

LEADERSHIP OKLAHOMA, INC.

FINANCIAL STATEMENTS

JUNE 30, 2016

CONTENTS

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS 1

FINANCIAL STATEMENTS

Statements of financial position	2
Statements of activities	3
Statements of cash flows	4
Notes to financial statements	5-12

Van Wieren & Jones, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
3500 S/ BOULEVARD, SUITE 8C
EDMOND, OKLAHOMA 73013
PHONE (405) 844-1711

JOE C. CLAY
JOHN C. JONES

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, 2016 and 2015, and the related statements of activities 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, 2016 and 2015, 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
September 6, 2016

LEADERSHIP OKLAHOMA, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

ASSETS	2016	2015
Cash	\$ 493,185	\$ 525,748
Certificate of deposit	50,000	-
Unconditional promises to give	80,750	108,500
Investments	2,251,724	2,349,415
Accrued interest receivable	2,718	4,158
Prepaid expenses	3,706	2,643
Office equipment, net	4,024	5,693
Website development costs, net	<u>13,728</u>	<u>25,371</u>
Total assets	<u>\$ 2,899,835</u>	<u>\$ 3,021,528</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 34,689	\$ 5,553
Deferred income:		
Member dues	50,265	43,300
Tuition	111,000	115,000
Other	<u>-</u>	<u>300</u>
Total liabilities	195,954	164,153
Net assets		
Unrestricted	217,323	277,450
Board designated endowments	<u>2,354,751</u>	<u>2,416,647</u>
Total unrestricted	2,572,074	2,694,097
Temporarily restricted	<u>131,807</u>	<u>163,278</u>
Total net assets	<u>2,703,881</u>	<u>2,857,375</u>
Total liabilities and net assets	<u>\$ 2,899,835</u>	<u>\$ 3,021,528</u>

See Accompanying Notes

LEADERSHIP OKLAHOMA, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support						
Contributions	\$ 534,364	\$ 31,750	\$ 566,114	\$ 653,727	\$ 101,108	\$ 754,835
Tuition	127,500	-	127,500	125,000	-	125,000
Fees and other revenue	37,841	-	37,841	34,674	-	34,674
Investment income (loss)	10,821	481	11,302	100,503	2,068	102,571
Unrealized gain (loss) on investments	(40,250)	(807)	(41,057)	(73,423)	(1,595)	(75,018)
Net assets released from restriction	62,895	(62,895)	-	66,203	(66,203)	-
Total revenue and support	733,171	(31,471)	701,700	906,684	35,378	942,062
Expenses						
Education forums	401,430	-	401,430	378,882	-	378,882
Membership services	282,195	-	282,195	284,029	-	284,029
Administration	123,965	-	123,965	134,606	-	134,606
Fund raising	47,604	-	47,604	38,397	-	38,397
	855,194	-	855,194	835,914	-	835,914
Increase (decrease) in net assts	(122,023)	(31,471)	(153,494)	70,770	35,378	106,148
NET ASSETS, beginning of year	2,694,097	163,278	2,857,375	2,623,327	127,900	2,751,227
NET ASSETS, end of year	\$ 2,572,074	\$ 131,807	\$ 2,703,881	\$ 2,694,097	\$ 163,278	\$ 2,857,375

See Accompanying Notes

LEADERSHIP OKLAHOMA, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (153,494)	\$ 106,148
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	14,363	14,069
Realized (gain) loss on sale of investments	68,645	(35,347)
Unrealized (gain) loss on investments	41,057	75,018
(Increase) decrease in operating assets:		
Unconditional promises to give	27,750	(30,200)
Accrued interest receivable	1,440	367
Prepaid expenses	(1,063)	273
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	29,136	(4,550)
Deferred income	2,665	(875)
	<u>30,499</u>	<u>124,903</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	30,499	124,903
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	578,483	176,542
Purchase of investments	(590,494)	(239,599)
Certificate of deposit	(50,000)	-
Purchase of office equipment	(1,051)	(1,932)
	<u>(63,062)</u>	<u>(64,989)</u>
NET CASH USED BY INVESTING ACTIVITIES	(63,062)	(64,989)
NET INCREASE (DECREASE) IN CASH	(32,563)	59,914
CASH, beginning of year	525,748	465,834
CASH, end of year	\$ 493,185	\$ 525,748

See Accompanying Notes

LEADERSHIP OKLAHOMA, INC.

Notes to Financial Statements

June 30, 2016

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.

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.

LEADERSHIP OKLAHOMA, INC.

Notes to Financial Statements

June 30, 2016

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.

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.

