

TULSA OPERA, INC.

Combined Financial Statements

Years Ended June 30, 2022 and 2021

With

Independent Auditor's Report



TULSA OPERA, INC.

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1 - 2
Combined Financial Statements:	
Combined Statement of Financial Position - June 30, 2022	3
Combined Statement of Financial Position - June 30, 2021	4
Combined Statement of Activities - Year Ended June 30, 2022	5
Combined Statement of Activities - Year Ended June 30, 2021	6
Combined Statements of Cash Flows - Years Ended June 30, 2022 and 2021	7
Combined Statement of Functional Expenses - Year Ended June 30, 2022	8
Combined Statement of Functional Expenses - Year Ended June 30, 2021	9
Notes to Combined Financial Statements	10 - 20



Independent Auditor's Report

To the Board of Directors
Tulsa Opera, Inc.

Opinion

We have audited the accompanying combined financial statements of Tulsa Opera, Inc., which comprise the combined statements of financial position as of June 30, 2022 and 2021, and the related combined statements of activities, combined cash flows, combined functional expenses, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Tulsa Opera, Inc. as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Consolidated Financial Statements section of our report. We are required to be independent of Tulsa Opera, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Consolidated 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 combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tulsa Opera, Inc.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated 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 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 consolidated 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 Tulsa Opera, Inc.'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 Tulsa Opera, Inc.'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.

MORSE & CO., PLLC

Tulsa, Oklahoma
March 30, 2023

TULSA OPERA, INC.
COMBINED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

	<u>Operating</u>	<u>Endowment</u>	<u>Total</u>
Cash and cash equivalents	\$ 48,609	\$ 453,718	\$ 502,327
Pledges receivable	73,666	-	73,666
Prepaid expenses	13,751	-	13,751
Property and equipment, net	1,206,683	-	1,206,683
Endowment investments	-	3,249,944	3,249,944
Laven Sowell investment*	-	169,273	169,273
Beneficial interest in assets held by others	-	290,060	290,060
Total assets	<u>\$ 1,342,709</u>	<u>\$ 4,162,995</u>	<u>\$ 5,505,704</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 111,316	\$ -	\$ 111,316
Deferred revenues	84,271	-	84,271
Note payable	166,800	-	166,800
Lines of credit	2,184,507	-	2,184,507
Total liabilities	<u>2,546,894</u>	<u>-</u>	<u>2,546,894</u>

Net assets

Without donor restrictions	(2,030,122)	2,550,420	520,298
With donor restrictions			
Purpose restrictions	825,937	-	825,937
Permanently restricted	-	1,612,575	1,612,575
Total net (deficit) assets	<u>(1,204,185)</u>	<u>4,162,995</u>	<u>2,958,810</u>
Total liabilities and net assets	<u>\$ 1,342,709</u>	<u>\$ 4,162,995</u>	<u>\$ 5,505,704</u>

* - See Page 15, Note 2 - Endowment Investments footnote for additional information

See independent auditor's report and accompanying notes to combined financial statements.

TULSA OPERA, INC.
COMBINED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

	<u>Operating</u>	<u>Endowment</u>	<u>Total</u>
Cash and cash equivalents	\$ 18,607	\$ 234,983	\$ 253,590
Pledges receivable	254,262	-	254,262
Prepaid expenses	16,878	-	16,878
Property and equipment, net	1,145,500	-	1,145,500
Endowment investments	-	4,216,502	4,216,502
Laven Sowell investment*	-	195,654	195,654
Beneficial interest in assets held by others	-	365,779	365,779
Total assets	<u>\$ 1,435,247</u>	<u>\$ 5,012,918</u>	<u>\$ 6,448,165</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 30,231	\$ -	\$ 30,231
Deferred revenues	50,399	-	50,399
Note payable	166,800	-	166,800
Line of credit	1,577,407	-	1,577,407
Total liabilities	<u>1,824,837</u>	<u>-</u>	<u>1,824,837</u>

Net assets

Without donor restrictions	(1,120,867)	3,400,343	2,279,476
With donor restrictions			
Purpose restrictions	731,277	-	731,277
Permanently restricted	-	1,612,575	1,612,575
Total net (deficit) assets	<u>(389,590)</u>	<u>5,012,918</u>	<u>4,623,328</u>
Total liabilities and net assets	<u>\$ 1,435,247</u>	<u>\$ 5,012,918</u>	<u>\$ 6,448,165</u>

* - See Page 15, Note 2 - Endowment Investments footnote for additional information

See independent auditor's report and accompanying notes to combined financial statements.

