

**OREGON BALLET THEATRE**  
**AUDITED BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
**(WITH AUDITOR'S REPORT THEREON)**

OREGON BALLET THEATRE  
PORTLAND, OREGON  
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JUNE 30, 2021

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Oregon Ballet Theatre  
Portland, Oregon

### **Opinion**

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, 2021 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.

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, 2021 and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Oregon Ballet Theatre and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Oregon Ballet Theatre's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Oregon Ballet Theatre's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Oregon Ballet Theatre's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### **Report on Summarized Comparative Information**

We have previously audited Oregon Ballet Theatre's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 1, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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 12, 2021

OREGON BALLET THEATRE  
STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED JUNE 30, 2021

<u>ASSETS</u>	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>	<i>For Comparative Purposes Only JUNE 30, 2020</i>
<b>CURRENT ASSETS:</b>				
Cash and Cash Equivalents	\$1,246,166	\$305,118	\$1,551,284	\$426,589
Investments	4,098,212		4,098,212	4,148,970
Grants Receivable – Short-Term	16,000	183,000	199,000	221,647
Pledges Receivable – Short-Term	45,233	42,500	87,733	269,301
Other Receivables	18,850		18,850	48,681
Inventory	66,767		66,767	70,060
Prepaid Expenses	42,575		42,575	96,855
<b>Total Current Assets</b>	<b>5,533,803</b>	<b>530,618</b>	<b>6,064,421</b>	<b>5,282,103</b>
<b>LONG-TERM FIXED ASSETS:</b>				
Long-Term Fixed Assets	2,219,762		2,219,762	2,245,625
Less: Accumulated Depreciation	(2,025,396)		(2,025,396)	(1,917,782)
<b>Total Long-Term Fixed Assets, net</b>	<b>194,366</b>	<b>-0-</b>	<b>194,366</b>	<b>327,843</b>
<b>OTHER ASSETS:</b>				
Grants Receivable – Long-Term	-0-	25,000	25,000	210,000
Pledges Receivable – Long-Term	-0-	35,000	35,000	55,000
Security Deposit	27,970		27,970	32,971
Deferred Performance Costs	59,863		59,863	93,349
<b>Total Other Assets</b>	<b>87,833</b>	<b>60,000</b>	<b>147,833</b>	<b>391,320</b>
<b>TOTAL ASSETS</b>	<b>\$5,816,002</b>	<b>\$590,618</b>	<b>\$6,406,620</b>	<b>\$6,001,266</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>CURRENT LIABILITIES:</b>				
Accounts Payable and Accrued Expenses	\$185,337		\$185,337	\$126,156
Credit Card Payable	13,761		13,761	1,853
Payroll Liabilities	5,852		5,852	2,829
Costume Rental Deposits	10,000		10,000	12,330
Ticket Refund Liability	-0-		-0-	32,342
Deferred Revenue	475,271		475,271	772,012
<b>Total Current Liabilities</b>	<b>690,222</b>	<b>-0-</b>	<b>690,222</b>	<b>1,073,013</b>
<b>LONG-TERM LIABILITIES:</b>				
Artist Fund Liability	12,395		12,395	9,286
<b>Total Long-Term Liabilities</b>	<b>12,395</b>	<b>-0-</b>	<b>12,395</b>	<b>9,286</b>
<b>NET ASSETS:</b>				
Unrestricted Net Assets	5,113,385		5,113,385	4,262,149
Net Assets With Donor Restrictions		590,618	590,618	656,818
<b>Total Net Assets</b>	<b>5,113,385</b>	<b>590,618</b>	<b>5,704,003</b>	<b>4,918,967</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$5,816,002</b>	<b>\$590,618</b>	<b>\$6,406,620</b>	<b>\$6,001,266</b>

