

OREGON BALLET THEATRE
AUDITED BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH AUDITOR'S REPORT THEREON)

OREGON BALLET THEATRE
PORTLAND, OREGON
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JUNE 30, 2017

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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, 2017, and the related statements of activities, functional expenses, changes in net assets 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, 2017, 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.

Supplemental Schedules

The supplemental information on pages 17 and 18 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.



Gregg S. Bossen, CPA, PC
Atlanta, Georgia
October 16, 2017

OREGON BALLET THEATRE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

	<u>ASSETS</u>			
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
CURRENT ASSETS:				
Cash and Cash Equivalents	\$301,549	\$74,500	\$60,423	\$436,472
Investments	3,576,372			3,576,372
Grants Receivable	70,000	308,000		378,000
Pledges Receivable	90,303			90,303
Other Receivables	43,427			43,427
Inventory	27,667			27,667
Prepaid Expenses	180,126			180,126
Total Current Assets	<u>4,289,444</u>	<u>382,500</u>	<u>60,423</u>	<u>4,732,367</u>
LONG-TERM FIXED ASSETS:				
Long-Term Fixed Assets at Cost				
Less Accumulated Depreciation of \$1,549,440	515,354			515,354
Total Long-Term Fixed Assets	<u>515,354</u>	<u>-0-</u>	<u>-0-</u>	<u>515,354</u>
OTHER ASSETS:				
Security Deposit	27,871			27,871
Deferred Performance Costs	85,589			85,589
Total Other Assets	<u>113,460</u>	<u>-0-</u>	<u>-0-</u>	<u>113,460</u>
TOTAL ASSETS	<u><u>\$4,918,258</u></u>	<u><u>\$382,500</u></u>	<u><u>\$60,423</u></u>	<u><u>\$5,361,181</u></u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES:				
Accounts Payable and Accrued Expenses	\$378,388			\$378,388
Credit Card Payable	13,107			13,107
Line of Credit	200,000			200,000
Costume Rental Deposits	2,500			2,500
Deferred Revenue	836,858			836,858
Total Current Liabilities	<u>1,430,853</u>	<u>-0-</u>	<u>-0-</u>	<u>1,430,853</u>
NET ASSETS:				
Net Assets	3,462,405	382,500	60,423	3,930,328
Unrestricted Nets Assets -Voluntary Restriction	25,000			
Total Net Assets	<u>3,487,405</u>	<u>382,500</u>	<u>60,423</u>	<u>3,930,328</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$4,918,258</u></u>	<u><u>\$382,500</u></u>	<u><u>\$60,423</u></u>	<u><u>\$5,361,181</u></u>

See Auditor's Report and Notes to Financial Statements

OREGON BALLET THEATRE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
PUBLIC SUPPORT & REVENUE:				
Public Support:				
Foundation and Trust Grants	\$660,420	\$303,500	\$-0-	\$963,920
Individual Contributions	798,055	16,000	2,000	816,055
Special Events Income, Net of Costs	217,784			217,784
Government Grants	204,371			204,371
In-Kind Contributions	116,242			116,242
Corporate Contributions	80,556			80,556
Net Assets, Restrictions Met	<u>288,753</u>	<u>(288,753)</u>		
Total Public Support	<u>2,366,681</u>	<u>30,747</u>	<u>2,000</u>	<u>2,398,928</u>
Other Revenue:				
Ticket Sales	3,035,125			3,035,125
School Income	1,049,535			1,049,535
Ticket Handling Fee Income	166,817			166,817
Dividend Income	88,211			88,211
Boutique & Concession, Net of Costs	63,456			63,456
Outreach Income	36,136			36,136
Warehouse Income, Net of Costs	35,899			35,899
Miscellaneous Income	25,672			25,672
Touring Income	21,175			21,175
Costumes Income, Net of Costs	8,814			8,814
Production Rental Income	4,944			4,944
Space Rental Income	1,460			1,460
Realized & Unrealized (Losses)	<u>(102,098)</u>			<u>(102,098)</u>
Total Other Revenue	<u>4,435,146</u>	<u>-0-</u>	<u>-0-</u>	<u>4,435,146</u>
Total Public Support and Revenue	<u>6,801,327</u>	<u>30,747</u>	<u>2,000</u>	<u>6,834,074</u>
EXPENSES:				
Programs:				
Productions	4,776,428			4,776,428
School	1,267,632			1,267,632
Outreach	<u>189,525</u>			<u>189,525</u>
Total Programs	6,233,585			6,233,585
Management & General	135,875			135,875
Fundraising	<u>456,517</u>			<u>456,517</u>
Total Expenses	<u>6,825,977</u>	<u>-0-</u>	<u>-0-</u>	<u>6,825,977</u>
CHANGE IN NET ASSETS	<u>(\$24,650)</u>	<u>\$30,747</u>	<u>\$2,000</u>	<u>\$8,097</u>

