

*Audited Consolidated Financial Statements
and Supplementary Information*

**OKLAHOMA PHILHARMONIC
SOCIETY, INC.**

June 30, 2014

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2014

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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Independent Auditors' Report

To the Board of Directors
Oklahoma Philharmonic Society, Inc.
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Oklahoma Philharmonic Society, Inc. which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Oklahoma Philharmonic Society, Inc. as of June 30, 2014 and 2013, and the results of its change in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Oklahoma City, Oklahoma
October 23, 2014

Cole & Reed P.C.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

OKLAHOMA PHILHARMONIC SOCIETY, INC.

	June 30	
	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash:		
Unrestricted and undesignated	\$ 1,870,163	\$ 2,137,516
Unrestricted and designated for capital reserve	324,677	323,866
Unrestricted and designated for endowment drive	21,090	21,150
	<u>2,215,930</u>	<u>2,482,532</u>
Accounts receivable	132,338	108,306
Contributions receivable - endowment drive	75,000	142,500
Annual fund pledges receivable	603,702	627,982
Prepaid expenses and other	265,461	258,779
	<u>3,292,431</u>	<u>3,620,099</u>
TOTAL CURRENT ASSETS	3,292,431	3,620,099
Contributions receivable - endowment drive	40,000	40,000
Annual fund pledges receivable	-	7,500
Beneficial interest in assets held by the Community Foundation	3,075,644	2,819,669
Furniture and equipment (net of accumulated depreciation of \$929,051 and \$893,215)	162,525	181,042
Investments	7,926,012	6,891,692
	<u>14,496,612</u>	<u>13,560,002</u>
TOTAL ASSETS	\$ 14,496,612	\$ 13,560,002
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 84,972	\$ 67,787
Advance ticket sales and fees	981,718	981,371
	<u>1,066,690</u>	<u>1,049,158</u>
TOTAL CURRENT LIABILITIES	1,066,690	1,049,158
NET ASSETS		
Unrestricted	1,147,903	1,066,424
Temporarily restricted	3,715,820	2,985,533
Permanently restricted	8,566,199	8,458,887
	<u>13,429,922</u>	<u>12,510,844</u>
TOTAL NET ASSETS	13,429,922	12,510,844
TOTAL LIABILITIES AND NET ASSETS	\$ 14,496,612	\$ 13,560,002

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF ACTIVITIES

OKLAHOMA PHILHARMONIC SOCIETY, INC.

Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES				
Concert tickets and fees	\$ 1,895,870	\$ -	\$ -	\$ 1,895,870
Program advertising	81,275	-	-	81,275
TOTAL OPERATING REVENUES	<u>1,977,145</u>	<u>-</u>	<u>-</u>	<u>1,977,145</u>
DIRECT OPERATING EXPENSES				
Performance	3,329,962	-	-	3,329,962
Marketing and development	983,356	-	-	983,356
General and administrative	849,436	-	-	849,436
TOTAL DIRECT OPERATING EXPENSES	<u>5,162,754</u>	<u>-</u>	<u>-</u>	<u>5,162,754</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(3,185,609)	-	-	(3,185,609)
CONTRIBUTIONS, INTEREST AND OTHER NONOPERATING INCOME (EXPENSES)				
Contributions:				
Unrestricted	1,240,105	-	-	1,240,105
Restricted for subsequent period	-	1,375,087	-	1,375,087
Endowment drive	-	41,250	-	41,250
Restrictions satisfied in current period	1,853,616	(1,853,616)	-	-
Transfer of assets to the Foundations	-	(107,312)	107,312	-
Distribution of beneficial interest in assets held by the Community Foundation	129,042	(129,042)	-	-
Marketing and development - endowment drive	(2,560)	-	-	(2,560)
Realized gains and losses	10,811	534,326	-	545,137
Unrealized gains and losses	7,797	395,799	-	403,596
Interest income and other	28,277	88,778	-	117,055
TOTAL CONTRIBUTIONS, INTEREST, AND OTHER NONOPERATING INCOME (EXPENSES)	<u>3,267,088</u>	<u>345,270</u>	<u>107,312</u>	<u>3,719,670</u>
CHANGES IN NET ASSETS BEFORE OTHER CHANGES IN VALUE OF BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION	81,479	345,270	107,312	534,061
OTHER CHANGES IN BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION				
Change in value of beneficial interest in assets held by the Community Foundation	-	385,017	-	385,017
CHANGE IN NET ASSETS	81,479	730,287	107,312	919,078
NET ASSETS AT BEGINNING OF YEAR	<u>1,066,424</u>	<u>2,985,533</u>	<u>8,458,887</u>	<u>12,510,844</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,147,903</u>	<u>\$ 3,715,820</u>	<u>\$ 8,566,199</u>	<u>\$ 13,429,922</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF ACTIVITIES

OKLAHOMA PHILHARMONIC SOCIETY, INC.

Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES				
Concert tickets and fees	\$ 1,635,830	\$ -	\$ -	\$ 1,635,830
Program advertising	71,050	-	-	71,050
TOTAL OPERATING REVENUES	<u>1,706,880</u>	<u>-</u>	<u>-</u>	<u>1,706,880</u>
DIRECT OPERATING EXPENSES				
Performance	2,967,043	-	-	2,967,043
Marketing and development	917,480	-	-	917,480
General and administrative	743,391	-	-	743,391
TOTAL DIRECT OPERATING EXPENSES	<u>4,627,914</u>	<u>-</u>	<u>-</u>	<u>4,627,914</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(2,921,034)	-	-	(2,921,034)
CONTRIBUTIONS, INTEREST AND OTHER NONOPERATING INCOME (EXPENSES)				
Contributions:				
Unrestricted	1,437,737	-	-	1,437,737
Restricted for subsequent period	-	1,491,891	-	1,491,891
Endowment drive	-	5,000	-	5,000
Restrictions satisfied in current period	1,622,329	(1,622,329)	-	-
Transfer of assets to the Foundations	-	(70,000)	70,000	-
Distribution of beneficial interest in assets held by the Community Foundation	123,902	(123,902)	-	-
Marketing and development - endowment drive	(74)	-	-	(74)
Realized gains and losses	-	201,130	-	201,130
Unrealized gains and losses	-	475,205	-	475,205
Interest income and other	7,156	102,540	-	109,696
TOTAL CONTRIBUTIONS, INTEREST, AND OTHER NONOPERATING INCOME (EXPENSES)	<u>3,191,050</u>	<u>459,535</u>	<u>70,000</u>	<u>3,720,585</u>
CHANGES IN NET ASSETS BEFORE OTHER CHANGES IN VALUE OF BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION	270,016	459,535	70,000	799,551
OTHER CHANGES IN BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION				
Change in value of beneficial interest in assets held by the Community Foundation	-	267,860	-	267,860
CHANGE IN NET ASSETS	270,016	727,395	70,000	1,067,411
NET ASSETS AT BEGINNING OF YEAR	<u>796,408</u>	<u>2,258,138</u>	<u>8,388,887</u>	<u>11,443,433</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,066,424</u>	<u>\$ 2,985,533</u>	<u>\$ 8,458,887</u>	<u>\$ 12,510,844</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

