accumulated amortization of $813,624 and $798,512 in 2019 and 2018, respectively)	201,167	133,743
Total Assets	$ 20,878,694	$ 20,758,326
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Payments due within one year on long-term debt	-	$ 62,905
Lines of credit	$ 200,000	1,475,000
Accounts payable and accrued expenses	335,832	217,952
Deferred revenue	1,489,868	1,459,159
Total Current Liabilities	2,025,700	3,215,016
NET ASSETS:		
Without Donor Restrictions	6,042,284	6,068,430
With Donor Restrictions	12,810,710	11,474,880
Total Net Assets	18,852,994	17,543,310
Total Liabilities And Net Assets	$ 20,878,694	$ 20,758,326

See notes to financial statements.

PITTSBURGH BALLET THEATRE, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE	$ 6,350,875	-	$ 6,350,875	$ 6,216,618	-	$ 6,216,618
OPERATING EXPENSES	(11,715,627)	-	(11,715,627)	(11,504,230)	-	(11,504,230)
Changes In Net Assets Before Public And Private Support, Releases From Restrictions And Depreciation On Leaseholds, Machinery And Equipment And Land Improvements	(5,364,752)	-	(5,364,752)	(5,287,612)	-	(5,287,612)
PUBLIC AND PRIVATE SUPPORT	3,604,127	$ 2,358,241	5,962,368	3,144,054	$ 2,900,741	6,044,795
Changes In Net Assets Before Releases From Restrictions And Depreciation On Leaseholds, Machinery And Equipment And Land Improvements	(1,760,625)	2,358,241	597,616	(2,143,558)	2,900,741	757,183
NET ASSETS RELEASED FROM OPERATING RESTRICTIONS						
Investment income spending	462,300	(462,300)	-	493,500	(493,500)	-
Other support	1,890,295	(1,890,295)	-	1,793,014	(1,793,014)	-
Total Net Assets Released From Operating Restrictions	2,352,595	(2,352,595)	-	2,286,514	(2,286,514)	-
Changes In Net Assets From Operations	591,970	5,646	597,616	142,956	614,227	757,183
Net realized and unrealized gains, interest and dividends	-	352,613	352,613	-	566,078	566,078
Public and private support related to capital and other non-operating restrictions	-	1,000,000	1,000,000	-	-	-
Net assets released from capital restrictions	22,429	(22,429)	-	230,632	(230,632)	-
Depreciation on leaseholds, machinery and equipment and land improvements	(640,545)	-	(640,545)	(630,496)	-	(630,496)
Changes In Net Assets	(26,146)	1,335,830	1,309,684	(256,908)	949,673	692,765
NET ASSETS						
Beginning of year	6,068,430	11,474,880	17,543,310	6,325,338	10,525,207	16,850,545
End of year	$ 6,042,284	$ 12,810,710	$ 18,852,994	$ 6,068,430	$ 11,474,880	$ 17,543,310

See notes to financial statements.

PITTSBURGH BALLET THEATRE, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Activities				Supporting Activities			Totals
	Performances	School	Arts Education	Total Program Activities	Management and General	Fundraising and Special Events	Total Supporting Activities	2019
Salaries, wages, fees and fringe benefits	$ 3,726,657	$ 796,252	$ 319,395	$ 4,842,304	$ 1,089,083	$ 459,413	$ 1,548,496	$ 6,390,800
Production costs	2,170,808	535,685	48,244	2,754,737	-	-	-	2,754,737
Depreciation/amortization	581,743	127,210	-	708,953	30,241	22,283	52,524	761,477
Marketing	614,156	57,636	-	671,792	24,265	-	24,265	696,057
Occupancy	272,913	90,176	-	363,089	17,391	14,064	31,455	394,544
Development and special events	-	-	-	-	-	487,559	487,559	487,559
General and administrative	258,006	6,394	265	264,665	147,906	180,080	327,986	592,651
In-kind	237,354	-	-	237,354	550	40,443	40,993	278,347
Total Functional Expenses	$ 7,861,637	$ 1,613,353	$ 367,904	$ 9,842,894	$ 1,309,436	$ 1,203,842	$ 2,513,278	$ 12,356,172

See notes to financial statements.

