

**ALLIED ARTS FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2016 AND 2015**

Celinda K. Olszewski, CPA, LLC  
P.O. Box 449  
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# ALLIED ARTS FOUNDATION, INC.

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P.O. Box 449  
Windsor, CO 80550

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Allied Arts Foundation, Inc.

We have audited the accompanying statements of financial position of Allied Arts Foundation, Inc. (a non-profit organization) as of June 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the 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 audits 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 a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Allied Arts Foundation, Inc. of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Celinda S. Oszewski, CPA, LLC*

March 3, 2017

ALLIED ARTS FOUNDATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$2,299,773	\$2,547,902
Pledges receivable, net of \$36,559 and \$46,570 allowance for uncollectible pledges, respectively	618,739	503,655
Investments	2,687,360	3,000,381
Property and equipment, net of \$307,996 and \$282,061 accumulated depreciation, respectively	26,130	50,646
Other assets	65,579	60,635
Beneficial interest in assets held by others	<u>631,376</u>	<u>640,232</u>
<b>TOTAL ASSETS</b>	<b><u>\$6,328,957</u></b>	<b><u>\$6,803,451</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 46,552	\$ 47,893
Accrued payroll and related withholding payable	58,926	73,707
Allocations payable (within one year)	<u>2,312,243</u>	<u>2,565,920</u>
<b>Total liabilities</b>	<b><u>2,417,721</u></b>	<b><u>2,687,520</u></b>
<b>Net assets</b>		
<b>Unrestricted</b>		
Operations	698,709	943,033
Board designated		
Centennial Fund	1,925,853	1,982,381
Oklahoma City Community Foundation	<u>631,376</u>	<u>640,232</u>
<b>Total unrestricted</b>	<b>3,255,938</b>	<b>3,565,646</b>
Temporarily restricted	<u>655,298</u>	<u>550,285</u>
<b>Total net assets</b>	<b><u>3,911,236</u></b>	<b><u>4,115,931</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$6,328,957</u></b>	<b><u>\$6,803,451</u></b>

See accompanying notes to financial statements.

ALLIED ARTS FOUNDATION, INC.  
STATEMENTS OF ACTIVITIES  
For the years ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>OPERATING REVENUES, GAINS AND SUPPORT</b>						
Annual campaign contributions	\$1,123,042	\$1,819,652	\$2,942,694	\$1,208,257	\$2,066,274	\$3,274,531
Contributed services and in-kind contributions	90,495	-	90,495	78,360	-	78,360
Other grants and contributions	77,663	21,000	98,663	7,027	80,853	87,880
Golf tournament, net of \$24,945 and \$25,751 expense, respectively	41,319	-	41,319	50,849	-	50,849
Other events, net of \$51,971 and \$142,690 expense, respectively	41,322	36,650	77,972	165,789	143,060	308,849
Other income	17,985	-	17,985	19,539	-	19,539
Net assets released from restriction	<u>1,772,289</u>	<u>(1,772,289)</u>	<u>-</u>	<u>2,654,479</u>	<u>(2,654,479)</u>	<u>-</u>
Total operating revenues, gains and support	<u>3,164,115</u>	<u>105,013</u>	<u>3,269,128</u>	<u>4,184,300</u>	<u>(364,292)</u>	<u>3,820,008</u>
<b>OPERATING ALLOCATIONS AND EXPENSES</b>						
Program expenses						
Grants and allocations	2,302,454	-	2,302,454	2,580,793	-	2,580,793
Grant support and other services	<u>391,709</u>	<u>-</u>	<u>391,709</u>	<u>419,109</u>	<u>-</u>	<u>419,109</u>
Total program services	<u>2,694,163</u>	<u>-</u>	<u>2,694,163</u>	<u>2,999,902</u>	<u>-</u>	<u>2,999,902</u>
Supporting services						
Management and general	220,802	-	220,802	232,058	-	232,058
Fundraising	<u>600,258</u>	<u>-</u>	<u>600,258</u>	<u>597,215</u>	<u>-</u>	<u>597,215</u>
Total supporting services	<u>821,060</u>	<u>-</u>	<u>821,060</u>	<u>829,273</u>	<u>-</u>	<u>829,273</u>
Total operating allocations and expenses	<u>3,515,223</u>	<u>-</u>	<u>3,515,223</u>	<u>3,829,175</u>	<u>-</u>	<u>3,829,175</u>
Changes in net assets from operations	<u>(351,108)</u>	<u>105,013</u>	<u>(246,095)</u>	<u>355,125</u>	<u>(364,292)</u>	<u>(9,167)</u>

