

OREGON BALLET THEATRE
AUDITED BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(WITH AUDITOR'S REPORT THEREON)

OREGON BALLET THEATRE
PORTLAND, OREGON
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JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Oregon Ballet Theatre

We have audited the accompanying financial statements of Oregon Ballet Theatre (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Oregon Ballet Theatre as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Gregg S. Bossen, CPA, PC
Atlanta, Georgia
November 3, 2016

OREGON BALLET THEATRE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

<u>ASSETS</u>				
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
CURRENT ASSETS:				
Cash and Cash Equivalents	\$273,992	\$236,753	\$58,423	\$569,168
Investments	3,435,500			3,435,500
Grants Receivable	40,120	115,000		155,120
Pledges Receivable	56,977			56,977
Other Receivables	30,880			30,880
Prepaid Expenses	203,134			203,134
Total Current Assets	<u>4,040,603</u>	<u>351,753</u>	<u>58,423</u>	<u>4,450,779</u>
LONG-TERM FIXED ASSETS:				
Long-Term Fixed Assets at Cost				
Less Accumulated Depreciation of				
\$1,453,256	608,869			608,869
Total Long-Term Fixed Assets	<u>608,869</u>	<u>-0-</u>	<u>-0-</u>	<u>608,869</u>
OTHER ASSETS:				
Performance Rights & Loan Fees				
Less Accumulated Amortization of				
\$355,978	-0-			-0-
Security Deposit	32,921			32,921
Total Other Assets	<u>32,921</u>	<u>-0-</u>	<u>-0-</u>	<u>32,921</u>
TOTAL ASSETS	<u>\$4,682,393</u>	<u>\$351,753</u>	<u>\$58,423</u>	<u>\$5,092,569</u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES:				
Accounts Payable and Accrued Expenses	\$339,615			\$339,615
Credit Card Payable	14,219			14,219
Payroll Liabilities	25,720			25,720
Costume Rental Deposits	10,000			10,000
Deferred Revenue	780,784			780,784
Total Current Liabilities	<u>1,170,338</u>	<u>-0-</u>	<u>-0-</u>	<u>1,170,338</u>
NET ASSETS:				
Unrestricted Net Assets	3,462,055	351,753	58,423	3,922,231
Unrestricted Nets Assets -Voluntary Restriction	50,000			
Total Net Assets	<u>3,512,055</u>	<u>351,753</u>	<u>58,423</u>	<u>3,922,231</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$4,682,393</u>	<u>\$351,753</u>	<u>\$58,423</u>	<u>\$5,092,569</u>

See Auditor's Report and Notes to Financial Statements

OREGON BALLET THEATRE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
PUBLIC SUPPORT & REVENUE:				
Public Support:				
Foundation and Trust Grants	\$738,800	\$140,000	\$-0-	\$878,800
Individual Contributions	786,214	25,000	1,500	812,714
Special Events Income, Net of Costs	219,094			219,094
Government Grants	196,271			196,271
In-Kind Contributions	136,786			136,786
Corporate Contributions	19,637			19,637
Organization Contributions	4,697			4,697
Net Assets, Restrictions Met	100,372	(100,372)		
Total Public Support	<u>2,201,871</u>	<u>64,628</u>	<u>1,500</u>	<u>2,267,999</u>
Other Revenue:				
Ticket Sales	2,742,015			2,742,015
School Income	944,816			944,816
Ticket Handling Fee Income	95,712			95,712
Realized & Unrealized Gains	48,281			48,281
Boutique & Concession, Net of Costs	44,562			44,562
Dividend Income	28,545			28,545
Outreach Income	15,299			15,299
Warehouse Income	14,910			14,910
Parking & Space Rental Income	13,556			13,556
Costumes Income, Net of Costs	12,686			12,686
Miscellaneous Income	3,400			3,400
Total Other Revenue	<u>3,963,782</u>	<u>-0-</u>	<u>-0-</u>	<u>3,963,782</u>
Total Public Support and Revenue	<u>6,165,653</u>	<u>64,628</u>	<u>1,500</u>	<u>6,231,781</u>
EXPENSES:				
Programs:				
Productions	4,447,581			4,447,581
School	984,844			984,844
Outreach	133,043			133,043
Total Programs	<u>5,565,468</u>			<u>5,565,468</u>
Management & General	545,181			545,181
Fundraising	334,374			334,374
Total Expenses	<u>6,445,023</u>	<u>-0-</u>	<u>-0-</u>	<u>6,445,023</u>
CHANGE IN NET ASSETS, BEFORE EXTRAORDINARY ITEM	(\$279,370)	\$64,628	\$1,500	(\$213,242)
EXTRAORDINARY ITEM – SALE OF BUILDING	4,069,014	-0-	-0-	4,069,014
CHANGE IN NET ASSETS, AFTER EXTRAORDINARY ITEM	<u>\$3,789,644</u>	<u>\$64,628</u>	<u>\$1,500</u>	<u>\$3,855,772</u>

