

**UNIVERSITY OF CENTRAL OKLAHOMA
ALUMNI ASSOCIATION**

**Financial Statements and
Supplemental Schedule**

June 30, 2017

Financial Statements and
Supplemental Schedule

UNIVERSITY OF CENTRAL OKLAHOMA
ALUMNI ASSOCIATION

June 30, 2017

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, 2017, 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, 2017, 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 10 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.



Oklahoma City, Oklahoma
September 19, 2017

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

UNIVERSITY OF CENTRAL OKLAHOMA
ALUMNI ASSOCIATION

June 30, 2017

ASSETS

Cash	\$ 170,840
Interest in net assets of University of Central Oklahoma Foundation	<u>392,275</u>
	<u>\$ 563,115</u>

NET ASSETS

UNRESTRICTED NET ASSETS

	<u>\$ 563,115</u>
	<u>\$ 563,115</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, 2017

REVENUE AND SUPPORT

Revenue:

Royalties	\$ 131,102
Net investment income	28,217
	<u>159,319</u>

Support:

Homecoming events	5,821
Donations	13,199
Miscellaneous	20,856
Related party contribution	260,754
	<u>300,630</u>

Total Revenue And Support	<u>459,949</u>
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EXPENSES

Program services:

Membership services	<u>74,708</u>
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Supporting services:

Salaries	228,649
Membership development	25,898
Management and general	88,185
	<u>342,732</u>

Total Expenses	<u>417,440</u>
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Increase In Net Assets	42,509
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UNRESTRICTED NET ASSETS

<u>AT BEGINNING OF YEAR</u>	<u>520,606</u>
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UNRESTRICTED NET ASSETS

<u>AT END OF YEAR</u>	<u>\$ 563,115</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, 2017

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.

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:

- * Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations.
- * Temporarily Restricted Net Assets: 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. The Association had no temporarily restricted net assets at June 30, 2017.
- * Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that are maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all, or part of, the income earned on related investments for general or specific purposes. The Association had no permanently restricted net assets at June 30, 2017.

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, 2017

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, 2017, the bank balance was \$170,726. This entire amount was insured by Federal Deposit Insurance.

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, 2017. 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 2013.

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 Change in Net Assets. 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 Change in Net Assets.

The value of the Association's interest in the net assets of the Foundation was \$392,275 at June 30, 2017 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 of \$32,454 and recognized \$4,518 in investment expense for the year ended June 30, 2017.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA
ALUMNI ASSOCIATION

June 30, 2017

NOTE C--FAIR VALUE

Investments have been recorded at market value as provided by the Foundation. Consistent with Financial Accounting Standards Board ASC 820 (FASB ASC 820), fair value is the price that would be received to sell an asset or pay or transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The standard requires utilization of market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The standard primarily applies the market and income approaches for recurring fair value measurements and utilizes the best available information. Accordingly, these financial statements utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These financial statements classify fair value balances based on the observability of those inputs. FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs 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 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy defined by FASB ASC 820 are as follows:

Level 1--Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives, listed equities, and U.S. Government Treasury Securities.

Level 2--Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted-forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instruments, can be derived from observable data, or are supported by observable levels at which transactions are executed in the marketplace. Instruments in this category include non-exchange traded derivatives, such as over-the-counter forwards and options.

Level 3--Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. At each Balance Sheet date, an analysis is performed for all instruments subject

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA
ALUMNI ASSOCIATION

June 30, 2017

NOTE C--FAIR VALUE--Continued

to FASB ASC 820 and includes in Level 3 all of those whose fair value is based on significant unobservable inputs.

The carrying values of cash included in the accompanying Statement of Assets, Liabilities, and Net Assets approximated fair value at June 30, 2017. Cash is not presented in the following table.

The table below sets forth by level within the fair value hierarchy the Association's financial assets that were accounted for at fair value on a recurring basis as of June 30, 2017. As required by FASB ASC 820, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Association's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

As of June 30, 2017					
		Fair Value Measurements Using			
		Quoted Prices In Active Markets (Level 1)		Signifi- cant Other Observ- able Inputs (Level 2)	Signifi- cant Non-ob- serv- able Inputs (Level 3)
Carry- ing Amount	Total Fair Value				
<u>Financial Assets</u>					
Net Assets of UCO Foundation					
\$392,275	\$392,275	\$ -	\$392,275	\$ -	\$ -

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 FASB ASC 820, 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, 2017.

Level 1 Fair Value Measurements: As of June 30, 2017, the Association did not have assets or liabilities measured under Level 1 fair value hierarchy.

Level 2 Fair Value Measurements: 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.

Level 3 Fair Value Measurements: As of June 30, 2017, the Association did not have assets or liabilities measured under Level 3 fair value hierarchy.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA
ALUMNI ASSOCIATION

June 30, 2017

NOTE D--ADVERTISING EXPENSE

Advertising and promotional costs are expensed when cash payment is made. Gross advertising expense totaled \$3,724 at June 30, 2017.

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. Cost associated with direct Association expenses for employee wages, benefits, and use of equipment and supplies paid by the University are recorded as related party contributions and to the appropriate expense.

The detail of the recorded amounts are as follows:

Salaries and benefits	\$228,649
Office expense	<u>32,105</u>
	<u>\$260,754</u>

The Association is housed in the offices of UCO and the UCO Foundation, and uses some and 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--SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 19, 2017, the date on which the financial statements were available for issue. Through this date, management believes that there have not been any events that materially affect the financial statements for the year ended June 30, 2017.

SCHEDULE OF EXPENSES--MODIFIED CASH BASIS

UNIVERSITY OF CENTRAL OKLAHOMA
ALUMNI ASSOCIATION

For The Year Ended June 30, 2017

PROGRAM SERVICES

Membership services:	
Homecoming events	\$ 20,844
Alumni board meetings	6,561
Graduation receptions	676
Alumni receptions	21,857
Membership services	11,627
Legacy Scholarship	9,888
Chapters expense	<u>3,255</u>
Total Program Expense	<u>74,708</u>

SUPPORT SERVICES

Membership development:	
Membership drive	<u>25,898</u>
Salaries and benefits	<u>228,649</u>
Management and general:	
Advertising	3,724
Office supplies, postage, and printing	61,697
Professional fees	14,495
Travel and entertainment	6,877
Taxes/Fees	<u>1,392</u>
	<u>88,185</u>
Total Supporting Services Expense	<u>342,732</u>
Total Expenses	<u>\$ 417,440</u>

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