TULSA OPERA, INC.
COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions and grants	\$ 570,975	\$ 596,080	\$ 1,167,055
In-kind contributions	25,404	-	25,404
Subscriptions and ticket sales	155,564	-	155,564
Special events	368,749	-	368,749
Investment income (realized and unrealized), net of investment advisory fees of \$25,203	(539,150)	-	(539,150)
Gain on sale of property and equipment	18,500	-	18,500
Other	27,613	-	27,613
Net assets released from restriction	501,420	(501,420)	-
Total revenues	1,129,075	94,660	1,223,735
Expenses			
Program	2,384,260	-	2,384,260
General and administrative	292,254	-	292,254
Fundraising	211,739	-	211,739
Total expenses	2,888,253	-	2,888,253
Increase (decrease) in net assets	(1,759,178)	94,660	(1,664,518)
Net assets, beginning of year	2,279,476	2,343,852	4,623,328
Net assets, end of year	\$ 520,298	\$ 2,438,512	\$ 2,958,810

See independent auditor's report and accompanying notes to combined financial statements.

TULSA OPERA, INC.
COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions and grants	\$ 543,203	\$ 725,938	\$ 1,269,141
In-kind contributions	24,869	-	24,869
Subscriptions and ticket sales	193,329	-	193,329
Special events	281,958	-	281,958
Investment income (realized and unrealized), net of investment advisory fees of \$22,589	1,155,089	-	1,155,089
Gain of forgiveness of PPP loan	166,800	-	166,800
Other	19,162	-	19,162
Net assets released from restriction	429,298	(429,298)	-
Total revenues	2,813,708	296,640	3,110,348
Expenses			
Program	1,717,753	-	1,717,753
General and administrative	256,951	-	256,951
Fundraising	132,546	-	132,546
Total expenses	2,107,250	-	2,107,250
Increase (decrease) in net assets	706,458	296,640	1,003,098
Net assets, beginning of year	1,573,018	2,047,212	3,620,230
Net assets, end of year	<u>\$ 2,279,476</u>	<u>\$ 2,343,852</u>	<u>\$ 4,623,328</u>

See independent auditor's report and accompanying notes to combined financial statements.

TULSA OPERA, INC.
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ (1,664,518)	\$ 1,003,098
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	55,508	58,639
Realized and unrealized losses (gains), net	539,150	(1,155,089)
Gain on sale of fixed assets	(18,500)	-
Gain on forgiveness of PPP loan	-	(166,800)
Change in assets and liabilities:		
Pledges receivable	180,596	190,173
Prepaid expenses	3,127	(16,878)
Accounts payable and accrued expenses	81,085	5,808
Deferred revenues	33,872	(195,260)
Net cash provided by (used in) operating activities	<u>(789,680)</u>	<u>(276,309)</u>
Cash flows from investing activities		
Purchase of property and equipment	(115,797)	(291,744)
Proceeds from sale of equipment	17,606	-
Proceeds from sale of investments	529,508	376,909
Net cash provided by (used in) investing activities	<u>431,317</u>	<u>85,165</u>
Cash flows from financing activities		
Proceeds from PPP loan	-	166,800
Cash proceeds from lines of credit	1,321,562	1,040,000
Payments on lines of credit	(714,462)	(997,115)
Net cash provided by (used in) financing activities	<u>607,100</u>	<u>209,685</u>
Change in cash and cash equivalents	248,737	18,541
Cash and cash equivalents, beginning of year	<u>253,590</u>	<u>235,049</u>
Cash and cash equivalents, end of year	<u>\$ 502,327</u>	<u>\$ 253,590</u>
Supplemental disclosure of cash flows:		
Cash paid for interest	<u>\$ 34,698</u>	<u>\$ 24,135</u>

See independent auditor's report and accompanying notes to combined financial statements.

