

TULSA OPERA, INC.

Combined Financial Statements

Years Ended June 30, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017, 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., PLLC

Tulsa, Oklahoma
March 28, 2019

TULSA OPERA, INC.
COMBINED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

	Operating	Endowment	Total
Cash and cash equivalents	\$ -	\$ 136,520	\$ 136,520
Pledges receivable	10,225	-	10,225
Accounts receivable	31,081	-	31,081
Deferred production costs and other prepaid expenses	109,668	-	109,668
Property and equipment, net	316,415	-	316,415
Endowment investments	-	3,626,942	3,626,942
Beneficial interest in assets held by others	-	311,019	311,019
Total assets	<u>\$ 467,389</u>	<u>\$ 4,074,481</u>	<u>\$ 4,541,870</u>

LIABILITIES AND NET ASSETS

Liabilities

Checks issued in excess of bank balance	\$ 52,010	\$ -	\$ 52,010
Accounts payable and accrued expenses	21,861	-	21,861
Deferred revenues	249,892	-	249,892
Line of credit	990,797	-	990,797
Total liabilities	<u>1,314,560</u>	<u>-</u>	<u>1,314,560</u>

Net assets

Unrestricted	(847,171)	2,461,906	1,614,735
Permanently restricted	-	1,612,575	1,612,575
Total net assets	<u>(847,171)</u>	<u>4,074,481</u>	<u>3,227,310</u>
Total liabilities and net assets	<u>\$ 467,389</u>	<u>\$ 4,074,481</u>	<u>\$ 4,541,870</u>

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

TULSA OPERA, INC.
COMBINED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS

	Operating	Endowment	Total
Cash and cash equivalents	\$ 22,072	\$ 88,721	\$ 110,793
Pledges receivable	80,025	-	80,025
Deferred production costs and other prepaid expenses	86,813	-	86,813
Property and equipment, net	295,650	-	295,650
Endowment investments	-	3,600,031	3,600,031
Beneficial interest in assets held by others	-	293,520	293,520
Total assets	\$ 484,560	\$ 3,982,272	\$ 4,466,832

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 19,284	\$ -	\$ 19,284
Deferred revenues	122,898	-	122,898
Line of credit	1,147,797	-	1,147,797
Total liabilities	1,289,979	-	1,289,979
Net assets			
Unrestricted	(805,419)	2,369,697	1,564,278
Permanently restricted	-	1,612,575	1,612,575
Total net assets	(805,419)	3,982,272	3,176,853
Total liabilities and net assets	\$ 484,560	\$ 3,982,272	\$ 4,466,832

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

TULSA OPERA, INC.
COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Contributions and grants	\$ 1,241,418	\$ 220,000	\$ -	\$ 1,461,418
In-kind contributions	41,740	-	-	41,740
Subscriptions and ticket sales	279,407	-	-	279,407
Special events	687,489	-	-	687,489
Gain on investments (realized and unrealized), net of investment advisory fees of \$26,787	210,344	-	-	210,344
Dividends and interest	76,834	-	-	76,834
Other	55,425	-	-	55,425
Net assets released from restriction	220,000	(220,000)	-	-
Total revenues	2,812,657	-	-	2,812,657
Expenses				
Artistic productions and education	1,680,766	-	-	1,680,766
Management and general	595,744	-	-	595,744
Marketing and ticket office	232,052	-	-	232,052
Development	45,913	-	-	45,913
Special events	207,725	-	-	207,725
Total expenses	2,762,200	-	-	2,762,200
Increase (decrease) in net assets	50,457	-	-	50,457
Net assets, beginning of year	1,564,278	-	1,612,575	3,176,853
Net assets, end of year	\$ 1,614,735	\$ -	\$ 1,612,575	\$ 3,227,310

