



ARTS COUNCIL  
OKLAHOMA CITY™

**FINANCIAL STATEMENTS**

**JUNE 30, 2019 and 2018**

**WITH**

**INDEPENDENT AUDITOR'S REPORT**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Arts Council of Oklahoma City

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Arts Council of Oklahoma City (the Arts Council), which comprise the statement of financial position as of June 30, 2019, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements (collectively, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 reasonable 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 the Arts Council as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 2 to the financial statements, in 2019, the Arts Council adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

### **Report on Summarized Comparative Information**

We have previously audited the 2018 financial statements of the Arts Council, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Hogan Taylor LLP". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma  
September 23, 2019

**ARTS COUNCIL OF OKLAHOMA CITY**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2019 and 2018**

	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 1,352,139	\$ 1,360,010
Restricted cash	2,814	2,638
Receivables:		
Pledges and other	174,883	143,301
Grants	-	160,000
Prepaid expenses and other	19,015	21,157
Investments	914,637	844,385
Beneficial interests in assets held by others	59,427	58,356
Property and equipment, net	1,517,084	1,485,203
Art collection	52,235	51,435
	<b>\$ 4,092,234</b>	<b>\$ 4,126,485</b>
<b>Liabilities and Net Assets</b>		
Accounts payable	80,299	20,448
Accrued liabilities	26,464	18,204
	106,763	38,652
Net assets:		
Without donor restrictions	3,806,169	3,841,602
With donor restrictions	179,302	246,231
	3,985,471	4,087,833
Total liabilities and net assets	<b>\$ 4,092,234</b>	<b>\$ 4,126,485</b>

**ARTS COUNCIL OF OKLAHOMA CITY**

**STATEMENTS OF ACTIVITIES**

**Year ended June 30, 2019**

**(with summarized totals for year ended June 30, 2018)**

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Revenues, Gains and Other Support</b>				
Programs and events	\$ 761,395	\$ 15,385	\$ 776,780	\$ 818,338
Fundraising	641,037	-	641,037	549,303
Allied Arts Foundation contribution	150,321	2,000	152,321	151,141
Grants	428,395	100,000	528,395	559,664
In-kind contributions	425,952	-	425,952	533,275
Other	42,593	-	42,593	34,685
Increase in value of beneficial interest in assets held by others	-	1,071	1,071	1,254
Investment return, net	69,386	-	69,386	16,179
Net assets released from restrictions	185,385	(185,385)	-	-
<b>Total revenues, gains and other support</b>	<b>2,704,464</b>	<b>(66,929)</b>	<b>2,637,535</b>	<b>2,663,839</b>
<b>Expenses</b>				
Programs and events	2,246,396	-	2,246,396	2,030,133
Supporting services:				
Fundraising	117,047	-	117,047	124,080
General and administrative	376,454	-	376,454	374,536
<b>Total expenses</b>	<b>2,739,897</b>	<b>-</b>	<b>2,739,897</b>	<b>2,528,749</b>
<b>Change in net assets</b>	<b>(35,433)</b>	<b>(66,929)</b>	<b>(102,362)</b>	<b>135,090</b>
<b>Net assets, beginning of year</b>	<b>3,841,602</b>	<b>246,231</b>	<b>4,087,833</b>	<b>3,952,743</b>
<b>Net assets, end of year</b>	<b>\$ 3,806,169</b>	<b>\$ 179,302</b>	<b>\$ 3,985,471</b>	<b>\$ 4,087,833</b>

