

STATEMENTS OF FINANCIAL POSITION

OKLAHOMA PHILHARMONIC SOCIETY, INC.

	June 30	
	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash		
Unrestricted and undesignated	\$ 1,075,788	\$ 1,401,554
Unrestricted and designated for capital reserve	315,282	309,037
Unrestricted and designated for endowment drive	20,872	274,951
	<u>1,411,942</u>	<u>1,985,542</u>
Accounts receivable	116,187	200,091
Contributions receivable - endowment drive	917,207	936,482
Annual fund pledges receivable	897,597	806,545
Prepaid expenses and other	204,564	208,433
TOTAL CURRENT ASSETS	<u>3,547,497</u>	<u>4,137,093</u>
Contributions receivable - endowment drive (net of discount of \$29,814 and \$77,072 at June 30, 2009 and 2008, respectively)	223,526	944,277
Annual fund pledges receivable (net of discount of \$0 and \$11,905 at June 30, 2009 and 2008, respectively)	35,000	298,095
Beneficial interest in assets held by foundations	5,760,531	5,347,569
Furniture and equipment (net of accumulated depreciation of \$733,375 and \$679,369 at June 30, 2009 and 2008, respectively)	139,280	191,303
TOTAL ASSETS	<u>\$ 9,705,834</u>	<u>\$ 10,918,337</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 31,142	\$ 64,825
Advance ticket sales and fees	777,127	1,027,105
TOTAL CURRENT LIABILITIES	<u>808,269</u>	<u>1,091,930</u>
NET ASSETS		
Unrestricted	629,088	762,947
Temporarily restricted	2,459,084	4,072,612
Permanently restricted	5,809,393	4,990,848
TOTAL NET ASSETS	<u>8,897,565</u>	<u>9,826,407</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,705,834</u>	<u>\$ 10,918,337</u>

See notes to financial statements.

STATEMENTS OF ACTIVITIES

OKLAHOMA PHILHARMONIC SOCIETY, INC.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Year Ended June 30, 2009
<b>OPERATING REVENUE</b>				
Concert tickets and fees	\$ 1,922,237	\$ -	\$ -	\$ 1,922,237
Program advertising	97,500	-	-	97,500
<b>TOTAL OPERATING REVENUES</b>	<u>2,019,737</u>	-	-	<u>2,019,737</u>
<b>DIRECT OPERATING EXPENSES</b>				
Performance	2,976,941	-	-	2,976,941
Marketing and development	830,667	-	-	830,667
General and administrative	673,308	-	-	673,308
<b>TOTAL DIRECT OPERATING EXPENSES</b>	<u>4,480,916</u>	-	-	<u>4,480,916</u>
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	(2,461,179)	-	-	(2,461,179)
<b>CONTRIBUTIONS, INTEREST AND OTHER NONOPERATING INCOME (EXPENSE)</b>				
Contributions:				
Unrestricted	929,729	-	-	929,729
Restricted for:				
Endowment drive and related expenses	-	43,180	-	43,180
Subsequent period	-	966,190	-	966,190
Restrictions satisfied in current period	1,369,311	(1,369,311)	-	-
Transfer of assets to the Foundations	(10,000)	(808,545)	818,545	-
Distribution of beneficial interest in assets held by the Foundations	177,415	(177,415)	-	-
Marketing and development - endowment drive	(4,079)	-	-	(4,079)
Interest income and other	25,485	-	-	25,485
<b>TOTAL CONTRIBUTIONS, INTEREST AND OTHER NONOPERATING INCOME (EXPENSE)</b>	<u>2,487,861</u>	<u>(1,345,901)</u>	<u>818,545</u>	<u>1,960,505</u>
<b>CHANGE IN NET ASSETS BEFORE CHANGE IN VALUE OF BENEFICIAL INTEREST IN ASSETS HELD BY FOUNDATIONS</b>	26,682	(1,345,901)	818,545	(500,674)
Change in value of beneficial interest in assets held by Foundations	(160,541)	(267,627)	-	(428,168)
<b>CHANGE IN NET ASSETS</b>	(133,859)	(1,613,528)	818,545	(928,842)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>762,947</u>	<u>4,072,612</u>	<u>4,990,848</u>	<u>9,826,407</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 629,088</u>	<u>\$ 2,459,084</u>	<u>\$ 5,809,393</u>	<u>\$ 8,897,565</u>

See notes to financial statements.