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

TULSA OPERA, INC.
COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Contributions and grants	\$ 849,522	\$ 513,051	\$ -	\$ 1,362,573
In-kind contributions	45,021	-	-	45,021
Subscriptions and ticket sales	305,485	-	-	305,485
Special events	590,725	-	-	590,725
Gain on investments (realized and unrealized), net of investment advisory fees of \$19,665	331,362	-	-	331,362
Dividends and interest	72,422	-	-	72,422
Other	42,550	-	-	42,550
Net assets released from restriction	631,251	(631,251)	-	-
Total revenues	2,868,338	(118,200)	-	2,750,138
Expenses				
Artistic productions and education	1,624,279	-	-	1,624,279
Management and general	625,445	-	-	625,445
Marketing and ticket office	237,543	-	-	237,543
Development	86,111	-	-	86,111
Special events	183,846	-	-	183,846
Total expenses	2,757,224	-	-	2,757,224
Increase (decrease) in net assets	111,114	(118,200)	-	(7,086)
Net assets, beginning of year	1,453,164	118,200	1,612,575	3,183,939
Net assets, end of year	\$ 1,564,278	\$ -	\$ 1,612,575	\$ 3,176,853

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

TULSA OPERA, INC.
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 50,457	\$ (7,086)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	42,859	35,651
Realized and unrealized losses (gains), net	(210,344)	(331,362)
Dividends and interest	(76,236)	(71,671)
Change in assets and liabilities:		
Pledges receivable	69,800	(66,229)
Accounts receivable	(31,081)	-
Deferred production costs and other prepaid expenses	(22,855)	(25,141)
Accounts payable and accrued expenses	2,577	(22,267)
Deferred revenues	126,994	(121,464)
Net cash provided by (used in) operating activities	(47,829)	(365,552)
Cash flows from investing activities		
Purchase of property and equipment	(63,624)	(62,759)
Proceeds from sale of investments	242,170	174,946
Purchase of investments	-	(30,741)
Net cash provided by (used in) investing activities	178,546	81,446
Cash flows from financing activities		
Checks issued in excess of bank balance	52,010	-
Cash proceeds from line of credit	1,570,000	1,035,000
Payments on line of credit	(1,727,000)	(532,852)
Net cash provided by (used in) financing activities	(104,990)	502,148
Change in cash and cash equivalents	25,727	(26,065)
Cash and cash equivalents, beginning of year	110,793	136,858
Cash and cash equivalents, end of year	\$ 136,520	\$ 110,793
Supplemental disclosure of cash flows:		
Cash paid for interest	\$ 26,429	\$ 19,276

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

TULSA OPERA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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:

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. 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)

TULSA OPERA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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 2018 or 2017.

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 \$311,019 and \$302,753 at June 30, 2018 and 2017, 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, 2018 AND 2017

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 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, 2018, 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 2014.

Advertising Costs - The Opera expenses advertising costs as incurred. Advertising expense for the years ended June 30, 2018 and 2017, was \$110,017 and \$126,519, 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 reporting period. Actual results could differ from those estimates.

Contributed Services and Assets - During the years ended June 30, 2018 and 2017, 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.

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TULSA OPERA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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.

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

Subsequent Events - The Opera has evaluated subsequent events through March 28, 2019, the date the financial statements were available to be issued.

NOTE 2 -ENDOWMENT INVESTMENTS

The fair value of endowment investments is as follows:

	2018	2017
Equity investments	\$ 2,278,542	\$ 2,319,172
Fixed income	1,106,790	1,168,399
Short-term investments	241,610	112,460
	<u>\$ 3,626,942</u>	<u>\$ 3,600,031</u>

The cost of endowment investments is as follows:

	2018	2017
Equity investments	\$ 1,977,674	\$ 2,142,918
Fixed income	1,128,162	1,158,390
Short-term investments	243,524	109,616
	<u>\$ 3,349,360</u>	<u>\$ 3,410,924</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, 2018 and 2017.

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.

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TULSA OPERA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 2 - ENDOWMENT INVESTMENTS (CONTINUED)

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.

