

ALLIED ARTS FOUNDATION, INC.

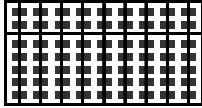
FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

ALLIED ARTS FOUNDATION, INC.

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KNOL & MINNEY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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, 2014 and 2013, 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, 2014 and 2013, 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.

Kend & Minney, PLLC

March 11, 2015

ALLIED ARTS FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$2,098,730	\$2,231,006
Pledges receivable, net of \$60,754 and \$61,254 allowance for uncollectible pledges, respectively	832,053	657,318
Grants receivable	-	30,000
Investments	2,956,222	2,680,192
Property and equipment, net of \$266,532 and \$209,159 accumulated depreciation, respectively	123,147	128,434
Other assets	54,764	44,529
Beneficial interest in assets held by others	<u>648,656</u>	<u>562,503</u>
TOTAL ASSETS	<u>\$6,713,572</u>	<u>\$6,333,982</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 31,163	\$ 39,908
Accrued payroll and related withholding payable	63,824	54,700
Allocations payable (within one year)	<u>2,584,595</u>	<u>2,550,325</u>
Total liabilities	<u>2,679,582</u>	<u>2,644,933</u>
Net assets		
Unrestricted		
Operations	528,384	692,682
Board designated		
Centennial Fund	1,942,373	1,680,192
Oklahoma City Community Foundation	<u>648,656</u>	<u>562,503</u>
Total unrestricted	3,119,413	2,935,377
Temporarily restricted	<u>914,577</u>	<u>753,672</u>
Total net assets	<u>4,033,990</u>	<u>3,689,049</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$6,713,572</u>	<u>\$6,333,982</u>

See accompanying notes to financial statements.

ALLIED ARTS FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
For the years ended June 30, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING REVENUES, GAINS AND SUPPORT						
Annual campaign contributions	\$1,079,578	\$ 2,221,793	\$3,301,371	\$1,184,221	\$2,127,121	\$3,311,342
Contributed services and in-kind contributions	28,265	-	28,265	94,405	-	94,405
Other grants and contributions	20,557	279,608	300,165	4,833	142,600	147,433
Golf tournament, net of \$25,854 and 30,637 expense, respectively	52,856	-	52,856	35,637	-	35,637
Other events, net of \$37,803 and \$251,421 expense, respectively	2,305	87,841	90,146	57,966	82,448	140,414
Other income	29,276	-	29,276	15,350	-	15,350
Net assets released from restriction	<u>2,428,337</u>	<u>(2,428,337)</u>	<u>-</u>	<u>2,588,225</u>	<u>(2,588,225)</u>	<u>-</u>
Total operating revenues, gains and support	<u>3,641,174</u>	<u>160,905</u>	<u>3,802,079</u>	<u>3,980,637</u>	<u>(236,056)</u>	<u>3,744,581</u>
OPERATING ALLOCATIONS AND EXPENSES						
Program expenses						
Grants and allocations	2,678,230	-	2,678,230	2,550,000	-	2,550,000
Grant support and other services	<u>335,251</u>	<u>-</u>	<u>335,251</u>	<u>316,344</u>	<u>-</u>	<u>316,344</u>
Total program services	<u>3,013,481</u>	<u>-</u>	<u>3,013,481</u>	<u>2,866,344</u>	<u>-</u>	<u>2,866,344</u>
Supporting services						
Management and general	286,140	-	286,140	261,831	-	261,831
Fundraising	<u>538,723</u>	<u>-</u>	<u>538,723</u>	<u>536,726</u>	<u>-</u>	<u>536,726</u>
Total supporting services	<u>824,863</u>	<u>-</u>	<u>824,863</u>	<u>798,557</u>	<u>-</u>	<u>798,557</u>
Total operating allocations and expenses	<u>3,838,344</u>	<u>-</u>	<u>3,838,344</u>	<u>3,664,901</u>	<u>-</u>	<u>3,664,901</u>
Changes in net assets from operations	<u>(197,170)</u>	<u>160,905</u>	<u>(36,265)</u>	<u>315,736</u>	<u>(236,056)</u>	<u>79,680</u>

(continued)

See accompanying notes to financial statements.

