

Broken Arrow Economic Development Corporation

**Financial Statements
with Independent Auditors' Report**

Year Ended December 31, 2018



Broken Arrow Economic Development Corporation
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**HINKLE &
COMPANY**

Strategic ^{PC}
Business Advisors

Independent Auditors' Report

Board of Directors
Broken Arrow Economic Development Corporation
Broken Arrow, Oklahoma

Report on the Financial Statements

We have audited the accompanying statement of financial position of Broken Arrow Economic Development Corporation, as of December 31, 2018 and the related statement of activities, cash flows and functional expenses and the related notes to the financial statements for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement 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 statement 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 statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Broken Arrow Economic Development Corporation as of December 31, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Broken Arrow Economic Development Corporation for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on June 24, 2019.

Hill & Company, PC

Tulsa, Oklahoma
September 9, 2019



Broken Arrow Economic Development Corporation
Statement of Financial Position
December 31, 2018

	<u>2018</u>
Assets	
Cash and cash equivalents	\$ 132,721
Total Current Assets	<u>\$ 132,721</u>
 Liabilities and Net Assets	
Liabilities	
Accounts payable	\$ 2,597
Due to Chamber	-
Total Liabilities	<u>2,597</u>
 Net Assets	
Without donor restrictions	<u>130,124</u>
Total Net Assets	<u>130,124</u>
 Total Liabilities and Net Assets	 <u><u>\$ 132,721</u></u>

Broken Arrow Economic Development Corporation
Statement of Activities
For the Year Ended December 31, 2018

	<u>2018</u>
Changes in net assets without donor restrictions:	
Revenue and other support:	
Economic development contracts and fees	<u>\$ 560,084</u>
Expenses	
Program services:	
Economic development	458,579
Supporting services:	
Management and general	<u>69,004</u>
Total expenses	<u>527,583</u>
Change in net assets	32,501
Net assets at beginning of year	<u>97,623</u>
Net assets at end of year	<u><u>\$ 130,124</u></u>

Broken Arrow Economic Development Corporation
Statement of Cash Flows
For the Year Ended December 31, 2018

	<u>2018</u>
Cash Flows from Operating Activities	
Change in net assets	\$ 32,501
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Changes in assets and liabilities	
Prepaid expenses	7,500
Accounts payable	(30,055)
Due to Chamber	<u>-</u>
Net cash provided by (used in) operating activities	9,946
Cash Beginning of Year	<u>122,775</u>
Cash End of Year	<u><u>\$ 132,721</u></u>

Broken Arrow Economic Development Corporation
Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services	Support Services		
		Management and General	Fundraising	Total
Contracted services	\$ 273,189	\$ 34,824	\$ -	\$ 308,013
Office expense	23,912	2,831	-	26,743
Travel expense	60,816	-	-	60,816
Membership and subscriptions	27,628	-	-	27,628
Professional services	-	31,349	-	31,349
Downtown redevelopment expenses	67,058	-	-	67,058
Marketing and advertising expense	3,131	-	-	3,131
Miscellaneous	2,845	-	-	2,845
	<u>\$ 458,579</u>	<u>\$ 69,004</u>	<u>\$ -</u>	<u>\$ 527,583</u>

Broken Arrow Economic Development Corporation
Notes to Financial Statements
For the Year Ended December 31, 2018

Note 1: Summary of Significant Accounting Policies

Organization and Mission

Broken Arrow Economic Development Corporation (the Corporation) was incorporated in 2006 as a nonprofit organization under Section 501 (c)(6) of the Internal Revenue Code. The purpose of the Corporation is to create and/or operate citywide and multi-county economic development programs and activities that result in the creation and retention of jobs and capital within the City of Broken Arrow and surrounding area. The Corporation receives the majority of its support from fees related to economic development contracts with the City of Broken Arrow.

