



**THE  
FOUNDATION**  
FOR OKLAHOMA CITY PUBLIC SCHOOLS

**OKLAHOMA CITY PUBLIC  
SCHOOLS FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019 and 2018**

**WITH**

**INDEPENDENT AUDITOR'S REPORTS**

## CONTENTS

Independent Auditor's Report .....	1
Statements of Financial Position.....	2
Statements of Activities .....	3
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Oklahoma City Public Schools Foundation, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Oklahoma City Public Schools Foundation, Inc. (the Foundation) which comprise the statements of financial position as of December 31, 2019 and 2018, the related statements of activities, functional expenses, and cash flows for years 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 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 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 audits. We conducted our audits 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 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 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 financial position of the Foundation as of December 31, 2019 and 2018, and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Oklahoma City, Oklahoma  
July 31, 2020

**OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash	\$ 1,316,691	\$ 1,102,850
Pledges receivable, net	578,331	524,518
Investments	2,531,959	1,832,537
Beneficial interest in assets held by others	66,924	58,401
Property and equipment, net	7,418	6,244
	<hr/>	<hr/>
Total assets	<u>\$ 4,501,323</u>	<u>\$ 3,524,550</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 216,549	\$ 75,150
Pass-through liability	599,128	504,389
	<hr/>	<hr/>
Total liabilities	815,677	579,539
Net assets:		
Without donor restrictions		
Undesignated	1,134,430	742,198
Board designated	597,473	528,070
Invested in property and equipment, net	7,418	6,244
	<hr/>	<hr/>
Total net assets without donor restrictions	1,739,321	1,276,512
With donor restrictions	1,946,325	1,668,499
	<hr/>	<hr/>
Total net assets	<u>3,685,646</u>	<u>2,945,011</u>
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 4,501,323</u>	<u>\$ 3,524,550</u>

**OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.**

**STATEMENT OF ACTIVITIES**

**Year ended December 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Gains and Other Support</b>			
Contributions, net of discount of \$3,867	\$ 1,054,589	\$ 1,898,724	\$ 2,953,313
In-kind donations	235,702	-	235,702
Service fees	7,665	-	7,665
Investment income, net	32,087	26,496	58,583
Net unrealized and realized investment gains	158,922	153,181	312,103
Net assets released from restrictions	1,800,575	(1,800,575)	-
<b>Total revenue, gains and other support</b>	<b>3,289,540</b>	<b>277,826</b>	<b>3,567,366</b>
<b>Expenses</b>			
Program services	2,633,978	-	2,633,978
Supporting services:			
Management and general	85,965	-	85,965
Fundraising	106,788	-	106,788
<b>Total expenses</b>	<b>2,826,731</b>	<b>-</b>	<b>2,826,731</b>
Change in net assets	462,809	277,826	740,635
Net assets at beginning of year	1,276,512	1,668,499	2,945,011
Net assets at end of year	\$ 1,739,321	\$ 1,946,325	\$ 3,685,646

**OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.**

**STATEMENT OF ACTIVITIES**

**Year ended December 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Gains and Other Support</b>			
Contributions, net of discount of \$7,500	\$ 730,101	\$ 715,198	\$ 1,445,299
In-kind donations	290,570	-	290,570
Service fees	15,255	-	15,255
Investment income, net	13,691	24,505	38,196
Net unrealized and realized investment losses	(49,571)	(100,426)	(149,997)
Net assets released from restrictions	986,947	(986,947)	-
	<hr/>	<hr/>	<hr/>
Total revenue, gains and other support	1,986,993	(347,670)	1,639,323
<b>Expenses</b>			
Program services	1,668,745	-	1,668,745
Supporting services:			
Management and general	55,785	-	55,785
Fundraising	78,217	-	78,217
	<hr/>	<hr/>	<hr/>
Total expenses	1,802,747	-	1,802,747
Change in net assets	184,246	(347,670)	(163,424)
Net assets at beginning of year	1,092,266	2,016,169	3,108,435
	<hr/>	<hr/>	<hr/>
Net assets at end of year	\$ 1,276,512	\$ 1,668,499	\$ 2,945,011
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year ended December 31, 2019**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Scholarships, grants and awards	\$ 1,783,589	\$ -	\$ 4,155	\$ 1,787,744
Personnel	370,991	54,931	64,055	489,977
Conferences and meetings	116,236	1,048	22,782	140,066
Professional fees and contractual services	155,926	15,794	6,769	178,489
Advertising and marketing	125,446	2,500	-	127,946
Bad debt expense	-	-	2,000	2,000
Training	110	429	-	539
Postage and shipping	1,546	51	65	1,662
Materials and supplies	3,567	1,104	2,128	6,799
Equipment acquisition expense	-	780	-	780
Equipment rental and maintenance	7,935	244	424	8,603
Printing and publication	6,161	185	876	7,222
Occupancy	34,829	1,113	1,497	37,439
Dues and subscriptions	6,079	563	293	6,935
Travel and transportation	5,171	923	119	6,213
Insurance	5,258	466	545	6,269
Depreciation	-	2,775	-	2,775
Taxes	-	2,140	-	2,140
Telephone	11,134	919	1,080	13,133
<b>Total</b>	<b>\$ 2,633,978</b>	<b>\$ 85,965</b>	<b>\$ 106,788</b>	<b>\$ 2,826,731</b>

**OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year ended December 31, 2018**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Scholarships, grants and awards	\$ 855,040	\$ -	\$ 3,757	\$ 858,797
Personnel	363,226	38,076	45,041	446,343
Conferences and meetings	97,461	718	17,378	115,557
Professional fees and contractual services	134,316	7,064	4,836	146,216
Advertising and marketing	127,728	-	-	127,728
Training	40	616	500	1,156
Postage and shipping	1,539	272	151	1,962
Materials and supplies	7,839	1,472	1,404	10,715
Equipment rental and maintenance	6,848	440	850	8,138
Printing and publication	16,765	187	554	17,506
Occupancy	35,436	1,163	1,524	38,123
Dues and subscriptions	5,450	530	1,024	7,004
Travel and transportation	2,890	105	87	3,082
Insurance	3,808	1,844	359	6,011
Depreciation	602	2,685	-	3,287
Telephone	9,757	613	752	11,122
<b>Total</b>	<b>\$ 1,668,745</b>	<b>\$ 55,785</b>	<b>\$ 78,217</b>	<b>\$ 1,802,747</b>



**OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.**

**STATEMENTS OF CASH FLOWS**

**Years ended December 31, 2019 and 2018**

	2019	2018
<b>Cash Flows from Operating Activities</b>		
Cash received from program services	\$ 7,665	\$ 15,255
Cash received from donors	2,543,091	1,470,518
Proceeds from sale of contributed stock	358,042	156,789
Net cash received from pass-through transactions	94,739	16,139
Interest income received, net	58,583	49,641
Cash paid to employees	(492,090)	(441,293)
Cash paid to vendors	(1,956,398)	(1,057,505)
	<hr/>	<hr/>
Net cash provided by operating activities	613,632	209,544
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(1,072,085)	(643,043)
Proceeds from sales of investments	676,243	459,339
Purchases of property and equipment	(3,949)	(2,770)
	<hr/>	<hr/>
Net cash used in investing activities	(399,791)	(186,474)
Increase in cash	213,841	23,070
Cash and cash equivalents, beginning of year	1,102,850	1,079,780
	<hr/>	<hr/>
Cash and cash equivalents, end of year	\$ 1,316,691	\$ 1,102,850
	<hr/>	<hr/>
<b>Reconciliation of Change in Net Assets to Net Cash</b>		
<b>Provided by Operating Activities</b>		
Change in net assets	\$ 740,635	\$ (163,424)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,775	3,287
Bad debt expense	2,000	-
Change in discount on future promises and uncollectible promises	(3,633)	(1,283)
Net realized and unrealized investment (gains) losses	(312,103)	149,997
Contributions of stock	(282,992)	(156,789)
Proceeds from sale of contributed stock	358,042	156,789
Net change in operating assets and liabilities:		
Pledges receivable	(127,230)	190,791
Accounts payable and accrued liabilities	141,399	14,037
Pass-through liability	94,739	16,139
	<hr/>	<hr/>
Net cash provided by operating activities	\$ 613,632	\$ 209,544
	<hr/>	<hr/>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Contributions of stock	\$ 282,992	\$ 156,789
	<hr/>	<hr/>
Pledges receivable paid with stock	\$ 75,050	\$ -
	<hr/>	<hr/>

See notes to financial statements.

# OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

### Note 1 – Nature of Operations

The Oklahoma City Public Schools Foundation, Inc. (the Foundation) was incorporated in 1984 under the laws of the state of Oklahoma to lead and inspire the building of collaborative partnerships within the community to help develop and implement a shared vision of educational excellence, and to research, create, and implement programs to improve the quality of education for students in all Oklahoma City public schools.

### Note 2 – Summary of Significant Accounting Policies

#### Basis of presentation

The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

#### Net assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions* – Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The Foundation's Board of Directors (the Board) has designated, from net assets without donor restrictions, net assets for board-designated endowment. Board-designated net assets are subject to self-imposed limits by action of the Board. Board-designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of property and equipment, or other uses.

*Net assets with donor restrictions* – Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature and may or will be met by expenditures or actions of the Foundation, by the passage of time, or appropriation by the Board of certain income earned on endowment. Other donor-imposed restrictions are perpetual in nature and are limited by donor-imposed restrictions which stipulate that resources be maintained permanently but permit the Foundation to expend the income generated in accordance with the provisions of the related agreements.

The Foundation reports gifts of cash and other support as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

### Use of estimates

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

### Contributions

Contributions, including unconditional promises to give, are recognized as revenues at fair value in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

### Pledges receivable

Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts and historical collection experience. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. Based upon management's assessment, an allowance for uncollectible pledges receivable of \$2,723 was recorded as of December 31, 2019 and 2018.

### Investments

Investments, including investments restricted for endowment, are held under managerial agency agreements and include money market and mutual funds which are carried at fair value based upon quoted market prices or dealer quotes. Unrealized gains and losses are reported in the statement of activities. Interest and gains earned on investments are considered without donor restriction, unless their use is restricted by donor stipulation. Investment income is presented net of management and custodial fees in the statements of activities.

### Donated goods and services

The Foundation recognizes the fair value of donated goods and services that either create or enhance a nonfinancial asset or require specialized skills that would need to be purchased if they were not donated.

Volunteers from the community donated a significant amount of time to the Foundation's programs and fundraising campaigns. The value of this time is not reflected in the accompanying financial statements as it does not meet the criteria for recognition.

### Property and equipment

Property and equipment is recorded at cost at date of acquisition or estimated fair value at date of donation. Depreciation of these assets is provided on a straight-line basis over the estimated useful lives of the respective assets, which range from five to seven years. Maintenance and repair costs are expensed as incurred.

### Income taxes

The Foundation is exempt from federal and state income taxes under the provisions of Internal Revenue Code Section 501(c)(3). However, the Foundation is subject to federal income tax on any unrelated business taxable income.

### Functional allocation of expenses

The cost of program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated based upon either actual usage or the estimated cost attributable to each function.

### Advertising expense

All advertising costs are expensed as incurred. Advertising expenses were approximately \$128,000 for both the years ended December 31, 2019 and 2018, all of which was provided in-kind.

### Concentrations of credit risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist primarily of cash, pledges receivable, and investments. As of December 31, 2019 and 2018, one donor (a member of the Board) accounted for approximately 83% and 84% of pledges receivable, respectively. No single donor contributed more than 3% and 7% of total contributions during the year ended December 31, 2019 and 2018, respectively.

The Foundation maintains its cash in accounts which may exceed federally insured amounts. However, it has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

### Adoption of new accounting pronouncement

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The requirements for this ASU are applicable for resource recipients in 2019 and effective for resource providers in 2020, with early adoption permitted. On January 1, 2019, the Foundation implemented this ASU on a modified prospective basis. The adoption of this ASU resulted in no impact to the Foundation's financial statements.