See Auditor's Report and Notes to Financial Statements

OREGON BALLET THEATRE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	PROGRAMS			MANAGEMENT & GENERAL	FUNDRAISING	TOTAL
	PRODUCTIONS	SCHOOL	OUTREACH			
Salaries & Wages	\$1,629,786	\$395,378	\$94,019	\$111,803	\$202,099	\$2,433,085
Depreciation & Amortization	366,538	36,331	2,241	71,445	4,576	\$481,131
Artistic Expenses	476,655	1,850				\$478,505
Fringe Benefits	259,399	61,946	15,486	19,358	30,973	\$387,162
Merchant & Credit Card Fees	259,056	20,319	28	23,668	3,701	\$306,772
Marketing	271,758	10,722		865	7,718	\$291,063
Contracted Services	124,870	55,738		99,448	100	\$280,156
Payroll Tax Expense	171,451	40,944	10,236	12,795	20,472	\$255,898
Space & Studio Rental Fees	136,109	69,735	3,246	34,255	6,629	\$249,974
Supplies	163,295	19,319	445	20,045	32,365	\$235,469
Production Costs	201,226					\$201,226
Equipment & Vehicle Rentals	132,156	16,042		2,735	5,002	\$155,935
Scholarships & Assistance		111,741				\$111,741
Travel	67,487	17,757	1,299	19,513	144	\$106,200
Utilities	47,406	19,416	2,268	18,938	3,542	\$91,570
Summer Housing		66,562				\$66,562
Accounting & Legal Services	10,200	4,073	896	32,501	848	\$48,518
Interest	22,944	11,518	907	8,061	1,852	\$45,282
Parking Space Fees	39,650					\$39,650
Repairs and Maintenance	16,703	8,191	892	8,078	1,394	\$35,258
Information Technology	1,886	1,074	358	25,726	192	\$29,236
Insurance	15,918	7,366	529	1,042	1,080	\$25,935
Postage and Delivery	14,473	666	5	6,752	3,486	\$25,382
Bank Service Charges	15,221	18		8,733	184	\$24,156
Printing & Copying	2,754	2,451		2,166	5,874	\$13,245
Copier Fees				9,975		\$9,975
Dues & Subscriptions	99	140	188	4,904	1,726	\$7,057
Taxes		4,630		312		\$4,942
Registrations, Licenses & Permits	390	905		1,567	200	\$3,062
Staff Training & Development	151	12		446	197	\$806
Miscellaneous				50	20	\$70
TOTAL EXPENSES	\$4,447,581	\$984,844	\$133,043	\$545,181	\$334,374	\$6,445,023

See Auditor's Report and Notes to Financial Statements

OREGON BALLET THEATRE
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
BALANCE, JUNE 30, 2015	(\$277,589)	\$287,125	\$56,923	\$66,459
CHANGE IN NET ASSETS	3,789,644	64,628	1,500	3,855,772
BALANCE, JUNE 30, 2016	<u>\$3,512,055</u>	<u>\$351,753</u>	<u>\$58,423</u>	<u>\$3,922,231</u>

See Auditor's Report and Notes to Financial Statements

OREGON BALLET THEATRE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in Net Assets before Extraordinary Item	(\$213,242)
Adjustments to reconcile Excess to net cash provided by operating activities:	
Depreciation & Amortization	481,131
Write-off of old Performance Rights	13,365
Decrease in Receivables	79,267
Decrease in Inventory	22,341
(Increase) in Prepaid expenses	(181,263)
(Increase) in Security Deposits	(11,457)
Increase in Payables & Accrued Expenses	87,294
Increase in Credit Card Payable	9,973
(Decrease) in Line of Credit	(10,000)
Increase in Payroll Liabilities	25,720
Increase in Deferred Revenue	20,493
Net cash provided by operating activities	<u>323,622</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds on Sale of Building, net of costs	6,087,955
Building Improvements made in new space	(632,566)
Purchase of Furniture & Equipment	(86,814)
Stock Investments purchased in 2015	(3,435,500)
Net cash (used) by investing activities	<u>1,933,075</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Paid off Notes Payables in 2015	(1,938,787)
Net cash (used) by financing activities	<u>(1,938,787)</u>
NET CHANGE IN CASH	317,910
CASH AT JUNE 30, 2015	251,258
CASH AT JUNE 30, 2016	<u>\$569,168</u>

