

OKLAHOMA PHILHARMONIC SOCIETY, INC.

CONSOLIDATED FINANCIAL STATEMENTS

**AS OF AND FOR THE YEARS ENDED
JUNE 30, 2018 AND 2017**

**TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

OKLAHOMA PHILHARMONIC SOCIETY, INC.
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June 30, 2018 and 2017

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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 "Philharmonic") which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, 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, 2018 and 2017, 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 & Associate, P.C.

October 22, 2018

OKLAHOMA PHILHARMONIC SOCIETY, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents:		
Unrestricted and undesignated	\$ 1,571,936	\$ 1,241,506
Unrestricted and designated for capital reserve	<u>331,194</u>	<u>328,129</u>
	1,903,130	1,569,635
Certificates of deposit	510,452	502,577
Accounts receivable	36,043	121,521
Annual fund pledges receivable	325,952	651,352
Endowment contributions receivable	115,113	65,874
Prepaid expenses and other	<u>309,619</u>	<u>345,929</u>
TOTAL CURRENT ASSETS	3,200,309	3,256,888
Cash restricted for endowment	127,453	20,313
Annual fund pledges receivable	122,500	73,500
Endowment contributions receivable	320,300	-
Investments	8,071,219	8,025,008
Beneficial interest in assets held by the Community Foundation	4,320,275	3,519,300
Property and equipment (net of accumulated depreciation of \$1,101,528 and \$1,054,589)	<u>181,697</u>	<u>228,636</u>
TOTAL ASSETS	<u>\$ 16,343,753</u>	<u>\$ 15,123,645</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 62,742	\$ 66,208
Advance ticket sales and fees	<u>1,236,092</u>	<u>1,067,687</u>
TOTAL CURRENT LIABILITIES	1,298,834	1,133,895
NET ASSETS		
Unrestricted	1,055,759	1,584,777
Temporarily restricted	3,418,990	3,032,200
Permanently restricted	<u>10,570,170</u>	<u>9,372,773</u>
TOTAL NET ASSETS	<u>15,044,919</u>	<u>13,989,750</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,343,753</u>	<u>\$ 15,123,645</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, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATING REVENUES				
Concert tickets and fees	\$ 1,909,101	\$ -	\$ -	\$ 1,909,101
Program advertising	101,365	-	-	101,365
TOTAL OPERATING REVENUES	<u>2,010,466</u>	<u>-</u>	<u>-</u>	<u>2,010,466</u>
DIRECT OPERATING EXPENSES				
Performance	3,675,293	-	-	3,675,293
Marketing	815,628	-	-	815,628
General and administrative	893,914	-	-	893,914
TOTAL DIRECT OPERATING EXPENSES	<u>5,384,835</u>	<u>-</u>	<u>-</u>	<u>5,384,835</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	<u>(3,374,369)</u>	<u>-</u>	<u>-</u>	<u>(3,374,369)</u>
CONTRIBUTIONS, INTEREST AND OTHER NONOPERATING INCOME (EXPENSES)				
Contributions:				
Unrestricted	1,931,058	-	-	1,931,058
Restricted	-	1,177,862	776,679	1,954,541
Restrictions satisfied in current period	1,300,755	(1,300,755)	-	-
Distribution of beneficial interest in assets held by the Community Foundation	162,256	(162,256)	-	-
Fundraising expense	(182,880)	-	-	(182,880)
Realized and unrealized gains and losses	7,024	241,720	-	248,744
Interest income and other	27,138	187,707	-	214,845
TOTAL CONTRIBUTIONS, INTEREST, AND OTHER NONOPERATING INCOME (EXPENSES)	<u>3,245,351</u>	<u>144,278</u>	<u>776,679</u>	<u>4,166,308</u>
