

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

FINANCIAL STATEMENTS

DECEMBER 31, 2022 and 2021

WITH

INDEPENDENT AUDITOR'S REPORT

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Government 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, 2022 and 2021, and the related statements of activities, functional expenses, 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, 2022 and 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.

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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2022 the Foundation adopted new accounting guidance, Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* and ASU 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

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 timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Arledge & Associates PC

Edmond, Oklahoma
July 24, 2023



OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

ASSETS	<u>2022</u>	<u>2021 (restated)</u>
Current Assets		
Cash and cash equivalents	\$ 1,483,596	\$ 1,136,926
Pledges receivable, net	976,975	286,081
Prepaid expenses	-	8,600
Investments	3,163,872	3,608,465
Beneficial interest in assets held by others	62,333	77,819
TOTAL CURRENT ASSETS	<u>5,686,776</u>	<u>5,117,891</u>
Long-Term Assets		
Pledges receivable, net	314,766	-
Property and equipment, net	10,152	13,288
Lease right-of-use assets	177,664	200,493
TOTAL LONG-TERM ASSETS	<u>502,582</u>	<u>213,781</u>
TOTAL ASSETS	<u>\$ 6,189,358</u>	<u>\$ 5,331,672</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 104,546	\$ 137,061
Pass-through liability	151,264	200,058
Current lease liabilities	22,829	23,330
TOTAL CURRENT LIABILITIES	<u>278,639</u>	<u>360,449</u>
Lease liabilities, net of current portion	154,835	177,163
TOTAL LIABILITIES	<u>\$ 433,474</u>	<u>\$ 537,612</u>
NET ASSETS		
Without donor restrictions		
Undesignated	2,368,961	2,148,196
Board designated	640,648	742,105
Total without donor restrictions	<u>3,009,609</u>	<u>2,890,301</u>
With donor restrictions	2,746,275	1,903,759
TOTAL NET ASSETS	<u>5,755,884</u>	<u>4,794,060</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,189,358</u>	<u>\$ 5,331,672</u>

See notes to financial statements.

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

STATEMENT OF ACTIVITIES

For the Year Ending December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT			
Contributions	\$ 1,992,359	\$ 1,344,760	\$ 3,337,119
In-kind contributions	320,707	-	320,707
Service fees	605	-	605
Investment income, net	63,069	16,365	79,434
Net unrealized and realized investment loss	(316,302)	(186,991)	(503,293)
Net assets released from restrictions	331,618	(331,618)	-
	<u>2,392,056</u>	<u>842,516</u>	<u>3,234,572</u>
TOTAL REVENUES, SUPPORT, AND GAINS			
EXPENSES			
Program services expense	1,898,749	-	1,898,749
Supporting services expenses			
Management and general	173,097	-	173,097
Fundraising	200,902	-	200,902
	<u>2,272,748</u>	<u>-</u>	<u>2,272,748</u>
TOTAL EXPENSES			
CHANGE IN NET ASSETS	119,308	842,516	961,824
NET ASSETS AT BEGINNING OF YEAR	<u>2,890,301</u>	<u>1,903,759</u>	<u>4,794,060</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,009,609</u>	<u>\$ 2,746,275</u>	<u>\$ 5,755,884</u>

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			
CHANGE IN NET ASSETS	480,008	(196,924)	283,084
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 FUNCTIONAL EXPENSES

For the Year Ending December 31, 2022

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Program awards:				
DonorsChoose.org project support	\$ 377,557	\$ -	\$ -	\$ 377,557
Partners in Action	278,356	-	-	278,356
ReadOKC	120,355	-	-	120,355
STARS of Education	110,869	-	-	110,869
Teacher Pipeline Programs	177,994	-	-	177,994
Urban Teacher Preparatory Academy	45,516	-	-	45,516
Other	-	200	500	700
Personnel	288,527	109,025	132,190	529,742
Conference and meetings	123,402	17,997	10,747	152,146
Professional fees and contractual services	160,629	26,604	10,203	197,436
Advertising and marketing	135,464	-	21,695	157,159
Bad debt expense	1,536	-	-	1,536
Training	1,915	2,586	205	4,706
Postage and shipping	1,305	396	140	1,841
Materials and supplies	10,703	1,348	15,176	27,227
Equipment rental and maintenance	8,158	643	3,090	11,891
Printing and publication	4,139	474	194	4,807
Occupancy	10,760	2,793	3,519	17,072
Dues and subscriptions	5,241	1,176	551	6,968
Travel and transportation	1,681	176	73	1,930
Insurance	826	3,535	375	4,736
Depreciation	-	4,318	-	4,318
Amortization of lease right-of-use assets	22,829	-	-	22,829
Telephone	10,987	1,826	2,244	15,057
Total	\$ 1,898,749	\$ 173,097	\$ 200,902	\$ 2,272,748

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	10,262	2,653	2,298	15,213
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
Amortization of lease right-of-use assets	22,829	-	-	22,829
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.