See Auditor's Report and Notes to Financial Statements

OREGON BALLET THEATRE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	PROGRAMS			MANAGEMENT & GENERAL	FUNDRAISING	TOTAL
	PRODUCTIONS	SCHOOL	OUTREACH			
Salaries & Wages	\$1,823,837	\$579,182	\$151,229	\$17,036	\$227,286	\$2,798,570
Artistic Expenses	598,118	5,730	25			\$603,873
Fringe Benefits	362,163	49,641	5,353	4,775	5,255	\$427,187
Merchant & Credit Card Fees	368,917	27,038	41		14,444	\$410,440
Space & Studio Rental Fees	210,862	154,090	5,864	11,553	16,751	\$399,120
Marketing	366,889	26,146				\$393,035
Payroll Tax Expense	193,582	59,017	14,617	1,647	22,265	\$291,128
Production Costs	218,284					\$218,284
Contracted Services	67,215	41,754	576	26,350	81,678	\$217,573
Equipment & Vehicle Rentals	189,127	8,137	260	513	509	\$198,546
Supplies	113,000	23,631	1,661	2,365	14,010	\$154,667
Travel	66,034	24,234	3,015	11,869	7,101	\$112,253
Depreciation	53,607	32,757	1,959	3,860	4,001	\$96,184
Utilities	53,068	30,321	1,658	5,291	3,387	\$93,725
Summer Housing		87,755				\$87,755
Scholarships & Assistance		69,887				\$69,887
Insurance	33,958	11,022	587	1,157	1,199	\$47,923
Parking Space Fees					39,977	\$39,977
Accounting & Legal Services	9,630	3,226	579	16,300	816	\$30,551
Bad Debts Expense	96	21,192	103		822	\$22,213
Printing & Copying	11,557	1,730	126	249	6,770	\$20,432
Information Technology	10,196	6,191	1,134	1,031	1,390	\$19,942
Postage and Delivery	9,142	1,359	64	243	4,243	\$15,051
Repairs and Maintenance	5,359	2,902	197	5,899	403	\$14,760
Investment Fees				13,504		\$13,504
Registrations, Licenses & Permits	9,113	145	182	2,193	1,145	\$12,778
Dues & Subscriptions	1,320		185	3,651	2,681	\$7,837
Interest				3,988		\$3,988
Staff Training & Development	339	16	70	1,389	300	\$2,114
Data Storage Fees	1,015	509	40	79	82	\$1,725
Bank Service Charges				933	2	\$935
Miscellaneous		20				\$20
TOTAL EXPENSES	\$4,776,428	\$1,267,632	\$189,525	\$135,875	\$456,517	\$6,825,977

See Auditor's Report and Notes to Financial Statements

OREGON BALLET THEATRE
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
BALANCE, JUNE 30, 2016	\$3,512,055	\$351,753	\$58,423	\$3,922,231
CHANGE IN NET ASSETS	(24,650)	30,747	2,000	8,097
BALANCE, JUNE 30, 2017	<u>\$3,487,405</u>	<u>\$382,500</u>	<u>\$60,423</u>	<u>\$3,930,328</u>

