

KAW LAKE ASSOCIATION

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

KAW LAKE ASSOCIATION
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YEAR ENDED JUNE 30, 2019

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Kimberlye R. Mayer, CPA, P.C.

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Independent Auditor's Report

Board of Directors
Kaw Lake Association

We have audited the accompanying financial statements of Kaw Lake Association (a nonprofit organization), which comprise the statement of assets, liabilities and net assets-cash basis as of June 30, 2019 and the related statements of revenues, expenses and changes in net assets – 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 cash basis of accounting as described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 Kaw Lake Association'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 Kaw Lake Association's internal control. Accordingly, we express no such an 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 cash basis net assets of Kaw Lake Association as of June 30, 2019 and the changes in cash basis net assets for the year then ended in conformity with basis of accounting described in Note 1.

Other Matters

Report on Supplementary and Other Information

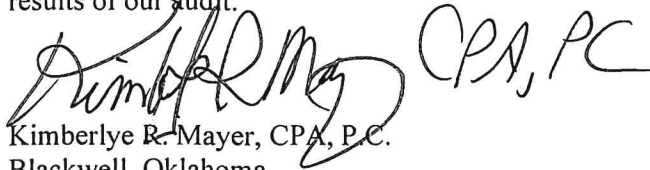
Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for the portion marked "unaudited" on which we express no opinion, 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 statement 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.

Basis of Accounting

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the 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 this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 25, 2020 on our consideration of Kaw Lake Association's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Kimberlye R. Mayer, CPA, P.C.

Blackwell, Oklahoma

January 25, 2020

KAW LAKE ASSOCIATION
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
CASH BASIS
JUNE 30, 2019

ASSETS

Operating cash	<u>\$ 1,992</u>
Total Assets	<u><u>\$ 1,992</u></u>

LIABILITIES AND NET ASSETS

Liabilities	\$
Net Assets:	
Without donor restrictions	1,992
With donor restrictions	<u> </u>
Total Net Assets	<u>1,992</u>
Total Liabilities and Net Assets	<u><u>\$ 1,992</u></u>

The accompanying report and notes are an integral part of these financial statements.

KAW LAKE ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
CASH BASIS
YEAR ENDED JUNE 30, 2019

Change in net assets without donor restriction:	
Revenues and other support:	
State matching funds (Note 3)	\$ 36,255
State matching funds 17/18 (Note 3)	2,526
Coop advertising	21,078
Membership dues	3,857
Advertising sales	28,392
Travel shows	590
Tourism promo events income	9,669
Donations and sponsorships	3,704
Other income	1,908
Total revenues and other support without donor restriction	107,979
Expenses:	
Administrative:	
Allowable	7,815
Discretionary	39,548
Total Administrative	47,363
Promotional:	
Allowable	31,262
Discretionary	39,116
Total Promotional	70,378
Total Expenses	117,741
Increase (decrease) in net assets without donor restrictions	(9,762)
Change in net assets with donor restrictions:	
Increase (decrease) in net assets	(9,762)
Net Assets, beginning of year	11,754
Net Assets, end of year	\$ 1,992

The accompanying report and notes are an integral part of these financial statements.

KAW LAKE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

Kaw Lake Association is a not-for-profit organization that was established to promote the conservation and development of water resources of the Central Arkansas River Basin and its tributaries, and to satisfy the needs of the growing population for flood control, navigation, pollution control, recreation and all other benefits of the Kaw Reservoir. The Association is exempt from federal and state income taxes as a 501(c)(6) organization.

Basis of Accounting

The Association maintains its records on the basis of cash receipts and disbursements. Under the cash basis, revenues are recognized when received, rather than when earned, expenditures are recognized as expenses when paid, rather than incurred.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the association or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from the net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

New Accounting Pronouncement

On August 18, 2016 FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The association has adjusted the presentation of these statements accordingly.

Property and Equipment

Purchases of and capital lease payments on property and equipment are recorded as expenses in the year of purchase.

KAW LAKE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Cash and Cash Equivalents

The Association considers all deposit accounts with a maturity of three months or less to be cash equivalents.

Accounting for Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Functional Expenses

The costs of providing program services and other activities have been summarized in the Schedule of Administrative and Promotional Expenses (page 9). Direct costs are recorded as administrative or promotional expenses. There are no indirect or allocated expenses.

NOTE 2 – CONTINGENCIES:

Grant expenditures are subject to financial and compliance audits by the grantor agencies or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures that are disallowed under the terms of the grant. The Corporation believes that the amount of the expenditures that could be disallowed by the grantor agencies, if any, would not be significant.