CHANGES IN NET ASSETS BEFORE OTHER CHANGES IN BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION AND DONOR REQUIRED RECLASSIFICATIONS OF NET ASSETS	<u>(129,018)</u>	<u>144,278</u>	<u>776,679</u>	<u>791,939</u>
Change in value of beneficial interest in assets held by the Community Foundation	-	263,230	-	263,230
Donor required reclassifications of net assets	(400,000)	(20,718)	420,718	-
CHANGE IN NET ASSETS	<u>(529,018)</u>	<u>386,790</u>	<u>1,197,397</u>	<u>1,055,169</u>
NET ASSETS AT BEGINNING OF YEAR	<u>1,584,777</u>	<u>3,032,200</u>	<u>9,372,773</u>	<u>13,989,750</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,055,759</u>	<u>\$ 3,418,990</u>	<u>\$ 10,570,170</u>	<u>\$ 15,044,919</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>
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>-</u>	<u>-</u>	<u>2,027,079</u>
DIRECT OPERATING EXPENSES				
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)
CONTRIBUTIONS, INTEREST AND OTHER NONOPERATING INCOME (EXPENSES)				
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
Change in value of beneficial interest in assets held by the Community Foundation	-	342,508	-	342,508
CHANGE IN NET ASSETS	420,993	549,403	118,725	1,089,121
NET ASSETS AT BEGINNING OF YEAR	<u>1,163,784</u>	<u>2,482,797</u>	<u>9,254,048</u>	<u>12,900,629</u>
NET ASSETS AT END OF YEAR	<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 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,055,169	\$ 1,089,121
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized investment gains	(248,744)	(660,003)
Non-cash investment income	(201,032)	(120,460)
Depreciation	46,939	48,816
Change in value of beneficial interest in assets held by Community Foundation	(263,230)	(342,508)
Bad debt expense	3,813	1,625
Contributions received for long-term purposes	(776,679)	(118,725)
Changes in operating assets and liabilities:		
Accounts receivable	85,478	96,851
Annual fund pledges and contributions receivable	272,587	(466,452)
Prepaid expenses and other	36,310	16,089
Accounts payable and accrued expenses	(3,466)	(9,126)
Advance ticket sales and fees	168,405	(84,412)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>175,550</u>	<u>(549,184)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	-	(138,433)
Purchases of investments	-	(50,350)
Proceeds from sales and maturities of investments	395,690	406,395
Funds transferred to the Community Foundation	(700,001)	-
Distribution from beneficial interest in assets held by the Community Foundation	<u>162,256</u>	<u>154,768</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(142,055)</u>	<u>372,380</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for endowment	<u>407,140</u>	<u>52,851</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>407,140</u>	<u>52,851</u>
NET CHANGE IN CASH	440,635	(123,953)
CASH AT BEGINNING OF YEAR	<u>1,589,948</u>	<u>1,713,901</u>
CASH AT END OF YEAR	<u>\$ 2,030,583</u>	<u>\$ 1,589,948</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 1,903,130	\$ 1,569,635
Cash restricted for endowment	<u>127,453</u>	<u>20,313</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 2,030,583</u>	<u>\$ 1,589,948</u>
NON-CASH FINANCING AND INVESTING ACTIVITIES		
Donated investments	<u>\$ -</u>	<u>\$ 30,291</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, 2018 AND 2017