TULSA OPERA, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program	General and Administrative	Fundraising	Total
Production materials and labor	\$ 741,429	\$ -	\$ -	\$ 741,429
Salaries and wages	626,297	73,682	36,841	736,820
Travel	151,222	-	-	151,222
Advertising	127,607	15,013	7,506	150,126
Special events	-	-	130,612	130,612
Officer compensation	-	130,000	-	130,000
Insurance	109,665	12,902	6,451	129,018
Program labor and materials	108,180	12,727	6,364	127,271
Education	93,452	-	-	93,452
Office expenses	71,347	8,394	4,197	83,938
Hall rental	59,191	6,964	3,482	69,636
Depreciation	47,182	5,551	2,775	55,508
Development	38,927	4,580	2,290	45,797
Interest	24,842	3,441	1,720	30,003
Payroll taxes	23,851	2,806	1,403	28,060
In-kind expenses	21,593	2,540	1,270	25,404
Royalties	23,401	-	-	23,401
Lease	19,841	2,334	1,167	23,342
Supplies	18,434	2,169	1,084	21,687
Information technology	16,762	1,972	986	19,720
Accounting	15,229	1,792	896	17,916
Credit card charges	11,537	1,357	679	13,573
Telephone	10,834	1,275	637	12,746
Dues and subscriptions	9,971	1,173	587	11,731
Sales tax	6,303	742	371	7,415
Postage	3,641	428	214	4,284
Conferences and meetings	3,521	414	207	4,142
	<u>\$ 2,384,260</u>	<u>\$ 292,254</u>	<u>\$ 211,739</u>	<u>\$ 2,888,253</u>

See independent auditor's report and accompanying notes to combined financial statements.

TULSA OPERA, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Production materials and labor	\$ 531,371	\$ -	\$ -	\$ 531,371
Salaries and wages	419,685	49,375	24,687	493,747
Program labor and materials	137,211	16,143	8,071	161,425
Advertising	124,009	14,589	7,295	145,893
Officer compensation	-	130,000	-	130,000
Insurance	80,345	9,452	4,726	94,523
Special events	-	-	69,071	69,071
Office expenses	53,187	6,257	3,129	62,573
Depreciation	49,843	5,864	2,932	58,639
Development	47,383	5,575	2,787	55,745
Travel	52,519	-	-	52,519
Education	52,443	-	-	52,443
Supplies	25,179	2,962	1,481	29,622
In-kind expenses	21,139	2,487	1,243	24,869
Interest	20,222	2,379	1,190	23,790
Accounting	19,432	2,286	1,143	22,861
Payroll taxes	18,998	2,235	1,118	22,350
Dues and subscriptions	17,572	2,067	1,034	20,673
Telephone	10,447	1,229	615	12,290
Information technology	9,548	1,123	562	11,233
Hall rental	8,419	991	495	9,905
Credit card charges	7,220	849	425	8,494
Sales tax	5,638	663	332	6,633
Royalties	2,340	-	-	2,340
Lease	1,612	190	95	1,896
Postage	1,148	135	68	1,350
Conferences and meetings	846	100	50	995
	<u>\$ 1,717,753</u>	<u>\$ 256,951</u>	<u>\$ 132,546</u>	<u>\$ 2,107,250</u>

See independent auditor's report and accompanying notes to combined financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization - Tulsa Opera, Inc. ("Opera") is an Oklahoma nonprofit corporation formed for the purpose of furthering the appreciation of music, particularly opera, for the general public. Tulsa Opera reaches the general public through opera performances, education, and outreach. The majority of gifts are received from a broad base of contributors who are committed to supporting the arts in the Tulsa area.