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Year Ended June 30, 2008</u>
\$ 1,839,305	\$ -	\$ -	\$ 1,839,305
96,675	-	-	96,675
<u>1,935,980</u>	<u>-</u>	<u>-</u>	<u>1,935,980</u>
2,780,068	-	-	2,780,068
878,030	-	-	878,030
667,990	-	-	667,990
<u>4,326,088</u>	<u>-</u>	<u>-</u>	<u>4,326,088</u>
(2,390,108)	-	-	(2,390,108)
1,072,491	-	-	1,072,491
-	82,332	7,029	89,361
-	1,168,716	-	1,168,716
1,192,675	(1,192,675)	-	-
	(1,833,940)	1,833,940	-
150,711	(150,711)	-	-
(59,946)	-	-	(59,946)
<u>50,457</u>	<u>-</u>	<u>-</u>	<u>50,457</u>
<u>2,406,388</u>	<u>(1,926,278)</u>	<u>1,840,969</u>	<u>2,321,079</u>
16,280	(1,926,278)	1,840,969	(69,029)
-	(205,451)	-	(205,451)
16,280	(2,131,729)	1,840,969	(274,480)
<u>746,667</u>	<u>6,204,341</u>	<u>3,149,879</u>	<u>10,100,887</u>
<u>\$ 762,947</u>	<u>\$ 4,072,612</u>	<u>\$ 4,990,848</u>	<u>\$ 9,826,407</u>

STATEMENTS OF CASH FLOWS

OKLAHOMA PHILHARMONIC SOCIETY, INC.

	June 30	
	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (928,842)	\$ (274,480)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Contributions restricted for endowment drive and related expenses	(43,180)	(89,361)
Depreciation	54,006	55,122
Change in value of beneficial interest in assets held by Foundations	428,168	205,451
Bad debt expense	14,895	20,486
Changes in operating assets and liabilities:		
Accounts receivable	81,404	28,482
Annual fund pledges receivable	159,648	161,962
Prepaid expenses and other	3,869	32,243
Accounts payable	(33,683)	(18,148)
Advance ticket sales and fees	(249,978)	26,251
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(513,693)</u>	<u>148,008</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of equipment	(1,983)	(42,806)
Transfer of funds to be held by Foundations	(1,018,545)	(1,833,940)
Distribution from beneficial interest in assets held by Foundations	177,415	150,711
NET CASH USED IN INVESTING ACTIVITIES	<u>(843,113)</u>	<u>(1,726,035)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for endowment	783,206	1,719,245
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>783,206</u>	<u>1,719,245</u>
NET CHANGE IN CASH	(573,600)	141,218
CASH AT BEGINNING OF YEAR	<u>1,985,542</u>	<u>1,844,324</u>
CASH AT END OF YEAR	<u>\$ 1,411,942</u>	<u>\$ 1,985,542</u>

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

### OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2009

#### NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization: The Oklahoma Philharmonic Society, Inc. (the "Philharmonic") was organized on August 2, 1988. The Philharmonic's mission is to provide inspiration and joy for the community through orchestral music. The Philharmonic is dependent on ticket sales and contributions to support its operations. Ticket sales for the upcoming concert season are underway. Management of the Philharmonic anticipates receiving significant contributions in the upcoming fiscal year from foundations, corporations, individuals, and governmental agencies. In the opinion of management, these contributions, together with ticket sales, should be sufficient to meet the performance, marketing and development, and general and administrative expenses anticipated to be incurred by the Philharmonic during the upcoming fiscal year.

Basis of Accounting: The accompanying financial statements of the Philharmonic have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other assets and liabilities.

Basis of Presentation: Financial statement presentation reports information regarding the Philharmonic's financial position and activities according to three classes of net assets, as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Philharmonic and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the same period in which the contribution is received.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Philharmonic. Generally, the donors of these assets permit the Philharmonic to use all or part of the income earned on any related investments for general or specific purposes.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2009

NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES--Continued

Basis of Presentation--Continued: Contributions received are reported as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. The Philharmonic reports gifts of cash and other assets as restricted contributions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

The Philharmonic accounts for assets that are contributed to another not-for-profit organization, in which the Philharmonic has specified itself as beneficiary of those assets, as an asset of the Philharmonic. All contributions of this type, and the activity associated with the resultant assets held at the other not-for-profit organization, are reported as beneficial assets held by foundations in the statements of financial position with the related changes in fair value and distributions reported in the statements of activities.

Unrestricted and Undesignated Cash: The Philharmonic maintains a sweep account which invests in short term, liquid mutual funds with a net asset value of \$1 per share. These mutual fund investments total \$1,034,479 and \$1,305,613 at June 30, 2009 and 2008, respectively. The Philharmonic's financial institution has purchased unlimited FDIC insurance coverage through June 30, 2010 and, as a result, these balances are fully insured by the FDIC.

