

LAKE TEXOMA ASSOCIATION

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

LAKE TEXOMA ASSOCIATION
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YEAR ENDED JUNE 30, 2020

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Independent Auditor's Report

Board of Directors
Lake Texoma Association

We have audited the accompanying financial statements of Lake Texoma Association (a nonprofit organization), which comprise the statement of assets, liabilities and net assets-cash basis as of June 30, 2020 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 Lake Texoma 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 Lake Texoma 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 Lake Texoma Association as of June 30, 2020 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 Supplemental 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, as listed in the table of contents, 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 11, 2021 on our consideration of Lake Texoma 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 11, 2021

LAKE TEXOMA ASSOCIATION
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
CASH BASIS
JUNE 30, 2020

ASSETS

Operating account	\$ 38,852
Fireworks account	5,280
Certificates of deposit	
Total Cash and Cash Equivalents	44,132
Certificates of deposit	38,966
Total Assets	\$ 83,098

LIABILITIES AND NET ASSETS

Liabilities	\$
Net Assets:	
Without donor restrictions	83,098
With donor restrictions	
Total Net Assets	83,098
Total Liabilities and Net Assets	\$ 83,098

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

LAKE TEXOMA ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
CASH BASIS
YEAR ENDED JUNE 30, 2020

Change in net assets without donor restrictions:	
Revenues and other support:	
State matching funds (Note 2)	\$ 51,382
State matching funds 18/19 (Note 2)	7,585
Membership dues	17,293
Advertising sales	66,396
Events income	50,340
Other income	786
Interest income	332
Total revenues and other support without donor restrictions	194,114
Expenses:	
Administrative:	
Allowable	10,276
Discretionary	100,766
Total Administrative	111,042
Promotional:	
Allowable	41,106
Discretionary	60,311
Total Promotional	101,417
Total Expenses	212,459
Increase (decrease) in net assets without donor restrictions	(18,345)
Change in net assets with donor restrictions:	_____
Increase (decrease) in net assets	(18,345)
Net Assets, beginning of year	101,443
Net Assets, end of year	\$ 83,098

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

LAKE TEXOMA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

Lake Texoma Association is a not-for-profit organization that was established to promote the conservation and development of water resources of Lake Texoma, and to satisfy the needs of the growing population for flood control, navigation, pollution control and recreation. 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.

Cash and Cash Equivalents

For the purpose of financial reporting, cash and cash equivalents include all checking and savings accounts and certificates of deposit with a maturity of three months or less.

LAKE TEXOMA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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 – STATE MATCHING FUNDS:

The Oklahoma State Legislature appropriates funds which are available to multi-county organizations through the Oklahoma Tourism and Recreation Department. Lake Texoma 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 Lake Texoma 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. Lake Texoma 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 Lake Texoma Association.

State matching funds allocated to the fiscal year ended June 30, 2019 were \$55,006 of which \$7,585 was received in the fiscal year ended June 30, 2020. State matching funds allocated to the fiscal year ended June 30, 2020 were \$51,382 which were all received in the fiscal year ended June 30, 2020.

NOTE 3 – RETIREMENT PLAN:

The Association maintains Simple IRA accounts for its participating employees. The Association contributes 3% of gross wages to the participating employees Simple IRA accounts. Contributions for the year ended June 30, 2020 were \$1,563.

LAKE TEXOMA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 4 – 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, 2020, the Association had funds of \$77,818 that were available for future operating expenditures.

NOTE 5 – FINANCIAL INSTITUTIONS:

The Association maintains one checking account for operations located at First United Bank in Durant, OK.

NOTE 6 – 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 7 – 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 2018, 2019, 2020 are subject to examination by the IRS, generally three years after they were filed.

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 11, 2021 the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

LAKE TEXOMA ASSOCIATION
SCHEDULE OF ADMINISTRATIVE AND PROMOTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	<u>Allowable</u>	<u>Discretionary</u>
Administrative Expenses:		
Personnel costs	\$ 10,276	\$ 69,932
Travel and meetings		5,588
Office supplies and postage		7,665
Telephone		1,550
Utilities		2,216
Professional fees		2,715
Dues and subscriptions		2,148
Insurance		6,260
Public relations		1,599
Education and training		238
Other expenses		855
Total Administrative Expenses	<u>\$ 10,276</u>	<u>\$ 100,766</u>

	<u>Allowable</u>	<u>Discretionary</u>
Promotional Expenses:		
Travel shows/Expos	\$	\$ 1,375
Literature distribution		2,950
Print Production - Lake Texoma Guide	41,106	7,844
Media Advertising:		
Magazines		9,110
Website/internet		2,401
Radio		3,000
Other promotional advertising		2,821
Other event expenses (net of advertising costs):		
Bash for Cash		13,842
Fireworks		16,464
Other		504
Total Promotional Expenses	<u>\$ 41,106</u>	<u>\$ 60,311</u>

