

**OKLAHOMA PHILHARMONIC SOCIETY, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEARS ENDED  
JUNE 30, 2017 AND 2016**

**TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT**

**OKLAHOMA PHILHARMONIC SOCIETY, INC.**  
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**June 30, 2017 and 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, 2017 and 2016, 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 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, 2017 and 2016, and the changes in its net assets and its 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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### **Report on Supplementary Information**

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 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 17, 2017

**OKLAHOMA PHILHARMONIC SOCIETY, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents:		
Unrestricted and undesignated	\$ 1,241,506	\$ 1,366,368
Unrestricted and designated for capital reserve	<u>328,129</u>	<u>326,564</u>
	1,569,635	1,692,932
Certificates of deposit	502,577	500,154
Accounts receivable	121,521	218,372
Annual fund pledges receivable	651,352	252,525
Endowment contributions receivable	65,874	-
Prepaid expenses and other	<u>345,912</u>	<u>362,001</u>
TOTAL CURRENT ASSETS	3,256,871	3,025,984
Cash restricted for endowment	20,313	20,969
Annual fund pledges receivable	73,500	7,500
Investments	8,025,008	7,603,013
Beneficial interest in assets held by the Community Foundation	3,519,317	3,331,577
Property and equipment (net of accumulated depreciation of \$1,054,589 and \$1,005,773)	<u>228,636</u>	<u>139,019</u>
TOTAL ASSETS	<u>\$ 15,123,645</u>	<u>\$ 14,128,062</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 66,208	\$ 75,334
Advance ticket sales and fees	<u>1,067,687</u>	<u>1,152,099</u>
TOTAL CURRENT LIABILITIES	1,133,895	1,227,433
<b>NET ASSETS</b>		
Unrestricted	1,584,777	1,163,784
Temporarily restricted	3,032,200	2,482,797
Permanently restricted	<u>9,372,773</u>	<u>9,254,048</u>
TOTAL NET ASSETS	<u>13,989,750</u>	<u>12,900,629</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,123,645</u>	<u>\$ 14,128,062</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, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Concert tickets and fees	\$ 1,939,529	\$ -	\$ -	\$ 1,939,529
Program advertising	87,550	-	-	87,550
TOTAL OPERATING REVENUES	<u>2,027,079</u>	<u>-</u>	<u>-</u>	<u>2,027,079</u>
<b>DIRECT OPERATING EXPENSES</b>				
Performance	3,537,719	-	-	3,537,719
Marketing	751,752	-	-	751,752
General and administrative	892,753	-	-	892,753
TOTAL DIRECT OPERATING EXPENSES	<u>5,182,224</u>	<u>-</u>	<u>-</u>	<u>5,182,224</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(3,155,145)	-	-	(3,155,145)
<b>CONTRIBUTIONS, INTEREST AND OTHER NONOPERATING INCOME (EXPENSES)</b>				
Contributions:				
Unrestricted	2,194,443	-	-	2,194,443
Restricted	-	1,002,712	118,725	1,121,437
Restrictions satisfied in current period	1,396,463	(1,396,463)	-	-
Distribution of beneficial interest in assets held by the Community Foundation	154,768	(154,768)	-	-
Fundraising expense	(203,125)	-	-	(203,125)
Realized and unrealized gains and losses	18,779	641,224	-	660,003
Interest income and other	14,810	114,190	-	129,000
TOTAL CONTRIBUTIONS, INTEREST, AND OTHER NONOPERATING INCOME (EXPENSES)	<u>3,576,138</u>	<u>206,895</u>	<u>118,725</u>	<u>3,901,758</u>
CHANGES IN NET ASSETS BEFORE OTHER CHANGES IN BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION	420,993	206,895	118,725	746,613
OTHER CHANGES IN BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION				
Change in value of beneficial interest in assets held by the Community Foundation	-	342,508	-	342,508
<b>CHANGE IN NET ASSETS</b>	420,993	549,403	118,725	1,089,121
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>1,163,784</u>	<u>2,482,797</u>	<u>9,254,048</u>	<u>12,900,629</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,584,777</u>	<u>\$ 3,032,200</u>	<u>\$ 9,372,773</u>	<u>\$ 13,989,750</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
TOTAL OPERATING REVENUES	<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
TOTAL DIRECT OPERATING EXPENSES	<u>5,231,151</u>	<u>-</u>	<u>-</u>	<u>5,231,151</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(3,254,263)	-	-	(3,254,263)
<b>CONTRIBUTIONS, INTEREST AND OTHER NONOPERATING INCOME (EXPENSES)</b>				
Contributions:				
Unrestricted	1,505,425	-	-	1,505,425
Restricted	-	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 and unrealized gains and losses	(4,013)	(137,438)	-	(141,451)
Interest income and other	8,890	126,893	-	135,783
TOTAL CONTRIBUTIONS, INTEREST, AND OTHER NONOPERATING INCOME (EXPENSES)	<u>3,256,852</u>	<u>(1,080,749)</u>	<u>50,000</u>	<u>2,226,103</u>
CHANGES IN NET ASSETS BEFORE OTHER CHANGES IN BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION	2,589	(1,080,749)	50,000	(1,028,160)
OTHER CHANGES IN BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION				
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 STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,089,121	\$ (999,621)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized investment gains	(660,003)	141,451
Non-cash investment income	(120,460)	(129,075)
Depreciation	48,816	40,156
Change in value of beneficial interest in assets held by Community Foundation	(342,508)	(28,539)
Bad debt expense	1,625	5,000
Contributions received for long-term purposes	(118,725)	-
Changes in operating assets and liabilities:		
Accounts receivable	96,851	(8,589)
Annual fund pledges and contributions receivable	(466,452)	506,662
Prepaid expenses and other	16,089	(73,755)
Accounts payable and accrued expense:	(9,126)	30,590
Advance ticket sales and fees	(84,412)	72,403
NET CASH USED IN OPERATING ACTIVITIES	<u>(549,184)</u>	<u>(443,317)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of equipment	(138,433)	(48,717)
Purchases of investments	(50,350)	(1,519,380)
Proceeds from sales and maturities of investments	406,395	1,916,297
Distribution from beneficial interest in assets held by the Community Foundation	<u>154,768</u>	<u>145,353</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	372,380	493,553
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for endowment	<u>52,851</u>	<u>50,000</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>52,851</u>	<u>50,000</u>
<b>NET CHANGE IN CASH</b>	(123,953)	100,236
<b>CASH AT BEGINNING OF YEAR</b>	<u>1,713,901</u>	<u>1,613,665</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 1,589,948</u>	<u>\$ 1,713,901</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF FINANCIAL POSITION</b>		
Cash and cash equivalents	\$ 1,569,635	\$ 1,692,932
Cash restricted for endowment	<u>20,313</u>	<u>20,969</u>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u>\$ 1,589,948</u>	<u>\$ 1,713,901</u>
<b>NON-CASH FINANCING AND INVESTING ACTIVITIES</b>		
Donated investments	<u>\$ 30,291</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, 2017 AND 2016**