(continued)

See accompanying notes to financial statements.

ALLIED ARTS FOUNDATION, INC.  
 STATEMENTS OF ACTIVITIES  
 For the years ended June 30, 2016 and 2015

(continued)	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>NONOPERATING CHANGES</b>						
Investment activity						
Interest earned on investments	43,660	-	43,660	46,158	-	46,158
Investment management fees	(12,240)	-	(12,240)	(12,425)	-	(12,425)
Investment income received from OCCF	60,069	-	60,069	56,664	-	56,664
Net gain (loss) on sale of investments	118,060	-	118,060	165,735	-	165,735
Unrealized gain (loss) on investments	(143,118)	-	(143,118)	(156,599)	-	(156,599)
Net change in beneficial interest in assets held by others	<u>(25,031)</u>	<u>-</u>	<u>(25,031)</u>	<u>(8,425)</u>	<u>-</u>	<u>(8,425)</u>
Total nonoperating changes	<u>41,400</u>	<u>-</u>	<u>41,400</u>	<u>91,108</u>	<u>-</u>	<u>91,108</u>
CHANGES IN NET ASSETS	(309,708)	105,013	(204,695)	446,233	(364,292)	81,941
NET ASSETS, BEGINNING OF YEAR	<u>3,565,646</u>	<u>550,285</u>	<u>4,115,931</u>	<u>3,119,413</u>	<u>914,577</u>	<u>4,033,990</u>
NET ASSETS, END OF YEAR	<u>\$3,255,938</u>	<u>\$ 655,298</u>	<u>\$3,911,236</u>	<u>\$3,565,646</u>	<u>\$ 550,285</u>	<u>\$4,115,931</u>

See accompanying notes to financial statements.

ALLIED ARTS FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended June 30, 2016

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Grants &amp; Allocations</u>	<u>Grant Support &amp; Other Services</u>	<u>Management &amp; General</u>	<u>Fund Raising</u>	
Member agency allocations	\$2,124,856	\$ -	\$ -	\$ -	\$2,124,856
Education outreach	147,598	-	-	-	147,598
Small grant program	30,000	-	-	-	30,000
Personnel	-	225,045	155,624	294,176	674,845
Occupancy	-	30,921	21,383	32,795	85,099
Events	-	-	-	54,462	54,462
Office expense:					
Printing	-	7,059	754	26,154	33,967
Postage	-	3,524	942	4,529	8,995
Telephone	-	2,517	1,741	2,670	6,928
Dues and subscriptions	-	2,892	2,000	3,067	7,959
Administrative fees & charges	-	-	6,059	9,292	15,351
Supplies	-	2,672	1,778	106	4,556
Other expenses	-	7,109	4,699	59,490	71,298
Donor relations	-	-	-	15,710	15,710
Bad debt expense	-	57,250	6,111	9,372	72,733
Depreciation and amortization	-	9,423	6,517	9,994	25,934
Professional services	-	7,296	5,046	7,739	20,081
Marketing	-	22,047	-	55,902	77,949
Technology	-	5,412	3,742	5,740	14,894
Meetings	-	2,171	-	2,303	4,474
Travel	-	3,778	2,613	4,007	10,398
Insurance	-	2,593	1,793	2,750	7,136
<b>Total allocations and expenses</b>	<u>\$2,302,454</u>	<u>\$391,709</u>	<u>\$220,802</u>	<u>\$600,258</u>	<u>\$3,515,223</u>

See accompanying notes to financial statements.



