

**OREGON BALLET THEATRE**  
**AUDITED BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(WITH AUDITOR'S REPORT THEREON)**



## 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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 23, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, 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 24, 2019

OREGON BALLET THEATRE  
PORTLAND, OREGON  
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OREGON BALLET THEATRE  
STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED JUNE 30, 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	<i>For Comparative Purposes Only JUNE 30, 2018</i>
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and Cash Equivalents	\$127,540	\$76,273	\$203,813	\$632,998
Investments	4,036,698		4,036,698	3,766,809
Grants Receivable – Short-Term	15,000	220,000	235,000	143,500
Pledges Receivable – Short-Term	264,685	20,000	284,685	112,122
Other Receivables	127,739		127,739	47,206
Inventory	69,265		69,265	22,303
Prepaid Expenses	245,108		245,108	268,139
Total Current Assets	4,886,035	316,273	5,202,308	4,993,077
<b>LONG-TERM FIXED ASSETS:</b>				
Long-Term Fixed Assets	2,245,625		2,245,625	2,081,499
Less: Accumulated Depreciation	(1,783,205)		(1,783,205)	(1,648,853)
Total Long-Term Fixed Assets, net	462,420	-0-	462,420	432,646
<b>OTHER ASSETS:</b>				
Grants Receivable – Long-Term	-0-	200,000	200,000	-0-
Pledges Receivable – Long-Term	-0-	75,000	75,000	-0-
Security Deposit	32,082		32,082	27,721
Deferred Performance Costs	103,287		103,287	117,670
Total Other Assets	135,369	275,000	410,369	145,391
<b>TOTAL ASSETS</b>	<b>\$5,483,824</b>	<b>\$591,273</b>	<b>\$6,075,097</b>	<b>\$5,571,114</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts Payable and Accrued Expenses	\$336,749		\$336,749	\$365,501
Credit Card Payable	50,179		50,179	23,087
Line of Credit	245,000		245,000	-0-
Payroll Liabilities	3,605		3,605	550
Costume Rental Deposits	27,250		27,250	11,250
Deferred Revenue	1,028,970		1,028,970	859,012
Total Current Liabilities	1,691,753	-0-	1,691,753	1,259,400
<b>LONG-TERM LIABILITIES:</b>				
Artist Fund Liability	9,061		9,061	-0-
Total Long-Term Liabilities	9,061	-0-	9,061	-0-
<b>NET ASSETS:</b>				
Unrestricted Net Assets	3,783,010		3,783,010	3,861,464
Net Assets With Donor Restrictions		591,273	591,273	450,250
Total Net Assets	3,783,010	591,273	4,374,283	4,311,714
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$5,483,824</b>	<b>\$591,273</b>	<b>\$6,075,097</b>	<b>\$5,571,114</b>