Unrestricted and Designated Cash: Cash designated for capital reserve consists of donations received by the Philharmonic that have been set aside by the Board of Directors to establish a Capital Reserve Fund. The fund can only be accessed by the authorization of the finance or executive committees, and is to be utilized to support the working capital needs of the Philharmonic. Cash designated for endowment drive consists of contributions received from the endowment campaign. The access to these funds does not require authorization of the finance or executive committee; however, these funds have been designated for expenses of the endowment drive. All funds (including outstanding endowment drive contributions receivable) not utilized for endowment drive expenses will be remitted to one of the Foundations (see Note D) and considered permanently restricted at that time.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2009

NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES--Continued

Receivables and Credit Policies: Accounts receivable are uncollateralized customer obligations due in accordance with the Philharmonic's ticketing and program advertising policies. Receivables are recorded based on the face value of tickets and/or program advertising sold. Interest and delinquency fees are not assessed. Payments of accounts receivable are specifically allocated to the purchaser's account.

The Philharmonic considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is recorded. If amounts are subsequently determined to be uncollectible, they will be charged to operations when that determination is made.

Revenue Recognition: Revenues that have the characteristics of exchange transactions, such as concert ticket sales and fees, are not recognized until earned, which generally occurs when the Philharmonic has completed scheduled concert performances. Operating revenues for the years ended June 30, 2009 and 2008, respectively, consist of concert tickets and fees and program advertising related to the 2008-2009 and 2007-2008 concert series. Concert tickets, fees and program advertising revenues that are received prior to the concert season or other future events, are recorded as deferred revenue. Investment and interest income are recorded at the point in time they are payable to the Philharmonic.

Contributions and other non-operating income consist primarily of gifts and/or grants received from corporations, individuals, foundations and others and are recorded as revenues when received or upon receipt of an unconditional promise to give, net of estimated discounts. Contributions and promises to give that are contingent upon the occurrence of the upcoming concert season are recognized as revenues upon receipt of the contribution or promise as the possibility of the upcoming concert season not being performed is considered remote. Unconditional promises to give are considered fully collectible and are due as follows:

<u>Fiscal Year</u>	<u>Annual Fund</u>	<u>Endowment Drive</u>
2010	\$ 897,597	\$ 917,207
2011-2014	35,000	213,340
2015	-	40,000
	<u>932,597</u>	<u>1,170,547</u>
Less discount at 5% for balances due in 2011 and thereafter	<u>-</u>	<u>(29,814)</u>
	<u>\$ 932,597</u>	<u>\$ 1,140,733</u>

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2009

NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES--Continued

Revenue Recognition--Continued: In addition, the Philharmonic has received approximately \$1,195,000 of pledged contributions through interests in donors' estates which do not yet meet the recognition requirements of SFAS No. 116.

Donated and Bartered Services: Donated services in fiscal years 2009 and 2008 totaled approximately \$53,000 and \$100,000, respectively, which consisted principally of advertising, accounting fees, and pro-bono legal services. Bartered transactions occurring during fiscal years 2009 and 2008 totaled approximately \$30,000 and \$46,000, respectively, which consisted primarily of exchanging various services in return for program and ticket advertising. These amounts are included in the accompanying statements of activities as contributions and related expenses, at the estimated fair value of the goods or services received or exchanged.

Additionally, the Philharmonic's Board of Directors serves on a volunteer basis; however, no amounts have been recognized in the accompanying financial statements for these services.

Fixed Assets: Fixed assets, consisting primarily of furniture and equipment, are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of furniture and equipment range from three to twenty years.

Functional Allocation of Expenses: Costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Costs are allocated between marketing and development, general and administrative, and performance based on evaluations of the related activities. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Philharmonic.

Income Taxes: The Philharmonic is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for any income that the Philharmonic generates from an unrelated trade or business which is subject to federal corporate taxes on income. The Philharmonic's failure to maintain its tax-exempt status could have serious tax consequences.

Advertising Expense: All advertising costs, which approximated \$235,000 and \$245,000 for the years ending June 30, 2009 and 2008, respectively, are expensed as incurred or the first time advertising takes place.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2009

NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES--Continued

Concentration of Credit Risk: The Philharmonic maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Philharmonic has not experienced any losses in such accounts, and does not believe that it is exposed to any significant credit risk on cash.

Use of 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 in the financial statements and accompanying notes. Actual results could differ from those estimates.

