

**OKLAHOMA PHILHARMONIC SOCIETY, INC.**

**FINANCIAL STATEMENTS AS OF AND FOR THE  
YEARS ENDED JUNE 30, 2015 AND 2014  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT**

# OKLAHOMA PHILHARMONIC SOCIETY, INC.

## Table of Contents

June 30, 2015

### AUDITED FINANCIAL STATEMENTS

Independent Auditor's Report	1-2
Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statement of Activities – For the Year Ended June 30, 2015	4
Consolidated Statement of Activities – For the Year Ended June 30, 2014	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7
Supplementary Information	
Consolidating Statement of Financial Position – As of June 30, 2015	20
Consolidating Statement of Activities – For the Year Ended June 30, 2015	21
Consolidating Statement of Financial Position – As of June 30, 2014	22
Consolidating Statement of Activities – For the Year Ended June 30, 2014	23
Supplementary Statement of Activities – For the Year Ended June 30, 2015	24-25
Supplementary Statement of Activities – For the Year Ended June 30, 2014	26-27

**INDEPENDENT AUDITOR'S 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. (a nonprofit Society) (the "Society") which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities and cash flows for the year 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 audit. We conducted our audit 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, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Prior Period Financial Statements**

The consolidated financial statements of the Society as of June 30, 2014, were audited by other auditors whose report dated October 23, 2014, expressed an unmodified opinion on those statements.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position, consolidating statements of activities, and supplementary statements of activities are presented for purposes of additional analysis and are 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 audit 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.

*HSPG & Associates, P.C.*

October 20, 2015

**OKLAHOMA PHILHARMONIC SOCIETY, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash:		
Unrestricted and undesignated	\$ 1,267,146	\$ 1,870,163
Unrestricted and designated for capital reserve	325,490	324,677
Unrestricted and designated for endowment drive	<u>21,029</u>	<u>21,090</u>
	1,613,665	2,215,930
Certificates of deposit	500,000	-
Accounts receivable	209,783	132,338
Contributions receivable	150,000	75,000
Annual fund pledges receivable	611,687	603,702
Prepaid expenses and other	<u>288,246</u>	<u>265,461</u>
TOTAL CURRENT ASSETS	3,373,381	3,292,431
Contributions receivable	-	40,000
Annual fund pledges receivable	60,000	-
Beneficial interest in assets held by the Community Foundation	3,448,391	3,075,644
Property and equipment (net of accumulated depreciation of \$965,618 and \$929,051 )	130,458	162,525
Investments	<u>8,012,460</u>	<u>7,926,012</u>
TOTAL ASSETS	<u>\$ 15,024,690</u>	<u>\$ 14,496,612</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 44,744	\$ 84,972
Advance ticket sales and fees	<u>1,079,696</u>	<u>981,718</u>
TOTAL CURRENT LIABILITIES	1,124,440	1,066,690
<b>NET ASSETS</b>		
Unrestricted	1,161,195	1,147,903
Temporarily restricted	3,535,007	3,715,820
Permanently restricted	<u>9,204,048</u>	<u>8,566,199</u>
TOTAL NET ASSETS	<u>13,900,250</u>	<u>13,429,922</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,024,690</u>	<u>\$ 14,496,612</u>

The accompanying notes are an integral part of these financial statements.

**OKLAHOMA PHILHARMONIC SOCIETY, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Concert tickets and fees	\$ 2,008,922	\$ -	\$ -	\$ 2,008,922
Program advertising	108,163	-	-	108,163
TOTAL OPERATING REVENUES	<u>2,117,085</u>	<u>-</u>	<u>-</u>	<u>2,117,085</u>
<b>DIRECT OPERATING EXPENSES</b>				
Performance	3,582,838	-	-	3,582,838
Marketing and development	1,031,802	-	-	1,031,802
General and administrative	797,428	-	-	797,428
TOTAL DIRECT OPERATING EXPENSES	<u>5,412,068</u>	<u>-</u>	<u>-</u>	<u>5,412,068</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(3,294,983)	-	-	(3,294,983)
<b>CONTRIBUTIONS, INTEREST AND OTHER NONOPERATING INCOME (EXPENSES)</b>				
Contributions:				
Unrestricted	1,442,654	-	-	1,442,654
Restricted for subsequent period	-	1,438,041	-	1,438,041
Endowment drive	-	400,000	172,849	572,849
Restrictions satisfied in current period	1,716,390	(1,716,390)	-	-
Transfer of assets to the Foundations	-	(465,000)	465,000	-
Distribution of beneficial interest in assets held by the Community Foundation	138,008	(138,008)	-	-
Marketing and development - endowment drive	(58)	-	-	(58)
Realized gains and losses	9,194	314,210	-	323,404
Unrealized gains and losses	(7,016)	(238,964)	-	(245,980)
Interest income and other	9,103	114,543	-	123,646
TOTAL CONTRIBUTIONS, INTEREST, AND OTHER NONOPERATING INCOME (EXPENSES)	<u>3,308,275</u>	<u>(291,568)</u>	<u>637,849</u>	<u>3,654,556</u>
CHANGES IN NET ASSETS BEFORE OTHER CHANGES IN VALUE OF BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION	13,292	(291,568)	637,849	359,573
OTHER CHANGES IN BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION				
Change in value of beneficial interest in assets held by the Community Foundation	-	110,755	-	110,755
<b>CHANGE IN NET ASSETS</b>	13,292	(180,813)	637,849	470,328
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>1,147,903</u>	<u>3,715,820</u>	<u>8,566,199</u>	<u>13,429,922</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,161,195</u>	<u>\$ 3,535,007</u>	<u>\$ 9,204,048</u>	<u>\$ 13,900,250</u>