See Auditor's Report and Notes to Financial Statements

OREGON BALLET THEATRE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>	<i>For Comparative Purposes Only JUNE 30, 2018</i>
<b>PUBLIC SUPPORT &amp; REVENUE:</b>				
Public Support:				
Foundation and Trust Grants	\$529,000	\$410,000	\$939,000	\$760,110
Individual Contributions	783,524	99,750	883,274	721,653
Government Grants	282,642	20,000	302,642	189,015
Special Events Income, Net of Costs	222,290		222,290	265,973
In-Kind Contributions	59,507		59,507	209,684
Corporate Contributions	37,378		37,378	95,048
Net Assets, Restrictions Met	388,727	(388,727)		
Total Public Support	<u>2,303,068</u>	<u>141,023</u>	<u>2,444,091</u>	<u>2,241,483</u>
Other Revenue:				
Ticket Sales	3,651,918		3,651,918	3,782,697
School Income	1,357,859		1,357,859	1,336,636
Ticket Handling Fee Income	253,413		253,413	242,365
Dividend Income	114,770		114,770	100,303
Boutique & Concession, Net of Costs	105,394		105,394	75,137
Realized & Unrealized (Losses)	74,720		74,720	(79,030)
Warehouse Income, Net of Costs	66,201		66,201	42,924
Touring Income	56,549		56,549	-0-
Outreach Income	41,815		41,815	31,309
Costumes Income, Net of Costs	16,552		16,552	38,834
Miscellaneous Income	4,861		4,861	9,177
Space Rental Income	3,840		3,840	3,642
Total Other Revenue	<u>5,747,892</u>	<u>-0-</u>	<u>5,747,892</u>	<u>5,583,994</u>
Total Public Support and Revenue	<u>8,050,960</u>	<u>141,023</u>	<u>8,191,983</u>	<u>7,825,477</u>
<b>EXPENSES:</b>				
Programs:				
Productions	5,693,142		5,693,142	5,207,391
School	1,400,071		1,400,071	1,376,185
Outreach	186,237		186,237	157,677
Total Programs	<u>7,279,450</u>	<u>-0-</u>	<u>7,279,450</u>	<u>6,741,253</u>
Management & General	302,716		302,716	125,338
Fundraising	547,248		547,248	577,500
Total Expenses	<u>8,129,414</u>	<u>-0-</u>	<u>8,129,414</u>	<u>7,444,091</u>
CHANGE IN NET ASSETS	<u>(\$78,454)</u>	<u>\$141,023</u>	<u>\$62,569</u>	<u>\$381,386</u>

See Auditor's Report and Notes to Financial Statements

OREGON BALLET THEATRE  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019

	PROGRAMS			MANAGEMENT		
	PRODUCTIONS	SCHOOL	OUTREACH	& GENERAL	FUNDRAISING	TOTAL
Salaries & Wages	\$2,083,167	\$577,803	\$126,070	\$144,578	\$287,480	\$3,219,098
Artistic Expenses	813,103	16,594			2,500	\$832,197
Merchant & Credit Card Fees	466,948	39,638	113		14,842	\$521,541
Fringe Benefits	402,921	51,609	11,754	6,080	25,738	\$498,102
Space & Studio Rental Fees	242,075	163,481	6,223	12,260	12,708	\$436,747
Marketing	374,685	19,608	311	400		\$395,004
Contracted Services	156,616	65,609	7,294	35,472	86,799	\$351,790
Payroll Tax Expense	208,714	58,831	12,295	14,770	29,411	\$324,021
Production Costs	265,549					\$265,549
Equipment & Vehicle Rentals	223,756	12,021	1,272	1,113	12,196	\$250,358
Supplies	106,331	16,750	299	4,821	17,987	\$146,188
Travel	92,856	30,043	6,193	9,790	3,984	\$142,866
Depreciation	87,750	36,005	2,207	4,078	4,312	\$134,352
Summer Housing		129,440				\$129,440
Scholarships & Assistance		121,751				\$121,751
Utilities	53,251	30,466	4,815	6,914	6,947	\$102,393
Insurance	40,107	10,885	760		1,553	\$53,305
Accounting & Legal Services	19,462	6,312	1,803	1,803	5,004	\$34,384
Postage and Delivery	25,409	1,319	884	774	2,491	\$30,877
Information Technology	12,026	2,621	2,574	5,973	2,838	\$26,032
Dues & Subscriptions	1,011	13	185	19,895	2,604	\$23,708
Printing & Copying	3,494	884	635	752	17,468	\$23,233
Investment Fees				14,437		\$14,437
Repairs and Maintenance	8,063	3,157	206	619	421	\$12,466
Bad Debts Expense		3,659			7,509	\$11,168
Miscellaneous		97		7,923	296	\$8,316
Registrations, Licenses & Permits	2,801	745	50	2,696	1,215	\$7,507
Staff Training & Development	758			2,046	378	\$3,182
Recruitment Costs	1,037	436		1,703		\$3,176
Bank Service Charges				2,901	1	\$2,902
Data Storage Fees	1,252	294	294	258	566	\$2,664
Interest				660		\$660
<b>TOTAL EXPENSES</b>	<b>\$5,693,142</b>	<b>\$1,400,071</b>	<b>\$186,237</b>	<b>\$302,716</b>	<b>\$547,248</b>	<b>\$8,129,414</b>