See Auditor's Report and Notes to Financial Statements

OREGON BALLET THEATRE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>	<i>For Comparative Purposes Only JUNE 30, 2020</i>
<b>PUBLIC SUPPORT &amp; REVENUE:</b>				
Public Support:				
Government Grants	\$1,672,505	\$50,000	\$1,722,505	\$892,639
Foundation and Trust Grants	544,957	103,000	647,957	\$1,011,750
Individual Contributions	718,937	5,800	724,737	915,930
Special Events Income, Net of Costs	385,736		385,736	347,502
In-Kind Contributions	18,105		18,105	43,338
Corporate Contributions	46,140		46,140	82,678
Net Assets, Restrictions Met	225,000	(225,000)		
<b>Total Public Support</b>	<b>3,611,380</b>	<b>(66,200)</b>	<b>3,545,180</b>	<b>3,293,837</b>
<b>Other Revenue:</b>				
School Income	459,179		459,179	1,408,366
Investment Income, Net of Costs	270,967		270,967	131,283
Ticket Sales	170,875		170,875	2,975,085
Outreach Income	12,135		12,135	31,548
Warehouse Income, Net of Costs	5,000		5,000	11,600
Miscellaneous Income	1,696		1,696	4,928
Boutique & Concession, Net of Costs	1,563		1,563	90,772
Ticket Handling Fee Income	825		825	206,788
Costumes Income, Net of Costs	223		223	70,294
Space Rental Income	-0-		-0-	3,545
Touring Income	-0-		-0-	429
<b>Total Other Revenue</b>	<b>922,463</b>	<b>-0-</b>	<b>922,463</b>	<b>4,934,638</b>
<b>Total Public Support and Revenue</b>	<b>4,533,843</b>	<b>(66,200)</b>	<b>4,467,643</b>	<b>8,228,475</b>
<b>EXPENSES:</b>				
Programs:				
Productions	2,299,517		2,299,517	5,346,873
School	732,808		732,808	1,405,807
Educational Outreach	88,299		88,299	168,239
<b>Total Programs</b>	<b>3,120,624</b>	<b>-0-</b>	<b>3,120,624</b>	<b>6,920,919</b>
Management & General	181,673		181,673	253,476
Fundraising	380,310		380,310	509,396
<b>Total Expenses</b>	<b>3,682,607</b>	<b>-0-</b>	<b>3,682,607</b>	<b>7,683,791</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$851,236</b>	<b>(\$66,200)</b>	<b>\$785,036</b>	<b>\$544,684</b>

See Auditor's Report and Notes to Financial Statements

OREGON BALLET THEATRE  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021

	PROGRAMS					TOTAL
	PRODUCTIONS	SCHOOL	EDUCATIONAL OUTREACH	MANAGEMENT & GENERAL	FUNDRAISING	
Salaries & Wages	\$1,069,259	\$335,443	\$58,465	\$69,284	\$213,711	\$1,746,162
Space & Studio Rental Fees	238,205	143,874	5,573	10,980	11,382	\$410,014
Fringe Benefits	258,028	37,481	2,158	5,144	28,324	\$331,135
Payroll Tax Expense	108,898	34,540	6,281	7,277	20,690	\$177,686
Merchant & Credit Card Fees	76,684	21,304		1,409	51,341	\$150,738
Depreciation	99,710	38,003	2,523	4,970	5,152	\$150,358
Contracted Services	67,278	13,478	3,851	47,452	3,851	\$135,910
Production Costs	115,075	1,046				\$116,121
Artistic Expenses	97,529	885	3,720		3,507	\$105,641
Utilities	44,148	21,182	2,188	6,507	6,853	\$80,878
Supplies	31,865	7,566	19	1,286	3,637	\$44,373
Marketing	27,516	14,914				\$42,430
Insurance	21,274	10,679	841	1,657	1,718	\$36,169
Scholarships & Assistance		33,203				\$33,203
Bad Debts Expense		5,000			18,993	\$23,993
Accounting & Legal Services	11,065	3,778	1,079	675	1,079	\$17,676
Information Technology	5,878	1,523	526	7,412	1,596	\$16,935
Registrations, Licenses & Permits	2,832	332		9,455	1,045	\$13,664
Equipment & Vehicle Rentals	5,804	2,111	528	1,319	2,111	\$11,873
Repairs and Maintenance	5,892	2,463	194	848	396	\$9,793
Travel	4,962	2,551		1,055		\$8,568
Dues & Subscriptions	625			1,384	2,976	\$4,985
Postage and Delivery	2,123	499	125	366	503	\$3,616
Printing & Copying	2,018	402	100	251	402	\$3,173
Data Storage Fees	1,410	512	128	320	512	\$2,882
Recruitment Costs	673	39		258	530	\$1,500
Interest				1,305		\$1,305
Staff Training & Development	766			305		\$1,071
Bank Service Charges				754	1	\$755
<b>TOTAL EXPENSES</b>	<b>\$2,299,517</b>	<b>\$732,808</b>	<b>\$88,299</b>	<b>\$181,673</b>	<b>\$380,310</b>	<b>\$3,682,607</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, 2021

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>	<i>For Comparative Purposes Only <u>JUNE 30, 2020</u></i>
BALANCE, JUNE 30, 2020	\$4,262,149	\$656,818	\$4,918,967	\$4,374,283
CHANGE IN NET ASSETS	851,236	(66,200)	785,036	544,684
BALANCE, JUNE 30, 2021	<u>\$5,113,385</u>	<u>\$590,618</u>	<u>\$5,704,003</u>	<u>\$4,918,967</u>