The accompanying notes are an integral part of these financial statements.

**OKLAHOMA PHILHARMONIC SOCIETY, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Concert tickets and fees	\$ 1,895,870	\$ -	\$ -	\$ 1,895,870
Program advertising	81,275	-	-	81,275
<b>TOTAL OPERATING REVENUES</b>	<u>1,977,145</u>	<u>-</u>	<u>-</u>	<u>1,977,145</u>
<b>DIRECT OPERATING EXPENSES</b>				
Performance	3,329,962	-	-	3,329,962
Marketing and development	983,356	-	-	983,356
General and administrative	849,436	-	-	849,436
<b>TOTAL DIRECT OPERATING EXPENSES</b>	<u>5,162,754</u>	<u>-</u>	<u>-</u>	<u>5,162,754</u>
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	<u>(3,185,609)</u>	<u>-</u>	<u>-</u>	<u>(3,185,609)</u>
<b>CONTRIBUTIONS, INTEREST AND OTHER NONOPERATING INCOME (EXPENSES)</b>				
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
<b>TOTAL CONTRIBUTIONS, INTEREST, AND OTHER NONOPERATING INCOME (EXPENSES)</b>	<u>3,267,088</u>	<u>345,270</u>	<u>107,312</u>	<u>3,719,670</u>
<b>CHANGES IN NET ASSETS BEFORE OTHER CHANGES IN VALUE OF BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION</b>	<u>81,479</u>	<u>345,270</u>	<u>107,312</u>	<u>534,061</u>
<b>OTHER CHANGES IN BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION</b>				
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>
<b>CHANGE IN NET ASSETS</b>	<u>81,479</u>	<u>730,287</u>	<u>107,312</u>	<u>919,078</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>1,066,424</u>	<u>2,985,533</u>	<u>8,458,887</u>	<u>12,510,844</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,147,903</u>	<u>\$ 3,715,820</u>	<u>\$ 8,566,199</u>	<u>\$ 13,429,922</u>

The accompanying notes are an integral part of these financial statements.

**OKLAHOMA PHILHARMONIC SOCIETY, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 470,328	\$ 919,078
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized investment gains	(323,404)	(545,137)
Net unrealized investment (gains) losses	245,980	(403,596)
Non-cash investment income	(121,133)	(90,555)
Non-cash contribution	(172,849)	-
Depreciation	36,567	35,836
Change in value of beneficial interest in assets held by Community Foundation	(110,755)	(385,017)
Bad debt expense	7,368	3,050
Contributions received for long-term purposes	(400,000)	-
Changes in operating assets and liabilities:		
Accounts receivable	(77,445)	(24,032)
Annual fund pledges and contributions receivable	(175,353)	28,730
Prepaid expenses and other	(22,785)	(6,682)
Accounts payable	(40,228)	17,185
Advance ticket sales and fees	97,978	347
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(585,731)</u>	<u>(450,793)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of equipment	(4,500)	(17,319)
Purchases of certificates of deposit	(500,000)	-
Purchases of investments	(1,127,543)	(1,046,730)
Proceeds from sales and maturities of investments	1,239,652	1,121,698
Transfer to the Oklahoma City Community Foundation	(400,000)	(70,000)
Distribution from beneficial interest in assets held by the Community Foundation	138,008	129,042
<b>NET CASH PROVIDED BY (USED IN)             INVESTING ACTIVITIES</b>	<u>(654,383)</u>	<u>116,691</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for endowment	637,849	67,500
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>637,849</u>	<u>67,500</u>
<b>NET CHANGE IN CASH</b>	(602,265)	(266,602)
<b>CASH AT BEGINNING OF YEAR</b>	<u>2,215,930</u>	<u>2,482,532</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 1,613,665</u>	<u>\$ 2,215,930</u>
<b>NON-CASH FINANCING AND INVESTING ACTIVITIES</b>		
Donated investments	<u>\$ 172,849</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**OKLAHOMA PHILHARMONIC SOCIETY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

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**1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

*Nature of organization* – The Oklahoma Philharmonic Society, Inc. (the “Society”) was organized in 1988 as a non-profit organization whose 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.

