

TULSA OPERA, INC.
Combined Financial Statements
Years Ended June 30, 2021 and 2020
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, 2021 and 2020, and the related combined statements of activities, combined cash flows, combined functional expenses, 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, 2021 and 2020, 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.

Effect of Adopting New Accounting Standards

As discussed in Note 1 to the combined financial statements, the Tulsa Opera adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606) as of and for the year ended June 30, 2020. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the combined financial statements, the Tulsa Opera adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2018-08 Clarifying the Scope and Accounting Guidance for Contributions Received and Made (Topic 958) as of and for the year ended June 30, 2020. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the Tulsa Opera adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2018-13, Fair Value Measurement (Topic 820) as of and for the year ended June 30, 2021. Our opinion is not modified with respect to this matter.

MORSE & CO., PLLC

Tulsa, Oklahoma
June 2, 2022

TULSA OPERA, INC.
COMBINED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

	<u>Operating</u>	<u>Endowment</u>	<u>Total</u>
Cash and cash equivalents	\$ 18,607	\$ 234,983	\$ 253,590
Pledges receivable	254,262	-	254,262
Prepaid expenses	16,878	-	16,878
Property and equipment, net	1,145,500	-	1,145,500
Endowment investments	-	4,216,502	4,216,502
Laven Sowell investment*	-	195,654	195,654
Beneficial interest in assets held by others	-	365,779	365,779
Total assets	<u>\$ 1,435,247</u>	<u>\$ 5,012,918</u>	<u>\$ 6,448,165</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 30,231	\$ -	\$ 30,231
Deferred revenues	50,399	-	50,399
Note payable	166,800	-	166,800
Line of credit	1,577,407	-	1,577,407
Total liabilities	<u>1,824,837</u>	<u>-</u>	<u>1,824,837</u>

Net assets

Without donor restrictions	(1,120,867)	3,400,343	2,279,476
With donor restrictions			
Purpose restrictions	731,277	-	731,277
Permanently restricted	-	1,612,575	1,612,575
Total net (deficit) assets	<u>(389,590)</u>	<u>5,012,918</u>	<u>4,623,328</u>
Total liabilities and net assets	<u>\$ 1,435,247</u>	<u>\$ 5,012,918</u>	<u>\$ 6,448,165</u>

* - See Page 16, Note 2 - Endowment Investments footnote for additional information

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

TULSA OPERA, INC.
COMBINED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

	<u>Operating</u>	<u>Endowment</u>	<u>Total</u>
Cash and cash equivalents	\$ 33,941	\$ 201,108	\$ 235,049
Pledges receivable	444,435	-	444,435
Laven Sowell investment*	157,173	-	157,173
Property and equipment, net	912,395	-	912,395
Endowment investments	-	3,547,981	3,547,981
Beneficial interest in assets held by others	-	294,601	294,601
Total assets	<u>\$ 1,547,944</u>	<u>\$ 4,043,690</u>	<u>\$ 5,591,634</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 24,423	\$ -	\$ 24,423
Deferred revenues	245,659	-	245,659
Note payable	166,800	-	166,800
Line of credit	1,534,522	-	1,534,522
Total liabilities	<u>1,971,404</u>	<u>-</u>	<u>1,971,404</u>

Net assets

Without donor restrictions	(857,097)	2,431,115	1,574,018
With donor restrictions			
Purpose restrictions	433,637	-	433,637
Permanently restricted	-	1,612,575	1,612,575
Total net (deficit) assets	<u>(423,460)</u>	<u>4,043,690</u>	<u>3,620,230</u>
Total liabilities and net assets	<u>\$ 1,547,944</u>	<u>\$ 4,043,690</u>	<u>\$ 5,591,634</u>

* - See Page 16, Note 2 - Endowment Investments footnote for additional information