See Auditor's Report and Notes to Financial Statements



OREGON BALLET THEATRE  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>June 30, 2021</u>	<i>For Comparative Purposes Only <u>June 30, 2020</u></i>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$785,036	\$544,684
Adjustments to reconcile Excess to net cash provided by operating activities:		
Depreciation	150,358	134,577
Less: Unrealized and Realized Gains on Investments	(184,416)	(26,935)
Decrease in Receivables	439,046	117,795
Decrease / (Increase) in Inventory	3,294	(795)
Decrease in Prepaid expenses	54,280	148,253
Decrease in Deferred Performance Costs	33,485	9,938
Decrease / (Increase) in Security Deposits	5,000	(889)
Increase / (Decrease) in Payables & Accrued Expenses	59,181	(210,593)
Increase / (Decrease) in Credit Card Payable	11,909	(48,326)
(Decrease) in Costume Rental Deposits	(2,330)	(14,920)
(Decrease) / Increase in Ticket Refund Liability	(32,342)	32,342
Increase / (Decrease) in Payroll Liabilities	3,023	(776)
(Decrease) in Deferred Revenue	(296,740)	(256,958)
Net cash provided by operating activities	<u>1,028,784</u>	<u>427,397</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Investments	(3,223,089)	(686,930)
Sales of Investment Proceeds	3,458,263	601,593
Purchase of Sets	(5,250)	-0-
Purchase of Studio Fixtures Equipment	(11,631)	-0-
Net cash provided / (used) by investing activities	<u>218,293</u>	<u>(85,337)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Obtained PPP Small Business Administration Loan	751,798	125,491
Forgiveness criteria met for the Small Business Administration Loans – 1 <sup>st</sup>	(877,289)	-0-
PPP remaining balance \$125,491 and 2 <sup>nd</sup> PPP \$751,798 (see Note 10)		
Paid off credit line	-0-	(245,000)
Monies received earmarked for Artists	3,109	225
Net cash (used) by financing activities	<u>(122,382)</u>	<u>(119,284)</u>
NET CHANGE IN CASH	1,124,695	222,776
CASH AT BEGINNING OF YEAR	426,589	203,813
CASH AT END OF YEAR	<u>\$1,551,284</u>	<u>\$426,589</u>

See Auditor's Report and Notes to Financial Statements

OREGON BALLET THEATRE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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, 2021, 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 accounting principles generally accepted in the United States of America. 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, 2021.

With Donor Restrictions:

All contributions by foundations, organizations, corporate and individuals with restrictions on use that have not been met by June 30, 2021.

OREGON BALLET THEATRE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021  
-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 pledged (or if not pledged, when received). Additionally, grants with conditions are not recognized until the conditions have been met.

Foundations and Trust Grants:

Support from these sources is recognized in the accounting period in which the grants are pledged (or if not pledged, when received). Additionally, contributions with conditions are not recognized until the conditions have been met.

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). Additionally, contributions with conditions are not recognized until the conditions have been met.

Earned Revenue

Revenue from school income, ticket sales, outreach income, warehouse income, boutique & concession income, ticket handling income and costumes income are recognized in the accounting period during which the revenues are earned in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). See Note 1(L).

Investment Income

Revenue from this source is recognized in the accounting period during which revenues are earned in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). See Note 13.

(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

See Auditor's Report

OREGON BALLET THEATRE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021  
-continued-

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

(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, student perform series, marketing banners, and costume shop 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, 2021.

The receivables for OBT are expected to be collected as follows as of June 30, 2021:

	<u>Grants Receivable</u>	<u>Pledges Receivable</u>	<u>Other Receivables</u>	<u>TOTAL</u>
Due within one year	\$199,000	\$87,733	\$18,850	\$305,583
Due in two to five years	25,000	35,000	-0-	60,000
Total Receivable balances	\$224,000	\$122,733	\$18,850	\$365,583

(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, 2021, 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 if the statute of limitations has expired.

(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.

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OREGON BALLET THEATRE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021  
-continued-

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

(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 11).

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 one financial institution whose balances are insured by the Federal Deposit Insurance Corporation (FDIC) within limits. Accounts at a single institution are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Periodically, bank account balances may exceed FDIC coverage. OBT's uninsured cash and cash equivalents at June 30, 2021 is \$1,301,283. No credit risk is expected from uninsured deposits.

