PITTSBURGH BALLET THEATRE, INC.
Pittsburgh, Pennsylvania

Financial Statements
and
Supplementary Information
For the years ended June 30, 2018 and 2017

and Independent Auditors' Report Thereon

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C O N T E N T S

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, 2018 and 2017, and the related statements of activities and changes in net assets 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 audit 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, 2018 and 2017, 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.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
October 5, 2018

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PITTSBURGH BALLET THEATRE, INC.

STATEMENTS OF FINANCIAL POSITION

	June 30 2018	June 30 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 662,064	$ 774,614
Accounts receivable	34,261	57,166
Pledges receivable	933,623	1,048,081
Prepaid expenses and other current assets	368,602	442,336
Total Current Assets	1,998,550	2,322,197
ENDOWMENT ASSETS		
Cash and cash equivalents	364,830	157,962
Investments	8,117,852	7,827,187
	8,482,682	7,985,149
INVESTMENT HELD BY TRUST	379,117	364,243
PLEDGES RECEIVABLE	362,550	281,815
FIXED ASSETS, net	9,401,684	9,708,397
PRODUCTION ASSETS (less accumulated amortization of $798,512 and $567,818 in 2018 and 2017, respectively)	133,743	290,301
Total Assets	$ 20,758,326	$ 20,952,102
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Payments due within one year on long-term debt	$ 62,905	$ 111,937
Lines of credit	1,475,000	2,100,000
Accounts payable and accrued expenses	217,952	334,172
Deferred revenue	1,459,159	1,492,234
Total Current Liabilities	3,215,016	4,038,343
LONG-TERM DEBT	-	63,214
Total Liabilities	3,215,016	4,101,557
NET ASSETS:		
Unrestricted	564,038	507,767
Temporarily restricted	7,448,138	7,909,916
Permanently restricted	9,531,134	8,432,862
Total Net Assets	17,543,310	16,850,545
Total Liabilities And Net Assets	$ 20,758,326	$ 20,952,102

See notes to financial statements.

PITTSBURGH BALLET THEATRE, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUE	$ 6,216,618	-	-	$ 6,216,618	$ 5,867,540	-	-	$ 5,867,540
OPERATING EXPENSES	(11,504,230)	-	-	(11,504,230)	(10,789,216)	-	-	(10,789,216)
NET REALIZED AND UNREALIZED GAINS, INTEREST AND DIVIDENDS	-	-	$ 566,078	566,078	-	-	$ 1,044,862	1,044,862
Changes In Net Assets Before Public And Private Support, Releases From Restrictions And Depreciation On Leaseholds, Machinery And Equipment And Land Improvements	(5,287,612)	-	566,078	(4,721,534)	(4,921,676)	-	1,044,862	(3,876,814)
PUBLIC AND PRIVATE SUPPORT	3,144,054	$ 1,875,047	1,025,694	6,044,795	2,881,982	$ 1,967,559	60,500	4,910,041
Changes In Net Assets Before Releases From Restrictions And Depreciation On Leaseholds, Machinery And Equipment And Land Improvements	(2,143,558)	1,875,047	1,591,772	1,323,261	(2,039,694)	1,967,559	1,105,362	1,033,227
NET ASSETS RELEASED FROM OPERATING RESTRICTIONS								
Investment income spending	493,500	-	(493,500)	-	554,000	-	(554,000)	-
Other support	1,793,014	(1,793,014)	-	-	1,516,357	(1,516,357)	-	-
Total Net Assets Released From Operating Restrictions	2,286,514	(1,793,014)	(493,500)	-	2,070,357	(1,516,357)	(554,000)	-
Changes In Net Assets From Operations	142,956	82,033	1,098,272	1,323,261	30,663	451,202	551,362	1,033,227
Net assets released from capital restrictions	543,811	(543,811)	-	-	459,933	(459,933)	-	-
Depreciation on leaseholds, machinery and equipment and land improvements	(630,496)	-	-	(630,496)	(534,018)	-	-	(534,018)
Changes In Net Assets	56,271	(461,778)	1,098,272	692,765	(43,422)	(8,731)	551,362	499,209
NET ASSETS								
Beginning of year	507,767	7,909,916	8,432,862	16,850,545	551,189	7,918,647	7,881,500	16,351,336
End of year	$ 564,038	$ 7,448,138	$ 9,531,134	$ 17,543,310	$ 507,767	$ 7,909,916	$ 8,432,862	$ 16,850,545

See notes to financial statements.