PITTSBURGH BALLET THEATRE, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Activities				Supporting Activities			Totals
	Performances	School	Arts Education	Total Program Activities	Management and General	Fundraising and Special Events	Total Supporting Activities	2018
Salaries, wages, fees and fringe benefits	$ 3,641,617	$ 784,542	$ 249,381	$ 4,675,540	$ 1,081,079	$ 559,378	$ 1,640,457	$ 6,315,997
Production costs	1,945,300	531,399	26,246	2,502,945	-	-	-	2,502,945
Depreciation/amortization	983,315	180,567	-	1,163,882	33,079	21,917	54,996	1,218,878
Marketing	684,575	57,246	-	741,821	24,662	-	24,662	766,483
Occupancy	154,775	94,720	-	249,495	11,950	9,664	21,614	271,109
Development and special events	-	-	-	-	-	342,336	342,336	342,336
General and administrative	174,240	8,410	152	182,802	138,283	36,683	174,966	357,768
Inkind	260,426	-	-	260,426	54,010	44,774	98,784	359,210
Total Functional Expenses	$ 7,844,248	$ 1,656,884	$ 275,779	$ 9,776,911	$ 1,343,063	$ 1,014,752	$ 2,357,815	$ 12,134,726

See notes to financial statements.

PITTSBURGH BALLET THEATRE, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 1,309,684	$ 692,765
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	761,477	1,218,878
Net realized and unrealized gains on investments	(133,946)	(434,781)
Contributions restricted for investment in endowment	(179,917)	(1,025,694)
Provision for bad debts	117,500	-
Changes in assets and liabilities:		
Accounts receivable	13,653	22,905
Pledges receivable	(125,109)	624,464
Prepaid expenses	(33,694)	73,734
Accounts payable and accrued expenses	117,880	(116,220)
Deferred revenue	30,709	(33,075)
Net Cash Provided By Operating Activities	1,878,237	1,022,976
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets and production assets	(615,833)	(755,607)
Proceeds from sale of investments	2,860,336	3,733,014
Purchase of investments	(3,046,439)	(3,603,772)
Net Cash Used In Investing Activities	(801,936)	(626,365)
CASH FLOWS FROM FINANCING ACTIVITIES		
Lines of credit, net	(1,275,000)	(625,000)
Payments on long-term debt	(62,905)	(112,246)
Contributions restricted for investment in endowment	248,917	434,953
Net Cash Used In Financing Activities	(1,088,988)	(302,293)
Net (Decrease) Increase In Cash And Cash Equivalents	(12,687)	94,318
CASH AND CASH EQUIVALENTS		
Beginning of year	1,026,894	932,576
End of year	$ 1,014,207	$ 1,026,894
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 17,210	$ 8,138

See notes to financial statements.

NOTE 1 - ORGANIZATION

The Pittsburgh Ballet Theatre, Inc. (Ballet) is committed to being Pittsburgh's source and ambassador for extraordinary ballet experiences that give life to the classical tradition, nurture new ideas and, above all, inspire. The Ballet relies principally on contributions, ticket sales, tour performances, boutique sales, special events and the operation of a ballet school to fund its operating costs.

The Ballet has multiple collective bargaining agreements covering costume dressers, which expires June 30, 2021; orchestra musicians of the work force, which expires June 30, 2020; stagehands, which expires June 30, 2021; and dancers, which expires June 30, 2022.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements follows:

Basis of Accounting - The financial statements are prepared on the accrual basis of accounting.

The preparation of financial statements in conformity with generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The accounts of the Ballet are organized on the basis of net assets. Net assets without donor restrictions account for all resources over which there are no donor restrictions or stipulations and the Ballet's Board of Trustees (Board) has discretionary control to use in carrying on the operations of the Ballet. Net assets with donor restrictions are those resources expendable only for purposes specified by the donor or grantor. Some donor-imposed stipulations are temporary in nature, such as those that may or will be satisfied by actions of the Ballet and/or the passage of time. Other donor-imposed stipulations are perpetual in nature, where the donor stipulates that the assets be maintained in perpetuity by the Ballet.

Contributions without donor restrictions are recorded as revenue when received or pledged. Contributions with donor restrictions are reclassified to contributions without donor restrictions and reported in the statement of activities as revenues if a restriction is met in the same period the revenue is recognized. Net assets with donor restrictions are reclassified to without donor restrictions and reported in the statement of activities as net assets released from restriction when a stipulated time restriction ends or purpose restriction is accomplished. Conditional promises to give are not included as support until the conditions are substantially met.

