

Oklahoma City Public Schools Foundation, Inc.

Financial Statements

June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Oklahoma City Public Schools Foundation, Inc. (a nonprofit organization doing business as The Foundation for Oklahoma City Public Schools), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows 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 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Oklahoma City Public Schools Foundation, Inc. as of June 30, 2013, 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.

Oklahoma City, Oklahoma
November 25, 2013

Oklahoma City Public Schools Foundation, Inc.

Statement of Position

June 30, 2013

Assets

Cash and Cash Equivalents	\$	18,149.10
Investments		1,584,339.29
Contributions Receivable, Net		332,083.28
Beneficial Interest in Assets Held by Others		56,403.17
Prepaid Expenses		3,306.33
Inventory		151,542.21
Property and Equipment, Net		65,269.09
Total Assets	\$	<u>2,211,092.47</u>

Liabilities and Net Assets

Liabilities

Accounts Payable	\$	81,517.59
Pass Thru Agency Funds		70,950.02
Total Liabilities		<u>152,467.61</u>

Net Assets

Unrestricted		
General Use		685,040.42
Trustee Designated		520,750.92
Total Unrestricted		<u>1,205,791.34</u>
Temporarily Restricted		121,139.03
Permanently Restricted		731,694.49
Total Net Assets		<u>2,058,624.86</u>
Total Liabilities and Net Assets	\$	<u>2,211,092.47</u>

Oklahoma City Public Schools Foundation, Inc.
Statement of Activities
For the Year Ending June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support				
Grants and Contributions	\$ 824,180.85	\$ 167,395.93	\$ 140,569.49	\$ 1,132,146.27
In-Kind Contributions	8,776.44	419,633.66	-	428,410.10
Interest and Dividends	114,189.82	90,761.03	-	204,950.85
Net Unrealized Gains (Losses)	904.17	-	-	904.17
Net Assets Released from Restrictions	697,786.90	(697,786.90)	-	-
Total Revenues, Gains and Other Support	1,645,838.18	(19,996.28)	140,569.49	1,766,411.39
Expenditures				
Program Expenses	1,628,558.33	-	-	1,628,558.33
Management and General	74,120.63	-	-	74,120.63
Fundraising	147,207.28	-	-	147,207.28
Total Expenditures	1,849,886.24	-	-	1,849,886.24
Change in Net Assets	(204,048.06)	(19,996.28)	140,569.49	(83,474.85)
Beginning Net Assets	<u>1,409,839.40</u>	<u>141,135.31</u>	<u>591,125.00</u>	<u>2,142,099.71</u>
Ending Net Assets	<u>\$ 1,205,791.34</u>	<u>\$ 121,139.03</u>	<u>\$ 731,694.49</u>	<u>\$ 2,058,624.86</u>

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

Oklahoma City Public Schools Foundation
Statement of Cash Flows
For the Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income (Loss)	\$ (83,474.85)
Adjustments to reconcile Net Income (Loss) to net Cash Provided by (used in) operating activities:	
Depreciation and Amortization	6,528.42
Unrealized Beneficial Interest Activity	
Unrealized Investment Activity	(904.17)
Decrease (Increase) in Operating Assets	
Accounts Receivable	(141,606.59)
Inventory	(10,819.29)
(Decrease) Increase in Operating Liabilities	
Accounts Payable	7,092.36
Accrued Liabilities	(3,005.04)
Pass Thru Accounts	5,003.52
Total Adjustments	<u>(137,710.79)</u>
Net Cash Provided By (Used in) Operating Activities	<u>(221,185.64)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Fixed Assets	(18,540.17)
Net Purchases and Sales of Investments	<u>53,787.59</u>
Net Cash Provided By (Used In) Investing Activities	<u>35,247.42</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Notes Payable Borrowings	-
Notes Payable Repayments	-
Net Cash Provided By (Used In) Financing Activities	<u>-</u>

**NET INCREASE (DECREASE) IN CASH
AND CASH EQUIVALENTS**

(185,938.22)

CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD

204,087.32

CASH AND CASH EQUIVALENTS AT END OF PERIOD

\$ 18,149.10

Oklahoma City Public Schools Foundation
Statement of Functional Expense
June 30, 2013

