

Tulsa Symphony Orchestra, Inc.  
*Financial Statements With  
Independent Auditor's Report*

**For the Years Ended**  
June 30, 2017 and 2016

**Tulsa Symphony Orchestra, Inc.**  
**June 30, 2017**

Contents

<b>Independent Auditor's Report</b>	<b>1</b>
<b>Financial Statements:</b>	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expense	4
Statements of Cash Flows	5
<b>Notes to Financial Statements</b>	<b>6</b>

## Independent Auditor's Report

Board of Directors of  
Tulsa Symphony Orchestra, Inc.

We have audited the accompanying financial statements of Tulsa Symphony Orchestra, Inc. which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expense and cash flows for the years then ended, and the related notes to the 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 audits 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 Tulsa Symphony Orchestra, Inc. as of June 30, 2017 and 2016, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Regier Carr & Monroe LLP*

January 5, 2018  
Tulsa, Oklahoma

**Tulsa Symphony Orchestra, Inc.**  
**Statements of Financial Position**  
**June 30, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$580,819	\$705,372
Pledges Receivable, net	173,488	115,190
Other Receivables, net	16,574	23,481
Prepaid Assets	26,237	20,294
Beneficial Interest in Assets Held by Others	653,798	439,734
Investments	377,106	
Property and Equipment, net	33,002	46,562
<b>Total Assets</b>	<b>\$1,861,024</b>	<b>\$1,350,633</b>
<b>Liabilities and Net Assets</b>		
Accounts Payable	\$19,452	\$37,988
Accrued Liabilities	9,233	18,310
Deferred revenue	269,610	203,721
<i>Total Liabilities</i>	<u>298,295</u>	<u>260,019</u>
<i>Net Assets:</i>		
Unrestricted	402,332	492,185
Unrestricted-board designated	1,030,904	439,234
Temporarily Restricted	129,493	159,195
<i>Total Net Assets</i>	<u>1,562,729</u>	<u>1,090,614</u>
<b>Total Liabilities and Net Assets</b>	<b>\$1,861,024</b>	<b>\$1,350,633</b>

**Tulsa Symphony Orchestra, Inc.**  
**Statements of Activities**  
**For the Years Ended June 30, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b><i>Change in Unrestricted Net Assets</i></b>		
<b>Revenues &amp; Support</b>		
Contributions	\$1,501,104	\$1,246,308
<i>Fundraising Activity</i>		
Fundraising event income	160,381	17,996
Fundraising event expenses	(56,998)	(17,996)
<i>Fundraising Activity, net</i>	<u>103,383</u>	<u>0</u>
Program service revenue	756,022	626,231
Education funding-tuition & fees		(378)
Other income	60	9,883
Investment income, net of expenses	79,583	(1,933)
Net assets released from restrictions	226,517	116,731
<b>Total Revenues &amp; Support</b>	<u>2,666,669</u>	<u>1,996,842</u>
<b>Expenses</b>		
Program expenses	1,770,479	1,727,602
Management & administrative expenses	206,967	223,937
Fundraising expenses	187,406	185,040
<i>Total Expenses</i>	<u>2,164,852</u>	<u>2,136,579</u>
<b><i>Change in Unrestricted Net Assets</i></b>	<u>501,817</u>	<u>(139,737)</u>
<b><i>Change in Temporarily Restricted Net Assets</i></b>		
Contributions	166,096	231,984
Net assets released from restrictions	(226,517)	(116,731)
<i>Fundraising Activity</i>		
Fundraising event income	79,640	
Fundraising event expenses	(48,921)	
<i>Fundraising Activity, net</i>	<u>30,719</u>	<u>0</u>
<b><i>Change in Temporarily Restricted Net Assets</i></b>	<u>(29,702)</u>	<u>115,253</u>
<i>Change in Net Assets</i>	472,115	(24,484)
<b>Net Assets at Beginning of Year</b>	1,090,614	1,115,098
<b>Net Assets at End of Year</b>	<u><b>\$1,562,729</b></u>	<u><b>\$1,090,614</b></u>

**Tulsa Symphony Orchestra, Inc.**  
**Statements of Functional Expense**  
**For the Years Ended June 30, 2017 and 2016**

