

**OKLAHOMA PHILHARMONIC SOCIETY, INC.**

**FINANCIAL STATEMENTS AS OF AND FOR THE  
YEARS ENDED JUNE 30, 2016 AND 2015  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT**

# OKLAHOMA PHILHARMONIC SOCIETY, INC.

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June 30, 2016

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## **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 statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements ("financial statements").

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Oklahoma Philharmonic Society, Inc. as of June 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

HSPG & ASSOCIATES, PC

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5400 N Grand Blvd, Suite 330 • Oklahoma City, Oklahoma 73112 • Phone: 405.844.9995 • Fax: 405.844.9975

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the 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 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 18, 2016

**OKLAHOMA PHILHARMONIC SOCIETY, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash:		
Unrestricted and undesignated	\$ 1,366,368	\$ 1,267,146
Unrestricted and designated for capital reserve	326,564	325,490
Unrestricted and designated for endowment drive	<u>20,969</u>	<u>21,029</u>
	1,713,901	1,613,665
Certificates of deposit	500,154	500,000
Accounts receivable	218,372	209,783
Contributions receivable	-	150,000
Annual fund pledges receivable	252,525	611,687
Prepaid expenses and other	<u>362,001</u>	<u>288,246</u>
TOTAL CURRENT ASSETS	3,046,953	3,373,381
Annual fund pledges receivable	7,500	60,000
Investments	7,603,013	8,012,460
Beneficial interest in assets held by the Community Foundation	3,331,577	3,448,391
Property and equipment (net of accumulated depreciation of \$1,005,773 and \$965,618 )	<u>139,019</u>	<u>130,458</u>
TOTAL ASSETS	<u>\$ 14,128,062</u>	<u>\$ 15,024,690</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 75,334	\$ 44,744
Advance ticket sales and fees	<u>1,152,099</u>	<u>1,079,696</u>
TOTAL CURRENT LIABILITIES	1,227,433	1,124,440
<b>NET ASSETS</b>		
Unrestricted	1,163,784	1,161,195
Temporarily restricted	2,482,797	3,535,007
Permanently restricted	<u>9,254,048</u>	<u>9,204,048</u>
TOTAL NET ASSETS	<u>12,900,629</u>	<u>13,900,250</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,128,062</u>	<u>\$ 15,024,690</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, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Concert tickets and fees	\$ 1,873,790	\$ -	\$ -	\$ 1,873,790
Program advertising	103,098	-	-	103,098
<b>TOTAL OPERATING REVENUES</b>	<u>1,976,888</u>	-	-	<u>1,976,888</u>
<b>DIRECT OPERATING EXPENSES</b>				
Performance	3,568,123	-	-	3,568,123
Marketing	812,853	-	-	812,853
General and administrative	850,175	-	-	850,175
<b>TOTAL DIRECT OPERATING EXPENSES</b>	<u>5,231,151</u>	-	-	<u>5,231,151</u>
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	(3,254,263)	-	-	(3,254,263)
<b>CONTRIBUTIONS, INTEREST AND OTHER NONOPERATING INCOME (EXPENSES)</b>				
Contributions:				
Unrestricted	1,505,425	-	-	1,505,425
Restricted for subsequent period	-	938,955	-	938,955
Restrictions satisfied in current period	1,813,806	(1,813,806)	-	-
Transfer of assets to the Foundations	-	(50,000)	50,000	-
Distribution of beneficial interest in assets held by the Community Foundation	145,353	(145,353)	-	-
Fundraising expense	(212,609)	-	-	(212,609)
Realized gains and losses	14,658	498,161	-	512,819
Unrealized gains and losses	(18,671)	(635,599)	-	(654,270)
Interest income and other	8,890	126,893	-	135,783
<b>TOTAL CONTRIBUTIONS, INTEREST, AND OTHER NONOPERATING INCOME (EXPENSES)</b>	<u>3,256,852</u>	<u>(1,080,749)</u>	<u>50,000</u>	<u>2,226,103</u>
<b>CHANGES IN NET ASSETS BEFORE OTHER CHANGES IN VALUE OF BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION</b>	2,589	(1,080,749)	50,000	(1,028,160)
<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	-	28,539	-	28,539
<b>CHANGE IN NET ASSETS</b>	2,589	(1,052,210)	50,000	(999,621)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>1,161,195</u>	<u>3,535,007</u>	<u>9,204,048</u>	<u>13,900,250</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,163,784</u>	<u>\$ 2,482,797</u>	<u>\$ 9,254,048</u>	<u>\$ 12,900,629</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
<b>TOTAL OPERATING REVENUES</b>	<b>2,117,085</b>	<b>-</b>	<b>-</b>	<b>2,117,085</b>
<b>DIRECT OPERATING EXPENSES</b>				
Performance	3,582,838	-	-	3,582,838
Marketing	819,946	-	-	819,946
General and administrative	791,098	-	-	791,098
<b>TOTAL DIRECT OPERATING EXPENSES</b>	<b>5,193,882</b>	<b>-</b>	<b>-</b>	<b>5,193,882</b>
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	<b>(3,076,797)</b>	<b>-</b>	<b>-</b>	<b>(3,076,797)</b>
<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)	-	-
Fundraising expense	(218,244)	-	-	(218,244)
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
<b>TOTAL CONTRIBUTIONS, INTEREST, AND OTHER NONOPERATING INCOME (EXPENSES)</b>	<b>3,090,089</b>	<b>(291,568)</b>	<b>637,849</b>	<b>3,436,370</b>
<b>CHANGES IN NET ASSETS BEFORE OTHER CHANGES IN VALUE OF BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION</b>	<b>13,292</b>	<b>(291,568)</b>	<b>637,849</b>	<b>359,573</b>
<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	-	110,755	-	110,755
<b>CHANGE IN NET ASSETS</b>	<b>13,292</b>	<b>(180,813)</b>	<b>637,849</b>	<b>470,328</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>1,147,903</b>	<b>3,715,820</b>	<b>8,566,199</b>	<b>13,429,922</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 1,161,195</b>	<b>\$ 3,535,007</b>	<b>\$ 9,204,048</b>	<b>\$ 13,900,250</b>