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 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 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, 2016

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. 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. Additionally, the Isaiah Stone Memorial Fund assets are invested in mutual funds administered by the trust company. 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, 2016

Note 3. Promises to Give

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

	2016	2015
Receivable in less than one year	\$ 62,500	\$ 60,000
Receivable in one to five years	18,500	49,000
	81,000	109,000
Less discounts to net present value	250	500
Net unconditional promises to give	\$ 80,750	\$ 108,500

Discount rate used on long-term promises to give was 2% in 2016 and 2015. 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:

	2016		Unrealized
	Cost	Market	Appreciation (Depreciation)
Mutual funds	\$ 1,330,569	\$ 1,359,778	\$ 29,209
Common stocks	592,965	632,950	39,985
Corporate bonds	254,024	258,996	4,972
	\$ 2,177,558	\$ 2,251,724	\$ 74,166
	2015		
	Cost	Market	Unrealized Appreciation (Depreciation)
Mutual funds	\$ 851,877	\$ 860,578	\$ 8,701
Common stocks	1,062,835	1,161,317	98,482
Corporate bonds	319,480	327,520	8,040
	\$ 2,234,192	\$ 2,349,415	\$ 115,223

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

	2016	2015
Net realized gain on sale of investments	\$ (68,645)	\$ 35,347
Capital gain distributions	10,887	10,914
Interest and dividends	69,060	56,310
	\$ 11,302	\$ 102,571

LEADERSHIP OKLAHOMA, INC.
Notes to Financial Statements
June 30, 2016

Note 4. Investments, continued

The activity of Board designated endowments is as follows:

Beginning of year		\$ 2,416,647
Contributions		72,425
Investment return		
Interest and dividends	\$ 65,847	
Capital gain distributions	9,835	
Loss on sale of investments	(66,912)	
Unrealized loss on investments	(40,250)	
Trust company fees	(17,757)	(49,237)
Transfers to unrestricted net assets		(85,084)
End of year		<u>\$ 2,354,751</u>

It is the current policy of the Board of Directors to annually transfer funds from the Endowment to unrestricted net assets. The amount transferred is equivalent to 4.5% of the three year average of the market value of the fund.

Note 5. Fair Value Measurements

Fair values of assets measured on a recurring basis at June 30, 2016 and 2015, 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, 2016:			
Mutual funds	\$ 1,359,778	\$ 1,359,778	\$ -
Common stocks	632,950	632,950	-
Corporate bonds	<u>258,996</u>	<u>-</u>	<u>258,996</u>
	<u>\$ 2,251,724</u>	<u>\$ 1,992,728</u>	<u>\$ 258,996</u>
June 30, 2015:			
Mutual funds	\$ 860,578	\$ 860,578	\$ -
Common stocks	1,161,317	1,161,317	-
Corporate bonds	<u>327,520</u>	<u>-</u>	<u>327,520</u>
	<u>\$ 2,349,415</u>	<u>\$ 2,021,895</u>	<u>\$ 327,520</u>

LEADERSHIP OKLAHOMA, INC.

Notes to Financial Statements

June 30, 2016

Note 5. 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 6. Office Equipment

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

	2016	2015
Office equipment, at cost	\$ 22,684	\$ 27,433
Accumulated depreciation	<u>18,660</u>	<u>21,740</u>
	<u>\$ 4,024</u>	<u>\$ 5,693</u>

Note 7. 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 \$75,150 in 2016 (\$83,175 in 2015).

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets included the following at June 30:

	2016	2015
Promises to give in future years	\$ 80,750	\$ 108,500
Isaiah Stone Memorial Fund	<u>51,057</u>	<u>54,778</u>
	<u>\$ 131,807</u>	<u>\$ 163,278</u>

The memorial fund consists of cash of \$774 (\$3,158 in 2015) and marketable securities of \$50,283 (\$51,620 in 2015).

LEADERSHIP OKLAHOMA, INC.

Notes to Financial Statements

June 30, 2016

Note 9. Operating Leases

Leadership entered into an agreement with a building management company for office space effective September 1, 2006. The lease was amended and provides for a monthly base rent of \$1,560 through October 31, 2016. Payments of \$18,722 were made during 2016 and 2015. Leadership also leases an office copier which is due in monthly payment of \$146 until expiration in 2018. Total payments during the year was \$1,752. Future payments under the terms of the non-cancelable leases are due as follows:

Year ended June 30,		
2017	\$	7,993
2018		<u>1,022</u>
	\$	<u>9,015</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. 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, 2016 donated services totaling \$30,839 (\$36,205 in 2015) 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, 2016, in-kind contributions included in the statement of activities was \$138,279 (\$126,964 in 2015). These amounts were recorded at the donor's 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.

LEADERSHIP OKLAHOMA, INC.
Notes to Financial Statements
June 30, 2016

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 \$14,419 (\$23,949 in 2015).

Note 13. Evaluation of Subsequent Events

Management has evaluated subsequent events through September 6, 2016, the date which the financial statements were available to be issued.