See Auditor's Report and Notes to Financial Statements

OREGON BALLET THEATRE  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2019

	WITHOUT DONOR <u>RESTRICTIONS</u>	WITH DONOR <u>RESTRICTIONS</u>	<u>TOTAL</u>	<i>For Comparative Purposes Only <u>JUNE 30, 2018</u></i>
BALANCE, JUNE 30, 2018	\$3,861,464	\$450,250	\$4,311,714	\$3,930,328
CHANGE IN NET ASSETS	(78,454)	141,023	62,569	381,386
BALANCE, JUNE 30, 2019	<u>\$3,783,010</u>	<u>\$591,273</u>	<u>\$4,374,283</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, 2019

		<i>For Comparative Purposes Only</i>
	<u>June 30, 2019</u>	<u>June 30, 2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$62,569	\$381,386
Adjustments to reconcile Excess to net cash (used)/ provided by operating activities:		
Depreciation	134,352	99,413
(Increase)/Decrease in Receivables	(619,597)	208,902
(Increase)/Decrease in Inventory	(46,962)	5,364
Decrease/(Increase) in Prepaid expenses	23,031	(88,013)
Decrease/(Increase) in Deferred Performance Costs	14,383	(32,081)
(Increase)/Decrease in Security Deposits	(4,361)	150
(Decrease) in Payables & Accrued Expenses	(28,752)	(12,887)
Increase in Credit Card Payable	27,092	9,980
Increase in Costume Rental Deposits	16,000	8,750
Increase in Payroll Liabilities	3,055	550
Increase in Deferred Revenue	169,958	22,154
Net cash (used)/provided by operating activities	<u>(249,232)</u>	<u>603,668</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in Marketable Securities	(269,889)	(190,437)
Purchase of Costumes & Sets	(149,815)	(16,705)
Purchase of Computer Equipment	(14,310)	-0-
Net cash (used) by investing activities	<u>(434,014)</u>	<u>(207,142)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Obtained monies needed with the credit line / Paid off credit line in FY 18	245,000	(200,000)
Obtained monies for Artist fund with employees and donors	9,061	-0-
Net cash provided/(used) by financing activities	<u>254,061</u>	<u>(200,000)</u>
NET CHANGE IN CASH	(429,185)	196,526
CASH AT JUNE 30, 2018 / CASH AT JUNE 30, 2017	632,998	436,472
CASH AT JUNE 30, 2019 / CASH AT JUNE 30, 2018	<u>\$203,813</u>	<u>\$632,998</u>

See Auditor's Report and Notes to Financial Statements



OREGON BALLET THEATRE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

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, 2019, 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 two net asset groups. These are:

Without Donor Restrictions:

All assets who either have no imposed restrictions on use or whose restrictions have been met by June 30, 2019.

With Donor Restrictions:

All contributions by foundations and individuals with restrictions on use that have not been met by June 30, 2019.

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OREGON BALLET THEATRE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019  
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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, 2019.

The receivables for OBT are expected to be collected as follows as of June 30, 2019:

	Grants <u>Receivable</u>	Pledges <u>Receivable</u>	Other <u>Receivable</u>	<u>TOTAL</u>
Due within one year	\$235,000	\$284,685	\$127,739	\$647,424
Due in two to five years	200,000	75,000	-0-	275,000
Total Receivable balances	<u>\$435,000</u>	<u>\$359,685</u>	<u>\$127,739</u>	<u>\$922,424</u>

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OREGON BALLET THEATRE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019  
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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, 2019, 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 2017 and no longer subject to state income tax examinations for the years prior to 2017.

