

**LEADERSHIP OKLAHOMA, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2010**

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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, 2010 and 2009, 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, 2010 and 2009, 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 20, 2010

**LEADERSHIP OKLAHOMA, INC.**

**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
Cash	\$ 218,155	\$ 206,994
Certificates of deposit	355,554	202,507
Unconditional promises to give	64,090	77,000
Investments	1,058,440	981,488
Accrued interest receivable	5,272	4,837
Prepaid expenses	2,074	2,095
Office equipment, net	18,433	23,878
Website development costs, net	<u>5,000</u>	<u>7,000</u>
Total assets	<u>\$ 1,727,018</u>	<u>\$ 1,505,799</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Obligation under capital lease	\$ 6,761	\$ 9,170
Accounts payable and accrued expenses	2,616	1,190
Conditional contributions	-	23,250
Deferred income:		
Member dues	40,375	37,225
Tuition	96,562	89,375
Other	<u>575</u>	<u>-</u>
Total liabilities	146,889	160,210
Net assets		
Unrestricted	373,179	273,786
Board designated endowments	<u>1,120,900</u>	<u>994,803</u>
Total unrestricted	1,494,079	1,268,589
Temporarily restricted	<u>86,050</u>	<u>77,000</u>
	<u>1,580,129</u>	<u>1,345,589</u>
Total liabilities and net assets	<u>\$ 1,727,018</u>	<u>\$ 1,505,799</u>

See Accompanying Notes

**LEADERSHIP OKLAHOMA, INC.**  
**STATEMENTS OF ACTIVITIES**  
**For the Years Ended June 30, 2010 and 2009**

	2010		2009	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Revenue and support		<u>Total</u>		<u>Total</u>
Contributions	\$ 496,850	\$ 69,550	\$ 566,400	\$ 27,500
Tuition	121,250	-	121,250	-
Fees and other revenue	44,627	-	44,627	-
Investment income (loss)	25,597	-	25,597	-
Unrealized gain (loss) on investments	117,973	-	117,973	-
Net assets released from restriction	60,500	(60,500)	-	(96,848)
			\$ 495,787	\$ 126,250
			36,125	36,125
			(139,372)	(139,372)
			(40,403)	(40,403)
			96,848	-
			575,235	(69,348)
Total revenue and support	866,797	9,050	875,847	505,887
Expenses				
Education forums	313,615	-	313,615	-
Membership services	239,019	-	239,019	-
Administration	77,615	-	77,615	-
Fund raising	11,058	-	11,058	-
	641,307	-	641,307	-
			300,447	-
			264,159	-
			82,614	-
			10,812	-
			658,032	-
			(82,797)	(69,348)
Increase (decrease) in net assets	225,490	9,050	234,540	(152,145)
NET ASSETS, beginning of year	1,268,589	77,000	1,345,589	146,348
NET ASSETS, end of year	<u>\$ 1,494,079</u>	<u>\$ 86,050</u>	<u>\$ 1,580,129</u>	<u>\$ 77,000</u>
			<u>\$ 1,268,589</u>	<u>\$ 1,345,589</u>
			<u>\$ 1,268,589</u>	<u>\$ 1,345,589</u>

See Accompanying Notes

**LEADERSHIP OKLAHOMA, INC.**

**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ 234,540	\$ (152,145)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,602	7,548
Realized (gain) loss on sale of investments	7,561	182,417
Unrealized (gain) loss on investments	(117,973)	40,403
Non-cash contribution of equipment	-	(1,395)
(Increase) decrease in operating assets:		
Unconditional promises to give	12,910	69,348
Accrued interest receivable	(435)	(1,689)
Prepaid expenses	21	(24)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	1,426	(5,938)
Conditional contributions	(23,250)	23,250
Deferred income	10,912	(13,300)
	<u>134,314</u>	<u>148,475</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>134,314</b>	<b>148,475</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(146,010)	(1,227,793)
Purchase of certificates of deposit	(153,047)	(202,507)
Proceeds from sale of investments	179,470	1,186,677
Purchase of office equipment	(1,157)	(6,598)
	<u>(120,744)</u>	<u>(250,221)</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(120,744)</b>	<b>(250,221)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Reduction in obligation under capital lease	(2,409)	(2,256)
	<u>(2,409)</u>	<u>(2,256)</u>
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<b>(2,409)</b>	<b>(2,256)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>11,161</b>	<b>(104,002)</b>
CASH, beginning of year	<u>206,994</u>	<u>310,996</u>
CASH, end of year	<u>\$ 218,155</u>	<u>\$ 206,994</u>
Supplemental disclosure:		
Interest paid (capital lease)	<u>\$ 531</u>	<u>\$ 684</u>

See Accompanying Notes

**LEADERSHIP OKLAHOMA, INC.**  
**Notes to Financial Statements**  
**June 30, 2010**

**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”, and is supported primarily through member and donor contributions, grants, tuition, and other revenues.

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. As a result, no provision for current or deferred income tax liability is recognized. Accounting standards require disclosures regarding any uncertain income tax positions. Leadership evaluates any uncertain tax positions using the provisions of Financial Accounting Standards Board (ASC) 450, *Contingencies*. The Organization does not believe that it has engaged in any activity that would result in an uncertain tax position. As a result, management does not believe that any uncertain tax positions currently exist and no loss contingency has been recognized in the accompanying financial statements. The Federal and state information returns of the Organization for 2009, 2008, and 2007 are subject to examinations, generally for three years after they are filed.