PITTSBURGH BALLET THEATRE, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 692,765	$ 499,209
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,218,878	706,592
Net realized and unrealized gains on investments	(434,781)	(1,094,627)
Contributions restricted for investment in endowment	(1,025,694)	(60,500)
Changes in assets and liabilities:		
Accounts receivable	22,905	(23,332)
Pledges receivable	624,464	792,278
Prepaid expenses	73,734	(71,355)
Accounts payable and accrued expenses	(116,220)	125,028
Deferred revenue	(33,075)	41,523
Net Cash Provided By Operating Activities	1,022,976	914,816
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets and production assets	(755,607)	(2,790,434)
Proceeds from sale of investments	3,733,014	7,818,611
Purchase of investments	(3,603,772)	(7,139,099)
Net Cash Used In Investing Activities	(626,365)	(2,110,922)
CASH FLOWS FROM FINANCING ACTIVITIES		
Lines of credit, net	(625,000)	1,930,000
Construction costs payable	-	(397,901)
Payments on long-term debt	(112,246)	(125,182)
Contributions restricted for investment in endowment	434,953	80,700
Net Cash (Used In) Provided By Financing Activities	(302,293)	1,487,617
Net Increase In Cash And Cash Equivalents	94,318	291,511
CASH AND CASH EQUIVALENTS		
Beginning of year	932,576	641,065
End of year	$ 1,026,894	$ 932,576
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 8,138	$ 23,795

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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 a collective bargaining agreement covering costume dressers, which expires June 30, 2021. Additionally, the Ballet has a collective bargaining agreement with orchestra musicians of the work force, which expired June 30, 2018. As of the date of this report, the orchestra musicians of the work force are performing without a contract. Additionally, the Ballet has a collective bargaining agreement with stagehands, which expires June 30, 2021, and a collective bargaining agreement with dancers that expires June 30, 2019.

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 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. Unrestricted net assets account for all resources over which the Ballet's Board of Trustees (Board) has discretionary control to use in carrying on the operations of the Ballet. Temporarily restricted net assets are those resources expendable only for purposes specified by the donor or grantor. Permanently restricted net assets are those resources subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and only the income be used to support the Ballet's operations.

Unrestricted contributions are recorded as revenue when received or pledged. Temporarily restricted contributions are reclassified to unrestricted contributions and reported in the statement of activities as revenues if a restriction is met in the same period the revenue is recognized. Temporarily restricted net assets are reclassified to unrestricted 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018 or 2017. It is reasonably possible that the Ballet's estimate of uncollectible receivables could change.

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, 2018 and 2017.

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. During the year ended June 30, 2017, the Ballet changed its investment manager. Due to this change, a large portion of the investment portfolio was liquidated and reinvested during 2017. This is reflected as purchases and sales of investments on the statement of cash flows.

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. For those assets constructed with restricted funds for the Byham House (Phase I), for the lobby renovation (Phase II) and the building expansion (Phase IV), the depreciation is released over the life of the assets from temporarily restricted net assets to unrestricted net assets. The building expansion was completed and placed in service in September 2016. The net book value of the assets for the Byham House, lobby renovation and building expansion at June 30, 2018 and 2017 approximated:

	2018	2017
Byham house	$ 495,000	$ 562,000
Lobby renovation	385,000	430,000
Building expansion	5,689,000	5,921,000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statement of financial position at June 30, 2017 and 2016 does 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, 2018 and 2017. The Ballet is no longer subject to examinations of its tax returns for years before 2015.