ALLIED ARTS FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended June 30, 2015

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Grants &amp; Allocations</u>	<u>Grant Support &amp; Other Services</u>	<u>Management &amp; General</u>	<u>Fund Raising</u>	
Member agency allocations	\$2,400,000	\$ -	\$ -	\$ -	\$2,400,000
Education outreach	110,000	-	-	-	110,000
Small grant program	40,000	-	-	-	40,000
Power2Give grants	30,793	-	-	-	30,793
Personnel	-	226,681	157,457	237,819	621,957
Occupancy	-	31,016	21,544	32,539	85,099
Events	-	-	-	65,180	65,180
Office expense:					
Printing	-	10,154	1,001	32,528	43,683
Postage	-	4,116	880	5,484	10,480
Telephone	-	2,472	1,717	2,594	6,783
Dues and subscriptions	-	3,329	2,312	3,492	9,133
Administrative fees & charges	-	-	4,688	7,081	11,769
Supplies	-	1,462	1,016	-	2,478
Other expenses	-	10,115	6,837	18,351	35,303
Donor relations	-	-	-	21,893	21,893
Bad debt expense	-	56,635	5,923	8,946	71,504
Depreciation and amortization	-	22,444	15,590	23,546	61,580
Professional services	-	6,332	4,398	6,643	17,373
Marketing	-	29,538	-	115,576	145,114
Technology	-	5,171	3,592	5,426	14,189
Meetings	-	2,298	-	2,410	4,708
Travel	-	4,884	3,393	5,124	13,401
Insurance	-	2,462	1,710	2,583	6,755
<b>Total allocations and expenses</b>	<b><u>\$2,580,793</u></b>	<b><u>\$419,109</u></b>	<b><u>\$232,058</u></b>	<b><u>\$597,215</u></b>	<b><u>\$3,829,175</u></b>

See accompanying notes to financial statements.

ALLIED ARTS FOUNDATION, INC.  
STATEMENTS OF CASH FLOWS  
For the years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets from operations	\$ (246,095)	\$ (9,167)
Adjustments to reconcile change in net assets from operations to cash flows from operating activities:		
Depreciation and amortization	25,934	61,580
Non-cash contributions	(14,943)	(7,753)
Decrease (increase) in:		
Pledges receivable	(115,084)	328,398
Other assets	(4,944)	6,279
Increase (decrease) in:		
Accounts payable	(1,341)	16,730
Accrued payroll and withholding	(14,781)	9,883
Allocations payable	(253,677)	(18,675)
Total adjustments	<u>( 378,836)</u>	<u>396,442</u>
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	<u>(624,931)</u>	<u>387,275</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash payments for the purchase of property and equipment	(1,418)	(1,229)
Interest received on investments	43,660	46,158
Cash additions to beneficial interest	(16,175)	-
Distributions received on beneficial interest	29,782	27,901
Distributions received on other third-party funds	30,287	28,763
Cash payments for the purchase of investments	(549,936)	(556,690)
Cash proceeds from the sale/maturity of investments	<u>840,602</u>	<u>516,994</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>376,802</u>	<u>61,897</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(248,129)	449,172
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>2,547,902</u>	<u>2,098,730</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$2,299,773</u>	<u>\$2,547,902</u>

See accompanying notes to financial statements.

ALLIED ARTS FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Organization*

Allied Arts Foundation, Inc. (Allied Arts) was incorporated in 1971 under the laws of the State of Oklahoma to conduct unified annual fund drives to provide financial support for certain Oklahoma City cultural agencies. Allied Arts also provides additional services in support of the cultural community in the Oklahoma City area including education outreach, community grants, financial oversight of member agencies, cultural community impact activities, input on related public policies, volunteer coordination and support, planning for cultural community needs, information and referral services and participation with national affiliates.

