

# Tulsa Symphony Orchestra, Inc.

## Financial Statements

June 30, 2015 and 2014



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Tulsa Symphony Orchestra, Inc.  
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June 30, 2015 and 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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.

A handwritten signature in black ink that reads "Preston Smith PLLC".

Tulsa, Oklahoma  
November 24, 2015

Tulsa Symphony Orchestra, Inc.  
 Statements of Financial Position  
 June 30, 2015 and 2014

Assets	2015	2014
Cash and cash equivalents	\$ 772,568	\$ 770,430
Accounts and other receivables	64,994	56,087
Pledges receivable	117,690	-
Prepaid expenses	21,324	11,512
Beneficial interest in assets held by others	299,839	-
Property and equipment, net	75,288	101,503
Total assets	\$ 1,351,703	\$ 939,532
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 34,704	\$ 17,414
Deferred revenue	201,901	140,989
Total liabilities	236,605	158,403
Net Assets		
Unrestricted		
Board designated endowment	299,839	-
Available for program expenditures	770,817	547,396
Unrestricted net assets, total	1,070,656	547,396
Temporarily restricted net assets	44,442	83,733
Permanently restricted net assets	-	150,000
Total net assets	1,115,098	781,129
Total liabilities and net assets	\$ 1,351,703	\$ 939,532

Tulsa Symphony Orchestra, Inc.  
Statement of Activities  
Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenue and Support</b>				
Contributions and grants	\$ 1,090,564	\$ 94,000	\$ 150,000	\$ 1,334,564
Program service revenue	560,099	-	-	560,099
Education funding	187,681	-	-	187,681
Other income (loss)	1,353	-	-	1,353
Net assets released from restrictions	433,291	(133,291)	(300,000)	-
<b>Total revenue and support</b>	<u>2,272,988</u>	<u>(39,291)</u>	<u>(150,000)</u>	<u>2,083,697</u>
<b>Expenses</b>				
<b>Program services</b>				
Production expense	1,159,953	-	-	1,159,953
Education expense	197,033	-	-	197,033
<b>Total program services</b>	1,356,986	-	-	1,356,986
<b>Supporting services</b>				
Administrative payroll	138,531	-	-	138,531
Development	165,827	-	-	165,827
General and administrative	53,882	-	-	53,882
Depreciation	34,502	-	-	34,502
<b>Total supporting services</b>	<u>392,742</u>	<u>-</u>	<u>-</u>	<u>392,742</u>
<b>Total expenses</b>	<u>1,749,728</u>	<u>-</u>	<u>-</u>	<u>1,749,728</u>
Increase (decrease) in net assets	523,260	(39,291)	(150,000)	333,969
Net Assets, Beginning of Year	547,396	83,733	150,000	781,129
Net Assets, End of Year	<u>\$ 1,070,656</u>	<u>\$ 44,442</u>	<u>\$ -</u>	<u>\$ 1,115,098</u>

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

	<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>
Total revenue and support	<u>1,811,262</u>	<u>59,593</u>	<u>150,000</u>	<u>2,020,855</u>
<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>
Total program services	1,422,595	-	-	1,422,595
<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>
Total supporting services	<u>369,389</u>	<u>-</u>	<u>-</u>	<u>369,389</u>
Total expenses	<u>1,791,984</u>	<u>-</u>	<u>-</u>	<u>1,791,984</u>
Increase in net assets	19,278	59,593	150,000	228,871
Net Assets, Beginning of Year	<u>528,118</u>	<u>24,140</u>	<u>-</u>	<u>552,258</u>
Net Assets, End of Year	<u>\$ 547,396</u>	<u>\$ 83,733</u>	<u>\$ 150,000</u>	<u>\$ 781,129</u>

Tulsa Symphony Orchestra, Inc.  
Statements of Cash Flows  
Years Ended June 30, 2015 and 2014

	2015	2014
Operating activities		
Change in net assets	\$ 333,969	\$ 228,871
Adjustment to reconcile net income to net cash from operating activities		
Depreciation	34,502	24,000
Change in value of beneficial interest held by others	161	-
Changes in operating assets and liabilities		
Accounts and other receivables	(8,907)	(31,924)
Pledges receivable	(117,690)	-
Prepaid expenses	(9,812)	(3,604)
Accounts payable and accrued expenses	17,290	3,699
Deferred revenue	60,912	(107,131)
Net cash from operating activities	310,425	113,911
Investing activities		
Purchase of property and equipment	(8,287)	(10,536)
Purchase of beneficial interest	(300,000)	-
Net cash used in investing activities	(308,287)	(10,536)
Net change in cash and cash equivalents	2,138	103,375
Cash and cash equivalents, beginning of year	770,430	667,055
Cash and cash equivalents, end of year	\$ 772,568	\$ 770,430

**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.

*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.

*Pledges receivable*

Pledges receivable represent unconditional promises to give. The Symphony has elected the fair value option for valuing pledges receivable. Pledges are recorded at their estimated fair value when received and are revalued annually using present value techniques and a discount rate of 4%. Management believes all pledges to be collectible; it is reasonably possible that this may change in the near term as additional information regarding collections is obtained.

*Fair Value Measurements*

The Symphony reports fair value measurements using a fair value hierarchy defined by GAAP that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy prioritizes the valuation inputs into three broad levels based on the quality of the inputs used.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are observable inputs other than quoted market prices. Level 3 inputs are unobservable inputs related to the asset or liability.

