

**TULSA OPERA, INC.**

Combined Financial Statements

Years Ended June 30, 2014 And 2013

With

Independent Auditor's Report

TULSA OPERA, INC.

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## **Independent Auditor's Report**

To the Board of Directors  
Tulsa Opera, Inc.

### **Report on the Combined Financial Statements**

We have audited the accompanying combined financial statements of Tulsa Opera, Inc., which comprise the combined statements of financial position as of June 30, 2014 and 2013, and the related combined statements of activities, and combined cash flows for the years then ended, and the related notes to the combined financial statements.

### **Management's Responsibility for the Combined Financial Statements**

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Tulsa Opera, Inc. as of June 30, 2014 and 2013, 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.

MORSE & Co., P.C.

Tulsa, Oklahoma  
March 23, 2015



**TULSA OPERA, INC.**  
**COMBINED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2014**

**ASSETS**

	<u>Operating</u>	<u>Endowment</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 33,550	\$ -	\$ 33,550
Accounts receivable	24,160	-	24,160
Deferred production costs and other prepaid expenses	6,722	-	6,722
Property and equipment, net	274,979	-	274,979
Endowment investments	-	3,518,429	3,518,429
Beneficial interest in assets held by others	-	304,983	304,983
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total assets</b>	<u>\$ 339,411</u>	<u>\$ 3,823,412</u>	<u>\$ 4,162,823</u>

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 116,897	\$ -	\$ 116,897
Deferred revenues	221,524	-	221,524
Line of credit	142,184	-	142,184
Note payable	1,000,000	-	1,000,000
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total liabilities</b>	<u>1,480,605</u>	<u>-</u>	<u>1,480,605</u>
<b>Net assets</b>			
Unrestricted	(1,143,302)	2,233,434	1,090,132
Temporarily restricted	-	79,510	79,510
Permanently restricted	2,108	1,510,468	1,512,576
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total net assets</b>	<u>(1,141,194)</u>	<u>3,823,412</u>	<u>2,682,218</u>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total liabilities and net assets</b>	<u>\$ 339,411</u>	<u>\$ 3,823,412</u>	<u>\$ 4,162,823</u>

See independent auditor's report and accompanying notes to combined financial statements.

**TULSA OPERA, INC.**  
**COMBINED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2013**

**ASSETS**

	<u>Operating</u>	<u>Endowment</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 51,830	\$ -	\$ 51,830
Accounts receivable	5,994	-	5,994
Contributions and grants receivable	51,870	-	51,870
Deferred production costs and other prepaid expenses	9,605	-	9,605
Property and equipment, net	326,293	-	326,293
Endowment investments	-	3,005,257	3,005,257
Beneficial interest in assets held by others	-	275,083	275,083
	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<u><u>\$ 445,592</u></u>	<u><u>\$ 3,280,340</u></u>	<u><u>\$ 3,725,932</u></u>

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 73,923	\$ -	\$ 73,923
Deferred revenues	206,688	-	206,688
Line of credit	415,000	-	415,000
Note payable	553,532	-	553,532
	<hr/>	<hr/>	<hr/>
<b>Total liabilities</b>	<u>1,249,143</u>	<u>-</u>	<u>1,249,143</u>
<b>Net assets</b>			
Unrestricted	(885,169)	1,769,872	884,703
Temporarily restricted	79,510	-	79,510
Permanently restricted	2,108	1,510,468	1,512,576
	<hr/>	<hr/>	<hr/>
<b>Total net assets</b>	<u>(803,551)</u>	<u>3,280,340</u>	<u>2,476,789</u>
	<hr/>	<hr/>	<hr/>
<b>Total liabilities and net assets</b>	<u><u>\$ 445,592</u></u>	<u><u>\$ 3,280,340</u></u>	<u><u>\$ 3,725,932</u></u>

See independent auditor's report and accompanying notes to combined financial statements.