*Basis of Presentation*

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Allied Arts reports information regarding its financial position and changes in net assets according to three classes of net assets, based on the existence or absence of donor-imposed restrictions, if any, as follows:

**Unrestricted** - expendable amounts available for use without restriction.

**Temporarily Restricted** - amounts which have been temporarily restricted by donors for specific purposes or time periods.

**Permanently Restricted** - amounts required to be maintained for the benefit of Allied Arts with income generated by such amounts available for purposes specified by the donor.

*Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management 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 statement. Actual results could differ from those estimates. Significant estimates used in preparing the financial statements include the collectibility of pledges receivable. It is at least reasonably possible that the significant estimates used will change within the next year.

*Cash and equivalents*

Allied Arts considers highly liquid investments with original maturities of three months or less and held outside of managed investment accounts to be cash equivalents.

ALLIED ARTS FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Investments*

Allied Arts reports investments in equity securities with readily determinable market values and all investments in debt securities at fair value based on quoted market prices with gains and losses included in the statement of activities.

*Property and Equipment*

Purchased assets are recorded at cost, and donated assets are recorded at market value at the time of donation. Property and equipment valued at \$500 or more is capitalized and depreciated over an estimated useful life of two to ten years on a straight-line basis.

*Contributions*

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily-restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Allied Arts 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 explicit 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, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Contributed materials are recorded at market value at the time of donation, and contributed services are recorded at the fair value of the services, provided they meet the following criteria:

- Create or enhance non-financial assets; or
- Require specialized skills, are provided by individuals possessing those skills and would typically be purchased if not provided by donation.

Allied Arts receives services from many volunteers who give significant amounts of their time to Allied Arts' programs, fund-raising campaigns and management. No amounts have been reflected for these types of donated services, as they do not meet the criteria outlined above.

ALLIED ARTS FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016 and 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Functional expenses*

Expenses incurred for Allied Arts to provide their programs and services to the community are categorized and reported on a functional basis as follows:

**Program services** - including agency allocations, education outreach, community grants, financial oversight of member agencies, cultural community impact activities, public policy input, volunteer coordination and support, planning for cultural community needs, providing information and referrals and participation in national affiliates.

**Management and general** - including organizational oversight, business management and finance activities.

**Fundraising** - including activities related to the annual campaign fundraising drive, as well as donor development and cultivation activities.

Expenses are allocated among the program and supportive services benefited based upon either actual usage or the estimated cost attributable to each function.

*Income Taxes*

Allied Arts is an exempt organization under Internal Revenue Service (IRS) Code Section 501(c)(3) and is not classified as a private foundation within the meaning of IRS Code Section 509(a). Therefore, no provision has been made in the financial statements for income taxes.

Allied Arts' information returns for the years ending in 2014, 2015 and 2016 are subject to examination by the IRS, generally for three years after they were filed.

**NOTE 2 - INVESTMENTS**

Allied Arts' investments consisted of:

	<u>2016</u>	<u>2015</u>
Certificates of deposit	\$ 761,506	\$1,018,000
Accrued interest receivable	732	658
Money market mutual funds	14,450	23,912
Equity mutual funds	1,154,207	1,176,302
Fixed income mutual funds	<u>756,465</u>	<u>781,509</u>
	<u>\$2,687,360</u>	<u>\$3,000,381</u>

ALLIED ARTS FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016 and 2015

**NOTE 3 – FAIR VALUE MEASUREMENTS**

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis as of June 30, 2016, are as follows:

	<u>Fair Value</u>	<u>Significant Observable Inputs - Level 2</u>	<u>Significant Unobservable Inputs - Level 3</u>
Money market mutual funds	\$ 14,450	\$ 14,450	\$ -
Equity mutual funds	1,154,207	1,154,207	-
Fixed income mutual funds	756,465	756,465	-
Accrued interest	732	732	-
Beneficial interest	631,376	-	631,376