**ARTS COUNCIL OF OKLAHOMA CITY**  
**STATEMENT OF FUNCTIONAL EXPENSES**

**Year ended June 30, 2019**

	Programs and Events	Supporting Services		Total Supporting	Total
		Fundraising	General and Administrative		
Payroll, benefits and taxes	\$ 539,735	\$ 57,675	\$ 124,862	\$ 182,537	\$ 722,272
Legal	-	-	2,078	2,078	2,078
Accounting	-	92	13,300	13,392	13,392
Contract services	545,467	2,582	17,574	20,156	565,623
Promotions and advertising	211,820	1,035	27,997	29,032	240,852
Office supplies and utilities	49,969	17,064	29,871	46,935	96,904
Information technology	5,358	5,510	18,215	23,725	29,083
Occupancy	138,296	620	79,689	80,309	218,605
Travel	4,515	159	7,928	8,087	12,602
Meetings	9,487	191	1,630	1,821	11,308
Depreciation	133,118	-	46,590	46,590	179,708
Insurance	31,287	-	-	-	31,287
Event supplies and labor	344,321	16,500	5,000	21,500	365,821
Concessions	102,770	-	-	-	102,770
Art supplies	97,677	14,393	-	14,393	112,070
Event fees and permits	15,656	-	-	-	15,656
Other	16,920	1,226	1,720	2,946	19,866
	<u>\$ 2,246,396</u>	<u>\$ 117,047</u>	<u>\$ 376,454</u>	<u>\$ 493,501</u>	<u>\$ 2,739,897</u>

**ARTS COUNCIL OF OKLAHOMA CITY**  
**STATEMENT OF FUNCTIONAL EXPENSES**

**Year ended June 30, 2018**

	Programs and Events	Supporting Services		Total Supporting	Total
		Fundraising	General and Administrative		
Payroll, benefits and taxes	\$ 492,267	\$ 72,287	\$ 140,693	\$ 212,980	\$ 705,247
Legal	-	-	1,630	1,630	1,630
Accounting	250	-	12,100	12,100	12,350
Contract services	366,908	-	804	804	367,712
Promotions and advertising	167,587	3,000	22,029	25,029	192,616
Office supplies and utilities	50,023	10,068	32,617	42,685	92,708
Information technology	1,330	5,528	15,448	20,976	22,306
Occupancy	167,294	-	80,279	80,279	247,573
Travel	6,297	635	6,709	7,344	13,641
Meetings	7,423	90	1,468	1,558	8,981
Depreciation	136,316	-	55,759	55,759	192,075
Insurance	30,464	-	-	-	30,464
Event supplies and labor	477,493	16,400	5,000	21,400	498,893
Concessions	76,707	-	-	-	76,707
Art supplies	12,218	14,682	-	14,682	26,900
Event fees and permits	16,172	-	-	-	16,172
Other	21,384	1,390	-	1,390	22,774
	<u>\$ 2,030,133</u>	<u>\$ 124,080</u>	<u>\$ 374,536</u>	<u>\$ 498,616</u>	<u>\$ 2,528,749</u>



**ARTS COUNCIL OF OKLAHOMA CITY**

**STATEMENTS OF CASH FLOWS**

**Years ended June 30, 2019 and 2018**

	2019	2018
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (102,362)	\$ 135,090
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	179,708	192,075
Loss on disposal of property and equipment	88,176	-
Net investment income from beneficial interest in assets held by others	(3,972)	(4,107)
Distributions from beneficial interest in assets held by others	2,901	2,853
Net gains and reinvested income on investments	(58,252)	(13,326)
Donated art	-	(750)
Change in operating assets and liabilities:		
Receivables	128,418	(242,368)
Prepaid expenses and other	2,142	4,212
Accounts payable and accrued liabilities	68,111	(18,179)
Net cash provided by operating activities	304,870	55,500
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(1,351,310)	(200,828)
Proceeds from sales of investments	1,339,310	200,828
Purchases of property and equipment	(299,765)	(183,827)
Purchases of art	(800)	-
Net cash used in investing activities	(312,565)	(183,827)
Net decrease in cash and cash equivalents and restricted cash	(7,695)	(128,327)
Cash and cash equivalents and restricted cash, beginning of year	1,362,648	1,490,975
Cash and cash equivalents and restricted cash, end of year	\$ 1,354,953	\$ 1,362,648

## ARTS COUNCIL OF OKLAHOMA CITY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

#### Note 1 – Organization

##### Nature of operations

Arts Council of Oklahoma City (the Arts Council) is a nonprofit organization whose mission is to bring the arts and the community together. The Arts Council supports the community and enhances the quality of the community by presenting visual and performing arts in a lively, accessible way. This is done through events like Festival of the Arts, Art Moves, Opening Night, Community Arts Program, Twilight Concerts and a host of other programs and member services.

