

LEADERSHIP OKLAHOMA, INC.

FINANCIAL STATEMENTS

JUNE 30, 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Leadership Oklahoma, Inc.

We have audited the accompanying statements of financial position of Leadership Oklahoma, Inc., (a not-for-profit corporation operating as Leadership Oklahoma) as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Leadership Oklahoma, Inc. as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Van Wieren & Jones, Inc.

Oklahoma City, Oklahoma
August 19, 2009

LEADERSHIP OKLAHOMA, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2009 and 2008

	2009	2008
ASSETS		
Cash	\$ 206,994	\$ 310,996
Certificates of deposit	202,507	-
Unconditional promises to give	77,000	146,348
Investments	981,488	1,163,192
Accrued interest receivable	4,837	3,148
Prepaid expenses	2,095	2,071
Office equipment, net	23,878	21,433
Website development costs, net	<u>7,000</u>	<u>9,000</u>
Total assets	<u>\$ 1,505,799</u>	<u>\$ 1,656,188</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Obligation under capital lease	\$ 9,170	\$ 11,426
Accounts payable and accrued expenses	1,190	7,128
Conditional contributions	23,250	-
Deferred income:		
Member dues	37,225	37,100
Tuition	89,375	102,500
Other	<u>-</u>	<u>300</u>
Total liabilities	160,210	158,454
Net assets		
Unrestricted	273,786	184,533
Board designated endowments	<u>994,803</u>	<u>1,166,853</u>
Total unrestricted	1,268,589	1,351,386
Temporarily restricted	<u>77,000</u>	<u>146,348</u>
	<u>1,345,589</u>	<u>1,497,734</u>
Total liabilities and net assets	<u>\$ 1,505,799</u>	<u>\$ 1,656,188</u>

See Accompanying Notes

LEADERSHIP OKLAHOMA, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2009 and 2008

	2009			2008		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support						
Contributions	\$ 495,787	\$ 27,500	\$ 523,287	\$ 495,009	\$ 130,078	\$ 625,087
Tuition	126,250	-	126,250	130,000	-	130,000
Fees and other revenue	36,125	-	36,125	48,515	-	48,515
Investment income (loss)	(139,372)	-	(139,372)	115,446	-	115,446
Unrealized gain (loss) on investments	(40,403)	-	(40,403)	(181,703)	-	(181,703)
Net assets released from restriction	96,848	(96,848)	-	17,500	(17,500)	-
Total revenue and support	575,235	(69,348)	505,887	624,767	112,578	737,345
Expenses						
Education forums	300,447	-	300,447	262,290	-	262,290
Membership services	264,159	-	264,159	267,573	-	267,573
Administration	82,614	-	82,614	94,848	-	94,848
Fund raising	10,812	-	10,812	10,436	-	10,436
	<u>658,032</u>	<u>-</u>	<u>658,032</u>	<u>635,147</u>	<u>-</u>	<u>635,147</u>
Increase (decrease) in net assets	(82,797)	(69,348)	(152,145)	(10,380)	112,578	102,198
NET ASSETS, beginning of year	<u>1,351,386</u>	<u>146,348</u>	<u>1,497,734</u>	<u>1,361,766</u>	<u>33,770</u>	<u>1,395,536</u>
NET ASSETS, end of year	<u>\$ 1,268,589</u>	<u>\$ 77,000</u>	<u>\$ 1,345,589</u>	<u>\$ 1,351,386</u>	<u>\$ 146,348</u>	<u>\$ 1,497,734</u>