### Accounting pronouncements not yet adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The update provides guidance concerning the recognition and measurement of revenue from contracts with customers. Its objective is to increase the usefulness of information in the financial statements regarding the nature, timing and uncertainty of revenues. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. As deferred by ASU 2020-05, the update is effective for the Foundation for the year ending December 31, 2020. The standard permits the use of either the retrospective or cumulative effect transition method. The Foundation is currently evaluating the impact the standard will have on its financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* which seeks to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and by disclosing key information about leasing arrangements. Consistent with current U.S. GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend primarily on its classification as a finance or an operating lease (i.e., the classification criteria for distinguishing between finance leases and operating leases are substantially similar to the U.S. GAAP classification criteria for distinguishing between capital leases and operating leases under the previous guidance). However, unlike current U.S. GAAP, which requires only capital leases to be recognized on the statement of financial position, ASU 2016-02 will require both operating and finance leases to be recognized on the statement of financial position. Additionally, the ASU will require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases, including qualitative and quantitative requirements. As deferred by ASU 2020-05, the update is effective for the Foundation for the year ending December 31, 2022, with early adoption permitted. Upon adoption, the Foundation will record a lease asset and liability equal to the present value of its future minimum lease payments on the statement of financial position and include additional disclosures on its leases in the footnotes to the financial statements.

### Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation. These reclassifications had no impact on the previously reported change in net assets.

### Subsequent events

Management has evaluated subsequent events through July 31, 2020, the date the financial statements were available to be issued.

### **Note 3 – Liquidity and Availability of Financial Assets**

The Foundation seeks to raise all funds needed for its operations in each fiscal year. In addition to funds raised annually, the Foundation seeks to maintain an amount of reserve funds to cover at least six months of operating expenses exclusive of program expenses. The Foundation holds these funds in its operating cash and investment accounts.

At regular intervals the Foundation evaluates the current monthly expenses needed to cover payroll, occupancy and any other expenses needed for the general operation of the Foundation. Currently the Foundation needs approximately \$43,000 per month to cover these nonprogram expenses. As of December 31, 2019, the Foundation held \$492,806 and \$858,173 of cash and investments, respectively, without donor, contractual, or Board restrictions. As of December 31, 2018, the Foundation held \$598,461 and \$350,769 of cash and investments, respectively, without donor, contractual, or Board restrictions. This analysis is presented to the Board at each meeting for review and assessment of the fulfillment of the Foundation's goal of a minimum six months of reserve funds.

In addition to its available liquidity, the Foundation also maintains a number of donor restricted endowments. These endowments were established over the history of the Foundation to support specific program expenses and activities. Each endowment has an agreement with the donor(s) that outline the purpose and disbursement guidelines for each fund and are not available for general expenditure. The Foundation also maintains a board-designated endowment that provides matching funds for one of the donor-restricted endowments and is also not currently available for general expenditure. As of

December 31, 2019 and 2018, the balance of donor restricted funds was \$1,105,242 and \$978,351, respectively, and the balance of board-designated funds was \$597,473 and \$528,070 respectively. The board designated funds can be made available for general expenditure upon approval of the Board.

**Note 4 – Pledges Receivable**

Included in pledges receivable are the following unconditional promises to give at December 31:

	2019	2018
Contributions receivable	\$ 584,921	\$ 534,741
Less discount of future pledges receivable	(3,867)	(7,500)
Less allowance for uncollectible pledges	(2,723)	(2,723)
Contributions receivable, net	<u>\$ 578,331</u>	<u>\$ 524,518</u>
	2019	2018
Amounts receivable in:		
Less than one year	\$ 338,447	\$ 223,364
One to five years	246,474	311,377
Contributions receivable	<u>\$ 584,921</u>	<u>\$ 534,741</u>

**Note 5 – Investments**

Investments consist of the following at December 31:

	2019	2018
Money market funds	\$ 157,233	\$ 70,675
Mutual funds	2,374,726	1,761,862
	<u>\$ 2,531,959</u>	<u>\$ 1,832,537</u>

**Note 6 – Beneficial Interest in Assets Held by Others**

The Foundation and other donors have contributed to a fund administered by the Oklahoma City Community Foundation, Inc. (OCCF) for the benefit of the Foundation and its programs. OCCF maintains legal ownership and variance power over the fund. The Foundation is the beneficiary of the Fund and receives distributions from the fund subject to OCCF's investment and spending policies, which is currently 5% of the average market value over the previous 12 quarters for all assets held for the benefit of the Foundation.