**TULSA OPERA, INC.**  
**COMBINED STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenue</b>				
Contributions and grants	\$ 1,112,936	\$ 362,350	\$ -	\$ 1,475,286
Subscriptions and ticket sales	330,706	-	-	330,706
Special events	179,450	-	-	179,450
Gain (loss) on investments (realized and unrealized), net of investment advisory fees of \$25,384	489,580	-	-	489,580
Dividends and interest	84,069	-	-	84,069
Loss on disposal of assets	(13,035)	-	-	(13,035)
Other	34,959	-	-	34,959
Net assets released from restriction	362,350	(362,350)	-	-
<b>Total revenue</b>	<u>2,581,015</u>	<u>-</u>	<u>-</u>	<u>2,581,015</u>
<b>Expenses</b>				
Artistic productions and education	1,433,408	-	-	1,433,408
Management and general	434,726	-	-	434,726
Marketing and ticket office	201,564	-	-	201,564
Development	200,375	-	-	200,375
Special events	84,123	-	-	84,123
Sales tax	21,390	-	-	21,390
<b>Total expenses</b>	<u>2,375,586</u>	<u>-</u>	<u>-</u>	<u>2,375,586</u>
<b>Increase in net assets</b>	205,429	-	-	205,429
<b>Net assets, beginning of year</b>	<u>884,703</u>	<u>79,510</u>	<u>1,512,576</u>	<u>2,476,789</u>
<b>Net assets, end of year</b>	<u>\$ 1,090,132</u>	<u>\$ 79,510</u>	<u>\$ 1,512,576</u>	<u>\$ 2,682,218</u>

See independent auditor's report and accompanying notes to combined financial statements.

**TULSA OPERA, INC.**  
**COMBINED STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2013**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue</b>				
Contributions and grants	\$ 909,679	\$ 300,008	\$ -	\$ 1,209,687
Subscriptions and ticket sales	456,752	-	-	456,752
Special events	268,180	-	-	268,180
Gain (loss) on investments (realized and unrealized), net of investment advisory fees of \$24,980	343,461	-	-	343,461
Dividends and interest	82,097	-	-	82,097
Loss on disposal of assets	(13,035)	-	-	(13,035)
Other	20,049	-	-	20,049
Net assets released from restriction	334,008	(334,008)	-	-
<b>Total revenue</b>	<u>2,401,191</u>	<u>(34,000)</u>	<u>-</u>	<u>2,367,191</u>
<b>Expenses</b>				
Artistic productions and education	1,500,748	-	-	1,500,748
Management and general	325,454	-	-	325,454
Marketing and ticket office	219,151	-	-	219,151
Development	175,068	-	-	175,068
Special events	122,130	-	-	122,130
Sales tax	29,437	-	-	29,437
Impairment loss	-	195,490	-	195,490
<b>Total expenses</b>	<u>2,371,988</u>	<u>195,490</u>	<u>-</u>	<u>2,567,478</u>
<b>Increase (decrease) in net assets</b>	29,203	(229,490)	-	(200,287)
<b>Net assets, beginning of year</b>	<u>855,500</u>	<u>309,000</u>	<u>1,512,576</u>	<u>2,677,076</u>
<b>Net assets, end of year</b>	<u><u>\$ 884,703</u></u>	<u><u>\$ 79,510</u></u>	<u><u>\$ 1,512,576</u></u>	<u><u>\$ 2,476,789</u></u>

See independent auditor's report and accompanying notes to combined financial statements.

**TULSA OPERA, INC.**  
**COMBINED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 205,429	\$ (200,287)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	31,292	34,241
Loss on disposal of equipment and production assets	13,035	13,035
Net investment losses (gains)	(514,956)	(362,890)
Change in assets and liabilities:		
Accounts receivable	(18,167)	(73)
Contributions and grants receivable	51,870	75,138
Deferred production costs and other prepaid expenses	2,883	38,946
Accounts payable and accrued expenses	42,974	42,233
Deferred revenues	14,836	(60,050)
Total adjustments	<u>(376,233)</u>	<u>(219,420)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>(170,804)</u>	<u>(419,707)</u>
<b>Cash flows from investing activities</b>		
Purchase of equipment and production assets	(62,478)	(65,852)
Change in investments, net	41,350	242,921
Impairment	-	195,490
<b>Net cash provided by (used in) investing activities</b>	<u>(21,128)</u>	<u>372,559</u>
<b>Cash flows from financing activities</b>		
Cash proceeds from line of credit	642,635	665,000
Repayment of line of credit	(915,451)	(560,000)
Repayment of note payable	446,468	(20,033)
<b>Net cash provided by (used in) financing activities</b>	<u>173,652</u>	<u>84,967</u>
<b>Change in cash and cash equivalents</b>	(18,280)	37,819
<b>Cash and cash equivalents, beginning of year</b>	<u>51,830</u>	<u>14,011</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 33,550</u>	<u>\$ 51,830</u>
<b>Supplemental disclosure of cash flows:</b>		
Cash paid for interest	<u>\$ 39,984</u>	<u>\$ 47,041</u>

