

**ALLIED ARTS OF OKLAHOMA, INC.**

**FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEARS ENDED**  
**JUNE 30, 2021 AND 2020**

**TOGETHER WITH**  
**INDEPENDENT AUDITOR'S REPORT**



# **ALLIED ARTS OF OKLAHOMA, INC.**

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**June 30, 2021 and 2020**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Allied Arts of Oklahoma, Inc.  
Oklahoma City, Oklahoma

We have audited the accompanying financial statements of Allied Arts of Oklahoma, Inc. (a nonprofit organization) (the "Organization"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Allied Arts of Oklahoma, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for years then ended in accordance with accounting principles generally accepted in the United States of America.

*HSPG & Associates, P.C.*

March 24, 2022

HSPG & ASSOCIATES, PC

**ALLIED ARTS OF OKLAHOMA, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,086,037	\$ 1,477,385
Certificates of deposit	264,894	263,950
Investments, available for operations	1,027,021	920,458
Pledges receivable, net of allowance for doubtful accounts of \$93,555 and \$92,774, respectively	1,642,239	827,529
Investments, designated for endowment	3,118,294	2,439,651
Beneficial interest in assets held by others	1,002,333	776,836
Property and equipment, net of \$349,242 and \$333,975 accumulated depreciation, respectively	63,077	79,489
Other assets	32,426	28,562
<b>TOTAL ASSETS</b>	<b>\$ 9,236,321</b>	<b>\$ 6,813,860</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 58,116	\$ 68,364
Accrued compensation payable	95,271	93,882
Allocations payable (within one year)	2,541,863	2,534,334
<b>TOTAL LIABILITIES</b>	<b>2,695,250</b>	<b>2,696,580</b>
<b>NET ASSETS</b>		
Without donor restrictions		
Operations	1,625,807	782,293
Board designated:		
Centennial Fund	3,118,294	2,439,651
Beneficial interest in assets held by others	853,702	655,046
Total without donor restrictions	5,597,803	3,876,990
With donor restrictions	943,268	240,290
<b>TOTAL NET ASSETS</b>	<b>6,541,071</b>	<b>4,117,280</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 9,236,321</b>	<b>\$ 6,813,860</b>

The accompanying notes are an integral part of these financial statements.

**ALLIED ARTS OF OKLAHOMA, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021 (with comparative totals for June 30, 2020)**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>OPERATING SUPPORT AND REVENUES</b>				
Annual campaign contributions	\$ 3,845,482	\$ 88,360	\$ 3,933,842	\$ 3,165,769
In-kind contributions	-	-	-	58,244
Other grants and contributions	501,032	691,277	1,192,309	137,929
Special event revenues	536,060	-	536,060	213,248
Paycheck protection program forgivable loan	-	-	-	135,200
Other income	9,274	-	9,274	11,561
Restrictions released	114,375	(114,375)	-	-
Total operating support and revenues	<u>5,006,223</u>	<u>665,262</u>	<u>5,671,485</u>	<u>3,721,951</u>
<b>OPERATING EXPENSES</b>				
Program services:				
Grants and allocations	2,826,943	-	2,826,943	2,705,079
Grant support and other services	419,359	-	419,359	435,961
Total program services	<u>3,246,302</u>	<u>-</u>	<u>3,246,302</u>	<u>3,141,040</u>
Supporting services:				
Management and general	246,265	-	246,265	249,273
Costs of direct benefits to donors	140,381	-	140,381	91,125
Fundraising:				
In-kind	-	-	-	58,244
Other	611,639	-	611,639	675,157
Total supporting services	<u>998,285</u>	<u>-</u>	<u>998,285</u>	<u>1,073,799</u>
Total operating expenses	<u>4,244,587</u>	<u>-</u>	<u>4,244,587</u>	<u>4,214,839</u>
Changes in net assets from operations	<u>761,636</u>	<u>665,262</u>	<u>1,426,898</u>	<u>(492,888)</u>
<b>NON-OPERATING CHANGES</b>				
Investment activity:				
Interest earned on investments	64,684	-	64,684	83,210
Investment management fees	(20,704)	-	(20,704)	(19,714)
Net realized and unrealized investment gains (losses)	742,134	-	742,134	17,025
Change in beneficial interest in assets held by others	173,063	37,716	210,779	18,793
Total non-operating changes	<u>959,177</u>	<u>37,716</u>	<u>996,893</u>	<u>99,314</u>
<b>CHANGE IN NET ASSETS</b>	<u>1,720,813</u>	<u>702,978</u>	<u>2,423,791</u>	<u>(393,574)</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>3,876,990</u>	<u>240,290</u>	<u>4,117,280</u>	<u>4,510,854</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 5,597,803</u>	<u>\$ 943,268</u>	<u>\$ 6,541,071</u>	<u>\$ 4,117,280</u>

The accompanying notes are an integral part of these financial statements.

