

Tulsa Symphony Orchestra, Inc.  
Financial Statements

June 30, 2014 and 2013



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Tulsa Symphony Orchestra, Inc.

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June 30, 2014 and 2013

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Tulsa Symphony Orchestra, Inc.

We have audited the accompanying statements of financial position of Tulsa Symphony Orchestra, Inc. (the Symphony) as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended.

### **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 audits to obtain reasonable assurance about whether the financial statements are free of 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 Tulsa Symphony Orchestra, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Tulsa, Oklahoma  
January 30, 2015

Tulsa Symphony Orchestra, Inc.  
 Statements of Financial Position  
 June 30, 2014 and 2013

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Assets	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 770,430	\$ 667,055
Accounts and other receivables	56,087	24,163
Prepaid expenses	11,512	7,908
Property and equipment, net	<u>101,503</u>	<u>114,967</u>
Total assets	<u><u>\$ 939,532</u></u>	<u><u>\$ 814,093</u></u>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 17,414	\$ 13,715
Deferred revenue	<u>140,989</u>	<u>248,120</u>
Total liabilities	<u><u>158,403</u></u>	<u><u>261,835</u></u>
<b>Net Assets</b>		
Unrestricted	547,396	528,118
Temporarily restricted	83,733	24,140
Permanently restricted	<u>150,000</u>	<u>-</u>
Total net assets	<u><u>781,129</u></u>	<u><u>552,258</u></u>
Total liabilities and net assets	<u><u>\$ 939,532</u></u>	<u><u>\$ 814,093</u></u>

Tulsa Symphony Orchestra, Inc.  
 Statement of Activities  
 Year Ended June 30, 2014

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenue and Support</b>				
Contributions and grants	\$ 934,111	\$ 179,507	\$ 150,000	\$ 1,263,618
Program service revenue	585,168	-	-	585,168
Education funding	169,962	-	-	169,962
Other income (loss)	2,107	-	-	2,107
Net assets released from restrictions	<u>119,914</u>	<u>(119,914)</u>	<u>-</u>	<u>-</u>
<b>Total revenue and support</b>	<b><u>1,811,262</u></b>	<b><u>59,593</u></b>	<b><u>150,000</u></b>	<b><u>2,020,855</u></b>
<b>Expenses</b>				
<b>Program services</b>				
Production expense	1,223,442	-	-	1,223,442
Education expense	<u>199,153</u>	<u>-</u>	<u>-</u>	<u>199,153</u>
<b>Total program services</b>	<b><u>1,422,595</u></b>	<u>-</u>	<u>-</u>	<b><u>1,422,595</u></b>
<b>Supporting services</b>				
Administrative payroll	148,900	-	-	148,900
Development	150,401	-	-	150,401
General and administrative	46,088	-	-	46,088
Depreciation	<u>24,000</u>	<u>-</u>	<u>-</u>	<u>24,000</u>
<b>Total supporting services</b>	<b><u>369,389</u></b>	<u>-</u>	<u>-</u>	<b><u>369,389</u></b>
<b>Total expenses</b>	<b><u>1,791,984</u></b>	<u>-</u>	<u>-</u>	<b><u>1,791,984</u></b>
Increase in net assets	19,278	59,593	150,000	228,871
<b>Net Assets, Beginning of Year</b>	<b><u>528,118</u></b>	<b><u>24,140</u></b>	<b><u>-</u></b>	<b><u>552,258</u></b>
<b>Net Assets, End of Year</b>	<b><u>\$ 547,396</u></b>	<b><u>\$ 83,733</u></b>	<b><u>\$ 150,000</u></b>	<b><u>\$ 781,129</u></b>

Tulsa Symphony Orchestra, Inc.  
Statement of Activities  
Year Ended June 30, 2013