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

TULSA OPERA, INC.
COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions and grants	\$ 543,203	\$ 725,938	\$ 1,269,141
In-kind contributions	24,869	-	24,869
Subscriptions and ticket sales	193,329	-	193,329
Special events	281,958	-	281,958
Investment income (realized and unrealized), net of investment advisory fees of \$22,589	1,155,089	-	1,155,089
Gain of forgiveness of PPP loan	166,800	-	166,800
Other	19,162	-	19,162
Net assets released from restriction	429,298	(429,298)	-
Total revenues	2,813,708	296,640	3,110,348
Expenses			
Program	1,717,753	-	1,717,753
General and administrative	256,951	-	256,951
Fundraising	132,546	-	132,546
Total expenses	2,107,250	-	2,107,250
Increase (decrease) in net assets	706,458	296,640	1,003,098
Net assets, beginning of year	1,574,018	2,046,212	3,620,230
Net assets, end of year	\$ 2,280,476	\$ 2,342,852	\$ 4,623,328

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

TULSA OPERA, INC.
COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions and grants	\$ 736,803	\$ 1,394,644	\$ 2,131,447
In-kind contributions	9,570	-	9,570
Subscriptions and ticket sales	209,893	-	209,893
Special events	430,802	-	430,802
Gain on investments (realized and unrealized), net of investment advisory fees of \$22,234	157,297	-	157,297
Other	37,657	-	37,657
Net assets released from restriction	961,007	(961,007)	-
Total revenues	2,543,029	433,637	2,976,666
Expenses			
Program	2,248,556	-	2,248,556
General and administrative	282,074	-	282,074
Fundraising	204,639	-	204,639
Total expenses	2,735,269	-	2,735,269
Increase (decrease) in net assets	(192,240)	433,637	241,397
Net assets, beginning of year	1,766,258	1,612,575	3,378,833
Net assets, end of year	\$ 1,574,018	\$ 2,046,212	\$ 3,620,230

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

TULSA OPERA, INC.
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 1,003,098	\$ 241,397
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	58,639	65,007
Realized and unrealized losses (gains), net	(1,155,089)	(157,298)
Gain on sale of fixed assets	-	(20,000)
Gain on forgiveness of PPP loan	(166,800)	-
Change in assets and liabilities:		
Pledges receivable	190,173	(326,900)
Deferred production costs and other prepaid expenses	(16,878)	(114,861)
Accounts payable and accrued expenses	5,808	3,423
Deferred revenues	(195,260)	62,534
Net cash provided by (used in) operating activities	<u>(276,309)</u>	<u>(16,976)</u>
Cash flows from investing activities		
Purchase of property and equipment	(291,744)	(713,640)
Proceeds from sale of equipment	-	20,000
Purchase of investments	-	(150,000)
Proceeds from sale of investments	376,909	215,847
Net cash provided by (used in) investing activities	<u>85,165</u>	<u>(627,793)</u>
Cash flows from financing activities		
Proceeds from PPP loan	166,800	166,800
Cash proceeds from lines of credit	1,040,000	2,535,000
Payments on lines of credit	(997,115)	(2,056,275)
Net cash provided by (used in) financing activities	<u>209,685</u>	<u>645,525</u>
Change in cash and cash equivalents	18,541	756
Cash and cash equivalents, beginning of year	<u>235,049</u>	<u>234,293</u>
Cash and cash equivalents, end of year	<u>\$ 253,590</u>	<u>\$ 235,049</u>
Supplemental disclosure of cash flows:		
Cash paid for interest	<u>\$ 24,135</u>	<u>\$ 30,569</u>

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

TULSA OPERA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program	General and Administrative	Fundraising	Total
Production materials and labor	\$ 531,371	\$ -	\$ -	\$ 531,371
Salaries and wages	419,685	49,375	24,687	493,747
Program labor and materials	137,211	16,143	8,071	161,425
Advertising	124,009	14,589	7,295	145,893
Officer compensation	-	130,000	-	130,000
Insurance	80,345	9,452	4,726	94,523
Special events	-	-	69,071	69,071
Office expenses	53,187	6,257	3,129	62,573
Depreciation	49,843	5,864	2,932	58,639
Development	47,383	5,575	2,787	55,745
Travel	52,519	-	-	52,519
Education	52,443	-	-	52,443
Supplies	25,179	2,962	1,481	29,622
In-Kind expenses	21,139	2,487	1,243	24,869
Interest	20,222	2,379	1,190	23,790
Accounting	19,432	2,286	1,143	22,861
Payroll taxes	18,998	2,235	1,118	22,350
Dues and subscriptions	17,572	2,067	1,034	20,673
Telephone	10,447	1,229	615	12,290
Information technology	9,548	1,123	562	11,233
Hall rental	8,419	991	495	9,905
Credit card charges	7,220	849	425	8,494
Sales tax	5,638	663	332	6,633
Royalties	2,340	-	-	2,340
Lease	1,612	190	95	1,896
Postage	1,148	135	68	1,350
Conferences and meetings	846	100	50	995
	<u>\$ 1,717,753</u>	<u>\$ 256,951</u>	<u>\$ 132,546</u>	<u>\$ 2,107,250</u>