Fair Value Measurements: On July 1, 2008, the Philharmonic adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("FAS 157") with respect to financial assets and liabilities. FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value under SFAS 157 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs that are derived principally from or corroborated by observable market data; and
- Level 3: Inputs that are unobservable and significant to the overall fair value measurement.

Financial assets and liabilities carried at fair value on a recurring basis and therefore, currently subject to FAS 157 include beneficial interest in assets held by others (see Note D).

NOTE B--DEFERRED REVENUE

As of June 30, 2009 and 2008, respectively, the Philharmonic had received funds and/or pledges totaling approximately \$755,000 and \$981,000 for advance ticket sales and fee engagements and approximately \$22,000 and \$46,000 for advertising relating to the next concert season.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2009

NOTE C--RELATED PARTY TRANSACTIONS

On January 1, 1993, the Philharmonic leased certain office and musical equipment from the Oklahoma City Orchestra League, Inc. for an annual rental of \$100. The lease required the Philharmonic to maintain insurance coverage of \$198,000 on the leased items, had an original lease of five years and expired on December 31, 1998. Subsequent to the original lease expiration, the Philharmonic renewed the lease at a rate of \$100 per annum. The renewed lease automatically renews from year to year thereafter, until notice is given by either party to terminate the lease.

On January 6, 1989, the Philharmonic and the Oklahoma City Philharmonic Foundation, Inc. ("Philharmonic Foundation") entered into an agreement under which the Philharmonic has leased a music library from the Philharmonic Foundation. The original lease term expired June 30, 1989. The agreement automatically renews from year to year thereafter, until notice is given by either party to terminate the lease. The annual rental is \$100. Under the terms of the agreement, the Philharmonic is required to maintain minimum insurance coverage of \$250,000 on the music library with insurance coverage amounts to be reviewed annually.

The Philharmonic receives the services of volunteers for various activities. In the opinion of management, it is not possible to determine a fair market value attributable to the services received by the Philharmonic from the volunteers. Therefore, the accompanying financial statements do not include any amounts attributable to these services.

NOTE D--FUNDS HELD BY SUPPORTING FOUNDATIONS

The Philharmonic has transferred funds to the Oklahoma City Community Foundation ("OCCF") and the Philharmonic Foundation (collectively referred to as the "Foundations"), and specified itself as the beneficiary of those funds. In accordance with the provisions of SFAS No. 136, the Philharmonic has reflected \$5,760,531 and \$5,347,569 of beneficial interest in these assets as of June 30, 2009 and 2008, respectively. Annually, distributions from these funds are paid to the Philharmonic according to the Foundations' spending policies, which is 5% of the average market value of the assets over the previous twelve quarters. Distributions of approximately \$177,000 and \$151,000 for the years ending June 30, 2009 and 2008, respectively, have been reflected as net assets released from restrictions in the statements of activities. Additionally, decreases in value of the beneficial interest in assets held by the Foundations of approximately \$428,000 and \$205,000 in 2009 and 2008, respectively, exclusive of the aforementioned distributions, are included in the statements of activities as a component of the change in net assets.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2009

NOTE D--FUNDS HELD BY SUPPORTING FOUNDATIONS--Continued

OCCF maintains variance power over these funds. Variance power is an authority unique to community foundations, and it assures donors that if the charitable purpose of their contribution becomes impractical or impossible, the distributions will be directed to similar purposes in the community. OCCF maintains legal ownership of the funds. The Philharmonic's funds there are classified as an affiliated fund.

In addition to the funds discussed above, OCCF and the Philharmonic Foundation hold funds contributed directly to OCCF and the Philharmonic Foundation to be held and invested for the benefit of the Philharmonic. The Philharmonic holds no beneficial interest in these funds. At June 30, 2009 and 2008, the market value of the underlying investments maintained for the Philharmonic's benefit by OCCF was approximately \$1,641,000 and \$1,357,000, respectively, and by the Philharmonic Foundation was approximately \$1,659,000 and \$1,810,000, respectively.

