



**THE  
FOUNDATION**  
FOR OKLAHOMA CITY PUBLIC SCHOOLS

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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 and 2019**

**WITH**

**INDEPENDENT AUDITOR'S REPORT**

## CONTENTS

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

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Oklahoma City Public Schools Foundation, Inc. (the Foundation) which comprise the statements of financial position as of December 31, 2020 and 2019, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2020 and 2019, and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Oklahoma City, Oklahoma  
July 29, 2021

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

**STATEMENTS OF FINANCIAL POSITION**

**December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash	\$ 1,764,340	\$ 1,316,691
Pledges receivable, net	224,432	578,331
Investments	3,061,532	2,531,959
Beneficial interest in assets held by others	71,444	66,924
Property and equipment, net	17,146	7,418
	<hr/>	<hr/>
Total assets	<u>\$ 5,138,894</u>	<u>\$ 4,501,323</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 73,401	\$ 216,549
Pass-through liability	554,517	599,128
	<hr/>	<hr/>
Total liabilities	627,918	815,677
Net assets:		
Without donor restrictions		
Undesignated	1,733,178	1,134,430
Board designated	659,969	597,473
Invested in property and equipment, net	17,146	7,418
	<hr/>	<hr/>
Total net assets without donor restrictions	2,410,293	1,739,321
With donor restrictions	2,100,683	1,946,325
	<hr/>	<hr/>
Total net assets	<u>4,510,976</u>	<u>3,685,646</u>
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 5,138,894</u>	<u>\$ 4,501,323</u>

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

**STATEMENT OF ACTIVITIES**

**Year ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Gains and Other Support</b>			
Contributions	\$ 668,197	\$ 1,787,872	\$ 2,456,069
In-kind donations	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 revenue, gains and other support	3,088,706	154,358	3,243,064
<b>Expenses</b>			
Program services	2,220,701	-	2,220,701
Supporting services:			
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

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

**STATEMENT OF ACTIVITIES**

**Year ended December 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Gains and Other Support</b>			
Contributions, net of discount of \$3,867	\$ 1,054,589	\$ 1,898,724	\$ 2,953,313
In-kind donations	-	235,702	235,702
Service fees	7,665	-	7,665
Investment income, net	32,087	26,496	58,583
Net unrealized and realized investment gains	158,922	153,181	312,103
Net assets released from restrictions	2,036,277	(2,036,277)	-
Total revenue, gains and other support	3,289,540	277,826	3,567,366
<b>Expenses</b>			
Program services	2,633,978	-	2,633,978
Supporting services:			
Management and general	85,965	-	85,965
Fundraising	106,788	-	106,788
Total expenses	2,826,731	-	2,826,731
Change in net assets	462,809	277,826	740,635
Net assets at beginning of year	1,276,512	1,668,499	2,945,011
Net assets at end of year	\$ 1,739,321	\$ 1,946,325	\$ 3,685,646

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

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year ended 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
Conferences 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
<b>Total</b>	<b>\$ 2,220,701</b>	<b>\$ 91,278</b>	<b>\$ 105,755</b>	<b>\$ 2,417,734</b>

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

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year ended December 31, 2019**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Program awards:				
DonorsChoose.org project support	\$ 312,743	\$ -	\$ -	\$ 312,743
Partners in Action	1,244,187	-	-	1,244,187
ReadOKC	42,402	-	-	42,402
STARS of Education	30,909	-	-	30,909
Teacher Pipeline Programs	100,163	-	-	100,163
Urban Teacher Preparatory Academy	53,135	-	-	53,135
Other	50	-	4,155	4,205
Personnel	370,991	54,931	64,055	489,977
Conferences and meetings	116,236	1,048	22,782	140,066
Professional fees and contractual services	155,926	15,794	6,769	178,489
Advertising and marketing	125,446	2,500	-	127,946
Bad debt expense	-	-	2,000	2,000
Training	110	429	-	539
Postage and shipping	1,546	51	65	1,662
Materials and supplies	3,567	1,104	2,128	6,799
Equipment acquisition expense	-	780	-	780
Equipment rental and maintenance	7,935	244	424	8,603
Printing and publication	6,161	185	876	7,222
Occupancy	34,829	1,113	1,497	37,439
Dues and subscriptions	6,079	563	293	6,935
Travel and transportation	5,171	923	119	6,213
Insurance	5,258	466	545	6,269
Depreciation	-	2,775	-	2,775
Taxes	-	2,140	-	2,140
Telephone	11,134	919	1,080	13,133
<b>Total</b>	<b>\$ 2,633,978</b>	<b>\$ 85,965</b>	<b>\$ 106,788</b>	<b>\$ 2,826,731</b>