See independent auditor's report and accompanying notes to combined financial statements.



**TULSA OPERA, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Description of Organization* - Tulsa Opera, Inc. ("Opera") is an Oklahoma nonprofit corporation formed for the purpose of furthering the appreciation of music, particularly opera, for the general public. Tulsa Opera reaches the general public through opera performances, education, and outreach. The majority of gifts are received from a broad base of contributors who are committed to supporting the arts in the Tulsa area.

*Principles of Combination* - The accompanying financial statements include the combined accounts of Tulsa Opera, Inc. and its related endowment accounts, Tulsa Opera Endowment Trust I, and the Tulsa Opera Endowment Trust II. All significant related transactions have been eliminated.

*Basis of Accounting* - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principals. Net assets are classified based on the existence or absence of donor-imposed restrictions as follows:

*Unrestricted* - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

*Temporarily restricted* - Net assets subject to donor-imposed restrictions which can be fulfilled, either by actions of the Opera and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets in the period such restrictions are satisfied and reported in the statement of activities as net assets released from restrictions.

*Permanently restricted* - Net assets subject to donor-imposed restrictions whereby the donor has explicitly expressed that the income earned on their donations may be expended for Opera activities while the corpus is to remain intact.

*Cash and Cash equivalents* - Cash and cash equivalents include cash on hand, cash in bank accounts, and investments with initial maturities of three months or less, except for deposits from contributions that have donor-imposed restrictions limiting their use to long-term investments.

*Investments* - Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the statement of financial position, with investment income, gains, and losses included in the statement of activities.

The fair values of investments are generally determined based on quoted market prices or estimates of fair value provided by external investment managers. The amounts the Opera will ultimately realize could differ materially, and significant fluctuations in fair values could occur from year to year. Investment gains and losses generally increase or decrease the Opera's unrestricted net assets unless the terms of the gift or applicable law impose restrictions on the use of income or gains and losses.

(Continued)

**TULSA OPERA, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Contributions and Grants Receivable*** - Contributions and grants are recorded at fair value at the time an unconditional promise is made. Conditional promises to give are not recorded until the condition is substantially met. Receivables are generally collectible within one year and management believes that no material losses will be incurred from receivables. Amounts the Opera will ultimately realize could materially differ from management's estimates.

***Property and Equipment*** - Property and equipment are recorded at cost if purchased. Donations of property and equipment are recorded as support at the estimated fair market value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Unless the donor has stipulated how long donated assets must be maintained, Opera reports the expiration of donor restrictions when the donated or acquired assets are placed in service; at that time, the assets are transferred from restricted net assets to unrestricted net assets. Property and equipment are depreciated using the straight-line basis. The Opera follows the practice of capitalizing expenditures for property and equipment in excess of \$2,500 with a useful life of more than one year.

The Opera records impairments 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. Impairments are recorded to reduce the carrying value of the assets to their estimated fair values determined by the Opera 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 2014. During 2013 it was determined the carrying value of donated land had become impaired based upon a current independent appraisal. An impairment loss of \$195,490 was recognized in 2013.

***Beneficial Interest in Assets Held by Others*** - Beneficial interest in assets held by others represents amounts contributed by the Opera to establish certain donor-advised philanthropic funds ("Funds") within the Tulsa Community Foundation ("Foundation"). The Funds are intended for the benefit of the Opera. While the Opera has the right to recommend distributions from the funds, distributions from the funds will be made at the sole discretion of the Foundation's Board of Trustees. The funds are carried at fair market value. Unrealized gains and losses are included in the Statement of Activities.

