

LEADERSHIP OKLAHOMA, INC.

FINANCIAL STATEMENTS

JUNE 30, 2019

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JOE C. CLAY
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Leadership Oklahoma, Inc.

We have audited the accompanying financial statements of Leadership Oklahoma, Inc., (a not-for-profit corporation operating as Leadership Oklahoma), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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 entity'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 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 financial statements.

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

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, 2019 and 2018, 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.

Edmond, Oklahoma
August 22, 2019

LEADERSHIP OKLAHOMA, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

ASSETS	2019	2018
Cash	\$ 359,574	\$ 389,038
Accounts receivable	10,500	12,105
Unconditional promises to give, due within one year	58,000	66,500
Prepaid expenses	2,330	3,917
Unconditional promises to give, due after one year	16,000	48,000
Board designated endowment funds:		
Cash	239,123	76,652
Certificate of deposit	50,000	50,000
Accrued interest	4,573	1,856
Marketable securities and corporate bonds	2,536,927	2,619,213
Deposits	2,571	-
Office equipment, net	43,905	1,249
Leasehold costs, net	32,787	-
Website development costs, net	36,945	21,350
	<u>\$ 3,393,235</u>	<u>\$ 3,289,880</u>
Total assets	\$ 3,393,235	\$ 3,289,880
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 68,477	\$ 23,562
Deferred income:		
Member dues	39,925	43,400
Tuition	136,800	148,200
	<u>245,202</u>	<u>215,162</u>
Total liabilities	245,202	215,162
Net assets		
Without donor restrictions :		
Undesignated	235,410	210,497
Board designated endowments	2,830,623	2,747,721
	<u>3,066,033</u>	<u>2,958,218</u>
Total net assets without donor restrictions	3,066,033	2,958,218
With donor restrictions	82,000	116,500
Total net assets	<u>3,148,033</u>	<u>3,074,718</u>
Total liabilities and net assets	\$ 3,393,235	\$ 3,289,880

See Accompanying Notes

LEADERSHIP OKLAHOMA, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2019 and 2018

	2019		2018		
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue					
Contributions	\$ 517,591	\$ 32,500	\$ 550,091	\$ 78,000	\$ 613,519
Tuition	157,100	-	157,100	-	148,000
Fees and other revenue	51,053	-	51,053	-	58,172
Investment return, net	132,720	-	132,720	-	151,416
Net assets released from restriction					
Satisfied by expenditures for education forums	67,000	(67,000)	-	(74,200)	-
Total revenue and support	925,464	(34,500)	890,964	3,800	971,107
Expenses					
Program services					
Education forums	380,065	-	380,065	-	429,382
Membership services	306,641	-	306,641	-	313,223
Supporting services					
Administration	117,852	-	117,852	-	115,095
Fund-raising	13,091	-	13,091	-	13,709
Total expenses	817,649	-	817,649	-	871,409
Increase (decrease) in net assts	107,815	(34,500)	73,315	95,898	3,800
NET ASSETS, beginning of year	2,958,218	116,500	3,074,718	2,862,320	112,700
NET ASSETS, end of year	\$ 3,066,033	\$ 82,000	\$ 3,148,033	\$ 2,958,218	\$ 116,500

See Accompanying Notes

LEADERSHIP OKLAHOMA, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 73,315	\$ 99,698
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	10,670	6,383
Realized gain on sale of investments	(25,878)	(44,475)
Unrealized gain on investments	(45,475)	(47,828)
(Increase) decrease in operating assets:		
Accounts receivable	1,605	(12,105)
Unconditional promises to give	40,500	(21,906)
Accrued interest receivable	(2,717)	611
Prepaid expenses	1,587	2,904
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	44,915	16,877
Deferred income	(14,875)	12,400
	<u>83,647</u>	<u>12,559</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	83,647	12,559
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	740,311	402,409
Purchase of investments	(586,672)	(509,384)
Increase in deposits	(2,571)	-
Purchase of office equipment	(46,649)	-
Acquisition of leasehold costs	(35,309)	-
Acquisition of website development costs	(19,750)	-
	<u>49,360</u>	<u>(106,975)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	49,360	(106,975)
NET INCREASE (DECREASE) IN CASH	133,007	(94,416)
CASH, beginning of year	<u>465,690</u>	<u>560,106</u>
CASH, end of year	<u>\$ 598,697</u>	<u>\$ 465,690</u>