The principal amount of these funds cannot be distributed without the approval of OCCF's or the Philharmonic Foundation's Board of Directors. The Philharmonic has not recorded the value of these investments held by OCCF or the Philharmonic Foundation in the accompanying statements of financial position as these assets were not transferred by the Philharmonic to OCCF or the Philharmonic Foundation as part of a reciprocal transfer, as defined by SFAS No. 136. Income distributed to the Philharmonic by OCCF and the Philharmonic Foundation during fiscal years 2009 and 2008, totaled approximately \$143,000 and \$116,000, respectively, which is recorded as contributions in the accompanying statements of activities.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2009

NOTE D--FUNDS HELD BY SUPPORTING FOUNDATIONS--Continued

A summary of all amounts held at OCCF and the Philharmonic Foundation as of June 30, is as follows:

		2009					
		Reciprocal Transfers			Total Reciprocal Transfers	Donor Contributions Made Directly to Foundations	Total Assets Held by Foundations at June 30, 2009
		Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets			
OCCF		\$ (160,541)	\$ 80,553	\$ 2,055,200	\$ 1,975,212	\$ 1,641,381	\$ 3,616,593
Philharmonic Foundation		-	81,126	3,704,193	3,785,319	1,659,441	5,444,760
Total		\$ (160,541)	\$ 161,679	\$ 5,759,393	\$ 5,760,531	\$ 3,300,822	\$ 9,061,353

  

		2008					
		Reciprocal Transfers			Total Reciprocal Transfers	Donor Contributions Made Directly to Foundations	Total Assets Held by Foundations at June 30, 2008
		Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets			
OCCF		\$ -	\$ 270,672	\$ 1,785,200	\$ 2,055,872	\$ 1,356,712	\$ 3,412,584
Philharmonic Foundation		-	336,049	2,955,648	3,291,697	1,809,816	5,101,513
Total		\$ -	\$ 606,721	\$ 4,740,848	\$ 5,347,569	\$ 3,166,528	\$ 8,514,097

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2009

NOTE E--NET ASSETS RESTRICTIONS

Temporarily restricted net assets are available for the following as of June 30:

	<u>2009</u>	<u>2008</u>
Individuals and corporate sponsorships designated for the following concert season	\$ 511,130	\$ 771,316
Grants and contributions designated for the following concert seasons	742,860	885,795
Contributions designated for endowment, net of related endowment drive expenses	1,043,415	1,808,780
Undistributed earnings of beneficial interest in assets held by Foundations	<u>161,679</u>	<u>606,721</u>
	<u>\$ 2,459,084</u>	<u>\$ 4,072,612</u>

During 2005, the Philharmonic initiated an endowment campaign to further ensure the Philharmonic's financial security and ability to fulfill its mission. During the years ended June 30, 2009 and 2008, the Philharmonic received \$47,259 and \$149,307 of endowment contributions, net of present value discounts, and incurred \$4,079 and \$59,946 of related expenses, respectively. Unless specifically restricted by the donor, pledges received for the endowment are authorized to fulfill expenses related to the endowment drive with the remaining funds to be transferred to OCCF or the Philharmonic Foundation, based on the donor's request. It is the Board's intention that all expenses related to the endowment campaign will be paid by endowment pledges received. A portion of the pledge endowments have been received with restrictions that the earnings be used to subsidize the Philharmonic for orchestral services provided to Ballet Oklahoma and Canterbury Choral Society. These restricted contributions are maintained in a segregated Collaborative Fund once they are transferred to OCCF or the Philharmonic Foundation which is managed in accordance with an Endowment Fund Account Instructions Agreement entered into between the Philharmonic, Ballet Oklahoma, and Canterbury Choral Society.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2009

NOTE E--NET ASSETS RESTRICTIONS--Continued

Permanently restricted net assets consist of the following as of June 30:

	<u>2009</u>	<u>2008</u>
Beneficial interest in assets held by Foundations	\$ 4,481,693	\$ 3,723,148
Beneficial interest in assets held by Foundations- Collaborative Fund	1,277,700	1,017,700
Oklahoma City Orchestra League Emerging Artist Concert Fund	<u>50,000</u>	<u>250,000</u>
	<u>\$ 5,809,393</u>	<u>\$ 4,990,848</u>

NOTE F--ENDOWMENT DISCLOSURES

The Philharmonic's endowment consists of the beneficial interest in assets held by the Foundations as discussed in Note D. That endowment was created through donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, 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 Directors of the Philharmonic has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") 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 Philharmonic classifies as permanently restricted net assets (a) 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 direction 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 as the Philharmonic has no control over the appropriation of the funds. The amount of endowment funds that have fallen below the endowment corpus value are reported in unrestricted net assets.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2009

NOTE F--ENDOWMENT DISCLOSURES--Continued

**Interpretation of Relevant Law--Continued**

In accordance with SPMIFA, the Foundations holding the endowment assets consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds held for the benefit of the Society.