**ALLIED ARTS OF OKLAHOMA, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>OPERATING SUPPORT AND REVENUES</b>			
Annual campaign contributions	\$ 3,165,769	\$ -	\$ 3,165,769
In-kind contributions	58,244	-	58,244
Other grants and contributions	113,211	24,718	137,929
Special event revenues	160,728	52,520	213,248
Paycheck protection program forgivable loan	135,200	-	135,200
Other income	11,561	-	11,561
Restrictions released	68,011	(68,011)	-
Total operating support and revenues	<u>3,712,724</u>	<u>9,227</u>	<u>3,721,951</u>
<b>OPERATING EXPENSES</b>			
Program services:			
Grants and allocations	2,705,079	-	2,705,079
Grant support and other services	435,961	-	435,961
Total program services	<u>3,141,040</u>	<u>-</u>	<u>3,141,040</u>
Supporting services:			
Management and general	249,273	-	249,273
Costs of direct benefits to donors	91,125	-	91,125
Fundraising:			
In-kind	58,244	-	58,244
Other	675,157	-	675,157
Total supporting services	<u>1,073,799</u>	<u>-</u>	<u>1,073,799</u>
Total operating expenses	<u>4,214,839</u>	<u>-</u>	<u>4,214,839</u>
Changes in net assets from operations	<u>(502,115)</u>	<u>9,227</u>	<u>(492,888)</u>
<b>NON-OPERATING CHANGES</b>			
Investment activity:			
Interest earned on investments	83,210	-	83,210
Investment management fees	(19,714)	-	(19,714)
Net realized and unrealized investment gains (losses)	17,025	-	17,025
Change in beneficial interest in assets held by others	16,177	2,616	18,793
Total non-operating changes	<u>96,698</u>	<u>2,616</u>	<u>99,314</u>
<b>CHANGE IN NET ASSETS</b>	<b>(405,417)</b>	<b>11,843</b>	<b>(393,574)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u><b>4,282,407</b></u>	<u><b>228,447</b></u>	<u><b>4,510,854</b></u>
<b>NET ASSETS, END OF YEAR</b>	<u><u><b>\$ 3,876,990</b></u></u>	<u><u><b>\$ 240,290</b></u></u>	<u><u><b>\$ 4,117,280</b></u></u>

The accompanying notes are an integral part of these financial statements.

**ALLIED ARTS OF OKLAHOMA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2021 (with comparative totals for June 30, 2020)**

	2021						2020	
	Program Services		Supporting Services					
	Grants & Allocations	Grant Support & Other Services	Management and General	Costs of Direct Benefits to Donors	Fundraising: In-Kind	Fundraising: Other	Total	Total
Member agency allocations	\$ 2,300,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,300,000	\$ 2,300,005
Education outreach	193,000	-	-	-	-	-	193,000	191,500
Small grant program	60,000	-	-	-	-	-	60,000	60,000
Arts relief grants	273,943	-	-	-	-	-	273,943	153,574
Personnel	-	296,232	186,668	-	-	415,131	898,031	920,260
Occupancy	-	31,273	19,707	-	-	37,114	88,094	86,242
Events	-	-	-	140,381	-	15,353	155,734	121,432
In-kind expenses	-	-	-	-	-	-	-	58,244
Office expense:								
Printing	-	2,128	227	-	-	7,884	10,239	11,283
Postage	-	2,382	637	-	-	3,061	6,080	5,636
Telephone	-	2,366	1,491	-	-	2,808	6,665	6,749
Dues and subscriptions	-	2,811	1,771	-	-	3,336	7,918	9,073
Administrative fees & charges	-	-	8,664	-	-	13,288	21,952	18,036
Supplies	-	4,526	3,012	-	-	180	7,718	7,588
Other expenses	-	6,157	3,883	-	-	7,303	17,343	23,054
Donor relations	-	-	-	-	-	29,640	29,640	39,918
Bad debt expense	-	28,618	3,055	-	-	4,685	36,358	31,658
Depreciation and amortization	-	5,420	3,415	-	-	6,432	15,267	11,261
Professional services	-	8,763	5,522	-	-	10,400	24,685	24,306
Marketing	-	15,564	-	-	-	39,464	55,028	98,639
Technology	-	8,369	5,274	-	-	9,933	23,576	21,814
Meetings	-	85	-	-	-	91	176	230
Travel	-	1,868	1,177	-	-	2,217	5,262	6,478
Insurance	-	2,797	1,762	-	-	3,319	7,878	7,859
Total	<u>\$ 2,826,943</u>	<u>\$ 419,359</u>	<u>\$ 246,265</u>	<u>\$ 140,381</u>	<u>\$ -</u>	<u>\$ 611,639</u>	<u>\$ 4,244,587</u>	<u>\$ 4,214,839</u>

