



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

We have audited the financial statements of Allied Arts of Oklahoma, Inc. (“Allied Arts” or “Organization”) for the year ended June 30, 2022, and have issued our report thereon dated March 24, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 12, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. As described in Note 1, the Organization changed accounting policies related to financial reporting by adopting FASB Accounting Standards Update (“ASU”) No. 2020-07 *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* during the year ended June 30, 2022. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used which had no impact to net assets or changes in net assets for previously reported periods. No other new accounting policies were adopted, and the application of other existing policies was not changed during the year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is:

Management’s estimate of the allowance for uncollectible pledges receivable is based on historical collection rates and an analysis of the collectability of individual balances including review of collections after June 30, 2022. We evaluated the key factors and assumptions used to develop the Organization’s allowance for uncollectible pledges receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

HSPG & ASSOCIATES, PC

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. A summary of the adjustments recorded is included as the last page to this letter.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 24, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Board of Directors and management of Allied Arts of Oklahoma, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

HSPG & Associates, P.C.

March 24, 2023

ALLIED ARTS OF OKLAHOMA, INC.
SUMMARY OF RECORDED AUDIT ADJUSTMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

Description of audit entry	Financial Statement Effect - Increase (Decrease)				
	Assets	Liabilities	Net Assets	Revenues	Expenses
To adjust beginning net assets related to prior year audit adjustments.	\$ 29,432	\$ -	\$ 26,661	\$ 2,771	\$ -
Market value adjustments for beneficial interest in assets held at OCCF.	(37,278)	-	-	(37,278)	-
Correct depreciation expense.	4,565	-	-	-	(4,565)
Correct CDBG revenue recognition.	(11,025)	-	-	(11,025)	-
Reclassify distribution from OCCF for reciprocal funds from revenues against beneficial interest held.	(41,089)	-	-	(41,089)	-
Total Effect on Statement of Activities				<u>\$ (86,621)</u>	<u>\$ (4,565)</u>
Total Effect on Statement of Financial Position	<u>\$ (55,395)</u>	<u>\$ -</u>	<u>\$ (55,395)</u>		