

OREGON BALLET THEATRE

**Audited Financial
Statements**

**For the Year Ended
June 30, 2009**



McDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

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The Board of Trustees
Oregon Ballet Theatre
Portland, Oregon

We have audited the accompanying statement of financial position of Oregon Ballet Theatre (a nonprofit corporation) as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2008 financial statements and in our report dated October 21, 2008, we expressed an unqualified opinion on those statements.

We conducted our audit 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oregon Ballet Theatre as of June 30, 2009, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in note 14 to the financial statements, the Organization has incurred significant losses from operations and has a net deficiency in net assets that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters also are described in Note 14. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental statement of functional expenses for the year ended June 30, 2009 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McDonald Jacobz, P.C.

October 26, 2009

OREGON BALLET THEATRE
STATEMENT OF FINANCIAL POSITION
June 30, 2009
(With comparative totals for 2008)

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 256,602	\$ 83,952
Restricted cash	25,055	10,000
Accounts receivable	15,049	6,215
Pledges receivable, net	283,398	591,726
Prepaid expenses and deposits	259,381	231,986
Other assets, net	191,607	134,840
Property and equipment, net	2,688,109	2,775,130
 TOTAL ASSETS	 \$ 3,719,201	 \$ 3,833,849
LIABILITIES AND NET ASSETS (DEFICIT)		
Liabilities:		
Line of credit	\$ 100,000	\$ 300,000
Accounts payable and accrued expenses	718,462	495,560
Deferred revenue	984,231	1,072,942
Notes payable to board members	274,344	169,000
Long-term debt	2,123,395	2,322,055
 Total liabilities	 4,200,432	 4,359,557
Net assets (deficit):		
Unrestricted		
Undesignated	(1,166,402)	(1,596,483)
Net property and equipment	564,714	453,075
Total unrestricted	(601,688)	(1,143,408)
Temporarily restricted	95,402	607,700
Permanently restricted	25,055	10,000
Total net assets (DEFICIT)	(481,231)	(525,708)
 TOTAL LIABILITIES AND NET ASSETS (deficit)	 \$ 3,719,201	 \$ 3,833,849

See notes to financial statements.

OREGON BALLET THEATRE
STATEMENT OF ACTIVITIES
For the year ended June 30, 2009
(With comparative totals for 2008)

	2009			Total	2008 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenue:					
Contributions and grants	\$ 1,753,324	\$ 137,000	\$ 15,055	\$ 1,905,379	\$ 1,799,746
Admissions	3,348,915	-	-	3,348,915	2,945,373
School tuitions	510,050	-	-	510,050	471,040
Education outreach	-	-	-	-	4,759
Tour fees	143,750	-	-	143,750	210,694
Donated materials and services	202,386	-	-	202,386	283,099
Special event revenue, net of direct costs of \$74,895 for 2008	-	-	-	-	158,599
Concession sales, net	11,159	-	-	11,159	5,050
Other income	151,066	-	-	151,066	108,514
Net assets released from restrictions:					
Satisfaction of time and purpose restrictions	649,298	(649,298)	-	-	-
Total support and revenues	<u>6,769,948</u>	<u>(512,298)</u>	<u>15,055</u>	<u>6,272,705</u>	<u>5,986,874</u>
Expenses:					
Program services:					
Performances	4,320,787	-	-	4,320,787	4,721,850
School	538,576	-	-	538,576	612,118
Outreach	80,624	-	-	80,624	81,010
Total program services	4,939,987	-	-	4,939,987	5,414,978
Management and general	848,978	-	-	848,978	985,554
Fundraising	439,263	-	-	439,263	524,043
Total expenses	<u>6,228,228</u>	<u>-</u>	<u>-</u>	<u>6,228,228</u>	<u>6,924,575</u>
Operating income (loss)	541,720	(512,298)	15,055	44,477	(937,701)
Loss on asset dispositions	-	-	-	-	(105,915)
Change in net assets	541,720	(512,298)	15,055	44,477	(1,043,616)
Net assets (deficit):					
Beginning of year	<u>(1,143,408)</u>	<u>607,700</u>	<u>10,000</u>	<u>(525,708)</u>	<u>517,908</u>
End of year	<u>\$ (601,688)</u>	<u>\$ 95,402</u>	<u>\$ 25,055</u>	<u>\$ (481,231)</u>	<u>\$ (525,708)</u>

See notes to financial statements.