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

TULSA OPERA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program	General and Administrative	Fundraising	Total
Production materials and labor	756,381	\$ -	\$ -	\$ 756,381
Salaries and wages	407,867	47,984	23,992	479,843
Program labor and materials	225,083	26,480	13,240	264,803
Advertising	202,638	16,590	8,295	227,523
Travel	152,307	-	-	152,307
Special events	-	-	132,695	132,695
Officer compensation	-	130,000	-	130,000
Office expenses	107,976	12,703	6,352	127,031
Insurance	65,239	7,675	3,838	76,752
Payroll taxes	41,509	4,883	2,442	48,834
Hall rental	39,478	4,645	2,322	46,445
Depreciation	34,777	4,091	2,046	40,914
Interest	33,412	3,931	1,965	39,308
Development	27,709	3,260	1,630	32,599
Education	29,942	-	-	29,942
Information technology	25,433	2,992	1,496	29,921
Office expenses	19,821	8,188	-	28,009
Sales tax	16,848	1,982	991	19,821
Credit card charges	14,951	1,759	879	17,589
Accounting	11,502	1,353	677	13,532
Telephone	10,623	1,250	625	12,498
In-kind expenses	8,135	957	479	9,570
Dues and subscriptions	5,840	687	344	6,870
Royalties	5,445	-	-	5,445
Conferences and meetings	2,046	241	120	2,407
Supplies	2,023	238	119	2,380
Lease	1,573	185	93	1,850
	<u>\$ 2,248,556</u>	<u>\$ 282,074</u>	<u>\$ 204,639</u>	<u>\$ 2,735,269</u>

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

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 account, Tulsa Opera Endowment Trust. 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:

Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. Unrestricted without donor restricted 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.

With Donor Restrictions - 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, with donor 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.

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. Cash and cash equivalents include donor restricted deposits that are readily available.

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)

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. Therefore, management has determined an allowance for doubtful accounts is not necessary. 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 method. Useful lives range from three to thirty-one years. 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 2021 or 2020.

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 Opera has additional investments with the Tulsa Community Foundation of \$404,167 and \$340,523 at June 30, 2021 and 2020, 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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses - The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include utilities, insurance, maintaining, repairs, and other various expenses which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, and office expenses, which are allocated on the basis of estimates of time and effort.

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 been classified as a publicly-supported organization which is not a private foundation under Section 509(a) of the code.

The Opera has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) 740-10-25, Accounting for Uncertainty in Income Taxes. The Opera will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by a taxing authority.

The Opera's evaluation on June 30, 2021 and 2020, revealed no uncertain tax positions that would have a material impact on the financial statements. 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 tax examinations by taxing authorities for years before 2017.

Advertising Costs - The Opera expenses advertising costs as incurred. Advertising expense for the years ended June 30, 2021 and 2020, was \$100,717 and \$181,441, respectively.

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 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 reporting period. Actual results could differ from those estimates.

Contributed Services and Assets - During the years ended June 30, 2021 and 2020, 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.

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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued) - 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.

Revenue Recognition - The FASB issued ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, which clarifies when a transaction should be accounted for as a contribution or exchange transaction. The Opera adopted ASU 2018-08 as of July 1, 2019 under the modified prospective approach. The adoption of ASU 2018-08 did not materially impact the financial statements.

Contributions are recorded when the donor makes a promise to give to the Opera that is, in substance, unconditional. Donor-restricted contributions are reported as net assets with donor restrictions depending on the nature of the restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions.