OKLAHOMA PHILHARMONIC SOCIETY, INC.

	Year Ended June 30	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 919,078	\$ 1,067,411
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized investment gains	(545,137)	(201,130)
Net unrealized investment gains	(403,596)	(475,205)
Non-cash investment income	(90,555)	(102,541)
Depreciation	35,836	36,432
Change in value of beneficial interest in assets held by Community Foundation	(385,017)	(267,860)
Bad debt expense	3,050	1,250
Changes in operating assets and liabilities:		
Accounts receivable	(24,032)	(15,122)
Annual fund pledges receivable	28,730	85,413
Prepaid expenses and other	(6,682)	24,889
Accounts payable	17,185	25,058
Advance ticket sales and fees	347	152,880
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(450,793)	331,475
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(17,319)	(8,298)
Purchases of investments	(1,116,730)	(855,097)
Proceeds from sales and maturities of investments	1,121,698	1,054,493
Distribution from beneficial interest in assets held by the Community Foundation	129,042	123,902
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	116,691	315,000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for endowment	67,500	90,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	67,500	90,000
NET CHANGE IN CASH	(266,602)	736,475
CASH AT BEGINNING OF YEAR	2,482,532	1,746,057
CASH AT END OF YEAR	\$ 2,215,930	\$ 2,482,532

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2014

NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization: The Oklahoma Philharmonic Society, Inc. (the "Society") was organized in 1988 and its mission is to provide inspiration and joy for the community through orchestral music. The Society is dependent on ticket sales and contributions to support its operations. The concert season typically extends from September through May of each year and includes performances in a classical series, pops series, and family series. Ticket sales for the upcoming concert season are underway. Management of the Society 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 anticipated performance, marketing and development, and general and administrative expenses during the upcoming fiscal year.

The Oklahoma City Philharmonic Foundation, Inc., (the "Foundation") was organized on February 11, 2003. It is a supporting organization as defined in Section 509 of the internal revenue code and was formed for the purpose of supporting the operations and activities of the Oklahoma Philharmonic Society, Inc.

Principles of Consolidation: The Society is the sole member of the Foundation. Directors of the Foundation are subject to the approval of the Society. The Foundation manages the endowment and other investment funds and operates to support the operations of the Society. The Foundation is considered to be an affiliated entity of the Society. In accordance with authoritative guidance regarding consolidations, the consolidated financial statements report the results of operations for the Society and the Foundation (collectively the "Organization"), and all inter-entity transactions between these entities are eliminated in the accompanying consolidated financial statements.

Basis of Accounting: The accompanying consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other assets and liabilities. The Organization follows the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). The ASC provides a single source of authoritative U.S. GAAP for non-governmental entities and supersedes all other previously issued non-SEC accounting and reporting guidance.

Basis of Presentation: Net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Financial statement presentation reports information regarding the Organization'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 Organization and/or the passage of time. When a donor restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2014

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

Basis of Presentation--Continued:

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

Contributions received are reported as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. The Organization 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 statement of activities as net assets released from restrictions.

The Organization accounts for assets that are contributed by the Organization to the Oklahoma City Community Foundation (the "Community Foundation") as an asset of the Organization, if it has been specified as the beneficiary of those assets. All contributions of this type, and the activity associated with the assets held at the Community Foundation, are reported as beneficial interest in assets held by the Community Foundation in the statement of financial position, with the related changes in fair value reported in the statement of activities. Distributions to the Organization from these funds reduce the Organization's beneficial interest in assets held by others.

Unrestricted and Undesignated Cash: The Organization maintains a sweep account with a financial institution, which transfers excess funds into a variety of overnight investments. Such sweep accounts are not FDIC insured and totaled \$1,873,555 and \$2,080,669 at June 30, 2014, and 2013, respectively. The Organization has not incurred any losses related to its sweep account and does not believe there are significant risks associated with it.

Unrestricted and Designated Cash: Cash designated for capital reserve consists of donations received by the Organization 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 for the working capital needs of the Organization.

Cash designated for endowment drive consists of contributions received from an 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 included in investments of the Foundation or remitted to the Oklahoma City Community Foundation (see Note D), and they will be considered permanently restricted at that time.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2014

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

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 Organization has completed scheduled concert performances. Operating revenues for the year ended June 30, 2014, consist of concert tickets, fees, and program advertising related to the 2013-2014 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 when they are payable to the Organization.

Contributions and other non-operating income consist primarily of gifts and grants received from corporations, individuals, foundations and others. They 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 because the possibility of not proceeding with the upcoming concert season is considered remote.

At June 30, 2014, 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>
2015	\$ 603,702	\$ 75,000
2016-2019	-	40,000
	<u>\$ 603,702</u>	<u>\$ 115,000</u>

No discounts for balances due in 2015 and thereafter have been recorded at June 30, 2014 as they are not significant. In addition, the Organization has received approximately \$1,145,000 of pledged contributions through interests in donors' estates which do not yet meet the criteria for revenue recognition.

