

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

FINANCIAL STATEMENTS

DECEMBER 31, 2021 and 2020

WITH

INDEPENDENT AUDITOR'S REPORT

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Governance and Management of
Oklahoma City Public Schools Foundation

Opinion

We have audited the accompanying financial statements of the Oklahoma City Public Schools Foundation (the Foundation) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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 Matters

The financial statements of the Foundation for the year ending December 31, 2020 were audited by other auditors whose report dated July 29, 2021 expressed an unmodified opinion on those statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and time of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Arledge & Associates, P.C.

Edmond, Oklahoma

July 20, 2022



OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

ASSETS	2021	2020
Cash and cash equivalents	\$ 1,136,926	\$ 1,764,340
Pledges receivable, net	286,081	224,432
Prepaid expenses	8,600	-
Investments	3,608,465	3,061,532
Beneficial interest in assets held by others	77,819	71,444
Property and equipment, net	13,288	17,146
TOTAL ASSETS	\$ 5,131,179	\$ 5,138,894
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 137,061	\$ 73,401
Pass-through liability	200,058	554,517
TOTAL LIABILITIES	337,119	627,918
NET ASSETS		
Without donor restrictions		
Undesignated	2,134,908	1,733,178
Board designated	742,105	659,969
Invested in property and equipment, net	13,288	17,146
Total without donor restrictions	2,890,301	2,410,293
With donor restrictions	1,903,759	2,100,683
	4,794,060	4,510,976
TOTAL LIABILITIES AND NET ASSETS	\$ 5,131,179	\$ 5,138,894

See notes to financial statements.

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

STATEMENT OF ACTIVITIES

For the Year Ending December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT			
Contributions	\$ 1,290,892	\$ 432,436	\$ 1,723,328
In-kind contributions	405,274	-	405,274
Service fees	1,830	-	1,830
Investment income, net	23,300	12,585	35,885
Net unrealized and realized investment gains	225,570	144,240	369,810
Net assets released from restrictions	786,185	(786,185)	-
	<u>2,733,051</u>	<u>(196,924)</u>	<u>2,536,127</u>
TOTAL REVENUES, SUPPORT, AND GAINS			
EXPENSES			
Program services expense	1,962,804	-	1,962,804
Supporting services expenses			
Management and general	161,124	-	161,124
Fundraising	129,115	-	129,115
	<u>2,253,043</u>	<u>-</u>	<u>2,253,043</u>
TOTAL EXPENSES			
	480,008	(196,924)	283,084
CHANGE IN NET ASSETS			
NET ASSETS AT BEGINNING OF YEAR	<u>2,410,293</u>	<u>2,100,683</u>	<u>4,510,976</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,890,301</u>	<u>\$ 1,903,759</u>	<u>\$ 4,794,060</u>

See notes to financial statements.

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

STATEMENT OF ACTIVITIES

For the Year Ending December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT			
Contributions	\$ 668,197	\$ 1,787,872	\$ 2,456,069
In-kind contributions	98,064	298,133	396,197
Service fees	1,590	-	1,590
Investment income, net	23,949	15,102	39,051
Net unrealized and realized investment gains	205,070	145,087	350,157
Net assets released from restrictions	2,091,836	(2,091,836)	-
TOTAL REVENUES, SUPPORT, AND GAINS	3,088,706	154,358	3,243,064
EXPENSES			
Program services expense	2,220,701	-	2,220,701
Supporting services expenses			
Management and general	91,278	-	91,278
Fundraising	105,755	-	105,755
TOTAL EXPENSES	2,417,734	-	2,417,734
CHANGE IN NET ASSETS	670,972	154,358	825,330
NET ASSETS AT BEGINNING OF YEAR	1,739,321	1,946,325	3,685,646
NET ASSETS AT END OF YEAR	\$ 2,410,293	\$ 2,100,683	\$ 4,510,976

See notes to financial statements.