STATEMENTS OF CASH FLOWS

Years ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from program services	\$ 605	\$ 1,830
Cash received from donors	2,646,225	1,510,355
Proceeds from sale of contributed stock	-	150,797
Net cash received from (provided for) pass-through activities	(48,794)	(354,459)
Interest income received	79,434	35,885
Cash paid to employees	(529,742)	(472,775)
Cash paid to vendors	(1,419,067)	(1,292,346)
	<u>728,661</u>	<u>(420,713)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(433,734)	(787,174)
Proceeds from sale of investments	390,520	604,203
Purchases of property and equipment	(1,182)	(901)
	<u>(44,396)</u>	<u>(183,872)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of lease liability	(22,829)	(22,829)
	<u>(22,829)</u>	<u>(22,829)</u>
Change in cash	661,436	(627,414)
CASH, BEGINNING OF YEAR	<u>1,136,926</u>	<u>1,764,340</u>
CASH, END OF YEAR	<u>\$ 1,798,362</u>	<u>\$ 1,136,926</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Change in net assets	\$ 961,824	\$ 283,084
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	27,147	27,588
Bad debt expense	1,536	-
Net realized and unrealized investment gains (losses)	503,293	(369,810)
Contributions of stock	-	(151,324)
Proceeds from sale of contributed stock	-	150,797
Net change in operating assets and liabilities:		
Pledges receivable	(692,430)	(61,649)
Prepaid expenses	8,600	(8,600)
Accounts payable and accrued liabilities	(32,515)	63,660
Pass-through liability	(48,794)	(354,459)
	<u>\$ 728,661</u>	<u>\$ (420,713)</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Contribution of stock	<u>\$ -</u>	<u>\$ 151,324</u>

See notes to financial statements.

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 and 2021

NOTE 1 – NATURE OF OPERATIONS

The Oklahoma City Public Schools Foundation, Inc. (the Foundation) was incorporated as a non-profit corporation in 1984 under the laws of the state of Oklahoma and as a 501(c)(3) foundation 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 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, 2022 and 2021

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. Cash equivalents are recorded at cost, which approximates fair value.

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 \$0 and \$8,831 was recorded at December 31, 2022 and 2021, 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 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.

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 and 2021

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

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.

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 \$157,000 and \$194,000 for the years ended December 31, 2022, and 2021, 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, 2022, five donors accounted for approximately 83% of pledges receivables. As of December 31, 2021, three donors accounted for approximately 84% of pledges receivables. No single donor contributed more than 8% of total contributions during the year ended December 31, 2021. As of December 31, 2022, 22% of total contributions are from a single donor pledged unconditionally through 2026.

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.

Recently Adopted Accounting Pronouncements – In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases. The new accounting standard requires lessees to recognize for all leases (with the exception of short-term leases) at the commencement date: (1) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis and (2) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new standard, lessor accounting is largely unchanged. The new standard is effective for annual reporting periods beginning after December 15, 2021. The Foundation has adopted and implemented this standard in the current period. See the impact in Note 12 of the financial statements.

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 and 2021

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

Subsequent Events – Management has evaluated subsequent events through July 24, 2023, the date on which the financial statements were available to issue. There were no subsequent events requiring recognition or disclosure.

Reclassifications – Certain items in the December 31, 2021 financial statements have been reclassified for comparability purposes with the December 31, 2022 financial statements. These reclassifications had no effect on previously reported changes in net assets or ending net assets.