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, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (999,621)	\$ 470,328
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized investment gains	(512,819)	(323,404)
Net unrealized investment (gains) losses	654,270	245,980
Non-cash investment income	(129,075)	(121,133)
Non-cash contribution	-	(172,849)
Depreciation	40,156	36,567
Change in value of beneficial interest in assets held by Community Foundation	(28,539)	(110,755)
Bad debt expense	5,000	7,368
Contributions received for long-term purposes	-	(400,000)
Changes in operating assets and liabilities:		
Accounts receivable	(8,589)	(77,445)
Annual fund pledges and contributions receivable	506,662	(175,353)
Prepaid expenses and other	(73,755)	(22,785)
Accounts payable	30,590	(40,228)
Advance ticket sales and fees	72,403	97,978
NET CASH USED IN OPERATING ACTIVITIES	<u>(443,317)</u>	<u>(585,731)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of equipment	(48,717)	(4,500)
Purchases of certificates of deposit	-	(500,000)
Purchases of investments	(1,519,380)	(1,127,543)
Proceeds from sales and maturities of investments	1,916,297	1,239,652
Transfer to the Oklahoma City Community Foundation	-	(400,000)
Distribution from beneficial interest in assets held by the Community Foundation	145,353	138,008
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>493,553</u>	<u>(654,383)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for endowment	50,000	637,849
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>50,000</u>	<u>637,849</u>
<b>NET CHANGE IN CASH</b>	100,236	(602,265)
<b>CASH AT BEGINNING OF YEAR</b>	<u>1,613,665</u>	<u>2,215,930</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 1,713,901</u>	<u>\$ 1,613,665</u>
<b>NON-CASH FINANCING AND INVESTING ACTIVITIES</b>		
Donated investments	<u>\$ -</u>	<u>\$ 172,849</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, 2016 AND 2015**

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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 (“financial statements”).