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable are estimated to be collected as follows at June 30:

	2018	2017
Within one year	\$ 10,225	\$ 80,025
Total pledges receivable	\$ 10,225	\$ 80,025

NOTE 4 - INVESTMENTS

Investment income and gains and losses on investments consist of the following for the years ended June 30, 2018 and 2017:

	2018	2017
Realized gain/loss on investments	\$ 126,968	\$ 199,330
Net change in unrealized gains (losses) on investments	110,163	151,697
Expenses	(26,787)	(19,665)
Net investment gain	\$ 210,344	\$ 331,362

(Continued)

TULSA OPERA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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, 2018			
Endowment Investments	\$ 3,626,942	\$ -	\$ -
Beneficial interest in assets held by others	-	311,019	-
Pledges receivable	-	-	10,225
Total Assets	\$ 3,626,942	\$ 311,019	\$ 10,225
June 30, 2017			
Endowment Investments	\$ 3,600,031	\$ -	\$ -
Beneficial interest in assets held by others	-	293,520	-
Pledges receivable	-	-	80,025
Total Assets	\$ 3,600,031	\$ 293,520	\$ 80,025

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, 2018 and 2017. Amounts subject to the variance power of the Tulsa Community Foundation are not recorded as an asset of the Opera.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2018	2017
Buildings and improvements	\$ 416,175	\$ 412,005
Land	106,837	106,837
Furniture, fixtures, and equipment	455,899	396,445
Automobiles	42,615	42,615
Total property and equipment	1,021,526	957,902
Less accumulated depreciation	(705,111)	(662,252)
Net property and equipment	\$ 316,415	\$ 295,650

(Continued)

TULSA OPERA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

During the years ended June 30, 2018 and 2017, net assets in the amount of \$220,000 and \$631,251, respectively, were released from donor restrictions.

Permanently restricted net assets consist of the following:

	2018	2017
Perpetual Endowment	\$ 1,612,575	\$ 1,612,575

NOTE 8 - LINE OF CREDIT

The Opera has a line of credit with a bank whereby it may borrow up to \$2,000,000 for the purpose of short-term financing of its operations. This financing agreement, which matures on October 15th, 2020, is secured by real estate. Interest accrues at the one month LIBOR interest rate, which at June 30, 2018, was 2.09%, plus 1.75%. As of June 30, 2018 and 2017 the outstanding balance was \$990,797 and \$1,147,797, respectively. It should be noted that the benchmark one month LIBOR interest rate will end in 2021. Bank of Oklahoma will substitute a different interest benchmark that has yet to be determined.

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 2018. Total rent expense was \$235,146 and \$66,427 for the years ended June 30, 2018 and 2017, respectively.

The following is a schedule of operating lease obligations:

Year Ending June 30,	Amount
2019	\$ 30,993
2020	16,100
	\$ 47,093

(Continued)

TULSA OPERA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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.

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, 2018 and 2017.

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, 2018 and 2017, 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 - NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), which provides guidance regarding revenue recognition. The core principle of the ASU is to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 is to be applied retrospectively, and is effective for annual reporting periods beginning after December 15, 2017. The Company will be evaluating the impact these standards will have on its financial statements and related disclosures. ASU 2018-08 provides additional clarification for not-for-profit entities regarding scope and guidance for contributions received and contributions made.

In February 2016, the Financial Account Standards Board issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), which provides more transparency and comparability among organizations by recognizing leased assets and leased 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, 2019 with early adoption permitted.

(Continued)

TULSA OPERA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 12 - NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which provides more relevant information regarding available resources (and the changes in those resources) to donors, grantors, creditors, and other users. The most significant aspects of the ASU are as follows: (1) the ASU replaces the current presentation of three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two classes of net assets - net assets with donor restrictions and net assets without donor restrictions, (2) the ASU expands disclosure related to the nature and amount of any donor restrictions, board designations of net assets without donor restrictions as well as any underwater endowment funds, (3) the ASU requires expenses to be presented by nature and function, as well as an analysis of the allocation of these expenses, and (4) the ASU requires specific quantitative and qualitative disclosures to improve the ability of financial statement users to assess the entity's available financial resources and the methods by which it manages liquidity and liquidity risk. ASU 2016-14 is to be applied retrospectively, and is effective for years beginning after December 15, 2017, with early adoption permitted.

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