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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.

***Beneficial Interest in Assets Held by the Community Foundation*** – 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 \$1,228,504 and \$1,359,945 at June 30, 2017, and 2016, 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 Restricted for Endowment*** – Cash restricted for endowment 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 restricted for expenses of the endowment campaign. All funds not utilized for endowment campaign 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, 2017, consist of concert tickets, fees, and program advertising related to the 2016-2017 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, 2017, contributions receivable and annual fund pledges receivable are considered fully collectible and are expected to be collected as follows:

Fiscal Year	Annual Fund	Endowment Campaign
2018	\$ 651,352	\$ 65,874
2019	36,000	-
2020	37,500	-
	<u>\$ 724,852</u>	<u>\$ 65,874</u>

No discounts for balances due in 2018 and thereafter have been recorded at June 30, 2017 as they are not significant. In addition, the Society has received approximately \$1,221,000 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 2017 and 2016, totaled approximately \$210,000 and \$213,000, respectively, which consisted principally of advertising services. Bartered transactions occurring during fiscal years 2017 and 2016, totaled approximately \$140,000 and \$132,000, 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, U.S. treasuries, and corporate bonds. 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, 2017, and 2016, investment income and losses in the statement of activities is reported net of investment management and custodial fees which totaled \$33,946 and \$36,576, 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, 2014.

**Advertising Expense** – All advertising costs, which approximated \$466,000 and \$480,000 for the years ended June 30, 2017 and 2016, respectively, are expensed the first-time advertising takes place and are recorded as marketing expenses in the 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, 2017, and 2016, the Society's balances with financial institutions subject to FDIC coverage exceeded such coverage by \$99,413 and \$97,533, 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.