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 2018 and 2017 approximated $481,000 and $456,000, respectively.

Recently Issued Accounting Pronouncements - The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. The new standard 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In August 2016, the FASB completed Phase I of its Presentation of Financial Statements of Not-for-Profit Entities and issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, intended to simplify and improve not-for-profit financial reporting.

Specifically, the new guidance:

- Revises the net asset classification scheme to two classes (net assets with donor restrictions and net assets without donor restrictions) instead of the previous three, while maintaining the requirement to report total net assets and changes in the classes of and total net assets.

- Continues to allow for a choice between the direct and indirect method of reporting operating cash flows; presentation of the indirect reconciliation is no longer required if using the direct method.

- Enhances disclosures for:
    - Self-imposed limits on the use of resources without donor-imposed restrictions
    - Composition of net assets with donor restrictions, and how the restrictions affect the use of resources
    - Qualitative disclosures on how a not-for-profit manages its available liquid resources to meet cash needs for general expenditures within one year of the balance sheet date
    - Quantitative disclosures that communicate the availability of financial assets to meet cash needs for general expenditures within one year of the balance sheet date
    - Methods used to allocate costs among program and support functions

- Requires the presentation of expenses by nature as well as function, including an analysis of expenses showing the relationship between functional and natural classification for all expenses.

- Updates the accounting and disclosure requirements for underwater endowment funds, which include required disclosure of (1) policy concerning appropriation from underwater endowment funds, (2) the aggregate fair value of such funds, (3) the aggregate original gift amount (or level required by donor or law) to be maintained, and (4) the aggregate amount by which funds are under water, which are to be classified as part of net assets with donor restrictions.

- Requires net presentation of investment expenses against investment return on the statement of activities and eliminates the requirement to disclose investment expenses that have been netted.

- Requires the use of, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expiration of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassification of amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restrictions over the estimated useful life of the acquired asset).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 with early application permitted. The Ballet is assessing the impact that ASU 2016-14 will have on its financial statements and related disclosures.

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.

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 October 5, 2018, the date on which the financial statements were issued.

NOTE 3 - 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 permanently 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, 2018 and 2017 was 6.2% and 6.6% 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 permanently restricted net assets the original and subsequent value of gifts donated to the permanent endowment. 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.

NOTE 3 - ENDOWMENT (Continued)

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 $9,157,017 and $8,068,550 as of June 30, 2018 and 2017, respectively, are included in permanently restricted net assets.

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

	2018	2017
Endowment net assets, beginning of year	$ 8,068,550	$ 7,531,156
Contributions	1,025,694	60,500
Investment return:		
Investment income	177,127	204,594
Net appreciation	379,146	826,300
	556,273	1,030,894
Transfer to temporarily restricted net assets	-	-
Appropriation of endowment assets for expenditure	(493,500)	(554,000)
Endowment net assets, end of year	$ 9,157,017	$ 8,068,550

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.

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 permanently restricted endowment fund to unrestricted net assets for use in current and future operations. For the years ended June 30, 2018 and 2017, the spendable return totaled $493,500 and $554,000, 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.

NOTE 3 - ENDOWMENT (Continued)

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, 2018.

NOTE 4 - INVESTMENTS - RESTRICTED

Permanently 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:

	2018	2017
Equity funds and securities	$ 5,350,076	$ 5,122,783
Bond funds	2,767,776	2,704,404
Total market value	$ 8,117,852	$ 7,827,187
Cost or donated value	$ 7,309,390	$ 7,272,243
Unrealized appreciation	$ 808,462	$ 554,944

NOTE 5 - 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 permanently restricted net assets.