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

**STATEMENTS OF CASH FLOWS**

**Years ended December 31, 2020 and 2019**

	2020	2019
<b>Cash Flows from Operating Activities</b>		
Cash received from program services	\$ 1,590	\$ 7,665
Cash received from donors	2,583,194	2,543,091
Proceeds from sale of contributed stock	226,774	358,042
Net cash received from (provided for) pass-through transactions	(44,611)	94,739
Interest income received, net	39,051	58,583
Cash paid to employees	(493,915)	(492,090)
Cash paid to vendors	(1,666,921)	(1,956,398)
	645,162	613,632
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(788,092)	(1,072,085)
Proceeds from sales of investments	604,156	676,243
Purchases of property and equipment	(13,577)	(3,949)
	(197,513)	(399,791)
Net cash used in investing activities	(197,513)	(399,791)
Increase in cash	447,649	213,841
Cash, beginning of year	1,316,691	1,102,850
	\$ 1,764,340	\$ 1,316,691
	\$ 1,764,340	\$ 1,316,691
<b>Reconciliation of Change in Net Assets to Net Cash</b>		
<b>Provided by Operating Activities</b>		
Change in net assets	\$ 825,330	\$ 740,635
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,849	2,775
Bad debt expense	15,879	2,000
Change in discount on future promises and uncollectible promises	(3,867)	(3,633)
Net realized and unrealized investment gains	(350,157)	(312,103)
Contributions of stock	-	(282,992)
Proceeds from sale of contributed stock	226,774	358,042
Net change in operating assets and liabilities:		
Pledges receivable	115,113	(127,230)
Accounts payable and accrued liabilities	(143,148)	141,399
Pass-through liability	(44,611)	94,739
	\$ 645,162	\$ 613,632
	\$ 645,162	\$ 613,632
<b>Supplemental Disclosures of Cash Flow Information</b>		
Contributions of stock	\$ -	\$ 282,992
	\$ -	\$ 282,992
	\$ -	\$ 282,992
Pledges receivable paid with stock	\$ 226,774	\$ 75,050
	\$ 226,774	\$ 75,050
	\$ 226,774	\$ 75,050

# OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

### Note 1 – Nature of Operations

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

### Note 2 – Summary of Significant Accounting Policies

#### Basis of presentation

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

#### Net assets

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

*Net assets without donor restrictions* – Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. 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 restriction.

### Use of estimates

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

### Contributions

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

### Pledges receivable

Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts and historical collection experience. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. Based upon management's assessment, an allowance for uncollectible pledges receivable of \$8,831 and \$2,723 was recorded as of December 31, 2020 and 2019, respectively.

### Investments

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

### Donated goods and services

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

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

### Property and equipment

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

### Income taxes

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

### Functional allocation of expenses

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

### Advertising expense

All advertising costs are expensed as incurred. Advertising expenses were approximately \$125,000 and \$128,000 for the years ended December 31, 2020 and 2019, respectively, all of which was provided in-kind.

### Concentrations and 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, 2020 and 2019, one donor (a member of the Board) accounted for approximately 65% and 83% of pledges receivable, respectively. No single donor contributed more than 4% and 3% of total contributions during the years ended December 31, 2020 and 2019, respectively.

The Foundation invests in various investment 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 accounts and believes it is not exposed to any significant credit risk.

### Adoption of new accounting pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The update provides guidance concerning the recognition and measurement of revenue from contracts with customers. Its objective is to increase the usefulness of information in the financial statements regarding the nature, timing and uncertainty of revenues. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard permits the use of either the retrospective or cumulative effect transition method. The Foundation adopted the ASU as of January 1, 2020, using the retrospective transition method. The adoption of this ASU resulted in no impact to the Foundation's financial statements.

### Accounting pronouncements not yet adopted

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

#### Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 presentation. These reclassifications had no impact on the previously reported change in net assets.

#### Subsequent events

Management has evaluated subsequent events through July 29, 2021, the date the financial statements were available to be issued. See Note 5.

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

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

At regular intervals the Foundation evaluates the current monthly expenses needed to cover payroll, occupancy and any other expenses needed for the general operation of the Foundation. Currently the Foundation needs approximately \$50,000 per month to cover these nonprogram expenses. 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. As of December 31, 2019, the Foundation held \$492,806 and \$858,173 of cash and investments, respectively, without donor, contractual, or Board restrictions. This analysis is presented to the Board at each meeting for review and assessment of the fulfillment of the Foundation's goal of a minimum six months of reserve funds.

In addition to its available liquidity, the Foundation also maintains a number of donor restricted endowments. These endowments were established over the history of the Foundation to support specific program expenses and activities. Each endowment has an agreement with the donor(s) that 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, 2020 and 2019, the balance of board-designated funds was \$659,969 and \$597,473 respectively. The board designated funds can be made available for general expenditure upon approval of the Board.

#### Note 4 – Pledges Receivable

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

	2020	2019
Pledges receivable	\$ 233,263	\$ 584,921
Less discount of future pledges receivable	-	(3,867)
Less allowance for uncollectible pledges	(8,831)	(2,723)
Pledges receivable, net	<u>\$ 224,432</u>	<u>\$ 578,331</u>
	2020	2019
Amounts receivable in:		
Less than one year	\$ 223,145	\$ 338,447
One to five years	10,118	246,474
Pledges receivable	<u>\$ 233,263</u>	<u>\$ 584,921</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, the Foundation received loan proceeds in the amount of \$83,900 under the Small Business Administration's Payroll Protection Program (PPP), which was established as part of the CARES Act.