NOTE 3 – STATE MATCHING FUNDS:

The Oklahoma State Legislature appropriates funds which are available to multi-county organizations through the Oklahoma Tourism and Recreation Department. Kaw Lake Association, on an annual basis, contractually agrees to assist the Department in the promotion of tourism. The Department allocates funds to match allowable expenditures made by Kaw Lake Association. Allowable expenditures are promotional and administrative expenses which comply with contract guidelines. Matching funds to be paid each fiscal year by the Department are limited by the contract. Kaw Lake Association files reports and supporting documentation with the Department to prove its adherence with the contract. Upon the Department's approval of these reports, the matching funds are paid to Kaw Lake Association.

KAW LAKE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 3 – STATE MATCHING FUNDS (continued):

State matching funds allocated to the fiscal year ended June 30, 2018 were \$36,845, of which \$2,526 were received in the fiscal year ended June 30, 2019. State matching funds allocated to the fiscal year ended June 30, 2019 were \$39,077, of which \$36,255 were received in the fiscal year ended June 30, 2019.

NOTE 4 – FINANCIAL INSTITUTIONS:

The Association maintained a checking account at RCB Bank in Ponca City, Oklahoma.

NOTE 5 – INCOME TAXES:

The Association is a not-for-profit organization that is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Association's Forms 990, *Return of Organization Exempt from Income Tax*, for the fiscal years ending 2017, 2018, 2019 are subject to examination by the IRS, generally three years after they were filed.

NOTE 6 – LIQUIDITY AND CASH MANAGEMENT:

The Association is substantially supported by matching funds, membership dues, advertising income and event income. The Association budgets its advertising, promotion and event expenses based on expected revenues. At June 30, 2019, the Association had funds of \$1,992 that were available for future operating expenditures.

NOTE 7 – RISK MANAGEMENT:

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The Association purchases commercial insurance for these and other risks of loss.

NOTE 8 – CONTINGENCIES:

Grant expenditures are subject to financial and compliance audits by the grantor agencies or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures that are disallowed under the terms of the grant. The Association believes that the amount for expenditures that could be disallowed by the grantor agencies, if any, would not be significant.

NOTE 9 – EVALUATION OF SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through January 25, 2020 the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

KAW LAKE ASSOCIATION
SCHEDULE OF ADMINISTRATIVE AND PROMOTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	<u>Allowable</u>	<u>Discretionary</u>
Administrative Expenses:		
Personnel costs	\$ 7,815	\$ 20,185
Office supplies and equipment		2,762
Contract labor		5,900
Office and storage rent		455
Telephone and internet		1,154
Postage		188
Professional fees		1,828
Dues and memberships		735
Insurance		2,996
Travel and meetings		2,215
Other expenses		1,130
Total Administrative Expenses	<u>\$ 7,815</u>	<u>\$ 39,548</u>

	<u>Allowable</u>	<u>Discretionary</u>
Promotional Expenses:		
Travel show exhibitions	\$ 1,440	\$ 1,764
Literature distribution	2,155	1,907
Print Production - Kaw Lake Guide	7,065	13,065
Media Advertising:		
Magazine/newspaper/brochures		320
Website		720
Radio/TV		7,909
Other		282
Coop advertising:		
Magazines/brochures	20,602	10,340
Other event expenses (net of advertising costs):		
Fall Fest, Pageant, Eagle Watch and other events		2,809
Total Promotional Expenses	<u>\$ 31,262</u>	<u>\$ 39,116</u>

The accompanying report and notes are an integral part of these financial statements.

KAW LAKE ASSOCIATION
SCHEDULE OF COOP ADVERTISERS
YEAR ENDED JUNE 30, 2019

Magazine Advertising:

	\$
Green Country Marketing, 2512 E 71St, Tulsa	2,320
Ponca City Tourism, POB 1109	12,783
Pioneer Woman Museum, 701 Monument Rd, Ponca City	1,345
Marland Estate, 901 Monument Rd, Ponca City	3,682
Fairfield Inn, 3405 N 14th, Ponca City	573
Boat N Tote, 1670 Osage Cove, Burbank	125
Lakeview Camps, 8774 Lake Rd, Ponca City	125
Camp McFadden, POB 1495, Ponca City	125
Total Coop Advertising	<u>\$ 21,078</u>

KAW LAKE ASSOCIATION
SCHEDULE OF ADVERTISERS
YEAR ENDED JUNE 30, 2019

RECREATIONAL GUIDE SALES:

Ponca City, OK:

Bob Hurley, 3501 N 14th	\$ 242
Bowker Ford, 2415 N 14th	305
RCB Bank, POB 111	635
Ponca City Tourism, PO Box 1109	1,260
Heather Canon Honda, 3415 N 14th St	230
House FM, 6600 W Hwy 60	178
Marland Estate, 901 Monument Rd	348
SDR Mobile RV Repair, 2208 N Ash	369
Fairfield Inn, 3405 N 14th	368
Sharkey Bait Shop, 8175 E Coleman Rd	253
Poncan Theatre, 104 E Grand	388
Hideawa Marina, 1000 McFadden Cove	178
Completely Quilted, 315 E Grand	506
Ponca City RV Park, 1017 N Waverly	506
U.S. Corps of Engineers, 9400 Lake Rd	1,625
Quality Water, POB 829	388
The Perk, 415 N 14th	128
Camp McFadden, POB 1495	536
Bill Rutz Investments, 8774 Lake Rd	268
Danny's BBQ, 1217 E Prospect	506
The Boathouse, 3909 N Pleasantview	368
Pioneer Women, 701 Monument	368
Ponca City Energy, POB 1450	920

Caldwell, OK:

KanOkla Networks, POB 111	634
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Cleveland, OK:

Indian Electric Co., POB 49	805
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Shidler, OK:

Chamber of Commerce, POB 528	150
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Arkansas City, KS:

Cowley Courier, 200 E 5th	275
KSOK, 334 E Radio Lane	522

Burbank, OK:

Boat N Tote, 773 S Osage Cove	268
Tom's Place, 43 E Osage Cove Rd	125

Bartlesville, OK:

KWON/KYFM/KRI6/KPGM, 1200 SE Frank Phillips	\$ 534
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Tulsa, OK:

Green Country Mktg., 2805 E Skelley	533
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Pawhuska, OK:

Osage County Tourism, POB 87	970
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Alva, OK:

Red Carpet Country, Drawer B	1,662
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Tonkawa, OK:

NOC, POB 310	253
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Farmer's Exchange Bank, 111 E Grand	266
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Arbuckle Mt Pies, 16560 W Fountain Rd	266
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Newkirk, OK:

Equity Bank, POB 468	518
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Chamber of Commerce, 114 S Main	241
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Main Street Authority, POB 235	253
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Southwind Casino, 5640 N LA Cann	1610
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City of Newkirk, Main Street	253
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Church of Christ, 128 N Main	261
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Kaw City, OK:

Schillbilly's RV, #5 Park Place	253
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United Methodist Church, POB 55	75
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Shady Acres RV Park, 12900 E Hyw 11	75
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Pioneer Cove Marina, Box 281	142
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Kaw Nation Business, PO Box 50	328
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Bear Creek Cabins, 347 Timberline	368
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Oak Grove Baptist, POB 96	75
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Kaw City, 900 Morgan Sq	1,950
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Museum, 900 Morgan Sq	161
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Sanbur RV Park, 13444 E Hyw 11	253
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Blackwell, OK:

Kay Electric Coop, POB 607	805
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Chamber of Commerce, 120 S Main	885
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Oklahoma City, OK:

VI Marketing & Branding, 125 Park Ave	1,750
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Total

\$ 28,392

SUPPLEMENTAL REPORT
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Directors
Kaw Lake Association

We have audited the financial statements of the Kaw Lake Association as of and for the year ended June 30, 2019, and have issued our report thereon dated January 25, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements were prepared using the cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kaw Lake Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Kaw Lake Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Kaw Lake Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of control deficiencies, in internal control that there is reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kaw Lake Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of

providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

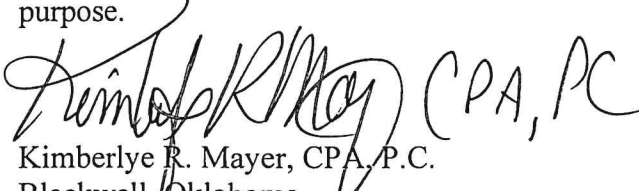
We noted other matters that we reported to the management of Kaw Lake Association in a separate letter dated January 25, 2020.

Response to Findings

Kaw Lake Association's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Kaw Lake Association's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

 CPA, PC
Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
January 25, 2020

KAW LAKE ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019

Material Weakness in Internal Control Over Financial Reporting: Inadequate Segregation of Duties:

Criteria: The segregation of duties and responsibilities between different individuals and the reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition: Presently, the same individual is responsible for invoicing and receiving payments; making and recording deposits; reconciling the monthly bank statements; receiving and reviewing payables invoices and preparing checks. Only limited oversight is provided over this individual in the conduct of their daily functions.

Cause: The Association's limited size has made it difficult for management to fully segregate the duties.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and/or fraud related to the sales and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: The board should evaluate the risks associated with the lack of segregation of duties and consider implementing controls that could mitigate these risks including independent review procedures.

Board's Response: The board has concluded that due to the limited number of personnel, an adequate segregation of duties is not achievable and that the cost of correcting the weakness would exceed the benefits that would be derived from it.