Basis of Presentation

The financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP). Under the accrual basis of accounting, revenues are recorded when earned rather than when received and expenses are recorded when an obligation is incurred rather than when paid. The Organization is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions, as follows:

Net Assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Board Designated Net Assets – Net assets without donor restrictions subject to self-imposed limits by action of the governing board. Board designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other uses.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations. Contributions with donor-imposed restrictions that are met in the same period as the contribution are accounted for as unrestricted contributions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash consist of demand deposits accounts. From time to time, cash balances could exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Chamber's cash deposits exceeded the Federal Deposit Insurance Corporation limits at various times during the fiscal year ended December 31, 2018. The Chamber has not experienced any losses and believes it is not exposed to any significant cash credit risk.

Broken Arrow Economic Development Corporation
Notes to Financial Statements
For the Year Ended December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Functional Expenses

The cost associated with conducting the Chamber's programs and activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management.

Income Tax Status

Broken Arrow Economic Development Corporation has been granted an exemption for federal income tax purposes, except to the extent of its unrelated business income, as defined in Section 501 (c)(6) of the Internal Revenue Code and has not been classified as a private foundation. The Chamber's Information Returns (Form 990) are generally subject to examination by the IRS for three years after the date filed.

Subsequent Events

Subsequent events have been evaluated through September 9, 2019, the date the financial statements were available to be issued.

Note 2: Related Party Transactions

The Corporation contracts with the Broken Arrow Chamber of Commerce for personnel and administrative support for economic development activities and reimburses the Corporation for the costs incurred. During the years ended December 31, 2018, the Corporation incurred costs to the Chamber of \$338,646, for the economic development salaries, fringe benefits and administrative overhead expenses.

The Corporation has entered into two contracts with the Broken Arrow Economic Development Authority (BAEDA) to benefit the City of Broken Arrow. Under both contracts, BAEDA reimburses the Corporation monthly for eligible expenses incurred. The first contract is to encourage and facilitate economic development in the community by attracting new retail sales businesses, commercial businesses and industries to the Broken Arrow area and by promoting the economic health and expansion of existing businesses. The current agreement is dated December 18, 2018, which is for the period of January 1, 2019 through June 30, 2021 and provides a reimbursement of eligible expenses to the Corporation not to exceed \$32,292 per month. The contract stipulates that during a period when the Chamber does not employ a permanent President, the fee is reduced to \$6,700 monthly. Actual amounts reimbursed to the Corporation under this contract during the years ended December 31, 2018 were \$367,504.

Broken Arrow Economic Development Corporation
Notes to Financial Statements
For the Year Ended December 31, 2018

Note 2: Related Party Transactions (Continued)

The second contract is to provide services related to the City of Broken Arrow's economic and redevelopment objectives in accordance with various downtown redevelopment programs, including the Broken Arrow FlightSafety and Downtown Economic Development Project Plan. The agreement dated March 17, 2015 was for the period from May 1, 2015 through April 30, 2016 and provided a reimbursement not to exceed \$17,500 per month. The agreement was renewed on May 3, 2016, which extended the period to May 1, 2016 through April 30, 2019 and the reimbursement did not change at an amount not to exceed \$17,500 per month. Actual amounts reimbursed to the Corporation under this contract during the years ended December 31, 2018 were \$210,000.

During 2018, the BAEDA hired an independent accounting firm to perform consulting services by providing contract compliance monitoring assistance services in conjunction with the two contracts for the period from January 2016 through June 2018. On October 5, 2018, a report was issued by the independent accountants which noted various findings and recommendations.

As a result of this activity, the Corporation paid BAEDA \$20,000 in December 2018, as a settlement for the estimated reimbursement for expenses that were determined not to have been allowable charges under the contract terms during the 30-month period ended May 2018. The Corporation has accrued this \$20,000 settlement amount in the 2017 financial statements as an Accounts Payable liability and as a reduction in Economic Development Contracts and Fees revenue.

Note 3: Contingencies

Amounts received or receivable under the organization's governmental contracts are subject to audit and adjustment by the grantor agencies. Any expenditures or claims disallowed as a result of such audits would become a liability of the organization's unrestricted net assets. In the opinion of the organization's management, any adjustments that might result from such audits would not be material to the organization's overall financial statements. See Note 2.