Donated and Bartered Services: Donated services in fiscal years 2014 and 2013, totaled approximately \$218,000 and \$197,000, respectively, which consisted principally of advertising, accounting fees, and pro-bono legal services. Bartered transactions occurring during fiscal years 2014 and 2013, totaled approximately \$55,000 and \$43,000, respectively, which consisted primarily of exchanging various services in return for program and ticket advertising. These amounts are included in the accompanying statement of activities as contributions, program advertising and related expenses, at the estimated fair value of the goods or services received or exchanged.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2014

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

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

Investments: Investments consist of cash and cash equivalent funds, equity and fixed income mutual funds, and index funds. Investments are stated at fair value as determined by the fund and/or investment manager. Realized gains and losses on sales of investments are computed on the average cost basis. At June 30, 2014, and 2013, investment income in the statement of activities is reported net of investment management and custodial fees which totaled \$35,444 and \$32,026, respectively.

Furniture and Equipment: 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 statement 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 Organization.

Income Taxes: The Society and the Foundation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for any income that the Organization generates from an unrelated trade or business which is subject to federal corporate taxes on income.

Accounting for Uncertain Tax Positions: Management evaluated the tax positions of the Organization and concluded that no uncertain tax positions had been taken that would require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years beginning before June 30, 2010.

Advertising Expense: All advertising costs, which approximated \$437,000 and \$361,000 for the years ending June 30, 2014 and 2013, respectively, are expensed as incurred or when the first time advertising takes place.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2014

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

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

At June 30, 2014, 41% of the Organization's contribution revenue is from three donors, and 55% of the Organization's contributions receivable is due from two donors. At June 30, 2013, 45% of the Organization's contribution revenue is from four donors, and 53% of the Organization's contributions receivable is due from three donors.

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.

Significant Estimates: Estimates that are particularly susceptible to significant change include the valuation of investments, beneficial interest in assets held by others, and contributions receivable. Investments and beneficial interest in assets held by others are exposed to various risks, such as interest rate, credit, and overall market volatility.

Due to the level of risk associated with these financial instruments, it is reasonably possible that changes in the values of these assets will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position. Significant fluctuations in fair values could occur from year to year and the amounts the Organization will ultimately realize could differ materially. Management's estimate of contributions receivable is based on considerations of all relevant available information and an analysis of the collectability of individual contributions, which arise primarily from pledges at the financial statement date.

Fair Value Measurements: The Organization follows ASC Topic 820, Fair Value Measurements, which provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The inputs to the three levels of the fair value hierarchy under Topic 820 are described as follows:

- Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2014

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

Fair Value Measurements--Continued:

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from, or corroborated by, observable market data by correlation to other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Unobservable and significant to the fair value measurement.

The Organization may have assets which are measured at net asset value per share ("NAV"). If the Organization has the ability to redeem its investment with the investee at NAV at the measurement date or within ninety days of the measurement date, the fair value of the asset is categorized as a Level 2 fair value measurement. If the Organization will never have the ability to redeem its investment with the investee at NAV or they cannot redeem its investment within ninety days of the measurement date, the Organization categorizes the asset as a Level 3 measurement.

Financial assets subject to fair value measurement disclosure requirements include investments and beneficial interest in assets held by others (see Note G). The Organization has no liabilities carried at fair value on a recurring basis and no assets or liabilities carried at fair value on a non-recurring basis at June 30, 2014 or 2013.

Recent Accounting Pronouncements: During the year ended June 30, 2014, the Organization implemented ASU 2012-05, *Statement of Cash Flows (Topic 230): Not-for-Profit ("NFP") Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*. This ASU requires a NFP to classify cash receipts from the sale of donated financial assets consistently with cash donations received if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any NFP-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes in which case, those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities. The Organization's implementation of this ASU did not have a material impact on the presentation of its statements of cash flows.

Subsequent Events: The Organization has evaluated subsequent events through October 23, 2014, which is the date the financial statements were available to be issued. There are no subsequent events requiring recognition or disclosure in the 2014 financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2014

NOTE B--DEFERRED REVENUE

As of June 30, 2014 and 2013, respectively, the Organization has recorded deferred revenue for advance ticket sales and fee engagements totaling approximately \$956,000 and \$968,000. As of June 30, 2014, and 2013, respectively, \$26,000 and \$13,000 was recognized for advertising relating to the next concert season.

NOTE C--RELATED PARTY TRANSACTIONS

The Organization leases office space and musical equipment from the Oklahoma City Orchestra League, Inc. for an annual rental of \$100. The lease requires the Organization to maintain insurance coverage of \$198,000 on the leased items. The lease automatically renews from year to year, until notice is given by either party to terminate the lease.

The Organization 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 Organization from the volunteers. Therefore, the accompanying financial statements do not include any amounts attributable to these services.

NOTE D--BENEFICIAL INTEREST IN ASSETS

In prior years, the Organization transferred funds to the Community Foundation and specified itself as the beneficiary of the funds. Annually, distributions from the funds are paid to the Organization according to the Community Foundation's distribution policy. The Community Foundation maintains variance power over these assets. Variance power 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. Distributions in the amount of approximately \$129,000 and \$124,000 for the years ending June 30, 2014 and 2013, respectively, were received by the Organization from these funds. To the extent that these distributions are returns of previously accumulated earnings, such distributions are reflected as net assets released from restrictions in the statement of activities. Distributions in excess of previously accumulated earnings reduce unrestricted net assets. Future investment earnings reestablish reductions of unrestricted net assets due to distributions in excess of accumulated earnings.

The Community Foundation maintains legal ownership of the funds. However, accounting principles generally accepted in the United States of America require that the Organization reflect its beneficial interest in these assets in its financial statements. At June 30, 2014, and 2013, assets transferred to the Community Foundation by the Organization had a fair value of \$3,075,644 and \$2,819,669, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2014

NOTE D--BENEFICIAL INTEREST IN ASSETS--Continued

In addition to the funds discussed above, the Community Foundation maintains other funds that have been contributed by various donors to the Community Foundation for the benefit of the Organization. These funds are not included as assets of the Organization. The earnings from these funds are paid to the Organization each year in accordance with the Community Foundation's spending policy.