See Accompanying Notes

LEADERSHIP OKLAHOMA, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (152,145)	\$ 102,198
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	7,548	4,971
Realized (gain) loss on sale of investments	182,417	(38,431)
Unrealized (gain) loss on investments	40,403	181,703
Non-cash contribution of equipment	(1,395)	-
(Increase) decrease in operating assets:		
Unconditional promises to give	69,348	(112,578)
Accrued interest receivable	(1,689)	1,460
Prepaid expenses	(24)	4
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(5,938)	6,766
Conditional contributions	23,250	-
Deferred income	(13,300)	(61,543)
	148,475	84,550
NET CASH PROVIDED BY OPERATING ACTIVITIES	148,475	84,550
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(1,227,793)	(1,132,828)
Purchase of certificates of deposit	(202,507)	-
Proceeds from sale of investments	1,186,677	1,002,262
Purchase of office equipment	(6,598)	(2,052)
Increase in website development costs	-	(7,000)
	(250,221)	(139,618)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(250,221)	(139,618)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Reduction in obligation under capital lease	(2,256)	(1,074)
	(2,256)	(1,074)
NET CASH USED BY FINANCING ACTIVITIES	(2,256)	(1,074)
NET INCREASE (DECREASE) IN CASH	(104,002)	(56,142)
CASH, beginning of year	310,996	367,138
CASH, end of year	\$ 206,994	\$ 310,996
Non-cash investment activity:		
Equipment acquired under capital lease	\$ -	\$ 12,500
Supplemental disclosure:		
Interest paid (capital lease)	\$ 684	\$ 396

See Accompanying Notes

LEADERSHIP OKLAHOMA, INC.
Notes to Financial Statements
June 30, 2009

Note 1. Organization

Leadership Oklahoma, Inc. (“Leadership”) was organized in 1987 to develop, educate and nurture a statewide network of proactive leaders for Oklahoma. Leadership provides an annual series of proactive, issues-oriented educational forums. Also, the Organization provides for various membership events and services. The Organization operates under the name “Leadership Oklahoma”.

Leadership is a not-for-profit organization that is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and classified by the Internal Revenue Service as other than a private foundation.

Note 2. Summary of Significant Accounting Policies

The financial statements of Leadership have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below:

Cash

Leadership considers both demand deposits and time deposits maturing in three months or less as cash.

Investments

Investments in mutual funds and stocks with readily determinable fair values and all investments in debt are stated at fair value, based on quoted market prices, with unrealized gains and losses reported in the statement of activities for the year. The recorded amount of donated investment instruments is reflected at the estimated market value at the date of donation.

Equipment

Equipment is recorded at cost and depreciated over the estimated useful life of the assets. Maintenance and repairs are expensed as incurred. Depreciation of equipment is on the straight-line method over three to seven years. Depreciable assets sold, retired or otherwise disposed of are removed from the asset and accumulated depreciation accounts and any gains or losses thereon are reflected in earnings. A formal capitalization policy has not been adopted, but significant additions are capitalized on a case-by-case basis for those assets which have an expected life beyond one year.

Website Development Costs

The costs of developing a website are capitalized and amortized over a five year period using the straight line method.

LEADERSHIP OKLAHOMA, INC.
Notes to Financial Statements
June 30, 2009

Note 2. Summary of Significant Accounting Policies, continued

Net Asset Classifications

Net assets have been segregated to reflect the fair presentation of those resources available for use at the discretion of the board of directors and of those resources over which the board has little, if any, discretion as to use due to externally imposed restrictions. The following net asset classification has been established for Leadership.

Unrestricted net assets – Represents resources over which the board has discretionary control to use in the operations of Leadership. Unrestricted net assets include board designated endowments or quasi-endowments.

Temporarily restricted net assets – Represents resources which have been designated by contributors for use in future years.

Contributions

Leadership reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Contributions are recorded when cash or other assets are received, or when an unconditional promise to give is made. Restricted support that has been received and expended during the year is reported as unrestricted support and unrestricted net assets. Some cash contributions are restricted by the donor and the funds are to be used for a future Leadership program. In the event of program cancellation, the contributions are to be refunded. These conditional contributions are reported as a liability on the statements of financial position.

Leadership reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with specific restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Leadership reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Concentration of Credit Risk

Financial instruments, which potentially subject Leadership to credit risk, consist of cash, promises to give and investments. Leadership maintains its cash balances in high quality financial institutions. From time-to-time, Leadership's cash balances may exceed federally insured limits and management believes any possible credit risk is minimal.