The Oklahoma City Philharmonic Foundation, Inc., (the “Foundation”) was organized on February 11, 2003. It is a supporting Foundation 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 “Society”), and all inter-entity transactions between these entities have been eliminated in the accompanying consolidated financial statements.

*Basis of Accounting* – The accompanying consolidated financial statements of the Society have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other assets and liabilities. The Society 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 Society’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 Society 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.

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Society. Generally, the donors of these assets permit the Society 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 Society 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 Society accounts for assets that are contributed by the Society to the Oklahoma City Community Foundation (the “Community Foundation”) as an asset of the Society, 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 Society from these funds reduce the Society’s beneficial interest in assets held by others.

***Cash and Cash Equivalents*** – For purposes of reporting cash flows, the Society considers all unrestricted cash on hand and investments purchased with an original maturity of three months or less, when purchased, to be cash equivalents except those cash equivalents included in the Society’s investment accounts.

***Unrestricted and Undesignated Cash*** – The Society 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 \$1,767,098 and \$1,873,555 at June 30, 2015, and 2014, respectively. The Society 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 Society 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 Society.

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 5), and they will be considered permanently restricted at that time.

***Certificates of Deposit*** – Certificates of deposit are recorded at cost plus accrued interest.

***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 Society has completed scheduled concert performances. Operating revenues for the year ended June 30, 2015, consist of concert tickets, fees, and program advertising related to the 2014-2015 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 Society.

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, 2015, 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>
2016	\$ 611,687	\$ 50,000
2017-2018	<u>60,000</u>	<u>-</u>
	<u>\$ 671,687</u>	<u>\$ 50,000</u>

No discounts for balances due in 2016 and thereafter have been recorded at June 30, 2015 as they are not significant. In addition, the Society has received approximately \$745,000 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 2015 and 2014, totaled approximately \$234,000 and \$218,000, respectively, which consisted principally of advertising, accounting fees, and pro-bono legal services. Bartered transactions occurring during fiscal years 2015 and 2014, totaled approximately \$51,000 and \$55,000, 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 Society's Board of Directors serves on a volunteer basis and no amounts have been recognized in the accompanying financial statements for these services.

**Receivables and Credit Policies** – Accounts receivable are uncollateralized customer obligations due in accordance with the Society'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 Society 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, 2015, and 2014, investment income in the statement of activities is reported net of investment management and custodial fees which totaled \$37,725 and \$35,444, respectively.

**Property and Equipment** – Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Expenditures for major additions and improvements are capitalized as determined on a case-by-case basis by the Executive Director with minor replacements, maintenance, and repairs charged to expense as incurred. The Society reports gifts of property and equipment as unrestricted support unless explicit donor restrictions specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor restrictions about how long those long-lived assets must be maintained, the Society reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of property 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 Society.

**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 Society generates from an unrelated trade or business which is subject to federal corporate taxes on income. With few exceptions, the Society is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years beginning before June 30, 2012.

**Advertising Expense** – All advertising costs, which approximated \$499,000 and \$437,000 for the years ending June 30, 2015 and 2014, respectively, are expensed when the first time advertising takes place.

**Concentration of Credit Risk** – The Society maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. As of June 30, 2015 and 2014, the Society's balances with financial institutions subject to FDIC coverage exceeded such coverage by \$97,020 and \$74,677, respectively. The Society 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, 2015, 42% of the Society's contribution revenue is from five donors, and 66% of the Society's contributions receivable are due from three donors. At June 30, 2014, 41% of the Society's contribution revenue is from three donors, and 55% of the Society's contributions receivable is due from two donors.

**Use of Estimates** – The preparation of consolidated 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.

**Accounting Estimates** – Estimates that are particularly susceptible to significant change include the valuation of investments and beneficial interest in assets held by others. 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 Society will ultimately realize could differ materially.

***Fair Value Measurements*** – The Society 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 Society has the ability to access.
- 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 Society may have assets which are measured at net asset value per share (“NAV”). If the Society 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 Society 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 Society 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 8). The Society 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, 2015 or 2014.

***Subsequent Events*** –The Society has evaluated subsequent events through October 20, 2015, which is the date the financial statements were available to be issued. There are no subsequent events requiring recognition or disclosure in the 2015 financial statements.

## 2. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2015 and 2014, respectively, is summarized as follows:

	<u>2015</u>	<u>2014</u>
Computers	\$ 195,745	\$ 195,745
Music library	56,528	52,028
Office equipment	40,944	40,944
Stage equipment	478,772	478,772
Music equipment	<u>324,087</u>	<u>324,087</u>
	1,096,076	1,091,576
Less: accumulated depreciation	<u>(965,618)</u>	<u>(929,051)</u>
Net property and equipment	<u>\$ 130,458</u>	<u>\$ 162,525</u>

Depreciation expense for the years ended June 30, 2015 and 2014, respectively, was \$36,567 and \$35,836.