Ticket and advertising sales collected for performances of the upcoming season are included in deferred revenue and recognized as revenue in the year such performances are completed. Deferred revenues also are composed of tuition and housing revenues for amounts received in advance of the period in which they relate.

The Ballet evaluates the need for an allowance for doubtful accounts based on historical collection, experience, a review of current status of the receivables and judgment. Decisions to charge off receivables are based on management's judgment after consideration of facts and circumstances surrounding potential uncollectible accounts. Management has determined that an allowance is not necessary at either June 30, 2019 or 2018. It is reasonably possible that the Ballet's estimate of uncollectible receivables could change.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For purposes of the statement of cash flows, the Ballet considers all interest-bearing money market funds and noninterest-bearing accounts to be cash or cash equivalents. The Ballet maintains, at various financial institutions, cash that may exceed federally insured amounts at times. In accordance with a grant agreement, the Ballet is required to maintain a cash reserve fund, which is to be fully funded at the conclusion of each fiscal year or for a period of 30 consecutive days during the fiscal year. The Ballet has met the requirements of this covenant for the years ended June 30, 2019 and 2018.

Investments are recorded at fair value. The change in unrealized appreciation (depreciation) on investments is the difference between the excess of fair market value over the cost of the portfolio at the end of the current period and the difference at the end of the prior period. Realized gains on security transactions are the result of all gains and losses realized in the current period using the specific identification method. Investments received by gift are recorded at market value on the date of the donation.

Investments are exposed to various risks, such as interest rates and credit conditions. Due to the level of risk associated with investments and the level of uncertainty related to the change in the value of investments, it is at least reasonably possible that changes in the near term could materially affect the amounts reported in the statement of financial position.

The cost of costumes, sets and props and production costs for major, recurring ballets are capitalized and depreciated on a units-of-performance basis. All other costs are charged to operations as incurred.

Furniture and fixtures and machinery and equipment are recorded at cost or, with respect to acquisition by gift, at market value at the date of acquisition, and are depreciated on the straight-line basis over the estimated useful life of the assets ranging from three to 15 years.

Leasehold and land improvements are recorded at cost and are amortized over the remaining life of the lease or the estimated useful life of the improvements, whichever is less.

The costs of providing the Ballet's various programs and supporting services have been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Salaries, wages, fees and fringe benefits are allocated on the basis of time and effort. All other expenses are allocated based upon actual usage. These expenses are allocated on a reasonable basis that is consistently applied.

The Ballet is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is recorded in the financial statements. The Ballet's statements of financial position at June 30, 2019 and 2018 do not include any liabilities associated with uncertain tax positions; further, the Ballet has no unrecognized tax benefits. There were no interest or penalties recognized in the statements of activities for the years ended June 30, 2019 and 2018. The Ballet is no longer subject to examinations of its tax returns for years before 2016.

Generally, advertising costs are expensed in the period incurred. However, the Ballet may from time to time defer advertising costs related to specific productions and expense such costs in the period in which the productions take place. Advertising expense for the fiscal years 2019 and 2018 approximated $429,000 and $481,000, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements - In August 2016, the Financial Accounting Standards Board (FASB) completed Phase I of its Presentation of Financial Statements of Not-for-Profit Entities and issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, guidance intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The main provisions of this guidance include presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board-designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 with early application permitted. The Ballet adopted the provisions of ASU 2016-14 on its financial statements in the current year. The adoption of ASU 2016-14 has been applied on a retrospective basis to all periods presented.

A recap of the net asset reclassifications recorded by the adoption of ASU 2016-14 as of June 30, 2018 follows:

	ASU 2016-14 Classifications		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
For the Year beginning July 1, 2017:			
As previously presented:			
Unrestricted	$ 507,767	-	$ 507,767
Temporarily Restricted	-	$ 7,909,916	7,909,916
Permanently Restricted	-	8,432,862	8,432,862
Net assets previously presented	507,767	16,342,778	16,850,545
Restatement:			
Implementation of ASU 2016-14 related to capital gift for long-lived asset	5,817,571	(5,817,571)	-
Net assets, as restated July 1, 2017	6,325,338	10,525,207	16,850,545
For the year ended June 30, 2018			
Changes in net assets - As previously			
Unrestricted	56,271	-	56,271
Temporarily Restricted	-	(461,778)	(461,778)
Permanently Restricted	-	1,098,272	1,098,272
	6,381,609	11,161,701	17,543,310
Restatement related to capital gifts	(313,179)	313,179	-
Net assets as restated June 30, 2018	$ 6,068,430	$ 11,474,880	$ 17,543,310

