

**OREGON BALLET THEATRE**  
**AUDITED BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(WITH AUDITOR'S REPORT THEREON)**

OREGON BALLET THEATRE  
PORTLAND, OREGON  
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JUNE 30, 2024

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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, 2024, 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, 2024, 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 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, 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 20, 2024

OREGON BALLET THEATRE  
 PORTLAND, OREGON  
 STATEMENT OF FINANCIAL POSITION  
 JUNE 30, 2024

<u>ASSETS</u>	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>	<i>For Comparative Purposes Only JUNE 30, 2023</i>
<b>CURRENT ASSETS:</b>				
Cash and Cash Equivalents	\$2,457,784	\$127,327	\$2,585,111	\$2,903,292
Investments	5,231,819		5,231,819	4,586,001
Grants Receivable – Short-Term	376,775	330,000	706,775	279,400
Pledges Receivable – Short-Term	18,441	72,500	90,941	96,893
Other Receivables	34,276		34,276	25,003
Inventory	78,976		78,976	53,575
Prepaid Expenses	220,890		220,890	275,336
<b>Total Current Assets</b>	<b>8,418,961</b>	<b>529,827</b>	<b>8,948,788</b>	<b>8,219,500</b>
<b>LONG-TERM FIXED ASSETS:</b>				
Long-Term Fixed Assets	2,419,324		2,419,324	2,356,714
Less: Accumulated Depreciation	(2,286,068)		(2,286,068)	(2,236,667)
<b>Total Long-Term Fixed Assets, net</b>	<b>133,256</b>	<b>-0-</b>	<b>133,256</b>	<b>120,047</b>
<b>OTHER ASSETS:</b>				
Pledges Receivable – Long-Term	3,440		3,440	2,235
Grants Receivable – Long-Term		250,000	250,000	-0-
Security Deposit	28,964		28,964	22,664
Right-of-Use Assets, net of amortization	1,724,790		1,724,790	2,078,231
Deferred Performance Costs	32,500		32,500	34,333
<b>Total Other Assets</b>	<b>1,789,694</b>	<b>250,000</b>	<b>2,039,694</b>	<b>2,137,463</b>
<b>TOTAL ASSETS</b>	<b>\$10,341,911</b>	<b>\$779,827</b>	<b>\$11,121,738</b>	<b>\$10,477,010</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts Payable and Accrued Expenses	\$257,748		\$257,748	\$316,008
Credit Card Payable	18,808		18,808	19,499
Payroll Liabilities	3,091		3,091	3,660
Costume Rental Deposits	-0-		-0-	640
Lease Liabilities – Current Portion	260,866		260,866	320,436
Deferred Revenue	1,016,007		1,016,007	1,008,471
Line of Credit	-0-		-0-	100,000
<b>Total Current Liabilities</b>	<b>1,556,520</b>	<b>-0-</b>	<b>1,556,520</b>	<b>1,768,714</b>
<b>LONG-TERM LIABILITIES:</b>				
Lease Liabilities – Long-Term Portion	1,530,854		1,530,854	1,791,719
Fiscal Agency Payable – Artist Fund	23,237		23,237	25,216
<b>Total Long-Term Liabilities</b>	<b>1,554,091</b>	<b>-0-</b>	<b>1,554,091</b>	<b>1,816,935</b>
<b>NET ASSETS:</b>				
Without Donor Restrictions – Board designated	5,297,763		5,297,763	4,941,486
Without Donor Restrictions – Undesignated	1,933,537		1,933,537	1,519,712
With Donor Restrictions		779,827	779,827	430,163
<b>Total Net Assets</b>	<b>7,231,300</b>	<b>779,827</b>	<b>8,011,127</b>	<b>6,891,361</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$10,341,911</b>	<b>\$779,827</b>	<b>\$11,121,738</b>	<b>\$10,477,010</b>

See Auditor's Report and Notes to Financial Statement

OREGON BALLET THEATRE  
 PORTLAND, OREGON  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2024