As of and for the year ended June 30, 2017, 18% of the Society's contribution revenue is from three donors, and 69% of the Society's contributions receivable is due from one donor. As of and for the year ended 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.

**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 9). 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, 2017 or 2016.

**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, 2016.

**Subsequent Events** –The Society has evaluated subsequent events through October 17, 2017, which is the date the financial statements were available to be issued. There are no subsequent events requiring recognition or disclosure in the 2017 financial statements.

**Recent accounting pronouncements** – In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09 “Revenue from Contracts with Customers (Topic 606).” This authoritative guidance includes a comprehensive new revenue recognition model that requires revenue to be recognized in a manner to depict the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. The FASB has since issued several additional amendments to this guidance. In July 2015, the FASB approved a one-year deferral of the effective date of the new standard. The effective date of the amended standard will begin in periods beginning after December 15, 2018 and early adoption is permitted but no earlier than for reporting periods beginning after December 15, 2016.

In February 2016, the FASB issued ASU No. 2016-02 “Leases (Topic 842).” The purpose of the guidance is to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet as well as providing additional disclosure requirements related to leasing arrangements. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019, though early adoption is permitted.

In August 2016, the FASB issued ASU No. 2016-14, “Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities”. The new guidance simplifies and

improves how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about liquidity, financial performance, and cash flows. The amendments in the standard are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018.

Management is currently evaluating the impact that adopting the above recent accounting pronouncements will have on the Society's financial statements in future reporting periods.

## 2. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2017 and 2016, respectively, is summarized as follows:

	<u>2017</u>	<u>2016</u>
Computers	\$ 217,472	\$ 214,466
Music library	56,528	56,528
Office equipment	162,381	40,944
Stage equipment	502,500	502,500
Music equipment	330,354	330,354
Leasehold improvements	13,990	-
	<u>1,283,225</u>	<u>1,144,792</u>
Less: accumulated depreciation	<u>(1,054,589)</u>	<u>(1,005,773)</u>
Net property and equipment	<u>\$ 228,636</u>	<u>\$ 139,019</u>

Depreciation expense for the years ended June 30, 2017 and 2016, respectively, was \$48,816 and \$40,156.

## 3. DEFERRED REVENUE

As of June 30, 2017 and 2016, respectively, the Society has recorded deferred revenue for advance ticket sales and fee engagements totaling approximately \$1,031,000 and \$1,125,000. As of June 30, 2017, and 2016, respectively, \$37,000 and \$27,000 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 \$155,000 and \$145,000 for the years ended June 30, 2017 and 2016, 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, 2017, and 2016, assets transferred to the Community Foundation by the Society had a fair value of \$3,519,317 and \$3,331,577, 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, 2017 and 2016, the Society received distributions of \$115,409 and \$111,078, respectively, which is recorded as contributions in the accompanying statements of activities. At June 30, 2017, and 2016, the fair value of the funds originally donated by third parties was approximately \$2,511,000 and \$2,378,000, respectively. The Society has no remainder interest in the corpus of these funds.

## 6. NET ASSETS RESTRICTIONS

Temporarily restricted net assets at June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Grants and contributions designated for the following concert season	\$ 1,002,714	\$ 998,955
Contributions restricted for endowment, net of related endowment drive expenses	20,732	23,908
Funds invested by the Philharmonic Foundation	1,199,654	838,564
Undistributed earnings of beneficial interest in assets held by Community Foundation	<u>809,100</u>	<u>621,370</u>
	<u>\$ 3,032,200</u>	<u>\$ 2,482,797</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, 2017 and 2016, consist of the following:

	<u>2017</u>	<u>2016</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	6,403,198	6,352,848
Endowment contributions receivable and held in restricted cash	68,375	-
Youth series endowment	<u>191,000</u>	<u>191,000</u>
	<u>\$ 9,372,773</u>	<u>\$ 9,254,048</u>

## 7. ENDOWMENT DISCLOSURES

The Society's endowment consists of endowment funds held in investments, beneficial interest in assets held by the Community Foundation, endowment contributions receivable, and cash restricted for endowment. 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 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, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 2,008,754	\$ 9,372,773	\$ 11,381,527
Board-designated endowment funds	226,606	-	-	226,606
Total endowment funds	<u>\$ 226,606</u>	<u>\$ 2,008,754</u>	<u>\$ 9,372,773</u>	<u>\$ 11,608,133</u>