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

LAKE TEXOMA ASSOCIATION
SCHEDULE OF ADVERTISERS
YEAR ENDED JUNE 30, 2020

RECREATIONAL GUIDES SALES:

Sherman, TX:

Easy Life Realty, 603 N Travis \$ 1,750

Mead, OK:

Lake Texoma Lodge, 3263 US 70 2,484

Newberry Creek, 1582 Newberry Rd 1,140

Calera, OK:

Do Drop Inn, 560 Platter Dike Rd 380

Cherokee Telephone Co., POB 445 1,200

Oklahoma City, OK :

Chickasaw Nation Tourism, 1 East Sheridan 7,465

VI Marketing & Branding, 125 Park Ave 4,200

Durant, OK:

VanMeter Rader Group, 419 W Main 380

Discover Durant, 215 N 4th 3,780

1st United Bank, POB 130 1,080

Alliance Medical Center, 1800 University Dr 720

Kingston, OK:

Buncombe Creek Resort, Box 521 800

Black Beard Marine, 6339 S Hwy 377 5,000

Ponte Vista Development, Box 1009 3,780

Gordonville, TX:

Walnut Creek Resort, POB 346 2,500

Big Mineral Camp, POB 576 760

Cedar Mills Marina, 500 Harbor View Rd 2,525

Whitesboro, TX:

Whitesboro Chamber, POB 522 1,200

Denison, TX:

Grandpappy Pt Marina, 132 Grandpappy Dr 1,500

Grayson County College, 6101 Grayson Dr 1,200

US Corps of Engineers, 351 Corps Rd 2,412

Eisenhower Yacht Club, 2141 Park Rd 20 1,500

Madill, OK:

Bridgeview Resort, Box 618 2,500

Marshall Co. Tourism, PO Box 542 3,990

Courtney Realty, 14110 Gary Rd 400

Pottsboro, TX:

Striper Express Guide Services, 1079 Locust 775

Bala Cynwyd, PA:

Harmelin Media, 525 Righters Rd 1,500

Weatherford, TX:

Cabin Fever Adventures, 2266 Old Dicey Rd 400

Total \$ 57,321

LAKE TEXOMA ASSOCIATION
 SCHEDULE OF OTHER ADVERTISERS
 YEAR ENDED JUNE 30, 2020

Lake Texoma Life Magazine:

Madill, OK:	
Alliance Health, 901 S 5th Avenue	405
Durant, OK:	
Discover Durant, 215 N 4th Ave	784
Alliance Health, 1800 University Blvd	405
Gordonville, TX:	
Cedar Mills Marina, 500 Harbor View Rd	701
	<hr/>
	\$ 2,295

Radio(Coop): KLAJ/KMAD/KMKT:

Pottsboro, TX:	
Highport Marina, 120 Texoma Harbor	\$ 750
Kingston, OK:	
Pointe Vista Development, POB 1009	750
Denison, TX:	
Grandpappy Point Marina, 132 Grandpappy	750
Gordonville, TX:	
Cedar Mills Marina, 500 Harbor View Rd	750
	<hr/>
	\$ 3,000

OK State Parks & Outdoor Recreation:

Madill, OK:	
Marshall County Tourism, POB 542	\$ 3,780

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Total other advertising sales	\$ 9,075
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Total Advertising Sales	<u><u>\$ 66,396</u></u>

LAKE TEXOMA ASSOCIATION
SCHEDULE OF EVENT INCOME
YEAR ENDED JUNE 30, 2020

Tourism Promotion Events:

Fireworks:	\$	\$
Sponsors	16,072	
Bash for Cash/Silent Auction:		
Donations/sponsors	6,280	
Other event income		27,268
Other Promo Events:		
Marina Crawl		720
	<u>\$ 22,352</u>	<u>\$ 27,988</u>

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
Lake Texoma Association

We have audited the financial statements of the Lake Texoma Association as of and for the year ended June 30, 2020, and have issued our report thereon dated January 11, 2021. 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 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 Lake Texoma 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 Lake Texoma Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lake Texoma 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 Lake Texoma 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

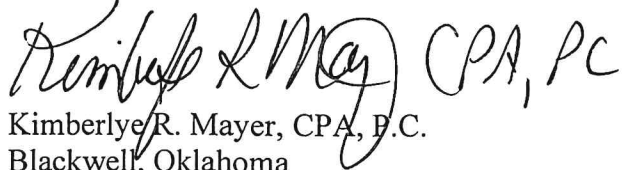
noncompliance or other matters that are required to be reported under *Government Auditing Standards*

Response to Findings

Lake Texoma Association's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lake Texoma 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 11, 2021

LAKE TEXOMA ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2020

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 and making and recording deposits. 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.

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.