*Basis of Accounting* – The accompanying 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.

*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 \$1,359,945 and \$1,767,098 at June 30, 2016, and 2015, 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 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, 2016, consist of concert tickets, fees, and program advertising related to the 2015-2016 concert series. Concert tickets, fees and program advertising revenues that are received prior to the concert season or other future events, are recorded in current liabilities as advance ticket sales and fees. 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, 2016, contributions receivable and annual fund pledges receivable are considered fully collectible with balances due in more than one year expected to be received during the 2017 / 2018 fiscal year. No discounts for balances due in 2017 and thereafter have been recorded at June 30, 2016 as they are not significant. In addition, the Society has received approximately \$1,021,000 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 2016 and 2015, totaled approximately \$213,000 and \$234,000, respectively, which consisted principally of advertising services. Bartered transactions occurring during fiscal years 2016 and 2015, totaled approximately \$132,000 and \$51,000, 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 income, program advertising revenues and a corresponding charge to 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. For the years ended June 30, 2016, and 2015, investment income and losses in the statement of activities is reported net of investment management and custodial fees which totaled \$36,576 and \$37,725, 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 performance, marketing, and general and administrative 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, 2013.

**Advertising Expense** – All advertising costs, which approximated \$480,000 and \$499,000 for the years ended June 30, 2016 and 2015, respectively, are expensed the first time advertising takes place and are recorded as marketing expenses in the consolidated statement of activities.

**Concentration of Credit Risk** – The Society maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. As of June 30, 2016 and 2015, the Society's balances with financial institutions subject to FDIC coverage exceeded such coverage by \$115,987 and \$97,020, 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, 2016, 31% of the Society's contribution revenue is from five donors, and 47% of the Society's contributions receivable are due from four donors. At June 30, 2015, 51% of the Society's contribution revenue is from eight donors, and 66% of the Society'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.

**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 Accounting Standards Codification (“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.

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, 2016 or 2015.

**Subsequent Events** –The Society has evaluated subsequent events through October 18, 2016, which is the date the financial statements were available to be issued. There are no subsequent events requiring recognition or disclosure in the 2016 financial statements.

**Reclassifications** – Certain reclassifications have been made to the prior year amounts to conform to the current year presentation. Such reclassifications did not affect net assets or change in net assets as of and for the year ended June 30, 2015.

## 2. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2016 and 2015, respectively, is summarized as follows:

	<u>2016</u>	<u>2015</u>
Computers	\$ 214,466	\$ 195,745
Music library	56,528	56,528
Office equipment	40,944	40,944
Stage equipment	502,500	478,772
Music equipment	<u>330,354</u>	<u>324,087</u>
	1,144,792	1,096,076
Less: accumulated depreciation	<u>(1,005,773)</u>	<u>(965,618)</u>
Net property and equipment	<u>\$ 139,019</u>	<u>\$ 130,458</u>

Depreciation expense for the years ended June 30, 2016 and 2015, respectively, was \$40,156 and \$36,567.

### **3. DEFERRED REVENUE**

As of June 30, 2016 and 2015, respectively, the Society has recorded deferred revenue for advance ticket sales and fee engagements totaling approximately \$1,125,000 and \$1,060,000. As of June 30, 2016, and 2015, respectively, \$27,000 and \$20,000 was recorded as deferred revenue for advertising relating to the next concert season.

### **4. RELATED PARTY TRANSACTIONS**

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 \$145,000 and \$138,000 for the years ended June 30, 2016 and 2015, 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 statements 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, 2016, and 2015, assets transferred to the Community Foundation by the Society had a fair value of \$3,331,577 and \$3,448,391, 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, 2016 and 2015, the Society received distributions of \$111,078 and \$105,851, respectively, which is recorded as contributions in the accompanying statements of activities. At June 30, 2016, and 2015, the fair value of the funds originally donated by third parties was approximately \$2,378,000 and \$2,344,000, respectively. The Society has no remainder interest in the corpus of these funds.