Changes in endowment net assets for the fiscal year ended June 30, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 216,020	\$ 1,459,934	\$ 9,254,048	\$ 10,930,002
Investment return	22,146	1,097,921	-	1,120,067
Contributions	-	-	118,725	118,725
Appropriation of endowment assets for expenditure	(11,560)	(549,101)	-	(560,661)
Endowment net assets, end of year	<u>\$ 226,606</u>	<u>\$ 2,008,754</u>	<u>\$ 9,372,773</u>	<u>\$ 11,608,133</u>

Endowment net asset composition by type of fund as of June 30, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,459,934	\$ 9,254,048	\$ 10,713,982
Board-designated endowment funds	216,020	-	-	216,020
Total endowment funds	<u>\$ 216,020</u>	<u>\$ 1,459,934</u>	<u>\$ 9,254,048</u>	<u>\$ 10,930,002</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 229,228	\$ 2,023,018	\$ 9,204,048	\$ 11,456,294
Investment return	(350)	17,963	-	17,613
Contributions	-	50,000	-	50,000
Transfer of assets to Foundation	-	(50,000)	50,000	-
Appropriation of endowment assets for expenditure	(12,858)	(581,047)	-	(593,905)
Endowment net assets, end of year	<u>\$ 216,020</u>	<u>\$ 1,459,934</u>	<u>\$ 9,254,048</u>	<u>\$ 10,930,002</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. LEASES

The Society has entered into non-cancelable lease agreements, primarily for office facilities, equipment and automobiles, under which rent expense approximated \$87,000 and \$74,000 for the years ended June 30, 2017 and 2016, respectively. Approximate minimum annual rentals as required by these leases at June 30, 2017 are as follows:

Year Ended	
2018	\$ 78,678
2019	64,603
2020	63,530
2021	56,727
2022	41,340
Thereafter	<u>165,360</u>
	<u>\$ 470,238</u>

## 9. FAIR VALUE MEASUREMENTS

Assets measured at fair value consist of the following:

	As of June 30, 2017				
	Carrying Amount	Total Fair Value	Fair Value Measurements Using		
			Level 1	Level 2	Level 3
<b>ASSETS</b>					
Investments:					
Cash and Money Market					
Funds (at cost)	\$ 838,005	\$ -	\$ -	\$ -	\$ -
Equity securities	3,585,635	3,585,635	3,585,635	-	-
Fixed Income:					
U.S. treasuries	1,153,819	1,153,819	-	1,153,819	-
Corporate bonds	735,835	735,835	-	735,835	-
Mutual Funds:					
Equity	1,026,261	1,026,261	1,026,261	-	-
Fixed Income	550,401	550,401	550,401	-	-
Other investments	<u>135,052</u>	<u>135,052</u>	<u>135,052</u>	<u>-</u>	<u>-</u>
Total Investments	8,025,008	7,187,003	5,297,349	1,889,654	-
Beneficial Interest in Assets					
Held by Others	<u>3,519,317</u>	<u>3,519,317</u>	<u>-</u>	<u>-</u>	<u>3,519,317</u>
	<u>\$ 11,544,325</u>	<u>\$ 10,706,320</u>	<u>\$ 5,297,349</u>	<u>\$ 1,889,654</u>	<u>\$ 3,519,317</u>

	As of June 30, 2016				
	Carrying Amount	Total Fair Value	Fair Value Measurements Using		
			Level 1	Level 2	Level 3
<b>ASSETS</b>					
Investments:					
Cash and Money Market					
Funds (at cost)	\$ 25,369	\$ -	\$ -	\$ -	\$ -
Mutual Funds:					
Equity	4,726,012	4,726,012	4,726,012	-	-
Fixed Income	2,851,632	2,851,632	2,851,632	-	-
Total Investments	7,603,013	7,577,644	7,577,644	-	-
Beneficial Interest in Assets					
Held by Others	3,331,577	3,331,577	-	-	3,331,577
	<u>\$ 10,934,590</u>	<u>\$ 10,909,221</u>	<u>\$ 7,577,644</u>	<u>\$ -</u>	<u>\$ 3,331,577</u>

Following is a description of methodologies used for assets valued at fair value.