The accompanying notes are an integral part of these financial statements.

**ALLIED ARTS OF OKLAHOMA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Program Services		Supporting Services				
	Grants & Allocations	Grant Support & Other Services	Management and General	Costs of Direct Benefits to Donors	Fundraising: In-Kind	Fundraising: Other	Total
Member agency allocations	\$ 2,300,005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,300,005
Education outreach	191,500	-	-	-	-	-	191,500
Small grant program	60,000	-	-	-	-	-	60,000
Arts relief grants	153,574	-	-	-	-	-	153,574
Personnel	-	304,150	191,657	-	-	424,453	920,260
Occupancy	-	30,616	19,292	-	-	36,334	86,242
Events	-	-	-	91,125	-	30,307	121,432
In-kind expenses	-	-	-	-	58,244	-	58,244
Office expense:							
Printing	-	2,345	250	-	-	8,688	11,283
Postage	-	2,208	590	-	-	2,838	5,636
Telephone	-	2,396	1,510	-	-	2,843	6,749
Dues and subscriptions	-	3,221	2,030	-	-	3,822	9,073
Administrative fees & charges	-	-	7,119	-	-	10,917	18,036
Supplies	-	4,450	2,961	-	-	177	7,588
Other expenses	-	8,184	5,161	-	-	9,709	23,054
Donor relations	-	-	-	-	-	39,918	39,918
Bad debt expense	-	24,919	2,660	-	-	4,079	31,658
Depreciation and amortization	-	3,998	2,519	-	-	4,744	11,261
Professional services	-	8,629	5,437	-	-	10,240	24,306
Marketing	-	27,899	-	-	-	70,740	98,639
Technology	-	7,744	4,880	-	-	9,190	21,814
Meetings	-	112	-	-	-	118	230
Travel	-	2,300	1,449	-	-	2,729	6,478
Insurance	-	2,790	1,758	-	-	3,311	7,859
Total	<u>\$ 2,705,079</u>	<u>\$ 435,961</u>	<u>\$ 249,273</u>	<u>\$ 91,125</u>	<u>\$ 58,244</u>	<u>\$ 675,157</u>	<u>\$ 4,214,839</u>

The accompanying notes are an integral part of these financial statements.



**ALLIED ARTS OF OKLAHOMA, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 2,423,791	\$ (393,574)
Adjustments to reconcile change in net assets to net cash flows provided by (used in) operations:		
Depreciation and amortization	15,267	11,261
Bad debt expense	36,358	31,658
Net realized and unrealized investment (gains) losses	(742,134)	(17,025)
Change in beneficial interest in assets held by others	(210,779)	(18,793)
Non-cash investment earnings	(44,016)	(63,035)
Changes in operating assets and liabilities:		
Pledges receivable	(851,068)	(75,601)
Other assets	(2,719)	(724)
Accounts payable	(10,248)	1,903
Accrued compensation payable	1,389	19,850
Allocations payable	7,529	(11,666)
Net cash provided by (used in) operating activities	<u>623,370</u>	<u>(515,746)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash additions to beneficial interest	(52,130)	-
Distributions received from beneficial interest in assets held by others	37,412	35,456
Proceeds from sale of investments	-	250,000
Cash payments for the purchase of investments	-	(8)
Cash payments for the purchase of property and equipment	-	(60,695)
Net cash provided by (used in) investing activities	<u>(14,718)</u>	<u>224,753</u>
<b>CHANGE IN CASH</b>	608,652	(290,993)
<b>CASH AND CASH EQUIVALENTS:</b>		
<b>BEGINNING OF YEAR</b>	<u>1,477,385</u>	<u>1,768,378</u>
<b>END OF YEAR</b>	<u><u>\$ 2,086,037</u></u>	<u><u>\$ 1,477,385</u></u>

The accompanying notes are an integral part of these financial statements.

