

OKLAHOMA MUSEUMS ASSOCIATION

FINANCIAL REPORT

June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Executive Committee and Board of Directors
Oklahoma Museums Association
Oklahoma City, Oklahoma

We have audited the accompanying financial statements of the Oklahoma Museums Association (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets - modified cash basis as of June 30, 2017, and the related statements of revenues, expenses and changes in net assets - modified cash basis and functional expenses - modified cash basis for the year 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 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 assets, liabilities, and net assets of the Oklahoma Museums Association as of June 30, 2017, and its revenues, expenses and changes in net assets for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Luton & Co., PLLC

Oklahoma City, Oklahoma
September 12, 2017

OKLAHOMA MUSEUMS ASSOCIATION

STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS -
MODIFIED CASH BASIS

June 30, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 75,063
Certificates of deposit	88,339
Total current assets	<u>163,402</u>

PROPERTY AND EQUIPMENT

Office equipment	12,976
Accumulated depreciation	(11,483)
	<u>1,493</u>

OTHER ASSETS

Endowment funds	<u>57,168</u>
	<u>\$ 222,063</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Employee benefit withholdings	\$ 420
Due to endowment fund	145
Total current liabilities	<u>565</u>

NET ASSETS

Unrestricted	139,397
Unrestricted designated for endowment	<u>57,168</u>
	196,565
Temporarily restricted	<u>24,933</u>
	<u>221,498</u>
	<u>\$ 222,063</u>

The Notes to Financial Statements are an integral part of this statement.

OKLAHOMA MUSEUMS ASSOCIATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
 MODIFIED CASH BASIS
 Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues			
Contributions	\$ 37,288	\$ 2,980	\$ 40,268
Membership dues	35,695	-	35,695
Grants	66,056	22,650	88,706
Investment income	6,188	-	6,188
Seminars and conference	47,072	-	47,072
Other	8,571	-	8,571
In-kind	39,166	-	39,166
Net assets released from restriction	22,277	(22,277)	-
Total revenue and support	262,313	3,353	265,666
Expenses			
Program services:			
Community services and development	131,403	-	131,403
Seminars and conference	81,617	-	81,617
OKME	140	-	140
OKNAMPA	140	-	140
OKRA	140	-	140
Scholarship	1,757	-	1,757
Total program services	215,197	-	215,197
Management and administration	23,431	-	23,431
Fundraising	8,682	-	8,682
Total expenses	247,310	-	247,310
Change in net assets	15,003	3,353	18,356
Net assets, beginning of year	181,562	21,580	203,142
Net assets, end of year	\$ 196,565	\$ 24,933	\$ 221,498

The Notes to Financial Statements are an integral part of this statement.

OKLAHOMA MUSEUMS ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS

Year ended June 30, 2017

	Community Services and Development	Seminars and Conferences	OKME	OKNAMPA	OKRA	Scholarship	Total Program Services	Management and Administration	Fundraising	Total
Salaries	\$ 57,024	\$ 28,512	\$ -	\$ -	\$ -	-	\$ 85,536	\$ 9,504	\$ -	\$ 95,040
Employee benefits	13,071	6,536	-	-	-	-	19,607	2,178	-	21,785
Payroll taxes	4,329	2,165	-	-	-	-	6,494	722	-	7,216
Supplies	2,822	1,411	-	-	-	-	4,233	470	1,484	6,187
Printing	825	413	-	-	-	-	1,238	138	1,032	2,408
Travel	4,146	1,382	-	-	-	-	5,528	1,382	-	6,910
Rent	274	109	-	-	-	-	383	164	-	547
Accounting and legal	7,106	2,369	-	-	-	-	9,475	2,368	-	11,843
Bank and credit card charges	1,327	664	-	-	-	-	1,991	221	-	2,212
Postage and mailing service	439	220	-	-	-	-	659	73	594	1,326
Professional membership	1,781	594	-	-	-	-	2,375	594	-	2,969
Service and maintenance	3,328	1,109	140	140	140	-	4,857	1,109	-	5,966
Board development	368	146	-	-	-	-	514	221	-	735
Telephone	629	210	-	-	-	-	839	210	-	1,049
Professional development	1,798	898	-	-	-	-	2,696	1,798	-	4,494
Miscellaneous	1,430	477	-	-	-	-	1,907	477	-	2,384
Insurance	1,190	476	-	-	-	-	1,666	714	-	2,380
Scholarships	600	300	-	-	-	1,757	2,657	100	-	2,757
Sponsorship	750	1,875	-	-	-	-	2,625	125	-	2,750
Speakers	3,120	7,128	-	-	-	-	10,248	52	-	10,300
Meals and meeting rooms	582	9,027	-	-	-	-	9,609	98	5,572	15,279
In-kind	23,499	15,275	-	-	-	-	38,774	392	-	39,166
Advertising and marketing	702	233	-	-	-	-	935	234	-	1,169
Depreciation	263	88	-	-	-	-	351	87	-	438
	<u>\$ 131,403</u>	<u>\$ 81,617</u>	<u>\$ 140</u>	<u>\$ 140</u>	<u>\$ 140</u>	<u>\$ 1,757</u>	<u>\$ 215,197</u>	<u>\$ 23,431</u>	<u>\$ 8,682</u>	<u>\$ 247,310</u>

The Notes to Consolidated Financial Statements are an integral part of this statement.

