



**THE  
FOUNDATION**  
FOR OKLAHOMA CITY PUBLIC SCHOOLS

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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

**WITH**

**INDEPENDENT AUDITOR'S REPORT**

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## **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 statement of financial position as of December 31, 2017, the related statements of activities, functional expenses, and cash flows for 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**

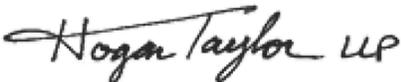
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2017, and 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  
June 20, 2018

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

**STATEMENT OF FINANCIAL POSITION**

**December 31, 2017**

<b>Assets</b>	
Cash	\$ 1,079,780
Pledges receivable, net	714,026
Investments	1,792,559
Beneficial interest in assets held by others	64,676
Property and equipment, net	<u>6,757</u>
Total assets	<u><u>\$ 3,657,798</u></u>
<b>Liabilities and Net Assets</b>	
Liabilities:	
Accounts payable and accrued liabilities	\$ 61,113
Pass-through liability	<u>488,250</u>
Total liabilities	<u>549,363</u>
Net assets:	
Unrestricted	1,092,266
Temporarily restricted	1,220,799
Permanently restricted	<u>795,370</u>
Total net assets	<u>3,108,435</u>
Total liabilities and net assets	<u><u>\$ 3,657,798</u></u>

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

**STATEMENT OF ACTIVITIES**

**Year ended December 31, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue, Gains and Other Support</b>				
Contributions, net of discount of \$8,783	\$ 735,429	\$ 1,420,032	\$ -	\$ 2,155,461
In-kind donations	235,881	-	-	235,881
Service fees	18,534	-	-	18,534
Investment income	15,459	20,508	261	36,228
Net unrealized and realized investment gains	71,164	96,368	6,668	174,200
Change in donor designation	(37,450)	37,450	-	-
Funds released from restrictions	755,945	(755,945)	-	-
<b>Total revenue, gains and other support</b>	<b>1,794,962</b>	<b>818,413</b>	<b>6,929</b>	<b>2,620,304</b>
<b>Expenses</b>				
Program services	1,385,843	-	-	1,385,843
Supporting services:				
Management and general	43,880	-	-	43,880
Fundraising	55,646	-	-	55,646
<b>Total expenses</b>	<b>1,485,369</b>	<b>-</b>	<b>-</b>	<b>1,485,369</b>
Change in net assets	309,593	818,413	6,929	1,134,935
Net assets at beginning of year	782,673	402,386	788,441	1,973,500
Net assets at end of year	<u>\$ 1,092,266</u>	<u>\$ 1,220,799</u>	<u>\$ 795,370</u>	<u>\$ 3,108,435</u>

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

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year ended December 31, 2017**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Scholarships, grants and awards	\$ 623,243	\$ -	\$ 1,700	\$ 624,943
Personnel	341,236	21,504	30,672	393,412
Conferences and meetings	86,016	735	13,272	100,023
Professional fees and contractual services	102,090	8,339	5,259	115,688
Advertising and marketing	146,204	-	-	146,204
Bad debt	-	3,223	-	3,223
Training	3,234	171	109	3,514
Postage and shipping	1,543	-	49	1,592
Materials and supplies	2,575	469	157	3,201
Equipment acquisition	2,310	49	104	2,463
Equipment rental and maintenance	7,690	588	296	8,574
Printing and publication	10,271	254	1,548	12,073
Occupancy	34,935	1,122	1,347	37,404
Dues and subscriptions	5,289	235	204	5,728
Travel and transportation	5,355	72	79	5,506
Insurance	3,641	1,731	257	5,629
Depreciation	-	4,942	-	4,942
Telephone	10,211	446	593	11,250
<b>Total</b>	<b>\$ 1,385,843</b>	<b>\$ 43,880</b>	<b>\$ 55,646</b>	<b>\$ 1,485,369</b>

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

**STATEMENT OF CASH FLOWS**

**Year ended December 31, 2017**

<b>Cash Flows from Operating Activities</b>	
Change in net assets	\$ 1,134,935
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	4,942
Provision for bad debt	3,223
Discount on future pledges receivable	8,783
Net realized and unrealized investment gains	(174,200)
Contributions of stock	(27,620)
Proceeds from sale of contributed stock	27,999
Changes in operating assets and liabilities:	
Pledges receivable	(567,567)
Accounts payable	11,069
Pass-through liability	70,242
	<hr/>
Net cash provided by operating activities	491,806
 <b>Cash Flows from Investing Activities</b>	
Purchases of investments	(427,946)
Proceeds from sales of investments	380,034
Purchases of property and equipment	(2,493)
	<hr/>
Net cash used in investing activities	(50,405)
 Net increase in cash	441,401
 Cash, beginning of year	638,379
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Cash, end of year	<u><u>\$ 1,079,780</u></u>