OREGON BALLET THEATRE
STATEMENT OF CASH FLOWS
For the year ended June 30, 2009
(With comparative totals for 2008)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ 44,477	\$ (1,043,616)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	204,238	374,223
Allowance for doubtful accounts and pledges	-	4,783
Loss on disposal of assets	-	105,915
Contributions received for permanent endowment	(15,055)	-
(Increase) decrease in:		
Accounts and pledges receivable	299,494	198,639
Other assets	(27,395)	29,061
Increase (decrease) in:		
Accounts payable and accrued expenses	228,246	135,853
Deferred revenue	(88,711)	201,374
Net cash provided by operating activities	<u>645,294</u>	<u>6,232</u>
Cash flows from investing activities:		
Purchase of property, equipment, and performance rights	<u>(173,984)</u>	<u>(264,450)</u>
Net cash used in investing activities	<u>(173,984)</u>	<u>(264,450)</u>
Cash flows from financing activities:		
Contributions received for permanent endowment	15,055	-
Net borrowings (repayments) on line of credit	(200,000)	255,000
Proceeds from loans from board members	100,000	150,000
Payments on loans from board members	-	(101,000)
Principal payments on long-term debt	<u>(198,660)</u>	<u>(38,590)</u>
Net cash provided by (used in) financing activities	<u>(283,605)</u>	<u>265,410</u>
Net increase in cash and cash equivalents	187,705	7,192
Cash and cash equivalents - beginning of year	<u>93,952</u>	<u>86,760</u>
Cash and cash equivalents - end of year	<u>\$ 281,657</u>	<u>\$ 93,952</u>
Cash	\$ 256,602	\$ 83,952
Restricted cash	<u>25,055</u>	<u>10,000</u>
	<u>\$ 281,657</u>	<u>\$ 93,952</u>
Supplemental cash flow information:		
Cash paid during the year for interest	<u>\$ 160,300</u>	<u>\$ 188,727</u>

See notes to financial statements.

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

1. THE ORGANIZATION

Oregon Ballet Theatre (OBT or the Organization) is an Oregon nonprofit organization established in 1989 as the only full-time operating ballet company in the Portland metropolitan region. The ballet company performs an annual season of five programs and also conducts regional and national tours. Through its many programs, OBT's continuing goal is to provide its constituency with performances, education, and training of the highest caliber. OBT's revenue and support is provided through a combination of contributions, grants and ticket sales.

OBT's programs include:

Productions - Annual presentations of the resident professional ballet company, and guest companies and artists, in a series of subscription performances.

Touring - Local, regional and national performances by the ballet company.

School - Professional training for dancers interested in a career in ballet and dance instruction for individuals of all ages. The school also serves as a training ground for dancers entering the ballet company.

Educational Outreach - Participation in the Young Audiences and other programs through presentation of dance performances and education in dance for school children.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.
- Permanently restricted net assets represent net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial.

Inventory

Inventory consists of goods held for sale at performances. Inventory is stated at the lower of cost or market.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received.

Depreciation

Depreciation of buildings, equipment and furniture is calculated using the straight-line method over the estimated useful lives of the assets which range from 2 to 20 years.

Income Tax Status

Oregon Ballet Theatre is a nonprofit corporation exempt from income tax under section 501(c)(3) of the Internal Revenue Code. No provision for income taxes is made in the accompanying financial statements, as the Organization has no activities subject to unrelated business income tax. The Organization is not a private foundation.

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Donated Assets and Services

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During 2009, donated professional services approximating \$13,600 and \$17,000 are reflected in management and general and program services, respectively. During 2008, \$5,600 is reflected in management and general.

Pledges Receivable

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable.