1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of organization – The Oklahoma Philharmonic Society, Inc. (the “Society”) was organized in 1988 as a nonprofit organization whose mission is to provide inspiration and joy to 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 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 include the results of operations for the Society and the Foundation (collectively the “Philharmonic”), and all inter-company transactions between these two organizations have been eliminated in the accompanying consolidated financial statements (“financial statements”).

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

Basis of Presentation – 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 Philharmonic’s financial position and activities according to three classes of net assets, as follows:

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

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Philharmonic and/or the passage of time. When a 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 Philharmonic. Generally, the donors of these assets permit the Philharmonic to use all or part of the income earned on any related investments for general or specific purposes.

Contributions received are reported as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. The Philharmonic reports gifts of cash and other assets as restricted contributions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When a condition to receiving a donor contribution requires the Society to restrict otherwise unrestricted net assets, upon acceptance of the contribution, the Society reclassifies unrestricted net assets to the appropriate restricted category of net assets in the statement of activities as donor required reclassifications of net assets.

Beneficial Interest in Assets Held by the Community Foundation – The Philharmonic accounts for assets that are contributed by the Philharmonic to the Oklahoma City Community Foundation (the “Community Foundation”) as an asset of the Philharmonic, 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 Philharmonic from these funds reduce the Philharmonic’s beneficial interest in assets held by others.

Cash and Cash Equivalents – For purposes of reporting cash flows, the Philharmonic 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 Philharmonic’s investment accounts.

Unrestricted and Undesignated Cash – The Philharmonic 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 \$1,557,523 and \$1,228,504 at June 30, 2018, and 2017, respectively. The Philharmonic 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 Philharmonic that have been set aside by the Board of Directors to establish a Capital Reserve Fund. The fund can only be accessed by the authorization of the finance or executive committees and is to be utilized for the working capital needs of the Philharmonic.

Cash Restricted for Endowment – Cash restricted for endowment consists of contributions received from an endowment campaign which will be transferred to either the Foundation or the Oklahoma City Community Foundation (see Note 5).

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 Philharmonic has completed scheduled concert performances. Operating revenues for the year ended June 30, 2018, consist of concert tickets, fees, and program advertising related to the 2017-2018 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 Philharmonic.

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, 2018, contributions receivable and annual fund pledges receivable are considered fully collectible and are expected to be collected as follows:

<u>Fiscal Year</u>	<u>Annual Fund</u>	<u>Endowment Campaign</u>
2019	\$ 325,952	\$ 115,113
2020	101,000	115,100
2021	21,500	105,100
2022	-	100,100
	<u>\$ 448,452</u>	<u>\$ 435,413</u>

No discounts for balances due in 2019 and thereafter have been recorded at June 30, 2018 as they are not significant. In addition, the Philharmonic has received approximately \$1,246,000 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 2018 and 2017, totaled approximately \$205,000 and \$210,000, respectively, which consisted principally of advertising services. Bartered transactions occurring during fiscal years 2018 and 2017, totaled approximately \$152,000 and \$140,000, 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 Philharmonic'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 Philharmonic'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 Philharmonic considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is recorded. If amounts are subsequently determined to be uncollectible, they will be charged to operations when that determination is made.

Investments – Investments consist of cash and cash equivalent funds, equity securities, mutual funds, U.S. treasuries, corporate bonds, and other investments. 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, 2018, and 2017, investment income and losses in the statement of activities is reported net of investment management and custodial fees which totaled \$41,517 and \$33,946, 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 Philharmonic 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 Philharmonic 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 Philharmonic.

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 Philharmonic generates from an unrelated trade or business which is subject to federal corporate taxes on income. With few exceptions, the Philharmonic is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years beginning before June 30, 2015.

Advertising Expense – All advertising costs, which approximated \$495,000 and \$466,000 for the years ended June 30, 2018 and 2017, 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 Philharmonic maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. As of June 30, 2018, and 2017, the Philharmonic's balances with financial institutions subject to FDIC coverage exceeded such coverage by \$244,599 and \$99,413, respectively. The Philharmonic has not experienced any losses in such accounts and does not believe that it is exposed to any significant credit risk on cash.

As of and for the year ended June 30, 2018, 47% of the Philharmonic's contribution revenue is from five donors, and 61% of the Philharmonic's contributions receivable is due from two donors. As of and for the year ended June 30, 2017, 18% of the Philharmonic's contribution revenue is from three donors, and 69% of the Philharmonic's contributions receivable is due from one donor.

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 Philharmonic will ultimately realize could differ materially.

Fair Value Measurements – The Philharmonic 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 Philharmonic 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 Philharmonic 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, 2018 or 2017.

Subsequent Events –The Philharmonic has evaluated subsequent events through October 22, 2018, which is the date the financial statements were available to be issued. There are no subsequent events requiring recognition or disclosure in the 2018 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.