## 6. NET ASSETS RESTRICTIONS

Temporarily restricted net assets at June 30, 2016 and 2015 are available for the following:

	<u>2016</u>	<u>2015</u>
Grants and contributions designated for the following concert season	\$ 998,955	\$ 1,438,041
Contributions designated for endowment, net of related endowment drive expenses	23,908	73,948
Funds invested by the Philharmonic Foundation	838,564	1,284,834
Undistributed earnings of beneficial interest in assets held by Community Foundation	<u>621,370</u>	<u>738,184</u>
	<u>\$ 2,482,797</u>	<u>\$ 3,535,007</u>

Certain endowments contain restrictions that the earnings be used to subsidize Oklahoma City Ballet and Canterbury Voices 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, Oklahoma City Ballet, and Canterbury Voices.

Permanently restricted net assets at June 30, 2016 and 2015, consist of the following:

	<u>2016</u>	<u>2015</u>
Beneficial interest in assets held by Community Foundation	\$ 1,177,500	\$ 1,177,500
Beneficial interest in assets held by Community Foundation - Collaborative Fund	1,532,700	1,532,700
Endowment funds invested by Philharmonic Foundation	6,352,848	6,302,848
Youth series endowment	<u>191,000</u>	<u>191,000</u>
	<u>\$ 9,254,048</u>	<u>\$ 9,204,048</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, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 1,459,934	\$ 9,254,048	\$ 10,713,982
Board-designated endowment funds	-	-	-	-
Total endowment funds	<u>\$ -</u>	<u>\$ 1,459,934</u>	<u>\$ 9,254,048</u>	<u>\$ 10,713,982</u>

Changes in endowment net assets for the fiscal year ended June 30, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 2,023,018	\$ 9,204,048	\$ 11,227,066
Investment return	-	17,963	-	17,963
Contributions	-	50,000	-	50,000
Transfer of assets to Foundation	-	(50,000)	50,000	-
Appropriation of endowment assets for expenditure	-	(581,047)	-	(581,047)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,459,934</u>	<u>\$ 9,254,048</u>	<u>\$ 10,713,982</u>

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

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>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>	Temporarily <u>Restricted</u>	Permanently <u>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>

### **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 beneficial interest in assets held by others is carried at fair value based on the fair value of the cash and investment assets held by the Community Foundation for the benefit of the Society. Fair value is based on the net asset value (“NAV”) per share as determined by OCCF and provided to the Society. The investments are directed by the Community Foundation and consists of various common and preferred stocks, asset backed obligations, mutual and index funds, government obligations, and cash equivalent funds which are designated to achieve endowment returns consistent with their investment policies. Investments in this category cannot be redeemed at the current NAV price per share, as the Society is only the beneficiary of the investments earnings, which are distributed in accordance with the Community Foundation’s spending policy.

The Society has no liabilities measured at fair value. Assets measured at fair value on a recurring basis, excluding beneficial interest in assets held by others which are separately presented in the statements of financial position and whose fair market value is measured using NAV per share as a practical expedient, are classified within the fair value hierarchy at June 30, 2016 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>ASSETS</b>				
Investments:				
Cash Equivalents	\$ 25,369	\$ -	\$ -	\$ 25,369
Mutual Funds:				
Equity	4,726,012	-	-	4,726,012
Fixed Income	<u>2,851,632</u>	<u>-</u>	<u>-</u>	<u>2,851,632</u>
Total Investments	<u>\$ 7,603,013</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,603,013</u>

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	<u>\$ 8,012,460</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,012,460</u>

## 9. LEASES

The Society has entered into non-cancelable lease agreements, primarily for office facilities, equipment and automobiles, under which rent expense approximated \$74,000 and \$76,000 for the years ended

June 30, 2016 and 2015, respectively. Approximate minimum annual rentals as required by these leases at June 30, 2016 are as follows:

<u>Year Ended</u>	
2017	\$ 79,828
2018	67,002
2019	56,227
2020	55,154
2021	49,049
Thereafter	<u>219,102</u>
	<u>\$ 526,362</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, 2019, 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 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. In accordance with the Agreement, the Society entered into contracts with 70 musicians during 2016 for the 2016-2017 concert season. Minimum commitments relating to these contracts total approximately \$1,036,000 for fiscal year 2017.