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis as of June 30, 2015, are as follows:

	<u>Fair Value</u>	<u>Significant Observable Inputs - Level 2</u>	<u>Significant Unobservable Inputs - Level 3</u>
Money market mutual funds	\$ 23,912	\$ 23,912	\$ -
Equity mutual funds	1,176,302	1,176,302	-
Fixed income mutual funds	781,509	781,509	-
Accrued interest	658	658	-
Beneficial interest	640,232	-	640,232

The Organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the years ended June 30, 2016 and 2015.

The various mutual funds and common trust funds are valued at the net asset value (NAV) of shares held in the funds on a daily basis. The beneficial interest is valued at the NAV of the underlying investments as reported by the fund administrator at year end. The changes in the value of the Level 3 – Beneficial Interest are outlined in Note 10 below.

ALLIED ARTS FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016 and 2015

**NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS**

Changes in temporarily restricted net assets occurred as follows:

	Balance 6-30-2015	2016		Balance 6-30-2016
		Received	Released	
Annual campaign pledges	\$542,075	\$1,819,651	\$(1,757,106)	\$604,620
Other events and projects	8,150	57,650	(15,122)	50,678
Power2Give grants	60	-	(60)	
Total	<u>\$550,285</u>	<u>\$1,877,301</u>	<u>\$(1,772,288)</u>	<u>\$655,298</u>

All temporarily restricted net assets are expected to be received and/or used within the next year.

**NOTE 5 – CENTENNIAL FUND**

During the year ended June 30, 2006, Allied Arts initiated the Centennial Endowment Fund (the Fund) in conjunction with the State of Oklahoma’s centennial celebration. While founding donors to the Fund have not placed any restriction on their gifts, it is Allied Arts’s intention to treat these funds as endowment with the principal of the gifts being retained and the income used for purposes designated by their board of directors. Total gifts and pledges to the Fund as of June 30, 2016 were \$1,163,342. See Note 11 for additional information on this fund.

**NOTE 6 – CONTRIBUTED GOODS AND SERVICES**

Contributed goods and services included primarily the value of certain design, production, printing and advertising services related to the annual campaign contributed by area businesses.

**NOTE 7 – RETIREMENT PLAN**

Allied Arts has established a SIMPLE IRA Plan for the benefit of all employees with no provision for earnings or term of service requirements. The plan provides for Allied Arts to make contributions to the plan based on matching 100% of up to 3% of salary deferrals elected by each employee, with such matching percentage determined annually by the board of directors. Allied Arts’ matching contributions for the years ended June 30, 2016 and 2015 totaled \$10,747 and \$10,268, respectively.

ALLIED ARTS FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

**NOTE 8 – CONCENTRATIONS**

Included in cash and cash equivalents are commercial checking account balances of \$13,330 and \$2,101,534 at June 30, 2016 and 2015, respectively, which were not covered by FDIC insurance. Included in investments are cash deposits totaling \$14,450 and \$41,912 at June 30, 2016 and 2015, respectively, which were not covered by FDIC insurance. The broker-dealers of the mutual funds and its security customers are generally covered by the basic insurance of Security Investors Protection Corporation (SIPC). This coverage does not insure any declines in market value of the funds.

Contributors to Allied Arts are almost exclusively individuals and businesses in the Oklahoma City metropolitan area, and approximately ninety percent of the total operating support for Allied Arts is raised during its annual campaign. As a result, support of Allied Arts is highly dependent upon the general economic conditions in the area and upon the success of its annual campaign. However, Allied Arts believes the risk of near term severe impact on their operations due to these concentrations is limited by the diversity among donor entities.

**NOTE 9 – LEASE COMMITMENTS**

Allied Arts has entered into operating leases for office space and equipment. Lease expense related to these agreements totaling \$85,675 and \$86,610 is included in operating expense for the years ended June 30, 2016 and 2015, respectively.