The Opera recognizes contributions after analyzing each agreement and performing the following procedures:

- 1) Determine whether the transaction is an exchange or contribution
- 2) Identify any donor-imposed conditions or restrictions regarding its use
- 3) Distinguish between barriers and donor-imposed restrictions.
- 4) Conclude that all conditions are resolved prior to recognizing the contribution as revenue.

Prior to the adoption of Topic 606, the Opera's revenue recognition policy was in accordance with ASC Topic 605, Revenue Recognition. Effective July 1, 2019, the Opera adopted Topic 606 using the modified retrospective transition method. The adoption of Topic 606 did not have a material impact on the Opera's financial statements. The Opera considers customer purchases of tickets to be contracts with a customer.

Revenue is recognized at the point at which control of the products are transferred to the customer or services have been rendered.

Revenue is measured as the amount of consideration the Opera expects to receive in exchange for transferring products or providing services. The Opera estimates different forms of variable consideration at the time of sale based on historical experience, current conditions and contractual obligations. Revenue is recorded net of customer discounts, when applicable. The Opera provides no products or services that offers the right or has a history of accepting returns, therefore recognizing a liability for the estimate of expected returns and an asset for the right to recover the product expected to be returned is not considered necessary.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued) - Sales and other tax amounts collected from customers for remittance to governmental authorities are included in revenue. The Opera has elected to include shipping and handling of product with sales. The practical expedient not to disclose information about remaining performance obligations has also been elected as these contracts have an original duration of one year or less. The Opera does not have any payment terms that exceed one year from the point it has satisfied the related performance obligations.

The Opera recognizes revenue upon the transfer of promised benefit to its customers in an amount that reflects the consideration to which the Opera expects to be entitled by applying the following five-step process specified in ASC 606:

- 1) Identify the contract(s) with a customer
- 2) Identify the performance obligations
- 3) Determine the transaction price
- 4) Allocate the transaction price
- 5) Recognize revenue when the performance obligations are met

In August 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2018-13, Fair Value Measurement (Topic 820), which modifies the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement including the consideration of costs and benefits. The Opera adopted ASU 2018-13 as of July 1, 2020 under the modified prospective approach. The adoption of ASU 2018-13 did not materially impact the financial statements.

Reclassifications - Certain amounts in the prior-year financial statements have been reclassified in order to be comparable with the current year presentation.

Change in Accounting Principle

On July 1, 2019, the Opera adopted Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers (ASC 606). ASC 606 provides a new model for accounting for revenue arising from contracts with customers that supersedes most revenue recognition guidance. Under the new guidance, entities are required to recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled upon transferring the benefit to a customer. As part of adoption of ASC 606, the Opera applied the modified retrospective method to contracts that were not completed as of July 1, 2019. Further, results for reporting periods beginning on or after July 1, 2019 are presented under ASC 606, while prior period amounts were not adjusted and continue to be reported under the previous accounting standards. The adoption of ASC 606 had no impact on opening net assets.

The FASB issued ASU No. 2018-08 "Not-for-Profit Entities (Topic 958)". The ASU provides an update to clarify 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) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Opera has adopted the provision as of July 1, 2019 with no effect to previously reported net asset balances.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle (Continued)

The FASB issued ASU No. 2018-13 Fair Value Measurement (Topic 820). The ASU provides an update to disclosures about recurring or nonrecurring fair value measurements. The Opera has adopted the provision as of July 1, 2020 with no effect to previously reported net asset balances.

NOTE 2 – ENDOWMENT INVESTMENTS

The fair value of endowment investments is as follows:

	2021	2020
Equity investments	\$ 2,699,350	\$ 2,068,699
Fixed income	1,182,930	1,053,918
Alternate investments	529,876	425,364
	<u>\$ 4,412,156</u>	<u>\$ 3,547,981</u>

The cost of endowment investments is as follows:

	2021	2020
Equity investments	\$ 2,063,951	\$ 2,127,848
Fixed income	1,165,754	998,955
Alternate investments	484,117	442,898
	<u>\$ 3,713,822</u>	<u>\$ 3,569,701</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 Opera to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of June 30, 2021 and 2020.