The portion of the fund established with contributions from the Foundation for the benefit of the Foundation is considered a reciprocal transfer and is included as an asset (Beneficial interest in assets held by others) and net assets with donor restrictions in the accompanying financial statements. The fair value of assets contributed by others to OCCF for the benefit of the Foundation (third-party funds) is not recognized in the accompanying financial statements.

The fair value of funds held by OCCF for the benefit of the Foundation was \$252,670 and \$220,440 at December 31, 2019 and 2018, respectively. Of this amount, \$66,924 and \$58,401 is recognized in the accompanying financial statements as a beneficial interest to the Foundation at December 31, 2019 and 2018, respectively. No contributions were made to the fund in 2019 or 2018.

Distributions to the Foundation under the OCCF spending policy for the year ended December 31, 2019 and 2018, were \$8,550 and \$7,607, respectively, and are included in contribution revenue in the statements of activities.

OCCF also maintains a donor-designated endowment fund for the benefit of a specific program at a school in the Oklahoma City Public Schools district. Distributions from this fund are accounted for under the Foundation's pass-through fund policy (see Note 8).

## **Note 7 – Endowment Funds**

### Board interpretation

The Board interprets the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result, the Foundation retains in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation by the Board in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- Donor intent as expressed in the applicable agreement
- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

### Return objectives, risk parameters, strategies and spending policy

The principal goal of the Foundation's investment program is to administer and invest funds received from donors in a prudent manner. The Foundation has adopted an investment policy for endowment assets designed to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Endowment assets are invested in a manner that is intended, over the long term, to:

- Enhance the total value of the endowment through appreciation, contributions, and/or the reinvestment of excess current earnings
- Preserve capital and avoid the risk of large loss
- Maintain sufficient liquidity to provide for all anticipated withdrawals and to invest in issues with sufficient marketability to provide for unexpected withdrawals

The overall financial objective is to maximize the risk-adjusted investment return while maintaining adequate levels of liquidity. The Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Risk of large losses is minimized by a diversified asset allocation. The current investment strategic allocation target guidelines of 60% equities, 35% fixed income, and 5% cash and cash equivalents, is expected to achieve the long-term return objectives within prudent risk constraints.

The distribution policy determined annually by the Board provides for distribution from the funds based on available earnings and anticipated funding needs consistent with the objectives outlined above, subject to limits specified by the endowment agreements.

The Foundation's endowment includes the following funds:

- Jean G. Gumerson Endowment. This fund includes board-designated and donor-restricted amounts to provide earnings to support the Urban Teacher Prep Academy.
- Kenneth Donald Burke Endowment. This endowment fund is a donor-restricted fund, held in perpetuity, initially set up to provide earnings for scholarship assistance to outstanding graduating scholar/athletes of Northwest Classen High School. Effective June 15, 2017, the Foundation and the donor amended the endowment to support athletic activities and projects at Northwest Classen High School.
- Marie W. Leonard Endowment. This endowment fund is a donor-restricted fund, held in perpetuity, to provide earnings for reading and mentoring programs of the Foundation.
- Endowment funds held by the OCCF (see Note 6).