## 3. DEFERRED REVENUE

As of June 30, 2015 and 2014, respectively, the Society has recorded deferred revenue for advance ticket sales and fee engagements totaling approximately \$1,060,000 and \$956,000. As of June 30, 2015, and 2014, respectively, \$20,000 and \$26,000 was recognized for advertising relating to the next concert season.

## 4. RELATED PARTY TRANSACTIONS

The Society leases office space and musical equipment from the Oklahoma City Orchestra League, Inc. for an annual rental of \$100. The lease requires the Society 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 Society 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 Society from the volunteers. Therefore, the accompanying financial statements do not include any amounts attributable to these services.

## 5. BENEFICIAL INTEREST IN ASSETS

In prior years, the Society transferred funds to the Community Foundation and specified itself as the beneficiary of the funds. Annually, distributions from the funds are paid to the Society 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 \$138,000 and \$129,000 for the years ending June 30, 2015 and 2014, respectively, were received by the Society 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 Society reflect its beneficial interest in these assets in its financial statements. At June 30, 2015, and 2014, assets transferred to the Community Foundation by the Society had a fair value of \$3,448,391 and \$3,075,644, respectively.

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 Society. These funds are not included as assets of the Society. The earnings from these funds are paid to the Society each year in accordance with the Community Foundation's distribution policy.

For the years ended June 30, 2015 and 2014, the Society received distributions of \$105,851 and \$99,718, respectively, which is recorded as contributions in the accompanying consolidated statements of activities. At June 30, 2015, and 2014, the fair value of the funds originally donated by third parties was approximately \$2,344,000 and \$2,363,000, respectively. The Society has no remainder interest in the corpus of these funds.

## 6. NET ASSETS RESTRICTIONS

Temporarily restricted net assets at June 30, 2015 and 2014 are available for the following:

	<u>2015</u>	<u>2014</u>
Individuals and corporate sponsorships designated for the following concert season	\$ 1,069,542	\$ 982,639
Grants and contributions designated for the following concert seasons	368,499	392,448
Contributions designated for endowment, net of related endowment drive expenses	73,948	139,713
Funds invested by the Philharmonic Foundation	1,284,834	1,435,576
Undistributed earnings of beneficial interest in assets held by Community Foundation	<u>738,184</u>	<u>765,444</u>
	<u>\$ 3,535,007</u>	<u>\$ 3,715,820</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 Society, Ballet Oklahoma, and Canterbury Choral Society.

Permanently restricted net assets at June 30, 2015, consist of the following:

	<u>2015</u>	<u>2014</u>
Beneficial interest in assets held by Community Foundation	\$ 1,177,500	\$ 777,500
Beneficial interest in assets held by Community Foundation - Collaborative Fund	1,532,700	1,532,700
Endowment funds invested by Philharmonic Foundation	6,302,848	6,064,999
Youth series endowment	<u>191,000</u>	<u>191,000</u>
	<u>\$ 9,204,048</u>	<u>\$ 8,566,199</u>

## 7. ENDOWMENT DISCLOSURES

The Society's endowment consists of endowment funds held in investments and the beneficial interest in assets held by the Community Foundation as discussed in Note 5. 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 Society follows the ASC's guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit Society that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). The Board of Directors of the Society 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 Society 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.

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 Society.

- (1) The duration and preservation of the fund;
- (2) The purposes of the Society 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 Society; and
- (7) The investment policies of the Society.

Endowment net asset composition by type of fund as of June 30, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 2,023,018	\$ 9,204,048	\$ 11,227,066
Board-designated endowment funds	-	-	-	-
Total endowment funds	<u>\$ -</u>	<u>\$ 2,023,018</u>	<u>\$ 9,204,048</u>	<u>\$ 11,227,066</u>

Changes in endowment net assets for the fiscal year ended June 30, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 2,201,020	\$ 8,566,199	\$ 10,767,219
Investment return	-	295,944	-	295,944
Contributions	-	465,000	172,849	637,849
Transfer of assets to Foundation	-	(465,000)	465,000	-
Appropriation of endowment assets for expenditure	-	(473,946)	-	(473,946)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 2,023,018</u>	<u>\$ 9,204,048</u>	<u>\$ 11,227,066</u>

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>

### **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 Society 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 Society 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 Society 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.

### **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.

## **8. 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 Society 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 Society represents estimated future cash flows to be received from the Community Foundation, the Society classifies its beneficial interest in the assets held by the Community Foundation as Level 3.