- (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 asset composition by type of fund as of June 30, 2009 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (160,541)	\$ 182,551	\$ 5,759,393	\$ 5,781,403
Board-designated endowment funds	-	-	-	-
<b>Total endowment funds</b>	<b>\$ (160,541)</b>	<b>\$ 182,551</b>	<b>\$ 5,759,393</b>	<b>\$ 5,781,403</b>

Changes in endowment net assets for the fiscal year ended June 30, 2009 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 884,602	\$ 4,740,848	\$ 5,625,450
Investment return	(160,541)	(267,627)	-	(428,168)
Contributions	-	551,536	200,000	751,536
Transfer of assets to Foundations	-	(808,545)	818,545	10,000
Appropriation of endowment assets for expenditure	-	(177,415)	-	(177,415)
<b>Endowment net assets, end of year</b>	<b>\$ (160,541)</b>	<b>\$ 182,551</b>	<b>\$ 5,759,393</b>	<b>\$ 5,781,403</b>

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2009

NOTE F--ENDOWMENT DISCLOSURES--Continued

Endowment net asset composition by type of fund as of June 30, 2008 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 884,602	\$ 4,740,848	\$ 5,625,450
Board-designated endowment funds	-	-	-	-
Total endowment funds	<u>\$ -</u>	<u>\$ 884,602</u>	<u>\$ 4,740,848</u>	<u>\$ 5,625,450</u>

Changes in endowment net assets for the fiscal year ended June 30, 2008 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 1,269,339	\$ 2,899,879	\$ 4,169,218
Investment return	-	(205,451)	-	(205,451)
Contributions	-	1,805,365	7,029	1,812,394
Transfer of assets to the Foundations	-	(1,833,940)	1,833,940	-
Appropriation of endowment assets for expenditure	-	(150,711)	-	(150,711)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 884,602</u>	<u>\$ 4,740,848</u>	<u>\$ 5,625,450</u>

**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 or SPMIFA requires the Philharmonic to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$160,541 and \$0 at June 30, 2009 and 2008, respectively. These deficiencies resulted from unfavorable market fluctuations.

**Return Objectives and Risk Parameters**

The Philharmonic 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 Philharmonic must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested with the Foundations whose investment policies emphasize preservation of capital, protection against inflation and a continuing source of income.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2009

NOTE F--ENDOWMENT DISCLOSURES--Continued

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Foundations' distribution policy to beneficiary organizations is five percent of the average market value of the endowment fund, which is calculated on a rolling quarter average of the previous twelve quarters. The Philharmonic allocates distributions received from the Foundations to be available for use in the Philharmonic's operations.

NOTE G--FAIR VALUE MEASUREMENTS

The Society has no liabilities measured at fair value on a recurring basis. Assets measured at fair value on a recurring basis are classified within the fair value hierarchy as follows:

	As of June 30, 2009			
	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>				
Beneficial interest in assets held by others	\$ -	\$ -	\$ 5,760,531	\$ 5,760,531
Total assets accounted for at fair value	\$ -	\$ -	\$ 5,760,531	\$ 5,760,531

Following is a description of methodologies used for instruments measured at fair value on a recurring basis:

*Beneficial interest in assets held by others:* The Philharmonic believes fair value of the future cash flows to be received from its beneficial interest in assets held by the Foundations approximates the fair value of the underlying assets held by the Foundations. Since there is no market for similar assets (i.e., beneficial interest in assets held by others), the assets are not transferrable, and the value recorded by the Philharmonic represents estimated future cash flows to be received from the Foundations, the Philharmonic classifies its beneficial interest in the assets held by the Foundations as Level 3.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2009

NOTE G--FAIR VALUE MEASUREMENTS--Continued

The following table summarizes the changes in the fair value of the Philharmonic's Level 3 financial assets for the period ending June 30, 2009:

	Beneficial Interest In Assets Held By Others
Balance at July 1, 2008	\$ 5,347,569
Transfers to the Foundation	1,018,545
Net investment performance	(428,168)
Distributions to the Philharmonic	<u>(177,415)</u>
Balance at June 30, 2009	<u>\$ 5,760,531</u>

The summary of changes in fair value of Level 3 assets has been prepared to reflect the activity in the same categories as those provided to the Philharmonic by the Foundations. Net investment performance includes realized and unrealized gains (losses) on investments, investment income and administrative fees and is included in change in value of beneficial interest in assets held by others in the statement of activities. Distributions from the Foundations decrease the Philharmonic's beneficial interest and increase cash at the time of distribution.