**ALLIED ARTS OF OKLAHOMA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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**1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Organization*** – Allied Arts of Oklahoma, Inc. (the “Organization”) is a not-for-profit organization formed to provide financial support for certain Oklahoma City cultural agencies. It also provides additional services in support of the cultural community in the Oklahoma City area including education outreach, community grants, financial oversight of member agencies, cultural community impact activities, input on related public policies, volunteer coordination and support, planning for cultural community needs, information and referral services, and participation with national affiliates. The Organization’s support comes primarily through donor contributions.

***Basis of Accounting*** – The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other assets and liabilities.

***Basis of Presentation*** – Net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Organization reports information regarding its financial position and activities as follows:

***Net assets without donor restrictions*** – Net assets available for use in general operations that are not subject to donor-imposed restrictions.

***Net assets with donor restrictions*** – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

***Contribution revenue recognition*** – Contributions, including unconditional promises to give, are recognized as revenues in the period received by the Organization. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift.

Contributions are reported as increases in the appropriate net asset category. Expenses are reported as decreases in net assets without donor restrictions. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service. Gifts of property and equipment are recorded as support without donor restrictions unless explicit donor stipulations specify how the assets must be used, in which case the gift is recorded as support with donor restrictions. Expirations of temporary restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Contributions which are received and whose restrictions are met in the same period are recognized as contributions without donor restrictions.

***Special event revenues*** – The Organization conducts various special events throughout the year to raise contributions in support of its overall mission. Based on management’s communications with various donors and/or the giving history of various donors, management has allocated a portion of funds received during the special events as annual campaign contributions.

**Cash and Cash Equivalents** – For purposes of reporting cash flows, the Organization considers all cash on hand, demand deposit bank accounts and temporary investments with an original maturity of three months or less, when purchased, to be cash equivalents except those cash equivalents included in the Organization’s investment accounts.

**Certificates of Deposit** – Certificates of deposit are recorded at cost plus accrued interest.

**Pledges Receivable** – Pledges receivable consist of unconditional promises to give, net of estimated discounts. No discounts have been recorded as of June 30, 2021 or 2020, as all pledges are expected to be received within one year. The Organization determines the allowance for doubtful accounts based on historical experience, an assessment of economic conditions, and a review of subsequent collections.

**Investments** – Investments are recorded at fair value as determined by the investment manager. Realized investment gains and losses are computed on the average cost basis. These gains and losses and other investment income (i.e. interest and dividends) are reflected in the statements of activities.

**Beneficial Interest in Assets Held by Others** – The Organization accounts for assets that are contributed by the Organization to the Oklahoma City Community Foundation (the “Community Foundation”) as an asset of the Organization, if it has been specified as the beneficiary of those assets. All contributions of this type, and the activity associated with the asset held at the Community Foundation, are reported at fair value as beneficial interest in assets held by others in the statements of financial position, with the related changes in fair value reported in the statements of activities. Distributions to the Organization from these funds reduce the Organization’s beneficial interest in assets held by others.

**Concentration of Credit Risk** – The Organization maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. As of June 30, 2021 and 2020, the Organization’s balances with financial institutions subject to FDIC coverage exceeded such coverage by \$1,605,335 and \$1,069,145, respectively. The Organization has not experienced any losses in such accounts, and does not believe that it is exposed to any significant credit risk on cash.

The Organization’s pledges receivable at June 30, 2021, include approximately \$1,000,000 from one donor representing 61% of total pledges receivable. The Organization’s pledges receivable at June 30, 2020, include approximately \$450,000 from three donors representing 54% of total pledges receivable.