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	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue and Support</b>				
Contributions and grants	\$ 966,068	\$ 77,950	\$ -	\$ 1,044,018
Program service revenue	457,746	-	-	457,746
Education funding	70,013	-	-	70,013
Other income (loss)	(2,333)	-	-	(2,333)
Net assets released from restrictions	<u>87,707</u>	<u>(87,707)</u>	<u>-</u>	<u>-</u>
<b>Total revenue and support</b>	<b><u>1,579,201</u></b>	<b><u>(9,757)</u></b>	<b><u>-</u></b>	<b><u>1,569,444</u></b>
<b>Expenses</b>				
<b>Program services</b>				
Production expense	1,143,047	-	-	1,143,047
Education expense	<u>163,659</u>	<u>-</u>	<u>-</u>	<u>163,659</u>
<b>Total program services</b>	<b><u>1,306,706</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,306,706</u></b>
<b>Supporting services</b>				
Administrative payroll	153,630	-	-	153,630
Development	91,924	-	-	91,924
General and administrative	51,918	-	-	51,918
Depreciation	<u>25,500</u>	<u>-</u>	<u>-</u>	<u>25,500</u>
<b>Total supporting services</b>	<b><u>322,972</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>322,972</u></b>
<b>Total expenses</b>	<b><u>1,629,678</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,629,678</u></b>
Decrease in net assets	(50,477)	(9,757)	-	(60,234)
<b>Net Assets, Beginning of Year</b>	<b><u>578,595</u></b>	<b><u>33,897</u></b>	<b><u>-</u></b>	<b><u>612,492</u></b>
<b>Net Assets, End of Year</b>	<b><u>\$ 528,118</u></b>	<b><u>\$ 24,140</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 552,258</u></b>

Tulsa Symphony Orchestra, Inc.  
 Statements of Cash Flows  
 Years Ended June 30, 2014 and 2013

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	<u>2014</u>	<u>2013</u>
<b>Operating activities</b>		
Change in net assets	\$ 228,871	\$ (60,234)
Adjustment to reconcile net income to net cash from operating activities		
Depreciation	24,000	25,500
Loss on disposal of property and equipment	-	6,610
<b>Changes in operating assets and liabilities</b>		
Accounts and other receivables	(31,924)	(11,480)
Prepaid expenses	(3,604)	24,161
Accounts payable and accrued expenses	3,699	805
Deferred revenue	<u>(107,131)</u>	<u>23,413</u>
Net cash from operating activities	113,911	8,775
<b>Investing activities</b>		
Purchase of property and equipment	<u>(10,536)</u>	<u>(49,513)</u>
Net change in cash and cash equivalents	103,375	(40,738)
Cash and cash equivalents, beginning of year	<u>667,055</u>	<u>707,793</u>
Cash and cash equivalents, end of year	<u>\$ 770,430</u>	<u>\$ 667,055</u>

Tulsa Symphony Orchestra, Inc.  
Notes to Financial Statements  
June 30, 2014 and 2013

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**Note 1 – Organization and Significant Accounting Policies**

*Organization and Nature of Operations*

Tulsa Symphony Orchestra, Inc. (the Symphony) is a nonprofit organization which provides a full symphony orchestra to the citizens of Tulsa, Oklahoma and the surrounding region. The Symphony plays a vital, innovative and educational role in the development of the musical arts in the community. Tulsa Symphony Orchestra, Inc. was incorporated under the laws of the State of Oklahoma in 2005.

The Symphony is supported by public and private contributions and fundraising efforts, as well as program revenue from ticket sales and service revenue from performances.

*Basis of Presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Symphony and changes therein are classified and reported as follows:

*Unrestricted net assets* – Net assets whose expenditure is 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 Symphony or the passage of time.

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that such assets be maintained permanently by the Symphony.

Contributions are recorded when the donor makes a promise to give to the organization that is in substance, unconditional. All donor-imposed restricted contributions are reported as increases to temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Cash Equivalents*

The Symphony defines cash equivalents as all highly liquid investments with an initial maturity of three months or less.

Tulsa Symphony Orchestra, Inc.  
Notes to Financial Statements  
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*Accounts and other receivables*

Accounts and other receivables consist principally of performance fees and are recorded at the amount that management expects to collect. No allowance for doubtful accounts is included for either year as management feels that the balances are fully collectible based on past experience

*Property and Equipment*

Property and equipment are stated at cost or estimated fair value at the date of the gift for donated property. Depreciation is computed on the straight-line method over the estimated useful lives of the assets which range from three to seven years.

