

OREGON BALLET THEATRE
AUDITED BASIC FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH AUDITOR'S REPORT THEREON)

OREGON BALLET THEATRE
PORTLAND, OREGON
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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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 24, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gregg S. Bossen, CPA, PC
Atlanta, Georgia
October 1, 2020

OREGON BALLET THEATRE
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2020

| <u>ASSETS</u> | <u>WITHOUT DONOR RESTRICTIONS</u> | <u>WITH DONOR RESTRICTIONS</u> | <u>TOTAL</u> | <i>For Comparative Purposes Only JUNE 30, 2019</i> |
|--|---------------------------------------|------------------------------------|--------------------|--|
| CURRENT ASSETS: | | | | |
| Cash and Cash Equivalents | \$292,271 | \$134,318 | \$426,589 | \$203,813 |
| Investments | 4,148,970 | | 4,148,970 | 4,036,698 |
| Grants Receivable – Short-Term | 6,647 | 215,000 | 221,647 | 235,000 |
| Pledges Receivable – Short-Term | 226,801 | 42,500 | 269,301 | 284,685 |
| Other Receivables | 48,681 | | 48,681 | 127,739 |
| Inventory | 70,060 | | 70,060 | 69,265 |
| Prepaid Expenses | 96,855 | | 96,855 | 245,108 |
| Total Current Assets | <u>4,890,285</u> | <u>391,818</u> | <u>5,282,103</u> | <u>5,202,308</u> |
| LONG-TERM FIXED ASSETS: | | | | |
| Long-Term Fixed Assets | 2,245,625 | | 2,245,625 | 2,245,625 |
| Less: Accumulated Depreciation | (1,917,782) | | (1,917,782) | (1,783,205) |
| Total Long-Term Fixed Assets, net | <u>327,843</u> | <u>-0-</u> | <u>327,843</u> | <u>462,420</u> |
| OTHER ASSETS: | | | | |
| Grants Receivable – Long-Term | -0- | 210,000 | 210,000 | 200,000 |
| Pledges Receivable – Long-Term | -0- | 55,000 | 55,000 | 75,000 |
| Security Deposit | 32,971 | | 32,971 | 32,082 |
| Deferred Performance Costs | 93,349 | | 93,349 | 103,287 |
| Total Other Assets | <u>126,320</u> | <u>265,000</u> | <u>391,320</u> | <u>410,369</u> |
| TOTAL ASSETS | <u>\$5,344,448</u> | <u>\$656,818</u> | <u>\$6,001,266</u> | <u>\$6,075,097</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | | | |
| CURRENT LIABILITIES: | | | | |
| Accounts Payable and Accrued Expenses | \$126,156 | | \$126,156 | \$336,749 |
| Credit Card Payable | 1,853 | | 1,853 | 50,179 |
| Line of Credit | -0- | | -0- | 245,000 |
| Payroll Liabilities | 2,829 | | 2,829 | 3,605 |
| Costume Rental Deposits | 12,330 | | 12,330 | 27,250 |
| Ticket Refund Liability | 32,342 | | 32,342 | -0- |
| Small Business Administration Loan | 125,491 | | 125,491 | -0- |
| Deferred Revenue | 772,012 | | 772,012 | 1,028,970 |
| Total Current Liabilities | <u>1,073,013</u> | <u>-0-</u> | <u>1,073,013</u> | <u>1,691,753</u> |
| LONG-TERM LIABILITIES: | | | | |
| Artist Fund Liability | 9,286 | | 9,286 | 9,061 |
| Total Long-Term Liabilities | <u>9,286</u> | <u>-0-</u> | <u>9,286</u> | <u>9,061</u> |
| NET ASSETS: | | | | |
| Unrestricted Net Assets | 4,262,149 | | 4,262,149 | 3,783,010 |
| Net Assets With Donor Restrictions | | 656,818 | 656,818 | 591,273 |
| Total Net Assets | <u>4,262,149</u> | <u>656,818</u> | <u>4,918,967</u> | <u>4,374,283</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$5,344,448</u> | <u>\$656,818</u> | <u>\$6,001,266</u> | <u>\$6,075,097</u> |