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets without donor restrictions at the beginning of 2018 (July 1, 2017) have been adjusted for gifts restricted to capital improvements previously reported as net assets with donor restrictions. The restatement has no effect on the results of the current year's activities; however, the cumulative effect increases beginning net assets without donor restrictions for 2018 by approximately $5,817,571. Previously issued financial statements have been restated.

Recently Issued Accounting Pronouncements - The FASB issued ASU No. 2014-09 Revenue from Contracts with Customers (Topic 606) (ASU 2014-09), the result of a joint project of FASB and the International Accounting Standards Board (IASB) to clarify the principles for recognizing revenue and to develop a common revenue standard for use in the U.S. and internationally. ASU 2014-09 supersedes revenue recognition requirements in Topic 605 of the FASB Codification and most industry-specific guidance throughout the Industry Topics of the Codification. It enhances comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets, reduces the number of requirements an entity must consider for recognizing revenue, and requires improved disclosures to help users of financial statements better understand the nature, amount, timing and uncertainty of revenue that is recognized. In August 2015, the FASB issued ASU 2015-14, a deferral on the implementation date; this guidance is effective for annual reporting periods beginning after December 15, 2018. ASU 2014-09 requires either retrospective application by restating each prior period presented in the financial statements, or retrospective application by recording the cumulative effect on prior reporting periods to beginning retained earnings in the year that the standard becomes effective. The Ballet is assessing the impact that ASU 2014-09 will have on its financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02 Leases (Topic 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. ASU 2016-02 requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU is expected to impact the Ballet's financial statements, since the Ballet has certain operating lease arrangements for which it is the lessee and others for which it is the lessor. ASU 2016-02 supersedes the previous leases standard, Leases (Topic 840). The standard is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Ballet is assessing the impact that ASU 2016-02 will have on its financial statements.

In June 2018, the FASB issued ASU No. 2018-08 Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASU 2018-08), which should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for transactions in which the entity serves as the resource recipient for annual periods beginning after December 15, 2018. For transactions in which the entity serves as the resource provider, ASU 2018-08 is effective for annual periods beginning after December 15, 2019. The Ballet is assessing the impact that ASU 2018-08 will have on its financial statements and related disclosures.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In August 2018, the FASB issued ASU No. 2018-13 Fair Value Measurement (Topic 820): Changes to the Disclosure Requirements for Fair Value Measurement (ASU 2018-13), which clarifies that entities should disclose information about the uncertainty of fair value measurements as of the reporting date. ASU 2018-13 removes the requirement to disclose the amount and reasons for transfers between Level 1 and 2 of the fair value hierarchy table, the policy for timing of transfers between levels, the valuation processes for Level 3 fair value measurements, and the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. ASU 2018-13 requires transfers out of and into Level 3 and purchases and issues of Level 3 assets and liabilities to be disclosed. Also required to be disclosed is liquidation timing of an investee's assets and the date when restrictions from redemption might lapse. ASU 2018-13 is effective for nonpublic entities for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. A reporting entity should apply amendments retrospectively to all periods presented. Early application is permitted. The Ballet is assessing the impact that ASU 2018-13 will have on its financial statements and related disclosures.

Subsequent events are events or transactions that occur after the statement of net assets available for benefits date, but before the financial statements are issued or are available to be issued. Management has evaluated subsequent events through November 12, 2019, the date on which the financial statements were issued.

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available to meet cash needs for general expenditures within one year of the statement of financial position date, without donor or other restrictions limiting their use include the following:

	2019
Cash and cash equivalents	$ 714,301
Accounts receivable	20,608
Pledges receivable without donor restrictions	220,837
Investments appropriated for current use	453,827
	$ 1,409,573

As part of the Ballet's liquidity management, it has a line of credit agreement. (See Note 9.) The Ballet has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Ballet's funds include net assets with donor restrictions that are subject to expenditure for specific purposes, and, therefore, are not available for general expenditure.