See Auditor's Report and Notes to Financial Statements

OREGON BALLET THEATRE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in Net Assets	\$8,097
Adjustments to reconcile Excess to net cash (used) by operating activities:	
Depreciation & Amortization	96,184
(Increase) in Receivables	(268,753)
(Increase) in Inventory	(27,667)
Decrease in Prepaid expenses	23,007
(Increase) in Deferred Performance Costs	(85,589)
Decrease in Security Deposits	5,050
Increase in Payables & Accrued Expenses	38,773
(Decrease) in Credit Card Payable	(1,112)
(Decrease) in Costume Rental Deposits	(7,500)
(Decrease) in Payroll Liabilities	(25,720)
Increase in Deferred Revenue	56,074
Net cash (used) by operating activities	<u>(189,156)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Increase in Marketable Securities	(140,872)
Purchase of Computer Equipment	(2,668)
Net cash (used) by investing activities	<u>(143,540)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Utilized Credit Line	<u>200,000</u>
Net cash provided by financing activities	<u>200,000</u>
NET CHANGE IN CASH	(132,696)
CASH AT JUNE 30, 2016	569,168
CASH AT JUNE 30, 2017	<u><u>\$436,472</u></u>

See Auditor's Report and Notes to Financial Statements

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017, 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 which either have no imposed restrictions on use or whose restrictions have been met by June 30, 2017.

Temporarily Restricted Net Assets:

All contributions by foundations, corporations and individuals with restrictions on use that have not been met by June 30, 2017.

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, 2017
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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)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, 2017, 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 2013 and no longer subject to state income tax examinations for the years prior to 2013.

See Auditor's Report

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
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NOTE 1: ORGANIZATION, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(F) 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.

(G) 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, 2017. 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.

(H) 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.

(I) 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.

(J) Evaluation of Subsequent Events:

OBT has evaluated subsequent events through October 16, 2017, the date which the financial statements were available to be issued. None were found.

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
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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, 2017, the value of such assets is as follows:

Furniture and Equipment	\$668,669
Building and Improvements	632,566
Sets	417,221
Costumes	346,338
Less: Accumulated Depreciation	<u>(1,549,440)</u>
Total Long-Term Fixed Assets	
At Cost, less Accumulated Depreciation	<u><u>\$515,354</u></u>

NOTE 3: DEFERRED PERFORMANCE COSTS

Deferred Performance Costs represent costs incurred in FY17 that are related to future performances. These amounts are detailed below for the year ended June 30, 2017:

Costume & Set Costs (Includes Supplies, Labor Payroll, & Artistic Expenses - Costume & Scenery Designers)	\$44,350
Artistic Expenses - Choreography	16,500
Production Costs	15,439
Artistic Expenses - Music Rights & Royalties	<u>9,300</u>
Total Deferred Performance Costs	<u><u>\$85,589</u></u>

In accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), Deferred Performance Costs are recorded as an Other Asset on the Statement of Financial Position.

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
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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, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Corporate Bond Funds	\$2,685,555		
U.S. Treasury Bond Funds	706,206		
Large Cap	184,611		
Total Investments	<u>\$3,576,372</u>	<u>\$-0-</u>	<u>\$-0-</u>

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
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NOTE 5: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2017:

General Operating Support for 2018 to 2019	\$200,000
Fiscal years 2017/2018 & 2018/2019 Productions	70,000
General Project Support for 2018 to launch OBT2	43,000
Innovation Fund & Branding Initiative	40,000
Education & Apprenticeship Programming	20,000
OBT's Learn About Ballet (LAB)	8,500
School Shoes	1,000
Total Temporarily restricted net assets	\$382,500

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, 2017. Changes in endowment net assets for the year ended June 30, 2017 are as follows:

Endowment net assets – beginning of year	\$58,423
Contributions	2,000
Endowment net assets – end of year	\$60,423