The Society has no liabilities measured at fair value. As of June 30, 2015, 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>
<b>ASSETS</b>				
Investments:				
Cash Equivalents	\$ 189,034	\$ -	\$ -	\$ 189,034
Mutual Funds:				
Equity	4,721,224	-	-	4,721,224
Fixed Income	<u>3,102,202</u>	<u>-</u>	<u>-</u>	<u>3,102,202</u>
Total Investments	8,012,460	-	-	8,012,460
Beneficial interest in assets				
held by community foundation	<u>-</u>	<u>-</u>	<u>3,448,391</u>	<u>3,448,391</u>
Total assets accounted for at fair value	<u>\$ 8,012,460</u>	<u>\$ -</u>	<u>\$ 3,448,391</u>	<u>\$ 11,460,851</u>

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>
<b>ASSETS</b>				
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>

Change in the fair value of the Society's Level 3 financial assets, beneficial interest in assets held by the Community Foundation for the year's ending June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Balance at beginning of year	\$ 3,075,644	\$ 2,819,669
Transfers to the Community Foundation	400,000	-
Net investment performance	110,755	385,017
Distributions to the Society	<u>(138,008)</u>	<u>(129,042)</u>
Balance at end of year	<u>\$ 3,448,391</u>	<u>\$ 3,075,644</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 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 Society that are categorized within Level 3 of the fair value hierarchy as of June 30.

Investment Type	Fair Value		Valuation Techniques	Unobservable Input <sup>(b)</sup>	Range of Inputs (Weighted Average)
	2015	2014			
Beneficial Interests in Assets Held By the Community Foundation	3,448,391	3,075,644	Income approach <sup>(c)</sup>	Discount rate <sup>(a)</sup>	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 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.

## 9. LEASES

The Society has entered into non-cancelable lease agreements, primarily for office facilities, equipment and automobiles, under which rent expense approximated \$76,000 and \$75,000 for the years ended June 30, 2015 and 2014, respectively.

Approximate minimum annual rentals as required by these leases at June 30, 2015 are as follows:

<u>Year Ended</u>	
2016	\$ 67,690
2017	44,256
2018	1,583
2019	1,073
2020	<u>-</u>
	<u>\$ 114,602</u>

## 10. 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 severance amount as further described in the respective employment agreement.

The Society has entered into an agreement (the “Agreement”) with the American Federation of Musicians, Local 375/703 (the “Musicians’ Union”) extending through August 31, 2015, which specifies minimum amounts of compensation and number of services during concert seasons which is included in contracts entered into between the Society and the musicians. A new agreement, to be effective starting September 1, 2015 through August 31, 2019, was ratified by the Musicians’ Union in October 2015. The new agreement includes compensation per service for each concert season. A service may include a concert, rehearsal or education program, among other things. Under the Agreement, the musicians are not allowed to strike, slow-down or otherwise cause a reduction in work. As the new agreement was not ratified as of June 30, 2015, no contracts have officially been entered into with musicians for the 2015-2016 concert season as of June 30, 2015. However, the Society entered into letters of intent with 70 musicians during 2015 for the 2015-2016 concert season. Minimum commitments relating to these contracts based on the then current Agreement compensation rates are approximately \$1,007,000 for fiscal year 2016 which will change when the new agreement is ratified.

**Guest Artists Contracts:** The Society entered into agreements with guest artists for performances to be held during fiscal year 2016. Costs of performances under these agreements totaled approximately \$364,000 at June 30, 2015.

## 11. RETIREMENT PLANS

The Society adopted a Safe-Harbor 403(b) Thrift Plan (the “Plan”) for which all employees are eligible to participate. Employees are allowed to contribute up to 100% of their compensation (limited by regulatory requirements). The Society matches 100% of participants’ contributions up to three percent (3%) of their compensation and 50% of participants’ contributions that exceed three percent (3%) but does not exceed seven percent (7%) of their compensation. Both participant and Society contributions vest to the benefit of the participant immediately. The Society’s contributions totaled \$1,541 and \$1,644 for the years ended June 30, 2015 and 2014, respectively.