The Ballet's endowment consists of various investment funds established or designated primarily for support of the organization's mission. As described in Note 4, the Ballet annually elects a spending rate of between 2% and 7% for use in current and future operations.

For purposes of analyzing resources available to meet general expenditures, the Ballet considers all expenditures related to its ongoing activities of the Ballet's program implementation, general and administrative functions, and fundraising to be general expenditures.

NOTE 4 - ENDOWMENT

The Ballet's endowment consists of donor-restricted investment funds established for perpetual support of the organization's mission. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Ballet to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Board of Trustees (Board) of the Ballet has elected to be governed by the Commonwealth of Pennsylvania's Act 141 (Act 141), a total return policy that allows a nonprofit to choose to treat a percentage of the average market value of the endowment's donor-restricted investments as income each year. The long-term preservation of the real value of the assets must be taken into consideration when the Board elects the amount. On an annual basis, the Board must elect a spending rate of between 2% and 7%. In accordance with Act 141, and to comply with a donor-imposed restriction, the Ballet usually transfers no more than 5% of the previous three years' market value average of the endowment fund. For the year ended June 30, 2016, the Ballet obtained the donor's permission to increase the maximum investment draw percentage to 7%. Starting for the year ended June 30, 2017, the Ballet began a gradual reduction in draw over five years to return to 5% in 2021. The maximum investment draw percentage for the years ended June 30, 2019 and 2018 was 5.8% and 6.2%, respectively. This percentage is applied to a three-year average market value of the investments at June 30 of the previous year. The Ballet classifies as net assets with donor restrictions the original and subsequent value of gifts donated to the endowment with donor restrictions. In accordance with Act 141, the Ballet has adopted a written investment policy, of which a section specifically relates to the endowment fund. The Ballet considers the following factors in making a determination to set a spending rate:

1. Protecting the corpus of the endowment fund.
2. Preserving the spending power of the assets.
3. Obtaining maximum investment return with reasonable risk and operational consideration.
4. Complying with applicable laws and donor-imposed restrictions.

The donor-restricted endowment funds of $9,234,202 and $9,157,017 as of June 30, 2019 and 2018, respectively, are included in net assets with donor restrictions.

The changes in donor-restricted endowment funds for the years ended June 30 are as follows:

	2019	2018
Endowment net assets, beginning of year	$ 9,157,017	$ 8,068,550
Contributions	179,917	1,025,694
Investment return:		
Investment income	265,945	177,127
Net appreciation	93,623	379,146
	359,568	556,273
Appropriation of endowment assets for expenditure	(462,300)	(493,500)
Endowment net assets, end of year	$ 9,234,202	$ 9,157,017

Return Objectives and Risk Parameters - The Ballet has adopted investment and spending policies for endowment assets that attempt to provide a reasonable level of funding to programs supported by its endowment while seeking to enhance the purchasing power of the fund's corpus. These policies are geared toward long-term growth that will enable the Ballet to continue to operate at an elite level. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner intended to produce results that exceed the price and yield results of a blended benchmark of equity and fixed-income peer groups.

NOTE 4 - ENDOWMENT (Continued)

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Ballet relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Ballet targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. Investment advisors, at the discretion of the Investment Committee of the Board of Trustees, are given guidelines to the percentage that can be committed to a particular investment or investment category.

Spending Policy and Investment Objectives Related to Spending Policy - In accordance with Act 141, the Ballet annually transfers no more than 7% of the previous three years' market value average of the donor restricted endowment fund to net assets without donor-restrictions for use in current and future operations. For the years ended June 30, 2019 and 2018, the spendable return totaled $462,300 and $493,500, respectively, all of which was expended. The Ballet believes that this spending policy is consistent with the Commonwealth of Pennsylvania's guidelines and with the Ballet's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

Annually, the Ballet is required to maintain, among other things, certain stipulated ratios and cash reserve requirements in accordance with a grant agreement. The Ballet was in compliance with all stipulations as of June 30, 2019.

NOTE 5 - INVESTMENTS WITH DONOR RESTRICTIONS

Donor-restricted investments consist of pooled investment funds and securities, which are presented at their aggregate market value. Carrying values and unrealized appreciation at June 30 are summarized as follows:

	2019	2018
Equity funds and securities	$ 5,646,844	$ 5,350,076
Bond funds	2,798,012	2,767,776
Total market value	$ 8,444,856	$ 8,117,852
Cost or donated value	$ 7,535,739	$ 7,309,390
Unrealized appreciation	$ 909,117	$ 808,462

NOTE 6 - INVESTMENT HELD BY TRUST

The Ballet is a partial beneficiary of the trust of Pauline Beamer Pickens, and the trustee holds title to the assets. This is included within net assets with donor restrictions.