For the years ended June 30, 2014 and 2013, the Organization received distributions of \$99,718 and \$94,383, respectively, which is recorded as contributions in the accompanying consolidated statements of activities. At June 30, 2014, and 2013, the fair value of the funds originally donated by third parties was approximately \$2,363,000 and \$2,164,000, respectively. The Organization has no remainder interest in the corpus of these funds.

NOTE E--NET ASSETS RESTRICTIONS

Temporarily restricted net assets at June 30, 2014 are available for the following:

	<u>2014</u>	<u>2013</u>
Individuals and corporate sponsorships designated for the following concert season	\$ 982,639	\$ 1,097,059
Grants and contributions designated for the following concert seasons	392,448	427,332
Contributions designated for endowment, net of related endowment drive expenses	139,713	208,335
Funds invested by the Philharmonic Foundation	1,435,576	743,339
Undistributed earnings of beneficial interest in assets held by Community Foundation	<u>765,444</u>	<u>509,468</u>
	<u>\$ 3,715,820</u>	<u>\$ 2,985,533</u>

Certain endowments contain restrictions that the earnings be used to subsidize Ballet Oklahoma and Canterbury Choral Society for orchestral services provided by the Society. These restricted contributions are maintained in a segregated Collaborative Fund which is managed in accordance with an Endowment Fund Account Instructions Agreement entered into between the Organization, Ballet Oklahoma, and Canterbury Choral Society.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2014

NOTE E--NET ASSETS RESTRICTIONS--Continued

Permanently restricted net assets at June 30, 2014, consist of the following:

	<u>2014</u>	<u>2013</u>
Beneficial interest in assets held by Community Foundation	\$ 777,500	\$ 777,500
Beneficial interest in assets held by Community Foundation - Collaborative Fund	1,532,700	1,532,700
Endowment funds invested by Philharmonic Foundation	6,064,999	5,998,687
Youth series endowment	<u>191,000</u>	<u>150,000</u>
	<u>\$ 8,566,199</u>	<u>\$ 8,458,887</u>

NOTE F--ENDOWMENT DISCLOSURES

The Organization's endowment consists of endowment funds held in investments and the beneficial interest in assets held by the Community Foundation as discussed in Note D. The endowments were created through donor-restricted endowment funds. 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 Organization follows the ASC's guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). The State of Oklahoma enacted the Uniform Prudent Management of Institutional Funds Act ("OK UPMIFA") effective November 1, 2007.

The Board of Directors of the Organization has interpreted OK UPMIFA 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 (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 until the funds are appropriated for spending in accordance with spending policies. The amount of endowment funds that have fallen below the endowment corpus value are reported in unrestricted net assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2014

NOTE F--ENDOWMENT DISCLOSURES--Continued

Interpretation of Relevant Law--Continued

In accordance with OK UPMIFA, the following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds held for the benefit of the Organization.

- (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; and
- (7) The investment policies of the organization.

Endowment net asset composition by type of fund as of June 30, 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 2,201,020	\$ 8,566,199	\$ 10,767,219
Board-designated endowment funds	-	-	-	-
Total endowment funds	<u>\$ -</u>	<u>\$ 2,201,020</u>	<u>\$ 8,566,199</u>	<u>\$ 10,767,219</u>

Changes in endowment net assets for the fiscal year ended June 30, 2014 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 1,252,807	\$ 8,458,887	\$ 9,711,694
Investment return	-	1,403,920	-	1,403,920
Contributions	-	107,312	-	107,312
Transfer of assets to Foundation	-	(107,312)	107,312	-
Appropriation of endowment assets for expenditure	-	(455,707)	-	(455,707)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 2,201,020</u>	<u>\$ 8,566,199</u>	<u>\$ 10,767,219</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2014

NOTE F--ENDOWMENT DISCLOSURES--Continued

Endowment net asset composition by type of fund as of June 30, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,252,807	\$ 8,458,887	\$ 9,711,694
Board-designated endowment funds	-	-	-	-
Total endowment funds	<u>\$ -</u>	<u>\$ 1,252,807</u>	<u>\$ 8,458,887</u>	<u>\$ 9,711,694</u>

Changes in endowment net assets for the fiscal year ended June 30, 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 624,370	\$ 8,388,887	\$ 9,013,257
Investment return	-	1,046,736	-	1,046,736
Contributions	-	70,000	-	70,000
Transfer of assets to Foundation	-	(70,000)	70,000	-
Appropriation of endowment assets for expenditure	-	(418,299)	-	(418,299)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,252,807</u>	<u>\$ 8,458,887</u>	<u>\$ 9,711,694</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 requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, if deficiencies of this nature are present, they will be reported in unrestricted net assets.

Return Objectives and Risk Parameters

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2014

NOTE F--ENDOWMENT DISCLOSURES--Continued

Spending Policy and How the Investment Objectives Relate to Spending Policy

The endowment earnings are distributed based on a distribution policy whereby the Society receives 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 Society allocates distributions received to be available for use in the Society's operations.

NOTE G--FAIR VALUE MEASUREMENTS

The following methods and assumptions were used to estimate the fair value of assets and liabilities reported at fair market value in the accompanying financial statements.

Investments: Investments are stated at fair value, and are based on quoted market prices, when available, or the best estimate of fair value as determined by the fund and/or investment manager. Generally, quoted market prices are available for mutual funds and index funds and, as such, are classified as Level 1 in the fair value hierarchy.