In June 2018, the FASB issued ASU No. 2018-08 “Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made”. The new guidance clarifies and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional. The effective date of the amended standard will begin in periods beginning after December 15, 2018 when the entity is a resource recipient and in periods after December 15, 2019 when the entity is a resource provider. Early adoption is permitted.

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

2. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2018 and 2017, respectively, are summarized as follows:

	<u>2018</u>	<u>2017</u>
Computers	\$ 217,472	\$ 217,472
Music library	56,528	56,528
Office equipment	162,381	162,381
Stage equipment	502,500	502,500
Music equipment	330,354	330,354
Leasehold improvements	<u>13,990</u>	<u>13,990</u>
	1,283,225	1,283,225
Less: accumulated depreciation	<u>(1,101,528)</u>	<u>(1,054,589)</u>
Net property and equipment	<u>\$ 181,697</u>	<u>\$ 228,636</u>

Depreciation expense for the years ended June 30, 2018 and 2017, respectively, was \$46,939 and \$48,816.

3. DEFERRED REVENUE

As of June 30, 2018 and 2017, respectively, the Philharmonic has recorded deferred revenue for advance ticket sales and fee engagements totaling approximately \$1,208,000 and \$1,031,000. As of June 30, 2018, and 2017, respectively, \$28,000 and \$37,000 was recorded as deferred revenue for advertising relating to the next concert season.

4. RELATED PARTY TRANSACTIONS

The Philharmonic receives the services of volunteers for various activities. In the opinion of management, it is not possible to determine a fair market value attributable to the services received by

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

5. BENEFICIAL INTEREST IN ASSETS

In prior years, the Philharmonic transferred funds to the Community Foundation and specified itself as the beneficiary of the funds. Annually, distributions from the funds are paid to the Philharmonic 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 \$162,000 and \$155,000 for the years ended June 30, 2018 and 2017, respectively, were received by the Philharmonic 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 Philharmonic reflect its beneficial interest in these assets in its financial statements. At June 30, 2018, and 2017, assets transferred to the Community Foundation by the Philharmonic had a fair value of \$4,320,283 and \$3,519,317, 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 Philharmonic. These funds are not included as assets of the Philharmonic. The earnings from these funds are paid to the Philharmonic each year in accordance with the Community Foundation's distribution policy. For the years ended June 30, 2018 and 2017, the Philharmonic received distributions of \$117,729 and \$115,409, respectively, which is recorded as contributions in the accompanying statements of activities. At June 30, 2018, and 2017, the fair value of the funds originally donated by third parties was approximately \$2,809,000 and \$2,511,000, respectively. The Philharmonic has no remainder interest in the corpus of these funds.

6. NET ASSETS RESTRICTIONS

Temporarily restricted net assets at June 30, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Grants and contributions designated for the following concert season	\$ 1,264,362	\$ 1,002,714
Contributions restricted for endowment, net of related endowment drive expenses	-	20,732
Funds invested by the Philharmonic Foundation	1,244,553	1,199,654
Undistributed earnings of beneficial interest in assets held by Community Foundation	<u>910,075</u>	<u>809,100</u>
	<u>\$ 3,418,990</u>	<u>\$ 3,032,200</u>

The Foundation maintains an endowment account that contains restrictions that the earnings be used to subsidize Oklahoma City Ballet and Canterbury Voices for orchestral services provided by the Philharmonic. These restricted funds are maintained in a segregated Collaborative Fund which is managed in accordance with an Endowment Fund Account Instructions Agreement entered into among the Philharmonic, Oklahoma City Ballet, and Canterbury Voices.

Permanently restricted net assets at June 30, 2018 and 2017, consist of the following:

	<u>2018</u>	<u>2017</u>
Beneficial interest in assets held by Community Foundation	\$ 1,877,500	\$ 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	6,403,198
Endowment contributions receivable and held in restricted cash	565,772	68,375
Youth series endowment	<u>191,000</u>	<u>191,000</u>
	<u>\$ 10,570,170</u>	<u>\$ 9,372,773</u>

7. ENDOWMENT DISCLOSURES

The Philharmonic’s endowments were created through donor-restricted endowment funds and one board-designated fund to provide annual funding for the Society’s operations. 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 Philharmonic 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 Philharmonic has interpreted 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 Philharmonic classifies as permanently restricted net assets (a) the original fair value of gifts donated to the permanent endowment, (b) the original fair 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 UPMIFA, the following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds held for the benefit of the Philharmonic.