Distributions are made at the discretion of the trustee in accordance with the trust agreement and are without donor restrictions. Distributions approximated $21,000 and $22,000 for fiscal years 2019 and 2018, respectively. Carrying values and unrealized appreciation at June 30 are summarized as follows:

	2019	2018
Cost or donated value	$ 334,560	$ 328,551
Market value	$ 372,162	$ 379,117
Unrealized appreciation	$ 37,602	$ 50,566

NOTE 7 - PLEDGES RECEIVABLE

The Ballet has recorded pledges receivable at June 30 consisting of the receipt of unconditional promises to give, which are summarized as follows:

	2019	2018
Without donor restrictions:		
Due in less than 1 year	$ 205,838	$ 201,632
With donor restrictions:		
Due in less than 1 year	911,183	731,991
Due in 1 to 5 years	117,761	362,550
	1,028,944	1,094,541
Total	$ 1,234,782	$ 1,296,173

The discount to present value of these future receipts is not material.

NOTE 8 - FIXED ASSETS

Fixed assets at June 30 consist of the following:

	2019	2018
Building and leasehold improvements	$ 13,735,704	$ 13,713,275
Costumes, sets and props	4,164,034	3,729,021
Machinery and equipment	242,278	168,352
Land improvements	127,618	125,689
	18,269,634	17,736,337
Less - Accumulated depreciation	10,139,053	9,392,688
	8,130,581	8,343,649
Land	1,058,035	1,058,035
	$ 9,188,616	$ 9,401,684

NOTE 9 - LINES OF CREDIT

In December 2014, the Ballet entered into a construction line-of-credit note that allows for a maximum of $5,200,000 with interest on any unpaid balance at the bank's prime lending rate (5.5% at June 30, 2019). The line is collateralized by all of the Ballet's assets without donor restrictions and is subject to restrictive financial covenants. As of June 30, 2019, there were no borrowings outstanding on the line of credit. As of June 30, 2018, there were $850,000 of borrowings outstanding on the line of credit. In July 2017, this agreement was extended through December 18, 2020, and the maximum borrowings were reduced to $2,000,000. This line of credit is subject to certain financial covenants, including maintaining a certain ratio of pledges collected to scheduled pledges. The Ballet has complied with these covenants.

The Ballet maintains a line of credit with a financial institution. The maximum borrowings available under the agreement are $1,000,000 with interest on any unpaid balance accruing at the bank's prime lending rate (5.5% at June 30, 2019). The line is collateralized through a blanket lien on all of the Ballet's assets without donor restrictions. As of June 30, 2019 and 2018, there were $200,000 and $625,000 of borrowings outstanding on the line of credit, respectively. All outstanding amounts are due no later than the agreement's expiration date, November 30, 2019.

NOTE 10 - LONG-TERM DEBT

Long-term debt at June 30, 2018 consisted of a note payable to PNC Bank, payable in monthly installments of $7,807 plus interest at 5.46% through March 6, 2019, guaranteed by the Heinz Endowments. This was paid in full during the year ended June 30, 2019.

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Ballet's financial instruments consist primarily of cash and cash equivalents, accounts receivable, pledges receivable, investments, investment held by trust, accounts payable and accrued expenses, lines of credit and long-term debt.

The carrying amount of cash and cash equivalents, accounts receivable, pledges receivable, accounts payable and accrued liabilities approximates their fair value due to the short-term nature of such instruments.

The carrying value of the Ballet's lines of credit and long-term debt approximates fair value at June 30, 2019 and 2018, since the interest rates were either market-based and adjusted periodically, or reflect current market rates available to the Ballet.