Beneficial interest in assets held by others: The Organization believes fair value of the future cash flows to be received from its beneficial interest in assets held by the Community Foundation approximates the fair value of the underlying assets held by the Community Foundation which primarily includes a diversified portfolio of marketable securities. 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 Organization represents estimated future cash flows to be received from the Community Foundation, the Organization classifies its beneficial interest in the assets held by the Community Foundation as Level 3.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2014

NOTE G--FAIR VALUE MEASUREMENTS--Continued

The Organization has no liabilities measured at fair value. As of June 30, 2014, assets measured at fair value on a recurring basis are classified within the fair value hierarchy is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ASSETS				
Investments:				
Cash Equivalents	\$ 442,484	\$ -	\$ -	\$ 442,484
Mutual Funds:				
Equity	2,532,149	-	-	2,532,149
Fixed Income	2,924,133	-	-	2,924,133
Index Funds	<u>2,027,246</u>	<u>-</u>	<u>-</u>	<u>2,027,246</u>
Total Investments	7,926,012	-	-	7,926,012
Beneficial interest in assets				
held by community foundation	<u>-</u>	<u>-</u>	<u>3,075,644</u>	<u>3,075,644</u>
Total assets accounted for at fair value	<u>\$ 7,926,012</u>	<u>\$ -</u>	<u>\$ 3,075,644</u>	<u>\$ 11,001,656</u>

As of June 30, 2013, assets measured at fair value on a recurring basis are classified within the fair value hierarchy is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ASSETS				
Investments:				
Cash Equivalents	\$ 263,525	\$ -	\$ -	\$ 263,525
Mutual Funds:				
Equity	2,639,476	-	-	2,639,476
Fixed Income	2,428,680	-	-	2,428,680
Index Funds	<u>1,560,011</u>	<u>-</u>	<u>-</u>	<u>1,560,011</u>
Total Investments	6,891,692	-	-	6,891,692
Beneficial interest in assets				
held by community foundation	<u>-</u>	<u>-</u>	<u>2,819,669</u>	<u>2,819,669</u>
Total assets accounted for at fair value	<u>\$ 6,891,692</u>	<u>\$ -</u>	<u>\$ 2,819,669</u>	<u>\$ 9,711,361</u>

Change in the fair value of the Organization's Level 3 financial assets, beneficial interest in assets held by the Community Foundation for the year's ending June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Balance at beginning of year	\$ 2,819,669	\$ 2,675,711
Transfers to the Community Foundation	-	-
Net investment performance	385,017	267,860
Distributions to the Society	<u>(129,042)</u>	<u>(123,902)</u>
Balance at end of year	<u>\$ 3,075,644</u>	<u>\$ 2,819,669</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2014

NOTE G--FAIR VALUE MEASUREMENTS--Continued

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 Society by the Community Foundation. 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 the Community Foundation in the statement of activities. Distributions from the Community Foundation decrease the Society's beneficial interest and increase cash at the time of distribution.

The following table summarizes the valuation techniques and significant unobservable inputs used by the Organization that are categorized within Level 3 of the fair value hierarchy as of June 30.

Investment Type	Fair Value		Valuation Techniques	Unobservable Input ^(b)	Range of Inputs (Weighted Average)
	2014	2013			
Beneficial Interests in Assets Held By the Community Foundation	3,075,644	2,819,669	Income approach ^(c)	Discount rate ^(a)	0% (0%)

(a) Represents amounts used when the reporting entity has determined that market participants would take into account these returns when pricing the investments.

(b) Significant increases or decreases in any of the above unobservable inputs in isolation may result in a significantly lower or higher fair value measurement.

(c) Fair value of the asset/liability is the expected future cash inflows/outflows which is based on the fair value of the underlying investment assets and at this time management believes no discounts to the fair values is appropriate.

NOTE H--LEASES

The Society has entered into non-cancelable lease agreements, primarily for office facilities, equipment and automobiles, under which rent expense approximated \$75,000 and \$74,000 for the years ended June 30, 2014 and 2013, respectively. Approximate minimum annual rentals as required by these leases at June 30, 2014 are as follows:

Year Ended	
2015	\$ 73,181
2016	56,555
2017	49,427
2018	1,287
2019	1,073
	<u>\$ 181,523</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2014

NOTE I--COMMITMENTS AND CONTINGENCIES

Employment and Musicians Contracts: The Society has entered into two employment contracts. Under the terms of the contracts, the Society 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 Society under terms specified in the contracts, the Society will be required to pay the terminated 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 Society has entered into an agreement with the American Federation of Musicians, Local 375/703 (the "Agreement") extending through August 31, 2015, which specifies minimum amounts of compensation and number of services during future concert seasons that will be included in contracts entered into between the Society and the musicians. The Agreement includes an increase of approximately \$5 per principal musician and \$5 per section musician, respectively, per service for the 2013-2014 concert season over the 2012-2013 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 Society entered into contracts with 71 musicians during 2014 for the 2014-2015 concert season. Minimum commitments relating to these contracts total approximately \$1,013,000 for fiscal year 2015.

Guest Artists Contracts: The Society entered into agreements with guest artists for performances to be held during fiscal year 2015. Costs of performances under these agreements totaled approximately \$382,000 at June 30, 2014.

SUPPLEMENTARY INFORMATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2014

	<u>Society</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS				
CURRENT ASSETS				
Cash:				
Unrestricted and undesignated	\$ 1,870,163	\$ -	\$ -	\$ 1,870,163
Unrestricted and designated for capital reserve	324,677	-	-	324,677
Unrestricted and designated for endowment drive	21,090	-	-	21,090
	<u>2,215,930</u>	<u>-</u>	<u>-</u>	<u>2,215,930</u>
Accounts receivable	132,338	-	-	132,338
Contributions receivable - endowment drive	75,000	-	-	75,000
Annual fund pledges receivable	603,702	-	-	603,702
Prepaid expenses and other	240,461	25,000	-	265,461
TOTAL CURRENT ASSETS	<u>3,267,431</u>	<u>25,000</u>	<u>-</u>	<u>3,292,431</u>
Contributions receivable - endowment drive	40,000	-	-	40,000
Beneficial interest in assets held by foundations	9,092,655	-	(6,017,011)	3,075,644
Furniture and equipment (net of accumulated depreciation of \$929,051)	162,525	-	-	162,525
Investment in subsidiary	1,929,901	-	(1,929,901)	-
Investments	-	7,926,012	-	7,926,012
TOTAL ASSETS	<u>\$ 14,492,512</u>	<u>\$ 7,951,012</u>	<u>\$ (7,946,912)</u>	<u>\$ 14,496,612</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 80,872	\$ 4,100	\$ -	\$ 84,972
Advance ticket sales and fees	981,718	-	-	981,718
Funds held for others	-	6,017,011	(6,017,011)	-
TOTAL CURRENT LIABILITIES	<u>1,062,590</u>	<u>6,021,111</u>	<u>(6,017,011)</u>	<u>1,066,690</u>
NET ASSETS				
Unrestricted	1,147,903	25,000	(25,000)	1,147,903
Temporarily restricted	3,715,820	359,381	(359,381)	3,715,820
Permanently restricted	8,566,199	1,545,520	(1,545,520)	8,566,199
TOTAL NET ASSETS	<u>13,429,922</u>	<u>1,929,901</u>	<u>(1,929,901)</u>	<u>13,429,922</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,492,512</u>	<u>\$ 7,951,012</u>	<u>\$ (7,946,912)</u>	<u>\$ 14,496,612</u>