See Auditor's Report and Notes to Financial Statements

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: ORGANIZATION, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A)Nature of organization and operations:

Oregon Ballet Theatre (OBT) 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 four 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 are provided through a combination of contributions, grants, ticket sales and tuition.

For the year ended June 30, 2016, OBT operated the following programs:

(i)**Productions** - Annual presentations of the resident professional ballet company and guest artists in a series of subscription and single ticket performances.

(ii)**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.

(iii)**Educational Outreach** – Participation in the Young Audiences and other programs through presentation of dance performances and education in dance for school children

(B)Basis of Presentation:

These financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles. These statements reflect application of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under these standards, all contributions are immediately recognized as revenue as soon as pledged (or if not pledged when received) regardless of any restrictions on use placed by the contributor. The basic financial statements are then shown divided into three net assets groups. These are:

Unrestricted Net Assets:

All assets who either have no imposed restrictions on use or whose restrictions have been met by June 30, 2016.

Temporarily Restricted Net Assets:

All contributions by foundations, corporations and individuals with restrictions on use that have not been met by June 30, 2016.

Permanently Restricted Net Assets:

All contributions with permanent restrictions on use that, by definition, will never be met.

See Auditor's Report

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
-continued-

NOTE 1: ORGANIZATION, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(C)Support and Revenues:

Federal, State and Local Government Grants:

Support from these sources is recognized in the accounting period in which the grants are earned.

Foundations Grants:

Support from these sources is recognized in the accounting period in which the grants are pledged (or if not pledged, when received).

Individual and Corporate Contributions:

Revenue from this source is recognized in the accounting period during which the contribution is pledged (or if not pledged, when received).

(D)Fixed Assets:

OBT follows the practice of capitalizing, at cost, all eligible expenditures for fixed assets. Depreciation is computed on the straight line method as follows:

Furniture & Equipment	3, 5, 7 and 10 years
Costumes	3, 5 and 10 years
Sets	3, 5, 7 and 10 years
Building Improvements	3, 5 and 39 years
Building	39 years

(E)Other Assets:

OBT follows the practice of capitalizing, at cost, all eligible expenditures for other assets. Amortization is computed on the straight line method as follows:

Loan Fees	10 years
Performance Rights	2, 3, 5 and 10 years

(F)Income Taxes:

OBT is exempt from income taxes under Section 501 (c) (3) of the United States Internal Revenue Code and is classified as an organization which is not a private foundation under Section 509 (a) of the United States Internal Revenue Code. Donations to the organization qualify for the charitable contributions deduction. During the year ended June 30, 2016, OBT had no unrelated business income as defined by Section 512 of the Code and, therefore no provision for income tax is necessary.

OBT adopted the income standard related to the recognition and measurement of uncertain tax positions. The adoption of this standard had no financial statement effect for OBT. OBT is no longer subject to federal tax examinations for the years prior to 2012 and no longer subject to state income tax examinations for the years prior to 2012.

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OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
-continued-

NOTE 1: ORGANIZATION, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(G) Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(H) Donated Services:

Donated services are recognized at their estimated values at the date of service or donation. OBT received no material donated services during the year ended June 30, 2016. However, many individuals volunteer time and perform a variety of tasks that assist OBT with various administrative and program function. No amounts have been recorded in the financial statements to reflect these volunteers since they do not meet the criteria for recognition.

(I) Functional Allocation of Expenses:

OBT allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Indirect expenses have been allocated based primarily on salary expenditures.

(J) Concentration of Credit Risk:

OBT maintains bank accounts with financial institutions whose balances are insured by the Federal Deposit Insurance Corporation (FDIC) within limits. Periodically, bank account balances may exceed FDIC coverage. No credit risk is expected from uninsured deposits.

(K) Evaluation of Subsequent Events:

OBT has evaluated subsequent events through November 3, 2016, the date which the financial statements were available to be issued. None were found.