*Investments:* When quoted prices are available in an active market, securities are classified within Level 1 of the hierarchy. Investments classified as Level 1 include equity securities, mutual funds and other investments. U.S. treasuries and corporate bonds are classified within level 2 of the hierarchy due to their proprietary nature and are independently valued by the fund manager or quoted market prices in nonactive markets.

*Beneficial interest in assets held by others:* The fair value of the Society's beneficial interest in assets held by others is based on the fair value of fund investments as reported by the Community Foundation. These are considered to be level 3 investments.

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant observable inputs (level 3) for the years ended June 30, 2017 and 2016.

	2017	2016
Balance at beginning of year	\$ 3,331,577	\$ 3,448,391
Purchases / contributions	-	-
Investment return, net	342,508	28,539
Distributions	(154,768)	(145,353)
Balance at end of year	<u>\$ 3,519,317</u>	<u>\$ 3,331,577</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 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 accompanying statements of activities. Typically, distributions decrease the Society's respective financial asset and increase cash at the time of distribution.

## 10. COMMITMENTS AND CONTINGENCIES

*Employment and Musicians Contracts* – The Society has entered into three employment contracts. Under the terms of the contracts, the Society has agreed to pay the Executive Director, the Music Director, and the Music Director Designate 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 69 musicians during 2017 for the 2017-2018 concert season. Minimum commitments relating to these contracts total approximately \$1,113,000 for fiscal year 2018.

***Guest Artists Contracts*** – The Society entered into agreements with guest artists for performances to be held during fiscal year 2018. Costs of performances under these agreements totaled approximately \$298,000 at June 30, 2017.

## **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 \$38,639 and \$38,768 for the years ended June 30, 2017 and 2016, respectively.

\* \* \* \* \*

## **SUPPLEMENTARY INFORMATION**

**OKLAHOMA PHILHARMONIC SOCIETY, INC.**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2017**

	<u>Society</u>	<u>Foundation</u>	<u>Consolidating Entries</u>	<u>Consolidated</u>
<b>ASSETS</b>				
CURRENT ASSETS				
Cash and cash equivalents:				
Unrestricted and undesignated	\$ 1,241,506	\$ -	\$ -	\$ 1,241,506
Unrestricted and designated for capital reserve	328,129	-	-	328,129
	<u>1,569,635</u>	<u>-</u>	<u>-</u>	<u>1,569,635</u>
Certificates of deposit	502,577	-	-	502,577
Accounts receivable	121,521	-	-	121,521
Annual fund pledges receivable	651,352	-	-	651,352
Endowment contributions receivable	65,874	-	-	65,874
Prepaid expenses and other	320,912	25,000	-	345,912
TOTAL CURRENT ASSETS	<u>3,231,871</u>	<u>25,000</u>	<u>-</u>	<u>3,256,871</u>
Cash restricted for endowment	20,313	-	-	20,313
Annual fund pledges receivable	73,500	-	-	73,500
Investments	-	8,025,008	-	8,025,008
Beneficial interest in assets held by foundations	9,517,777	-	(5,998,460)	3,519,317
Property and equipment (net of accumulated depreciation of \$1,054,589)	228,636	-	-	228,636
Investment in subsidiary	2,051,548	-	(2,051,548)	-
TOTAL ASSETS	<u>\$ 15,123,645</u>	<u>\$ 8,050,008</u>	<u>\$ (8,050,008)</u>	<u>\$ 15,123,645</u>
<b>LIABILITIES AND NET ASSETS</b>				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 66,208	\$ -	\$ -	\$ 66,208
Advance ticket sales and fees	1,067,687	-	-	1,067,687
Funds held for others	-	5,998,460	(5,998,460)	-
TOTAL CURRENT LIABILITIES	<u>1,133,895</u>	<u>5,998,460</u>	<u>(5,998,460)</u>	<u>1,133,895</u>
NET ASSETS				
Unrestricted	1,584,777	-	-	1,584,777
Temporarily restricted	3,032,200	333,179	(333,179)	3,032,200
Permanently restricted	9,372,773	1,718,369	(1,718,369)	9,372,773
TOTAL NET ASSETS	<u>13,989,750</u>	<u>2,051,548</u>	<u>(2,051,548)</u>	<u>13,989,750</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,123,645</u>	<u>\$ 8,050,008</u>	<u>\$ (8,050,008)</u>	<u>\$ 15,123,645</u>

See independent auditor's report.