See notes to consolidated financial statements.

CONSOLIDATING STATEMENT OF ACTIVITIES

OKLAHOMA PHILHARMONIC SOCIETY, INC.

Year Ended June 30, 2014

	<u>Society</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
OPERATING REVENUES				
Concert tickets and fees	\$ 1,895,870	\$ -	\$ -	\$ 1,895,870
Program advertising	81,275	-	-	81,275
TOTAL OPERATING REVENUES	<u>1,977,145</u>	<u>-</u>	<u>-</u>	<u>1,977,145</u>
DIRECT OPERATING EXPENSES				
Performance	3,329,962	-	-	3,329,962
Marketing and development	983,356	-	-	983,356
General and administrative	845,336	4,100	-	849,436
TOTAL DIRECT OPERATING EXPENSES	<u>5,158,654</u>	<u>4,100</u>	<u>-</u>	<u>5,162,754</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(3,181,509)	(4,100)	-	(3,185,609)
CONTRIBUTIONS, INTEREST AND OTHER NONOPERATING INCOME (EXPENSES)				
Contributions:				
Unrestricted	1,240,105	-	-	1,240,105
Restricted for:				
Subsequent period	1,375,087	-	-	1,375,087
Endowment drive	41,250	-	-	41,250
Transfer of assets between related entities	80,340	(80,340)	-	-
Marketing and development - endowment drive	(2,560)	-	-	(2,560)
Earnings from investment in subsidiary	176,937	-	(176,937)	-
Realized gains and losses	-	140,712	404,425	545,137
Unrealized gains and losses	-	98,199	305,397	403,596
Interest income and other	26,500	22,466	68,089	117,055
TOTAL CONTRIBUTIONS, INTEREST, AND OTHER NONOPERATING INCOME (EXPENSES)	<u>2,937,659</u>	<u>181,037</u>	<u>600,974</u>	<u>3,719,670</u>
CHANGES IN NET ASSETS BEFORE OTHER CHANGES IN VALUE OF BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION	(243,850)	176,937	600,974	534,061
OTHER CHANGES IN BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION				
Change in value of beneficial interest in assets held by foundations	<u>1,162,928</u>	<u>-</u>	<u>(777,911)</u>	<u>385,017</u>
CHANGE IN NET ASSETS	919,078	176,937	(176,937)	919,078
NET ASSETS AT BEGINNING OF YEAR	<u>12,510,844</u>	<u>1,752,964</u>	<u>(1,752,964)</u>	<u>12,510,844</u>
NET ASSETS AT END OF YEAR	<u>\$ 13,429,922</u>	<u>\$ 1,929,901</u>	<u>\$ (1,929,901)</u>	<u>\$ 13,429,922</u>

See notes to consolidated financial statements.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

OKLAHOMA PHILHARMONIC SOCIETY, INC.

June 30, 2013

	<u>Society</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS				
CURRENT ASSETS				
Cash:				
Unrestricted and undesignated	\$ 2,137,516	\$ -	\$ -	\$ 2,137,516
Unrestricted and designated for capital reserve	323,866	-	-	323,866
Unrestricted and designated for endowment drive	21,150	-	-	21,150
	<u>2,482,532</u>	<u>-</u>	<u>-</u>	<u>2,482,532</u>
Accounts receivable	108,306	-	-	108,306
Contributions receivable - endowment drive	142,500	-	-	142,500
Annual fund pledges receivable	627,982	-	-	627,982
Prepaid expenses and other	233,779	25,000	-	258,779
TOTAL CURRENT ASSETS	<u>3,595,099</u>	<u>25,000</u>	<u>-</u>	<u>3,620,099</u>
Contributions receivable - endowment drive	40,000	-	-	40,000
Annual fund pledges receivable	7,500	-	-	7,500
Beneficial interest in assets held by foundations	7,983,397	-	(5,163,728)	2,819,669
Furniture and equipment (net of accumulated depreciation of \$893,215)	181,042	-	-	181,042
Investment in subsidiary	1,752,964	-	(1,752,964)	-
Investments	-	6,891,692	-	6,891,692
TOTAL ASSETS	<u>\$ 13,560,002</u>	<u>\$ 6,916,692</u>	<u>\$ (6,916,692)</u>	<u>\$ 13,560,002</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 67,787	\$ -	\$ -	\$ 67,787
Advance ticket sales and fees	981,371	-	-	981,371
Funds held for others	-	5,163,728	(5,163,728)	-
TOTAL CURRENT LIABILITIES	<u>1,049,158</u>	<u>5,163,728</u>	<u>(5,163,728)</u>	<u>1,049,158</u>
NET ASSETS				
Unrestricted	1,066,424	25,000	(25,000)	1,066,424
Temporarily restricted	2,985,533	182,444	(182,444)	2,985,533
Permanently restricted	8,458,887	1,545,520	(1,545,520)	8,458,887
TOTAL NET ASSETS	<u>12,510,844</u>	<u>1,752,964</u>	<u>(1,752,964)</u>	<u>12,510,844</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,560,002</u>	<u>\$ 6,916,692</u>	<u>\$ (6,916,692)</u>	<u>\$ 13,560,002</u>

See notes to consolidated financial statements.