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>	<i>For Comparative Purposes Only JUNE 30, 2023</i>
<b>PUBLIC SUPPORT &amp; REVENUE:</b>				
Public Support:				
Foundation and Trust Grants	\$1,127,674	637,500	\$1,765,174	594,500
Individual Contributions	761,362	60,563	821,925	593,726
Government Grants	477,186	65,098	542,284	\$1,021,103
Special Events Income, Net of Costs	400,722	25,000	425,722	296,326
In-Kind Contributions	114,327		114,327	115,955
Corporate Contributions	43,701	22,741	66,442	54,097
Net Assets, Restrictions Met	461,238	(461,238)		
Total Public Support	<u>3,386,210</u>	<u>349,664</u>	<u>3,735,874</u>	<u>2,675,707</u>
 Other Revenue:				
Ticket Sales	4,322,095		4,322,095	3,368,531
School Income	1,536,993		1,536,993	1,526,455
Ticket Handling Fee Income	416,391		416,391	244,598
Investment Gains, Net of Costs	463,187		463,187	259,719
Boutique & Concession, Net of Costs	110,216		110,216	56,939
Warehouse Income, Net of Costs	50,975		50,975	50,769
Outreach Income	61,443		61,443	46,259
Touring Income	27,221		27,221	3,500
Sets & Costumes Rental Income	4,265		4,265	38,747
Space Rental Income	3,033		3,033	2,787
Miscellaneous Income	1,609		1,609	6,051
Interest Income from Federal Covid Related Tax Credits	-0-		-0-	46,622
Total Other Revenue	<u>6,997,428</u>	<u>-0-</u>	<u>6,997,428</u>	<u>5,650,977</u>
Total Public Support and Revenue	<u>10,383,638</u>	<u>349,664</u>	<u>10,733,302</u>	<u>8,326,684</u>
 <b>EXPENSES:</b>				
Programs:				
Productions	6,955,766		6,955,766	6,244,975
School	1,470,931		1,470,931	1,284,416
Education & Community Engagement	202,246		202,246	181,012
Total Programs	<u>8,628,943</u>	<u>-0-</u>	<u>8,628,943</u>	<u>7,710,403</u>
Management & General	423,603		423,603	508,932
Fundraising	560,990		560,990	458,240
Total Expenses	<u>9,613,536</u>	<u>-0-</u>	<u>9,613,536</u>	<u>8,677,575</u>
 CHANGES IN NET ASSETS	 <u>\$770,102</u>	 <u>\$349,664</u>	 <u>\$1,119,766</u>	 <u>(\$350,891)</u>

See Auditor's Report and Notes to Financial Statements

OREGON BALLET THEATRE  
 PORTLAND, OREGON  
 STATEMENT OF FUNCTIONAL EXPENSES  
 FOR THE YEAR ENDED JUNE 30, 2024

	PROGRAMS					TOTAL
	PRODUCTIONS	SCHOOL	EDUCATION & COMMUNITY ENGAGEMENT	MANAGEMENT & GENERAL	FUNDRAISING	
Salaries & Wages	\$2,684,825	\$642,077	\$134,381	\$222,302	\$277,259	\$3,960,844
Artistic Expenses	800,574	15,205	175			815,954
Production Costs	704,729	10,807			7,725	723,261
Fringe Benefits	521,911	51,455	11,564	11,403	19,168	615,501
Merchant & Credit Card Fees	444,123	44,941	1,002	5,308	7,873	503,247
Space & Studio Rental Fees	323,327	113,255	8,488	16,725	17,336	479,131
Marketing	404,248	51,829	394		481	456,952
Payroll Tax Expense	289,990	66,562	14,368	22,348	28,956	422,224
Contracted Services	183,520	38,851	2,745	54,647	141,645	421,408
Supplies	186,702	41,604	3,158	4,349	20,028	255,841
Scholarships & Assistance		138,541				138,541
Summer Housing		131,280				131,280
Travel	88,986	22,358	7,464	5,162	1,956	125,926
Equipment & Vehicle Rentals	87,822	9,130	1,839	1,839	3,701	104,331
Utilities	59,691	23,387	4,833	7,665	6,318	101,894
Insurance	62,009	14,204	1,102	2,170	2,250	81,735
Depreciation	30,248	15,290	771	1,519	1,574	49,402
Postage & Delivery	38,737	1,860	573	4,529	573	46,272
Accounting & Legal Services	4,967		100	33,065		38,132
Information Technology	15,072	6,956	4,637	5,011	4,637	36,313
Registrations, Licenses & Permits	5,313	2,654	2,204	12,088	7,778	30,037
Recruitment Costs	5,099	6,819	363	1,900	1,648	15,829
Printing & Copying	3,193	645	304	632	8,097	12,871
Staff Training & Development	1,439	7,138	541	1,047	759	10,924
Repairs & Maintenance	5,056	3,852	183	1,235	374	10,700
Miscellaneous		8,950				8,950
Dues & Subscriptions	780		203	6,521		7,504
Data Storage Fees	3,405	1,281	854	854	854	7,248
Interest				1,284		1,284
<b>TOTAL EXPENSES</b>	<b>\$6,955,766</b>	<b>\$1,470,931</b>	<b>\$202,246</b>	<b>\$423,603</b>	<b>\$560,990</b>	<b>\$9,613,536</b>