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ending December 31, 2021

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Program awards:				
DonorsChoose.org project support	\$ 100,000	\$ -	\$ -	\$ 100,000
Partners in Action	712,949	-	-	712,949
ReadOKC	60,042	-	-	60,042
STARS of Education	54,083	-	-	54,083
Teacher Pipeline Programs	142,304	-	-	142,304
Urban Teacher Preparatory Academy	26,315	-	-	26,315
Other	31,279	-	-	31,279
Personnel	257,569	123,933	103,408	484,910
Conference and meetings	77,485	1,210	7,182	85,877
Professional fees and contractual services	157,492	16,380	9,657	183,529
Advertising and marketing	193,585	-	-	193,585
Bad debt expense		-	-	-
Training	1,012	426	68	1,506
Postage and shipping	1,563	410	78	2,051
Materials and supplies	87,122	2,339	222	89,683
Equipment rental and maintenance	5,944	609	3,230	9,783
Printing and publication	3,675	1,998	754	6,427
Occupancy	33,091	2,653	2,298	38,042
Dues and subscriptions	4,345	909	265	5,519
Travel and transportation	1,191	-	-	1,191
Insurance	560	3,440	221	4,221
Depreciation		4,759	-	4,759
Telephone	11,198	2,058	1,732	14,988
Total	\$ 1,962,804	\$ 161,124	\$ 129,115	\$ 2,253,043

See notes to financial statements.

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ending December 31, 2020

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Program awards:				
DonorsChoose.org project support	\$ 82,462	\$ -	\$ -	\$ 82,462
Partners in Action	1,062,362	-	-	1,062,362
ReadOKC	85,261	-	-	85,261
STARS of Education	54,101	-	-	54,101
Teacher Pipeline Programs	102,242	-	-	102,242
Urban Teacher Preparatory Academy	49,077	-	-	49,077
Other	2,000	-	1,634	3,634
Personnel	372,969	61,983	65,837	500,789
Conference and meetings	32,792	1,433	7,999	42,224
Professional fees and contractual services	175,375	18,499	8,040	201,914
Advertising and marketing	125,180	-	-	125,180
Bad debt expense	-	-	15,879	15,879
Training	1,125	2,043	75	3,243
Postage and shipping	3,291	112	354	3,757
Materials and supplies	1,822	412	26	2,260
Equipment rental and maintenance	9,366	1,268	1,245	11,879
Printing and publication	2,056	380	104	2,540
Occupancy	34,910	1,552	2,327	38,789
Dues and subscriptions	5,009	288	334	5,631
Travel and transportation	2,157	38	-	2,195
Insurance	5,151	534	615	6,300
Depreciation	1,687	2,058	104	3,849
Telephone	10,306	678	1,182	12,166
Total	\$ 2,220,701	\$ 91,278	\$ 105,755	\$ 2,417,734

See notes to financial statements.

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

Years ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from program services	\$ 1,830	\$ 1,590
Cash received from donors	1,510,355	2,583,194
Proceeds from sale of contributed stock	150,797	226,774
Net cash received from (provided for) pass-through activities	(354,459)	(44,611)
Interest income received, net	35,885	39,051
Cash paid to employees	(472,775)	(493,915)
Cash paid to vendors	(1,315,175)	(1,666,921)
	(443,542)	645,162
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(787,174)	(788,092)
Proceeds from sale of investments	604,203	604,156
Purchases of property and equipment	(901)	(13,577)
	(183,872)	(197,513)
Change in cash	(627,414)	447,649
CASH, BEGINNING OF YEAR	1,764,340	1,316,691
CASH, END OF YEAR	\$ 1,136,926	\$ 1,764,340
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Change in net assets	\$ 283,084	\$ 825,330
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,759	3,849
Bad debt expense	-	15,879
Change in discount on future promises and uncollected promises	-	(3,867)
Net realized and unrealized investment gains	(369,810)	(350,157)
Contributions of stock	(151,324)	-
Proceeds from sale of contributed stock	150,797	226,774
Net change in operating assets and liabilities:		
Pledges receivable	(61,649)	115,113
Prepaid expenses	(8,600)	-
Accounts payable and accrued liabilities	63,660	(143,148)
Pass-through liability	(354,459)	(44,611)
	(443,542)	645,162
Net cash provided by operating activities	\$ (443,542)	\$ 645,162
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Contribution of stock	\$ 151,324	\$ -
Pledges receivable paid with stock	\$ -	\$ 226,774

See notes to financial statements.

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 and 2020

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 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. 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. The Foundation’s Board of Directors (the Board) has designated from net assets without donor restrictions, net assets for a board-designated endowment.

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 restrictions.

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

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Cash and Cash Equivalents – The Foundation considers all highly liquid investments with a maturity of three months or less when purchased (excluding cash equivalent held in investment accounts), which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

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 \$8,831 was recorded at both December 31, 2021 and 2020.

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 restrictions unless their use is restricted by donor stipulation. Investment income is presented net of management fees and custodial fees in the statement 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 the date of acquisition or estimated fair value at the 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.

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. Federal and state income tax statutes dictate that tax returns filed in any of the previous three reporting periods remain open to examination.

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Functional Allocation of Expenses – The costs of programs and supporting services have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents 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 on either actual usage or the estimated cost attributable to each function.