**In-kind Support** – The Organization recognizes various types of in-kind support including professional services, advertising, materials, and property and equipment to support the Organization’s fundraising efforts. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses or property and equipment. For the years ended June 30, 2021 and 2020, the Organization has reported in-kind contributions in the amount of \$-0- and \$58,244, respectively, in the accompanying statements of activities.

The Organization receives donated services from unpaid volunteers assisting in the activities of the Organization which do not meet the two recognition criteria described above. Accordingly, the value of these contributed services has not been determined and is not reflected in the accompanying financial statements.

**Functional Expenses** – Costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Costs are allocated between program services, management and general, costs of direct benefits to donors, and fundraising based on evaluations of the related activities. Management and general expenses are those expenses which are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization.

**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 certain reported amounts of assets and liabilities and disclosed contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Tax Status** – The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”), and is classified as other than a private foundation under Section 509(a) of the Code. Generally, all revenue earned outside the purpose for which the Organization is created is taxable as earned income. With few exceptions, the Organization is not subject to examination by any tax jurisdiction for years prior to 2018.

**Fair Value Measurements** – The Organization follows Accounting Standards Codification (“ASC”) Topic 820, Fair Value Measurements, which provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The inputs to the three levels of the fair value hierarchy under Topic 820 are described as follows:

- Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from, or corroborated by, observable market data by correlation to other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Unobservable and significant to the fair value measurement.

Financial assets subject to fair value measurement disclosure requirements include investments and beneficial interest in assets held by others (see Note 4). The Organization has no liabilities carried at fair value on a recurring basis and no assets or liabilities carried at fair value on a non-recurring basis at June 30, 2021 and 2020.

**Subsequent Events** – The Organization has evaluated subsequent events through March 24, 2022, which is the date the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure in the accompanying financial statements.

**Recent accounting pronouncements** – In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02 “Leases (Topic 842).” The purpose of the guidance is to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position as well as providing

additional disclosure requirements related to leasing arrangements. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2021, though early adoption is permitted.

In September 2020, the FASB issued ASU No. 2020-07 “*Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*” which increases transparency around contributed nonfinancial assets (also known as “gifts-in-kind”) received by not-for-profit (“NFP”) organizations including transparency on how those assets are used and how they are valued. The ASU requires an NFP to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires an NFP to disclose certain information related to the types of contributed nonfinancial assets received, whether they were utilized or monetized, the NFP’s policy, if any, about monetizing rather than utilizing such assets, and valuation techniques used to determine the valuation of such contributed assets. The amendments for this ASU are to be applied retrospectively and are effective for annual periods beginning after June 15, 2021. Early adoption is permitted.

Management is currently evaluating the impact that adopting the above recent accounting pronouncements will have on the Organization’s financial statements in future reporting periods.

## 2. LIQUIDITY AND AVAILABILITY

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

	2021	2020
Cash and cash equivalents	\$ 2,086,037	\$ 1,477,385
Certificates of deposit	264,894	263,950
Investments, available for operations	1,027,021	920,458
Investments, designated for endowment	3,118,294	2,439,651
Pledges receivable, net of allowance	1,642,239	827,529
Distributions from beneficial interests in assets held by others	48,272	34,711
	<u>8,186,757</u>	<u>5,963,684</u>
Less:		
Pledges receivable expected to be received in more than one year	(300,000)	-
Assets designated for endowment	<u>(3,118,294)</u>	<u>(2,439,651)</u>
Total	<u>\$ 4,768,463</u>	<u>\$ 3,524,033</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The Organization receives contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. Assets designated for endowment are available for use at the discretion of the board of directors.

### 3. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Organization transferred funds to the Community Foundation and specified itself as the beneficiary of the funds. The statements of financial position as of June 30, 2021 and 2020 include the beneficial interest in assets held by others of \$1,002,333 and \$776,836, respectively, related to these funds. The statements of activities include an increase of \$210,779 and \$18,793 for the years ended June 30, 2021 and 2020, respectively, related to the change in value of the Organization's beneficial interest in the assets held by others. The Organization received distributions of \$37,412 and \$35,456 related to these reciprocal transfers for the years ended June 30, 2021 and 2020, respectively.