See Auditor's Report and Notes to Financial Statements

OREGON BALLET THEATRE  
 PORTLAND, OREGON  
 STATEMENT OF CHANGES IN NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2024

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>	<i>For Comparative Purposes Only <u>JUNE 30, 2023</u></i>
BALANCE, JUNE 30, 2023	\$6,461,198	\$430,163	\$6,891,361	\$7,242,252
CHANGES IN NET ASSETS	770,102	349,664	1,119,766	(350,891)
BALANCE, JUNE 30, 2024	<u>\$7,231,300</u>	<u>\$779,827</u>	<u>\$8,011,127</u>	<u>\$6,891,361</u>

See Auditor's Report and Notes to Financial Statements



OREGON BALLET THEATRE  
 PORTLAND, OREGON  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2024

	<u>June 30, 2024</u>	<i>For Comparative Purposes Only June 30, 2023</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in Net Assets	\$1,119,766	(\$350,891)
Adjustments to reconcile Excess / Deficiency to net cash provided / (used) by operating activities:		
Amortization of Right-of-Use Assets	353,441	228,983
Depreciation	49,402	76,279
Add: Bond Premium Amortization and Accrued Interest Premium	17,473	32,529
Less: Unrealized and Realized Gains on Investments	(220,629)	(152,563)
Less: Donations of Stock	-0-	(26,290)
(Increase) / Decrease in Receivables	(681,901)	4,919
(Increase) / Decrease in Inventory	(25,401)	4,296
Decrease / (Increase) in Prepaid expenses	54,446	(57,559)
Decrease in Deferred Performance Costs	1,833	834
(Increase) / Decrease in Security Deposits	(6,300)	2,171
(Decrease) / Increase in Accounts Payables & Accrued Expenses	(58,260)	59,991
(Decrease) / Increase in Credit Card Payable	(691)	8,737
(Decrease) in Costume Rental Deposits	(640)	(610)
(Decrease) / Increase in Payroll Liabilities	(569)	2,250
Increase in Deferred Revenue	7,536	30,453
Reduction of Lease Liabilities	(320,435)	(195,060)
(Decrease) / Increase in Fiscal Agency Payable	(1,979)	458
Net cash provided / (used) by operating activities	<u>287,092</u>	<u>(331,073)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of Securities	(3,433,115)	(4,914,782)
Sales of Securities	2,990,453	4,682,080
Purchase of Computer Equipment in FY 2024 and FY 2023	(4,466)	(30,526)
Purchase of Sets in FY 2024 and FY 2023	(12,500)	(13,870)
Purchase of Studio Fixtures Equipment in FY 2024 and FY 2023	(5,606)	(8,747)
Purchased New Website in FY 2024	(26,800)	-0-
Purchased Furniture and Equipment in FY 2024	(8,042)	-0-
Purchase of Design Productions in FY 2024	(5,197)	-0-
Net cash (used) by investing activities	<u>(505,273)</u>	<u>(285,845)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
(Decrease) / Increase in Line of Credit	<u>(100,000)</u>	<u>100,000</u>
Net cash (used) / provided by financing activities	<u>(100,000)</u>	<u>100,000</u>
<b>NET CHANGE IN CASH</b>	<b>(318,181)</b>	<b>(516,918)</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>2,903,292</b>	<b>3,420,210</b>
<b>CASH AT END OF YEAR</b>	<b><u>\$2,585,111</u></b>	<b><u>\$2,903,292</u></b>