(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 10).

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.

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OREGON BALLET THEATRE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019  
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NOTE 1: ORGANIZATION, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(L)New Accounting Pronouncement:

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Oregon Ballet Theatre has adjusted the presentation of these statements accordingly

(M)Evaluation of Subsequent Events:

OBT has evaluated subsequent events through September 24, 2019, the date which the financial statements were available to be issued. None were found.

NOTE 2: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following represents Oregon Ballet Theatre's financial assets at June 30, 2019:

	<u>FY 19</u>
Financial assets at year-end, net of current liabilities:	
Cash and cash equivalents	\$203,813
Investments	4,036,698
Grants Receivable – Short-Term	235,000
Pledges Receivable – Short-Term	284,685
Other Receivables	127,685
Inventory	69,265
Prepaid Expenses	245,108
Less: Current Liabilities	<u>(1,691,753)</u>
Total financial assets, net of current liabilities	3,510,501
Less amounts not available to be used within one year or for projects outside of general operating activities:	
Net assets with donor restrictions – See Note 6	
General Operating Support for 2021 to 2022	(200,000)
Scholarship for male students for 2021 to 2024	(75,000)
To sustain future programs – Endowment	<u>(62,773)</u>
	<u>(337,773)</u>
Financial assets available to meet cash needs for general expenditures over the next twelve months	<u>\$3,172,728</u>

Oregon Ballet Theatre's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$1,945,093). Oregon Ballet Theatre has a credit line of \$600,000 with available funds of \$355,000. (See Note 9) As a part of Oregon Ballet Theatre's liquidity plan, excess cash is invested in marketable securities, U.S. Treasury bonds, corporate bonds and mutual funds.

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OREGON BALLET THEATRE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019  
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NOTE 3: LONG-TERM FIXED ASSETS

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets.  
At June 30, 2019, the value of such assets is as follows:

Furniture and Equipment	\$682,979
Building and Improvements	632,566
Sets	492,600
Costumes	437,480
Less: Accumulated Depreciation	<u>(1,783,205)</u>
Total Long-Term Fixed Assets	
At Cost, less Accumulated Depreciation	<u><u>\$462,420</u></u>

NOTE 4: DEFERRED PERFORMANCE COSTS

Deferred Performance Costs represent costs incurred in FY19 that are related to future performances. These amounts are detailed below for the year ended June 30, 2019:

Artistic Expenses – Performance & Production License Fees	\$28,194
Costume & Set Costs (Includes Supplies, Labor Payroll, & Artistic Expenses - Costume & Scenery Designers)	\$33,154
Artistic Expenses - Choreography	26,500
Production Costs	<u>15,439</u>
Total Deferred Performance Costs	<u><u>\$103,287</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.

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OREGON BALLET THEATRE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019  
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NOTE 5: 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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Corporate Bond Funds	\$2,931,887		
U.S. Treasury Bond Funds	436,898		
Large Cap	383,696		
Small Cap	244,548		
Mutual Funds	39,669		
Total Investments	<u>\$4,036,698</u>	<u>\$-0-</u>	<u>\$-0-</u>

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OREGON BALLET THEATRE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019  
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NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2019:

General Operating Support for FY 2021 to 2022	\$200,000
General Operating Support for FY 2020	120,000
30 <sup>th</sup> Anniversary Season	110,000
Scholarships for male students for FY 2021 to FY 2024	75,000
To sustain future programs – Endowment (See Note 7)	62,773
Scholarships for male students for FY 2020	20,000
Dancer-Mentor Program	2,500
School Shoes	<u>1,000</u>
Total Net assets with donor restrictions	<u>\$591,273</u>

NOTE 7: NET ASSETS WITH DONOR RESTRICTION - 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, 2019. Changes in endowment net assets for the year ended June 30, 2019 are as follows:

Endowment net assets – beginning of year	\$60,523
Contributions	<u>2,250</u>
Endowment net assets – end of year	<u>\$62,773</u>

As of June 30, 2019, 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.