Principles of Combination - The accompanying financial statements include the combined accounts of Tulsa Opera, Inc. and its related endowment account, Tulsa Opera Endowment Trust. All significant related transactions have been eliminated.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principals. Net assets are classified based on the existence or absence of donor-imposed restrictions as follows:

Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. Unrestricted without donor restricted assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

With Donor Restrictions - Net assets subject to donor-imposed restrictions which can be fulfilled, either by actions of the Opera and/or the passage of time. When a restriction expires, with donor restricted net assets are reclassified to unrestricted net assets in the period such restrictions are satisfied and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, cash in bank accounts, and investments with initial maturities of three months or less, except for deposits from contributions that have donor-imposed restrictions limiting their use to long-term investments. Cash and cash equivalents include donor restricted deposits that are readily available.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the statement of financial position, with investment income, gains, and losses included in the statement of activities.

The fair values of investments are generally determined based on quoted market prices or estimates of fair value provided by external investment managers. The amounts the Opera will ultimately realize could differ materially, and significant fluctuations in fair values could occur from year to year. Investment gains and losses generally increase or decrease the Opera's unrestricted net assets unless the terms of the gift or applicable law impose restrictions on the use of income or gains and losses.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Grants Receivable - Contributions and grants are recorded at fair value at the time an unconditional promise is made. Conditional promises to give are not recorded until the condition is substantially met. Receivables are generally collectible within one year and management believes that no material losses will be incurred from receivables. Therefore, management has determined an allowance for doubtful accounts is not necessary. Amounts the Opera will ultimately realize could materially differ from management's estimates.

Property and Equipment - Property and equipment are recorded at cost, if purchased. Donations of property and equipment are recorded as support at the estimated fair market value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Unless the donor has stipulated how long donated assets must be maintained, Opera reports the expiration of donor restrictions when the donated or acquired assets are placed in service; at that time, the assets are transferred from restricted net assets to unrestricted net assets. Property and equipment are depreciated using the straight-line method. Useful lives range from three to thirty-one years. The Opera follows the practice of capitalizing expenditures for property and equipment in excess of \$2,500 with a useful life of more than one year.

The Opera records impairments to its property and equipment when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated lives. Impairments are recorded to reduce the carrying value of the assets to their estimated fair values determined by the Opera based on facts and circumstances in existence at the time of the determination, estimates of probable future economic conditions, and other information. No impairments were recorded in 2022 or 2021.

Beneficial Interest in Assets Held by Others - Beneficial interest in assets held by others represents amounts contributed by the Opera to establish certain donor-advised philanthropic funds ("Funds") within the Tulsa Community Foundation ("Foundation"). The Funds are intended for the benefit of the Opera. While the Opera has the right to recommend distributions from the funds, distributions from the funds will be made at the sole discretion of the Foundation's Board of Trustees. The funds are carried at fair market value. Unrealized gains and losses are included in the Statement of Activities.

The Opera has additional investments with the Tulsa Community Foundation of \$306,525 and \$365,779 at June 30, 2022 and 2021, respectively, which includes contributions made by others for the benefit of Tulsa Opera, Inc. The Foundation has the power to modify the donor's stipulations under certain conditions as the Foundation monitors the changing needs of the community. As such, this amount is not included as an asset, but distributions are recorded when received.

Artistic Productions - Opera subscriptions, individual ticket sales, and related productions costs are recognized in the fiscal year in which the performances are presented. Proceeds from advance ticket sales are recorded as deferred revenues.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses - The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include utilities, insurance, maintaining, repairs, and other various expenses which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, and office expenses, which are allocated on the basis of estimates of time and effort.

Income Taxes - The most recent determination letter from the Internal Revenue Service states that the Opera is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Opera has been classified as a publicly-supported organization which is not a private foundation under Section 509(a) of the code.

The Opera has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) 740-10-25, Accounting for Uncertainty in Income Taxes. The Opera will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by a taxing authority.

The Opera's evaluation on June 30, 2022 and 2021, revealed no uncertain tax positions that would have a material impact on the financial statements. The Opera will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense, if incurred. The Opera is no longer subject to tax examinations by taxing authorities for years before 2018.

Advertising Costs - The Opera expenses advertising costs as incurred. Advertising expense for the years ended June 30, 2022 and 2021, was \$150,126 and \$145,893, respectively.