See Auditor's Report and Notes to Financial Statements

OREGON BALLET THEATRE  
PORTLAND, OREGON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

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, 2024, 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) **Education & Community Engagement** – Participation in Young Audiences and other programs through the 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 the 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 that either have no imposed restrictions on use or whose restrictions have been met by June 30, 2024.

With Donor Restrictions:

All contributions by foundations, organizations, corporations, and individuals with restrictions on use that have not been met by June 30, 2024. A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration of the time and/or purpose of the restrictions, donor restricted net assets are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

See Auditor's Report

OREGON BALLET THEATRE  
PORTLAND, OREGON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024  
-continued-

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

(C) Support and Revenues:

OBT recognizes the contributions and exchange transactions based on the FASB 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 provide guidance to organizations on how to account for certain exchange transactions. Also, ASU 2018-08 clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional.

Additionally, effective January 1, 2020, the Organization adopted Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* and recognized exchange transactions following the five-step framework listed below which was used 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 Support and Revenue for OBT are as follows:

Federal, State, and Local Government Grants (Contributions):

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 (Contributions):

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:

Support from these sources 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 (Exchange Transactions):

Revenue from ticket sales, school income, ticket handling fees, boutique & concession income, outreach income, warehouse house income, space rental income, touring income, and costumes income are all recognized in the accounting period during which the revenues are earned in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

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 14)

See Auditor's Report

OREGON BALLET THEATRE  
 PORTLAND, OREGON  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2024  
 -continued-

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

(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 consist of uncollected grant awards. Pledges receivable consist of pledged promises to give made by individuals and corporate donors. Other receivables consist of unpaid school tuition, unpaid summer intensive tuition and housing, unpaid warehouse projects, and unpaid payroll tax refunds. 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 that 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 the collectability of the receivables, no allowance for doubtful accounts was recorded for the year ended June 30, 2024.

The receivables for OBT are expected to be collected as follows as of June 30, 2024:

	<u>Grants</u> <u>Receivable</u>	<u>Pledges</u> <u>Receivable</u>	<u>Other</u> <u>Receivables</u>	<u>TOTAL</u>
Due within one year	\$706,775	\$90,941	\$34,276	\$831,992
Due in two to five years	250,000	3,440	-0-	253,440
Total Receivable balances	\$956,775	\$94,381	\$34,276	\$1,085,432

(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.

See Auditor’s Report

OREGON BALLET THEATRE  
PORTLAND, OREGON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024  
-continued-

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

(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 that 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, 2024, 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 on 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.

(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 12)

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  
 PORTLAND, OREGON  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2024  
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NOTE 1: ORGANIZATION, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(L) Evaluation of Subsequent Events:

OBT entered into a new lease agreement with Joseph R Josephs, LLC on September 1, 2024. The operating lease agreement is from September 1, 2024 to August 31, 2027 with a total lease commitment of \$318,000.

Management considered all events through October 20, 2024, the date the financial statements were available for release, in preparing the financial statements and the related disclosures. There is one subsequent event of the lease agreement detailed in the preceding paragraph and management is not aware of any other significant events that occurred subsequent to June 30, 2024, but prior to the issuance of this report, that would have a material impact on the financial statements.