Prepaid Expenses, Deferred Costs, and Deposits

Prepaid expenses, deferred costs, and deposits represent costs incurred in advance of the following season's productions. These costs are recognized as expenses as the productions are presented.

Tuition, Ticket Sales, and Deferred Revenue

Tuition and ticket sales are recognized as revenue in the period earned. Deferred revenue represents amounts collected in advance for summer school tuition and ticket sales for the next year's performance season.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Advertising

Advertising production and communication costs are generally charged to expense when incurred and approximated \$422,000 and \$607,000 for the years ended June 30, 2009 and 2008, respectively. Total advertising expense included approximately \$42,000 and \$182,000 in contributed media in June 30, 2009 and 2008, respectively.

Costs for direct-response advertising are capitalized and amortized over the expected period of future benefits. Direct-response advertising consists primarily of direct mail brochures associated with subscription and single ticket sales, memberships and telemarketing efforts. The capitalized costs of the advertising are amortized over the season to which the ticket sales and memberships relate. Total capitalized costs of advertising approximated \$153,140 and \$172,000 at June 30, 2009 and 2008, respectively.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the 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.

Summarized Financial Information for 2008

The financial information as of June 30, 2008 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Reclassification

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

The Organization has evaluated all subsequent events through October 26, 2009, the date the financial statements were available to be issued.

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2009

3. PLEDGES RECEIVABLE

Pledges receivable represent unconditional promises to give as follows at June 30, 2009 and 2008:

	2009	2008
Receivable within one year	\$ 269,398	\$ 552,726
Receivable in two to five years	30,000	55,000
	299,398	607,726
Less allowance for uncollectible pledges	16,000	16,000
Net pledges receivable	\$ 283,398	\$ 591,726

4. OTHER ASSETS

Other assets consist of the following at June 30, 2009 and 2008:

	2009	2008
Performance rights, net of amortization of \$418,327 and \$363,246, respectively	\$ 164,085	\$ 108,752
Loan fees, net of amortization	27,522	26,088
Total other assets	\$ 191,607	\$ 134,840

Performance rights are amortized on the straight-line basis over the term for which the Organization purchases the rights. Capitalized loan fees are amortized on the straight-line basis over the life of the loan.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2009 and 2008:

	2009	2008
Buildings and improvements	\$ 3,237,556	\$ 3,228,163
Furniture and equipment	377,926	366,338
Costumes	184,950	165,536
Sets	334,026	309,311
	4,134,458	4,069,348
Less accumulated depreciation	1,446,349	1,294,218
Property and equipment, net	\$ 2,688,109	\$ 2,775,130

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2009

6. LINE OF CREDIT

OBT has a \$300,000 line of credit with First Republic Bank. Interest is payable monthly on the outstanding balance at the bank's prime rate plus 1% (4.25% and 6.0% at June 30, 2009 and 2008, respectively). The line of credit agreement contains certain restrictive covenants. The line matures November 15, 2009, is unsecured and guaranteed by four individuals, including two board members. Advances on the line totaled \$100,000 and \$300,000 at June 30, 2009 and 2008, respectively.

7. NOTES PAYABLE TO BOARD MEMBERS

Notes payable to board members at June 30, 2009 are as follows:

	<u>2009</u>	<u>2008</u>
Note payable to a board member, payable in monthly installments of interest only at 9%, originally due October 2008, payment had been deferred.	\$ 19,000	\$ 19,000
Note payable to a board member, principal and accrued interest payable on maturity date of March 2010. Interest at 2.25% per annum due at maturity.	100,000	100,000
Note payable to a board member, payable in monthly installments of interest only at 8%, originally due August 2008, extended to November 2008; payment has been deferred.	50,000	50,000
Note payable to a board member, principal and accrued interest payable on maturity date of July 2011. Interest at 2.42% per annum due at maturity.	100,000	-
Accrued interest on notes payable to board members	<u>5,344</u>	<u>-</u>
	<u>\$ 274,344</u>	<u>169,000</u>

As principal payments have been deferred to unspecified dates, it is not practical to estimate the required principal payments for the next five years.