The Foundation's endowment net asset composition by type at December 31, 2019, is as follows:

	2019		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 1,105,242	\$ 1,105,242
Board-designated endowment funds	597,473	-	597,473
Total	\$ 597,473	\$ 1,105,242	\$ 1,702,715



The Foundation's endowment net asset composition by type at December 31, 2018, is as follows:

	2018		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 978,351	\$ 978,351
Board-designated endowment funds	528,070	-	528,070
Total	<u>\$ 528,070</u>	<u>\$ 978,351</u>	<u>\$ 1,506,421</u>

Changes in endowment funds consist of the following for the year ended December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment fund net assets at December 31, 2018	\$ 528,070	\$ 978,351	\$ 1,506,421
Investment return:			
Investment income, net	10,701	18,990	29,691
Net realized and unrealized losses	82,163	154,276	236,439
Total investment return	92,864	173,266	266,130
Appropriation of endowment assets for expenditure	(23,461)	(46,375)	(69,836)
Endowment fund net assets at December 31, 2019	<u>\$ 597,473</u>	<u>\$ 1,105,242</u>	<u>\$ 1,702,715</u>

Changes in endowment funds consist of the following for the year ended December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment fund net assets at December 31, 2017	\$ 589,931	\$ 1,096,866	\$ 1,686,797
Investment return:			
Investment income, net	9,750	17,358	27,108
Net realized and unrealized losses	(48,192)	(87,758)	(135,950)
Total investment return	(38,442)	(70,400)	(108,842)
Appropriation of endowment assets for expenditure	(23,419)	(48,115)	(71,534)
Endowment fund net assets at December 31, 2018	<u>\$ 528,070</u>	<u>\$ 978,351</u>	<u>\$ 1,506,421</u>

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies of this nature at December 31, 2019 or 2018.

## Note 8 – Pass-Through Transactions

The Foundation receives and distributes funds for schools in the Oklahoma City Public Schools district under a school project fund policy and related agreements. These project funds are referred to as pass-through funds and are segregated from net assets of the Foundation. To be eligible for a pass-through fund, projects must be consistent with the mission, general charitable purpose and tax-exempt status of the Foundation, among other requirements. Since the Foundation does not have variance power over the use of pass-through funds, related receipts and disbursements are not recognized as revenue or expense in the statements of activities. The Foundation assesses a 3% administrative fee on funds for the direct and indirect costs incurred to accept, manage and administer pass-through funds.

During the years ended December 31, 2019 and 2018, the Foundation received \$245,233 and \$503,676, respectively, and distributed \$150,494 and \$487,537, respectively, of pass-through fund transactions. The Foundation held \$599,128 and \$504,389 in pass-through funds at December 31, 2019 and 2018, which is reflected as a liability in the statements of financial position.

## Note 9 – DonorsChoose.org Partnership Program

The Foundation has an agreement with DonorsChoose.org to raise funds for classroom projects in Oklahoma City Public Schools. In connection with this program, the Foundation contributed \$310,780 and \$376,189 during the years ended December 31, 2019 and 2018, respectively, to DonorsChoose.org, which is included in program services in the statements of activities. Public campaign contributions made directly to DonorsChoose.org are not reflected in the statements of activities.

## Note 10 – Restrictions on Net Assets

Net assets without donor restrictions at December 31, 2019 and 2018, include \$597,473 and \$528,070, respectively, designated by the Board for the Gumerson endowment (see Note 7).

Net assets with donor restrictions, including amounts available for expenditure from endowments, are available as follows at December 31:

	2019	2018
Restricted for purpose:		
Urban teacher preparation academy	\$ 245,596	\$ 157,810
Bilingual teacher pipeline program	50,000	43,990
Northwest Classen High School athletics	33,467	21,793
Diversity teacher pipeline program	162,485	55,168
Other programs	244,076	71,874
	<hr/>	<hr/>
	735,624	350,635
Restricted for use in future period	413,083	528,769
Not subject to appropriation or expenditure:		
Endowment funds held in perpetuity	797,618	\$ 789,095
	<hr/>	<hr/>
Total net assets with donor restrictions	<u>\$ 1,946,325</u>	<u>\$ 1,668,499</u>

## Note 11 – Fair Value Measurements

The FASB Accounting Standards Codification established a consistent framework for measuring the fair value and fair value hierarchy based on the observability of inputs used to measure fair value.

These inputs are summarized in the three broad levels listed below:

- Level 1        Quoted prices in active markets for identical assets or liabilities.
- Level 2        Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3        Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The asset 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.

During the year ended December 31, 2019 and 2018, there were no transfers of financial instruments into or out of Level 3 measurements. The following is a description of the valuation methodologies used for assets measured at fair value:

*Money market funds* – valued at cost plus accrued interest income, which approximates fair value. These investments are classified within Level 1.