See Accompanying Notes

LEADERSHIP OKLAHOMA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended June 30, 2019 and 2018

	2019					2018				
	Program Services		Supporting Services			Program Services		Supporting Services		
	Education Forums	Member- ship Services	Admin- istration	Fund- Raising	Total	Education Forums	Member- ship Services	Admin- istration	Fund- Raising	Total
Awards and recognition	\$ -	\$ -	\$ 181	\$ -	\$ 181	\$ -	\$ -	\$ 1,745	\$ -	\$ 1,745
Compensation and related expenses	154,530	139,813	69,349	11,038	374,730	144,121	133,855	60,339	12,026	350,341
Contractual services	-	-	10,821	-	10,821	38,705	-	15,695	-	54,400
Copying and printing	1,679	20,749	679	120	23,227	1,243	19,787	515	91	21,636
Credit card and bank fees	2,556	2,312	1,346	183	6,397	2,487	2,366	1,748	182	6,783
Database system	-	5,951	1,138	-	7,089	-	4,956	1,251	-	6,207
Depreciation	4,481	4,055	1,814	320	10,670	2,617	2,489	1,085	192	6,383
Insurance	2,846	2,574	1,152	203	6,775	2,474	2,353	1,025	181	6,033
Materials and supplies	-	-	-	-	-	-	-	-	-	-
Classes and forums	196,790	18,028	-	-	214,818	223,563	16,750	-	-	240,313
Membership events	-	88,645	-	-	88,645	-	104,474	-	-	104,474
Meetings	-	-	952	-	952	-	-	8,231	-	8,231
Office supplies	2,212	2,001	895	158	5,266	1,566	1,490	649	114	3,819
Other	-	-	10,983	-	10,983	-	-	5,211	-	5,211
Postage	1,286	1,164	521	92	3,063	2,238	2,128	928	164	5,458
Professional fees	-	-	12,481	-	12,481	-	-	10,649	-	10,649
Public relations and promotion	-	8,967	-	-	8,967	-	12,714	-	-	12,714
Rent	9,679	8,757	3,918	691	23,045	7,676	7,301	3,183	562	18,722
Telephone	2,706	2,449	1,096	193	6,444	2,692	2,560	1,116	197	6,565
Travel	1,300	1,176	526	93	3,095	-	-	1,725	-	1,725
	<u>\$ 380,065</u>	<u>\$ 306,641</u>	<u>\$ 117,852</u>	<u>\$ 13,091</u>	<u>\$ 817,649</u>	<u>\$ 429,382</u>	<u>\$ 313,223</u>	<u>\$ 115,095</u>	<u>\$ 13,709</u>	<u>\$ 871,409</u>

See Accompanying Notes

LEADERSHIP OKLAHOMA, INC.
Notes to Financial Statements
June 30, 2019

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.

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. Currently, there are no time deposits maturing in three months or less.

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. Investment return is presented net of investment fees.

LEADERSHIP OKLAHOMA, INC.
Notes to Financial Statements
June 30, 2019

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 five 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.

Leasehold Costs

Leasehold costs are capitalized and amortized over the term of the office lease which is seven years using the straight line method.

Website Development Costs

Website development costs 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.

Net assets without donor restrictions – Represents resources over which the board has discretionary control to use in the operations of Leadership. Net assets without donor restrictions include board designated endowments or quasi-endowments.

Net assets with donor restrictions – Represents resources which are received with donor stipulations or have been designated by contributors for use in future years.

Contributions

Leadership reports gifts of cash and other assets as increases in net assets without donor restrictions if they are received with donor stipulations that limit the use of the donated assets, and the restriction expires in the fiscal year in which the contributions are recognized. Contributions are recorded when cash or other assets are received, or when an unconditional promise to give is made.

LEADERSHIP OKLAHOMA, INC.
Notes to Financial Statements
June 30, 2019

Note 2. Summary of Significant Accounting Policies, continued

Leadership reports gifts of land, buildings, and equipment as contributions without donor restrictions 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 increases in net assets with donor restrictions. 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. Leadership also maintains a bank “sweep” account, which is invested in US Treasury and Agency obligations. This account is not Federally insured. Management believes any possible credit risk is minimal.