The Foundation's PPP loan initially required monthly payments of approximately \$4,699 beginning in November 2020, had an interest rate of 1%, and would mature in April 2022 if not forgiven. However, the Paycheck Protection Flexibility Act of 2020 was enacted on June 5, 2020, allowing for the deferment of PPP loan repayments 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 loan was expected to be forgiven, the Foundation elected to account for the PPP loan as a conditional contribution under ASC 958-605, *Not-for-Profit Entities, Revenue Recognition*. Management believes that all conditions were substantially met as of December 31, 2020. Therefore, the proceeds of \$83,900 are recorded as grant revenue in the accompanying statement of activities. On March 26, 2021, the Foundation received notice that its application for loan forgiveness was approved by the SBA, and the SBA had remitted payment to the financial institution for full loan forgiveness.

Subsequent to December 31, 2020, the Foundation applied for a second PPP loan which was granted as of February 16, 2021. The second PPP loan was executed with a financial institution in the amount of \$87,800. The second PPP loan has an interest rate of 1% and payments begin either on the first day of the first month in which repayment is allowed or the first month that comes immediately after the bank has received partial loan forgiveness from the SBA; whichever date is earlier.

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

The Foundation and other donors have contributed to a fund administered by the Oklahoma City Community Foundation, Inc. (OCCF) for the benefit of the Foundation and its programs. OCCF maintains legal ownership and variance power over the fund. The Foundation is the beneficiary of the

Fund and receives distributions from the fund subject to OCCF's investment and spending policies, which is currently 5% of the average market value over the previous 12 quarters for all assets held for the benefit of the Foundation.

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

The fair value of funds held by OCCF for the benefit of the Foundation was \$258,785 and \$252,667 at December 31, 2020 and 2019, respectively. Of this amount, \$71,444 and \$66,924 is recognized in the accompanying financial statements as a beneficial interest to the Foundation at December 31, 2020 and 2019, respectively. No contributions were made to the fund in 2020 or 2019.

Distributions to the Foundation under the OCCF spending policy for the year ended December 31, 2020 and 2019, were \$9,987 and \$9,854, 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 Foundation retains in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation by the Board in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

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

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

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

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

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

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

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

The Foundation's endowment includes the following funds:

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

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

	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

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

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

	Without Donor Restrictions	With Donor Restrictions	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	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

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

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

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies of this nature at December 31, 2020 or 2019.

#### Note 8 – Pass-Through Transactions

The Foundation receives and distributes funds for schools in the Oklahoma City Public Schools district under a school project fund policy and related agreements. These project funds are referred to as pass-through funds and are segregated from net assets of the Foundation. To be eligible for a pass-through fund, projects must be consistent with the mission, general charitable purpose and tax-exempt status of

the Foundation, among other requirements. Since the Foundation does not have variance power over the use of pass-through funds, related receipts and disbursements are not recognized as revenue or expense in the statements of activities. The Foundation assesses a 3% administrative fee on funds for the direct and indirect costs incurred to accept, manage and administer pass-through funds.

During the years ended December 31, 2020 and 2019, the Foundation received \$53,175 and \$245,233, respectively, and distributed \$97,786 and \$150,494, respectively, of pass-through fund transactions. The Foundation held \$554,517 and \$599,128 in pass-through funds at December 31, 2020 and 2019, 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 \$160,000 and \$310,780 during the years ended December 31, 2020 and 2019, respectively, to DonorsChoose.org, which is included in program services in the statements of activities. Public campaign contributions made directly to DonorsChoose.org are not reflected in the statements of activities.

#### **Note 10 – Restrictions on Net Assets**

Net assets without donor restrictions at December 31, 2020 and 2019, include \$659,969 and \$597,473, 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:

	2020	2019
Restricted for purpose:		
Urban teacher preparation academy	\$ 324,643	\$ 245,596
Bilingual teacher pipeline program	-	50,000
Northwest Classen High School athletics	43,425	33,467
Diversity teacher pipeline program	126,950	162,485
COVID-19/Student support	456,551	-
Other programs	134,660	244,076
	<u>1,086,229</u>	<u>735,624</u>
Restricted for use in future period	212,319	413,083
Not subject to appropriation or expenditure:		
Endowment funds held in perpetuity	802,135	797,618
	<u>802,135</u>	<u>797,618</u>
Total net assets with donor restrictions	<u>\$ 2,100,683</u>	<u>\$ 1,946,325</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.

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 years ended December 31, 2020 and 2019, 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:

	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

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

### 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, 2020 and 2019, Foundation contributions to the plan totaled \$39,584 and \$34,831, 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 \$29,000 and \$27,000 for the years ended December 31, 2020 and 2019, 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 of business, operating leases are generally renewed or replaced by other leases.

Future minimum lease payments are as follows:

Year ending December 31,	Amount
2021	\$ 27,662
2022	26,402
2023	26,402
2024	26,402
2025	17,602
	<u>\$ 124,470</u>