Annually, distributions from the funds are paid to the Organization according to the Community Foundation's spending policy. The Community Foundation maintains variance power over these funds. Variance power assures donors that if the charitable purpose of their contribution becomes impractical or impossible, the distributions will be directed to similar purposes in the community. In addition to the funds discussed above, the Community Foundation maintains other funds that have been contributed by various donors to the Community Foundation for the benefit of the Organization. These funds are not included as assets of the Organization. The earnings from these funds are paid to the Organization each year in accordance with the Community Foundation's spending policy. For the years ended June 30, 2021 and 2020, the Organization received \$35,524 and \$34,155, respectively, from the funds which are reported in other grants and contributions in the statements of activities. At June 30, 2021 and 2020, the fair value of the funds was \$907,553 and \$734,026, respectively. The Organization has no remainder interest in the corpus of these funds.

### 4. FAIR VALUE MEASUREMENTS

Assets measured at fair value consist of the following:

	As of June 30, 2021				
	Carrying Value	Total Fair Value	Fair Value Measurements		
			Level 1	Level 2	Level 3
ASSETS					
Investments:					
Cash Equivalents	\$ 36,125	\$ 36,125	\$ 36,125	\$ -	\$ -
Mutual Funds:					
Equity	2,300,090	2,300,090	2,300,090	-	-
Fixed Income	1,809,100	1,809,100	1,809,100	-	-
Total Investments	4,145,315	4,145,315	4,145,315	-	-
Beneficial interest in assets held by others	1,002,333	1,002,333	-	-	1,002,333
	\$ 5,147,648	\$ 5,147,648	\$ 4,145,315	\$ -	\$ 1,002,333

As of June 30, 2020					
	Carrying Value	Total Fair Value	Fair Value Measurements		
			Level 1	Level 2	Level 3
ASSETS					
Investments:					
Cash Equivalents	\$ 23,185	\$ 23,185	\$ 23,185	\$ -	\$ -
Mutual Funds:					
Equity	1,670,133	1,670,133	1,670,133	-	-
Fixed Income	1,666,791	1,666,791	1,666,791	-	-
Total Investments	3,360,109	3,360,109	3,360,109	-	-
Beneficial interest in assets held by others					
	776,836	776,836	-	-	776,836
	\$ 4,136,945	\$ 4,136,945	\$ 3,360,109	\$ -	\$ 776,836

Following is a description of methodologies used for assets valued at fair value.

*Investments:* When quoted prices are available in an active market, securities are classified within Level 1 of the hierarchy. Investments classified as Level 1 include cash equivalents and mutual funds.

*Beneficial interest in assets held by others:* The fair value of the Organization's beneficial interest in assets held by others is based on the fair value of fund investments as reported by the Community Foundation. These are considered to be level 3 investments.

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the years ended June 30, 2021 and 2020.

	2021	2020
Balance at beginning of year	\$ 776,836	\$ 793,499
Purchases / contributions	52,130	-
Investment return, net	210,779	18,793
Distributions	(37,412)	(35,456)
Balance at end of year	<u>\$ 1,002,333</u>	<u>\$ 776,836</u>

The summary of changes in fair value of level 3 assets has been prepared to reflect the activity in the same categories as those provided by the Community Foundation. Net investment performance includes realized and unrealized gains (losses) on investments, investment income, and administrative fees and is included in change in value of beneficial interest in assets held by others in the accompanying statements of activities. Typically, distributions decrease the Organization's respective financial asset and increase cash at the time of distribution.

## 5. ENDOWMENT FUNDS

The Organization has board-designated and donor-restricted endowment funds including the Centennial Endowment Fund and funds held at the Community Foundation. The Organization initiated the Centennial Endowment Fund in conjunction with the State of Oklahoma's centennial celebration. While founding donors to the Centennial Endowment Fund have not placed any restriction on their gifts, it is the Organization's intention to treat these funds as an endowment with the principal of the gifts being

retained and the income used for purposes designated by the board of directors. The endowment fund held at the Community Foundation includes both board designated and donor restricted funds.

The Organization's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund,
- The purposes of the Organization and the donor-restricted endowment fund,
- General economic conditions,
- The possible effect of inflation and deflation,
- The expected total return from income and the appreciation of investments,
- Other resources of the Organization, and
- The investment policies of the Organization.

***Funds with deficiencies*** – From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2021 and 2020, there were no underwater endowments.