The valuation of the Ballet's investments and investment held in trust at June 30 according to the fair value hierarchy is summarized as follows:

	2019			
	Level 1	Level 2	Level 3	Total
Mutual funds and securities	$ 8,444,856	-	-	$ 8,444,856
Investment held in trust	-	-	$ 372,162	372,162
	$ 8,444,856	-	$ 372,162	$ 8,817,018

	2018			
	Level 1	Level 2	Level 3	Total
Mutual funds and securities	$ 8,117,852	-	-	$ 8,117,852
Investment held in trust	-	-	$ 379,117	379,117
	$ 8,117,852	-	$ 379,117	$ 8,496,969

The fair value of the mutual funds categorized as Level 1 is based on quoted market prices for identical securities traded in active markets that are readily and regularly available to the Ballet.

Investment held in trust includes underlying investments that are primarily based on readily quoted active markets. Since the investment held in trust is not readily tradable, but significant inputs are observable in active markets, the trust uses primarily Level 1 and Level 2 inputs valuing their own investments.

The Ballet's ownership in this trust is represented by an undivided interest in these investments, not in the underlying assets themselves. The undivided interests are not traded themselves, and they cannot be valued based on observable direct or indirect inputs. Accordingly, it is classified as Level 3.

The changes in those items measured at fair value for which the Ballet has used Level 3 inputs to determine fair value are as follows:

Balance, June 30, 2017	$ 364,243
Distributions	(21,936)
Unrealized appreciation	36,810
Balance, June 30, 2018	379,117
Distributions	(21,246)
Unrealized appreciation	14,291
Balance, June 30, 2019	$ 372,162

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. There were no transfers between levels during the years ended June 30, 2019 and 2018.

NOTE 12 - NET ASSETS

Net assets with donor restrictions at June 30 consisted of the following:

	2019	2018
Subject to passage of time	$ 466,000	$ 256,000
Subject to expenditure for specified purpose:		
Capital projects	718,661	370,316
Future production support	1,838,422	1,153,900
Scholarships	181,283	163,530
	3,204,366	1,943,746
Restriction in perpetuity (including approximately $425,000 and $612,000 of pledges receivable at June 30, 2019 and 2018, respectively)	9,606,344	9,531,134
	$ 12,810,710	$ 11,474,880

Net assets were released from donor restrictions at June 30 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors and grantors as follows:

	2019	2018
Subject to passage of time	$ 210,000	$ 260,000
Subject to expenditure for specified purpose:		
Capital projects	762,698	734,026
Production support	856,253	933,665
Scholarships	83,773	75,090
Pilates program	-	20,865
	1,702,724	1,763,646
	$ 1,912,724	$ 2,023,646

NOTE 13 - DONATED SERVICES

The Ballet receives certain donated professional services that assist in accomplishing its goals. The Ballet assigns values to such services based on rates commensurate with the type of services performed. Such expenses are reflected in the accompanying financial statements as both revenue and expense.

Though Board members have donated a substantial amount of time to the operation of the Ballet, no amounts have been reflected in the accompanying financial statements for donated services because no objective basis is available to measure the value of such services.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

The Ballet leases a portion of its facilities from a related party, the Pittsburgh Ballet Theatre Charitable Foundation (Foundation), a charitable trust. One trustee is also an emeritus trustee of the Ballet. The term of the lease provides for rental payments of $1 per year. The lease originally was set to expire December 31, 2034. In August 2019, the lease was terminated and the Ballet and the Foundation are in the process of finalizing the transfer of the building to the Ballet.

The Ballet has a 15-year lease agreement with the City of Pittsburgh for the use of a parking facility across the street from its dance studios, which expires in December 2025. The lease provides for the maintenance costs of the parking facility to be the sole cost to the Ballet.

NOTE 15 - EMPLOYEE BENEFIT PLANS

The Ballet participates in a multiemployer pension plan under a union agreement. Contributions to the multiemployer pension plan can vary significantly year to year, and the plan listed below may not be indicative of all plans the Ballet has contributed to in the past.

The Ballet does not control this plan. Generally, the plan provides defined benefits to substantially all employees covered by the stagehand collective bargaining agreement. The risks of participating in this multiemployer plan are different from a single-employer plan in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

- Under the Employee Retirement Income Security Act of 1974 and the Pension Protection Act of 2006, a contributor to a multiemployer plan may be liable, upon termination or withdrawal from a plan, for its proportionate share of a plan’s unfunded vested liability. However, such potential liability, if any, would be determined by the plan’s trustee at the point of termination or withdrawal and not necessarily tied to the Ballet’s level of contributions to the plan.