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NOTE 8: DEFERRED REVENUE

Deferred revenue represents amounts collected in advance for summer school tuition, season subscription sales for the next year's performance season, ticket sales for the next year's performance season, ticket handling fees for next year, and a rental deposit for next year's rental of scenery, props and costumes. These amounts are detailed below for the year ended June 30, 2019:

Summer and Annual School Tuition	\$662,330
2019/2020 Season Subscription Sales	349,870
Set Rental Income for FY 2020	10,000
2019/2020 Ticket Handling Income	5,187
2019/2020 Ticket Sales	1,583
Total Deferred Revenue	<u>\$1,028,970</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, 2019, the balance of the Line of Credit is \$245,000.

NOTE 10: 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	\$45,770
Supplies	8,619
Accounting & Legal Services	2,750
Travel	2,072
Miscellaneous	296
Total In-Kind Contributions	<u>\$59,507</u>

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NOTE 11: LEASE AGREEMENTS

A) Warehouse & Storage Space Lease

On September 10, 2018, OBT entered into an operating lease agreement with Joseph R Josephs LLC for warehouse and storage space located at 2320 NW 21<sup>st</sup> Street, Portland, Multnomah County, Oregon. The 36-month lease starts on September 1, 2018 and expires on August 31, 2021. The monthly rental payments are as follows:

<u>For the months:</u>	<u>Rent Amount</u>
September 1, 2018 to August 31, 2019	\$6,550
September 1, 2019 to August 31, 2020	6,800
September 1, 2020 to August 31, 2021	7,100

B) Copier Lease

On January 29, 2019, 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 \$698.

C) Postage Meter Lease

On January 21, 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 Allstream (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 Portland Homes 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 initial monthly rent was \$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>For the months:</u>	<u>Monthly Rent</u> <u>Amount</u>	<u>RSF</u>
July 1, 2019 to August 31, 2019	\$19,067.03	16.39
September 1, 2019 to August 31, 2020	19,637.07	16.88
September 1, 2020 to October 31, 2020	-0-	
November 1, 2020 to August 31, 2021	20,230.37	17.39
September 1, 2021 to August 31, 2022	20,835.30	17.91
September 1, 2022 to November 30, 2022	21,463.50	18.45

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NOTE 11: 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 \$696.45 with a base rent of \$6,014 for a total amount of \$6,814.07. 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>For the months:</u>	<u>Monthly Base Rent Amount</u>
July 1, 2019 to June 30, 2020	\$6,014
July 1, 2020 to June, 30, 2021	6,134
July 1, 2021 to January 31, 2022	6,257

Total minimum future commitments under these above leases as of June 30, 2019 are as follows:

<u>For the year ended:</u>	
June 30, 2020	\$410,363
June 30, 2021	379,964
June 30, 2022	318,854
June 30, 2023	113,809
June 30, 2024	4,886
Total Future Minimum Lease Obligations	<u>\$1,227,876</u>

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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 *Cinderella Super Ball*, coincided with our production of *Super Red Party*, and was held at The Portland Art Museum in February of 2019. The event was attended by over 400 guests and included a sit-down dinner with performances by OBT's company and school dancers, highlighting *Cinderella*). 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	\$205,202
Ticket Sales	128,475
Auction Sales	47,500
Sponsorships	26,435
Donated Goods & Services	21,598
Total Gala Income	<u>429,210</u>
 <u>Gala Expenses</u>	
Catering	82,065
Venue Rental Space Fee	34,396
Equipment Rentals	28,532
Contracted Services	22,872
Auction Expenses & Items	17,164
Printing & Design	10,492
Supplies	6,798
Entertainment	2,915
Postage	1,686
Total Expenses	<u>206,920</u>
 Special Event Income, Net of Expenses	 <u><u>\$222,290</u></u>

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