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

Endowment net asset composition by type of fund as of June 30, 2018 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 2,154,628	\$ 10,570,170	\$ 12,724,798
Board-designated endowment funds	<u>227,915</u>	<u>-</u>	<u>-</u>	<u>227,915</u>
Total endowment funds	<u>\$ 227,915</u>	<u>\$ 2,154,628</u>	<u>\$ 10,570,170</u>	<u>\$ 12,952,713</u>

Changes in endowment net assets for the fiscal year ended June 30, 2018 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 226,606	\$ 2,008,754	\$ 9,372,773	\$ 11,608,133
Investment return	12,472	692,657	-	705,129
Contributions	-	-	776,679	776,679
Transfer of assets to Foundation	-	-	420,718	420,718
Appropriation of endowment assets for expenditure	<u>(11,163)</u>	<u>(546,783)</u>	<u>-</u>	<u>(557,946)</u>
Endowment net assets, end of year	<u>\$ 227,915</u>	<u>\$ 2,154,628</u>	<u>\$ 10,570,170</u>	<u>\$ 12,952,713</u>

Endowment net asset composition by type of fund as of June 30, 2017 is as follows:

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	<u>(11,560)</u>	<u>(549,101)</u>	<u>-</u>	<u>(560,661)</u>
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>

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 Philharmonic 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 Philharmonic has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Philharmonic must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested with 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 Philharmonic 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 Philharmonic allocates distributions received to be available for use in the Philharmonic's operations.

8. LEASES

The Philharmonic has entered into non-cancelable lease agreements, primarily for office facilities, equipment and automobiles, under which rent expense approximated \$98,000 and \$87,000 for the years ended June 30, 2018 and 2017, respectively. Approximate minimum annual rentals as required by these leases at June 30, 2018 are as follows:

<u>Year Ended</u>	
2019	\$ 97,704
2020	63,492
2021	56,727
2022	41,340
2023	41,340
Thereafter	<u>124,020</u>
	<u>\$ 424,623</u>

9. FAIR VALUE MEASUREMENTS

Assets measured at fair value consist of the following:

	As of June 30, 2018				
	Carrying Amount	Total Fair Value	Fair Value Measurements Using		
			Level 1	Level 2	Level 3
Investments:					
Cash and Money Market					
Funds (at cost)	\$ 255,561	\$ -	\$ -	\$ -	\$ -
Equity securities	4,189,110	4,189,110	4,189,110	-	-
Fixed Income:					
U.S. treasuries	1,866,766	1,866,766	-	1,866,766	-
Corporate bonds	779,985	779,985	-	779,985	-
Mutual Funds - Equity	859,012	859,012	859,012	-	-
Other investments	120,785	120,785	120,785	-	-
Total Investments	8,071,219	7,815,658	5,168,907	2,646,751	-
Beneficial Interest in Assets					
Held by Others	4,320,275	4,320,275	-	-	4,320,275
	<u>\$12,391,494</u>	<u>\$12,135,933</u>	<u>\$ 5,168,907</u>	<u>\$ 2,646,751</u>	<u>\$ 4,320,275</u>
As of June 30, 2017					
	Carrying Amount	Total Fair Value	Fair Value Measurements Using		
			Level 1	Level 2	Level 3
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	135,052	135,052	135,052	-	-
Total Investments	8,025,008	7,187,003	5,297,349	1,889,654	-
Beneficial Interest in Assets					
Held by Others	3,519,300	3,519,300	-	-	3,519,300
	<u>\$11,544,308</u>	<u>\$10,706,303</u>	<u>\$ 5,297,349</u>	<u>\$ 1,889,654</u>	<u>\$ 3,519,300</u>

Following is a description of methodologies used for valuing assets 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 Philharmonic’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.