2017	Management			Total
	Program	& Administrative	Fundraising	
Salaries/Wages	\$971,168	\$114,464	\$121,591	\$1,207,223
Employee benefits	628	1,727		2,355
Payroll taxes	109,279	8,362	19,097	136,738
Advertsing & promotion	135,791			135,791
Travel exp	118,835	6,444		125,279
PAC rental	84,701			84,701
Production-other	259,188			259,188
Professional services		17,310		17,310
Office		16,119		16,119
IT		5,278		5,278
Occupancy	35,878	4,220	2,112	42,210
Depreciation	11,627	1,368	683	13,678
Insurance	5,694	1,005		6,699
Printing		5,938		5,938
Equip rental		3,325		3,325
Misc	37,690	21,407	43,923	103,020
<b>Total Expenses</b>	<b>\$1,770,479</b>	<b>\$206,967</b>	<b>\$187,406</b>	<b>\$2,164,852</b>

2016	Management			Total
	Program	& Administrative	Fundraising	
Salaries/Wages	\$943,973	\$121,792	\$116,687	\$1,182,452
Employee benefits	614	5,913		6,527
Payroll taxes	107,523	9,459	18,996	135,978
Advertsing & promotion	203,900			203,900
Travel exp	100,659	14,395		115,054
PAC rental	85,043			85,043
Production-other	129,581			129,581
Bad debt	51,662			51,662
Professional services		15,849		15,849
Office		19,232		19,232
IT		4,451		4,451
Occupancy	33,119	3,896	1,948	38,963
Depreciation	26,078	3,068	1,534	30,680
Insurance	5,511	973		6,484
Printing		6,014		6,014
Equip rental		6,049		6,049
Misc	39,939	12,846	45,875	98,660
<b>Total Expenses</b>	<b>\$1,727,602</b>	<b>\$223,937</b>	<b>\$185,040</b>	<b>\$2,136,579</b>

**Tulsa Symphony Orchestra, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2017 and 2016**

<b>Cash Flows from Operating Activities</b>	<b>2017</b>	<b>2016</b>
Change in net assets	\$472,115	(\$24,484)
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>		
Depreciation expense	13,678	30,680
Realized/Unrealized gain on investments	(71,112)	5,534
Decrease (Increase) in pledges receivable	(58,298)	2,500
(Increase) decrease in other receivables	6,907	41,513
Increase in prepaid expenses	(5,943)	1,030
Increase (decrease) in accounts payable & accruals	(27,613)	21,594
Increase (decrease) in deferred revenue	65,889	1,820
<b>Net Cash Provided (Used) By Operating Activities</b>	<b>395,623</b>	<b>80,187</b>
 <b>Cash Flows from Investing Activities</b>		
Purchase of investments	(559,472)	(156,128)
Proceeds from sale of investments	8,992	2,379
Distribution from Beneficial Interest in Assets held by Others	30,422	8,320
Purchase of property and equipment	(118)	(1,954)
<b>Net Cash Provided (Used) By Investing Activities</b>	<b>(520,176)</b>	<b>(147,383)</b>
 <i>Net Change in Cash and Cash Equivalents</i>	 (124,553)	 (67,196)
Cash and Cash Equivalents, Beginning of Year	705,372	772,568
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$580,819</b>	<b>\$705,372</b>

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

**Summary of Significant Accounting Policies**

*Nature of Operations*

Tulsa Symphony Orchestra, Inc. (the “Organization”) is a not-for-profit organization which provides a full symphony orchestra to the citizens of Tulsa, Oklahoma and the surrounding region. The Organization plays a vital, innovative, and educational role in the development of musical arts in the community. The Organization was incorporated under the laws of the State of Oklahoma in 2005.

*Basis of Accounting*

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

*Basis of Presentation*

The Organization is required to report information regarding its financial position and activities according to three classes of net assets:

*Unrestricted Net Assets* – Net assets that are 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 Organization and/or the passage of time. 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. Contributions with donor imposed restrictions that are met in the same period as the contributions are accounted for as unrestricted contributions.

*Permanently Restricted Net Asset* – Net assets continuously subject to donor-imposed stipulations.

*Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Contributions*

Contributions are recorded when a donor makes a promise to give to the Organization that is in substance, unconditional. Contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, 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. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

*Cash and Cash Equivalents*

The Organization considers all unrestricted checking and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

*Pledges Receivable*

Pledges receivable as of June 30, 2017 and 2016 are unconditional promises to give. Pledges receivable to be collected in future years are recorded at fair value when the promise is made based on a discounted cash flow model. Amortization of discounts is recorded as additional contribution revenue. Pledges receivable as of June 30, 2017 and 2016 are discounted at 4.0%. The unamortized discount on pledges is \$5,056 and \$2,310 as of June 30, 2017 and 2016.

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

**Summary of Significant Accounting Policies (continued)**

*Investments*

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the statements of activities. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

The Organization reports all investments for which a quoted market price is available at fair value based upon information obtained from published sources. Investments in time deposits are recorded at cost plus accrued interest.