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**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

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, as follows:

*Unrestricted* – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

*Temporarily restricted* – Net assets whose use is limited by donor-imposed restrictions that either expire with the passage of time or occurrence of specified events or actions. When a restriction has been fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Net assets with restrictions that are met in the same reporting period as their receipt are accounted for as unrestricted net assets.

*Permanently restricted* – Net assets whose use is limited by donor-imposed restrictions that require such resources be maintained in perpetuity and the related income utilized for operating or other donor-restricted purposes.

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 recorded when received. All contributions are available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support.

### 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 accounts receivable. Based upon management's assessment, an allowance for uncollectible pledges receivable of \$2,723 was recorded as of December 31, 2017.

### 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 unrestricted as to their use, unless their use is temporarily or permanently restricted by donor stipulation.

### 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 taxes on income related to its exempt purpose under the provisions of Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements.

### Functional allocation of expenses

The statement of activities presents expenses by functional classification. Expenses are allocated between program and supporting services 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 \$146,000 for the year ended December 31, 2017, all of which was provided in-kind.

### Concentrations and risks

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist primarily of cash, pledges receivable, and investments. As of December 31, 2017, one donor, a member of the Board of Directors, accounted for approximately 83% of pledges receivable. Additionally, for the year ended December 31, 2017, approximately 44% of the contribution revenue came from two donors, a member of the Board of Directors and a foundation for which a member of the Board of Directors is also a director.

The Foundation's investments are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the statements of activities. Significant fluctuations in fair values could occur from year-to-year, and the amounts the Foundation will ultimately realize could differ materially.

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.

### New accounting pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU simplifies and improves how a not-for-profit entity (NFP) classifies its net assets, as well as the information it presents in financial statements and notes concerning liquidity, financial performance and cash flows. Among other requirements, this ASU primarily requires NFPs to present on the face of the statement of financial position amounts for two classes of net assets (i.e. net assets with donor restrictions and net assets without donor restrictions) rather than the currently required three classes. ASU 2016-14 is to be applied retrospectively, and is effective for years beginning after December 15, 2017, with early adoption permitted. The Foundation will be evaluating the impact this standard will have on its financial statements and related disclosures.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for the Foundation in 2019. The Foundation has not yet selected a transition method and is currently evaluating the effect that the standard will have on the consolidated financial statements, which is not expected to be significant.

In February 2016, the FASB issued ASU No. 2016-02 *Leases (Topic 842)*. The purpose of the guidance is to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position, as well as providing additional disclosure requirements related to leasing arrangements. The new guidance is effective for the Foundation in 2020, though early adoption is permitted. The Foundation will be evaluating the impact this standard will have on its financial statements and related disclosures.

### Subsequent events

Management has evaluated subsequent events through June 20, 2018, the date the financial statements were available to be issued.

### **Note 3 – Pledges Receivable**

Included in pledges receivable are the following unconditional promises to give at December 31, 2017:

Contributions receivable	\$ 725,532
Less discount of future pledges receivable	(8,783)
Less allowance for uncollectible pledges	<u>(2,723)</u>
Contributions receivable, net	<u>\$ 714,026</u>
Amounts receivable in:	
Less than one year	\$ 274,616
One to five years	<u>450,916</u>
Contributions receivable	<u>\$ 725,532</u>

### **Note 4 – Investments**

Investments consist of the following at December 31, 2017:

Money market funds	\$ 60,974
Mutual funds	<u>1,731,585</u>
	<u>\$ 1,792,559</u>

### **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. 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 a permanently restricted net asset 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 \$244,123 at December 31, 2017. Of this amount, \$64,676 is recognized in the accompanying financial statements as a beneficial interest to the Foundation at December 31, 2017. No contributions were made to the fund in 2017.