See Auditor's Report and Notes to Financial Statements

OREGON BALLET THEATRE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>WITHOUT DONOR RESTRICTIONS</u> | <u>WITH DONOR RESTRICTIONS</u> | <u>TOTAL</u> | <i>For Comparative Purposes Only <u>JUNE 30, 2019</u></i> |
|--|---------------------------------------|------------------------------------|--------------|---|
| PUBLIC SUPPORT & REVENUE: | | | | |
| Public Support: | | | | |
| Foundation and Trust Grants | \$756,750 | \$255,000 | \$1,011,750 | \$939,000 |
| Individual Contributions | 911,180 | 4,750 | 915,930 | 883,274 |
| Government Grants | 878,544 | 14,095 | 892,639 | 302,642 |
| Special Events Income, Net of Costs | 347,502 | | 347,502 | 222,290 |
| Corporate Contributions | 52,678 | 30,000 | 82,678 | 37,378 |
| In-Kind Contributions | 43,338 | | 43,338 | 59,507 |
| Net Assets, Restrictions Met | 238,300 | (238,300) | | |
| Total Public Support | 3,228,292 | 65,545 | 3,293,837 | 2,444,091 |
| Other Revenue: | | | | |
| Ticket Sales | 2,975,085 | | 2,975,085 | 3,651,918 |
| School Income | 1,408,366 | | 1,408,366 | 1,357,859 |
| Ticket Handling Fee Income | 206,788 | | 206,788 | 253,413 |
| Dividend Income | 119,691 | | 119,691 | 114,770 |
| Boutique & Concession, Net of Costs | 90,772 | | 90,772 | 105,394 |
| Costumes Income, Net of Costs | 70,294 | | 70,294 | 16,552 |
| Outreach Income | 31,548 | | 31,548 | 41,815 |
| Realized & Unrealized Gains | 26,935 | | 26,935 | 74,720 |
| Warehouse Income, Net of Costs | 11,600 | | 11,600 | 66,201 |
| Miscellaneous Income | 4,928 | | 4,928 | 4,861 |
| Space Rental Income | 3,545 | | 3,545 | 3,840 |
| Touring Income | 429 | | 429 | 56,549 |
| Total Other Revenue | 4,949,981 | -0- | 4,949,981 | 5,747,892 |
| Total Public Support and Revenue | 8,178,273 | 65,545 | 8,243,818 | 8,191,983 |
| EXPENSES: | | | | |
| Programs: | | | | |
| Productions | 5,346,873 | | 5,346,873 | 5,693,142 |
| School | 1,405,807 | | 1,405,807 | 1,400,071 |
| Outreach | 168,239 | | 168,239 | 186,237 |
| Total Programs | 6,920,919 | -0- | 6,920,919 | 7,279,450 |
| Management & General | 268,819 | | 268,819 | 302,716 |
| Fundraising | 509,396 | | 509,396 | 547,248 |
| Total Expenses | 7,699,134 | -0- | 7,699,134 | 8,129,414 |
| CHANGE IN NET ASSETS | \$479,139 | \$65,545 | \$544,684 | \$62,569 |