Estimates - The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation. It is reasonably possible that changes may occur in the near term that would affect management's estimates with respect to allowance for doubtful accounts and accrued expenses.

Contributed Services and Assets - During the years ended June 30, 2022 and 2021, Opera received services contributed by volunteers. A significant amount of those donated services are not reflected in the financial statements because they do not meet requirements specified by Generally Accepted Accounting Principles (GAAP) pertaining to Accounting For Contributions Received and Contributions made.. Additionally, the value of contributed services which did meet the requirements for recognition in the financial statements was not material and has not been recorded.

Fair Value Measurements - The Organization has determined the fair value of certain assets and liabilities. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Opera employs valuation techniques which maximize the use of observable inputs and minimize the use of unobservable inputs.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued) - Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Revenue Recognition - The Financial Accounting Standards Board (FASB) issued ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, which clarifies when a transaction should be accounted for as a contribution or exchange transaction. The Opera is in compliance with ASU 2018-08 under the modified prospective approach.

Contributions are recorded when the donor makes a promise to give to the Opera that is, in substance, unconditional. Donor-restricted contributions are reported as net assets with donor restrictions depending on the nature of the restrictions. All contributions are considered available for use without donor restriction unless specifically restricted by the donor or subject to other legal restrictions.

The Opera recognizes contributions after analyzing each agreement and performing the following procedures:

- 1) Determine whether the transaction is an exchange or contribution
- 2) Identify any donor-imposed conditions or restrictions regarding its use
- 3) Distinguish between barriers and donor-imposed restrictions
- 4) Conclude that all conditions are resolved prior to recognizing the contribution as revenue

The Opera is in compliance with Topic 606 using the modified retrospective approach. The Opera considers sales of tickets to be contracts with customers.

Revenue is recognized from services at the time the services are performed. Revenue is measured as the amount of consideration the Opera expects to receive in exchange for services performed. The Opera estimates different forms of variable consideration at the time of sale based on historical experience, current conditions and contractual obligations. Revenue is recorded net of any discounts. This adjustment is made in the same period as the underlying transactions.

Factors that could impact the nature, amount, timing, and uncertainty of revenue and cash flows are as follows: (1) purchase of tickets; (2) demand for the Opera's services; (3) overall economic conditions outside of the Opera's control.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued) - The Opera recognizes revenue upon the transfer of promised benefit to its customers in an amount that reflects the consideration to which the Organization expects to be entitled by applying the following five-step process specified in ASC 606:

- 1) Identify the contract(s) with a customer
- 2) Identify the performance obligations
- 3) Determine the transaction price
- 4) Allocate the transaction price
- 5) Recognize revenue when the performance obligations are met

Reclassifications - Certain amounts in the prior-year financial statements have been reclassified in order to be comparable with the current year presentation.

NOTE 2 – ENDOWMENT INVESTMENTS

The fair value of endowment investments is as follows:

	2022	2021
Equity investments	\$ 1,926,582	\$ 2,699,350
Fixed income	1,036,745	1,182,930
Alternative investments	455,890	529,876
	\$ 3,419,217	\$ 4,412,156

The cost of endowment investments is as follows:

	2022	2021
Equity investments	\$ 1,843,796	\$ 2,063,951
Fixed income	1,167,682	1,165,754
Alternative investments	466,609	484,117
	\$ 3,478,087	\$ 3,713,822

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Opera to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of June 30, 2022 and 2021.

Strategies Employed for Achieving Objectives - In order to achieve desired results, the investment strategy should emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income.

(Continued)

NOTE 2 – ENDOWMENT INVESTMENTS (CONTINUED)

Return Objectives and Risk Parameters - The Opera has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy the endowment assets are invested in a manner that is intended to produce results that equal or exceed the spending rate of 5% plus the Consumer Price Index (CPI) over a full market cycle.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Opera has a policy of distributing a fixed percentage of the portfolio in order to provide an ongoing stream of income to support operating activities. In establishing this policy, the Opera considered the long-term expected return on its endowment. Accordingly, over the long term, the Opera expects the current spending policy to allow its endowment to grow.