	Program	Management & General	Fundraising	Total
Scholarships, Grants and Award	\$ 679,942.68	\$ (1,429.12)	\$ -	\$ 678,513.56
Personnel	507,582.70	49,277.08	65,924.77	622,784.55
Professional Services	104,158.12	9,719.63	10,037.85	123,915.60
Advertising	57,500.00	-	-	57,500.00
Bad Debt Expense	19,683.28	250.00	40,168.03	60,101.31
Training	2,180.45	82.04	6,777.22	9,039.71
Postage & Mailing	12,205.90	212.69	976.22	13,394.81
Materials & Supplies	6,435.69	690.01	984.35	8,110.05
Equipment Rental & Repairs	20,319.32	629.84	790.31	21,739.47
Printing & Publication	34,141.47	80.45	1,502.73	35,724.65
Meeting Expense	73,851.76	3,774.55	9,500.55	87,126.86
Occupancy	73,036.92	2,343.00	2,368.08	77,748.00
Depreciation	-	6,528.42	-	6,528.42
Travel & Related Expenses	4,334.92	74.53	5,925.00	10,334.45
Dues and Subscriptions	11,909.45	567.67	606.31	13,083.43
Insurance	6,057.65	485.22	638.38	7,181.25
Telephone	15,218.02	834.65	1,007.48	17,060.15
Miscellaneous Expenses	-	(0.03)	-	(0.03)
Total Expenses	<u>\$ 1,628,558.33</u>	<u>\$ 74,120.63</u>	<u>\$ 147,207.28</u>	<u>\$ 1,849,886.24</u>

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

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.
Notes to Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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.

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Foundation reports information regarding its financial position and changes in net assets according to three classes of net assets, based on the existence or absence of donor-imposed restrictions, if any, as follows:

Unrestricted- expendable amounts available for use without restriction.

Temporarily Restricted- amounts which have been temporarily restricted by donors for specific purposes or time periods.

Permanently Restricted- amounts restricted by donors to be maintained for the benefit of the Foundation with income generated by such amounts available for purposes specified by the donor.

Income Taxes

The Foundation is an exempt organization under Internal Revenue Service (IRS) Code Section 501(c)(3) and is not classified as a private foundation within the meaning of IRS Code Section 509(a). Therefore, no provision has been made in the financial statements for income taxes.

Cash and equivalents

The Foundation considers highly liquid investments with original maturities of three months or less to be cash equivalents unless held within accounts used for investment purposes.

Property and Equipment

Purchased assets are recorded at cost, and donated assets are recorded at market value at the time of donation. Property and equipment valued at \$500 or more is capitalized and depreciated over an estimated useful life of three to seven years on a straight-line basis.

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.
Notes to Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

Receivables are reported at their estimated collectible amount. Uncollectible accounts receivable, if any, are estimated to be immaterial. The Foundation provides for losses on contributions receivable using the allowance method. The allowance is based on experience and other circumstances which may affect the ability of contributors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Foundation's policy to charge off uncollectible receivables when management determines the receivable will not be collected. Receivables are determined to be uncollectible when collection efforts have been exhausted and are written off at that time.

Contributions

Gifts of cash and other assets received with donor stipulations that limit the use of the donated assets are reported as temporarily restricted, when applicable, unless the time restriction ends or a purpose restriction is accomplished within the same reporting period. When a donor's temporary restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily-restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Foundation reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Contributed materials are recorded at market value at the time of donation, and contributed services are recorded at the fair value of the services, provided they meet the follow criteria

- Create or enhance non-financial assets; or
- Require specialized skills, are provided by individuals possessing those skills and would typically be purchased if not provided by donation

The Foundation receives services from volunteers who give significant amounts of their time to the Foundation's programs, fund raising campaigns and management. No amounts have been reflected for these types of donated services, as they do not meet the criteria outlined above.

Functional expenses

Expenses are allocated between program and supportive services based upon either actual usage or the estimated cost attributable to each function.

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.
Notes to Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement. Actual results could differ from those estimates.

Fair Value Measurements

The Foundation accounts for financial instruments in accordance with applicable standards that define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and prescribe disclosure requirements for fair value measurements. The prescribed fair value hierarchy distinguished between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Financial instruments in the statement of financial position currently include investments and beneficial interests. Investments, consisting of debt and equity securities and mutual funds investing in these types of securities are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date. The beneficial interest in assets held by others is considered a Level 2 asset and is reported at fair value based on the valuation provided by the fund manager.

NOTE 2 - RISKS AND UNCERTAINTIES

Investments and beneficial interests are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk association with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and in such amounts that could be material to the financial statements taken as a whole.

NOTE 3 - CONTRIBUTED SERVICES

Contributed services included primarily the value of certain design, printing and production services related to program service events contributed by area businesses.

NOTE 4 - INVESTMENTS

The foundation's investments consisted of:

Managed funds-equities	\$	939,864
Managed funds-fixed income		586,395
Money market mutual funds		<u>58,081</u>
Total	\$	<u><u>1,584,339</u></u>

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.
Notes to Financial Statements
June 30, 2013

NOTE 5 - 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. According to OCCF policy, the principal amounts of such contributions become the legal assets of OCCF.

The value of reciprocal transfer assets, that is assets transferred by the Foundation to organizations raising or holding contributions for others, such as OCCF, are recognized as assets in the financial statements of the transferor. The value of assets contributed by others to these types of organizations for the benefit of a specified beneficiary are not recognized and recorded by the beneficiary.