**OKLAHOMA PHILHARMONIC SOCIETY, INC.**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Society</u>	<u>Foundation</u>	<u>Consolidating Entries</u>	<u>Consolidated</u>
<b>OPERATING REVENUES</b>				
Concert tickets and fees	\$ 1,939,529	\$ -	\$ -	\$ 1,939,529
Program advertising	87,550	-	-	87,550
TOTAL OPERATING REVENUES	<u>2,027,079</u>	-	-	<u>2,027,079</u>
<b>DIRECT OPERATING EXPENSES</b>				
Performance	3,537,719	-	-	3,537,719
Marketing	751,752	-	-	751,752
General and administrative	892,753	-	-	892,753
TOTAL DIRECT OPERATING EXPENSES	<u>5,182,224</u>	-	-	<u>5,182,224</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(3,155,145)	-	-	(3,155,145)
<b>CONTRIBUTIONS, INTEREST AND OTHER NONOPERATING INCOME (EXPENSES)</b>				
Contributions:				
Unrestricted	2,194,443	-	-	2,194,443
Restricted	1,121,437	-	-	1,121,437
Transfer of assets between related entities	103,911	(103,911)	-	-
Fundraising expense	(203,125)	-	-	(203,125)
Earnings from investment in subsidiary	96,085	-	(96,085)	-
Realized and unrealized gains and losses	-	169,998	490,005	660,003
Interest income and other	11,445	29,998	87,557	129,000
TOTAL CONTRIBUTIONS, INTEREST, AND OTHER NONOPERATING INCOME (EXPENSES)	<u>3,324,196</u>	<u>96,085</u>	<u>481,477</u>	<u>3,901,758</u>
CHANGES IN NET ASSETS BEFORE OTHER CHANGES IN BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION	169,051	96,085	481,477	746,613
OTHER CHANGES IN BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION				
Change in value of beneficial interest in assets held by foundations	920,070	-	(577,562)	342,508
<b>CHANGE IN NET ASSETS</b>	1,089,121	96,085	(96,085)	1,089,121
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>12,900,629</u>	<u>1,955,463</u>	<u>(1,955,463)</u>	<u>12,900,629</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 13,989,750</u>	<u>\$ 2,051,548</u>	<u>\$ (2,051,548)</u>	<u>\$ 13,989,750</u>

See independent auditor's report.

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

	<u>Society</u>	<u>Foundation</u>	<u>Consolidating Entries</u>	<u>Consolidated</u>
<b>ASSETS</b>				
CURRENT ASSETS				
Cash and cash equivalents:				
Unrestricted and undesignated	\$ 1,366,368	\$ -	\$ -	\$ 1,366,368
Unrestricted and designated for capital reserve	326,564	-	-	326,564
	<u>1,692,932</u>	<u>-</u>	<u>-</u>	<u>1,692,932</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>3,000,984</u>	<u>25,000</u>	<u>-</u>	<u>3,025,984</u>
Cash restricted for endowment	20,969	-	-	20,969
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>				
CURRENT LIABILITIES				
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>
NET ASSETS				
Unrestricted	1,163,784	-	-	1,163,784
Temporarily restricted	2,482,797	237,094	(237,094)	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>Consolidating Entries</u>	<u>Consolidated</u>
<b>OPERATING REVENUES</b>				
Concert tickets and fees	\$ 1,873,790	\$ -	\$ -	\$ 1,873,790
Program advertising	103,098	-	-	103,098
TOTAL OPERATING REVENUES	<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
TOTAL DIRECT OPERATING EXPENSES	<u>5,231,151</u>	-	-	<u>5,231,151</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(3,254,263)	-	-	(3,254,263)
<b>CONTRIBUTIONS, INTEREST AND OTHER NONOPERATING INCOME (EXPENSES)</b>				
Contributions:				
Unrestricted	1,505,425	-	-	1,505,425
Restricted	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 and unrealized gains and losses	-	(36,245)	(105,206)	(141,451)
Interest income and other	5,227	34,717	95,839	135,783
TOTAL CONTRIBUTIONS, INTEREST, AND OTHER NONOPERATING INCOME (EXPENSES)	<u>2,235,470</u>	<u>(114,756)</u>	<u>105,389</u>	<u>2,226,103</u>
CHANGES IN NET ASSETS BEFORE OTHER CHANGES IN BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION	(1,018,793)	(114,756)	105,389	(1,028,160)
OTHER CHANGES IN BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION				
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.**  
**SUPPLEMENTARY STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>OPERATIONS</b>				
Operating revenues:				
Concert tickets and fees	\$ 1,939,529	\$ -	\$ -	\$ 1,939,529
Program advertising	87,550	-	-	87,550
TOTAL OPERATING REVENUES	<u>2,027,079</u>	-	-	<u>2,027,079</u>
Direct operating expenses:				
Performance:				
Salaries and benefits	1,607,117	-	-	1,607,117
Guest artists	592,215	-	-	592,215
Technical and backstage personnel	218,760	-	-	218,760
Box office	178,127	-	-	178,127
Equipment rental	289,628	-	-	289,628
Music hall rental	176,886	-	-	176,886
Musician travel	54,397	-	-	54,397
Other	420,589	-	-	420,589
TOTAL PERFORMANCE EXPENSES	<u>3,537,719</u>	-	-	<u>3,537,719</u>
Marketing:				
Salaries and benefits	103,547	-	-	103,547
Advertising	466,379	-	-	466,379
Telemarketing	20,417	-	-	20,417
Season campaign	80,848	-	-	80,848
Program printing	59,210	-	-	59,210
Postage	14,594	-	-	14,594
Other	6,757	-	-	6,757
TOTAL MARKETING EXPENSES	<u>751,752</u>	-	-	<u>751,752</u>
General and administrative:				
Salaries and benefits	581,402	-	-	581,402
Legal and professional	47,789	-	-	47,789
Insurance	51,087	-	-	51,087
Rent	61,618	-	-	61,618
Telephone	12,387	-	-	12,387
Bank fees	33,980	-	-	33,980
Office supplies	26,815	-	-	26,815
Other	77,675	-	-	77,675
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	<u>892,753</u>	-	-	<u>892,753</u>
TOTAL DIRECT OPERATING EXPENSES	<u>5,182,224</u>	-	-	<u>5,182,224</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(3,155,145)	-	-	(3,155,145)