**NOTE 10 - OKLAHOMA CITY COMMUNITY FOUNDATION**

Allied Arts and other donors have contributed to funds administered by the Oklahoma City Community Foundation, Inc. (OCCF) for the benefit of Allied Arts. According to OCCF policy, the principal amounts of such contributions become the legal assets of OCCF.

Financial accounting standards provide that the value of reciprocal transfer assets, that is assets transferred by Allied Arts to organizations raising or holding contributions for others, such as OCCF, be recognized as assets in the financial statements of the transferor. They also provide that the value of assets contributed by others to these types of organizations for the benefit of a specified beneficiary specifically not be recognized and recorded by the beneficiary. Allied Arts' beneficial interest in reciprocal transfer assets included:

Market value of Beneficial interest in assets held by others at July 1, 2014	\$648,657
Change during the year ended June 30, 2015	(8,425)
Change during the year ended June 30, 2016	<u>(8,856)</u>
Market value of Beneficial interest in assets held by others at June 30, 2016	<u>\$631,376</u>



ALLIED ARTS FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

**NOTE 10 - OKLAHOMA CITY COMMUNITY FOUNDATION (continued)**

The market value of assets contributed by others to OCCF for the benefit of Allied Arts and, therefore, not recorded in the financial statements was \$1,227,064 and \$1,268,404 at June 30, 2016 and 2015, respectively, which includes \$600,850 and \$630,609, respectively, administered outside the Allied Arts Affiliated Fund.

Annual distributions from earnings of the Allied Arts Affiliated Fund are based on OCCF's spending policy attributable to its Affiliated Funds which is currently five percent of the average market value over the previous twelve quarters. Distributions to Allied Arts under the spending policy of \$60,069 and \$56,664 were received during the years ended June 30, 2016 and 2015, respectively, and are included in investment income in the statements of activities. Also included in campaign income is \$30,525 and \$29,097 for the years ended June 30, 2016 and 2015, respectively, from assets administered by OCCF outside the Allied Arts Affiliated Fund. Distributions from this Fund are made at the discretion of the Fund trustees.

**NOTE 11 - ENDOWMENT**

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Allied Arts does not currently hold donor-restricted endowment funds, but maintains a board-designated fund for similar purposes described in Note 3 above.

Changes in endowment net assets included:

	Unrestricted	Temporarily Restricted	Total
Endowment net assets as of July 1, 2015	\$1,982,381	\$ -	\$1,982,381
Investment return (loss):			
Investment income (net of fees)	28,620	-	28,620
Net appreciation/depreciation (realized & unrealized)	(25,148)	-	(25,148)
Total investment return	3,472	-	3,472
Contributions	-	-	-
Amounts appropriated for expenditure	(60,000)	-	(60,000)
Endowment net assets at June 30, 2016	\$1,925,853	\$ -	\$1,925,853

Allied Arts has adopted an investment policy for their board-designated endowment assets designed to, in the future, provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended, over the long-term to:

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**NOTE 11 – ENDOWMENT (continued)**

- Enhance the total value of the endowment through appreciation, contributions, and/or the reinvestment of excess current earnings;
- Preserve capital and avoid the risk of large loss;
- Maintain sufficient liquidity to provide for all anticipated withdrawals and to invest in issues with sufficient marketability to provide for unexpected withdrawals.

To satisfy its long-term objectives, Allied Arts seeks investment returns through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Allied Arts targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. Allied Arts may appropriate earnings from their board-designated endowment funds for current use with board approval.

**NOTE 12 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through March 3, 2017, which is the date the financial statements were available to be issued.

**NOTE 13 – ADDITIONAL CASH FLOW STATEMENT DISCLOSURES**

	<u>2016</u>	<u>2015</u>
Common stock, contributed in-kind	\$14,934	\$7,753