Strategies Employed for Achieving Objectives - In order to achieve desired results, the investment strategy should emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income.

Return Objectives and Risk Parameters - The Opera 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 organization must hold in perpetuity. Under this policy the endowment assets are invested in a manner that is intended to produce results that equal or exceed the spending rate of 5% plus the Consumer Price Index (CPI) over a full market cycle.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Opera has a policy of distributing a fixed percentage of the portfolio in order to provide an ongoing stream of income to support operating activities. In establishing this policy, the Opera considered the long-term expected return on its endowment. Accordingly, over the long term, the Opera expects the current spending policy to allow its endowment to grow.

(Continued)

TULSA OPERA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2 – ENDOWMENT INVESTMENTS (CONTINUED)

Laven Sowell Investment - The Opera was the recipient of a \$150,000 contribution during fiscal year 2020. The funds were directed to the Laven Sowell Resident Artist program. The contribution was appropriately recorded as restricted and the unused portion increased net assets with donor restrictions. Restrictions were met in full during fiscal year 2021. For sustainability, the Board of Directors elected to place the funds on deposit with their investment manager during fiscal year 2021. The balance was transferred from Tulsa Opera, Inc. to funds held by Tulsa Opera Endowment Trust.

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash	\$ 18,607	\$ 33,941
Accounts receivable	254,262	444,435
Distributions from endowment investment	300,000	250,000
Distributions from beneficial interest in assets held by others	<u>30,000</u>	<u>30,000</u>
Total	<u>\$ 602,869</u>	<u>\$ 961,007</u>

The Opera regularly monitors liquidity required to meet its operating needs and other contractual commitments.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Opera operates within a balanced budget and anticipates collecting sufficient revenues and grants to cover general expenditures.

NOTE 4 - INVESTMENTS

Investment income and gains and losses on endowment investments and beneficial interest in assets held by others consist of the following for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Realized gain/loss on investments	\$ 368,399	\$ 195,189
Net change in unrealized gains (losses) on investments	809,279	(15,658)
Expenses	<u>(22,589)</u>	<u>(22,234)</u>
Investment income, net	<u>\$ 1,155,089</u>	<u>\$ 157,297</u>

(Continued)

TULSA OPERA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 5 - 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)
June 30, 2021			
Endowment investments	\$ 4,412,156	\$ -	\$ -
Beneficial interest in assets held by others	-	365,779	-
Pledges receivable	-	-	254,262
Total assets	<u>\$ 4,412,156</u>	<u>\$ 365,779</u>	<u>\$ 254,262</u>
June 30, 2020			
Endowment investments	\$ 3,547,981	\$ -	\$ -
Beneficial interest in assets held by others	-	294,601	-
Laven Sowell Investment	157,153	-	-
Pledges receivable	-	-	444,435
Total assets	<u>\$ 3,705,134</u>	<u>\$ 294,601</u>	<u>\$ 444,435</u>

The beneficial interest in assets held by Tulsa Community Foundation are carried at fair value, which is based upon quoted market prices at June 30, 2021 and 2020. Amounts subject to the variance power of the Tulsa Community Foundation are not recorded as an asset of the Opera.

(Continued)

TULSA OPERA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2021	2020
Buildings and improvements	\$ 1,283,531	\$ 1,073,815
Furniture, fixtures, and equipment	499,162	466,589
Land	106,837	106,837
Work in process	49,455	-
Automobiles	42,615	42,615
Total property and equipment	1,981,600	1,689,856
Less accumulated depreciation	(836,100)	(777,461)
Net property and equipment	<u>\$ 1,145,500</u>	<u>\$ 912,395</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$58,639 and \$65,007, respectively.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

During the years ended June 30, 2021 and 2020, net assets in the amount of \$428,298 and \$961,007, respectively, were released from donor restrictions.