ALLIED ARTS FOUNDATION, INC.
 STATEMENTS OF ACTIVITIES
 For the years ended June 30, 2014 and 2013

(continued)	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
NONOPERATING CHANGES						
Investment activity						
Interest earned on investments	47,629	-	47,629	37,616	-	37,616
Investment management fees	(11,634)	-	(11,634)	(10,455)	-	(10,455)
Investment income received from OCCF	54,138	-	54,138	52,161	-	52,161
Net gain (loss) on sale of investments	98,393	-	98,393	63,420	-	63,420
Unrealized gain (loss) on investments	141,739	-	141,739	104,841	-	104,841
Net change in beneficial interest in assets held by others	50,941	-	50,941	27,002	-	27,002
 Total nonoperating changes	 381,206	 -	 381,206	 274,585	 -	 274,585
 CHANGES IN NET ASSETS	 184,036	 160,905	 344,941	 590,321	 (236,056)	 354,265
NET ASSETS, BEGINNING OF YEAR	2,935,377	753,672	3,689,049	2,345,056	989,728	3,334,784
 NET ASSETS, END OF YEAR	 <u>\$3,119,413</u>	 <u>\$ 914,577</u>	 <u>\$4,033,990</u>	 <u>\$2,935,377</u>	 <u>\$ 753,672</u>	 <u>\$3,689,049</u>

See accompanying notes to financial statements.

ALLIED ARTS FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2014

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Grants & Allocations</u>	<u>Grant Support & Other Services</u>	<u>Management & General</u>	<u>Fund Raising</u>	
Member agency allocations	\$2,350,000	\$ -	\$ -	\$ -	\$2,350,000
Education outreach	150,000	-	-	-	150,000
Small grant program	50,000	-	-	-	50,000
Power2Give grants	128,230	-	-	-	128,230
Personnel	-	207,738	198,088	242,740	648,566
Occupancy	-	27,235	25,970	31,824	85,029
Events	-	-	-	75,539	75,539
Office expense:					
Printing	-	9,519	896	34,037	44,452
Postage	-	3,045	1,087	3,386	7,518
Telephone	-	2,567	2,448	2,999	8,014
Dues and subscriptions	-	2,583	2,463	3,018	8,064
Administrative fees & charges	-	-	5,540	6,789	12,329
Supplies	-	2,058	1,941	27	4,026
Other expenses	-	8,940	7,680	30,856	47,476
Donor relations	-	-	-	14,381	14,381
Bad debt expense	-	10,732	1,105	1,354	13,191
Depreciation and amortization	-	18,377	17,523	21,473	57,373
Professional services	-	5,267	5,023	6,155	16,445
Marketing	-	19,568	-	43,554	63,122
Technology	-	8,292	7,906	9,688	25,886
Meetings	-	3,818	3,214	4,461	11,493
Travel	-	3,298	3,145	3,854	10,297
Insurance	-	2,214	2,111	2,588	6,913
Total allocations and expenses	<u>\$2,678,230</u>	<u>\$335,251</u>	<u>\$286,140</u>	<u>\$538,723</u>	<u>\$3,838,344</u>

See accompanying notes to financial statements.

ALLIED ARTS FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2013

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	Grant		<u>Management & General</u>	<u>Fund Raising</u>	
	<u>Grants & Allocations</u>	<u>Support & Other Services</u>			
Member agency allocations	\$2,300,000	\$ -	\$ -	\$ -	\$2,300,000
Education outreach	150,000	-	-	-	150,000
Small grant program	100,000	-	-	-	100,000
Personnel	-	181,438	176,388	211,413	569,239
Occupancy	-	26,715	25,971	31,128	83,814
Events	-	-	-	66,220	66,220
Office expense:					
Printing (including in-kind)	-	7,940	3,935	47,035	58,910
Postage	-	3,453	1,237	4,645	9,335
Telephone	-	2,026	1,969	2,360	6,355
Dues and subscriptions	-	2,512	2,442	2,927	7,881
Bank charges	-	-	5,230	6,268	11,498
Supplies	-	1,714	1,222	533	3,469
Other expenses	-	9,305	7,868	13,005	30,178
Donor relations	-	-	-	26,651	26,651
Bad debt expense	-	41,196	5,329	6,387	52,912
Depreciation	-	11,240	10,927	13,097	35,264
Professional services	-	6,252	6,078	7,284	19,614
Marketing	-	8,435	-	81,323	89,758
Technology	-	7,202	7,001	8,392	22,595
Meetings	-	3,994	3,393	4,653	12,040
Travel	-	957	931	1,116	3,004
Insurance	-	1,965	1,910	2,289	6,164
Total allocations and expenses	<u>\$2,550,000</u>	<u>\$316,344</u>	<u>\$261,831</u>	<u>\$536,726</u>	<u>\$3,664,901</u>

See accompanying notes to financial statements.