CONSOLIDATING STATEMENT OF ACTIVITIES

OKLAHOMA PHILHARMONIC SOCIETY, INC.

Year Ended June 30, 2013

	<u>Society</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
OPERATING REVENUES				
Concert tickets and fees	\$ 1,635,830	\$ -	\$ -	\$ 1,635,830
Program advertising	71,050	-	-	71,050
TOTAL OPERATING REVENUES	<u>1,706,880</u>	<u>-</u>	<u>-</u>	<u>1,706,880</u>
DIRECT OPERATING EXPENSES				
Performance	2,967,043	-	-	2,967,043
Marketing and development	917,480	-	-	917,480
General and administrative	743,391	-	-	743,391
TOTAL DIRECT OPERATING EXPENSES	<u>4,627,914</u>	<u>-</u>	<u>-</u>	<u>4,627,914</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(2,921,034)	-	-	(2,921,034)
CONTRIBUTIONS, INTEREST AND OTHER NONOPERATING INCOME (EXPENSES)				
Contributions:				
Unrestricted	1,437,737	-	-	1,437,737
Restricted for:				
Subsequent period	1,491,891	-	-	1,491,891
Endowment fund	5,000	-	-	5,000
Transfer of assets between related entities	77,760	(77,760)	-	-
Marketing and development - endowment drive	(74)	-	-	(74)
Earnings from investment in subsidiary	116,086	-	(116,086)	-
Realized gains and losses	-	51,518	149,612	201,130
Unrealized gains and losses	-	120,869	354,336	475,205
Interest income and other	7,156	21,459	81,081	109,696
TOTAL CONTRIBUTIONS, INTEREST, AND OTHER NONOPERATING INCOME (EXPENSES)	<u>3,135,556</u>	<u>116,086</u>	<u>468,943</u>	<u>3,720,585</u>
CHANGES IN NET ASSETS BEFORE OTHER CHANGES IN VALUE OF BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION	214,522	116,086	468,943	799,551
OTHER CHANGES IN BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION				
Change in value of beneficial interest in assets held by foundations	<u>852,889</u>	<u>-</u>	<u>(585,029)</u>	<u>267,860</u>
CHANGE IN NET ASSETS	1,067,411	116,086	(116,086)	1,067,411
NET ASSETS AT BEGINNING OF YEAR	<u>11,443,433</u>	<u>1,636,878</u>	<u>(1,636,878)</u>	<u>11,443,433</u>
NET ASSETS AT END OF YEAR	<u>\$ 12,510,844</u>	<u>\$ 1,752,964</u>	<u>\$ (1,752,964)</u>	<u>\$ 12,510,844</u>

See notes to consolidated financial statements.

SUPPLEMENTARY STATEMENT OF ACTIVITIES

OKLAHOMA PHILHARMONIC SOCIETY, INC.

Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATIONS				
Operating revenues:				
Concert tickets and fees	\$ 1,895,870	\$ -	\$ -	\$ 1,895,870
Program advertising	81,275	-	-	81,275
TOTAL OPERATING REVENUES	<u>1,977,145</u>	<u>-</u>	<u>-</u>	<u>1,977,145</u>
Operating expenses:				
Performance:				
Salaries and benefits	1,466,740	-	-	1,466,740
Guest artists	689,281	-	-	689,281
Technical and backstage personnel	211,083	-	-	211,083
Box office	101,882	-	-	101,882
Equipment rental	255,327	-	-	255,327
Music hall rental	147,614	-	-	147,614
Musician travel	41,431	-	-	41,431
Other	416,604	-	-	416,604
TOTAL PERFORMANCE EXPENSES	<u>3,329,962</u>	<u>-</u>	<u>-</u>	<u>3,329,962</u>
Marketing and development:				
Salaries and benefits	249,490	-	-	249,490
Advertising	437,002	-	-	437,002
Telemarketing	26,695	-	-	26,695
Season campaign	87,036	-	-	87,036
Program printing	73,934	-	-	73,934
Postage	33,217	-	-	33,217
Other	75,982	-	-	75,982
TOTAL MARKETING AND DEVELOPMENT EXPENSES	<u>983,356</u>	<u>-</u>	<u>-</u>	<u>983,356</u>
General and administrative:				
Salaries and benefits	522,564	-	-	522,564
Legal and professional	31,420	-	-	31,420
Insurance	52,445	-	-	52,445
Rent	34,680	-	-	34,680
Telephone	10,986	-	-	10,986
Bank fees	43,397	-	-	43,397
Office supplies	66,080	-	-	66,080
Other	87,864	-	-	87,864
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	<u>849,436</u>	<u>-</u>	<u>-</u>	<u>849,436</u>
TOTAL DIRECT OPERATING EXPENSES	<u>5,162,754</u>	<u>-</u>	<u>-</u>	<u>5,162,754</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	<u>(3,185,609)</u>	<u>-</u>	<u>-</u>	<u>(3,185,609)</u>

SUPPLEMENTARY STATEMENT OF ACTIVITIES--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