NOTE 2: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following represents Oregon Ballet Theatre’s financial assets at June 30, 2024:

Financial assets at year-end, net of current liabilities:	
Cash and cash equivalents	\$2,585,111
Investments	5,231,819
Grants Receivable – Short-Term	706,775
Pledges Receivable – Short-Term	90,941
Other Receivables	34,276
Inventory	78,976
Prepaid Expenses	220,890
Less: Current Liabilities	<u>(1,556,520)</u>
Total financial assets, net of current liabilities	7,392,268
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 10	
General Operating Support for FY 2026	(250,000)
To sustain future programs – Endowment	<u>(65,023)</u>
	<u>(315,023)</u>
Financial assets available to meet cash needs for general expenditures over the next twelve months	<u><u>\$7,077,245</u></u>

Oregon Ballet Theatre’s goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$2,416,000). 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 establish the 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 the liquidity profile of that asset.

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Treasury Notes	\$2,990,495		
U.S. Mid and Large Capitalization Equities	742,957		
Large Cap	731,935		
Small Cap	335,897		
Other Fixed Income	218,493		
International Equities	212,042		
Total Investments	<u>\$5,231,819</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, 2024, the value of such assets is as follows:

Furniture and Equipment	\$858,302
Building and Improvements	599,322
Sets	524,220
Costumes	437,480
Less: Accumulated Depreciation	<u>(2,286,068)</u>
Total Long-Term Fixed Assets	
At Cost, less Accumulated Depreciation	<u><u>\$133,256</u></u>

NOTE 5: RIGHT-OF-USE ASSETS AND LEASE LIABILITIES:

(A) Office Space Lease:

On January 1, 2023, OBT amended the operating lease agreement with Portland Homes for office space located at 720 SW Bancroft Street, Portland, Oregon consisting of 13,876 rentable square feet. The lease term has been extended for 89 months commencing on January 1, 2023, and ending on May 31, 2030. The initial base monthly rent for the lease extension was calculated at the initial rate of \$22.00 per square foot per year which will then escalate by 3% annually on January 1 of each year of the lease extension period. There is a rent abatement for the following months: January 2023, January 2024, January 2025, January 2026, and January 2027 as long as OBT is not in default of the lease agreement. Each year the monthly rent increases as follows:

<u>Months</u>	<u>Monthly Rent Amount</u>	<u>Rate per Square Foot</u>
Months 1-12	\$25,439.33	\$22.00
Months 13-24	26,202.51	22.66
Months 25-36	26,988.59	23.34
Months 37-48	27,798.25	24.04
Months 49-60	28,632.19	24.76
Months 61-72	29,491.16	25.50
Months 73-84	30,375.89	26.27
Months 85-89	31,287.17	27.06

The Organization adopted ASC 842 and recognized a right-of-use asset (the office space) and a corresponding lease liability for the operating lease associated with the use of the office space. Using a 3.625 % discount rate, the net present value of the lease was \$2,055,777. The discount rate was based on the United States Treasury rate for 7 1/2-year treasury notes on January 3, 2023. The right-of-use asset of \$2,055,777 is being amortized over 89 months. For the year ended June 30, 2024, the right-of-use asset is \$1,676,286 as shown on the Statement of Financial Position as part of Right-of-Use assets under Other Assets.



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NOTE 5: RIGHT-OF-USE ASSETS AND LEASE LIABILITIES – (continued):

(A) Office Space Lease-continued:

The lease liability of \$2,055,777 will be paid over the 89-month period with an effective interest rate of 3.625%. Under ASC 842 both the interest portion of the lease liability and the amortization of the right-of-asset are considered rent expense. For the year ended June 30, 2024, the rent expense for the office space lease extension was \$318,271 which is shown on the Statement of Functional Expenses as part of Space & Studio Fees. The lease liability of \$1,742,847 is shown on the Statement of Financial Position in two places: (1) the current portion of \$232,822 is in the current liabilities, and (2) the long-term portion of \$1,510,025 is in the long-term liabilities.