**Guest Artists Contracts:** The Society entered into agreements with guest artists for performances to be held during fiscal year 2017. Costs of performances under these agreements totaled approximately \$274,000 at June 30, 2016.

## 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 \$38,768 and \$38,273 for the years ended June 30, 2016 and 2015, respectively.

\* \* \* \* \*

## **SUPPLEMENTARY INFORMATION**

**OKLAHOMA PHILHARMONIC SOCIETY, INC.**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2016**

	<u>Society</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash:				
Unrestricted and undesignated	\$ 1,366,368	\$ -	\$ -	\$ 1,366,368
Unrestricted and designated for capital reserve	326,564	-	-	326,564
Unrestricted and designated for endowment drive	20,969	-	-	20,969
	<u>1,713,901</u>	<u>-</u>	<u>-</u>	<u>1,713,901</u>
Certificates of deposit	500,154	-	-	500,154
Accounts receivable	218,372	-	-	218,372
Annual fund pledges receivable	252,525	-	-	252,525
Prepaid expenses and other	337,001	25,000	-	362,001
TOTAL CURRENT ASSETS	<u>3,021,953</u>	<u>25,000</u>	<u>-</u>	<u>3,046,953</u>
Annual fund pledges receivable	7,500	-	-	7,500
Investments	-	7,603,013	-	7,603,013
Beneficial interest in assets held by foundations	9,004,127	-	(5,672,550)	3,331,577
Property and equipment (net of accumulated depreciation of \$1,005,773)	139,019	-	-	139,019
Investment in subsidiary	1,955,463	-	(1,955,463)	-
TOTAL ASSETS	<u>\$ 14,128,062</u>	<u>\$ 7,628,013</u>	<u>\$ (7,628,013)</u>	<u>\$ 14,128,062</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 75,334	\$ -	\$ -	\$ 75,334
Advance ticket sales and fees	1,152,099	-	-	1,152,099
Funds held for others	-	5,672,550	(5,672,550)	-
TOTAL CURRENT LIABILITIES	<u>1,227,433</u>	<u>5,672,550</u>	<u>(5,672,550)</u>	<u>1,227,433</u>
<b>NET ASSETS</b>				
Unrestricted	1,163,784	25,000	(25,000)	1,163,784
Temporarily restricted	2,482,797	212,094	(212,094)	2,482,797
Permanently restricted	9,254,048	1,718,369	(1,718,369)	9,254,048
TOTAL NET ASSETS	<u>12,900,629</u>	<u>1,955,463</u>	<u>(1,955,463)</u>	<u>12,900,629</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,128,062</u>	<u>\$ 7,628,013</u>	<u>\$ (7,628,013)</u>	<u>\$ 14,128,062</u>

See independent auditor's report.