	2021	2020
Restricted for a specific purpose		
Education	\$ 374,309	\$ 327,014
Property, plant, and equipment	321,968	106,623
Emiline	35,000	-
Production	-	-
Total restricted for a specific purpose	731,277	433,637
Perpetually restricted	1,612,575	1,612,575
Total net assets with donor restriction	<u>\$ 2,343,852</u>	<u>\$ 2,046,212</u>

NOTE 8 – LINES OF CREDIT

The Opera has two lines of credit with a bank whereby it may borrow up to \$2,000,000 and \$500,000, respectively. The purpose being short-term financing of its operations and debt reduction, respectively. Both of these financing agreements, which mature in October 2024, are secured by endowment assets. Interest accrues at the one month LIBOR interest rate, which at June 30, 2021, was 1.58%, plus 1.5%. As of June 30, 2021 and 2020 the outstanding balance for the first line of credit was \$1,109,698 and \$1,064,698, respectively. The second line was entered into in October 2019. As of June 30, 2021, the outstanding balance for the second line of credit was \$467,709. It should be noted that the benchmark one month LIBOR interest rate will end in December 2021. Bank of Oklahoma will substitute a different interest benchmark that has yet to be determined.

(Continued)

TULSA OPERA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 9 - LEASES

The Opera leases various costumes, equipment, and a storage facility under non-cancellable operating lease agreements. No new lease agreements were entered into during 2021. Total rent expense was \$40,094 and \$59,418 for the years ended June 30, 2021 and 2020, respectively.

The following is a schedule of operating lease obligations:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 30,000
2023	17,500
Total	<u>\$ 47,500</u>

NOTE 10 – 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 are discretionary for employees with more than one year of service. No discretionary contributions were remitted to the plan for the years ended June 30, 2021 and 2020.

NOTE 11 - CONCENTRATIONS OF CREDIT RISK

The Opera had agreements with the local American Federation of Musicians Union for performances in Opera productions during the years ended June 30, 2021 and 2020.

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, 2021 and 2020, the balances were insured by the Federal Deposit Insurance Corporation. At times, the Opera's deposits may exceed insured amounts. Management believes the risk related to these deposits are minimal.

The Opera maintains investment accounts with the Tulsa Community Foundation. The balances are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 coverage for cash and securities held by a firm that is forced into bankruptcy. Cash coverage is limited at \$250,000. At times, the Opera's deposits may exceed insured amounts. Management believes the funds are not exposed to any significant risks due to the diversity of high-grade financial instruments held by the fund and management's routine assessment of the portfolio.

NOTE 12 - SUBSEQUENT EVENTS

The Opera has evaluated subsequent events through June 2, 2022, the date the financial statements were available to be issued.

(Continued)

NOTE 13 – FORGIVENESS OF PPP LOAN

On April 15, 2020, the Opera received loan proceeds in the amount of \$166,800 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loan is forgivable as long as the Opera utilized the funds for eligible purposes including payroll, benefits, rent, and utilities. The Opera was granted forgiveness by the Small Business Administration on March 26, 2021. The amount has been recognized in the combined statement of activities for the year ended June 30, 2021.

NOTE 14 – PPP LOAN

On March 20, 2021, the Opera received a second PPP loan in the amount of \$166,800 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduced salaries during the eight-week period.

In the event any portion of the PPP loan is not forgiven interest is accrued at 1% requiring payments of \$3,336 beginning in January 2022. The Opera believes its use of the loan proceeds will meet the condition for forgiveness of the loan.

Future maturities of the PPP loan are as follows:

Years Ending June 30,	Amount
2022	\$ 20,016
2023	40,032
2024	40,032
2025	40,032
2026	26,688
Total	<u>\$ 166,800</u>

NOTE 15 - NEW ACCOUNTING PRONOUNCEMENTS

In February, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), which provides for more transparency and comparability among organizations by recognizing leased assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021 with early adoption permitted.

(Continued)

NOTE 15 - NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In 2020, the FASB issued ASU 2020-07 to improve generally accepted accounting principals (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The update requires contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of other cash and other financial assets. For each category of contributed nonfinancial assets recognized qualitative information, a description of the valuation techniques, the principal market used to arrive at fair value measure, a description of any donor imposed restrictions, and the Opera's policy for monetizing rather than utilizing contributed nonfinancial assets are required disclosures. The update is effective for annual periods beginning after June 15, 2021 on a retrospective basis.

The Opera will be evaluating the impact these standards will have on its financial statements and related disclosures.