\* \* \* \* \*

## **SUPPLEMENTARY INFORMATION**

**OKLAHOMA PHILHARMONIC SOCIETY, INC.**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2015**

	<u>Society</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>ASSETS</b>				
CURRENT ASSETS				
Cash:				
Unrestricted and undesignated	\$ 1,267,146	\$ -	\$ -	\$ 1,267,146
Unrestricted and designated for capital reserve	325,490	-	-	325,490
Unrestricted and designated for endowment drive	21,029	-	-	21,029
	<u>1,613,665</u>	<u>-</u>	<u>-</u>	<u>1,613,665</u>
Certificates of deposit	500,000	-	-	500,000
Accounts receivable	209,783	-	-	209,783
Contributions receivable	150,000	-	-	150,000
Annual fund pledges receivable	611,687	-	-	611,687
Prepaid expenses and other	263,246	25,000	-	288,246
TOTAL CURRENT ASSETS	<u>3,348,381</u>	<u>25,000</u>	<u>-</u>	<u>3,373,381</u>
Contributions receivable	-	-	-	-
Annual fund pledges receivable	60,000	-	-	60,000
Beneficial interest in assets held by foundations	9,415,632	-	(5,967,241)	3,448,391
Property and equipment (net of accumulated depreciation of \$965,618)	130,458	-	-	130,458
Investment in subsidiary	2,070,219	-	(2,070,219)	-
Investments	-	8,012,460	-	8,012,460
TOTAL ASSETS	<u>\$ 15,024,690</u>	<u>\$ 8,037,460</u>	<u>\$ (8,037,460)</u>	<u>\$ 15,024,690</u>
<b>LIABILITIES AND NET ASSETS</b>				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 44,744	\$ -	\$ -	\$ 44,744
Advance ticket sales and fees	1,079,696	-	-	1,079,696
Funds held for others	-	5,967,241	(5,967,241)	-
TOTAL CURRENT LIABILITIES	<u>1,124,440</u>	<u>5,967,241</u>	<u>(5,967,241)</u>	<u>1,124,440</u>
NET ASSETS				
Unrestricted	1,161,195	25,000	(25,000)	1,161,195
Temporarily restricted	3,535,007	326,850	(326,850)	3,535,007
Permanently restricted	9,204,048	1,718,369	(1,718,369)	9,204,048
TOTAL NET ASSETS	<u>13,900,250</u>	<u>2,070,219</u>	<u>(2,070,219)</u>	<u>13,900,250</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,024,690</u>	<u>\$ 8,037,460</u>	<u>\$ (8,037,460)</u>	<u>\$ 15,024,690</u>

The accompanying notes are an integral part of these financial statements.

**OKLAHOMA PHILHARMONIC SOCIETY, INC.**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Society</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>OPERATING REVENUES</b>				
Concert tickets and fees	\$ 2,008,922	\$ -	\$ -	\$ 2,008,922
Program advertising	108,163	-	-	108,163
<b>TOTAL OPERATING REVENUES</b>	<u>2,117,085</u>	<u>-</u>	<u>-</u>	<u>2,117,085</u>
<b>DIRECT OPERATING EXPENSES</b>				
Performance	3,582,838	-	-	3,582,838
Marketing and development	1,031,802	-	-	1,031,802
General and administrative	797,428	-	-	797,428
<b>TOTAL DIRECT OPERATING EXPENSES</b>	<u>5,412,068</u>	<u>-</u>	<u>-</u>	<u>5,412,068</u>
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	(3,294,983)	-	-	(3,294,983)
<b>CONTRIBUTIONS, INTEREST AND OTHER NONOPERATING INCOME (EXPENSES)</b>				
Contributions:				
Unrestricted	1,442,654	-	-	1,442,654
Restricted for subsequent period	1,438,041	-	-	1,438,041
Endowment drive	400,000	172,849	-	572,849
Transfer of assets between related entities	80,841	(80,841)	-	-
Marketing and development - endowment drive	(58)	-	-	(58)
Earnings from investment in subsidiary	140,318	-	(140,318)	-
Realized gains and losses	-	82,766	240,638	323,404
Unrealized gains and losses	-	(61,788)	(184,192)	(245,980)
Interest income and other	5,644	27,332	90,670	123,646
<b>TOTAL CONTRIBUTIONS, INTEREST, AND OTHER NONOPERATING INCOME (EXPENSES)</b>	<u>3,507,440</u>	<u>140,318</u>	<u>6,798</u>	<u>3,654,556</u>
<b>CHANGES IN NET ASSETS BEFORE OTHER CHANGES IN VALUE OF BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION</b>	212,457	140,318	6,798	359,573
<b>OTHER CHANGES IN BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION</b>				
Change in value of beneficial interest in assets held by foundations	257,871	-	(147,116)	110,755
<b>CHANGE IN NET ASSETS</b>	470,328	140,318	(140,318)	470,328
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>13,429,922</u>	<u>1,929,901</u>	<u>(1,929,901)</u>	<u>13,429,922</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 13,900,250</u>	<u>\$ 2,070,219</u>	<u>\$ (2,070,219)</u>	<u>\$ 13,900,250</u>

The accompanying notes are an integral part of these financial statements.