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, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	\$ 3,519,300	\$ 3,331,560
Purchases / contributions	700,001	-
Investment return, net	263,230	342,508
Distributions	<u>(162,256)</u>	<u>(154,768)</u>
Balance at end of year	<u>\$ 4,320,275</u>	<u>\$ 3,519,300</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 Philharmonic’s respective financial asset and increase cash at the time of distribution.

10. COMMITMENTS AND CONTINGENCIES

Employment and Musicians Contracts – The Philharmonic has entered into three employment contracts. Under the terms of the contracts, the Philharmonic 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 Philharmonic under terms specified in the contracts, the Philharmonic may be required to pay the terminated employee a severance amount as further described in the respective employment agreement.

The Philharmonic has entered into an 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 Philharmonic and the musicians. A service may include a concert, rehearsal or education program, among other services. 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 Philharmonic entered into contracts with 69 musicians during 2018 for the 2018-2019 concert season. Minimum commitments relating to these contracts total approximately \$1,158,000 for fiscal year 2019.

Guest Artists Contracts – The Philharmonic entered into agreements with guest artists for performances to be held during fiscal year 2019. Costs of performances under these agreements totaled approximately \$175,000 at June 30, 2018.

11. RETIREMENT PLANS

The Philharmonic 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 Philharmonic 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 Philharmonic contributions vest to the benefit of the participant immediately. The Philharmonic’s contributions totaled \$38,374 and \$38,639 for the years ended June 30, 2018 and 2017, respectively.

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SUPPLEMENTARY INFORMATION

OKLAHOMA PHILHARMONIC SOCIETY, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2018

	<u>Society</u>	<u>Foundation</u>	<u>Consolidating Entries</u>	<u>Consolidated</u>
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents:				
Unrestricted and undesignated	\$ 1,571,936	\$ -	\$ -	\$ 1,571,936
Unrestricted and designated for capital reserve	331,194	-	-	331,194
	1,903,130	-	-	1,903,130
Certificates of deposit	510,452	-	-	510,452
Accounts receivable	36,043	-	-	36,043
Annual fund pledges receivable	325,952	-	-	325,952
Endowment contributions receivable	115,113	-	-	115,113
Prepaid expenses and other	284,619	25,000	-	309,619
TOTAL CURRENT ASSETS	3,175,309	25,000	-	3,200,309
Cash restricted for endowment	127,453	-	-	127,453
Annual fund pledges receivable	122,500	-	-	122,500
Endowment contributions receivable	320,300	-	-	320,300
Investments	-	8,071,219	-	8,071,219
Beneficial interest in assets held by foundations	10,353,089	-	(6,032,814)	4,320,275
Property and equipment (net of accumulated depreciation of \$1,101,528)	181,697	-	-	181,697
Investment in subsidiary	2,063,405	-	(2,063,405)	-
TOTAL ASSETS	\$ 16,343,753	\$ 8,096,219	\$ (8,096,219)	\$ 16,343,753
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 62,742	\$ -	\$ -	\$ 62,742
Advance ticket sales and fees	1,236,092	-	-	1,236,092
Funds held for others	-	6,032,814	(6,032,814)	-
TOTAL CURRENT LIABILITIES	1,298,834	6,032,814	(6,032,814)	1,298,834
NET ASSETS				
Unrestricted	1,055,759	-	-	1,055,759
Temporarily restricted	3,418,990	345,036	(345,036)	3,418,990
Permanently restricted	10,570,170	1,718,369	(1,718,369)	10,570,170
TOTAL NET ASSETS	15,044,919	2,063,405	(2,063,405)	15,044,919
TOTAL LIABILITIES AND NET ASSETS	\$ 16,343,753	\$ 8,096,219	\$ (8,096,219)	\$ 16,343,753

See independent auditor's report.

