

**UNIVERSITY OF CENTRAL OKLAHOMA  
ALUMNI ASSOCIATION**

**Financial Statements and  
Supplemental Schedule**

**June 30, 2020**

UNIVERSITY OF CENTRAL OKLAHOMA  
ALUMNI ASSOCIATION

June 30, 2020

Financial Statements

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
University of Central Oklahoma  
Alumni Association  
Edmond, Oklahoma

We have audited the accompanying financial statements of the University of Central Oklahoma Alumni Association (a nonprofit organization), a component unit of the University of Central Oklahoma, which comprise the Statement of Assets, Liabilities, and Net Assets--Modified Cash Basis as of June 30, 2020, and the related Statement of Revenue, Support, and 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 A; 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 University of Central Oklahoma Alumni Association as of June 30, 2020, and its Support, Revenue, and Expenses for the year then ended in accordance with the Modified Cash Basis of Accounting as described in Note A.

#### Basis of Accounting

We draw attention to Note A 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.

#### Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenses--Modified Cash Basis on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Smith, Carney & Co. P.C.*

Oklahoma City, Oklahoma  
September 8, 2020

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

UNIVERSITY OF CENTRAL OKLAHOMA  
ALUMNI ASSOCIATION

June 30, 2020

ASSETS

Cash	\$ 388,892
Interest in net assets of University of Central Oklahoma Foundation	<u>440,260</u>
	<u>\$ 829,152</u>

NET ASSETS

Without donor restrictions	<u>\$ 829,152</u>
	<u>\$ 829,152</u>

See Independent Auditor's Report  
and Notes to Financial Statements.

STATEMENT OF REVENUE, SUPPORT, AND EXPENSES--  
MODIFIED CASH BASIS

UNIVERSITY OF CENTRAL OKLAHOMA  
ALUMNI ASSOCIATION

For The Year Ended June 30, 2020

REVENUE AND SUPPORT

Revenue:

Royalties	\$ 185,568
Net investment income (expense)	19,109
	<u>204,677</u>

Support:

Donations	2,760
Miscellaneous	19,013
Related party contribution	191,092
	<u>212,865</u>

Total Revenue And Support	<u>417,542</u>
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EXPENSES

Program services:

Membership services	<u>59,918</u>
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Supporting services:

Salaries	182,225
Membership development	21,810
Management and general	<u>34,239</u>
	<u>238,274</u>

Total Expenses	<u>298,192</u>
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Increase In Net Assets	119,350
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NET ASSETS WITHOUT DONOR RESTRICTIONS

<u>AT BEGINNING OF YEAR</u>	<u>709,802</u>
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NET ASSETS WITHOUT DONOR RESTRICTIONS

<u>AT END OF YEAR</u>	<u>\$ 829,152</u>
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See Independent Auditor's Report  
and Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

UNIVERSITY OF CENTRAL OKLAHOMA  
ALUMNI ASSOCIATION

June 30, 2020

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: The University of Central Oklahoma Alumni Association (the "Association") was incorporated on August 22, 1952. The Association was formed for the purpose of establishing and maintaining a close relationship and cooperation between the former students of the University of Central Oklahoma (the "University") and the University and to serve in fulfilling the programs and projects of both.

The University supports the Association by providing personnel and general office supplies. Additionally, the University provides office space, furniture, and equipment to the Association at no charge. However, accounting standards require the Association to recognize these services provided by the University, as it is an affiliated organization. See Note E to these financial statements.

Reporting Entity: The Association is included in the University of Central Oklahoma financial statements as a discretely presented component unit.

Basis of Reporting: The Association maintains its books and records on the modified cash basis of accounting. Under the cash basis of accounting, revenues and support are recognized when received rather than when earned and expenses are recognized when funds are disbursed rather than when the obligation is incurred. The cash basis of accounting has been modified to record direct support and expenses contributed by the University; and investments are recorded at market value as provided by the Foundation.