See Auditor's Report and Notes to Financial Statements

OREGON BALLET THEATRE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

| | PROGRAMS | | | MANAGEMENT & GENERAL | FUNDRAISING | TOTAL |
|-----------------------------------|--------------------|--------------------|------------------|-------------------------|------------------|--------------------|
| | PRODUCTIONS | SCHOOL | OUTREACH | | | |
| Salaries & Wages | \$2,074,351 | \$622,030 | \$130,016 | \$132,288 | \$290,349 | \$3,249,034 |
| Artistic Expenses | 746,785 | 4,025 | | | 2,550 | \$753,360 |
| Fringe Benefits | 405,836 | 62,635 | | 4,556 | 24,767 | \$497,794 |
| Merchant & Credit Card Fees | 433,649 | 41,031 | 87 | | 16,349 | \$491,116 |
| Space & Studio Rental Fees | 256,241 | 170,303 | 6,457 | 12,722 | 13,187 | \$458,910 |
| Marketing | 373,901 | 13,337 | 340 | | 701 | \$388,279 |
| Payroll Tax Expense | 212,412 | 62,806 | 12,899 | 12,171 | 27,476 | \$327,764 |
| Production Costs | 220,812 | | | | | \$220,812 |
| Equipment & Vehicle Rentals | 168,593 | 1,694 | 1,233 | 1,207 | 9,726 | \$182,453 |
| Contracted Services | 74,157 | 32,499 | 100 | 7,990 | 47,141 | \$161,887 |
| Supplies | 98,634 | 9,107 | 0 | 1,001 | 26,040 | \$134,782 |
| Depreciation | 88,639 | 35,733 | 2,036 | 4,011 | 4,158 | \$134,577 |
| Summer Housing | | 131,710 | | | | \$131,710 |
| Scholarships & Assistance | | 115,052 | | | | \$115,052 |
| Utilities | 50,457 | 29,285 | 4,584 | 6,902 | 6,614 | \$97,842 |
| Travel | 34,611 | 25,672 | 3,111 | 8,359 | 2,689 | \$74,442 |
| Insurance | 36,738 | 12,801 | 832 | 2,081 | 1,701 | \$54,153 |
| Accounting & Legal Services | 23,180 | 7,547 | 2,156 | 2,156 | 2,695 | \$37,734 |
| Dues & Subscriptions | 1,174 | 100 | | 28,976 | 2,860 | \$33,110 |
| Information Technology | 8,413 | 2,822 | 1,182 | 5,463 | 12,051 | \$29,931 |
| Postage and Delivery | 19,792 | 1,111 | 982 | 926 | 1,781 | \$24,592 |
| Bad Debts Expense | | 19,375 | | | 58 | \$19,433 |
| Printing & Copying | 2,696 | 560 | 769 | 490 | 12,221 | \$16,736 |
| Investment Fees | | | | 15,343 | | \$15,343 |
| Interest | | | | 15,174 | | \$15,174 |
| Registrations, Licenses & Permits | 6,816 | 1,419 | 246 | 1,883 | 795 | \$11,159 |
| Repairs and Maintenance | 4,378 | 1,616 | 127 | 432 | 260 | \$6,813 |
| Staff Training & Development | 1,764 | 50 | 312 | 1,137 | 1,617 | \$4,880 |
| Bank Service Charges | 160 | | | 3,036 | 662 | \$3,858 |
| Data Storage Fees | 1,639 | 385 | 385 | 337 | 482 | \$3,228 |
| Recruitment Costs | 1,045 | 1,102 | 385 | 178 | 13 | \$2,723 |
| Miscellaneous | | | | | 453 | \$453 |
| TOTAL EXPENSES | \$5,346,873 | \$1,405,807 | \$168,239 | \$268,819 | \$509,396 | \$7,699,134 |

See Auditor's Report and Notes to Financial Statements

OREGON BALLET THEATRE
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>WITHOUT DONOR RESTRICTIONS</u> | <u>WITH DONOR RESTRICTIONS</u> | <u>TOTAL</u> | <i>For Comparative Purposes Only <u>JUNE 30, 2019</u></i> |
|------------------------|---------------------------------------|------------------------------------|--------------------|---|
| BALANCE, JUNE 30, 2019 | \$3,783,010 | \$591,273 | \$4,374,283 | \$4,311,714 |
| CHANGE IN NET ASSETS | 479,139 | 65,545 | 544,684 | 62,569 |
| BALANCE, JUNE 30, 2020 | <u>\$4,262,149</u> | <u>\$656,818</u> | <u>\$4,918,967</u> | <u>\$4,374,283</u> |