OKLAHOMA PHILHARMONIC SOCIETY, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Society</u>	<u>Foundation</u>	<u>Consolidating Entries</u>	<u>Consolidated</u>
OPERATING REVENUES				
Concert tickets and fees	\$ 1,909,101	\$ -	\$ -	\$ 1,909,101
Program advertising	101,365	-	-	101,365
TOTAL OPERATING REVENUES	<u>2,010,466</u>	-	-	<u>2,010,466</u>
DIRECT OPERATING EXPENSES				
Performance	3,675,293	-	-	3,675,293
Marketing	815,628	-	-	815,628
General and administrative	893,914	-	-	893,914
TOTAL DIRECT OPERATING EXPENSES	<u>5,384,835</u>	-	-	<u>5,384,835</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(3,374,369)	-	-	(3,374,369)
CONTRIBUTIONS, INTEREST AND OTHER NONOPERATING INCOME (EXPENSES)				
Contributions:				
Unrestricted	1,931,058	-	-	1,931,058
Restricted	1,954,541	-	-	1,954,541
Transfer of assets between related entities	101,060	(101,060)	-	-
Fundraising expense	(182,880)	-	-	(182,880)
Earnings from investment in subsidiary	11,857	-	(11,857)	-
Realized and unrealized gains and losses	-	63,588	185,156	248,744
Interest income and other	21,689	49,329	143,827	214,845
TOTAL CONTRIBUTIONS, INTEREST, AND OTHER NONOPERATING INCOME (EXPENSES)	<u>3,837,325</u>	<u>11,857</u>	<u>317,126</u>	<u>4,166,308</u>
CHANGES IN NET ASSETS BEFORE OTHER CHANGES IN BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION	462,956	11,857	317,126	791,939
Change in value of beneficial interest in assets held by foundations	592,213	-	(328,983)	263,230
CHANGE IN NET ASSETS	1,055,169	11,857	(11,857)	1,055,169
NET ASSETS AT BEGINNING OF YEAR	<u>13,989,750</u>	<u>2,051,548</u>	<u>(2,051,548)</u>	<u>13,989,750</u>
NET ASSETS AT END OF YEAR	<u>\$ 15,044,919</u>	<u>\$ 2,063,405</u>	<u>\$ (2,063,405)</u>	<u>\$ 15,044,919</u>

See independent auditor's report.

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>
ASSETS				
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>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	320,929	25,000	-	345,929
TOTAL CURRENT ASSETS	<u>3,231,888</u>	<u>25,000</u>	-	<u>3,256,888</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	9,517,760	-	(5,998,460)	3,519,300
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>
LIABILITIES AND NET ASSETS				
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>
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	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)
CONTRIBUTIONS, INTEREST AND OTHER NONOPERATING INCOME (EXPENSES)				
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
Change in value of beneficial interest in assets held by foundations	920,070	-	(577,562)	342,508
CHANGE IN NET ASSETS	1,089,121	96,085	(96,085)	1,089,121
NET ASSETS AT BEGINNING OF YEAR	<u>12,900,629</u>	<u>1,955,463</u>	<u>(1,955,463)</u>	<u>12,900,629</u>
NET ASSETS AT END OF YEAR	<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.
SUPPLEMENTARY STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATIONS				
Operating revenues:				
Concert tickets and fees	\$ 1,909,101	\$ -	\$ -	\$ 1,909,101
Program advertising	101,365	-	-	101,365
TOTAL OPERATING REVENUES	2,010,466	-	-	2,010,466
Direct operating expenses:				
Performance:				
Salaries and benefits	1,673,994	-	-	1,673,994
Guest artists	691,814	-	-	691,814
Technical and backstage personnel	223,205	-	-	223,205
Box office	186,288	-	-	186,288
Equipment rental	279,731	-	-	279,731
Music hall rental	163,993	-	-	163,993
Musician travel	45,519	-	-	45,519
Other	410,749	-	-	410,749
TOTAL PERFORMANCE EXPENSES	3,675,293	-	-	3,675,293
Marketing:				
Salaries and benefits	134,624	-	-	134,624
Advertising	494,726	-	-	494,726
Telemarketing	28,550	-	-	28,550
Season campaign	78,159	-	-	78,159
Program printing	53,703	-	-	53,703
Postage	14,069	-	-	14,069
Other	11,797	-	-	11,797
TOTAL MARKETING EXPENSES	815,628	-	-	815,628
General and administrative:				
Salaries and benefits	573,048	-	-	573,048
Legal and professional	43,657	-	-	43,657
Insurance	47,940	-	-	47,940
Rent	67,183	-	-	67,183
Telephone	11,516	-	-	11,516
Bank fees	37,033	-	-	37,033
Office supplies	34,841	-	-	34,841
Other	78,696	-	-	78,696
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	893,914	-	-	893,914
TOTAL DIRECT OPERATING EXPENSES	5,384,835	-	-	5,384,835
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(3,374,369)	-	-	(3,374,369)