In accordance with the modified cash basis of accounting for not-for-profit entities, the Association records net assets and revenues based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- \* Without Donor Restrictions: Net assets that are not subject to donor-imposed stipulations.
- \* With Donor Restrictions: Net assets subject to donor-imposed stipulations that may, or will, be met either by actions of the Association and/or the passage of time or, must be maintained permanently by the Association. The Association had no donor restricted net assets at June 30, 2020.

Use of Estimates: The preparation of financial statements in conformity with the modified cash basis of accounting 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 statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA  
ALUMNI ASSOCIATION

June 30, 2020

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Contributed Services: Numerous people have contributed time to the activities of the Association. The financial statements do not reflect the value of these contributed services because they do not meet the recognition criteria of the modified cash basis of accounting.

Concentration of Investment Risk: The Association maintains its cash balances in high-credit quality financial institutions. From time-to-time, the Association's cash and cash equivalents may exceed federally insured limits. At June 30, 2020, the bank balance was \$388,778. This balance is \$138,778 over the insured limit.

Income Taxes: The Association is a tax-exempt organization in accordance with the provisions of Section 501(c)(3) of the Internal Revenue Code. Income of the Association earned during the exercise of its stated purpose is exempt from state and federal income taxes. Income generated from activities unrelated to the Association's exempt purpose is subject to income taxes. The Association did not generate any material unrelated business income for the year ended June 30, 2020. Accordingly, no provision for income taxes has been recorded.

The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in-progress. The Association believes it is no longer subject to income tax examinations for years prior to June 30, 2017.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of revenue, support, and expenses- modified cash basis and the schedule of expenses- modified cash basis. Expenses which are easily and directly associated with a particular program or supporting service are charged directly to that functional area. Certain other expenses are allocated to the program and supporting services benefited based on time devoted by the Organization staff. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Association.

NOTE B--INTEREST IN NET ASSETS OF THE UNIVERSITY  
OF CENTRAL OKLAHOMA FOUNDATION

The Association and the University of Central Oklahoma Foundation (the "Foundation") are financially interrelated organizations. The Foundation seeks private support for, and holds net assets on behalf of the Association. The Foundation transfers assets to the Association when requested to do so by the Association's management.

The Association's interest in the net assets of the Foundation is accounted for in a manner similar to the equity method. The interest is reflected as an asset stated at fair value and changes in the interest are included in net investment income on the Statement of Revenue, Support, and Expenses. Transfers of assets between the Foundation and the Association are recognized as increases or decreases in the interest in the net assets of the Foundation with corresponding decreases or increases in the assets transferred and have no effect on net investment income.



NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA  
ALUMNI ASSOCIATION

June 30, 2020

NOTE B--INTEREST IN NET ASSETS OF THE UNIVERSITY  
OF CENTRAL OKLAHOMA FOUNDATION--Continued

The value of the Association's interest in the net assets of the Foundation was \$440,260 at June 30, 2020 based on the market value of the underlying investments held by the Foundation. All investment decisions are made by the Foundation. This interest includes net assets held in perpetuity to be used for any purpose of the Association.

The Association had investment income and gains from these assets of \$25,797 and recognized \$7,326 in investment expense for the year ended June 30, 2020. In addition, interest income of \$638 was earned on other assets.

NOTE C--FAIR VALUE

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1--Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2--Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3--Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's 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.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA  
ALUMNI ASSOCIATION

June 30, 2020

NOTE C--FAIR VALUE--Continued

The following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value as of June 30, 2020.

		As of June 30, 2020			
		Fair Value Measurements Using			
		Quoted	Significant	Significant	
		Prices in	Other	Non-Observable	
		Active	Observable	Inputs	
		Markets	Inputs	Inputs	
		(Level 1)	(Level 2)	(Level 3)	
Carrying	Total				
Amount	Value				
<u>Financial Assets</u>					
Interest in Net Assets					
of UCO Foundation	\$440,260	\$440,260	\$ -	\$440,260	\$ -

The following methods and assumptions were used to estimate the fair values of the assets and liabilities in the table above. As per the requirements under accounting standards, all fair values reflected in the table above and on the Statement of Assets, Liabilities, and Net Assets have been adjusted for non-performance risk. There was no adjustment to fair value related to non-performance risk as of June 30, 2020.