#### Note 2 – Summary of Significant Accounting Policies

##### Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

##### Summarized comparative financial information

The accompanying statements of activities include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the fiscal year 2018 financial statements from which the summarized information was derived.

##### Net assets

The Arts Council reports information regarding its financial position and change in net assets according to two classes of net assets based on the existence or absence of donor-imposed restrictions, as follows:

*Without donor restrictions* – Net assets without donor restrictions include all resources that are expendable at the discretion of the Board of Directors (Board) and/or management for general operating purposes or the Arts Council's programs and events. From time to time, the Board may designate a portion of these net assets for specific purposes which make them unavailable for use at management's discretion. See Note 7 for more information on the composition of net assets without donor restrictions.

*With donor restrictions* – Net assets with donor restrictions consist of resources whose use is limited by donor-imposed time and/or purpose restrictions. Donor-imposed restrictions can be temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity (i.e. endowment). When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Net assets with restrictions that are met in the same reporting period as received are presented as part of net assets without donor restrictions. See Note 8 for more information on the composition of net assets with donor restrictions.

### Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

### Cash and cash equivalents

Highly liquid investments with original maturities of three months or less, except those specifically classified as investments, are considered to be cash equivalents.

### Receivables

Receivables with expected collections greater than one year are recorded at their net present value. Receivables are evaluated on an individual basis for collectibility. The Arts Council's periodic assessment of receivables and credit loss provisions are based on management's best estimates of contributions which may not be recoverable. Receivables are written off when deemed uncollectible. At June 30, 2019, management believes that all amounts will be collected in full, and no allowance for uncollectible receivables has been established.

### Investments

Investments consist primarily of mutual funds and money market funds carried at fair value, with unrealized gains and losses recorded in the statements of activities. Investment expenses were nominal due to the types of investments held and are netted against investment return in the statements of activities. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Investments are reported at fair market value. Fair market value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for discussion of fair value measurements.

### Property and equipment

Purchased assets are recorded at cost and donated assets are recorded at fair value at the time of donation. Property and equipment initially valued at \$1,000 or more is capitalized and depreciated over an estimated useful life ranging between 3 and 22 years on a straight-line basis. Leasehold improvements are amortized on a straight-line basis over the lesser of the estimated useful lives of the assets, which range from 7 to 22 years, or the term of the lease, unless the lease renewal is reasonably assured. Expenditures for maintenance and repairs are charged to expense as incurred.

Gifts of property and equipment are recorded as support without donor restrictions 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 and other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. 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.

Recoverability of long-lived assets is assessed periodically. Provisions for impairment of long-lived assets used in operations are recorded when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets.

### Revenue recognition

Revenues generated from exchange transactions are recognized when the service or goods have been provided and the earnings process is significantly complete.

Contributions, including unconditional promises to give, are recognized as revenue when the donor's unconditional commitment is received. Gifts of cash and other assets received are reported as restricted support if they are received with donor-imposed stipulations that limit the use of the donated assets. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributed materials are recorded at fair value at the time of donation, and contributed services are recorded at the fair value of the services, provided they create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills which would typically be purchased if not provided by donation. A substantial number of volunteers have donated significant amounts of their time to the Arts Council's programs and events, the value of which is not recorded in the financial statements. Contributions recognized from donated materials and services totaled \$425,952 and \$533,275 for the years ended June 30, 2019 and 2018, respectively, and were primarily related to Festival of the Arts and Opening Night.