As of June 30, 2017, 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, 2017
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NOTE 7: UNRESTRICTED NET ASSETS – VOLUNTARILY RESTRICTED

For the year ended June 30, 2017, OBT's management decided to voluntarily restrict Unrestricted Net Assets totaling \$25,000 to be released over the next fiscal year. The \$25,000 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 ticket handling fees for next year. These amounts are detailed below for the year ended June 30, 2017:

Summer School Tuition	\$493,973
2017/2018 Season Subscription & Single Ticket Sales	331,418
2017/2018 Ticket Handling Income	6,591
Adult Workshops	<u>4,876</u>
Total Deferred Revenue	<u>\$836,858</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: LINE OF CREDIT

Oregon Ballet Theatre has a revolving credit limit of \$600,000 with the First Republic Bank with an interest only floating rate of 1-month London Interbank Offered Rate plus 2.25% with floor of 2.75%. The Line of Credit is secured by Marketable Securities and there is an auto annual renewal as of 12/15 unless notified within 30 days. For the year ended June 30, 2017, the balance of the Line of Credit is \$200,000 which appears as a current liability on the statement of financial position.

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OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
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NOTE 10: 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:

9/1/16 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

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 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

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OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
-continued-

NOTE 10: LEASE AGREEMENTS – (continued)

F) Studio Lease

On October 2, 2015, OBT entered into an operating lease agreement with Doug & Ruthann Seely for 2,720 Square feet of studio space located at Willamette Village Hwy 43, West Linn, Oregon. The lease term is for 67 months commencing on November 1, 2015 and ending on January 31, 2022. In addition to the monthly rent, OBT is responsible for paying operating expenses for common area maintenance (CAM), Insurance, Utilities, and Taxes. As of the release of this audit, the amount paid for CAM, Insurance, Utilities, and Taxes was \$794.10 and the base rent of \$5,780 for a total amount of \$6,574.10. The future minimum lease obligation for the Studio Lease includes CAM charges, Insurance, Utilities and Taxes at the current amount. Each year the monthly rent increases as follows:

<u>Months</u>	<u>Monthly Base Rent Amount</u>
Months 13 - 24	\$5,780
Months 25 - 36	5,896
Months 37 - 48	6,014
Months 49 - 60	6,134
Months 61 - 67	6,257

Total minimum future commitments under these above leases as of June 30, 2017 are as follows:

<u>For the year ended:</u>	
June 30, 2018	\$390,469
June 30, 2019	334,831
June 30, 2020	329,811
June 30, 2021	293,328
Thereafter	423,230
Total Future Minimum Lease Obligations	\$1,771,669

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:

Contracted Services	\$52,160
Parking Fees	39,977
Supplies	12,265
Travel	7,065
Space & Studio Rental Fees	4,775
Total In-Kind Contributions	\$116,242

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OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
-continued-

NOTE 12: 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 *Bolshoi Ball*, coincided with our production of Swan Lake, and was held at The Portland Art Museum in February of 2017. The event was attended by over 300 guests and included a sit-down dinner with performances by our company and school dancers, highlighting our programming for the upcoming 2017-2018 season. During the event, a live auction and 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	\$87,100
Sponsorships	41,669
Paddle Raise	212,283
Auction Sales	51,650
Donated Goods & Services	13,117
Donated Venue Rental Space Fee	2,000
Total Gala Income	407,819
 <u>Gala Expenses</u>	
Catering	79,009
Equipment Rentals	39,061
Venue Rental Space Fee	20,925
Contracted Services	21,509
Entertainment	9,484
Auction Items	8,876
Printing & Design	6,355
Supplies	4,816
Total Expenses	190,035
Special Event Income, Net of Expenses	\$217,784

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OREGON BALLET THEATRE
SUPPLEMENTAL SCHEDULE
STATEMENT OF FINANCIAL POSITION COMPARISON
JUNE 30, 2017 AND JUNE 30, 2016