Advertising Expenses – All advertising costs are expensed as incurred. Advertising expenses were approximately \$194,000 and \$125,000 for the years ended December 31, 2021 and 2020, respectively, all of which was provided in-kind.

Concentration 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, 2021, three donors accounted for approximately 84% of pledges receivables. As of December 31, 2020, one donor accounted for approximately 65% of pledges receivables. No single donor contributed more than 8% and 4% of total contributions during the years ended December 31, 2021 and 2020, respectively.

The Foundation invests in various investments securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible 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.

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

Accounting Pronouncements Not Yet Adopted – In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The update increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure regarding the measurement of contributed nonfinancial assets, as well as the amount of those contributions used in the entity's programs and other activities. The ASU should be applied on a retrospective basis and is effective for the Foundation in 2022. Early adoption is permitted. The Foundation is 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 compatibility 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 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.

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Accounting Pronouncements Not Yet Adopted (Cont'd) 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 lease in the footnotes to the financial statements.

Reclassifications – Certain reclassifications have been made to the prior year financial statements to conform to classifications used in the current year.

Subsequent Events – Management has evaluated subsequent events through July 20, 2022, the date on which the financial statements were available to issue. There were no subsequent events requiring recognition or disclosure.

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 expense needed to cover payroll, occupancy, and other expenses needed for the general operation of the Foundation. Currently, the Foundation needs approximately \$50,000 per month to cover these non-program expenses. As of December 31, 2021 the foundation held \$907,403 and \$1,578,306 of cash and investments, respectively without donor contractual or Board restrictions. As of December 31, 2020 the Foundation held \$1,150,434 and \$1,217,216 of cash and investments, respectively without donor, contractual, or Board restrictions. This analysis is presented to the Board each meeting for review and assessment of the fulfillment of the Foundation's goals of a minimum six months of reserve funds.

In addition to this 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 outlines 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. As of December 31, 2021 and 2020, the balance of board designated funds was \$742,105 and \$659,969 respectively. The board designated funds can be made available for general expenditure upon approval of the Board.

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020**

NOTE 4 – PLEDGES RECEIVABLE

Unconditional promises to give consist of the following at December 31:

	2021	2020
Pledges receivable	\$ 294,912	\$ 233,263
Less allowance for uncollectible pledges	(8,831)	(8,831)
Pledges receivable, net	<u>286,081</u>	<u>224,432</u>
Amounts receivable in:		
Less than one year	\$ 284,338	\$ 223,145
One to five years	<u>10,574</u>	<u>10,118</u>
Pledges receivable	<u>\$ 294,912</u>	<u>\$ 233,263</u>

NOTE 5 – PAYROLL PROTECTION PROGRAM

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 15, 2020 and February 16, 2021, the Foundation received loan proceeds in the amount of \$83,900 and \$87,800, respectively, under the Small Business Administration's Payroll Protection Program (PPP) which was established as part of the CARES Act.

The Paycheck Protection Flexibility Act of 2020 was enacted on June 5, 2020 allowing for the deferment of PPP loan payments until the later of (1) the SBA remits the loan forgiveness amount to the financial institution or (2) a determination is made that no forgiveness is allowed.

As the PPP loans were expected to be forgiven, the Foundation elected to account for the PPP loans as conditional contributions under ASC 958-605, *Not-for-Profit Entities, Revenue Recognition*. On March 26, 2021 and August 16, 2021 the Foundation received notice that its applications for PPP loan forgiveness of \$83,900 and \$87,800, respectively, were approved by the SBA, and the SBA had remitted payment to the financial institutions for full loan forgiveness.

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.

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 and 2020

NOTE 6 – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (Cont'd)

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 \$326,170 and \$258,785 at December 31, 2021 and 2020, respectively. Of this amount \$77,819 and \$71,444 is recognized in the accompanying financial statements as a beneficial interest to the Foundation at December 31, 2021 and 2020, respectively. No contributions were made to the fund in 2021 or 2020.

Distributions to the Foundation under the OCCF spending policy for the year ended December 31, 2021 and 2020 were \$13,448 and \$9,987, respectively, and are included in contribution revenue in the statements of activities.

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 Foundations 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 fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return for income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 and 2020

NOTE 7 – ENDOWMENT FUNDS (Cont'd)

Return Objectives, Risks 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 diversified asset allocation. The current investment strategic allocation target guidelines of 60% equities, 35% fixed income, and 5% 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).