The cash requirements for the office lease for the next 6 years are as follows:

<u>Year ended</u>	<u>Payment Amount</u>	<u>Discount</u>	<u>Lease Liability</u>
June 30, 2025	292,158	59,336	232,822
June 30, 2026	300,923	50,607	250,316
June 30, 2027	309,950	41,229	268,721
June 30, 2028	348,740	30,721	318,019
June 30, 2029	359,202	18,825	340,377
Thereafter	338,692	6,100	332,592
	<u>\$1,949,665</u>	<u>\$206,818</u>	<u>\$1,742,847</u>

(B) 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.

The Organization adopted ASC 842 and recognized a right-of-use asset (postage meter) and a lease liability for the operating lease associated with the use of the postage meter. Using a 3 % discount rate, the net present value of the lease was \$9,184. The discount rate was based on the United States Treasury rate for a 49-month treasury note on July 1, 2022. The right-of-use asset of \$9,184 is being amortized over 49 months. For the year ended June 30, 2024, amortization expense amounted to \$2,206. The right-of-use asset for the postage meter, net of amortization, of \$4,814 is shown on the Statement of Financial Position as part of Right-of-Use assets.

The lease liability of \$9,184 will be paid over the 49-month period with an effective interest rate of 3%. Under ASC 842 both the interest portion of the lease liability and the amortization of the right-of-asset are considered rent expense. For the year ended June 30, 2024, the equipment rental expense was \$2,500 and is shown on the Statement of Functional Expenses as part of Equipment & Vehicle rentals. The lease liability of \$4,814 is shown on the Statement of Financial Position in two places: (1) the current portion of \$2,273 is in the current liabilities, and (2) the long-term portion of \$2,541 is in the long-term liabilities.

The cash requirements for the postage meter lease for the next 26 months are as follows:

<u>Year ended</u>	<u>Payment Amount</u>	<u>Discount</u>	<u>Lease Liability</u>
June 30, 2025	2,387	114	2,273
June 30, 2026	2,387	44	2,343
June 30, 2027	199	1	198
	<u>\$4,973</u>	<u>\$159</u>	<u>\$4,814</u>

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NOTE 5: RIGHT-OF-USE ASSETS AND LEASE LIABILITIES – (continued):

(C) Copier Lease:

On March 31, 2022, 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 \$895.

The Organization adopted ASC 842 and recognized a right-of-use asset (the copier) and a lease liability for the operating lease associated with the use of the copier. Using a 3% discount rate, the net present value of the lease was \$47,610. The discount rate was based on the United States Treasury rate for a 57-month treasury note on July 1, 2022. The right-of-use asset of \$47,610 is being amortized over 57 months. For the year ended June 30, 2024, amortization expense amounted to \$9,732. The right-of-use asset for the copier lease, net of amortization, of \$28,316 is shown on the Statement of Financial Position as part of Right-of-Use assets under Other Assets.

The lease liability of \$47,610 will be paid over the 57-month period with an effective interest rate of 3%. Under ASC 842 both the interest portion of the lease liability and the amortization of the right-of-asset are considered rent expense. For the year ended June 30, 2024, the copier equipment rental expense was \$11,735 and is shown on the Statement of Functional Expenses as part of Equipment & Vehicle Rentals. For the year ended June 30, 2024, the lease liability of \$28,316 is shown on the Statement of Financial Position in two places: (1) the current portion of \$10,028 is in the current liabilities, and (2) the long-term portion of \$18,288 is in the long-term liabilities.

The cash requirements for the copier lease for the next 3 years are as follows:

<u>Year ended</u>	<u>Payment Amount</u>	<u>Discount</u>	<u>Lease Liability</u>
June 30, 2025	10,740	712	10,028
June 30, 2026	10,740	408	10,332
June 30, 2027	8,056	100	7,956
	\$29,536	\$1,220	\$28,316

(D) Warehouse & Storage 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 monthly rental payments for the current operating lease are as follows:

<u>Months</u>	<u>Rent Amount</u>
September 1, 2023 to August 31, 2024	7,900

The Organization adopted ASC 842 and recognized a right-of-use asset (warehouse and storage space) and a lease liability for the operating lease associated with the use of the warehouse and storage space. Using a 2.875% discount rate, the net present value of the lease was \$194,644. The discount rate was based on the United States Treasury rate for a 2-year 2-month treasury note on July 1, 2022. The right-of-use asset of \$194,644 is being amortized over 26 months. For the year ended June 30, 2024, amortization expense amounted to \$90,681. The right-of-use asset for the warehouse and storage space lease, net of amortization, of \$15,374 is shown on the Statement of Financial Position as part of Right-of-Use assets under Other Assets.