Laven Sowell Investment - The Opera was the recipient of a \$150,000 contribution during fiscal year 2020. The funds were directed to the Raise Your Voice educational program. The contribution was appropriately recorded as restricted and the unused portion increased net assets with donor restrictions. Restrictions were met in full during fiscal year 2021. For sustainability, the Board of Directors elected to place the funds on deposit with their investment manager during fiscal year 2021. The balance was transferred from Tulsa Opera, Inc. to funds held by Tulsa Opera Endowment Trust.

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2022	2021
Cash	\$ 48,609	\$ 18,607
Pledges receivable	73,666	254,262
Distributions from endowment investment	300,000	300,000
Distributions from beneficial interest in assets held by others	30,000	30,000
Total	\$ 452,275	\$ 602,869

The Opera regularly monitors liquidity required to meet its operating needs and other contractual commitments.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Opera considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Opera operates within a balanced budget and anticipates collecting sufficient revenues and grants to cover general expenditures.

(Continued)

TULSA OPERA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 4 – INVESTMENTS

The fair value of beneficial interest in assets held by others is as follows:

	<u>2022</u>	<u>2021</u>
Equity investments	\$ 175,640	\$ 248,074
Fixed income	103,630	107,158
Alternative investments	10,790	10,547
	<u>\$ 290,060</u>	<u>\$ 365,779</u>

The fair cost of beneficial interest in assets held by others is as follows:

	<u>2022</u>	<u>2021</u>
Equity investments	\$ 88,570	\$ 86,780
Fixed income	95,050	83,208
Alternative investments	8,641	7,425
	<u>\$ 192,261</u>	<u>\$ 177,413</u>

Investment income and gains and losses on endowment investments and beneficial interest in assets held by others consist of the following for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Realized gain (loss) on investments	\$ 336,984	\$ 368,399
Net change in unrealized gain (loss) on investments	(850,931)	809,279
Expenses	<u>(25,203)</u>	<u>(22,589)</u>
Investment income, net	<u>\$ (539,150)</u>	<u>\$ 1,155,089</u>

(Continued)

TULSA OPERA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 5 - FAIR VALUE MEASUREMENTS

Assets measured at fair value on a recurring basis are as follows:

	Fair Value Measurements Using		
	Quoted Prices in Active Markets of Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2022			
Endowment investments	\$ 3,419,217	\$ -	\$ -
Beneficial interest in assets held by others	-	286,894	-
Pledges receivable	-	-	73,666
Total assets	<u>\$ 3,419,217</u>	<u>\$ 286,894</u>	<u>\$ 73,666</u>
June 30, 2021			
Endowment investments	\$ 4,412,156	\$ -	\$ -
Beneficial interest in assets held by others	-	306,525	-
Pledges receivable	-	-	254,262
Total assets	<u>\$ 4,412,156</u>	<u>\$ 306,525</u>	<u>\$ 254,262</u>

The beneficial interest in assets held by Tulsa Community Foundation are carried at fair value, which is based upon quoted market prices at June 30, 2022 and 2021. Amounts subject to the variance power of the Tulsa Community Foundation are not recorded as an asset of the Opera.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2022	2021
Buildings and improvements	\$ 1,368,561	\$ 1,283,531
Furniture, fixtures, and equipment	517,354	499,162
Land	106,837	106,837
Work in process	62,029	49,455
Automobiles	-	42,615
Total property and equipment	2,054,781	1,981,600
Less accumulated depreciation	(848,098)	(836,100)
Net property and equipment	<u>\$ 1,206,683</u>	<u>\$ 1,145,500</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$55,508 and \$58,639, respectively.