Year Ended June 30, 2014

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
CONTRIBUTIONS, INTEREST AND OTHER NONOPERATING INCOME (EXPENSES)				
Contributions:				
Corporations, individuals, foundations, and others	\$ 848,985	\$ 982,639	\$ -	\$ 1,831,624
Allied Arts Foundation, Inc.	-	392,448	-	392,448
Endowment drive	-	41,250	-	41,250
Oklahoma City Community Foundation distribution	99,718	-	-	99,718
Oklahoma City Orchestra League, Inc.	175,000	-	-	175,000
Oklahoma Arts Council	103,740	-	-	103,740
Associate Board	<u>12,662</u>	<u>-</u>	<u>-</u>	<u>12,662</u>
TOTAL CONTRIBUTION INCOME	1,240,105	1,416,337	-	2,656,442
Marketing and development - endowment drive	(2,560)	-	-	(2,560)
Interest income	28,277	88,778	-	117,055
Realized gains and losses	10,811	534,326	-	545,137
Unrealized gains and losses	7,797	395,799	-	403,596
Distribution of beneficial interest in assets held by the Community Foundation	129,042	(129,042)	-	-
Transfer of assets to the Foundations	-	(107,312)	107,312	-
Net assets released from restrictions	<u>1,853,616</u>	<u>(1,853,616)</u>	<u>-</u>	<u>-</u>
CHANGES IN NET ASSETS BEFORE OTHER CHANGES IN VALUE OF BENEFICIAL INTEREST IN ASSETS HELD BY FOUNDATIONS	81,479	345,270	107,312	534,061
OTHER CHANGES IN BENEFICIAL INTEREST IN ASSETS HELD BY FOUNDATIONS				
Change in value of beneficial interest in assets held by the Community Foundation	<u>-</u>	<u>385,017</u>	<u>-</u>	<u>385,017</u>
CHANGE IN NET ASSETS	81,479	730,287	107,312	919,078
NET ASSETS AT BEGINNING OF YEAR	<u>1,066,424</u>	<u>2,985,533</u>	<u>8,458,887</u>	<u>12,510,844</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,147,903</u>	<u>\$ 3,715,820</u>	<u>\$ 8,566,199</u>	<u>\$ 13,429,922</u>

See Independent Auditors' Report.

SUPPLEMENTARY STATEMENT OF ACTIVITIES

OKLAHOMA PHILHARMONIC SOCIETY, INC.

Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATIONS				
Operating revenues:				
Concert tickets and fees	\$ 1,635,830	\$ -	\$ -	\$ 1,635,830
Program advertising	71,050	-	-	71,050
TOTAL OPERATING REVENUES	<u>1,706,880</u>	<u>-</u>	<u>-</u>	<u>1,706,880</u>
Operating expenses:				
Performance:				
Salaries and benefits	1,409,942	-	-	1,409,942
Guest artists	441,738	-	-	441,738
Technical and backstage personnel	205,406	-	-	205,406
Box office	92,280	-	-	92,280
Equipment rental	246,030	-	-	246,030
Music hall rental	146,828	-	-	146,828
Musician travel	42,204	-	-	42,204
Other	382,615	-	-	382,615
TOTAL PERFORMANCE EXPENSES	<u>2,967,043</u>	<u>-</u>	<u>-</u>	<u>2,967,043</u>
Marketing and development:				
Salaries and benefits	255,040	-	-	255,040
Advertising	361,414	-	-	361,414
Telemarketing	47,090	-	-	47,090
Season campaign	89,712	-	-	89,712
Program printing	72,526	-	-	72,526
Postage	32,278	-	-	32,278
Other	59,420	-	-	59,420
TOTAL MARKETING AND DEVELOPMENT EXPENSES	<u>917,480</u>	<u>-</u>	<u>-</u>	<u>917,480</u>
General and administrative:				
Salaries and benefits	498,286	-	-	498,286
Legal and professional	31,306	-	-	31,306
Insurance	53,430	-	-	53,430
Rent	34,680	-	-	34,680
Telephone	11,255	-	-	11,255
Bank fees	41,215	-	-	41,215
Office supplies	16,945	-	-	16,945
Other	56,274	-	-	56,274
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	<u>743,391</u>	<u>-</u>	<u>-</u>	<u>743,391</u>
TOTAL DIRECT OPERATING EXPENSES	<u>4,627,914</u>	<u>-</u>	<u>-</u>	<u>4,627,914</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	<u>(2,921,034)</u>	<u>-</u>	<u>-</u>	<u>(2,921,034)</u>

SUPPLEMENTARY STATEMENT OF ACTIVITIES--Continued

OKLAHOMA PHILHARMONIC SOCIETY, INC.

Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CONTRIBUTIONS, INTEREST AND OTHER NONOPERATING INCOME (EXPENSES)				
Contributions:				
Corporations, individuals, foundations, and others	\$ 1,048,559	\$ 1,097,059	\$ -	\$ 2,145,618
Allied Arts Foundation, Inc.	-	394,832	-	394,832
Endowment drive	-	5,000	-	5,000
Oklahoma City Community Foundation distribution	94,383	-	-	94,383
Oklahoma City Orchestra League, Inc.	175,000	-	-	175,000
Oklahoma Arts Council	103,740	-	-	103,740
Associate Board	16,055	-	-	16,055
TOTAL CONTRIBUTION INCOME	<u>1,437,737</u>	<u>1,496,891</u>	<u>-</u>	<u>2,934,628</u>
Marketing and development - endowment drive	(74)	-	-	(74)
Interest income	7,156	102,540	-	109,696
Realized gains and losses	-	201,130	-	201,130
Unrealized gains and losses	-	475,205	-	475,205
Distribution of beneficial interest in assets held by the Community Foundation	123,902	(123,902)	-	-
Transfer of assets to the Foundations	-	(70,000)	70,000	-
Net assets released from restrictions	<u>1,622,329</u>	<u>(1,622,329)</u>	<u>-</u>	<u>-</u>
CHANGES IN NET ASSETS BEFORE OTHER CHANGES IN VALUE OF BENEFICIAL INTEREST IN ASSETS HELD BY FOUNDATIONS	<u>270,016</u>	<u>459,535</u>	<u>70,000</u>	<u>799,551</u>
OTHER CHANGES IN BENEFICIAL INTEREST IN ASSETS HELD BY FOUNDATIONS				
Change in value of beneficial interest in assets held by the Community Foundation	<u>-</u>	<u>267,860</u>	<u>-</u>	<u>267,860</u>
CHANGE IN NET ASSETS	<u>270,016</u>	<u>727,395</u>	<u>70,000</u>	<u>1,067,411</u>
NET ASSETS AT BEGINNING OF YEAR	<u>796,408</u>	<u>2,258,138</u>	<u>8,388,887</u>	<u>11,443,433</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,066,424</u>	<u>\$ 2,985,533</u>	<u>\$ 8,458,887</u>	<u>\$ 12,510,844</u>

See Independent Auditors' Report.