LEADERSHIP OKLAHOMA, INC.
Notes to Financial Statements
June 30, 2009

Note 2. Summary of Significant Accounting Policies, continued

Leadership invests in an endowment account, administered by a trust company, which consists of government securities, corporate bonds and mutual funds. The trust company administers the portfolio in accordance with the Leadership investment policy. The policy indicates the type of investments permitted and the composition of the portfolio. The investment return available for current year expenditures is determined in accordance with the policy. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment account balances and the amounts reported in the statements of financial position and the statements of activities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires Leadership 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncement

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. FSP FAS 157-2 delays the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value on a recurring basis, to fiscal years beginning after November 15, 2008. For all other items, SFAS 157 was effective as of July 1, 2008. Leadership has adopted SFAS 157 as amended by FSP FAS 157-1 and FSP FAS 157-2 as of July 1, 2008. The adoption did not affect the financial statements.

Note 3. Promises to Give

Unconditional promises to give at June 30, 2009, are as follows:

Receivable in less than one year	\$ 60,500
Receivable in one to five years	<u>17,000</u>
	77,500
Less discounts to net present value	<u>500</u>
Net unconditional promises to give	<u>\$ 77,000</u>

Discount rate used on long-term promises to give was 2%. Management considers the reported amounts to be collectible and an allowance for uncollectible promises would not be material.

LEADERSHIP OKLAHOMA, INC.
Notes to Financial Statements
June 30, 2009

Note 4. Investments

Investments are stated at fair market value and consist of the following at June 30:

	2009		Unrealized Appreciation (Depreciation)
	Cost	Market	
Mutual funds	\$ 660,958	\$ 578,836	\$ (82,122)
U.S. Treasury Agency Issues	110,379	111,058	679
Corporate bonds and other assets	<u>292,898</u>	<u>291,594</u>	<u>(1,304)</u>
	<u>\$ 1,064,235</u>	<u>\$ 981,488</u>	<u>\$ (82,747)</u>
	2008		Unrealized Appreciation (Depreciation)
	Cost	Market	
Mutual funds	\$ 1,115,734	\$ 1,076,002	\$ (39,732)
U.S. Treasury Agency Issues	25,000	25,000	-
Corporate bonds and other assets	<u>64,802</u>	<u>62,190</u>	<u>(2,612)</u>
	<u>\$ 1,205,536</u>	<u>\$ 1,163,192</u>	<u>\$ (42,344)</u>

Investment income (loss) is comprised of the following for the year ended June 30:

	2009	2008
Net realized gain (loss) on sale of investments	\$ (182,417)	\$ 38,431
Capital gain distributions	6,181	28,709
Interest and dividends	<u>36,864</u>	<u>48,306</u>
	<u>\$ (139,372)</u>	<u>\$ 115,446</u>

The activity of Board designated endowments is as follows:

Beginning of year		\$ 1,166,853
Contributions		67,000
Investment return		
Interest and dividends	\$ 31,894	
Capital gain distributions	6,181	
Loss on sale of investments	(182,417)	
Unrealized loss on investments	(40,403)	
Trust company fees	<u>(5,685)</u>	(190,430)
Transfers to unrestricted net assets		<u>(48,620)</u>
End of year		<u>\$ 994,803</u>

LEADERSHIP OKLAHOMA, INC.
Notes to Financial Statements
June 30, 2009

Note 5. Fair Value Measurements

Fair values of assets measured on a recurring basis at June 30, 2009 and 2008 are as follows:

	<u>Fair Value</u>	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)
June 30, 2009:		
Mutual funds	\$ 578,836	\$ 578,836
U.S. Treasury Agency issues	111,058	111,058
Corporate bonds and other assets	291,594	291,594
	\$ 981,488	\$ 981,488
June 30, 2008:		
Mutual funds	\$ 1,076,002	\$ 1,076,002
U.S. Treasury Agency issues	25,000	25,000
Corporate bonds and other assets	62,190	62,190
	\$ 1,163,192	\$ 1,163,192

Fair values of mutual funds, U.S. Treasury Agency issues, bonds and stocks are determined by reference to quoted market prices and other relevant information generated by market transactions.