OKLAHOMA MUSEUMS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Organization

Through seminars, an annual conference, and other programs, the Oklahoma Museums Association (the "Association") provides training and technical information to Oklahoma's 500+ Museums.

The Executive Committee and Board of Directors are volunteers while the Executive Director is a paid position.

A portion of the Association's revenue comes from the Oklahoma Arts Council for community development and service. These funds are appropriated annually by the Oklahoma legislature, and this funding represented 17% of the Association's revenue in 2017.

Basis of accounting

Effective July 1, 2016, the Association adopted a policy of preparing its financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Beginning net assets are presented on this basis. Revenues are recognized when received and expenses are recognized when paid.

Basis of presentation

The Association reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Association currently has no permanently restricted net assets.

Revenue recognition

Contributions, gains and other support are reported as increases in unrestricted net assets. Temporarily restricted net assets are those given for a specific purpose or time period for which expenditures have not yet been incurred. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of unrestricted net assets. Contributions are recognized as revenues when received by the Association. Contributions other than cash are recorded at their estimated fair value.

Use of estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Property and equipment

The office equipment is carried at cost and depreciated on the straight-line method using lives ranging from five to seven year. The Association capitalizes asset purchases of \$500 or more. Maintenance and repairs are charged to expense when paid. When equipment is retired or otherwise disposed of, the cost is removed from the asset account and the related accumulated depreciation is adjusted with the difference being charged to operations. Donated assets are recorded at their fair value and depreciated as other assets. Depreciation expense for this year is \$438.

OKLAHOMA MUSEUMS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 1. Organization and Summary of Significant Accounting Policies, continued

Functional expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and activities benefited.

Income tax

No income tax provision has been included in the financial statements since this is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

Note 2. Office Rent

The Association rents office space from the Science Museums Oklahoma on a month-to-month lease with rent of \$25 per month and the allocable share of utilities. For the year ended June 30, 2017, the share of utilities and rent was \$547.

Note 3. Endowment Funds

The Association has a Charitable Organization Endowment Fund at the Oklahoma City Community Foundation. These funds were contributed to the foundation by the Association and other third party contributors. The foundation has variance power over the contributions. The Association follows the standard, "Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others" to account for the funds. The assets transferred by the Association remain on the Statement of Financial Position. Contributions from third parties are disclosed below, but are not recognized as assets of the Association. The Association receives a distribution from the funds each year based on a percentage of the average fair market value of the funds over the previous twelve quarters. The balance of the funds at June 30, 2017 is as follows:

	OCCF
Beginning of year	\$ 54,340
Contributions	175
Investment income	5,636
Distributions	(2,654)
Management fees	<u>(329)</u>
End of year	<u>\$ 57,168</u>
Third party funds	<u>\$ 51,316</u>

The total balance for the endowment fund was \$108,484.

OKLAHOMA MUSEUMS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 4. Employee Benefits

In 1999, the Association adopted a SIMPLE retirement plan for its employees. The employees can elect to reduce their compensation in order to defer retirement funds. Additionally, the Association matches the salary deferral with a payment equal to 3% of gross salary. The Association's contribution was \$2,851 for the year ended June 30, 2017.

Additionally, the Association adopted a IRS Section 125 cafeteria plan which allows employees to reduce their income in order to make a tax free contribution toward their portion of health insurance and other medical costs.

Note 5. Temporarily Restricted Net Assets

Funds given for a designated purpose and unused or time period not reached totaled \$24,933 and are allocated as follows:

OKME	\$ 930
OKNAMPA	513
OKRA	1,847
Kirkpatrick Family Fund	15,000
Scholarship Fund	2,023
JM Rhea Memorial Scholarship	2,070
Program Partnerships	<u>2,550</u>
	<u>\$24,933</u>

Note 6. In-Kind Donations

In-kind contributions of \$39,166 were received and recorded in the statement of revenues, expenses and changes in net assets - modified cash basis for the year ended June 30, 2017. Additionally, the Association uses volunteers to complete much of their program work. During the year ended June 30, 2017, approximately one hundred volunteers gave 2,594 hours of their time to the Association. These services do not meet the requirements for recognition in the financial statements.

Note 7. Subsequent Events

Management has evaluated subsequent events, if any, through the report date of September 12, 2017, which is the date the report was available to issue and has determined there are none requiring disclosure.