The Organization has additional investments with the Tulsa Community Foundation of \$329,560 and \$297,265 at June 30, 2014 and 2013, respectively, which includes contributions made by others for the benefit of Tulsa Opera, Inc. The Foundation has the power to modify the donor's stipulations under certain conditions as the Foundation monitors the changing needs of the community. As such, this amount is not included as an asset, but distributions are recorded when received.

***Artistic Productions*** - Opera subscriptions, individual ticket sales, and related productions costs are recognized in the fiscal year in which the performances are presented. Proceeds from advance ticket sales are recorded as deferred revenues.

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**TULSA OPERA, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Functional Allocation of Expenses*** - The costs of providing programs and other supporting activities have been summarized on a functional basis in the statement of activities.

***Income Taxes*** - The most recent determination letter from the Internal Revenue Service states that the Opera is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Opera has adopted the provisions of FASB Accounting Standards Codification Topic ASC 740-10. The implementation of this standard had no impact on the financial statements. As of June 30, 2014, the unrecognized tax benefit accrual was zero.

The Opera will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense, if incurred. The Opera is no longer subject to Federal and State tax examinations by tax authorities for years before 2011.

***Advertising Costs*** - The Opera expenses advertising costs as incurred. Advertising expense for the years ended June 30, 2014 and 2013, was \$114,373 and \$119,821, respectively.

***Estimates*** - The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reported period. Actual results could differ from those estimates.

***Contributed Services and Assets*** - During the years ended June 30, 2014 and 2013, Opera received services contributed by volunteers. A significant amount of those donated services are not reflected in the financial statements because they do not meet the criteria for recognition of such volunteer efforts. Additionally, the value of contributed services which did meet the requirements for recognition in the financial statements was not material and has not been recorded. Opera did not maintain adequate accounting records during 2014 and 2013 to allow the recording of in-kind donations.

***Fair Value Measurements*** - The Organization has determined the fair value of certain assets and liabilities. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Opera employs valuation techniques which maximize the use of observable inputs and minimize the use of unobservable inputs.

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 inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

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**TULSA OPERA, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 2 - ENDOWMENT INVESTMENTS**

The fair value of endowment investments is as follows:

	<u>2014</u>	<u>2013</u>
Equity investments	\$ 2,246,393	\$ 1,818,569
Fixed income	1,027,499	1,021,188
Land	82,500	-
Short-term investments	162,037	165,500
	<u>\$ 3,518,429</u>	<u>\$ 3,005,257</u>

The cost of endowment investments is as follows:

	<u>2014</u>	<u>2013</u>
Equity investments	\$ 1,306,769	\$ 1,182,821
Fixed income	1,005,230	1,010,720
Land	82,500	-
Short-term investments	162,037	165,500
	<u>\$ 2,556,536</u>	<u>\$ 2,359,041</u>

**NOTE 3 - FAIR VALUE MEASUREMENTS**

Assets measured at fair value on a recurring basis are as follows:

	Fair Value Measurements Using		
	Quoted Prices in Active Markets of Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2014</b>			
Endowment Investments	\$ 3,518,429	\$ -	-
Beneficial interest in assets held by others	-	304,983	-
Total Assets	<u>\$ 3,518,429</u>	<u>\$ 304,983</u>	<u>-</u>
<b>December 31, 2013</b>			
Endowment Investments	\$ 3,005,257	\$ -	-
Beneficial interest in assets held by others	-	275,083	-
Contributions and grants receivable	-	-	51,870
Total Assets	<u>\$ 3,005,257</u>	<u>\$ 275,083</u>	<u>\$ 51,870</u>

The beneficial interest in assets held by Tulsa Community Foundation are carried at fair value, which is based upon quoted market prices at December 31, 2014 and 2013. Amounts subject to the variance power of the Tulsa Community Foundation are not recorded as an asset of the Opera.