Leadership has a board-designated endowment account, administered by a trust company, which consists of corporate bonds, common stocks, mutual funds, and cash equivalents. 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 funds 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, 2019

Note 3. Accounts Receivable and Unconditional Promises to Give

Accounts receivable consists of amounts due from members and sponsors. Unconditional promises to give is comprised of the following at June 30:

	2019	2018
Receivable in less than one year	\$ 58,000	\$ 66,500
Receivable in one to five years	<u>16,500</u>	<u>49,500</u>
	74,500	116,000
Less discounts to net present value	<u>500</u>	<u>1,500</u>
Net unconditional promises to give	<u>\$ 74,000</u>	<u>\$ 114,500</u>

Discount rate used on long-term promises to give was 6% in 2019. Management considers the reported amounts to be collectible and an allowance for uncollectible promises would not be material.

Note 4. Adoption of Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two - net assets with donor restrictions and net assets without donor restrictions. The ASU requires changes in the way certain information is aggregated and reported, including required disclosures of functional expenses. The new standard is effective for the year ended June 30, 2019 and thereafter and must be applied on a retroactive basis. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets; however, certain amounts in the financial statements at June 30, 2018 and for the year then ended have been reclassified to conform to the new presentation requirements.

Note 5. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions and board designations within one year of the balance sheet date.

	2019	2018
Financial assets at year end	\$ 3,274,697	\$ 3,263,364
Less those unavailable for general expenditures		
Within one year due to:		
Board-designated endowment	2,701,651	2,625,228
Unconditional promises to give collectible after one year	<u>16,000</u>	<u>48,000</u>
Financial assets available to meet cash needs for General expenditures within one year	<u>\$ 557,046</u>	<u>\$ 590,136</u>

LEADERSHIP OKLAHOMA, INC.
Notes to Financial Statements
June 30, 2019

Note 5. Liquidity and Availability of Financial Assets (cont.)

The organization is primarily supported through contributions, member dues, class tuition, fees and other revenues, investment return, and transfers from Board-designated endowment fund. See Note 6 for an analysis of the endowment fund. The Organization manages its liquidity by developing and adopting an annual operating budget that provides sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. As part of the Organization's liquidity management, cash balances in excess of daily requirements are invested in interest-bearing accounts.

Note 6. Investments

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

	2019		Unrealized Appreciation (Depreciation)
	Cost	Market	
Mutual funds	\$ 890,245	\$ 1,058,836	\$ 168,591
Common stocks	500,663	699,488	198,825
Corporate bonds	<u>776,158</u>	<u>778,603</u>	<u>2,445</u>
	<u>\$ 2,167,066</u>	<u>\$ 2,536,927</u>	<u>\$ 369,861</u>
	2018		Unrealized Appreciation (Depreciation)
	Cost	Market	
Mutual funds	\$ 1,012,384	\$ 1,107,070	\$ 94,686
Common stocks	1,003,039	1,239,195	236,156
Corporate bonds	<u>279,404</u>	<u>272,948</u>	<u>(6,456)</u>
	<u>\$ 2,294,827</u>	<u>\$ 2,619,213</u>	<u>\$ 324,386</u>

The Board of Directors established an Endowment fund to provide supplemental funding for the programs and projects of the Organization and to provide back-up funding during periods when normal funding is insufficient. Lifetime membership donations are added to the Endowment fund. An investment management trust company manages the fund's operations in accordance with the Board of Directors' investment policy, which includes maximizing total return within a prescribed asset allocation.

LEADERSHIP OKLAHOMA, INC.
Notes to Financial Statements
June 30, 2019

Note 6. Investments, continued

The activity of Board designated endowments is as follows:

Beginning of year		\$ 2,747,721
Contributions		75,557
Investment return		
Interest and dividends	\$ 69,796	
Capital gain distributions	8,304	
Gain on sale of investments	25,878	
Unrealized gain on investments	45,475	
Trust company fees	<u>(19,615)</u>	129,838
Transfers to unrestricted net assets		<u>(122,493)</u>
End of year		<u>\$ 2,830,623</u>

It is the current policy of the Board of Directors to annually transfer funds from the Endowment to the operating bank account. The amount transferred is equivalent to 5% of the prior three calendar year average of the market value of the fund.