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020**

NOTE 7 – ENDOWMENT FUNDS (Cont'd)

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

	2021		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 1,321,297	\$ 1,321,297
Board-designated endowment funds	742,105	-	742,105
Total	\$ 742,105	\$ 1,321,297	\$ 2,063,402

	2020		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 1,214,307	\$ 1,214,307
Board-designated endowment funds	659,969	-	659,969
Total	\$ 659,969	\$ 1,214,307	\$ 1,874,276

Changes in endowment funds consist of the following for the year ended December 31, 2021:

	Without Donor Restriction	With Donor Restriction	Total
Endowment fund net assets at December 31, 2020	\$ 659,969	\$ 1,214,307	\$ 1,874,276
Investment return:			
Investment income, net	7,460	12,116	19,576
Net realized and unrealized gains (losses)	74,676	139,547	214,223
Total investment return	82,136	151,663	233,799
Appropriation of endowment assets for expenditure	-	(44,673)	(44,673)
Endowment fund net assets at December 31, 2021	\$ 742,105	\$ 1,321,297	\$ 2,063,402

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 and 2020

NOTE 7 – ENDOWMENT FUNDS (Cont'd)

Changes in endowment funds consist of the following for the year ended December 31, 2020:

	Without Donor Restriction	With Donor Restriction	Total
Endowment fund net assets at December 31, 2019	\$ 597,473	\$ 1,105,242	\$ 1,702,715
Investment return:			
Investment income, net	8,232	14,577	22,809
Net realized and unrealized gains (losses)	76,540	140,221	216,761
Total investment return	84,772	154,798	239,570
Appropriation of endowment assets for expenditure	(22,276)	(45,733)	(68,009)
Endowment fund net assets at December 31, 2020	\$ 659,969	\$ 1,214,307	\$ 1,874,276

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below 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, 2021 or 2020.

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. The project funds are referred to as pass-through funds and are segregated from the 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, amount 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, 2021 and 2020, the Foundation received \$71,000 and \$53,175, respectively, and distributed \$425,459 and \$97,786, respectively, of pass-through fund transactions. The Foundation held \$200,058 and \$554,517 in pass-through funds at December 31, 2021 and 2020, 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 \$260,000 and \$160,000 during the years ended December 31, 2021 and 2020, 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.

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 and 2020

NOTE 10 – RESTRICTIONS ON NET ASSETS

Net assets without donor restrictions at December 31, 2021 and 2020 include \$742,105 and \$659,969, 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:

	2021	2020
Restricted for purpose:		
Urban teacher preparation academy	\$ 402,222	\$ 324,643
ReadOKC	113,008	2,608
Northwest Classen High School athletics	52,713	43,425
Diversity teacher pipeline program	80,010	126,950
COVID-19/Student support	8,464	456,551
Other programs	211,329	132,052
	867,746	1,086,229
Restricted for use in future period	227,500	212,319
Not subject to appropriation or expenditure:		
Endowment funds held in perpetuity	808,513	802,135
Total net assets with donor restrictions	<u>\$ 1,903,759</u>	<u>\$ 2,100,683</u>

NOTE 11 – INVESTMENTS AND 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.

The inputs are summarized in the following 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.

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 and 2020

NOTE 11 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Cont’d)

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 years ended December 31, 2021 and 2020, 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, mutual funds, domestic bonds and notes, U.S. government obligations, equity securities, limited partnerships and limited liability companies and other investments. The fair values of the underlying investments are based on quoted prices from active and inactive markets.

The following tables set 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:

	2021			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 133,530	\$ -	\$ -	\$ 133,530
Mutual funds	3,474,935	-	-	3,474,935
Investments at fair value	3,608,465	-	-	3,608,465
Beneficial interest in assets held by others	-	77,819	-	77,819
Total assets at fair value	\$ 3,608,465	\$ 77,819	\$ -	\$ 3,686,284

	2020			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 101,136	\$ -	\$ -	\$ 101,136
Mutual funds	2,960,396	-	-	2,960,396
Investments at fair value	3,061,532	-	-	3,061,532
Beneficial interest in assets held by others	-	71,444	-	71,444
Total assets at fair value	\$ 3,061,532	\$ 71,444	\$ -	\$ 3,132,976

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020**

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, 2021 and 2020, Foundation contributions to the plan totaled \$37,661 and \$39,548, 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 and \$29,000 for the years ended December 31, 2021 and 2020, respectively. 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 business, operating leases are generally renewed or replaced by other leases.

Future minimum lease payments are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2022	\$ 26,402
2023	26,402
2024	26,402
2025	17,602
2026	-
	<u>\$ 96,808</u>