**OKLAHOMA PHILHARMONIC SOCIETY, INC.**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Society</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>OPERATING REVENUES</b>				
Concert tickets and fees	\$ 1,873,790	\$ -	\$ -	\$ 1,873,790
Program advertising	103,098	-	-	103,098
<b>TOTAL OPERATING REVENUES</b>	<u>1,976,888</u>	<u>-</u>	<u>-</u>	<u>1,976,888</u>
<b>DIRECT OPERATING EXPENSES</b>				
Performance	3,568,123	-	-	3,568,123
Marketing	812,853	-	-	812,853
General and administrative	850,175	-	-	850,175
<b>TOTAL DIRECT OPERATING EXPENSES</b>	<u>5,231,151</u>	<u>-</u>	<u>-</u>	<u>5,231,151</u>
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	(3,254,263)	-	-	(3,254,263)
<b>CONTRIBUTIONS, INTEREST AND OTHER NONOPERATING INCOME (EXPENSES)</b>				
Contributions:				
Unrestricted	1,505,425	-	-	1,505,425
Restricted for subsequent period	938,955	-	-	938,955
Transfer of assets between related entities	113,228	(113,228)	-	-
Fundraising expense	(212,609)	-	-	(212,609)
Earnings from investment in subsidiary	(114,756)	-	114,756	-
Realized gains and losses	-	132,368	380,451	512,819
Unrealized gains and losses	-	(168,613)	(485,657)	(654,270)
Interest income and other	5,227	34,717	95,839	135,783
<b>TOTAL CONTRIBUTIONS, INTEREST, AND OTHER NONOPERATING INCOME (EXPENSES)</b>	<u>2,235,470</u>	<u>(114,756)</u>	<u>105,389</u>	<u>2,226,103</u>
<b>CHANGES IN NET ASSETS BEFORE OTHER CHANGES IN VALUE OF BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION</b>	(1,018,793)	(114,756)	105,389	(1,028,160)
<b>OTHER CHANGES IN BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION</b>				
Change in value of beneficial interest in assets held by foundations	19,172	-	9,367	28,539
<b>CHANGE IN NET ASSETS</b>	(999,621)	(114,756)	114,756	(999,621)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>13,900,250</u>	<u>2,070,219</u>	<u>(2,070,219)</u>	<u>13,900,250</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 12,900,629</u>	<u>\$ 1,955,463</u>	<u>\$ (1,955,463)</u>	<u>\$ 12,900,629</u>

See independent auditor's report.

**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>				
<b>CURRENT ASSETS</b>				
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
Investments	-	8,012,460	-	8,012,460
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)	-
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>				
<b>CURRENT LIABILITIES</b>				
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>
<b>NET ASSETS</b>				
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>

See independent auditor's report.

**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	819,946	-	-	819,946
General and administrative	791,098	-	-	791,098
<b>TOTAL DIRECT OPERATING EXPENSES</b>	<u>5,193,882</u>	<u>-</u>	<u>-</u>	<u>5,193,882</u>
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	<u>(3,076,797)</u>	<u>-</u>	<u>-</u>	<u>(3,076,797)</u>
<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)	-	-
Fundraising expense	(218,244)	-	-	(218,244)
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>3,289,254</u>	<u>140,318</u>	<u>6,798</u>	<u>3,436,370</u>
<b>CHANGES IN NET ASSETS BEFORE OTHER CHANGES IN VALUE OF BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION</b>	<u>212,457</u>	<u>140,318</u>	<u>6,798</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 foundations	257,871	-	(147,116)	110,755
<b>CHANGE IN NET ASSETS</b>	<u>470,328</u>	<u>140,318</u>	<u>(140,318)</u>	<u>470,328</u>
<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>

See independent auditor's report.

**OKLAHOMA PHILHARMONIC SOCIETY, INC.**  
**SUPPLEMENTARY STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>OPERATIONS</b>				
Operating revenues:				
Concert tickets and fees	\$ 1,873,790	\$ -	\$ -	\$ 1,873,790
Program advertising	103,098	-	-	103,098
<b>TOTAL OPERATING REVENUES</b>	<b>1,976,888</b>	<b>-</b>	<b>-</b>	<b>1,976,888</b>
Direct operating expenses:				
Performance:				
Salaries and benefits	1,654,928	-	-	1,654,928
Guest artists	669,725	-	-	669,725
Technical and backstage personnel	233,439	-	-	233,439
Box office	74,144	-	-	74,144
Equipment rental	303,359	-	-	303,359
Music hall rental	158,674	-	-	158,674
Musician travel	57,058	-	-	57,058
Other	416,796	-	-	416,796
<b>TOTAL PERFORMANCE EXPENSES</b>	<b>3,568,123</b>	<b>-</b>	<b>-</b>	<b>3,568,123</b>
Marketing:				
Salaries and benefits	100,868	-	-	100,868
Advertising	480,370	-	-	480,370
Telemarketing	55,306	-	-	55,306
Season campaign	67,617	-	-	67,617
Program printing	72,057	-	-	72,057
Postage	24,404	-	-	24,404
Other	12,231	-	-	12,231
<b>TOTAL MARKETING EXPENSES</b>	<b>812,853</b>	<b>-</b>	<b>-</b>	<b>812,853</b>
General and administrative:				
Salaries and benefits	549,362	-	-	549,362
Legal and professional	43,634	-	-	43,634
Insurance	56,761	-	-	56,761
Rent	34,993	-	-	34,993
Telephone	13,261	-	-	13,261
Bank fees	38,831	-	-	38,831
Office supplies	32,957	-	-	32,957
Other	80,376	-	-	80,376
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>850,175</b>	<b>-</b>	<b>-</b>	<b>850,175</b>
<b>TOTAL DIRECT OPERATING EXPENSES</b>	<b>5,231,151</b>	<b>-</b>	<b>-</b>	<b>5,231,151</b>
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	<b>(3,254,263)</b>	<b>-</b>	<b>-</b>	<b>(3,254,263)</b>