<u>ASSETS</u>	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$436,472	\$569,168
Investments	3,576,372	3,435,500
Grants Receivable	378,000	155,120
Pledges Receivable	90,303	56,977
Other Receivables	43,427	30,880
Inventory	27,667	-0-
Prepaid Expenses	180,126	203,134
Total Current Assets	<u>4,732,367</u>	<u>4,450,779</u>
LONG-TERM FIXED ASSETS:		
Furniture and Equipment	668,669	666,000
Building and Improvements	632,566	632,566
Sets	417,221	417,221
Costumes	346,338	346,338
Less: Accumulated Depreciation	(1,549,440)	(1,453,256)
Total Long-Term Fixed Assets	<u>515,354</u>	<u>608,869</u>
OTHER ASSETS:		
Security Deposit	27,871	32,921
Deferred Performance Costs	85,589	-0-
Total Other Assets	<u>113,460</u>	<u>32,921</u>
TOTAL ASSETS	<u><u>\$5,361,181</u></u>	<u><u>\$5,092,569</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts Payable and Accrued Expenses	\$378,388	\$339,615
Credit Card Payable	13,107	14,219
Line of Credit	200,000	-0-
Payroll Liabilities	-0-	25,720
Costume Rental Deposits	2,500	10,000
Deferred Revenue	836,858	780,784
Total Current Liabilities	<u>1,430,853</u>	<u>1,170,338</u>
NET ASSETS:		
Unrestricted Net Assets	3,462,405	3,462,055
Unrestricted Net Assets-Voluntary Restriction	25,000	50,000
Temporarily Restricted Net Assets	382,500	351,753
Permanently Restricted Net Assets	60,423	58,423
Total Net Assets	<u>3,930,328</u>	<u>3,922,231</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$5,361,181</u></u>	<u><u>\$5,092,569</u></u>

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OREGON BALLET THEATRE
SUPPLEMENTAL SCHEDULE
STATEMENT OF ACTIVITIES COMPARISON
FOR THE YEARS ENDED JUNE 30, 2017 AND JUNE 30, 2016

	<u>2017</u>	<u>2016</u>
PUBLIC SUPPORT & REVENUE:		
Public Support:		
Foundation and Trust Grants	\$963,920	\$878,800
Individual Contributions	816,055	812,714
Special Events Income, Net of Costs	217,784	219,094
Government Grants	204,371	196,271
In-Kind Contributions	116,242	136,786
Corporate Contributions	80,556	19,637
Organization Contributions	-0-	4,697
Total Public Support	2,398,928	2,267,999
Other Revenue:		
Ticket Sales	3,035,125	2,742,015
School Income	1,049,535	944,816
Ticket Handling Fee Income	166,817	95,712
Dividend Income	88,211	28,545
Boutique & Concession, Net of Costs	63,456	44,562
Outreach Income	36,136	15,299
Warehouse Income, Net of Costs	35,899	14,910
Miscellaneous Income	25,672	3,400
Touring Income	21,175	-0-
Costumes Income, Net of Costs	8,814	12,686
Production Rental Income	4,944	-0-
Parking & Space Rental Income	1,460	13,556
Realized & Unrealized (Losses)	(102,098)	48,281
Total Other Revenue	4,435,146	3,963,782
Total Public Support and Revenue	6,834,074	6,231,781
EXPENSES:		
Programs:		
Productions	4,776,428	4,447,581
School	1,267,632	984,844
Outreach	189,525	133,043
Total Programs	6,233,585	5,565,468
Management & General	135,875	545,181
Fundraising	456,517	334,374
Total Expenses	6,825,977	6,445,023
CHANGE IN NET ASSETS, BEFORE EXTRAORDINARY ITEM	8,097	(\$213,242)
EXTRAORDINARY ITEM- SALE OF BUILDING	-0-	4,069,014
CHANGE IN NET ASSETS	\$8,097	\$3,855,772

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