NOTE H--LEASES

The Philharmonic has entered into non-cancelable lease agreements, primarily for office facilities, equipment and automobiles, under which rent expense approximated \$72,000 and \$67,000 for the years ended June 30, 2009 and 2008, respectively. Approximate minimum annual rentals as required by these leases at June 30, 2009 are as follows:

2010	\$ 65,700
2011	47,600
2012	11,900
2013	11,200
2014	<u>2,800</u>
	<u>\$ 139,200</u>

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2009

NOTE I--COMMITMENT AND CONTINGENCIES

Employment and Musicians Contracts: The Philharmonic has entered into two employment contracts. Under the terms of the contracts, the Philharmonic has agreed to pay the Executive Director and the Music Director annual salaries for the performance of their duties and responsibilities, as specified in the contracts. If the agreements are terminated by the Philharmonic under terms specified in the contracts, the Philharmonic will be required to pay the respective employee a cash sum equal to one-half of their salary for that season. If the agreements are terminated by the employee, the employee will not be entitled to receive compensation following termination.

The Philharmonic has an agreement with the American Federation of Musicians, Local 375/703 (the "Agreement") extending through August 31, 2011, which specifies minimum amounts of compensation and number of services during future concert seasons that will be included in contracts entered into between the Philharmonic and the musicians. The Agreement includes an increase of approximately \$9 per principal musician and \$5 per section musician, respectively, per service for the 2009-2010 concert season over the 2008-2009 rates. A service may include a concert, rehearsal or education program, among other things. Under this Agreement, the musicians will not be allowed to strike, slow-down or otherwise cause a reduction in work. In accordance with the Agreement, the Philharmonic entered into contracts with 72 musicians during 2009 for the 2009-2010 concert season. Minimum commitments relating to these contracts total approximately \$874,000 for fiscal year 2010.

Guest Artists Contracts: The Philharmonic entered into agreements with guest artists for performances to be held during fiscal year 2010. Commitments under these agreements totaled approximately \$296,000 at June 30, 2009.

NOTE J--SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 26, 2009, the date the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.

SUPPLEMENTARY STATEMENTS OF ACTIVITIES

OKLAHOMA PHILHARMONIC SOCIETY, INC.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Year Ended June 30, 2009
<b>OPERATIONS</b>				
Operating revenue				
Concert tickets and fees	\$ 1,922,237	\$ -	\$ -	\$ 1,922,237
Program advertising	97,500	-	-	97,500
<b>TOTAL OPERATING REVENUE</b>	<b>2,019,737</b>	<b>-</b>	<b>-</b>	<b>2,019,737</b>
Operating expenses				
Performance				
Salaries and benefits	1,304,160	-	-	1,304,160
Guest artists	699,726	-	-	699,726
Technical and backstage personnel	182,116	-	-	182,116
Box office	82,290	-	-	82,290
Equipment rental	206,021	-	-	206,021
Music hall rental	105,070	-	-	105,070
Musician travel	32,634	-	-	32,634
Other	364,924	-	-	364,924
<b>TOTAL PERFORMANCE EXPENSES</b>	<b>2,976,941</b>	<b>-</b>	<b>-</b>	<b>2,976,941</b>
Marketing and development				
Salaries and benefits	285,017	-	-	285,017
Advertising	235,429	-	-	235,429
Telemarketing	52,254	-	-	52,254
Season campaign	86,459	-	-	86,459
Program printing	64,067	-	-	64,067
Postage	37,003	-	-	37,003
Other	70,438	-	-	70,438
<b>TOTAL MARKETING AND   DEVELOPMENT EXPENSES</b>	<b>830,667</b>	<b>-</b>	<b>-</b>	<b>830,667</b>
General and administrative				
Salaries and benefits	388,085	-	-	388,085
Legal and professional	32,576	-	-	32,576
Insurance	51,781	-	-	51,781
Rent	48,980	-	-	48,980
Telephone	21,558	-	-	21,558
Bank fees	39,922	-	-	39,922
Office supplies	14,277	-	-	14,277
Other	76,129	-	-	76,129
<b>TOTAL GENERAL AND   ADMINISTRATIVE EXPENSES</b>	<b>673,308</b>	<b>-</b>	<b>-</b>	<b>673,308</b>
<b>TOTAL DIRECT OPERATING EXPENSES</b>	<b>4,480,916</b>	<b>-</b>	<b>-</b>	<b>4,480,916</b>
<b>CHANGE IN NET ASSETS FROM   OPERATING ACTIVITIES</b>	<b>(2,461,179)</b>	<b>-</b>	<b>-</b>	<b>(2,461,179)</b>

See independent auditors' report.

