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**JUNIOR LEAGUE OF OKLAHOMA  
CITY, OKLAHOMA, INC.**

Audit Report

For the Year Ended  
May 31, 2017



## Independent Auditors' Report

Board of Directors  
Junior League of Oklahoma City,  
Oklahoma, Inc.  
Oklahoma City, Oklahoma

We have audited the accompanying financial statements of Junior League of Oklahoma City, Oklahoma, Inc., (the League), (a nonprofit organization), which comprise the statement of financial position as of May 31, 2017, and the related statements of activities and cash flows 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 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 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 Junior League of Oklahoma City, Oklahoma, Inc. as of May 31, 2017, 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.

*Engelbach Proctor & Co. PLLC*

Certified Public Accountants

Oklahoma City, Oklahoma  
September 18, 2017

JUNIOR LEAGUE OF OKLAHOMA CITY, OKLAHOMA, INC.  
STATEMENT OF FINANCIAL POSITION  
 May 31, 2017

ASSETS

Cash and cash equivalents (interest-bearing \$323,093)	\$ 588,042
Accounts receivable	288
Prepaid expenses	19,832
Investments (Notes 3 and 7)	2,197,252
Beneficial interest in assets held by others (Notes 4 and 7)	139,242
Land, buildings, and equipment (net of accumulated depreciation of \$539,633) (Note 5)	<u>1,212,935</u>
Total assets	<u>\$ 4,157,591</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Sales tax payable and other payables	\$ 8,654
Deferred revenue:	
Membership dues	161,001
Mistletoe Market booth pre-payments and pre-purchases	<u>17,200</u>
Total liabilities	<u>186,855</u>
Net assets:	
Unrestricted:	
Undesignated	2,009,133
Board designated program	64,567
Board designated endowment (Note 6)	<u>1,757,794</u>
	3,831,494
Permanently restricted (Note 4)	<u>139,242</u>
Total net assets	<u>3,970,736</u>
Total liabilities and net assets	<u>\$ 4,157,591</u>

See notes to financial statements.

JUNIOR LEAGUE OF OKLAHOMA CITY, OKLAHOMA, INC.  
STATEMENT OF ACTIVITIES  
For the Year Ended May 31, 2017

	Unrestricted	Permanently Restricted	Total
Revenue, gains and other support:			
Membership dues and fees	\$ 152,497	\$	\$ 152,497
Contributions	63,815		63,815
Contributions - donated goods and services	180,758		180,758
Sales:			
League Link/Holiday Happenings advertisements	6,139		6,139
Special events:			
Mistletoe Market	290,340		290,340
Speaker Series	25,555		25,555
Investment income	62,805		62,805
Realized and unrealized gains (losses)	125,936	6,486	132,422
Other income	8,052		8,052
	<u>915,897</u>	<u>6,486</u>	<u>922,383</u>
Expenses (Note 8):			
Program services:			
Mistletoe Market	330,914		330,914
Other program expenses	299,958		299,958
	<u>630,872</u>		<u>630,872</u>
Supporting services:			
Committee and administration	148,051		148,051
Fundraising	7,362		7,362
	<u>155,413</u>		<u>155,413</u>
Total expenses	<u>786,285</u>		<u>786,285</u>
Increase (decrease) in net assets	129,612	6,486	136,098
Net assets, beginning of year	<u>3,701,882</u>	<u>132,756</u>	<u>3,834,638</u>
Total net assets, end of year	<u>\$ 3,831,494</u>	<u>\$ 139,242</u>	<u>\$ 3,970,736</u>

See notes to financial statements.

JUNIOR LEAGUE OF OKLAHOMA CITY, OKLAHOMA, INC.  
STATEMENT OF CASH FLOWS  
 For the Year Ended May 31, 2017

Cash flows from operating activities:	
Cash received for membership dues	\$ 158,521
Cash received from sales	6,139
Cash received from special events	303,925
Cash received from donors	63,815
Other receipts from operations	8,052
Cash received from earnings on investments	62,805
Cash paid to vendors, employees, and community partner agencies	<u>(599,232)</u>
Net cash provided (used) by operating activities	<u>4,025</u>
Cash flows from investing activities:	
(Increase) decrease in investments	(8,720)
Disposal of equipment/purchase of equipment	<u>(3,811)</u>
Net cash provided (used) by investing activities	<u>(12,531)</u>
Net increase (decrease) in cash	(8,506)
Cash at beginning of year	<u>596,548</u>
Cash at end of year	<u><u>\$ 588,042</u></u>
Reconciliation of change in net assets to net cash provided (used) by operating activities:	
Change in net assets	\$ 136,098
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	25,306
Net unrealized and realized (losses) gains on investments	(132,422)
Net (increase) decrease in accounts receivable, prepaids, and other assets	89,821
Net increase (decrease) in accounts payable and deferred revenue	<u>(114,778)</u>
Net cash provided (used) by operating activities	<u><u>\$ 4,025</u></u>
Supplemental schedule of noncash operating activities:	
Fair market value of donated goods and services received	<u><u>\$ 180,758</u></u>