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
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NOTE 2: LONG-TERM FIXED ASSETS

Depreciation is recorded on a straight line basis over the estimated useful lives of the assets.
At June 30, 2016, the value of such assets is as follows:

Furniture and Equipment	\$666,000
Building and Improvements	632,566
Sets	417,221
Costumes	346,338
Less: Accumulated Depreciation	<u>(1,453,256)</u>
Total Long-Term Fixed Assets	
At Cost, less Accumulated Depreciation	<u>\$608,869</u>

NOTE 3: OTHER ASSETS

At June 30, 2016, the value of other assets is as follows:

Performance Rights	\$322,733
Loan Fees	33,245
Less: Accumulated Amortization	<u>(355,978)</u>
Total Other Assets	
less Accumulated Amortization	<u>\$-0-</u>

See Auditor's Report

OREGON BALLET THEATRE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016
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NOTE 4: FAIR VALUE OF INVESTMENTS

As required by FASB Accounting Standards Codification (ASC) 820, investments are valued at their fair value in the Statement of Financial Position. In accordance with the statement, fair value is defined as the price that the Organization would receive upon selling an asset in an orderly transaction to an independent buyer in the principal or most advantageous market of the asset. A three-tier hierarchy was established by the ASC to maximize the use of the observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 – Inputs that are unobservable, including the Organization’s own assumptions in determining the fair value of assets.

In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the asset in its entirety falls is determined based on the lowest level input that is significant to the asset in its entirety. Assessing the significance of a particular input to the asset in its entirety requires judgment and considers factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization’s perceived risk of liquidity profile of that asset.

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Corporate Bond Funds	2,413,963		
U.S. Treasury Bond Funds	1,021,537		
Total Investments	\$3,435,500	\$-0-	\$-0-

See Auditor’s Report

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
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NOTE 5: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2016:

General Project Support for 2016 to 2018 to launch OBT2	\$186,753
Summer Performance Program	125,000
Fiscal year 2016/2017 Productions	15,000
Innovation Fund	25,000
Total Temporarily restricted net assets	\$351,753

NOTE 6: PERMANENTLY RESTRICTED NET ASSETS - ENDOWMENT

The Organization’s endowment consists of donor-restricted funds established to sustain future programs. As required by U.S. 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 the Organization 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, the Organization classifies as permanently restricted net assets (s) 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 directions 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 restricted 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

Endowment net assets include only donor-restricted net assets at June 30, 2016. Changes in endowment net assets for the year ended June 30, 2016 are as follows:

Endowment net assets – beginning of year	\$56,923
Contributions	1,500
Endowment net assets – end of year	\$58,423

As of June 30, 2016, the Organization has not implemented policies for investment and appropriating for spending as the funds have not reached the level desired to begin investment planning and spending.

See Auditor’s Report

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
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NOTE 7: UNRESTRICTED NET ASSETS – VOLUNTARILY RESTRICTED

For the year ended June 30, 2016, OBT’s Board of Directors decided to voluntarily restrict Unrestricted Net Assets totaling \$50,000 to be released over the next 2 fiscal years. The \$50,000 of Voluntary Restricted Unrestricted Net Assets is shown on the Statement of Financial Position.

NOTE 8: DEFERRED REVENUE

Deferred revenue represents amounts collected in advance for summer school tuition, tickets sales for the next year’s performance season, and funds received in advance toward the purchase of OBT’s postage meter to be sold next year. These amounts are detailed below for the year ended June 30, 2016:

Summer School Tuition	\$426,427
2016/2017 Season Ticket Sales	344,302
Adult School Programs	7,175
2016/17 Postage Meter Funds Received in Advance	<u>2,880</u>
Total Deferred Revenue	<u>\$780,784</u>

In accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), deferred revenue is recorded as a current liability on the statement of financial position.

NOTE 9: LEASE AGREEMENTS

A) Warehouse & Storage Space Lease

On October 21, 2015, OBT entered into an operating lease agreement with Joseph R Josephs LLC for warehouse and storage space located at 2320 NW 21st Street, Portland, Multnomah County, Oregon. The 36-month lease starts on September 1, 2015 and expires on August 31, 2018. The monthly rental payments will be as follows:

9/1/15 to 8/31/16	\$4,000
9/1/16 to 8/31/17	5,334
9/1/17 to 8/31/18	6,627

B) Copier Lease

On February 26, 2016, OBT entered into an operating lease agreement with Pacific Office Automation for a copier. The lease term is 60 months with a monthly payment of \$646.