**OKLAHOMA PHILHARMONIC SOCIETY, INC.**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2014**

	<u>Society</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
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	75,000	-	-	75,000
Annual fund pledges receivable	603,702	-	-	603,702
Prepaid expenses and other	240,461	25,000	-	265,461
<b>TOTAL CURRENT ASSETS</b>	<u>3,267,431</u>	<u>25,000</u>	<u>-</u>	<u>3,292,431</u>
Contributions receivable	40,000	-	-	40,000
Annual fund pledges receivable	-	-	-	-
Beneficial interest in assets held by foundations	9,092,655	-	(6,017,011)	3,075,644
Property 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
<b>TOTAL ASSETS</b>	<u>\$ 14,492,512</u>	<u>\$ 7,951,012</u>	<u>\$ (7,946,912)</u>	<u>\$ 14,496,612</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
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)	-
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,062,590</u>	<u>6,021,111</u>	<u>(6,017,011)</u>	<u>1,066,690</u>
<b>NET ASSETS</b>				
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
<b>TOTAL NET ASSETS</b>	<u>13,429,922</u>	<u>1,929,901</u>	<u>(1,929,901)</u>	<u>13,429,922</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 14,492,512</u>	<u>\$ 7,951,012</u>	<u>\$ (7,946,912)</u>	<u>\$ 14,496,612</u>

The accompanying notes are an integral part of these financial statements.

**OKLAHOMA PHILHARMONIC SOCIETY, INC.**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Society</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>OPERATING REVENUES</b>				
Concert tickets and fees	\$ 1,895,870	\$ -	\$ -	\$ 1,895,870
Program advertising	81,275	-	-	81,275
<b>TOTAL OPERATING REVENUES</b>	<u>1,977,145</u>	<u>-</u>	<u>-</u>	<u>1,977,145</u>
<b>DIRECT OPERATING EXPENSES</b>				
Performance	3,329,962	-	-	3,329,962
Marketing and development	983,356	-	-	983,356
General and administrative	845,336	4,100	-	849,436
<b>TOTAL DIRECT OPERATING EXPENSES</b>	<u>5,158,654</u>	<u>4,100</u>	<u>-</u>	<u>5,162,754</u>
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	(3,181,509)	(4,100)	-	(3,185,609)
<b>CONTRIBUTIONS, INTEREST AND OTHER NONOPERATING INCOME (EXPENSES)</b>				
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
<b>TOTAL CONTRIBUTIONS, INTEREST, AND OTHER NONOPERATING INCOME (EXPENSES)</b>	<u>2,937,659</u>	<u>181,037</u>	<u>600,974</u>	<u>3,719,670</u>
<b>CHANGES IN NET ASSETS BEFORE OTHER CHANGES IN VALUE OF BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION</b>	(243,850)	176,937	600,974	534,061
<b>OTHER CHANGES IN BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION</b>				
Change in value of beneficial interest in assets held by foundations	1,162,928	-	(777,911)	385,017
<b>CHANGE IN NET ASSETS</b>	919,078	176,937	(176,937)	919,078
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>12,510,844</u>	<u>1,752,964</u>	<u>(1,752,964)</u>	<u>12,510,844</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 13,429,922</u>	<u>\$ 1,929,901</u>	<u>\$ (1,929,901)</u>	<u>\$ 13,429,922</u>

The accompanying notes are an integral part of these financial statements.

**OKLAHOMA PHILHARMONIC SOCIETY, INC.**  
**SUPPLEMENTARY STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>OPERATIONS</b>				
Operating revenues:				
Concert tickets and fees	\$ 2,008,922	\$ -	\$ -	\$ 2,008,922
Program advertising	<u>108,163</u>	<u>-</u>	<u>-</u>	<u>108,163</u>
TOTAL OPERATING REVENUES	2,117,085	-	-	2,117,085
Direct operating expenses:				
Performance:				
Salaries and benefits	1,726,502	-	-	1,726,502
Guest artists	617,577	-	-	617,577
Technical and backstage personnel	220,146	-	-	220,146
Box office	101,425	-	-	101,425
Equipment rental	301,344	-	-	301,344
Music hall rental	159,282	-	-	159,282
Musician travel	41,680	-	-	41,680
Other	<u>414,882</u>	<u>-</u>	<u>-</u>	<u>414,882</u>
TOTAL PERFORMANCE EXPENSES	3,582,838	-	-	3,582,838
Marketing and development:				
Salaries and benefits	239,752	-	-	239,752
Advertising	499,343	-	-	499,343
Telemarketing	35,874	-	-	35,874
Season campaign	79,203	-	-	79,203
Program printing	77,548	-	-	77,548
Postage	26,285	-	-	26,285
Other	<u>73,797</u>	<u>-</u>	<u>-</u>	<u>73,797</u>
TOTAL MARKETING AND DEVELOPMENT EXPENSES	1,031,802	-	-	1,031,802
General and administrative:				
Salaries and benefits	511,977	-	-	511,977
Legal and professional	32,952	-	-	32,952
Insurance	55,803	-	-	55,803
Rent	35,549	-	-	35,549
Telephone	12,527	-	-	12,527
Bank fees	42,340	-	-	42,340
Office supplies	19,413	-	-	19,413
Other	<u>86,867</u>	<u>-</u>	<u>-</u>	<u>86,867</u>
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	<u>797,428</u>	<u>-</u>	<u>-</u>	<u>797,428</u>
TOTAL DIRECT OPERATING EXPENSES	<u>5,412,068</u>	<u>-</u>	<u>-</u>	<u>5,412,068</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(3,294,983)	-	-	(3,294,983)