Level 2 Fair Value Measurements: Interest in net assets of UCO Foundation--the fair value is determined by the Alumni Association's ownership interest in the UCO Foundation's net assets as reported by that organization. The underlying investments held by the Foundation are valued using significantly observable inputs for identical assets.

NOTE D--ADVERTISING EXPENSE

Advertising and promotional costs are expensed when cash payment is made. Gross advertising expense totaled \$2,365 at June 30, 2020.

NOTE E--RELATED PARTY

The Members of the Association's Board of Directors are Members of the Association.

The University provides the Association with employees, facilities, furniture, and equipment necessary to operate the Association. The costs as allocated directly to the Association for employee wages, benefits, and use of equipment and supplies paid by the University are recorded as related party contributions and expense.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA  
ALUMNI ASSOCIATION

June 30, 2020

NOTE E--RELATED PARTY--Continued

The detail of the recorded expense amounts are as follows:

Salaries and benefits	\$182,225
Office expense	<u>19,577</u>
	<u>\$201,802</u>

The Association is housed in the offices of UCO and the UCO Foundation, and uses some of their furniture and equipment. This office space, furniture and equipment, if not used by the Association, would be repurposed by UCO and/or the Foundation, thus, a rental and/or expense value has not been recorded by the Association.

NOTE F--LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets as of the statement of financial position date.

Financial assets, at year-end:	
Cash and cash equivalent	\$388,892
Interest in net assets of	
UCO Foundation	<u>440,260</u>
Financial assets available to meet	
cash needs for general expenditure	
within one year	<u>\$829,152</u>

The Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE G--ADOPTION OF ACCOUNTING PRINCIPLE

Effective July 1, 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. Implementation of ASU 2016-14 did not require reclassification or restatement

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA  
ALUMNI ASSOCIATION

June 30, 2020

NOTE G--ADOPTION OF ACCOUNTING PRINCIPLE--Continued

of any opening balances related to the periods presented. The Organization's net assets previously reported as unrestricted are now reported as net assets without donor restrictions.

NOTE H--SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 8, 2020, the date on which the financial statements were available for issue.

On March 10, 2020 the COVID-19 virus was declared a pandemic. Actions taken in the United States and the State of Oklahoma to help mitigate the spread of the virus included restrictions on travel, quarantines and forced closures for certain businesses and organizations to include universities. While many organizations in Oklahoma have reopened there are still many social gatherings that have been canceled and will continue to be canceled. The Association plans to have limited social functions in the Fall of 2020 and hopes to return to more normal operations in the Spring of 2021.

SCHEDULE OF EXPENSES--MODIFIED CASH BASIS

UNIVERSITY OF CENTRAL OKLAHOMA  
ALUMNI ASSOCIATION

For The Year Ended June 30, 2020

PROGRAM SERVICES

Membership services:

Homecoming events	\$ 36,385
Alumni board meetings	2,640
Donations/Gifts	14,147
Contract labor	-
Membership services	508
Legacy Scholarship	5,988
Chapters expense	<u>250</u>
Total Program Expense	<u>59,918</u>

SUPPORT SERVICES

Membership development:

Membership drive	<u>21,810</u>
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Salaries and benefits	<u>182,225</u>
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Management and general:

Advertising	2,365
Office supplies, postage, and printing	19,577
Professional fees	10,951
Rental expense	-
Travel and entertainment	1,177
Taxes/Fees	<u>169</u>
	<u>34,239</u>

Total Supporting Services Expense	<u>238,274</u>
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Total Expenses	<u>\$ 298,192</u>
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See Independent Auditor's Report  
and Notes to Financial Statements.