

OREGON BALLET THEATRE
AUDITED BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH AUDITOR'S REPORT THEREON)

OREGON BALLET THEATRE
PORTLAND, OREGON
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JUNE 30, 2018

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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, 2018, 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, 2018, 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.

Report on Summarized Comparative Information

We have previously audited Oregon Ballet Theatre's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Gregg S. Bossen, CPA, PC
Atlanta, Georgia
September 23, 2018

OREGON BALLET THEATRE
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2018

<u>ASSETS</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>	<i>For Comparative Purposes Only JUNE 30, 2017</i>
CURRENT ASSETS:					
Cash and Cash Equivalents	\$334,414	\$238,061	\$60,523	\$632,998	\$436,472
Investments	3,766,809			3,766,809	3,576,372
Grants Receivable	8,500	135,000		143,500	378,000
Pledges Receivable	95,456	16,666		112,122	90,303
Other Receivables	47,206			47,206	43,427
Inventory	22,303			22,303	27,667
Prepaid Expenses	268,139			268,139	180,126
Total Current Assets	4,542,827	389,727	60,523	4,993,077	4,732,367
LONG-TERM FIXED ASSETS:					
Long-Term Fixed Assets	2,075,499			2,075,499	2,064,794
Less: Accumulated Depreciation	(1,648,853)			(1,648,853)	(1,549,440)
Total Long-Term Fixed Assets, net	432,646	-0-	-0-	432,646	515,354
OTHER ASSETS:					
Security Deposit	27,721			27,721	27,871
Deferred Performance Costs	117,670			117,670	85,589
Total Other Assets	145,391	-0-	-0-	145,391	113,460
TOTAL ASSETS	\$5,120,864	\$389,727	\$60,523	\$5,571,114	\$5,361,181
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Accounts Payable and Accrued Expenses	\$365,501			\$365,501	\$378,388
Credit Card Payable	23,087			23,087	13,107
Line of Credit	-0-			-0-	200,000
Payroll Liabilities	550			550	-0-
Costume Rental Deposits	11,250			11,250	2,500
Deferred Revenue	859,012			859,012	836,858
Total Current Liabilities	1,259,400	-0-	-0-	1,259,400	1,430,853
NET ASSETS:					
Unrestricted Net Assets	3,861,464			3,861,464	3,462,405
Unrestricted Net Assets-Voluntary Restriction	-0-			-0-	25,000
Temporarily Restricted Net Assets		389,727		389,727	382,500
Permanently Restricted Net Assets			60,523	60,523	60,423
Total Net Assets	3,861,464	389,727	60,523	4,311,714	3,930,328
TOTAL LIABILITIES AND NET ASSETS	\$5,120,864	\$389,727	\$60,523	\$5,571,114	\$5,361,181

See Auditor's Report and Notes to Financial Statements

OREGON BALLET THEATRE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>	<i>For Comparative Purposes Only JUNE 30, 2017</i>
PUBLIC SUPPORT & REVENUE:					
Public Support:					
Foundation and Trust Grants	\$591,383	\$168,727	\$-0-	\$760,110	\$963,920
Individual Contributions	701,553	20,000	100	721,653	816,055
Special Events Income, Net of Costs	265,973			265,973	217,784
Government Grants	189,015			189,015	204,371
In-Kind Contributions	209,684			209,684	116,242
Corporate Contributions	70,048	25,000		95,048	80,556
Net Assets, Restrictions Met	206,500	(206,500)			
Total Public Support	2,234,156	7,227	100	2,241,483	2,398,928
Other Revenue:					
Ticket Sales	3,782,697			3,782,697	3,035,125
School Income	1,336,636			1,336,636	1,049,535
Ticket Handling Fee Income	242,365			242,365	166,817
Dividend Income	100,303			100,303	88,211
Boutique & Concession, Net of Costs	75,137			75,137	63,456
Warehouse Income, Net of Costs	42,924			42,924	35,899
Costumes Income, Net of Costs	38,834			38,834	8,814
Outreach Income	31,309			31,309	36,136
Miscellaneous Income	9,177			9,177	25,672
Touring Income	-0-			-0-	21,175
Production Rental Income	-0-			-0-	4,944
Space Rental Income	3,642			3,642	1,460
Realized & Unrealized (Losses)	(79,030)			(79,030)	(102,098)
Total Other Revenue	5,583,994	-0-	-0-	5,583,994	4,435,146
Total Public Support and Revenue	7,818,150	7,227	100	7,825,477	6,834,074
EXPENSES:					
Programs:					
Productions	5,207,391			5,207,391	4,776,428
School	1,376,185			1,376,185	1,267,632
Outreach	157,677			157,677	189,525
Total Programs	6,741,253	-0-	-0-	6,741,253	6,233,585
Management & General	125,338			125,338	135,875
Fundraising	577,500			577,500	456,517
Total Expenses	7,444,091	-0-	-0-	7,444,091	6,825,977
CHANGE IN NET ASSETS	\$374,059	\$7,227	\$100	\$381,386	\$8,097