Cash and certificates of deposit and accounts payable are reported at cost, which approximates market value because of the short-term maturities.

Promises to give is stated at cost and is determined by future cash flows using a rate of return based on an estimated interest rate. Obligation under capital lease is stated at cost using a present value method computation. The Organization estimates that the fair value of these financial instruments does not differ materially from the recorded cost in the statements of financial position.

LEADERSHIP OKLAHOMA, INC.
Notes to Financial Statements
June 30, 2009

Note 6. Office Equipment

The following is a summary of office equipment at June 30:

	2009	2008
Office equipment, at cost	\$ 35,269	\$ 28,738
Equipment acquired under capital lease	<u>12,500</u>	<u>12,500</u>
	47,769	41,238
Accumulated depreciation and amortization	<u>(23,891)</u>	<u>(19,805)</u>
	<u>\$ 23,878</u>	<u>\$ 21,433</u>

Note 7. Capital Lease

Leadership has acquired a copier under a five year lease. At the end of the lease term, the copier can be purchased at its fair value. The economic substance of the lease is that Leadership is financing the acquisition through the lease; and accordingly, it is recorded as an asset and liability.

The following is a schedule by years of future minimum payments required under the lease and its present value at June 30, 2009:

Year ended June 30,	
2010	\$ 2,940
2011	2,940
2012	2,940
2013	<u>1,470</u>
Total minimum lease payments	10,290
Less amount representing interest	<u>1,120</u>
Present value of minimum lease payments	<u>\$ 9,170</u>

The present value of minimum lease payments is reported as obligations under capital lease in the liability section of the balance sheet. The asset is amortized over the life of the lease using the straight-line method.

Note 8. Deferred Income

Deferred income includes members dues and class tuition payments received which are applicable to the next year. Membership dues applicable to the current year are included with contributions in the statements of activities. Membership dues revenue was \$82,715 in 2009 (\$84,325 in 2008).

LEADERSHIP OKLAHOMA, INC.
Notes to Financial Statements
June 30, 2009

Note 9. Operating Leases

Leadership entered into an agreement with a building management company for office space effective September 1, 2006. The lease provides for a monthly base rent of \$1,560 through August 31, 2011. In addition to the base rent, the lease provides for additional rent to cover various operating expenses of the landlord. Payments of \$19,247 were made during 2009 (\$18,722 in 2008). Future payments under the terms of the non-cancelable lease are due as follows:

Year ended June 30,		
2010	\$	18,722
2011		18,722
2012		<u>3,120</u>
	\$	<u>40,564</u>

Note 10. Donated Services, Facilities and Materials

Leadership receives a significant amount of donated services from unpaid volunteers who assist in the various programs, administrative work and activities. These donations have not been recognized in the statement of activities because the criteria for recognition under Statements of Financial Accounting Standards No. 116 have not been satisfied. Also, a significant amount of materials, use of facilities and other items have been contributed for use at the class session and membership programs. At June 30, 2009, in-kind contributions included in the statement of activities was \$101,204 (\$100,446 in 2008). These amounts were recorded at the estimated value as of the date of the contribution.

Note 11. Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 12. Employee Benefit Plan

Leadership adopted a defined contribution and salary deferral plan during 2001, which currently covers all eligible employees. Under the plan, Leadership contributes three percent of each eligible employee's salary, plus an additional one to three percent based on the percentage contributed by the employee. The employer contribution expense was \$12,004 in 2009 (\$11,494 in 2008).

Note 13. Subsequent Events

Management has evaluated events and transactions that have occurred, or may occur, for potential recognition or disclosure in the financial statements through August 19, 2009, which is the date the financial statements were available to be issued.

LEADERSHIP OKLAHOMA, INC.
Notes to Financial Statements
June 30, 2009

Note 14. Comparability

Certain amounts reported in the 2008 financial statements have been reclassified to be comparable to the 2009 financial statements.