*Mutual funds* – consists of fixed income and equity funds which are valued at quoted market prices. These investments are classified within Level 1.

*Beneficial interests in assets held by OCCF* – Beneficial interest in assets held by others (Beneficial Interest) is measured at fair value using Level 2 inputs. Since OCCF maintains variance power for the beneficial interests it holds, there is no potential market for the beneficial interest or similar assets. Consequently, the valuation is determined by aggregating the valuation of the underlying investments of the beneficial interest. The underlying investments include cash equivalents, corporate obligations, equity securities and other investments. The fair values of the underlying investments are based on quoted prices from active and inactive markets.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets that are measured at fair value on a recurring basis at December 31, 2019:

	2019			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 157,233	\$ -	\$ -	\$ 157,233
Mutual funds	2,374,726	-	-	2,374,726
Beneficial interest in assets held by others	-	66,924	-	66,924
Total assets at fair value	\$ 2,531,959	\$ 66,924	\$ -	\$ 2,598,883

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets that are measured at fair value on a recurring basis at December 31, 2018:

	2018			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 70,675	\$ -	\$ -	\$ 70,675
Mutual funds	1,761,862	-	-	1,761,862
Beneficial interest in assets held by others	-	58,401	-	58,401
Total assets at fair value	<u>\$ 1,832,537</u>	<u>\$ 58,401</u>	<u>\$ -</u>	<u>\$ 1,890,938</u>

### Note 12 – Retirement Plan

All full-time employees are eligible to participate in the retirement plan on the first day of the first quarter after employment. The Foundation makes contributions to the plan equal to 10% of employee compensation. During the years ended December 31, 2019 and 2018, Foundation contributions to the plan totaled \$34,831 and \$34,730, respectively.

### Note 13 – Leases

The Foundation is obligated on lease agreements for facility space and office equipment, which are classified as operating leases. Operating lease expense totaled approximately \$27,000 for the years ended December 31, 2019 and 2018. The facility lease agreement has an initial term of ten years which commenced September 2015 and provides for three five-year renewal options at set rates per the agreement. In the normal course of business, operating leases are generally renewed or replaced by other leases.

Future minimum lease payments are as follows:

Year ending December 31,	Amount
2020	\$ 26,794
2021	27,662
2022	26,402
2023	26,402
2024	26,402
Total thereafter	<u>17,602</u>
	<u>\$ 151,264</u>

### Note 14 – Risks and Uncertainties

The Foundation invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. In addition, in March 2020 the pandemic outbreak of a novel coronavirus known as COVID-19 began to spread throughout the United States, resulting in emergency declarations by national, state and local governments and municipalities. The pandemic in the

United States and throughout the world has resulted in substantial volatility in financial markets. Due to the level of risk associated with certain investment securities, it is at least reasonable that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Foundation's investments and the amounts reported in the statements of financial position. Additionally, the Foundation acknowledges the spread of COVID-19 could potentially negatively impact contributions and other support; however, any related financial impact cannot be reasonably estimated at this time.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted in response to the COVID-19 pandemic. On April 16, 2020, the Foundation received loan proceeds in the amount of \$83,900 under the Paycheck Protection Program (PPP), which was established as part of the CARES Act. The PPP provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan, which was in the form of a note with a bank, matures on April 16, 2022, and bears interest at a rate of 1% per annum, payable monthly commencing on November 16, 2020. The note may be prepaid by the Foundation at any time prior to maturity with no prepayment penalties. PPP loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period. On June 5, 2020, Congress enacted the PPP Flexibility Act (Flex Act), which gives borrowers more time to use the funds received, more time to repay amounts not forgiven, and lower limits on how the funds are required to be spent. Among other things, the Flex Act extends the covered period from eight to twenty-four weeks, beginning on the date of loan origination, to provide borrowers with options to maximize forgiveness. The Foundation intends to use the proceeds for purposes consistent with the PPP. While the Foundation currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, it is currently uncertain how much of the loan will be forgiven.