See Auditor's Report and Notes to Financial Statements

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

	PROGRAMS			MANAGEMENT & GENERAL	FUNDRAISING	TOTAL
	PRODUCTIONS	SCHOOL	OUTREACH			
Salaries & Wages	\$1,926,302	\$574,939	\$118,424	\$15,123	\$227,461	\$2,862,249
Artistic Expenses	729,013	6,294	500		2,500	\$738,307
Merchant & Credit Card Fees	461,541	35,076	62	86	19,522	\$516,287
Fringe Benefits	361,926	43,121	8,085	805	7,679	\$421,616
Space & Studio Rental Fees	227,470	159,290	6,093	12,005	14,594	\$419,452
Marketing	381,205	19,598	170		18,196	\$419,169
Supplies	140,136	13,055	141	3,494	29,788	\$186,614
Payroll Tax Expense	197,461	59,656	11,590	1,309	22,124	\$292,140
Equipment & Vehicle Rentals	231,221	11,941	273	538	15,752	\$259,725
Production Costs	236,352	167				\$236,519
Summer Housing		150,771				\$150,771
Accounting & Legal Services	24,056	12,070	950	19,373	88,419	\$144,868
Contracted Services	19,679	39,772	13	8,374	58,877	\$126,715
Scholarships & Assistance		125,081				\$125,081
Travel	60,648	29,772	5,348	16,882	3,734	\$116,384
Depreciation	56,836	32,756	1,959	3,860	4,001	\$99,412
Utilities	53,734	31,159	1,741	2,580	3,557	\$92,771
Insurance	37,453	11,917	698	3,088	1,426	\$54,582
Postage and Delivery	33,513	3,593	201	950	2,905	\$41,162
Parking Space Fees					32,415	\$32,415
Printing & Copying	5,835	2,586	199	393	15,231	\$24,244
Information Technology	11,165	5,617	477	4,720	1,070	\$23,049
Investment Fees				14,027		\$14,027
Dues & Subscriptions	1,457	13	370	7,397	2,613	\$11,850
Repairs and Maintenance	6,262	2,748	182	536	373	\$10,101
Registrations, Licenses & Permits	1,741	255		2,812	1,604	\$6,412
Bad Debts Expense		2,681			2,790	\$5,471
Staff Training & Development	887	1,506	142	1,351	540	\$4,426
Interest				4,004		\$4,004
Data Storage Fees	1,286	646	51	100	302	\$2,385
Bank Service Charges	20			1,499	10	\$1,529
Miscellaneous	192	105	8	32	17	\$354
TOTAL EXPENSES	\$5,207,391	\$1,376,185	\$157,677	\$125,338	\$577,500	\$7,444,091

See Auditor's Report and Notes to Financial Statements

OREGON BALLET THEATRE
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
BALANCE, JUNE 30, 2017	\$3,487,405	\$382,500	\$60,423	\$3,930,328
CHANGE IN NET ASSETS	374,059	7,227	100	381,386
BALANCE, JUNE 30, 2018	<u>\$3,861,464</u>	<u>\$389,727</u>	<u>\$60,523</u>	<u>\$4,311,714</u>