**Return Objectives and Risk Parameters** – The Organization has adopted an investment policy for their endowment assets designed to, in the future, provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended, over the long-term to enhance the total value of the endowment through appreciation, contributions, and/or the reinvestment of excess current earnings; preserve capital and avoid the risk of large loss; and maintain sufficient liquidity to provide for all anticipated withdrawals. To satisfy its long-term objectives, the Organization seeks investment returns through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy** – With regards to the Centennial Endowment Fund, the Organization may appropriate earnings for current use with board approval as influenced by the recent investment returns. With regards to the endowment fund held by the Community Foundation, the Organization's distribution policy is subject to the Community Foundation's spending policy. Distributions received from the Community Foundation are available to support the operations of the Organization.



Endowment net asset composition by type of fund as of June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 148,631	\$ 148,631
Board-designated endowment funds	3,971,996	-	3,971,996
Total endowment funds	<u>\$ 3,971,996</u>	<u>\$ 148,631</u>	<u>\$ 4,120,627</u>

Changes in endowment net assets for the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 3,120,290	\$ 121,790	\$ 3,242,080
Investment return, net	851,706	37,716	889,422
Contributions	-	26,537	26,537
Appropriation of endowment assets for expenditure	-	(37,412)	(37,412)
Endowment net assets, end of year	<u>\$ 3,971,996</u>	<u>\$ 148,631</u>	<u>\$ 4,120,627</u>

Endowment net asset composition by type of fund as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 121,790	\$ 121,790
Board-designated endowment funds	3,120,290	-	3,120,290
Total endowment funds	<u>\$ 3,120,290</u>	<u>\$ 121,790</u>	<u>\$ 3,242,080</u>

Changes in endowment net assets for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 3,097,143	\$ 97,072	\$ 3,194,215
Investment return, net	55,976	2,616	58,592
Contributions	8	24,718	24,726
Appropriation of endowment assets for expenditure	(32,837)	(2,616)	(35,453)
Endowment net assets, end of year	<u>\$ 3,120,290</u>	<u>\$ 121,790</u>	<u>\$ 3,242,080</u>

## 6. NET ASSET WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	2021	2020
Subject to expenditure for specified purposes:		
OPUS event	\$ -	\$ 52,520
Educational Outreach	88,360	-
Life Change Ballroom - employee retention	64,740	-
Online cultural calendar	41,537	65,980
	<u>194,637</u>	<u>118,500</u>
Time restricted for subsequent period	600,000	-
Subject to endowment spending policy and appropriation	148,631	121,790
	<u>\$ 943,268</u>	<u>\$ 240,290</u>

## 7. LEASES

The Organization has a lease agreement for office facilities and equipment under which rent expense was \$79,104 and \$76,260, respectively, for the years ended June 30, 2021 and 2020. Approximate future minimum annual rental payments for leases with remaining noncancelable lease terms in excess of one year as of June 30, 2021 are as follows:

Year Ended	
2022	\$ 82,542
2023	85,846
2024	<u>14,400</u>
	<u>\$ 182,788</u>

## 8. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2021 and 2020, the Organization paid \$79,104 and \$76,260, respectively for the Organization's office lease to an entity whose ownership includes a member of the Organization's board of directors.

## 9. RETIREMENT PLAN

The Organization has established a simple IRA Plan for the benefit of all employees with no provision for earning or term of service requirements. The plan provides for the Organization to make contributions to the plan based on matching 100% of up to 3% of salary deferrals elected by each employee, with such matching percentage determined annually by the board of directors. The Organization's matching contributions for the years ended June 30, 2021 and 2020 totaled \$9,531 and \$9,790, respectively.

## **10. FUNCTIONALIZED EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, occupancy, printing, postage, telephone, dues and subscriptions, supplies, bad debt, depreciation, professional services, marketing, technology, meetings, travel, insurance, and other miscellaneous expenses which are allocated on the basis of estimates of time and effort.

## **11. COVID-19**

In March 2020, the pandemic outbreak of a novel coronavirus known as COVID-19 began to spread throughout the United States, resulting in emergency declarations by national, state and local governments and municipalities. As a result, many industries are experiencing disruption to business operations and reduced consumer spending. While disruptions are expected to be temporary, there is uncertainty surrounding the duration. The Organization acknowledges the spread of COVID-19 has and may continue to potentially negatively impact its operations and financial statements; however, any related financial impact cannot be reasonably estimated at this time.

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