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2009

8. LONG-TERM DEBT

Long-term debt consists of notes payable at June 30, 2009 and 2008 as follows:

	2009	2008
Note payable to StanCorp Mortgage Investors, payable in monthly installments of \$9,917 including interest at 6.5%. The note is secured by the building and matures August 2025.	\$ 1,390,577	\$ 1,418,514
Note payable to StanCorp Mortgage Investors, payable in monthly installments of \$3,668 including interest at 7.0%. The note is secured by the building and matures August 2025.	492,818	502,375
Note payable to First Republic Bank, interest only payments due through June 2008 then monthly payments of \$13,333 plus interest at 8.75%. The note is secured by the building and matures December 2010. This note is subordinate to the notes due to StanCorp Mortgage.	240,000	400,000
Capital lease for a forklift, due in monthly installments of \$388 through September 2008	-	1,166
	\$ 2,123,395	\$ 2,322,055

Current maturities of long-term debt are as follows:

June 30, 2010	\$ 198,518
2011	121,944
2012	44,809
2013	47,870
2014	51,140
Thereafter	1,659,114
	\$ 2,123,395

Interest expense totaled \$165,644 and \$188,726, for the years ended June 30, 2009 and 2008, respectively.

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2009

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2009 and 2008:

	2009	2008
Operating pledges receivable	\$ 30,000	\$ 94,087
Purpose restricted for programs and productions	65,402	513,613
Total temporarily restricted net assets	\$ 95,402	\$ 607,700

10. PERMANENTLY RESTRICTED NET ASSETS - ENDOWMENT

Oregon Ballet Theatre's endowment consists of donor-restricted funds established to sustain future of programs. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of Oregon Ballet Theatre has interpreted Oregon's enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Oregon Ballet Theatre classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Act. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2009

10. PERMANENTLY RESTRICTED NET ASSETS - ENDOWMENT

Endowment net asset include only permanently restricted funds totaling \$25,055 and \$10,000 at June 30, 2009 and 2008, respectively.

Changes in endowment net assets for the year ended June 30, 2009 and 2008:

	2009	2008
Endowment net assets - beginning of year	\$ 10,000	\$ 10,000
Contributions	15,055	-
Endowment net assets - end of year	\$ 25,055	\$ 10,000

As of June 30, 2009 the Organization has not commenced spending of endowment funds and policies for investment and appropriating for distribution have not been implemented as the funds have not reached the level desired to begin spending.

11. RETIREMENT PLAN

The Organization had a defined contribution retirement plan covering certain classes of employees who met eligibility requirement. The plan only allowed for employee contributions. Subsequent to June 30, 2009, the Organization terminated the plan and established a plan that is not documented under the Employee Retirement Income Security Act. The new plan allows for employee only contributions.

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2009

12. OPERATING LEASES AND OTHER COMMITMENTS

OBT leases certain storage facilities and equipment under operating leases expiring in various years through 2011. Total lease expense approximated \$54,300 in 2009 and \$63,300 in 2008.

The Organization entered into a software license agreement beginning July 1, 2008 through June 30, 2013. No payments were due through June 30, 2009. Annual payments of \$66,250 are due for the years ending June 30, 2010 through June 30, 2013. Accrued fees of \$58,889 are included in accrued expenses at June 30, 2009.

Minimum payments for the above commitments are as follows:

Year ending June 30, 2010	\$ 119,206
2011	95,374
2012	66,250
2013	<u>66,250</u>
	\$ <u>347,080</u>

13. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in one financial institution located in Portland. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 (\$250,000 effective October 3, 2008 through December 31, 2013. In addition, effective October 14, 2008 through December 31, 2009, amounts held in noninterest-bearing checking accounts and NOW accounts earning 0.5% or less have unlimited FDIC insurance coverage.) At June 30, 2009 Oregon Ballet Theatre's uninsured cash balance approximated \$98,800. Pledges and accounts receivable are unsecured and also subject the Organization to concentrations of credit risk; however, the risk is limited due to diversification of sources of support.