See Auditor's Report and Notes to Financial Statements

OREGON BALLET THEATRE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>June 30, 2018</u>	<i>For Comparative Purposes Only <u>June 30, 2017</u></i>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$381,386	\$8,097
Adjustments to reconcile Excess to net cash provided /(used) by operating activities:		
Depreciation	99,413	96,184
Decrease/(Increase) in Receivables	208,902	(268,753)
Decrease/(Increase) in Inventory	5,364	(27,667)
(Increase)/Decrease in Prepaid expenses	(88,013)	23,007
(Increase) in Deferred Performance Costs	(32,081)	(85,589)
Decrease in Security Deposits	150	5,050
(Decrease)/Increase in Payables & Accrued Expenses	(12,887)	38,773
Increase/(Decrease) in Credit Card Payable	9,980	(1,112)
Increase/(Decrease) in Costume Rental Deposits	8,750	(7,500)
Increase/(Decrease) in Payroll Liabilities	550	(25,720)
Increase in Deferred Revenue	22,154	56,074
Net cash provided /(used) by operating activities	603,668	(189,156)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in Marketable Securities	(190,437)	(140,872)
Purchase of Costumes & Sets	(16,705)	(2,668)
Net cash (used) by investing activities	(207,142)	(143,540)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Paid off credit line obtained in FY 2017	(200,000)	200,000
Net cash (used)/ provided by financing activities	(200,000)	200,000
NET CHANGE IN CASH	196,526	(132,696)
CASH AT JUNE 30, 2017	436,472	569,168
CASH AT JUNE 30, 2018	\$632,998	\$436,472

See Auditor's Report and Notes to Financial Statements

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018, 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, 2018.

Temporarily Restricted Net Assets:

All contributions by foundations, corporations and individuals with restrictions on use that have not been met by June 30, 2018.

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, 2018
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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)Receivables:

OBT has three kinds of receivables. The grants receivable consists of uncollected grant awards. Pledges receivable consists of pledged promises to give made by individuals and corporate donors. Other receivables consist of unpaid school tuition and unpaid studio and space rentals. OBT carries its receivables at an amount equal to uncollected but earned revenue less an allowance for doubtful accounts. OBT uses the allowance method to determine uncollectible receivables. Also, OBT uses the direct write-off method for receivables which have been determined to be uncollectible. On a periodic basis, OBT evaluates its receivables and establishes an allowance for doubtful accounts based on its past experience and current credit conditions. Based on management’s evaluation of collectability of the receivables, no allowance for doubtful accounts was recorded for the year ended June 30, 2018.

The receivables for OBT are expected to be collected as follows as of June 30, 2018:

	<u>Grants Receivable</u>	<u>Pledges Receivable</u>	<u>Other Receivable</u>	<u>TOTAL</u>
Due within one year	\$143,500	\$112,122	\$47,206	\$302,828
Total Receivable balances	<u>\$143,500</u>	<u>\$112,122</u>	<u>\$47,206</u>	<u>\$302,828</u>

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OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
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NOTE 1: ORGANIZATION, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(F)Inventories:

OBT follows the practice of the cost basis for stating inventories. OBT uses the average cost for its method of determining the cost of inventory

(G)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, 2018, 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 2014 and no longer subject to state income tax examinations for the years prior to 2014.

(H)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.

(I)Donated Services:

In accordance with FASB's Statement of Financial Standards No. 116, donated services are recognized at their estimated values at the date of service or donation provided that the service received (a) creates or enhances nonfinancial assets or (b) requires specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. (See NOTE 9).

Many individuals volunteer time and perform a variety of tasks that assist OBT with various administrative and program functions. No amounts have been recorded in the financial statements to reflect these volunteer services since they do not meet the criteria for recognition.

(J)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.

(K)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.

(L)Evaluation of Subsequent Events:

OBT has evaluated subsequent events through September 23, 2018, the date which the financial statements were available to be issued. None were found.