See Auditor's Report

OREGON BALLET THEATRE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021  
-continued-

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

(L) New Accounting Standard:

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

Additionally, effective January 1, 2020 the Organization adopted Accounting Standards Codification (ASC) 606. *Revenue from Contracts with Customers*, which introduces a new core principle that requires organizations to approach revenue recognition in a new way. The focus of ASC 606 is on the transfer of control and requires that the entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that they expect to be entitled to in exchange. ASC 606 provides a five-step framework for organizations to determine the amount and timing of revenue recognition:

- Identify the contract(s) with the customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations.
- Recognize revenue when (or as) the entity satisfies a performance obligation.

The Organization has earned revenue resulting from school income, ticket sales, outreach income, warehouse income, boutique & concession income, costumes income, and ticket handling fees. For the year ended June 30, 2021, the earned revenue listed above has been recognized following the five-step framework detailed above.

After a detailed evaluation by the Organization, it was determined that the adoption of ASU 2018-08 and ASC 606 do not result in a materially different revenue recognition as compared to previous accounting standards.

(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 12, 2021, 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, 2021, 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, 2021  
-continued-

NOTE 2: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following represents Oregon Ballet Theatre’s financial assets at June 30, 2021:

Financial assets at year-end, net of current liabilities:	
Cash and cash equivalents	\$1,551,284
Investments	4,098,212
Grants Receivable – Short-Term	199,000
Pledges Receivable – Short-Term	87,733
Other Receivables	18,850
Inventory	66,767
Prepaid Expenses	42,575
Less: Current Liabilities	<u>(690,222)</u>
Total financial assets, net of current liabilities	5,374,199
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 8	
Tessitura software equipment	(115,000)
To sustain future programs – Endowment	<u>(65,023)</u>
	<u>(180,023)</u>
Financial assets available to meet cash needs for general expenditures over the next twelve months	<u>\$5,194,176</u>

Oregon Ballet Theatre’s goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$664,016). 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.

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NOTE 3: 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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U. S. Corporate Bonds – Investment Grade	\$2,407,204		
Developed International Equities & Bonds	321,157		
U.S. Treasury Notes & Bonds	678,068		
Large Cap	490,696		
Preferred Securities	100,477		
U.S. Corporate Bonds – Non-Investment Grade	100,610		
Total Investments	<u>\$4,098,212</u>	<u>\$-0-</u>	<u>\$-0-</u>

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NOTE 4: LONG-TERM FIXED ASSETS

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. At June 30, 2021, the value of such assets is as follows:

Furniture and Equipment	\$694,610
Building and Improvements	589,822
Sets	497,850
Costumes	437,480
Less: Accumulated Depreciation	<u>(2,025,396)</u>
Total Long-Term Fixed Assets	
At Cost, less Accumulated Depreciation	<u>\$194,366</u>

NOTE 5: DEFERRED PERFORMANCE COSTS

Deferred Performance Costs represent costs incurred in FY 21 that are related to future performances. These amounts are detailed below for the year ended June 30, 2021:

Costume & Set Costs (Includes Supplies, Labor Payroll, & Artistic Expenses - Costume & Scenery Designers)	\$23,863
Artistic Expenses - Choreography	19,000
Artistic Expenses – Music Rights & Royalties	<u>17,000</u>
Total Deferred Performance Costs	<u>\$59,863</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.

NOTE 6: 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 sales for the next year’s performance season. These amounts are detailed below for the year ended June 30, 2021:

Summer School Tuition	\$245,543
2021/2022 Season Subscription Sales	170,236
2021/2022 Ticket Sales	<u>59,492</u>
Total Deferred Revenue	<u>\$475,271</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 7: 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, 2021, there is a zero balance for the Line of Credit.

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NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2021:

Tessitura software equipment FY 2022 to 2023	140,000
General Operating Support for FY 2022	100,000
To sustain future programs – Endowment (See Note 9)	65,023
Improvement, expansion and promotion of the visitor industry	50,000
To support storytelling through dance and beyond ballet summer programming	40,000
Scholarships for male students for FY 2023 to FY 2024	35,000
The Nutcracker	30,000
OBT2 Education and Apprenticeship Program	27,095
OBT Live	25,000
To benefit “Dance Matters”	20,000
Scholarships for male students for FY 2022	20,000
Equity Investment	14,200
Education and Community Engagement Outreach	12,500
OBT’s Learn about Ballet	4,000
Share the Wonder	2,700
James Canfield Dance	2,500
IQ for Kids	1,500
School Shoes	1,000
For use underwriting prizes for school fundraisers	100
Total Net assets with donor restrictions	<u><u>\$590,618</u></u>

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NOTE 9: 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, 2021. Changes in endowment net assets for the year ended June 30, 2021 are as follows:

Endowment net assets – beginning of year	\$64,023
Contributions	1,000
Endowment net assets – end of year	\$65,023

As of June 30, 2021, 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 10: SMALL BUSINESS ADMINISTRATION INCOME

Paycheck Protection Program loans

On March 27, 2020, the Coronavirus Aid, Relief and Economic Act (“the Act”) was enacted. The Act provided relief to small businesses and nonprofit organizations through the creation of the Paycheck Protection Program (“PPP”). Provided certain criteria are met, the loans and all accrued interest are to be forgiven. Amounts forgiven, or likely to be forgiven, are recognized as government grant revenue when these criteria are met.