NOTE 15 - EMPLOYEE BENEFIT PLANS (Continued)

The following table presents information as of June 30 concerning the Ballet's participation in a significant multiemployer defined benefit pension plan:

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status (a) 2019	2018	FIP/RP Status Pending/ Implemente (b)	Ballet Contributions 2019	2018	Expiration Date of Collective Bargainin Labor Agreemen
I.A.T.S.E National Pension Fund	13-1849172/001	Green	Green	N/A	\$55,690	\$57,385	6/30/21

(a) The requirement for financial improvement plans, "FIP," or rehabilitation plans, "RP," is determined by the funding level or zone of the applicable plan.

(b) As defined by the Pension Protection Act, "PPA," the zone status indicates the percent the plan is funded for plan years presented. Red Zone: plans generally funded less than 65%; Yellow Zone: plans generally funded less than 80%; Green Zone: at least 80% funded.

The Ballet's contributions to the plan do not exceed 5% of the total contributions to the plan for both of the plan years December 31, 2018 and 2017.

The information required to determine the total amount of the contingent obligation is not readily available. However, the plan in which the Ballet has participated has not asserted entitlement to a withdrawal liability payment, and the Ballet has not been notified by the multiemployer plan of a claim for any unfunded liability.

In addition to the multiemployer plan, the Ballet also contributes to a union-sponsored defined benefit pension plan covering the musicians. The contribution was based on 5% of gross compensation. For the fiscal years 2019 and 2018, the Ballet contributed \$11,000 and \$9,000, respectively, to the plan covering the musicians.

The Ballet also contributes to a defined contribution plan covering the staff employees and dancers. The Ballet's contributions are based on weekly salaries at amounts and percentages set by the Ballet's Board each fiscal year. The contribution was based on 3% of gross compensation for fiscal years 2019 and 2018. For fiscal years 2019 and 2018, the Ballet contributed \$133,000 and \$129,000, respectively, to this plan.

SUPPLEMENTARY INFORMATION

SCHNEIDER DOWNS

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INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

Board of Trustees
Pittsburgh Ballet Theatre, Inc.
Pittsburgh, Pennsylvania

We have audited the financial statements of the Pittsburgh Ballet Theatre, Inc. as of and for the years ended June 30, 2019 and 2018, and have issued our report thereon dated November 12, 2019, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The schedules of activities without donor restrictions are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
November 12, 2019

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PITTSBURGH BALLET THEATRE, INC.

SCHEDULES OF ACTIVITIES WITHOUT DONOR RESTRICTIONS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
OPERATING REVENUE		
Ticket sales	$ 3,052,277	$ 2,925,400
School	2,392,529	2,365,316
Special events	570,362	562,500
Rentals, sales and other income	119,788	176,328
Boutique	100,008	105,790
Tour	52,000	24,024
Program advertising	42,665	35,324
Investment income	21,246	21,936
Total Operating Revenue	$ 6,350,875	$ 6,216,618
OPERATING EXPENSES		
Salaries, wages and fringe benefits	$ 3,993,782	$ 3,904,785
Direct production costs	2,536,106	2,387,433
School	1,964,755	1,954,848
Marketing	646,150	724,072
General and administrative	397,543	281,414
Arts education	362,904	275,781
Occupancy	341,413	213,448
Ball/special events	324,710	209,512
General production	319,667	290,091
In-kind	278,348	359,210
Fund-raising	171,209	167,904
Depreciation and amortization from operations	120,932	588,382
Boutique	71,245	77,714
Tour	51,853	61,248
Debt service	17,210	8,138
Bad debts	117,800	250
Total Operating Expenses	$ 11,715,627	$ 11,504,230
PUBLIC AND PRIVATE SUPPORT WITHOUT DONOR RESTRICTIONS		
Special projects	$ 1,323,650	$ 1,269,818
Foundations	746,500	403,600
Individuals	574,999	581,922
Government	482,537	328,037
In-kind contributions	278,347	359,209
Corporations	198,094	201,468
Total Public And Private Support	$ 3,604,127	$ 3,144,054
NET ASSETS RELEASED FROM OPERATING RESTRICTIONS		
Investment income spending	$ 462,300	$ 493,500
Other support	1,890,295	1,793,014
	$ 2,352,595	$ 2,286,514
Total Surplus Before Depreciation	$ 591,970	$ 142,956

The independent auditors’ report on supplementary information should be read with these schedules.