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OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
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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, 2018, the value of such assets is as follows:

Furniture and Equipment	\$668,669
Building and Improvements	632,566
Sets	427,926
Costumes	352,338
Less: Accumulated Depreciation	(1,648,853)
Total Long-Term Fixed Assets	\$432,646
At Cost, less Accumulated Depreciation	\$432,646

NOTE 3: DEFERRED PERFORMANCE COSTS

Deferred Performance Costs represent costs incurred in FY18 that are related to future performances. These amounts are detailed below for the year ended June 30, 2018:

Artistic Expenses – Performance & Production License Fees	\$40,694
Costume & Set Costs (Includes Supplies, Labor Payroll, & Artistic Expenses - Costume & Scenery Designers)	\$37,887
Artistic Expenses - Choreography	19,000
Production Costs	15,439
Artistic Expenses - Music Rights & Royalties	4,650
Total Deferred Performance Costs	\$117,670

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.

See Auditor’s Report

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
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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, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Corporate Bond Funds	\$2,684,935		
U.S. Treasury Bond Funds	582,938		
Large Cap	250,311		
Small Cap	248,625		
Total Investments	<u>\$3,766,809</u>	<u>\$-0-</u>	<u>\$-0-</u>

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OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
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NOTE 5: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2018:

Salary for Development Director and FY 19 programmatic expansion	\$131,227
General Operating Support for 2018 to 2019	125,000
2018/2019 Productions	62,500
Innovation Fund & Branding Initiative	40,000
Costumes for 2018/2019 Productions	20,000
Education & Apprenticeship Programming	10,000
School Shoes	<u>1,000</u>
Total Temporarily restricted net assets	<u>\$389,727</u>

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, 2018. Changes in endowment net assets for the year ended June 30, 2018 are as follows:

Endowment net assets – beginning of year	\$60,423
Contributions	<u>100</u>
Endowment net assets – end of year	<u>\$60,523</u>

As of June 30, 2018, 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, 2018
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NOTE 7: DEFERRED REVENUE

Deferred revenue represents amounts collected in advance for summer school tuition, season subscription 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, 2018:

Summer School Tuition	\$440,550
2018/2019 Season Subscription Sales	413,420
2018/2019 Ticket Handling Income	5,042
Total Deferred Revenue	\$859,012

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 8: 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, 2018, the balance of the Line of Credit is \$-0-.

NOTE 9: 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:

Accounting & Legal Services	\$86,478
Contracted Services	47,758
Parking Fees	32,415
Supplies	19,216
Marketing	17,971
Travel	3,125
Space & Studio Rental Fees	2,150
Postage	571
Total In-Kind Contributions	\$209,684

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
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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 \$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 15, 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</u> <u>Amount</u>	<u>RSF</u>
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, 2018
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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 \$839.54 and the base rent of \$5,896 for a total amount of \$6,735.54. 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 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, 2018 are as follows:

<u>For the year ended:</u>	
June 30, 2019	\$335,377
June 30, 2020	330,356
June 30, 2021	293,873
June 30, 2022	297,280
June 30, 2023	105,433
Total Future Minimum Lease Obligations	\$1,362,319

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OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
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NOTE 11: 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 *Alice (in Wonder) Ball*, coincided with our production of *Alice (in Wonderland)*, and was held at The Portland Art Museum in February of 2018. The event was attended by over 400 guests and included a sit-down dinner with performances by our company and school dancers, highlighting *Alice (in Wonderland)*. 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>	
Paddle Raise	\$237,399
Ticket Sales	108,010
Auction Sales	67,750
Sponsorships	33,880
Donated Goods & Services	24,482
Total Gala Income	471,521
 <u>Gala Expenses</u>	
Catering	72,501
Equipment Rentals	52,039
Auction Items	38,398
Venue Rental Space Fee	20,113
Entertainment	10,653
Printing & Design	3,850
Supplies	7,792
Postage	202
Total Expenses	205,548
 Special Event Income, Net of Expenses	 \$265,973

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