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NOTE 5: RIGHT-OF-USE ASSETS AND LEASE LIABILITIES – (continued):

(D) Warehouse & Storage Lease-continued:

The lease liability of \$194,644 will be paid over the 26-month period with an effective interest rate of 2.875%. Under ASC 842 both the interest portion of the lease liability and the amortization of the right-of-asset are considered rent expense. For the year ended June 30, 2024, the warehouse and storage space rental expense was \$92,585 and is shown on the Statement of Functional Expenses as part of Space & Studio Rental Fees. For the year ended June 30, 2024, the lease liability of \$15,743 is shown on the Statement of Financial Position in the current portion of the current liabilities.

The cash requirements for the warehouse and storage space lease for the next year is as follows:

<u>Year ended</u>	<u>Payment Amount</u>	<u>Discount</u>	<u>Lease Liability</u>
June 30, 2025	\$15,800	\$57	\$15,743
	<u>\$15,800</u>	<u>\$57</u>	<u>\$15,743</u>

(E) Summary of all Right-of-Use Assets and Lease Liabilities:

Total Right-of-Use Assets, net of amortization expense, for these above leases as of June 30, 2024, are as follows:

<u>Right-of-Use Assets, net of amortization expense:</u>	
Office Space (see 5A above)	\$1,676,286
Postage Meter (see 5B above)	4,814
Copier (see 5C above)	28,316
Warehouse & Storage Space (see 5D above)	15,374
Total Right-of-Use Assets, net of amortization expense	<u>\$1,724,790</u>

Total Current portion of the Lease Liabilities for these above leases as of June 30, 2024, are as follows:

<u>Current Portion of the Lease Liabilities:</u>	
Office Space (see 5A above)	\$232,822
Postage Meter (see 5B above)	2,273
Copier (see 5C above)	10,028
Warehouse & Storage Space (see 5D above)	15,743
Total Current Portion of the Lease Liabilities	<u>\$260,866</u>

Total Long-Term portion of the Lease Liabilities for these above leases as of June 30, 2024, are as follows:

<u>Long-Term portion of the Lease Liabilities:</u>	
Office Space (see 5A above)	\$1,510,025
Postage Meter (see 5B above)	2,541
Copier (see 5C above)	18,288
Warehouse & Storage Space (see 5D above)	-0-
Total Long-Term Portion of the Lease Liabilities	<u>\$1,530,854</u>

Total Lease Liabilities including both the Current & Long-Term Portion are \$1,791,720 as of June 30, 2024.

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NOTE 6: DEFERRED PERFORMANCE COSTS:

Deferred Performance Costs represent costs incurred in fiscal year (FY) 2024 that are related to future performances. These amounts are detailed below for the year ended June 30, 2024:

Artistic Expenses – License Fees	\$32,500
Total Deferred Performance Costs	\$32,500

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 7: DEFERRED REVENUE:

Deferred revenue represents amounts collected in advance for summer school tuition, season subscription sales for the next year’s performance season, tickets on account for the next year’s performance season, ticket sales for the next year’s performance season, gift certificates for FY 2024 and pointe passes for FY 2024. These amounts are detailed below for the year ended June 30, 2024:

Summer School Tuition	\$505,310
2024/2025 Season Subscription Sales	458,587
FY 2025 Tickets on Account	33,324
FY 2025 Pointe Passes	11,750
FY 2025 Gift Certificates	6,236
FY 2025 Other Rental	800
Total Deferred Revenue	\$1,016,007

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.