**OKLAHOMA PHILHARMONIC SOCIETY, INC.**  
**SUPPLEMENTARY STATEMENT OF ACTIVITIES--Continued**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<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	\$ 1,177,416	\$ 938,955	\$ -	\$ 2,116,371
Oklahoma City Community Foundation distribution	111,078	-	-	111,078
Oklahoma City Orchestra League, Inc.	125,000	-	-	125,000
Oklahoma Arts Council	85,566	-	-	85,566
Associate Board	6,366	-	-	6,366
<b>TOTAL CONTRIBUTION INCOME</b>	<u>1,505,425</u>	<u>938,955</u>	<u>-</u>	<u>2,444,380</u>
Fundraising expense	(212,609)	-	-	(212,609)
Interest income	8,890	126,893	-	135,783
Realized gains and losses	14,658	498,161	-	512,819
Unrealized gains and losses	(18,671)	(635,599)	-	(654,270)
Distribution of beneficial interest in assets held by the Community Foundation	145,353	(145,353)	-	-
Transfer of assets to the Foundations	-	(50,000)	50,000	-
Restrictions satisfied in current period	<u>1,813,806</u>	<u>(1,813,806)</u>	<u>-</u>	<u>-</u>
<b>CHANGES IN NET ASSETS BEFORE OTHER CHANGES IN VALUE OF BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION</b>	<u>2,589</u>	<u>(1,080,749)</u>	<u>50,000</u>	<u>(1,028,160)</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>28,539</u>	<u>-</u>	<u>28,539</u>
<b>CHANGE IN NET ASSETS</b>	<u>2,589</u>	<u>(1,052,210)</u>	<u>50,000</u>	<u>(999,621)</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>1,161,195</u>	<u>3,535,007</u>	<u>9,204,048</u>	<u>13,900,250</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,163,784</u>	<u>\$ 2,482,797</u>	<u>\$ 9,254,048</u>	<u>\$ 12,900,629</u>

See independent auditor's report.

**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	108,163	-	-	108,163
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	414,882	-	-	414,882
TOTAL PERFORMANCE EXPENSES	3,582,838	-	-	3,582,838
Marketing:				
Salaries and benefits	92,833	-	-	92,833
Advertising	499,343	-	-	499,343
Telemarketing	35,874	-	-	35,874
Season campaign	79,203	-	-	79,203
Program printing	77,548	-	-	77,548
Postage	22,702	-	-	22,702
Other	12,443	-	-	12,443
TOTAL MARKETING EXPENSES	819,946	-	-	819,946
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	19,377	-	-	19,377
Other	80,573	-	-	80,573
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	791,098	-	-	791,098
TOTAL DIRECT OPERATING EXPENSES	5,193,882	-	-	5,193,882
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(3,076,797)	-	-	(3,076,797)

**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>
Fundraising expense	(218,244)	-	-	(218,244)
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 COMMUNITY FOUNDATION</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>	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>

See independent auditor's report.