ALLIED ARTS FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets from operations	\$ (36,265)	\$ 79,680
Adjustments to reconcile change in net assets from operations to cash flows from operating activities:		
Depreciation and amortization	57,373	35,264
Non-cash contributions	(11,243)	(34,321)
Decrease (increase) in:		
Pledges receivable	(174,735)	233,844
Grants receivable	30,000	(30,000)
Other assets	(10,235)	(2,175)
Increase (decrease) in:		
Accounts payable	(8,745)	21,930
Accrued payroll and withholding	9,124	(22,200)
Deferred income	-	(4,469)
Allocations payable	<u>34,270</u>	<u>182,824</u>
Total adjustments	<u>(74,191)</u>	<u>380,697</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(110,456)</u>	<u>460,377</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash payments for the purchase of property and equipment	(52,086)	(58,306)
Interest received on investments	47,629	37,616
Cash additions to beneficial interest	(35,212)	-
Distributions received on beneficial interest	26,545	25,559
Distributions received on other third-party funds	27,594	26,602
Cash payments for the purchase of investments	(47,523)	(289,123)
Cash proceeds from the sale/maturity of investments	<u>11,233</u>	<u>282,010</u>
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	<u>(21,820)</u>	<u>24,358</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(132,276)	484,735
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,231,006</u>	<u>1,746,271</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$2,098,730</u>	<u>\$2,231,006</u>

See accompanying notes to financial statements.

ALLIED ARTS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

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, 2014 and 2013

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, 2014 and 2013

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 2012, 2013 and 2014 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 2 - INVESTMENTS

Allied Arts' investments consisted of:

	<u>2014</u>	<u>2013</u>
Certificates of deposit	\$1,013,849	\$1,000,000
Money market mutual funds	32,939	81,645
Equity mutual funds	1,165,119	1,056,193
Fixed income mutual funds	<u>744,315</u>	<u>542,354</u>
	<u>\$2,956,222</u>	<u>\$2,680,192</u>

ALLIED ARTS FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014 and 2013

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, 2014, 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	\$ 32,939	\$ 32,939	\$ -
Equity mutual funds	858,873	858,873	-
Fixed income mutual funds	744,315	744,315	-
Equity common trust funds	306,246	306,246	-
Beneficial interest	648,656	-	648,656

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, 2013, 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	\$ 81,645	\$ 81,645	\$ -
Equity mutual funds	779,590	779,590	-
Fixed income mutual funds	542,354	542,543	-
Equity common trust funds	276,603	276,603	-
Beneficial interest	562,503	-	562,503

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, 2014 and 2013.

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, 2014 and 2013

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Changes in temporarily restricted net assets occurred as follows:

	Balance <u>6-30-2013</u>	<u>2014</u>		Balance <u>6-30-2014</u>
		<u>Received</u>	<u>Released</u>	
Annual campaign pledges	\$707,072	\$2,221,793	\$(2,181,687)	\$747,178
Annual campaign expenses	-	93,500	(85,500)	8,000
Other events and projects	46,600	117,953	(104,111)	60,442
Power2Give grants	<u>-</u>	<u>155,996</u>	<u>(57,039)</u>	<u>98,957</u>
Total	<u>\$753,672</u>	<u>\$2,589,242</u>	<u>\$(2,428,337)</u>	<u>\$914,577</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, 2014 were \$1,162,142. 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, 2014 and 2013 totaled \$10,344 and \$9,901, respectively.

ALLIED ARTS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 8 – CONCENTRATIONS

Included in cash and cash equivalents are commercial checking account balances of \$1,677,134 and \$1,299,018 at June 30, 2014 and 2013, respectively, which were not covered by FDIC insurance. Included in investments are cash deposits totaling \$46,788 and \$81,645 at June 30, 2014 and 2013, 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 \$85,499 and \$84,908 is included in operating expense for the years ended June 30, 2014 and 2013, 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, 2012	\$536,035
Change during the year ended June 30, 2013	26,468
Change during the year ended June 30, 2014	<u>86,153</u>
Market value of Beneficial interest in assets held by others at June 30, 2014	<u>\$648,656</u>

ALLIED ARTS FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014 and 2013

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 \$1,282,504 and \$1,172,301 at June 30, 2014 and 2013, respectively, which includes \$638,150 and \$587,594, 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 \$54,138 and \$52,161 were received during the years ended June 30, 2014 and 2013, respectively, and are included in investment income in the statements of activities. Also included in campaign income is \$27,888 and \$26,464 for the years ended June 30, 2014 and 2013, 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, 2013	\$1,680,192	\$ -	\$1,680,192
Investment return (loss):			
Investment income (net of fees)	22,040	-	22,040
Net appreciation/depreciation (realized & unrealized)	240,141	-	240,141
Total investment return	262,181	-	262,181
Contributions	-	-	-
Endowment net assets at June 30, 2014	<u>\$1,942,373</u>	<u>\$ -</u>	<u>\$1,942,373</u>

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 is not currently appropriating earnings from their board-designated endowment funds for current use but are reinvesting the earnings to achieve fund growth.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 11, 2015, which is the date the financial statements were available to be issued.

NOTE 13 – ADDITIONAL CASH FLOW STATEMENT DISCLOSURES

	<u>2014</u>	<u>2013</u>
Common stock, contributed in-kind	\$ 11,243	\$ 31,821