*Property and Equipment*

Property and equipment are recorded at cost or, if donated, at the estimated fair market value upon receipt. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Additions and improvements that extend the useful lives of the assets are capitalized. Expenditures for repairs and maintenance are expensed as incurred. The Organization follows the practice of capitalizing all expenditures greater than \$1,500 with an estimated useful life of more than one year.

The Organization records impairment to its property and equipment when it becomes probable that the carrying value of assets will not be fully recovered over the estimated lives. Impairments are recorded to reduce the carrying value of the assets to their estimated fair values determined by the Organization based on facts and circumstances in existence at the time of the determination, estimates of probable future economic conditions, and other information. No impairments were recorded in 2017 and 2016.

The Organization depreciates property and equipment using the straight-line method over estimated useful lives ranging from 3 to 7 years for computers, software, office furniture and equipment.

*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 revenues in the accompanying statement of financial position.

*Income Taxes*

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for state or federal income taxes is necessary.

The Organization is not classified as a private foundation under Section 509(a) of the Internal Revenue Code. It is the Organization's policy that penalties and interest assessed by income taxing authorities, if any, are included in operating expenses. There were no penalties or interest assessed by taxing authorities during the years ended June 30, 2017 and 2016. The Organization annually evaluates its various tax positions and assesses the likelihood of these positions being upheld by examination with relevant tax authorities.

*Advertising*

The Organization expenses advertising costs when they are executed and incurred. Advertising costs were \$135,791 and \$203,900 in June 30, 2017 and 2016, respectively.

*Sales Taxes*

The Organization collects sales tax from ticket sales and remits these amounts to the State taxing authority. The Organization's policy is to net the related expense against the program revenue. Sales tax collected in the years ended June 30, 2017 and 2016 was \$34,386 and \$25,610, respectively.

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

**Summary of Significant Accounting Policies (continued)**

*Concentrations and Credit Risk*

The Organization maintains bank accounts at high-quality financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash exceeds the FDIC limits at times. Credit risk is mitigated by investing amounts in excess of the FDIC limit in money market funds invested wholly in United States Treasuries. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Organization's investments do not represent significant concentrations of market risk in as much as their investment portfolio is adequately diversified among issuers.

*Concentration of Risk*

The Organization operates exclusively in the Tulsa, Oklahoma region. In the event of a severe economic decline, the Organization's operations could be materially impacted.

*Investments & Fair Value Measurements*

Investment securities are exposed to various risks such as interest rate, market risk and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risk in the near term may materially affect the amounts reported in the financial statements.

The codification of accounting principles generally accepted in the United States of America defines fair value, establishes a consistent framework for measuring fair value and establishes a fair value hierarchy based on the availability of inputs used to measure fair value. These inputs are summarized in the three broad levels listed below:

- Level 1 – quoted prices in active markets for identical securities
- Level 2 – other significant observable inputs (including quoted priced for similar securities)
- Level 3 – significant unobservable inputs (including the Organization's own assumptions in determining the value of the investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The inputs used by the Organization as of December 31, 2017 and 2016, were Level 2 inputs.

*Financial Statement Presentation*

Certain items in the 2016 financial statements have been reclassified to the current year presentation.

*Subsequent Events*

The Organization has evaluated events subsequent to the balance sheet date (June 30, 2017) through January 5, 2018, the date the financial statements were available to be issued.

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

**Beneficial Interest in Assets Held By Others**

The Organization has established an agency reserve fund with the Tulsa Community Foundation (the Foundation), an Oklahoma not-for-profit corporation and community foundation. The mutual intent of the Organization and the Foundation is to create a permanent endowment fund for the benefit of the Organization. The objective of the investment management and distribution policies is to provide for sufficient fund growth after distribution and investment expense in order to preserve the inflation-adjusted value of the investment portfolio. The Foundation holds and administers the endowment fund (including subsequent contributions and future earnings) for the benefit of the Organization.

The Agency Fund Agreement provides that the Board of Trustees of the Foundation 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 judgment of the Board of Trustees the restriction or condition becomes, in effect, necessary, incapable of fulfillment or inconsistent with the charitable needs served by the Foundation. The Foundation may grant the request if it concludes, upon independent review, that such distribution is neither unreasonable nor inconsistent with the charitable purposes of the Foundation and the Organization; however, the Foundation shall have the ultimate authority over and control of all property in the Fund and all distributions from the Fund.

As the Foundation has agreed to transfer the assets and the return of these assets back to the Organization, the investments are required to be treated as an asset on the financial statements of the Organization. Under the Foundation's endowment management policies, dividends and interest earned and capital gains are retained in the endowment fund.