See Auditor's Report and Notes to Financial Statements

OREGON BALLET THEATRE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

| | <i>For</i> | <i>Comparative</i> |
|--|----------------------|----------------------|
| | <i>Purposes Only</i> | |
| | <u>June 30, 2020</u> | <u>June 30, 2019</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in Net Assets | \$544,684 | \$62,569 |
| Adjustments to reconcile Excess to net cash provided / (used) by operating activities: | | |
| Depreciation | 134,577 | 134,352 |
| Decrease / (Increase) in Receivables | 117,795 | (619,597) |
| (Increase) in Inventory | (795) | (46,962) |
| Decrease in Prepaid expenses | 148,253 | 23,031 |
| Decrease in Deferred Performance Costs | 9,938 | 14,383 |
| (Increase) in Security Deposits | (889) | (4,361) |
| (Decrease) in Payables & Accrued Expenses | (210,593) | (28,752) |
| (Decrease) / Increase in Credit Card Payable | (48,326) | 27,092 |
| (Decrease) / Increase in Costume Rental Deposits | (14,920) | 16,000 |
| Increase in Ticket Refund Liability | 32,342 | -0- |
| (Decrease) / Increase in Payroll Liabilities | (776) | 3,055 |
| (Decrease) / Increase in Deferred Revenue | (256,958) | 169,958 |
| Net cash provided / (used) by operating activities | 454,332 | (249,232) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Increase in Marketable Securities | (112,272) | (269,889) |
| Purchase of Costumes & Sets | -0- | (149,815) |
| Purchase of Computer Equipment | -0- | (14,310) |
| Net cash (used) by investing activities | (112,272) | (434,014) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Obtained monies needed with a Small Business Administration Loan | 125,491 | -0- |
| Paid off credit line / Obtained monies needed with the credit line | (245,000) | 245,000 |
| Obtained monies for Artist fund with employees and donors | 225 | 9,061 |
| Net cash (used) / provided by financing activities | (119,284) | 254,061 |
| NET CHANGE IN CASH | 222,776 | (429,185) |
| CASH AT BEGINNING OF YEAR | 203,813 | 632,998 |
| CASH AT END OF YEAR | \$426,589 | \$203,813 |

See Auditor's Report and Notes to Financial Statements

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020, 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, 2020.

With Donor Restrictions:

All contributions by foundations and individuals with restrictions on use that have not been met by June 30, 2020.

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
-continued-

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

(C)Support and Revenues:

Federal, State and Local Government Grants:

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

Foundations Grants:

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

Individual and Corporate Contributions:

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

(D)Fixed Assets:

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

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

(E)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, 2020.

The receivables for OBT are expected to be collected as follows as of June 30, 2020:

| | <u>Grants</u> <u>Receivable</u> | <u>Pledges</u> <u>Receivable</u> | <u>Other</u> <u>Receivable</u> | <u>TOTAL</u> |
|---------------------------|------------------------------------|-------------------------------------|-----------------------------------|------------------|
| Due within one year | \$221,647 | \$269,301 | \$48,681 | \$539,629 |
| Due in two to five years | 210,000 | 55,000 | -0- | 265,000 |
| Total Receivable balances | <u>\$431,647</u> | <u>\$324,301</u> | <u>\$48,681</u> | <u>\$804,629</u> |

See Auditor's Report

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
-continued-

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, 2020, 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 2018 and no longer subject to state income tax examinations for the years prior to 2018.

(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.

See Auditor's Report

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
-continued-

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's ongoing profitability may experience instability and estimates included in the financial statements may change due to current political and economic conditions as a result of the public health concerns related to the novel coronavirus, or COVID-19. The duration and intensity of these impacts and resulting disruption to which these events effect the organization's business will depend on future developments, which are highly uncertain and cannot be predicted at this time.

Management considered all events through October 1, 2020, the date the financial statements were available for release, in preparing the financial statements and the related disclosures. Management is not aware of any significant events that occurred subsequent to June 30, 2020, but prior to the issuance of this report, that would have a material impact on the financial statements.