**OKLAHOMA PHILHARMONIC SOCIETY, INC.**  
**SUPPLEMENTARY STATEMENT OF ACTIVITIES--Continued**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>CONTRIBUTIONS, INTEREST AND OTHER NONOPERATING INCOME (EXPENSES)</b>				
Contributions:				
Corporations, individuals, foundations, and others	\$ 1,105,994	\$ 1,069,542	\$ -	\$ 2,175,536
Allied Arts Foundation, Inc.	-	368,499	-	368,499
Endowment drive	-	400,000	172,849	572,849
Oklahoma City Community Foundation distribution	105,851	-	-	105,851
Oklahoma City Orchestra League, Inc.	125,000	-	-	125,000
Oklahoma Arts Council	93,359	-	-	93,359
Associate Board	12,450	-	-	12,450
<b>TOTAL CONTRIBUTION INCOME</b>	<u>1,442,654</u>	<u>1,838,041</u>	<u>172,849</u>	<u>3,453,544</u>
Marketing and development - endowment drive	(58)	-	-	(58)
Interest income	9,103	114,543	-	123,646
Realized gains and losses	9,194	314,210	-	323,404
Unrealized gains and losses	(7,016)	(238,964)	-	(245,980)
Distribution of beneficial interest in assets held by the Community Foundation	138,008	(138,008)	-	-
Transfer of assets to the Foundations	-	(465,000)	465,000	-
Restrictions satisfied in current period	<u>1,716,390</u>	<u>(1,716,390)</u>	<u>-</u>	<u>-</u>
<b>CHANGES IN NET ASSETS BEFORE OTHER CHANGES IN VALUE OF BENEFICIAL INTEREST IN ASSETS HELD BY FOUNDATIONS</b>	<u>13,292</u>	<u>(291,568)</u>	<u>637,849</u>	<u>359,573</u>
<b>OTHER CHANGES IN BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION</b>				
Change in value of beneficial interest in assets held by the Community Foundation	<u>-</u>	<u>110,755</u>	<u>-</u>	<u>110,755</u>
<b>CHANGE IN NET ASSETS</b>	<u>13,292</u>	<u>(180,813)</u>	<u>637,849</u>	<u>470,328</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>1,147,903</u>	<u>3,715,820</u>	<u>8,566,199</u>	<u>13,429,922</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,161,195</u>	<u>\$ 3,535,007</u>	<u>\$ 9,204,048</u>	<u>\$ 13,900,250</u>

See Independent Auditor's Report.

**OKLAHOMA PHILHARMONIC SOCIETY, INC.**  
**SUPPLEMENTARY STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>OPERATIONS</b>				
Operating revenues:				
Concert tickets and fees	\$ 1,895,870	\$ -	\$ -	\$ 1,895,870
Program advertising	81,275	-	-	81,275
TOTAL OPERATING REVENUES	1,977,145	-	-	1,977,145
Direct 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	3,329,962	-	-	3,329,962
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	983,356	-	-	983,356
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	849,436	-	-	849,436
TOTAL DIRECT OPERATING EXPENSES	5,162,754	-	-	5,162,754
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(3,185,609)	-	-	(3,185,609)

**OKLAHOMA PHILHARMONIC SOCIETY, INC.**  
**SUPPLEMENTARY STATEMENT OF ACTIVITIES--Continued**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>CONTRIBUTIONS, INTEREST AND OTHER NONOPERATING INCOME (EXPENSES)</b>				
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	12,662	-	-	12,662
<b>TOTAL CONTRIBUTION INCOME</b>	<u>1,240,105</u>	<u>1,416,337</u>	<u>-</u>	<u>2,656,442</u>
Marketing and development - endowment driv	(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	-
Restrictions satisfied in current period	<u>1,853,616</u>	<u>(1,853,616)</u>	<u>-</u>	<u>-</u>
<b>CHANGES IN NET ASSETS BEFORE OTHER CHANGES IN VALUE OF BENEFICIAL INTEREST IN ASSETS HELD BY FOUNDATIONS</b>	<u>81,479</u>	<u>345,270</u>	<u>107,312</u>	<u>534,061</u>
<b>OTHER CHANGES IN BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION</b>				
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>
<b>CHANGE IN NET ASSETS</b>	<u>81,479</u>	<u>730,287</u>	<u>107,312</u>	<u>919,078</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>1,066,424</u>	<u>2,985,533</u>	<u>8,458,887</u>	<u>12,510,844</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,147,903</u>	<u>\$ 3,715,820</u>	<u>\$ 8,566,199</u>	<u>\$ 13,429,922</u>

See Independent Auditor's Report.