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**TULSA OPERA, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 4 - INVESTMENTS**

Investment income and gains and losses on investments consist of the following for the years ended June 30, 2014 and 2013:

	<b>2014</b>	<b>2013</b>
Interest and dividend income	\$ 84,069	\$ 82,097
Realized gain/loss on investments	159,918	210,374
Net change in unrealized gains (losses) on investments	355,046	158,067
Net investment gain	<u>\$ 599,033</u>	<u>\$ 450,538</u>

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<b>2014</b>	<b>2013</b>
Buildings and improvements	\$ 347,286	\$ 339,285
Land	106,837	189,337
Furniture, fixtures and equipment	354,546	300,068
Automobiles	42,615	42,615
Total property and equipment	851,284	871,305
Less accumulated depreciation	(576,304)	(545,012)
Net property and equipment	<u>\$ 274,980</u>	<u>\$ 326,293</u>

**NOTE 6 - RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<b>2014</b>	<b>2013</b>
Contributed land	<u>\$ 79,510</u>	<u>\$ 79,510</u>

The land was purchased by Tulsa Opera Endowment from Tulsa Opera, Inc. during 2014.

During the years ended June 30, 2014 and 2013, net assets in the amount of \$362,350 and \$334,008, respectively, were released from donor restrictions by incurring expenses for the purchase of a vehicle, computers, artistic productions and education.

Permanently restricted net assets consist of the following:

	<b>2014</b>	<b>2013</b>
Perpetual Endowment	<u>\$ 1,512,576</u>	<u>\$ 1,512,576</u>

(Continued)

**TULSA OPERA, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 7 - LINE OF CREDIT**

The Opera has a line-of-credit agreement which allows for maximum borrowings of \$200,000 with a local bank. The line is non collateralized and requires monthly interest payments of 3 percent. The line of credit was modified and issued on April 29, 2014. The modification decreased the maximum borrowing amount from \$600,000 to \$200,000. No other modifications have been made to the agreement subsequent to April 29, 2014. As of June 30, 2014 and June 30, 2013 the balances were, \$142,184 and \$415,000, respectively.

**NOTE 8 - NOTE PAYABLE**

The note payable consists of a long-term note with an original balance of \$600,075 and an interest rate of 4.6%. The term is 35 months with a balloon payment in the 36th month. The note commenced in January of 2011 and matured in January, 2014. In April, 2014, Opera entered into a new agreement with the lender to grant a security interest to all future cash proceeds and non-cash proceeds of all nature and kinds, including without limitation, all rights to payment, all stock rights, dividends and stock splits, and anything acquired upon the sale, lease, license, exchange or other disposition of any of the foregoing. As of June 30, 2014 and 2013 commitments by year were, \$1,000,000 and \$553,532, respectively.

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

During 2014, the Opera updated the structure of artists contracts and set and costume rentals. Contracts must be signed and returned to the Opera by March 15. Contracts received by the Opera subsequent to March 15 are null and void. The Opera received contracts during June and July of 2014. The commitment balance at June 2014 was \$0. The commitments outstanding at June 30, 2013 totaled \$331,939.

**NOTE 10 - LEASES**

The Opera leases various equipment and a storage facility under non-cancellable operating lease agreements which expire at various dates through 2014. No new lease agreements were entered into by Tulsa Opera during 2014. Total rent expense was \$93,654 and \$68,039 for the years ended June 30, 2014 and 2013, respectively.

**NOTE 11 - EMPLOYEE BENEFIT PLANS**

Tulsa Opera, Inc. has adopted a 403(b) retirement plan which allows certain employees, based on eligibility, the option to make tax deferred contributions. Matching contributions from Tulsa Opera, Inc. are discretionary for employees with more than one year of service. The board has suspended matching contributions for 2014 and 2013.

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**TULSA OPERA, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 12 - CONCENTRATIONS OF CREDIT RISK**

The Opera had agreements with the local American Federation of Musicians Union for performances in Opera productions during fiscal years 2014 and 2013.

The Opera's financial instruments exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Organization maintains its cash balances at local banks. At June 30, 2014 and 2013, the balances were insured by the Federal Deposit Insurance Corporation. At times, the Opera's deposits may exceed insured amounts.

**NOTE 13 - SUBSEQUENT EVENTS**

The Opera has evaluated subsequent events through March 23, 2015, the date the financial statements were available to be issued.