See Auditor's Report

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
-continued-

NOTE 2: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following represents Oregon Ballet Theatre’s financial assets at June 30, 2020:

| | <u>FY 20</u> |
|---|--------------------|
| Financial assets at year-end, net of current liabilities: | |
| Cash and cash equivalents | \$426,589 |
| Investments | 4,148,970 |
| Grants Receivable – Short-Term | 221,647 |
| Pledges Receivable – Short-Term | 269,301 |
| Other Receivables | 48,681 |
| Inventory | 70,060 |
| Prepaid Expenses | 96,855 |
| Less: Current Liabilities | <u>(1,073,013)</u> |
| Total financial assets, net of current liabilities | 4,209,090 |
| | |
| 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 2022 to 2023 | (100,000) |
| Tessitura software equipment FY 2022 to 2023 | (100,000) |
| Scholarship for male students for 2022 to 2024 | (55,000) |
| To sustain future programs – Endowment | (64,023) |
| OBT2 Education and Apprenticeship Program for FY 2022 | <u>(10,000)</u> |
| | <u>(329,023)</u> |
| | |
| Financial assets available to meet cash needs for general expenditures over the next twelve months | <u>\$3,880,067</u> |

Oregon Ballet Theatre’s goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$1,994,423). Oregon Ballet Theatre has a credit line of \$900,000 with available funds of \$900,000. 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.

See Auditor’s Report

OREGON BALLET THEATRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
-continued-

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, 2020, 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>(1,917,782)</u> |
| Total Long-Term Fixed Assets | |
| At Cost, less Accumulated Depreciation | <u><u>\$327,843</u></u> |

NOTE 4: DEFERRED PERFORMANCE COSTS

Deferred Performance Costs represent costs incurred in FY20 that are related to future performances. These amounts are detailed below for the year ended June 30, 2020:

| | |
|---|------------------------|
| Costume & Set Costs (Includes Supplies, Labor Payroll, & Artistic Expenses - Costume & Scenery Designers) | \$32,322 |
| Artistic Expenses – Performance & Production License Fees | 30,694 |
| Artistic Expenses - Choreography | 19,000 |
| Artistic Expenses – Music Rights & Royalties | <u>11,333</u> |
| Total Deferred Performance Costs | <u><u>\$93,349</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
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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, 2020:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|---|--------------------|----------------|----------------|
| U. S. Corporate Bonds – Investment Grade | \$2,853,548 | | |
| Equities | 733,420 | | |
| U.S. Treasury Notes & Bonds | 436,950 | | |
| Large Cap | 81,063 | | |
| U.S. Corporate Bonds – Non-Investment Grade | 43,989 | | |
| Total Investments | <u>\$4,148,970</u> | <u>\$-0-</u> | <u>\$-0-</u> |

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NOTES TO FINANCIAL STATEMENTS
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NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2020:

| | |
|---|-----------|
| General Operating Support for FY 2021 | \$120,000 |
| General Operating Support for FY 2022 to 2023 | 100,000 |
| Tessitura software equipment FY 2021 | 100,000 |
| Tessitura software equipment FY 2022 to 2023 | 100,000 |
| To sustain future programs – Endowment (See Note 7) | 64,023 |
| Scholarships for male students for FY 2022 to FY 2024 | 55,000 |
| OBT2 Education and Apprenticeship Program for FY 2021 | 35,095 |
| The Nutcracker FY 21 | 30,000 |
| Scholarships for male students for FY 2021 | 20,000 |
| Equity Investment | 14,200 |
| OBT2 Education and Apprenticeship Program for FY 2022 | 10,000 |
| Education and Engagement Outreach | 5,000 |
| James Canfield Dance | 2,500 |
| School Shoes | 1,000 |
| Total Net assets with donor restrictions | \$656,818 |

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

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NOTES TO FINANCIAL STATEMENTS
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NOTE 7: NET ASSETS WITH DONOR RESTRICTION – ENDOWMENT (continued)

Endowment net assets include only donor-restricted net assets at June 30, 2020. Changes in endowment net assets for the year ended June 30, 2020 are as follows:

| | |
|--|----------|
| Endowment net assets – beginning of year | \$62,773 |
| Contributions | 1,250 |
| Endowment net assets – end of year | \$64,023 |

As of June 30, 2020, 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.

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, and ticket handling fees for next year. These amounts are detailed below for the year ended June 30, 2020:

| | |
|-------------------------------------|-----------|
| Summer School Tuition | \$429,997 |
| 2020/2021 Season Subscription Sales | 303,689 |
| 2020/2021 Ticket Sales | 20,456 |
| 2020/2021 Ticket Handling Fees | 17,870 |
| Total Deferred Revenue | \$772,012 |

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 9: LINE OF CREDIT

Oregon Ballet Theatre has a revolving credit limit of \$900,000 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, 2020, there is a zero balance for the Line of Credit.