The market value of reciprocal transfer assets was \$56,403 at June 30, 2013. The market value of assets contributed by others to OCCF for the benefit of the Foundation and, therefore, not recorded in the financial statements was \$181,056 at June 30, 2013.

Annual distributions from earnings are made to the Foundation based on OCCF's spending policy which is currently five percent of the average market value over the previous eight quarters for all assets held for the benefit of the Foundation. Distributions to the Foundation under the spending policy of \$10,598 were received for the year ended June 30, 2013, and are included in investment income in the statements of activities.

NOTE 6 - UNRESTRICTED NET ASSETS- TRUSTEE-DESIGNATED

The board of trustees has designated certain unrestricted net assets to be held by OCCF as more fully described in Note 5 above. The trustees have also designated an additional amount of otherwise unrestricted net assets which, together with the OCCF beneficial interest, have been designated to support the education and development of teachers employed in the Oklahoma City Public School District.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes:

TEAM Programs	\$ 23,850
Scholarships	17,924
Teacher Restricted	62,127
School Projects	<u>17,214</u>
	<u>\$ 121,115</u>

Included in net assets temporarily restricted for use in future periods is approximately \$35,000 expected to be collected within the next year with the balance expected to be collected in two to five years.

NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets represent permanent endowments, the earnings from which have been restricted by the donors for student scholarships and to support the education and development of teachers employed in the Oklahoma City Public School District.

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.
Notes to Financial Statements
June 30, 2013

NOTE 9 - ENDOWMENTS

The Foundation's Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (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 of this interpretation, the Foundation classifies as permanently restricted net assets (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, if any. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation 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

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 include those assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board, the 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.

To satisfy its long-term objectives, the Foundation seeks investment returns through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified assets allocation that places a greater emphasis on equity based investments to achieve its long-term return objectives within prudent risk constraints.

The distribution policy determined annually by the Board of Trustees provides for distribution from the funds based on available earnings and anticipated funding needs consistent with the objectives outlined above.

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.
Notes to Financial Statements
June 30, 2013

NOTE 9 - ENDOWMENTS (continued)

The net assets classifications of the Foundations endowment funds as of June 30, 2013, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowments	\$ -	\$ 79,656	\$ 731,694	\$ 811,350
Board-designated endowments	520,751	-	-	520,751
Total endowment funds	\$ 520,751	\$ 79,656	\$ 731,694	\$ 1,332,101

Changes in endowment net assets for the year ending June 30, 2013, included:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets as of July 1, 2012	\$ 521,076	\$ 75,931	\$ 591,125	\$ 1,188,132
Investment Return (loss)				
Investment income	20,045	20,927	-	40,972
Bequest	-	-	140,569	140,569
Net appreciation (realized & unrealized)	45,491	68,511	-	114,002
Total investment return (loss)	65,536	89,438	140,569	295,543
Appropriation of endowment assets for expenditure	(3,334)	(4,622)	-	(7,956)
Reclassification of endowment accounts for total net assets less than original gift	(62,527)	(81,091)	-	(143,618)
Endowment net assets at June 30, 2013	\$ 520,751	\$ 79,656	\$ 731,694	\$ 1,332,100

NOTE 10 - RETIREMENT PLAN

The Foundation provides a Defined Contribution Retirement Plan for the benefit of all full-time employees. The plan provides for elective employee deferrals and for the Foundation to make contributions to the plan equal to 5% of compensation up to Internal Revenue Code limits. The Foundation's contributions for the year ended June 30, 2013, totaled \$29,983.

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.
Notes to Financial Statements
June 30, 2013

NOTE 11 - LEASES

The Foundation totaling \$75,900 is included has entered into a noncancelable lease for office and storage space. Lease expense related to this agreement in occupancy expense for the year ended June 30, 2013. Future minimum lease payments under this agreement include:

2014	\$	75,900
2015	\$	63,250

NOTE 12 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 25, 2013, which is the date the financial statements were available to be issued.

NOTE 13 - INCOME TAXES

On July 1, 2009, the Foundation adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles with no cumulative effect adjustment required. Income tax benefits would be recognized for income tax positions taken or expected to be taken in a tax return only when it is determined that the income tax position would more-likely-than-not be sustained upon examination by taxing authorities. The Foundation had analyzed tax positions taken for filing with the Internal Revenue Service and the Oklahoma Tax Commission. The Foundation believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Foundation's financial condition, results of operations or cash flows. Accordingly, the Foundation has not recorded any reserves or related accruals for the interest and penalties for uncertain income tax positions at June 30, 2013.

The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation believes it is no longer subject to income tax examinations for years prior to 2010.