The Symphony employs valuation techniques which maximize the use of observable inputs and minimize the use of unobservable inputs.

*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, 2015 and 2014.

*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 2012, 2013 and 2014 are subject to examination by taxing authorities.

*Advertising*

The Symphony expenses advertising costs as incurred. Advertising costs totaled approximately \$74,000 for 2015 and \$59,000 for 2014.

*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 \$31,000 for 2015 and \$20,000 for 2014.

*Subsequent events*

The Symphony has evaluated subsequent events through November 24, 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 – Pledges Receivable**

Pledges receivable for June 30, 2015 and 2014 are as follows:

	2015	2014
Due within one year	\$ 60,000	\$ -
Due in 1-5 years	60,000	-
Due after 5 years	-	-
Total gross pledges receivable	120,000	-
Discount	(2,310)	-
Pledges receivable, net	\$ 117,690	\$ -

**Note 3 – Beneficial Interest in Assets Held by Others**

The Symphony has established an agency reserve fund with the Tulsa Community Foundation (TCF), creating an agency fund and naming itself as the beneficiary. The Board of Trustees of TCF shall have the power to modify any restriction or condition on distributions from the fund for any specific charitable purposes or to specific organizations, if in the sole judgement of the Board of Trustees the restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs served by TCF. These funds have been recorded as an asset at fair market value determined using quoted market prices of the underlying securities that comprise the interest.

**Note 4 – Property and equipment**

At June 30, 2015 and 2014, property and equipment consisted of the following:

	2015	2014
Equipment	\$ 51,232	\$ 49,519
Musical instruments	56,643	52,043
Sheet music	62,491	60,517
Furniture and fixtures	21,311	21,311
Total	191,677	183,390
Accumulated Depreciation	(116,389)	(81,887)
	\$ 75,288	\$ 101,503

Depreciation charged to income for 2015 was \$34,502 and for 2014 was \$24,000.

**Note 5 – Fair Value of Assets and Liabilities**

Assets measured at fair value on a recurring basis at June 30, 2015 are as follows:

June 30, 2015

	Level 1	Level 2	Level 3
Assets			
Beneficial interest in assets held by others	\$ -	\$ 299,839	\$ -
Pledges receivable	-	-	117,690
Total	\$ -	\$ 299,839	\$ 117,690

There were no assets measured at fair value at June 30, 2014

Reconciliation of activity for assets measured at fair value based on significant unobservable (Level 3) information:

	2015	2014
Balance, beginning of year	\$ -	\$ -
Pledges collected	(60,000)	-
New pledges	180,000	-
Change in discount to net present value	(2,310)	-
Balance, end of year	\$ 117,690	\$ -

**Note 6 – Deferred Revenue**

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

**Note 7 – Temporarily Restricted Net Assets**

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

Purpose restriction:	2015	2014
Sponsorships	\$ 17,970	\$ 29,928
Education programs and other	26,472	11,837
Harmony Project Tulsa	-	8,600
Marketing and web development	-	33,368
	\$ 44,442	\$ 83,733

**Note 8 – Endowment**

Donations received in 2014 and 2015 were designated by the donor for the purpose of establishing an endowment fund to support future operations. As such, these donations were classified as permanently restricted funds. Subsequently the donor released the funds for use in creation of a Board of Directors restricted quasi-endowment fund.

The Board of Directors established an endowment fund policy and utilizes the Tulsa Community Foundation to manage the invested assets for the benefit of the Symphony. The Symphony has directed TCF to employ a moderately aggressive investment allocation strategy designed to maximize return on investment within an appropriate level of risk. Investments are reviewed at least annually by the finance committee.

The spending policy of the endowment is determined annually by the Symphony's Board of Directors finance committee. No amounts were allocated for expenditure during 2014 or 2015.

Tulsa Symphony Orchestra, Inc.  
Notes to Financial Statements  
June 30, 2015 and 2014

**Note 8 – Endowment (Continued)**

At June 30, 2015, endowment net assets consisted of the following:

	Unrestricted Funds	Temporarily Restricted	Permanently Restricted	Total
Board designated	\$ 300,000	\$ -	\$ -	\$ 300,000

At June 30, 2014, endowment net assets consisted of the following:

	Unrestricted Funds	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ -	\$ 150,000	\$ 150,000

The changes and composition of endowment net assets for the year ended June 30, 2015 are as follows:

	Unrestricted Funds	Unrestricted Board Designated	Permanently Restricted	Total
Endowment net assets, Beginning of Year	\$ -	\$ -	\$ 150,000	\$ 150,000
Contributions	-	-	150,000	150,000
Donor release	-	300,000	(300,000)	-
Investment income				
Interest and dividends	1,082	-	-	1,082
Net realized gains	253	-	-	253
Net unrealized loss	(1,146)	-	-	(1,146)
Investment expenses	(350)	-	-	(350)
Endowment net assets, End of Year	\$ (161)	\$ 300,000	\$ -	\$ 299,839

**Note 9 – 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 \$32,000 for 2015 and \$34,000 for 2014. Future minimum lease payments for the next three years under this lease are as follows: \$30,180 for years ended June 30, 2016 and 2017; \$22,635 for year ended June 30, 2018.