Unrestricted	Temporarily Restricted	Permanently Restricted	Year Ended June 30, 2008
\$ 1,839,305	\$ -	\$ -	\$ 1,839,305
96,675	-	-	96,675
<u>1,935,980</u>	-	-	<u>1,935,980</u>
1,193,791	-	-	1,193,791
608,989	-	-	608,989
157,018	-	-	157,018
78,534	-	-	78,534
226,342	-	-	226,342
109,434	-	-	109,434
33,481	-	-	33,481
372,479	-	-	372,479
<u>2,780,068</u>	-	-	<u>2,780,068</u>
282,344	-	-	282,344
244,828	-	-	244,828
81,166	-	-	81,166
105,753	-	-	105,753
63,862	-	-	63,862
30,670	-	-	30,670
69,407	-	-	69,407
878,030	-	-	878,030
368,967	-	-	368,967
37,662	-	-	37,662
46,540	-	-	46,540
48,509	-	-	48,509
21,366	-	-	21,366
40,666	-	-	40,666
20,740	-	-	20,740
83,540	-	-	83,540
667,990	-	-	667,990
<u>4,326,088</u>	-	-	<u>4,326,088</u>
<u>(2,390,108)</u>	-	-	<u>(2,390,108)</u>

SUPPLEMENTARY STATEMENTS OF ACTIVITIES--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total for Year Ended June 30, 2009</u>
CONTRIBUTIONS, INTEREST AND OTHER NONOPERATING INCOME (EXPENSE)				
Contributions				
Corporations, individuals and foundations	\$ 475,528	\$ 610,830	\$ -	\$ 1,086,358
Allied Arts Foundation, Inc.	-	355,360	-	355,360
Endowment drive	-	43,180	-	43,180
Oklahoma Philharmonic Foundation distribution	79,800	-	-	79,800
Oklahoma City Community Foundation distribution	62,785	-	-	62,785
Oklahoma City Orchestra League, Inc.	175,000	-	-	175,000
Oklahoma Arts Council	129,625	-	-	129,625
Associate Board	6,991	-	-	6,991
TOTAL CONTRIBUTION INCOME	<u>929,729</u>	<u>1,009,370</u>	<u>-</u>	<u>1,939,099</u>
Marketing and development- endowment drive	(4,079)	-	-	(4,079)
Interest income	25,485	-	-	25,485
Transfer of assets to the Foundations	(10,000)	(808,545)	818,545	-
Net assets released from restrictions	<u>1,546,726</u>	<u>(1,546,726)</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS BEFORE CHANGE IN VALUE OF BENEFICIAL INTEREST IN ASSETS HELD BY FOUNDATIONS	<u>26,682</u>	<u>(1,345,901)</u>	<u>818,545</u>	<u>(500,674)</u>
Change in value of beneficial interest in assets held by Foundations	<u>(160,541)</u>	<u>(267,627)</u>	<u>-</u>	<u>(428,168)</u>
CHANGE IN NET ASSETS	(133,859)	(1,613,528)	818,545	(928,842)
NET ASSETS AT BEGINNING OF YEAR	<u>762,947</u>	<u>4,072,612</u>	<u>4,990,848</u>	<u>9,826,407</u>
NET ASSETS AT END OF YEAR	<u>\$ 629,088</u>	<u>\$ 2,459,084</u>	<u>\$ 5,809,393</u>	<u>\$ 8,897,565</u>

See Independent Auditors' Report

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total for Year Ended June 30, 2008</u>
\$ 653,827	\$ 808,413	\$ -	\$ 1,462,240
-	360,303	-	360,303
-	82,332	7,029	89,361
75,536	-	-	75,536
40,753	-	-	40,753
175,000	-	-	175,000
127,375	-	-	127,375
-	-	-	-
<u>1,072,491</u>	<u>1,251,048</u>	<u>7,029</u>	<u>2,330,568</u>
(59,946)	-	-	(59,946)
50,457	-	-	50,457
-	(1,833,940)	1,833,940	-
<u>1,343,386</u>	<u>(1,343,386)</u>	<u>-</u>	<u>-</u>
<u>16,280</u>	<u>(1,926,278)</u>	<u>1,840,969</u>	<u>(69,029)</u>
-	(205,451)	-	(205,451)
16,280	(2,131,729)	1,840,969	(274,480)
<u>746,667</u>	<u>6,204,341</u>	<u>3,149,879</u>	<u>10,100,887</u>
<u>\$ 762,947</u>	<u>\$ 4,072,612</u>	<u>\$ 4,990,848</u>	<u>\$ 9,826,407</u>