(continued)

OKLAHOMA PHILHARMONIC SOCIETY, INC.
SUPPLEMENTARY STATEMENT OF ACTIVITIES--Continued
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CONTRIBUTIONS, INTEREST AND OTHER NONOPERATING INCOME (EXPENSES)				
Contributions:				
Corporations, individuals, foundations, and others	\$ 1,310,555	\$ 1,177,862	\$ 776,679	\$ 3,265,096
Allied Arts Foundation, Inc.	330,902		-	330,902
Oklahoma City Community Foundation distribution	117,729	-	-	117,729
Oklahoma City Orchestra League, Inc.	100,000	-	-	100,000
Oklahoma Arts Council	67,842	-	-	67,842
Associate Board	4,030	-	-	4,030
TOTAL CONTRIBUTION INCOME	<u>1,931,058</u>	<u>1,177,862</u>	<u>776,679</u>	<u>3,885,599</u>
Fundraising expense	(182,880)	-	-	(182,880)
Interest income	27,138	187,707	-	214,845
Realized and unrealized gains and losses	7,024	241,720	-	248,744
Distribution of beneficial interest in assets held by the Community Foundation	162,256	(162,256)	-	-
Restrictions satisfied in current period	<u>1,300,755</u>	<u>(1,300,755)</u>	<u>-</u>	<u>-</u>
CHANGES IN NET ASSETS BEFORE OTHER CHANGES IN BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION AND DONOR REQUIRED RECLASSIFICATIONS OF NET ASSETS	<u>(129,018)</u>	<u>144,278</u>	<u>776,679</u>	<u>791,939</u>
Change in value of beneficial interest in assets held by the Community Foundation	-	263,230	-	263,230
Donor required reclassifications of net assets	<u>(400,000)</u>	<u>(20,718)</u>	<u>420,718</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>(529,018)</u>	<u>386,790</u>	<u>1,197,397</u>	<u>1,055,169</u>
NET ASSETS AT BEGINNING OF YEAR	<u>1,584,777</u>	<u>3,032,200</u>	<u>9,372,773</u>	<u>13,989,750</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,055,759</u>	<u>\$ 3,418,990</u>	<u>\$ 10,570,170</u>	<u>\$ 15,044,919</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>
OPERATIONS				
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)

(continued)

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>
CONTRIBUTIONS, INTEREST AND OTHER NONOPERATING INCOME (EXPENSES)				
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
TOTAL CONTRIBUTION INCOME	<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>
CHANGES IN NET ASSETS BEFORE OTHER CHANGES IN BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION	<u>420,993</u>	<u>206,895</u>	<u>118,725</u>	<u>746,613</u>
OTHER CHANGES IN BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION				
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>
CHANGE IN NET ASSETS	<u>420,993</u>	<u>549,403</u>	<u>118,725</u>	<u>1,089,121</u>
NET ASSETS AT BEGINNING OF YEAR	<u>1,163,784</u>	<u>2,482,797</u>	<u>9,254,048</u>	<u>12,900,629</u>
NET ASSETS AT END OF YEAR	<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.