(Continued)

TULSA OPERA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30:

Restricted for a specific purpose	2022	2021
Education	\$ 421,166	\$ 374,309
Property and equipment	404,771	321,968
Emmeline	-	35,000
Total restricted for a specific purpose	825,937	731,277
Perpetually restricted	1,612,575	1,612,575
Total net assets with donor restriction	\$ 2,438,512	\$ 2,343,852

The following net assets were released from donor restrictions by incurring expenses satisfying the restrictions:

	2022	2021
Production	\$ 264,250	\$ 167,000
Education	192,420	261,298
Emmeline	44,750	-
Total	\$ 501,420	\$ 428,298

NOTE 8 – LINES OF CREDIT

The Opera has two lines of credit with a bank whereby it may borrow up to \$2,000,000 and \$500,000, respectively. The purpose being short-term financing of its operations and debt reduction, respectively. Both of these financing agreements, which mature in October 2024, are secured by endowment assets. Interest accrues at the one-month LIBOR interest rate, which at June 30, 2022, was 1.45%, plus 1.5%. As of June 30, 2022 and 2021 the outstanding balance for the first line of credit was \$1,702,542 and \$1,109,698, respectively. As of June 30, 2022, and 2021 the outstanding balance for the second line of credit was \$481,965 and \$467,709, respectively.

NOTE 9 - LEASES

The Opera leases various costumes, equipment, and a storage facility under non-cancellable operating lease agreements. No new lease agreements were entered into during 2022. Total rent expense was \$69,636 and \$40,094 for the years ended June 30, 2022 and 2021, respectively.

The following is a schedule of operating lease obligations:

Year Ending June 30,	Amount
2023	\$ 17,500

(Continued)

NOTE 10 – EMPLOYEE BENEFIT PLANS

Tulsa Opera, Inc. has adopted a 403(b) retirement plan which allows certain employees, based on eligibility, the option to make tax deferred contributions. Matching contributions are discretionary for employees with more than one year of service. No discretionary contributions were remitted to the plan for the years ended June 30, 2022 and 2021.

NOTE 11 - CONCENTRATIONS OF CREDIT RISK

The Opera had agreements with the local American Federation of Musicians Union for performances in Opera productions during the years ended June 30, 2022 and 2021.

The Opera's financial instruments exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Organization maintains its cash balances at local banks. At June 30, 2022 and 2021, the balances were insured by the Federal Deposit Insurance Corporation. At times, the Opera's deposits may exceed insured amounts. Management believes the risk related to these deposits are minimal.

The Opera maintains investment accounts with the Tulsa Community Foundation. The balances are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 coverage for cash and securities held by a firm that is forced into bankruptcy. Cash coverage is limited at \$250,000. At times, the Opera's deposits may exceed insured amounts. Management believes the funds are not exposed to any significant risks due to the diversity of high-grade financial instruments held by the fund and management's routine assessment of the portfolio.

NOTE 12 - SUBSEQUENT EVENTS

On March 2020, 2021, the Opera received loan proceeds in the amount of \$166,800 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loan is forgivable as long as the Opera utilized the funds for eligible purposes including payroll, benefits, rent, and utilities. The Opera was granted forgiveness by the Small Business Administration on August 1, 2022.

The Opera has evaluated subsequent events through March 30, 2023, the date the financial statements were available to be issued.

NOTE 13 – FORGIVENESS OF PPP LOAN

On April 15, 2020, the Opera received loan proceeds in the amount of \$166,800 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loan is forgivable as long as the Opera utilized the funds for eligible purposes including payroll, benefits, rent, and utilities. The Opera was granted forgiveness by the Small Business Administration on March 26, 2021. The amount has been recognized in the combined statement of activities for the year ended June 30, 2021.

(Continued)

NOTE 14 - NEW ACCOUNTING PRONOUNCEMENTS

In February, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), which provides for more transparency and comparability among organizations by recognizing leased assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021 with early adoption permitted.

In 2021, the FASB issued ASU 2021-07 to improve generally accepted accounting principals (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The update requires contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of other cash and other financial assets. For each category of contributed nonfinancial assets recognized qualitative information, a description of the valuation techniques, the principal market used to arrive at fair value measure, a description of any donor-imposed restrictions, and the Opera's policy for monetizing rather than utilizing contributed nonfinancial assets are required disclosures. The update is effective for annual periods beginning after June 15, 2021 on a retrospective basis.

The Opera will be evaluating the impact these standards will have on its financial statements and related disclosures.