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NOTE 8: FISCAL AGENCY PAYABLE – ARTIST FUND:

Oregon Ballet Theatre has an Artist Fund which is intended to support artists (dancers and stage managers) during their career transitions when they retire from the ballet. Through an application process, the retiring or retired artist may apply for scholarship awards supporting college tuition, other educational fees, or costs to start a new business thus helping the Artists with the important next steps in their career. The fund consists of artist payroll contributions, company matches, and contributed cash gifts from donors to the Artist Fund.

In accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), these activities are considered agency transactions and are therefore recorded using a Fiscal Agency Payable account. The account is increased when assets are received from artist payroll contributions, company matches, and contributed cash gifts from donors and decreased when assets are disbursed. For the year ended June 30, 2024, the ending balance in the Fiscal Agency Payable account is \$25,216 and the activity is detailed below:

	Fiscal Agency Payable, Beginning	Artist Payroll Contributions, Company Matches & Contributed Cash Gifts from Donors	Disbursements	Fiscal Agency Payable, Ending
	<u>Balance</u>			<u>Balance</u>
Artist Fund	\$25,216	\$13,752	(\$15,731)	\$23,237
Total	<u>\$25,216</u>	<u>\$13,752</u>	<u>(\$15,731)</u>	<u>\$23,237</u>

NOTE 9: NET ASSETS WITHOUT DONOR RESTRICTIONS – BOARD DESIGNATED:

According to the *Financial and 818 Building Fund Proceeds Management Resolutions* the investment balance from the proceeds including all realized/unrealized gains & losses as well as dividend & interest earnings, less quarterly fees of the sale of the building on 818 SE 6<sup>th</sup> Ave Portland, OR 97214 shall be a Board Designated fund. The funds are intended to be used to secure property that will be OBT’s primary place of business. Whereas the Board of Trustees recognizes that from time-to-time market conditions may affect the business of OBT and, as a result, the Board of Trustees has established policies and procedures that must be followed before Building Capital Funds may be used for any purpose other than securing property to act as OBT's principal place of business.

NOTE 10: NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of the following at June 30, 2024:

General Operating Support FY 2025	\$300,000
General Operating Support FY 2026	250,000
Strategic planning	75,000
To sustain future programs – Endowment (See Note 11)	65,023
To support <i>Giselle</i> for FY 2025	50,000
To support <i>Made in Portland</i> summer show	20,000
Season Donor Lounges	15,000
OBT2 Education and Apprenticeship Program	10,000
To support <i>The Nutcracker</i> for FY 2025	7,500
OBT’s Learn about Ballet	4,000
James Canfield Dance	2,500
Gyrotonics for Dancers	804
Total Net assets with donor restrictions	<u>\$799,827</u>

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NOTE 11: NET ASSETS WITH DONOR RESTRICTION – ENDOWMENT:

The Organization’s endowment consists of donor-restricted funds established to sustain future programs. As required by the 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, 2024. Changes in endowment net assets for the year ended June 30, 2024 are as follows:

Endowment net assets – beginning of year	\$65,023
Contributions	-0-
Endowment net assets – end of year	\$65,023

As of June 30, 2024, 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 12: 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	\$64,839
Supplies	49,488
Total In-Kind Contributions	\$114,327

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 Tinker Ball* coincided with OBT's production of *Peter Pan* and was held at the Keller Auditorium in February of 2024. The event was attended by over 200 guests including a sit-down dinner and a performance of *Peter Pan* 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	\$328,083
Sponsorships	122,875
Auction	100,134
Ticket Sales	55,001
Donated Goods & Services	47,231
Contributions	161
Total Gala Income	653,485
 <u>Gala Expenses</u>	
Equipment Rentals	79,620
Catering	67,224
Donated Auction and Raffle Goods & Services	47,231
Contracted Services	24,509
Supplies	9,016
Printing & Postage	163
Total Expenses	227,763
 Special Event Income, Net of Expenses	 \$425,722

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NOTE 14: INVESTMENT GAINS, 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 Gains	\$176,888
Realized Investment Gains	43,741
Dividends and Interest	259,703
Investment Costs	<u>(17,145)</u>
Total Investment Income, Net of Costs	<u><u>\$463,187</u></u>

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