**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:

**Date of Management’s Review**

Management has evaluated subsequent events through August 20, 2010, the date which the financial statements were available to be issued.

**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.

**LEADERSHIP OKLAHOMA, INC.**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 2. Summary of Significant Accounting Policies, continued**

**Equipment**

Equipment is recorded at purchased cost or at fair market value, if contributed, 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.

**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 OKLAHOMA, INC.**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 2. Summary of Significant Accounting Policies, continued**

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 invests in a board-designated 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. The policy provides for the transfer of fund to operations annually at the discretion of the Board of Directors. 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.

**LEADERSHIP OKLAHOMA, INC.**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 3. Promises to Give**

Unconditional promises to give is comprised of the following at June 30:

	2010	2009
Receivable in less than one year	\$ 44,990	\$ 60,500
Receivable in one to five years	<u>20,000</u>	<u>17,000</u>
	64,900	77,500
Less discounts to net present value	<u>900</u>	<u>500</u>
Net unconditional promises to give	<u>\$ 64,090</u>	<u>\$ 77,000</u>

Discount rate used on long-term promises to give was 3%. Management considers the reported amounts to be collectible and an allowance for uncollectible promises would not be material.

**Note 4. Investments**

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

	2010		Unrealized Appreciation (Depreciation)
	Cost	Market	
Mutual funds	\$ 642,917	\$ 654,433	\$ 11,516
Corporate bonds and other assets	<u>380,297</u>	<u>404,007</u>	<u>23,710</u>
	<u>\$ 1,023,214</u>	<u>\$ 1,058,440</u>	<u>\$ 35,226</u>
	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>

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

	2010	2009
Net realized gain (loss) on sale of investments	\$ (7,561)	\$ (182,417)
Capital gain distributions	185	6,181
Interest and dividends	<u>32,973</u>	<u>36,864</u>
	<u>\$ 25,597</u>	<u>\$ (139,372)</u>

**LEADERSHIP OKLAHOMA, INC.**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 4. Investments, continued**

The activity of Board designated endowments is as follows:

Beginning of year		\$	994,803
Contributions			44,000
Investment return			
Interest and dividends	\$	28,539	
Capital gain distributions		185	
Loss on sale of investments		(7,561)	
Unrealized gain on investments		117,973	
Trust company fees		<u>(6,225)</u>	132,911
Transfers to unrestricted net assets			<u>(50,814)</u>
End of year			<u>\$ 1,120,900</u>

**Note 5. Fair Value Measurements**

Fair values of assets measured on a recurring basis at June 30, 2010 and 2009 are as follows:

	<u>Fair Value</u>	<b>Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)</b>
June 30, 2010:		
Mutual funds	\$ 654,433	\$ 654,433
Corporate bonds and other assets	<u>404,007</u>	<u>404,007</u>
	<u>\$ 1,058,440</u>	<u>\$ 1,058,440</u>
June 30, 2009:		
Mutual funds	\$ 578,836	\$ 578,836
U.S. Treasury Agency issues	111,058	111,058
Corporate bonds and other assets	<u>291,594</u>	<u>291,594</u>
	<u>\$ 981,488</u>	<u>\$ 981,488</u>

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.

**LEADERSHIP OKLAHOMA, INC.**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 5. Fair Value Measurements, continued**

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.

**Note 6. Office Equipment**

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

	<b>2010</b>	<b>2009</b>
Office equipment, at cost	\$ 25,454	\$ 32,269
Equipment acquired under capital lease	<u>12,500</u>	<u>12,500</u>
	37,954	44,769
Accumulated depreciation and amortization	<u>19,521</u>	<u>(20,891)</u>
	<u>\$ 18,433</u>	<u>\$ 23,878</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, 2010:

Year ended June 30,	
2011	\$ 2,940
2012	2,940
2013	<u>1,470</u>
Total minimum lease payments	7,350
Less amount representing interest	<u>589</u>
Present value of minimum lease payments	<u>\$ 6,761</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.

**LEADERSHIP OKLAHOMA, INC.**  
**Notes to Financial Statements**  
**June 30, 2010**

**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 \$86,095 in 2010 (\$82,715 in 2009).

**Note 9. Temporarily Restricted Net Assets**

Temporarily restricted net assets included the following at June 30:

	2010	2009
Promises to give in future years	\$ 58,600	\$ 77,000
Isaiah Stone Memorial Fund	<u>27,450</u>	<u>-</u>
	<u>\$ 86,050</u>	<u>\$ 77,000</u>

**Note 10. 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 \$18,683 were made during 2010 (\$19,247 in 2009). Future payments under the terms of the non-cancelable lease are due as follows:

Year ended June 30,	
2011	\$ 18,722
2012	<u>3,120</u>
	<u>\$ 21,842</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 professional standards 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, 2010, in-kind contributions included in the statement of activities was \$88,418 (\$101,204 in 2009). These amounts were recorded at the estimated value as of the date of the contribution.

**Note 12. 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.

**LEADERSHIP OKLAHOMA, INC.**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 13. 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 \$11,326 in 2010 (\$12,004 in 2009).

**Note 14. Related Party Transactions**

Leadership has entered into a contractual services agreement with a member of the Board of Directors. Payments for services were \$27,523 in 2010 and \$26,523 in 2009.