Note 7. Fair Value Measurements

Fair values of assets measured on a recurring basis at June 30, 2019 and 2018, are as follows:

	<u>Fair Value</u>	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements Using Other Observable Inputs (Level 2)
June 30, 2019:			
Mutual funds	\$ 1,058,836	\$ 1,058,836	\$ -
Common stocks	699,488	699,488	-
Corporate bonds	<u>778,603</u>	<u>-</u>	<u>778,603</u>
	<u>\$ 2,536,927</u>	<u>\$ 1,758,324</u>	<u>\$ 778,603</u>
June 30, 2018:			
Mutual funds	\$ 1,107,070	\$ 1,107,070	\$ -
Common stocks	1,239,195	1,239,195	-
Corporate bonds	<u>272,948</u>	<u>-</u>	<u>272,948</u>
	<u>\$ 2,619,213</u>	<u>\$ 2,346,265</u>	<u>\$ 272,948</u>

LEADERSHIP OKLAHOMA, INC.
Notes to Financial Statements
June 30, 2019

Note 7. Fair Value Measurements, continued

The fair value accounting literature established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. The fair value of the mutual funds and common stocks are determined by reference to quoted market prices and other relevant information generated by market transactions and are reported under Level 1 inputs. Level 2 inputs consist of observable inputs other than quoted prices for identical assets. Corporate bond pricing is obtained from the trust company which uses third party sources and is reported under Level 2 inputs. Level 3 inputs have the lowest priority. There are no investments classified as Level 3.

Note 8. Office Equipment

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

	2019	2018
Office equipment, at cost	\$ 63,438	\$ 22,684
Accumulated depreciation and amortization	<u>19,533</u>	<u>21,435</u>
	<u>\$ 43,905</u>	<u>\$ 1,249</u>

Note 9. 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 were \$74,275 in 2019 (\$77,500 in 2018).

Note 10. Net Assets with Donor Restrictions

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

	2019	2018
For subsequent periods	\$ 82,000	\$ 116,500
	<u>\$ 82,000</u>	<u>\$ 116,500</u>

Note 11. Operating Leases

Leadership entered into an agreement with a building management company for office space effective March 1, 2019. The lease provides for a monthly base rent of \$2,571 through February 1, 2027. Beginning in 2020, Leadership is to pay for a proportionate amount of the office complex operating expenses. Rental expense for the year ended June 30, 2019 was \$23,045, \$18,722 in 2018.

LEADERSHIP OKLAHOMA, INC.
Notes to Financial Statements
June 30, 2019

Note 11. Operating Leases, continued

Future remaining rental payments at June 30, 2019, are due as follows:

Year ended June 30,	
2020	\$ 30,855
2021	30,855
2022	30,855
2023	30,855
2024	30,855
2025 and thereafter	<u>51,425</u>
	<u>\$ 205,700</u>

Note 12. 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. Some services have been donated which meets the criteria for recognition in the statement of activities and are reported as support in the statement of activities. At June 30, 2019 donated services totaling \$23,600 (\$23,908 in 2018) have been recognized attributable to education forums, membership services and administration. 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, 2019, in-kind contributions included in the statement of activities was \$26,211 (\$39,642 in 2018). These amounts were recorded at the donor's estimated value as of the date of the contribution.

Note 13. 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. Expenses directly attributable to a specific functional activity are reported in that functional activity. Compensation and related expenses, office expenses, copying and printing, telephone, insurance, occupancy, travel, and depreciation are allocated based on time and effort factors of the personnel. Certain other costs have been allocated on a reasonable basis among the programs and supporting services benefited.

Note 14. 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 at June 30, 2019 was \$18,114 (\$17,928 in 2018).

LEADERSHIP OKLAHOMA, INC.
Notes to Financial Statements
June 30, 2019

Note 15. Evaluation of Subsequent Events

Management has evaluated subsequent events through August 22, 2019, the date which the financial statements were available to be issued.