The Symphony records impairment to its property and equipment when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated lives. No impairments were recorded during the year ended June 30, 2014 or 2013.

*Revenue recognition*

Revenues from performances, whether through advance ticket sales or performance fees are recognized when the concert is performed. Funds received for future performances are recorded as deferred revenue on the accompanying statement of financial position.

*Use of estimates*

The preparation of financial statements in conformity with GAAP, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

*Income taxes*

The Symphony is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and comparable state law and, accordingly, no provision for income tax is included in the accompanying financial statements.

The Symphony is required to file annual information returns. The Symphony evaluates its uncertain tax positions, if any, on a continual basis through review of their policies and procedures, review of their regular tax filings and discussions with outside experts. The Symphony's federal exempt organization returns for 2011, 2012 and 2013 are subject to examination by taxing authorities.

Tulsa Symphony Orchestra, Inc.  
Notes to Financial Statements  
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*Advertising*

The Symphony expenses advertising costs as incurred. Advertising costs totaled approximately \$59,000 for 2014 and \$49,800 for 2013.

*Sales taxes*

The Symphony collects sales tax from ticket sales and remits these amounts to the State taxing authority. The Symphony's accounting policy is to include the tax collected in program revenue and the associated expense as production expense. Sales tax collected and remitted was approximately \$20,000 for 2014 and \$22,000 for 2013.

*Subsequent events*

The Symphony has evaluated subsequent events through January 30, 2015, the date the financial statements were available to be issued.

*Concentration of credit risk*

The Symphony's cash balances are maintained at a local bank in accounts which at times may exceed \$250,000, the insured limit of the Federal Deposit Insurance Corporation. Credit risk is mitigated by investing amounts in excess of the insured limit in money market funds invested wholly in United States Treasuries.

**Note 2 – Deferred Revenue**

Deferred revenue represents advance ticket sales and production sponsorships received for performances that will take place in the following fiscal year.

Tulsa Symphony Orchestra, Inc.  
 Notes to Financial Statements  
 June 30, 2014 and 2013

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**Note 3 – Property and equipment**

At June 30, 2014 and 2013, property and equipment consisted of the following:

	<u>2014</u>	<u>2013</u>
Equipment	\$ 49,519	\$ 44,505
Musical instruments	52,043	46,521
Sheet music	60,517	60,517
Furniture and fixtures	<u>21,311</u>	<u>21,311</u>
Total	183,390	172,854
Accumulated Depreciation	<u>(81,887)</u>	<u>(57,887)</u>
	<u>\$ 101,503</u>	<u>\$ 114,967</u>

**Note 4 – Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes as of June 30, 2014 and 2013:

Purpose restriction:	<u>2014</u>	<u>2013</u>
Sponsorships	\$ 29,928	\$ 9,350
Education programs and other	11,837	6,417
Harmony Project Tulsa	8,600	8,373
Marketing and web development	<u>33,368</u>	-
	<u>\$ 83,733</u>	<u>\$ 24,140</u>

Tulsa Symphony Orchestra, Inc.  
Notes to Financial Statements  
June 30, 2014 and 2013

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**Note 5 – Endowment**

A donation of \$150,000 was received in June 2014 and designated by the donor for the purpose of establishing an endowment fund to support future operations. Future donations of a similar amount are expected to be received from the same donor, the amount and timing of the future donations is not known. As of June 30, 2014, an endowment policy has not been established to determine matters such as return objectives and risk parameters, nor has there been a spending policy determined. The endowment consists entirely of the \$150,000 and was invested in cash and equivalents when received.

Subsequent to June 30, 2014, an additional \$150,000 was received related to this endowment. The Board of Directors has determined that these endowment funds will be invested with The Tulsa Community Foundation.

**Note 6 – Operating Leases**

During the year ended June 30, 2012 and through March 2013, the Symphony leased its office space and parking lot on a month-to-month basis. In March 2013 the Symphony moved offices and entered into a five year lease which requires base monthly rent of \$2,515. Lease expense totaled approximately \$34,000 for 2014 and \$46,000 for 2013. Future minimum lease payments for the next five years under this lease are as follows: \$30,180 for years ended June 30, 2014 through 2017; \$22,635 for year ended June 30, 2018.