See notes to financial statements.

JUNIOR LEAGUE OF OKLAHOMA CITY, OKLAHOMA, INC.  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended May 31, 2017

1. Nature of Activities and Summary of Accounting Policies

Organization and History

The Junior League of Oklahoma City, Oklahoma, Inc. (the League) was founded in 1927 as the Junior Service League of Oklahoma City, Oklahoma. In 1928 the League affiliated with the Association of Junior Leagues of America to become the Junior League of Oklahoma City, Oklahoma, Inc. The League is an organization of women committed to promoting voluntarism, developing the potential of women and improving the community through the effective action and leadership of trained volunteers. In order to achieve this objective, each provisional and active member is required to provide a minimum number of hours of volunteer service either to the League or the community. The League's purpose is exclusively educational and charitable.

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows.

Financial Statement Presentation - The League's financial statements are presented on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles for not-for-profit organizations. Net assets are classified as either unrestricted, temporarily restricted, or permanently restricted, based on the existence or absence of donor-imposed restrictions.

Contributions - The League reports support in conformity with U.S. generally accepted accounting principles for not-for-profit organizations. Contributions, including unconditional promises to give, are recognized as revenue in the period received or promised and are reported as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions.

The League reports gifts of cash or other assets as restricted support if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, through the passage of time or when a stipulated purpose is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the statement of activities as net assets released from restriction. Donor restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended May 31, 2017

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses in the reporting period. Actual results could differ from those estimates. It is at least reasonably possible that the significant estimates of the recorded fair values of investments, which are based on quoted market prices will change within the next year.

Cash and Cash Equivalents - Cash and cash equivalents consist of cash held in banks. Money market funds held for investment purposes and certificates of deposit, with maturities of one year or less, are included as investments rather than as cash and cash equivalents.

Investments - Investments consist of marketable investment assets. Marketable securities are reported at fair value calculated in accordance with U.S. generally accepted accounting principles. Such investments include U.S. government obligations, corporate and municipal debt obligations, certificates of deposit, equity securities, and other. Fair value is generally determined based on quoted market prices, other observable inputs, or unobservable inputs. Realized gains and losses on sales of marketable securities are computed on the first-in, first-out basis or the average cost.

Property and Equipment - Property and equipment are stated at cost, if purchased, or market value at date received, if donated. Depreciation is provided over the estimated useful life (five to forty years) of the related assets on the straight-line basis. Generally, assets greater than \$500 are capitalized.

Revenue Recognition - Revenue of the League consists principally of membership dues, retail and booth sales, and contributions. Membership dues, which are unrestricted in nature, are recognized over the periods for which they are earned. Booth space rentals, ticket sales, contributions and special events relating to the Mistletoe Market and the Speaker Series events are recorded into income when earned. Contributions are recognized when unconditional commitments are received and recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or absence of donor restrictions. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed Goods and Services - Contributed goods and services received are reported at their fair value at the date of receipt in accordance with U.S. generally accepted accounting principles. Contributed services are reflected in the financial statements if the services (a) create or enhance nonfinancial assets or (b) require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.



NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended May 31, 2017

Donated goods and services are reported as contributions received on the Statement of Activities and as donated goods and services in the Expense by Natural Classification footnote. These totals do not include the value of member hours donated to the League's programs and supporting services.

Concentration of Credit Risk - Financial instruments that potentially expose the League to concentrations of credit risk are cash and cash equivalents and investments. The League places cash deposits into financial institutions deemed by management to be of high credit quality. The League invests in mutual funds, equity securities, and federal and state bonds. Management believes that diversity within its portfolio avoids significant concentration of credit risk.

Financial instruments that potentially subject Junior League to credit risk consists of amounts in financial institutions at May 31, 2017, totaling \$145,355 in excess of Federal Deposit Insurance Corporation insured limits.