The Interests at June 30, 2017 and 2016 are as follows:

<b>2017</b>				<b>Total at</b>	
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair Value</b>	<b>Cost</b>
<i>Investments held &amp; managed by</i>					
<i>Tulsa Community Foundation</i>					
Cash & Cash Equivalents	\$0	\$21,517	\$0	\$21,517	\$21,517
Equity Funds		407,936		407,936	359,646
Fixed Income		185,068		185,068	185,325
Mutual Funds		39,277		39,277	3,682
	<b>\$0</b>	<b>\$653,798</b>	<b>\$0</b>	<b>\$653,798</b>	<b>\$570,170</b>

  

<b>2016</b>				<b>Total at</b>	
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair Value</b>	<b>Cost</b>
<i>Investments held &amp; managed by</i>					
<i>Tulsa Community Foundation</i>					
Cash & Cash Equivalents	\$0	\$8,538	\$0	\$8,538	\$8,538
Equity Funds		265,822		265,822	270,554
Fixed Income		138,079		138,079	135,644
Mutual Funds		21,289		21,289	21,044
Other		6,006		6,006	5,345
	<b>\$0</b>	<b>\$439,734</b>	<b>\$0</b>	<b>\$439,734</b>	<b>\$441,125</b>

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

**Property and Equipment**

Property and equipment at June 30, 2017 and 2016 is as follows:

	<b>2017</b>	<b>2016</b>
Equipment	\$172,320	\$172,320
Furniture & Fixtures	21,430	21,311
Accumulated Depreciation	(160,748)	(147,069)
<b>Property and Equipment, net</b>	<b>\$33,002</b>	<b>\$46,562</b>

**Pledges Receivable**

Pledges receivable consist of the following at June 30, 2017 and 2016:

	<b>2017</b>	<b>2016</b>
Due within one year	\$ 137,044	\$ 77,500
Due in 1-5 years	41,500	40,000
Discount	(5,056)	(2,310)
<b>Total Pledges Receivable</b>	<b>\$ 173,488</b>	<b>\$ 115,190</b>

**Investments & Fair Value Measurements**

Assets measured on a recurring basis at June 30, 2017 are as follows:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total at Fair Value</b>	<b>Cost</b>
<i>Investments held &amp; managed by</i>					
<i>Trust Company of Oklahoma</i>					
Cash & Cash Equivalents	\$4,160	\$0	\$0	\$4,160	\$4,160
Equity Funds	131,711			131,711	124,018
Fixed Income	241,235			241,235	237,946
	<b>\$377,106</b>	<b>\$0</b>	<b>\$0</b>	<b>\$377,106</b>	<b>\$366,124</b>

There were no assets measured at fair value at June 30, 2016.

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

**Temporarily Restricted Net Assets**

The Organization receives contributions from donors stipulating their donations be utilized for specific expenses. A summary of the assets subject to restrictions at June 30, 2017 and 2016 follows:

	<b>2017</b>	<b>2016</b>
Future operations	\$2,925	\$30,530
Education programs	71,050	43,158
Development director	55,518	85,507
	<b>\$129,493</b>	<b>\$159,195</b>

**Endowment**

At June 30, 2017 and 2016, Endowment assets consisted of the following:

	<b>Board Designated Unrestricted</b>
<b>June 30, 2017</b>	
Tulsa Community Foundation	\$653,798
Trust Company of Oklahoma	377,106
	<b>\$1,030,904</b>
<b>June 30, 2016</b>	
Tulsa Community Foundation	\$439,734
	<b>\$439,734</b>

The changes and composition of Endowment net assets for the years ended June 30, 2017 and 2016 are as follows:

	<b>Unrestricted Board Designated</b>
<b>June 30, 2017</b>	
Beginning of year	\$439,734
Contributions	266,800
Interest/Dividends	12,500
Unrealized/Realized gains/losses	71,112
Investment expenses	(4,029)
Distributions	(30,422)
Transfer	275,209
<b>End of Year</b>	<b>\$1,030,904</b>
<b>June 30, 2016</b>	
Beginning of year	\$299,839
Contributions	150,500
Interest/Dividends	5,893
Unrealized/Realized gains/losses	(6,034)
Investment expenses	(2,144)
Distributions	(8,320)
<b>End of Year</b>	<b>\$439,734</b>

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

**Leases**

The Organization leases office space and parking under a five-year lease that requires monthly payments of \$2,515. Rent expense recognized during the years ended June 30, 2017 and 2016 was \$39,185 and \$34,027, respectively. Future minimum lease payments under this lease are as follows:

<u>Fiscal Year ended</u>	
June 30, 2018	\$22,635
	<u>\$22,635</u>