Distributions are made at the discretion of the trustee in accordance with the trust agreement and are unrestricted. Distributions approximated $22,000 and $20,000 for fiscal years 2018 and 2017, respectively. Carrying values and unrealized appreciation at June 30 are summarized as follows:

	2018	2017
Cost or donated value	$ 328,551	$ 323,423
Market value	$ 379,117	$ 364,243
Unrealized appreciation	$ 50,566	$ 40,820

NOTE 6 - 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:

	2018	2017
Unrestricted:		
Due in less than 1 year	$ 201,632	$ 460,206
Temporarily restricted:		
Capital/operations		
Due in less than 1 year	370,350	582,375
Due in 1 to 5 years	112,550	266,415
	482,900	848,790
Permanently restricted:		
Endowment:		
Due in less than 1 year	361,641	5,500
Due in 1 to 5 years	250,000	15,400
	611,641	20,900
Total	$ 1,296,173	$ 1,329,896

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

NOTE 7 - FIXED ASSETS

Fixed assets at June 30 consist of the following:

	2018	2017
Building and leasehold improvements	$ 13,713,275	$ 13,514,224
Costumes, sets and props	3,729,021	3,257,771
Machinery and equipment	168,352	159,328
Land improvements	125,689	123,540
	17,736,337	17,054,863
Less - Accumulated depreciation	9,392,688	8,404,501
	8,343,649	8,650,362
Land	1,058,035	1,058,035
	$ 9,401,684	$ 9,708,397

NOTE 8 - 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 (5.00% at June 30, 2018). The line is collateralized by all of the Ballet's unrestricted assets and is subject to restrictive financial covenants. As of June 30, 2018 and 2017, there were $850,000 and $1,850,000 of borrowings outstanding on the line of credit, respectively. All outstanding amounts were due no later than the agreement's expiration date, December 18, 2017. In July 2017, this agreement was extended through December 18, 2020 and reduced the maximum borrowing to $2,000,000. This line of credit is subject to certain financial covenants. 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 (5.00% at June 30, 2018). The line is collateralized through a blanket lien on all of the Ballet's unrestricted assets. As of June 30, 2018 and 2017, there were $625,000 and $250,000 of borrowings outstanding on the line of credit, respectively. All outstanding amounts were due no later than the agreement's expiration date, November 30, 2018.

NOTE 9 - LONG-TERM DEBT

Long-term debt at June 30 consists of the following:

	2018	2017
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.	$ 62,905	$ 150,457
Note payable to PNC Bank, payable in monthly installments of $3,528, including interest at prime (4.25% as of June 30, 2017) plus 0.50% through January 2018, collateralized by land purchased by the Ballet. This note payable was paid in full during fiscal year 2018.	-	24,694
	62,905	175,151
Less - Payments due within one year on long-term debt	62,905	111,937
	-	$ 63,214

NOTE 10 - 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, 2018 and 2017, 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:

	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

	2017			
	Level 1	Level 2	Level 3	Total
Mutual funds and securities	$ 7,827,187	-	-	$ 7,827,187
Investment held in trust	-	-	$ 364,243	364,243
	$ 7,827,187	-	$ 364,243	$ 8,191,430

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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, 2016	$ 347,186
Distributions	(20,416)
Unrealized appreciation	37,473
Balance, June 30, 2017	364,243
Distributions	(21,936)
Unrealized appreciation	36,810
Balance, June 30, 2018	$ 379,117

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, 2018 and 2017.

NOTE 11 - RESTRICTIONS OF NET ASSETS

Temporarily restricted net assets at June 30 consisted of the following:

	2018	2017
Capital project Phase IV	$ 5,001,634	$ 4,851,510
Future production support	1,153,900	1,362,211
Future operating support	256,000	581,000
Capital project Phase I	485,779	552,165
Capital project Phase II	302,289	347,532
Scholarships	163,530	121,356
Capital project Phase III	85,006	85,006
Pilates program	-	9,136
	$ 7,448,138	$ 7,909,916

NOTE 12 - RELEASE OF TEMPORARILY RESTRICTED ASSETS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors and grantors.