Sales of art during Festival of the Arts are recorded net of commissions paid to artists. Net art sales, recorded within Programs and Events in the statements of activities, are as follows for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Gross art sales	\$ 1,347,008	\$ 1,330,732
Commissions paid to artists	<u>(1,083,613)</u>	<u>(1,067,680)</u>
Net art sales	<u>\$ 263,395</u>	<u>\$ 263,052</u>

### Functional allocation of expenses

The costs of providing programs and events and supporting activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present expenses by function and natural classification. Most expenses can be directly attributed to programs and events, and such expenses are identified within ledger codes and applied to the appropriate functional expenses. However, certain categories of expenses are attributable to more than one functional category. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Such expenses primarily include salary and benefits expenses. These expenses are allocated between programs and events, fundraising, and general and administrative based on management's best estimate of time spent by employees in each area.

### Income taxes

As a public charity, the Arts Council is exempt from federal and state income taxes on income related to its exempt purpose under the provisions of Internal Revenue Code Section 501(c)(3).

The Arts Council follows the accounting guidance for accounting for uncertainty in income taxes. The Arts Council is subject to federal and state income taxes to the extent it has unrelated business income. The Arts Council currently has no taxes due for unrelated business income. In accordance with the guidance for uncertainty in income taxes, management has evaluated its material tax positions and determined that there are no income tax effects with respect to its financial statements.

### Adoption of new 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*, which provides more relevant information about available resources (and the changes in those resources) to donors, grantors, creditors and other users. The most significant aspects of the standard are as follows: the standard (1) replaced the previous presentation of three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two classes of net assets – net assets with donor restrictions and net assets without donor restrictions; (2) expanded the disclosures about the nature and amount of any donor restrictions, board designations of net assets without donor restrictions as well as any underwater endowment funds; (3) required expenses to be presented by nature and function, as well as an analysis of the allocation of these expenses; (4) required specific quantitative and qualitative disclosures to improve the ability of financial statement users to assess the entity's available financial resources and the methods by which it manages liquidity and liquidity risk; and (5) required investment returns to be presented net of external and direct internal investment expenses. The Arts Council adopted the provisions of this standard as of and for the year ended June 30, 2019, with retrospective application for the fiscal year 2018 financial statements. As a result, the Arts Council changed its presentation of its net asset classes and expanded the footnote disclosures required by the standard.

### Accounting pronouncements not yet adopted

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The update provides guidance concerning the recognition and measurement of revenue from contracts with customers. Its objective is to increase the usefulness of information in the financial statements regarding the nature, timing and uncertainty of revenues. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. As deferred by ASU No. 2015-14, the standard is effective for the Arts Council for the year ending June 30, 2020. The standard permits the use of either the retrospective or cumulative effect transition method. Management is currently evaluating the impact the standard will have on its financial statements and related disclosures; however, the Arts Council will apply the guidance using the cumulative effect transition method. The cumulative effect (if any) of applying the standard will be accounted for as an adjustment to the opening balance of net assets at the date of initial application.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendment clarifies and improves the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprises. Specifically, the standard provides additional guidance to clarify contributions vs. exchange transactions and provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The requirements are effective for the Arts Council for transactions in which the entity serves as a resource recipient for the year ending June 30, 2020. For transactions in which the Arts Council serves as the resource provider, the requirements are effective for the year ending June 30, 2021, with early adoption permitted. Management has not yet evaluated the impact the standard will have on its financial statements and related disclosures.

### Reclassifications

Certain reclassifications have been made to the fiscal year 2018 financial statements to conform with the fiscal year 2019 presentation. These reclassifications had no impact on the previously reported change in net assets.

### Subsequent events

Management has evaluated events through September 23, 2019, the date the financial statements were available to be issued.

### **Note 3 – Investments and Investment Return**

Investments consist of the following as of June 30:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Mutual funds:				
Marketable equity securities	\$ 146,299	\$ 162,155	\$ 138,461	\$ 172,637
Fixed income securities	674,649	690,515	640,745	628,101
Money market funds	48,076	48,076	41,882	41,882
Treasury bonds	12,000	12,000	-	-
Other	1,891	1,891	1,765	1,765
Total investments	<u>\$ 882,915</u>	<u>\$ 914,637</u>	<u>\$ 822,853</u>	<u>\$ 844,385</u>

Investment return consist of the following for the years ended June 30:

	2019	2018
Dividends and interest income	\$ 26,448	\$ 24,258
Net realized gains (losses)	25,423	(665)
Net unrealized gains (losses)	21,323	(3,640)
Investment fees	(3,808)	(3,774)
Total investment return, net	<u>\$ 69,386</u>	<u>\$ 16,179</u>

The Arts Council invests in various investment securities. 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 such changes could materially affect the amounts reported in the financial statements.