C) Postage Meter Lease

On January 13, 2016, OBT entered into an operating lease agreement with Neopost Northwest for a postage meter. The lease term is 63 months with a monthly payment of \$244.76

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
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NOTE 9: LEASE AGREEMENTS:

D) Telephone Equipment Lease

On January 28, 2016, OBT entered into an operating lease agreement with Integra Telecom for telephone equipment. The lease term is for 60 months with a monthly payment of \$243.29.

E) Office Space Lease

On May 19, 2015, OBT entered into an operating lease agreement with T&E Investments, LLC for office space located at 0720 SW Bancroft Street, Portland, Oregon. The lease term is for 87 months commencing on September 1, 2015 and ending on November 30, 2022. The base monthly rent is \$17,450 for 13,960 of square footage with a rate per square foot (RSF) of \$15. Each year the monthly rent increases by the RSF as follows:

<u>Months</u>	<u>Monthly Rent</u> <u>Amount</u>	<u>RSF</u>
Months 13 - 24	\$17,973.50	\$15.45
Months 25 - 36	18,508.64	15.91
Months 37 - 48	19,067.03	16.39
Months 49 - 60	19,637.07	16.88
Months 61 - 62	-0-	
Months 63 -72	20,230.37	17.39
Months 72 - 84	20,835.30	17.91
Months 85 - 87	21,463.50	18.45

Total minimum future commitments under these above leases as of June 30, 2016 are as follows:

<u>For the year ended:</u>	
June 30, 2017	\$289,584
June 30, 2018	311,580
June 30, 2019	254,550
June 30, 2020	248,113
June 30, 2021	210,191
Thereafter	373,872
Total Future Minimum Lease Obligations	\$1,687,890

See Auditor's Report

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
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NOTE 10: RELATED PARTY DISCLOSURE

For the year ended June 30, 2016, a board member, who is an employee at a company providing IT services to the Organization, was paid approximately \$27,613.

NOTE 11: IN-KIND CONTRIBUTIONS

The In-Kind Contributions revenue account consists of items contributed to the Organization that can be recorded in the statement of activities under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) and are detailed below:

Parking Fees	\$39,650
Contracted Services	36,055
Supplies	27,731
Travel	16,980
Accounting & Legal Services	11,870
Marketing	4,500
Total In-Kind Contributions	\$136,786

NOTE 12: EXTRAORDINARY ITEM - SALE OF BUILDING

OBT sold their building located at 818 SE 6th Ave to MCRT Investments, LLC in December 2015. The net proceeds have been invested in a separate building capital account. The Net Proceeds from the Sale of the Building are shown on the Statement of Activities as an Extraordinary Item and are detailed below:

Sale proceeds	\$6,250,165
Closing Date Extension Proceeds	90,000
Broker's Fees	(250,127)
Recording & Escrow Fees	(2,111)
Less Cost of Building, net of Depreciation	(2,018,913)
Total Sale of Building, net proceeds	\$4,069,014

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OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
-continued-

NOTE 13: SPECIAL EVENT

OBT holds an annual gala event to raise awareness and funds from the community to support the organization's programming. The event, titled the Capulet Ball 2.0 coincided with our production of Romeo and Juliet, was held at The Left Bank Annex in February of 2016. The event was attended by over 300 and included a sit-down dinner with performances by our company and school dancers, highlighting our programming for the upcoming 2016-2017 season. During the event, a silent and live and auction and separate paddle raise were held to raise funds for the organization.

In accordance with generally accepted accounting principles, the special event income is shown net of expenses on the Statement of Activities and the specific revenues and costs are detailed below:

	<u>Annual Gala</u>
<u>Gala Income</u>	
Ticket Sales	72,539
Sponsorships	59,100
Paddle Raise	170,350
Auction Sales	15,139
Donated Venue Rental Space Fee	26,137
Donated Auction Items	<u>37,667</u>
Total Gala Income	<u>380,932</u>
 <u>Gala Expenses</u>	
Food & Beverage	48,765
Auction Items	38,495
Venue Rental Space Fee	28,711
Contracted Services	14,670
Printing & Design	11,016
Equipment Rentals	5,830
Entertainment	5,333
Credit Card Fees	4,369
Supplies	4,170
Postage	261
Travel	<u>218</u>
Total Expenses	<u>161,838</u>
 Special Event Income, Net of Expenses	 <u>\$219,094</u>

See Auditor's Report