	2018	2017
Production support	$ 933,665	$ 903,210
Capital project Phase IV	935,576	682,642
Time restrictions	260,000	208,269
Scholarships	75,090	56,217
Capital project Phase I	66,386	66,386
Capital project Phase II	45,243	45,243
Pilates program	20,865	14,323
	$ 2,336,825	$ 1,976,290

NOTE 13 - FUNCTIONAL EXPENSES

The cost of providing the various programs has been summarized on a functional basis in the statement of activities. Certain costs have been allocated between program and supporting services.

	2018		2017	
Program services	$ 9,971,891	82.2 %	$ 9,233,236	81.5 %
Management and general	1,151,810	9.5	1,041,791	9.2
Fund-raising and special events	1,011,025	8.3	1,048,207	9.3
	$ 12,134,726	100.0 %	$ 11,323,234	100.0 %

NOTE 14 - 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 15 - COMMITMENTS AND CONTINGENCIES

The Ballet leases a portion of its facilities from a related party, the Pittsburgh Ballet Theatre Charitable 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 expires December 31, 2034.

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 16 - 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.

The following table presents information as of June 30, 2018 and 2017 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)		FIP/RP Status Pending/ Implemented (b)	Ballet Contributions		Expiration Date of Collective-Bargaining Labor Agreement
		2018	2017		2018	2017	
I.A.T.S.E National Pension Fund	13-1849172/001	Green	Green	N/A	$57,385	$47,672	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.

NOTE 16 - EMPLOYEE BENEFIT PLANS (Continued)

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, 2017 and 2016.

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 2018 and 2017, the Ballet contributed $9,000 and $8,000, 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 2018 and 2017. For fiscal years 2018 and 2017, the Ballet contributed $129,000 and $117,000, respectively, to this plan.

SUPPLEMENTARY INFORMATION

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, 2018 and 2017, and have issued our report thereon dated October 5, 2018, 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 unrestricted activities 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
October 5, 2018

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PITTSBURGH BALLET THEATRE, INC.

SCHEDULES OF UNRESTRICTED ACTIVITIES
JUNE 30, 2018 AND 2017

	2018	2017
OPERATING REVENUE		
Ticket sales	$ 2,925,400	$ 2,943,767
School	2,365,316	2,152,443
Special events	562,500	574,560
Rentals, sales and other income	176,328	21,739
Boutique	105,790	108,118
Program advertising	35,324	39,355
Tour	24,024	7,142
Investment income	21,936	20,416
Total Operating Revenue	$ 6,216,618	$ 5,867,540
OPERATING EXPENSES		
Salaries, wages and fringe benefits	$ 3,904,785	$ 3,674,432
Direct production costs	2,387,433	2,591,602
School	1,954,848	1,744,870
Marketing	724,072	671,878
Depreciation and amortization from operations	588,382	172,574
In-kind	359,210	332,768
General production	290,091	290,613
General and administrative	281,414	265,971
Arts education	275,781	266,403
Occupancy	213,448	168,227
Ball/special events	209,512	288,961
Fund-raising	167,904	198,140
Boutique	77,714	65,111
Tour	61,248	31,971
Debt service	8,138	23,795
Bad debts	250	1,900
Total Operating Expenses	$ 11,504,230	$ 10,789,216
UNRESTRICTED PUBLIC AND PRIVATE SUPPORT		
Special projects	$ 1,269,818	$ 1,003,146
Individuals	581,922	528,014
Foundations	403,600	575,375
In-kind contributions	359,209	332,767
Government	328,037	244,501
Corporations	201,468	198,179
Total Public And Private Support	$ 3,144,054	$ 2,881,982
NET ASSETS RELEASED FROM OPERATING RESTRICTIONS		
Investment income spending	$ 493,500	$ 554,000
Other support	1,793,014	1,516,357
	$ 2,286,514	$ 2,070,357
Total Surplus Before Depreciation	$ 142,956	$ 30,663

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