Distributions to the Foundation under the OCCF spending policy for the year ended December 31, 2017, were \$9,675, 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 6 – Line of Credit**

The Foundation has available a line of credit from a financial institution which provides for borrowings up to \$150,000 to fund short-term operating cash flow requirements. Advances under the line of credit are secured by mutual funds and bear interest at a variable rate, payable monthly. The line of credit expires on September 23, 2018. At December 31, 2017, there was no outstanding balance on this line of credit.

#### **Note 7 – Endowment Funds**

##### Board interpretation

The Foundation's Board of Directors (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 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. 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 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 permanent, donor-restricted fund 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 permanent, donor-restricted fund to provide earnings for reading and mentoring programs of the Foundation.
- Endowment funds held by the OCCF (see Note 5).

The Foundation's endowment net asset composition by type at December 31, 2017, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 301,496	\$ 795,370	\$ 1,096,866
Board-designated endowment funds	533,528	-	-	533,528
Total	\$ 533,528	\$ 301,496	\$ 795,370	\$ 1,630,394

Changes in endowment funds consist of the following for the year ended December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment fund net assets at December 31, 2016	\$ 493,585	\$ 233,738	\$ 788,441	\$ 1,515,764
Investment return:				
Investment income, net	7,904	13,842	261	22,007
Net appreciation	57,354	100,474	6,668	164,496
Total investment return	65,258	114,316	6,929	186,503
Appropriation of endowment assets for expenditure	(25,315)	(46,558)	-	(71,873)
Endowment fund net assets at December 31, 2017	<u>\$ 533,528</u>	<u>\$ 301,496</u>	<u>\$ 795,370</u>	<u>\$ 1,630,394</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 that are reported in unrestricted net assets at December 31, 2017.

#### **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 statement 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 year ended December 31, 2017, the Foundation received \$673,692 and distributed \$603,451 of pass-through fund transactions. The Foundation held \$488,250 in pass-through funds at December 31, 2017, which is reflected as a liability in the statement of financial position.

#### **Note 9 – DonorsChoose Partnership Program**

In 2014, the Foundation entered into an agreement with DonorsChoose.org (DonorsChoose) to raise funds for classroom projects in Oklahoma City Public Schools. The agreement was renewed throughout the year ended December 31, 2017. In connection with this program, the Foundation contributed \$240,000 during the year ended December 31, 2017, to DonorsChoose, which is included in program services in the statement of activities. Public campaign contributions made directly to DonorsChoose are not reflected in the statement of activities. The agreement with DonorsChoose was renewed again in 2018.

## Note 10 – Restrictions on Net Assets

Unrestricted net assets at December 31, 2017 include \$533,528 designated by the Foundation's Board of Directors for the Gumerson endowment (see Note 7).

Temporarily restricted net assets, including amounts available for expenditure from endowments, are available as follows at December 31, 2017:

Restricted for purpose:	
Urban teacher preparation academy	\$ 236,055
Bilingual teacher pipeline project	115,895
Northwest Classen High School athletics	36,235
Other programs	<u>111,380</u>
	499,565
Restricted for use in future period	<u>721,234</u>
Total	<u><u>\$ 1,220,799</u></u>

Permanently restricted net assets of \$795,370 at December 31, 2017, include funds held in the Foundation's endowment to support Foundation programs (see Note 7).

## Note 11 – Fair Value Measurements

The Financial Accounting Standards Board 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, 2017, there were no transfers of financial instruments between Level 1 and Level 2 or transfers into or out of Level 3. The following is a description of the valuation methodologies used for assets measured at fair value:

*Money market funds* – the fair value approximates the carrying value. These investments are classified within Level 1.

*Mutual funds* – amount consists of multi-asset income funds which are valued using 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, 2017:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 60,974	\$ -	\$ -	\$ 60,974
Mutual funds	1,731,585	-	-	1,731,585
Beneficial interest in assets held by others	-	64,676	-	64,676
Total assets at fair value	<u>\$ 1,792,559</u>	<u>\$ 64,676</u>	<u>\$ -</u>	<u>\$ 1,857,235</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 year ended December 31, 2017, Foundation contributions to the plan totaled \$30,798.

#### **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 \$26,668 for the year ended December 31, 2017. 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:

<u>Year ending December 31,</u>	<u>Amount</u>
2018	\$ 24,908
2019	24,908
2020	25,282
2021	26,403
2022	26,403
Total thereafter	<u>70,407</u>
	<u><u>\$ 198,311</u></u>