In the prior fiscal year, OBT received a PPP loan during the 1<sup>st</sup> round of loan disbursements in an amount of \$794,394 of which \$668,903 was previously recognized as revenue in FY 2020, based on criteria being met. In FY 2021, OBT expended the remaining balance of \$125,491 in accordance with PPP forgiveness criteria, from the 1<sup>st</sup> PPP loan for covered expenditures related to payroll. The 1<sup>st</sup> PPP loan was officially forgiven in total on July 8, 2021.

On April 5, 2021, OBT obtained a 2nd PPP loan in the amount of \$751,798, all of which may be forgivable if certain criteria are met. The loan has a fixed interest rate of 1% and matures on April 5, 2023. Based on available guidance from the federal government at the time of this report, it is likely that this loan and all accrued interest will be forgiven during the next fiscal year.

For the year ended June 30, 2021, OBT had used all of the 2<sup>nd</sup> PPP loan amount of \$751,798 and the remainder of the 1<sup>st</sup> PPP loan amount of \$125,491 for a grand total of \$877,289. Forgiveness criteria had been met on this entire amount during FY 2021. Therefore, all \$877,289 is shown on the Statement of Activities as part of government grants. All PPP income was spent on allowable expenditures including Salaries and Wages, Health & Life Insurance, Rent, Cam charges, and Utilities.

NOTE 11: IN-KIND CONTRIBUTIONS

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

Contracted Services	<u>\$18,105</u>
Total In-Kind Contributions	<u>\$18,105</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 Happening*, coincided with our production of *OBT Live*, and was held outdoors at the *Jordan Schnitzer Care Summerstage* at OMSI-North Parking Lot in June of 2021. The event was attended by over 160 guests including a sit-down dinner at a local restaurant and a performance of *OBT Live* by OBT's company and school dancers. 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	\$272,269
Ticket Sales	78,343
Auction Sales	65,739
Sponsorships	53,200
Donated Goods & Services	44,770
Total Gala Income	514,321
 <u>Gala Expenses</u>	
Auction Items	38,266
Contracted Services	37,837
Catering	29,320
Equipment Rentals	14,950
Supplies	7,824
Printing & Postage	388
Total Expenses	128,585
 Special Event Income, Net of Expenses	\$385,736

NOTE 13: INVESTMENT INCOME, NET OF COSTS

In accordance with generally accepted accounting principles, the investment income is shown net of costs on the Statement of Activities and is detailed below:

Unrealized Investment Gain	\$129,949
Realized Investment Gain	54,467
Dividend and Interest	102,967
Investment Costs	(16,416)
Total Investment Income, Net of Costs	\$270,967

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NOTE 14: LEASE AGREEMENTS

A) Warehouse & Storage Space Lease

On September 1, 2021, OBT renewed the 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, 2021 and expires on August 31, 2024. The prior lease agreement that ended on August 31, 2021 required a monthly rental of \$7,100 and is included as part of the future minimum lease obligations below. The monthly rental payments for the current operating lease are as follows:

<u>Months</u>	<u>Rent Amount</u>
September 1, 2021 to August 31, 2022	\$7,300
September 1, 2022 to August 31, 2023	7,600
September 1, 2023 to August 31, 2024	7,900

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 April 28, 2021, OBT entered into an operating lease agreement with Quadient Leasing USA, Inc. for a postage meter. The lease term is 63 months with a monthly payment of \$198.88.

D) 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</u>	<u>RSF</u>
	<u>Amount</u>	
Months 63 -72	20,230.37	17.39
Months 72 - 84	20,835.30	17.91
Months 85 - 87	21,463.50	18.45

Total minimum future commitments under these above leases as of June 30, 2021 are as follows:

<u>For the year ended:</u>	
June 30, 2022	345,566
June 30, 2023	206,795
June 30, 2024	101,473
June 30, 2025	18,187
June 30, 2026	2,387
thereafter	1,392
Total Future Minimum Lease Obligations	\$675,800

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