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 | \$25,930 |
| Supplies | 16,955 |
| Miscellaneous | 453 |
| Total In-Kind Contributions | \$43,338 |

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NOTES TO FINANCIAL STATEMENTS
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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 21st 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>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>Months</u> | <u>Monthly Rent Amount</u> | <u>RSF</u> |
|----------------|--------------------------------|------------|
| 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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NOTES TO FINANCIAL STATEMENTS
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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 \$1,002 with a base rent of \$6,134 for a total amount of \$7,136. 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 49 - 60 | 6,134 |
| Months 61 - 67 | 6,257 |

Total minimum future commitments under these above leases as of June 30, 2020 are as follows:

| <u>For the year ended:</u> | |
|--|-------------|
| June 30, 2021 | 383,631 |
| June 30, 2022 | 320,993 |
| June 30, 2023 | 113,809 |
| June 30, 2024 | 4,886 |
| Total Future Minimum Lease Obligations | \$1,362,319 |

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NOTES TO FINANCIAL STATEMENTS
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NOTE 12: SMALL BUSINESS ADMINISTRATION LOANS

(i)Paycheck Protection Program loan

On March 27, 2020, the Coronavirus Aid, Relief and Economic Act (“the Act”) was enacted. The Act provided relief to small businesses through the creation of the Paycheck Protection Program (“PPP”). On April 25, 2020, OBT obtained a PPP loan in the amount of \$794,394, all of which may be forgivable if certain criteria are met. The loan has a fixed interest rate of 1% and matures on April 25, 2022. Based on available guidance from the federal government at the time of this report, it is likely that this loan and all accrued interest less any EIDL Advances (See ii below) will be forgiven during the next fiscal year. Therefore, OBT has elected to recognize the PPP loan expenditures spent from 4/25/20 to 6/30/20 as a government grant shown on the Statement of Activities. For the year ended June 30, 2020, OBT had used \$668,903 of the PPP loan as detailed below:

| | |
|---|----------------|
| <u>PPP Loan Expenditures from 4/24/20 to 6/30/20:</u> | |
| Salaries and Wages | 583,916 |
| Health & Life Insurance | 56,610 |
| Rent and CAM charges | 23,237 |
| Utilities | 5,140 |
| Total Expenditures | <u>668,903</u> |

The remaining balance of the PPP loan which will be used in the next fiscal year totals \$125,491 (\$794,394 less \$668,903 = \$125,491) and appears on the Statement of Financial Position.

(ii)Economic Injury Disaster Loan Advance

On March 27, 2020, the Coronavirus Aid, Relief and Economic Act (“the Act”) was enacted. The Act provided relief to small businesses through the creation of the Economic Injury Disaster Loan Advance (“EIDL”). On May 5, 2020, OBT obtained an EIDL Advance of \$10,000. The EIDL Advance does not have to be repaid and is shown as a government grant on the Statement of Activities.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 13: SPECIAL EVENT

OBT holds an annual gala event to raise awareness and funds from the community to support the organization’s programming. The event, titled The Sleeping Beauty Ball, coincided with our production of The Sleeping Beauty, and was held at The Portland Art Museum in February of 2020. The event was attended by over 400 guests and included a sit-down dinner with performances by OBT’s company and school dancers, highlighting The Sleeping Beauty). 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 | \$293,162 |
| Ticket Sales | 131,912 |
| Auction Sales | 76,600 |
| Sponsorships | 26,700 |
| Donated Goods & Services | 29,634 |
| Total Gala Income | 558,008 |
| <u>Gala Expenses</u> | |
| Catering | 67,109 |
| Contracted Services | 40,780 |
| Auction Items | 32,568 |
| Equipment Rentals | 30,178 |
| Venue Rental Space Fee | 23,940 |
| Printing & Design | 5,497 |
| Supplies | 6,892 |
| Entertainment | 2,000 |
| Postage | 1,542 |
| Total Expenses | 210,506 |
| Special Event Income, Net of Expenses | \$347,502 |

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