Expenses by Natural Classification - Expenses are charged to each program based on direct expenditures incurred. Certain expenditures, which are not directly chargeable to a single function, are allocated based on a percentage of direct costs.

Tax Exempt Status - The League is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code. Therefore, no provision has been made in the accompanying financial statements for income taxes.

The League evaluates and accounts for their uncertain tax positions, if any, in accordance with U.S. generally accepted accounting principles, including the League's tax position as a tax-exempt not-for-profit entity. Through the League's evaluation of its uncertain tax positions, management has determined no uncertain tax positions exist as of May 31, 2017, which would require the League to record a liability in its financial statements. The League's exempt returns for the years before May 31, 2014, are no longer subject to examination by taxing authorities.

Date of Management Evaluation - Management of the League has evaluated subsequent events through September 18, 2017, which is the date the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended May 31, 2017

2. Related Party Transactions

The League paid dues to the Association of Junior Leagues International, Inc. of \$63,574 for the year ending May 31, 2017.

3. Investments

Investments are stated at fair market value and are summarized as follows as of May 31, 2017:

	<u>Cost</u>	<u>Market</u>
Government obligations	\$53,110	\$50,976
Corporate bonds	47,801	49,848
Municipal bonds	24,938	26,455
Common stocks	654,302	878,847
Mutual funds - common stocks	605,125	683,357
Certificates of deposit	373,527	373,061
Money market funds and cash	<u>134,708</u>	<u>134,708</u>
	<u>\$1,893,511</u>	<u>2,197,252</u>
Held by others (OCCF)		<u>139,242</u>
		<u>\$2,336,494</u>

The following schedule summarizes the investment return and its classification in the statement of changes in net assets for the year ended May 31, 2017:

Unrestricted:	
Interest and dividends	\$62,805
Net realized and unrealized gains (losses)	<u>125,936</u>
	<u>188,741</u>
Permanently restricted:	
Net realized and unrealized gains (losses) relating to beneficial interest in assets held by others	<u>6,486</u>
	<u>6,486</u>
Total investment income and gains (losses)	<u>\$195,227</u>

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended May 31, 2017

4. Endowed Funds Held by Community Foundation

The League is the beneficiary of a designated agency endowment fund held by the Oklahoma City Community Foundation, Inc. (OCCF) with a market value of \$278,311 at May 31, 2017. This endowment was established with funds contributed by both the League and other third-party donors. Under the terms of OCCF's designated fund policies, OCCF has variance power over these assets, and only that portion of the assets contributed by the League together with earnings thereon, is considered to represent the present value of future distributions expected to be made to the League. Of the total fund balance at May 31, 2017, \$139,242 represents contributions and accumulated earnings by the League and is included as an asset in the accompanying statement of financial position. Assets contributed by third party donors, totaling \$139,069 at May 31, 2017, are not reported in the League's financial statements.

5. Summary of Land, Property and Equipment

The cost of land, property, and equipment for the years ended May 31, 2017:

Land	\$540,367
Building	940,875
Office furniture, equipment, and computer equipment	<u>271,326</u>
	1,752,568
Less accumulated depreciation	<u>539,633</u>
Net	<u><u>\$1,212,935</u></u>

Depreciation expense for the year ended May 31, 2017 was \$25,306.

6. Board Designated Endowment

The League's Board of Directors designated unrestricted net assets totaling \$1,757,794 as a general endowment fund (referred to as Headquarters Fund) to support the operations of the League. Since these amounts resulted from an internal designation and are not donor-restricted they are classified and reported as unrestricted net assets.

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended May 31, 2017

The dividends and interest income from the Headquarters Fund shall be used to offset expenses attributed to the operations of the League. In order to meet its needs, the investment strategy of the Headquarters Fund is to preserve capital and to emphasize total return; that is, the aggregate returns from capital appreciation and dividend and interest income. The objectives of investment management for the Headquarters Fund assets is to emphasize long term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index.

Generally accepted accounting principles provide guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organizations subject to the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). It also provides guidance on enhanced disclosure information to enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policy, and related investment policy of its endowment funds.