**OKLAHOMA PHILHARMONIC SOCIETY, INC.**  
**SUPPLEMENTARY STATEMENT OF ACTIVITIES--Continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<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	\$ 1,552,811	\$ 1,002,712	\$ 118,725	\$ 2,674,248
Allied Arts Foundation, Inc.	324,944		-	324,944
Oklahoma City Community Foundation distribution	115,409	-	-	115,409
Oklahoma City Orchestra League, Inc.	125,000	-	-	125,000
Oklahoma Arts Council	71,414	-	-	71,414
Associate Board	4,865	-	-	4,865
<b>TOTAL CONTRIBUTION INCOME</b>	<u>2,194,443</u>	<u>1,002,712</u>	<u>118,725</u>	<u>3,315,880</u>
Fundraising expense	(203,125)	-	-	(203,125)
Interest income	14,810	114,190	-	129,000
Realized and unrealized gains and losses	18,779	641,224	-	660,003
Distribution of beneficial interest in assets held by the Community Foundation	154,768	(154,768)	-	-
Restrictions satisfied in current period	<u>1,396,463</u>	<u>(1,396,463)</u>	<u>-</u>	<u>-</u>
<b>CHANGES IN NET ASSETS BEFORE OTHER CHANGES IN BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION</b>	<u>420,993</u>	<u>206,895</u>	<u>118,725</u>	<u>746,613</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>342,508</u>	<u>-</u>	<u>342,508</u>
<b>CHANGE IN NET ASSETS</b>	420,993	549,403	118,725	1,089,121
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>1,163,784</u>	<u>2,482,797</u>	<u>9,254,048</u>	<u>12,900,629</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,584,777</u>	<u>\$ 3,032,200</u>	<u>\$ 9,372,773</u>	<u>\$ 13,989,750</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
TOTAL OPERATING REVENUES	1,976,888	-	-	1,976,888
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
TOTAL PERFORMANCE EXPENSES	3,568,123	-	-	3,568,123
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
TOTAL MARKETING EXPENSES	812,853	-	-	812,853
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
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	850,175	-	-	850,175
TOTAL DIRECT OPERATING EXPENSES	5,231,151	-	-	5,231,151
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(3,254,263)	-	-	(3,254,263)

**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 and unrealized gains and losses	(4,013)	(137,438)	-	(141,451)
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 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.