### **Note 4 – Beneficial Interest in Assets Held by Others**

The Arts Council has transferred funds to Oklahoma City Community Foundation (OCCF) and specified itself as the beneficiary of the funds. In addition to these funds, OCCF maintains other funds that have been contributed by various donors to OCCF for the benefit of the Arts Council. OCCF retains variance power over all funds in order to assure their continued use for similar work in the event the Arts Council should cease to exist. The Arts Council accounts for the value of reciprocal transfers to organizations raising or holding contributions for others, such as community foundations, as assets in its financial statements. The value of assets contributed by others to OCCF for the benefit of the Arts Council are not recorded in the accompanying financial statements as such amounts cannot be distributed without the unanimous approval of OCCF's board of directors.

At June 30, 2019 and 2018, funds contributed by the Arts Council to OCCF totaled \$59,427 and \$58,356, respectively, and are reflected at fair value as beneficial interests in assets held by others and net assets with donor restrictions in the statements of financial position. The fair value of assets contributed directly to OCCF by donors for the benefit of the Arts Council, which have not been recorded by the Arts Council and not shown on the statements of financial position, were \$370,817 and \$363,971 at June 30, 2019 and 2018, respectively.

Annual distributions from income are made to the Arts Council based on OCCF's spending policy, which is currently 5% of the average market value over the previous 12 quarters of all assets held for the benefit of the Arts Council. During the years ended June 30, 2019 and 2018, the Arts Council received \$20,981 and \$20,617 of these distributions, respectively.

### **Note 5 – Fair Value Measurements**

The Arts Council has adopted the framework for measuring fair value in accordance with accounting standards that establishes a fair value hierarchy based on the observability of inputs used to measure fair value. These inputs are summarized in the three broad levels listed below:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Following is a description of the valuation methodologies used for assets measured at fair value:

*Mutual funds and money market funds* – amounts consist of multi-asset income funds which are valued using quoted market prices. These investments are classified within Level 1.

*Beneficial interest in assets held by others* – underlying investments include cash equivalents, corporate obligations, equity securities, and other investments. Since OCCF maintains variance power for the beneficial interests they hold, there is no potential market for the beneficial interests or similar assets. Consequently, the valuation is determined by aggregating the valuation of the underlying investments of the beneficial interests as reported by OCCF. These are considered to be Level 3 inputs.

*Treasury bonds and other* – amounts are valued using quoted market prices. These investments are classified within Level 1.

During the years ended June 30, 2019 and 2018, there were no transfers of financial instruments between Level 1 and Level 2 or transfers in or out of Level 3. Assets measured at fair value on a recurring basis consist of the following types of instruments as of June 30:

	2019			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Marketable equity securities	\$ 162,155	\$ -	\$ -	\$ 162,155
Fixed income securities	690,515	-	-	690,515
Money market funds	48,076	-	-	48,076
Treasury bonds	12,000	-	-	12,000
Other	1,891	-	-	1,891
Beneficial interest in assets held by others	-	-	59,427	59,427
Total investments	\$ 914,637	\$ -	\$ 59,427	\$ 974,064
	2018			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Marketable equity securities	\$ 172,637	\$ -	\$ -	\$ 172,637
Fixed income securities	628,101	-	-	628,101
Money market funds	41,882	-	-	41,882
Other	1,765	-	-	1,765
Beneficial interest in assets held by others	-	-	58,356	58,356
Total investments	\$ 844,385	\$ -	\$ 58,356	\$ 902,741

#### Note 6 – Property and Equipment

Property and equipment consist of the following as of June 30:

	2019	2018
Furniture, fixtures and equipment	\$ 302,174	\$ 453,730
Automobiles	58,021	54,191
Festival of the Arts equipment	2,270,160	2,146,738
All Access Arts equipment	18,718	18,718
Opening Night equipment	59,909	58,877
Twilight Concerts equipment	22,447	22,447
Arts Council leasehold improvements (A)	937,605	937,605
McAlpine Center leasehold improvements (A)	308,244	306,744
Total property and equipment	3,977,278	3,999,050
Accumulated depreciation and amortization	(2,460,194)	(2,513,847)
Property and equipment, net	\$ 1,517,084	\$ 1,485,203

(A) Accumulated amortization of Arts Council leasehold improvements was \$848,428 and \$825,912 as of June 30, 2019 and 2018, respectively. Accumulated amortization of McAlpine Center leasehold improvements was \$270,474 and \$262,570 as of June 30, 2019 and 2018, respectively. The Arts



Council and McAlpine facilities are leased under an operating lease that expires on December 31, 2022; however, the lease can be terminated by the lessor upon notice. Total lease expense and future minimum lease payments under the term of the lease were not deemed to be significant to the financial statements.

**Note 7 – Net Assets Without Donor Restrictions**

The Arts Council's net assets without donor restrictions is comprised of undesignated and Board-designated amounts for the following purposes as of June 30:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 1,774,791	\$ 1,879,860
Board-designated rainy day fund	<u>2,031,378</u>	<u>1,961,742</u>
Total net assets without donor restrictions	<u>\$ 3,806,169</u>	<u>\$ 3,841,602</u>

The Board has designated funds to be placed aside as protection against cancelled events or other situations for which liquidity needs might arise (not for normal operating expenses or new or unbudgeted programs and expenses). This fund, funded through cash and cash equivalents and investments, is immediately accessible on an as-needed basis and requires approval by the Board before funds are released.

**Note 8 – Net assets With Donor Restrictions**

Net assets with donor restrictions consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Contributions received with donor-imposed stipulations:		
Designated for future programs and events	\$ 119,875	\$ 187,875
Endowed funds held by OCCF (see Note 4)	<u>59,427</u>	<u>58,356</u>
Total net assets with donor restrictions	<u>\$ 179,302</u>	<u>\$ 246,231</u>

**Note 9 – Liquidity and Availability of Financial Assets**

The Arts Council maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. It is management's intent to achieve and maintain a minimum of three-months cash availability to cover daily operating and programmatic expenses. Management actively monitors contributions, and management and the Board approve an annual budget to help manage liquidity needs. Additionally, the Arts Council has Board-designated assets without donor restrictions that could be made available for current operations if necessary and upon Board approval (see Note 7).

The Arts Council's financial assets available for general expenditure within one year of the statement of financial position date as follows as of June 30:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,352,139	\$ 1,360,010
Receivables	174,883	303,301
Investments	914,637	844,385
Beneficial interests in assets held by others	<u>59,427</u>	<u>58,356</u>
 Total financial assets available	 2,501,086	 2,566,052
 Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	(119,875)	(187,875)
Endowed funds held by OCCF	(59,427)	(58,356)
Amounts unavailable to management without Board's approval	<u>(2,031,378)</u>	<u>(1,961,742)</u>
 Total financial assets available to management for general expenditure within one year	 <u>\$ 290,406</u>	 <u>\$ 358,079</u>

#### **Note 10 – Concentrations of Credit Risk**

Financial instruments that are subject to concentrations of credit risk consist of cash and cash equivalents, receivables, investments, and beneficial interests in assets held by others. The amount of cash maintained in banks is typically in excess of the Federal Deposit Insurance Corporation insured limit of \$250,000. To date, the Arts Council has not experienced any losses on these accounts. Contributions to the Arts Council are primarily from individuals and businesses in Oklahoma. As a result, support of the Arts Council is highly dependent upon the general economic conditions in the area. Management actively monitors contributions as part of its liquidity management policies (see Note 9) to determine the risk of near-term severe impact on the operations and mission of the Arts Council due to these concentrations. All investments are managed within established guidelines which limit the amounts which may be invested with one issuer.