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2009

14. CONTINGENCY - GOING CONCERN

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Organization as a going concern. The Organization had sustained substantial operating losses in past years and had used substantial amounts of working capital in its operations. Further, at June 30, 2009, current liabilities exceed current assets by approximately \$1,491,000 and total liabilities exceed total assets by approximately \$481,000.

In view of these matters, realization of a major portion of the assets in the accompanying balance sheet is dependent upon continued operations of the Organization, which in turn is dependent upon the Organization's ability to meet its financing requirements, and the success of its future operations. These factors raise substantial doubt about the Organization's ability to continue as a going concern. The Organization has developed a management plan to manage its cash flow and liabilities through management of expenses and seeking new sources of support. The ability of the Organization to continue as a going concern is dependent upon the success of these plans. The financial statements do not include any adjustments that might be necessary if the Organization is unable to continue as a going concern.

15. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2009

15. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on a recurring basis at June 30, 2009 are as follows:

	Level 3
<u>June 30, 2009:</u>	
Noncurrent contributions receivable	\$ 30,000
 <u>June 30, 2008:</u>	
Noncurrent contributions receivable	55,000

Noncurrent contributions are reflected at the present value of estimated future cash flows and a 2% discount rate (discounting to present value at June 30, 2009 and 2008 was disregarded due the discount being insignificant).

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) include contributions expected to be received in more than one year:

	2009	2008
Balance at beginning of year	\$ 55,000	\$ 87,125
Additions of long-term pledges	30,000	-
Contributions receivable which became due within one year	(55,000)	(32,125)
Balance at end of year	\$ 30,000	\$ 55,000

SUPPLEMENTAL INFORMATION

OREGON BALLET THEATRE
SUPPLEMENTAL INFORMATION - STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2009
(With comparative totals for 2008)

	Program Services			Management and General	Fund- raising	2009	2008
	Performances	School	Outreach			Total	Total
Salaries and related expenses	\$ 1,988,049	\$ 305,599	\$ 68,102	\$ 550,082	\$ 273,294	\$ 3,185,126	\$ 3,298,216
Professional fees	297,100	-	243	44,996	20,689	363,028	341,075
Production costs	946,949	268	-	-	-	947,217	936,714
Supplies	12,791	58	5,200	13,713	293	32,055	33,344
Telephone	73	-	-	24,341	-	24,414	25,945
Postage and shipping	37,818	529	180	2,814	6,805	48,146	84,753
Warehouse rental	24,833	-	-	24,832	-	49,665	50,764
Building cleaning and security	22,786	17,089	570	11,393	5,126	56,964	55,846
Equipment rental	-	-	-	14,321	-	14,321	76,181
Repairs	2,473	-	-	4,360	-	6,833	13,641
Printing	66,047	5,263	-	590	7,091	78,991	106,862
Travel	126,721	5,007	1,702	1,456	196	135,082	248,033
Cultivation	-	-	-	-	85,794	85,794	77,292
Advertising	420,725	1,159	-	-	-	421,884	606,511
Scholarships	-	50,921	-	-	-	50,921	65,173
Contract services	2,000	7,760	-	-	-	9,760	33,427
Royalties and licensing fees	86,726	1,000	-	301	-	88,027	31,150
Insurance	11,438	8,579	286	5,719	2,574	28,596	31,990
Bank fees	46,753	9	-	58,745	-	105,507	135,428
Miscellaneous	63,032	11,981	230	9,078	395	84,716	61,997
Depreciation and amortization	81,695	61,271	2,042	40,848	18,382	204,238	374,223
Interest expense and loan costs	66,258	49,693	1,656	33,129	14,908	165,644	188,726
Building maintenance and utilities	16,520	12,390	413	8,260	3,716	41,299	47,284
Total expenses	<u>\$ 4,320,787</u>	<u>\$ 538,576</u>	<u>\$ 80,624</u>	<u>\$ 848,978</u>	<u>\$ 439,263</u>	<u>\$ 6,228,228</u>	<u>\$ 6,924,575</u>

See auditor's report.