The League's endowment consists of funds designated by the League to function as endowments established to support the programs conducted by the League. As required by GAAP, net assets associated with endowment funds, including funds designated by the League to function as endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

Changes in board-designated endowment net assets for the year ended May 31, 2017:

Net assets, beginning of year	\$1,625,998
Investment income	42,356
Investment gains (losses)	126,803
Withdrawals	<u>(37,363)</u>
Net assets, end of year	<u>\$1,757,794</u>

## 7. Disclosure About Fair Value of Financial Instruments

U.S. generally accepted accounting principles (GAAP) requires the League to disclose estimated fair values for all financial instruments. Under GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended May 31, 2017

The fair values reported below for financial instruments were based on a variety of factors. In some cases, fair values have been estimated based on assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates reflecting varying degrees of risk. Accordingly, the fair values may not represent actual values of the financial instruments that could have been realized as of May 31, 2017, or that will be realized in the future.

The carrying amounts of cash and cash equivalents approximate fair values because of the terms and relatively short maturity of these assets. The carrying value of investments, which is fair value, is based upon quoted market prices, if available. If quoted market prices are not available, fair value is estimated using quoted prices for similar securities.

The League's financial instruments at May 31, 2017 were as follows:

	<u>Fair Value/ Estimated Market Value and Carrying Amount</u>
Cash and cash equivalents	\$588,042
Investments - marketable	\$2,197,252
Beneficial interest in assets held by others	\$139,242

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1: Quoted Prices in Active Markets for Identical Assets; Level 2: Significant Other Observable Inputs; and Level 3: Significant Unobservable Inputs. The League uses appropriate valuation techniques based on the available inputs to measure the fair value of its assets and liabilities.

*Fair Value Measured on a Recurring Basis*

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying balance sheet, as well as the general classification of such assets pursuant to the valuation hierarchy.

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended May 31, 2017

Investments

The fair values of investments in U.S. government obligations, equity securities, corporate and municipal debt obligations, certificates of deposit, and other investments are based on quoted market prices for active markets, where available. If quoted market prices for active markets are not available, fair values are obtained from pricing services, based on quoted market prices of comparable instruments, bid/ask quotes, or the use of discounted cash flow models, using observable inputs such as current yields, credit risks, and repayment speeds.

Beneficial Interest in Assets Held by Others

The fair value of assets held by Oklahoma City Community Foundation in a designated agency endowment fund is based on market value information provided by OCCF.

The following presents the fair value measurements of investments and beneficial interest recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at May 31, 2017:

	<u>Fair Value</u>	<u>Fair Value Level</u>
Government obligations	\$50,976	(1)
Corporate bonds	49,848	(1)
Municipal bonds	26,455	(1)
Common stocks	878,847	(1)
Mutual funds - common stocks	683,357	(1)
Certificates of deposit	373,061	(1)
Money market funds and cash	<u>134,708</u>	(1)
	<u>\$2,197,252</u>	
Held by others (OCCF)	<u>\$139,242</u>	(2)

JUNIOR LEAGUE OF OKLAHOMA CITY, OKLAHOMA, INC.  
NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended May 31, 2017

8. Expenses by Natural Classification

Expenses were incurred as follows:

	Mistletoe Market	Other		Total Program Services	Supporting Services			Total Expenses
		Program Expenses	Total Program Services		Committee and Administration	Fundraising	Total Supporting Services	
Expenses:								
Community projects, grants and other assistance	\$	\$ 81,266	\$ 81,266		\$	\$	\$	\$ 81,266
Speaker Series		20,218	20,218					20,218
Salaries and wages		26,694	26,694		17,796		17,796	44,490
Payroll taxes		1,994	1,994		1,330		1,330	3,324
Accounting					11,444		11,444	11,444
Investment management fees					15,863		15,863	15,863
Advertising and promotion	109,424			109,424				109,424
Office expense		29,933	29,933		10,372	6,606	16,978	46,911
Information technology		2,505	2,505		2,505		2,505	5,010
Occupancy		10,596	10,596		10,597		10,597	21,193
Conferences, conventions, meetings		69,552	69,552		18,941	756	19,697	89,249
Insurance		11,658	11,658		11,658		11,658	23,316
Events	215,278		215,278					215,278
AJLI dues		41,335	41,335		22,239		22,239	63,574
Bank and credit card charges	6,212	4,207	10,419					10,419
Total expenses before depreciation	330,914	299,958	630,872		122,745	7,362	130,107	760,979
Depreciation of buildings and equipment					25,306		25,306	25,306
Total expenses	\$ 330,914	\$ 299,958	\$ 630,872		\$ 148,051	\$ 7,362	\$ 155,413	\$ 786,285