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, 2022, the foundation held \$1,236,558 and \$1,423,093 of cash and investments, respectively without donor, contractual or Board restrictions. 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. This analysis is presented to the Board at 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, 2022, and 2021, the balance of board designated funds was \$640,648 and \$742,105 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, 2022 and 2021**

NOTE 4 – PLEDGES RECEIVABLE

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

	<u>2022</u>	<u>2021</u>
Pledges receivable	\$ 1,291,741	\$ 294,912
Less allowance for uncollectible pledges	<u>-</u>	<u>(8,831)</u>
Pledges receivable, net	<u>1,291,741</u>	<u>286,081</u>
Amounts receivable in:		
Less than one year	\$ 781,741	\$ 294,912
One to five years	<u>510,000</u>	<u>-</u>
Pledges receivable	<u>\$ 1,291,741</u>	<u>\$ 294,912</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 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 \$261,301 and \$326,170 at December 31, 2022 and 2021, respectively. Of this amount \$62,333 and \$77,819 is recognized in the accompanying financial statements as a beneficial interest to the Foundation at December 31, 2022 and 2021, respectively. No contributions were made to the fund in 2022 or 2021.

Distributions to the Foundation under the OCCF spending policy for the year ended December 31, 2022 and 2021 were \$14,420 and \$13,448, respectively, and are included in contribution revenue in the statements of activities.

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 and 2021

NOTE 6 – 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

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.

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021**

NOTE 6 – ENDOWMENT FUNDS (Cont'd)

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 earning 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 5).

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

	2022		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 1,125,611	\$ 1,125,611
Board-designated endowment funds	640,648	-	640,648
Total	\$ 640,648	\$ 1,125,611	\$ 1,766,259

	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

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 and 2021

NOTE 6 – ENDOWMENT FUNDS (Cont'd)

Changes in endowment funds consist of the following for the year ended December 31, 2022:

	Without Donor Restriction	With Donor Restriction	Total
Endowment fund net assets at December 31, 2021	\$ 742,105	\$ 1,321,297	\$ 2,063,402
Investment return:			
Investment income, net	9,677	15,784	25,461
Net realized and unrealized gains (losses)	(101,110)	(180,918)	(282,028)
Total investment return	(91,433)	(165,134)	(256,567)
Appropriation of endowment assets for expenditure	(10,024)	(30,552)	(40,576)
Endowment fund net assets at December 31, 2022	<u>\$ 640,648</u>	<u>\$ 1,125,611</u>	<u>\$ 1,766,259</u>

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	<u>\$ 742,105</u>	<u>\$ 1,321,297</u>	<u>\$ 2,063,402</u>

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, 2022 or 2021.

NOTE 7 – 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.

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 and 2021

NOTE 7 – PASS-THROUGH TRANSACTIONS (Cont'd)

During the years ended December 31, 2022, and 2021, the Foundation received \$21,408 and \$71,000, respectively, and distributed \$70,151 and \$425,459, respectively, of pass-through fund transactions. The Foundation held \$151,264 and \$200,058 in pass-through funds at December 31, 2022 and 2021, which is reflected as a liability in the statements of financial position.

NOTE 8 – 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 \$360,000 and \$260,000 during the years ended December 31, 2022, and 2021, 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 9 – RESTRICTIONS ON NET ASSETS

Net assets without donor restrictions at December 31, 2022 and 2021 include \$640,648 and \$742,105, respectively, designated by the Board for the Gumerson endowment (see Note 6).

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

	<u>2022</u>	<u>2021</u>
Restricted for purpose:		
Urban teacher preparation academy	\$ 277,562	\$ 402,222
ReadOKC	179,329	113,008
Northwest Classen High School athletics	31,540	52,713
Diversity teacher pipeline program	40,230	80,010
COVID-19/Student support	861	8,464
Other programs	<u>818,726</u>	<u>211,329</u>
	1,348,248	867,746
Restricted for use in future period	605,000	227,500
Not subject to appropriation or expenditure:		
Endowment funds held in perpetuity	<u>793,027</u>	<u>808,513</u>
Total net assets with donor restrictions	<u>\$ 2,746,275</u>	<u>\$ 1,903,759</u>

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 and 2021

NOTE 10 – 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.

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, 2022, and 2021, 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.

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 and 2021

NOTE 10 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Cont'd)

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:

	2022			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 195,912	\$ -	\$ -	\$ 195,912
Mutual funds	2,967,960	-	-	2,967,960
Investments at fair value	3,163,872	-	-	3,163,872
Beneficial interest in assets held by others	-	62,333	-	62,333
Total assets at fair value	\$ 3,163,872	\$ 62,333	\$ -	\$ 3,226,205

	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

NOTE 11 – 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, 2022, and 2021, Foundation contributions to the plan totaled \$36,655 and \$37,661, respectively.

NOTE 12 – LEASES

The Foundation adopted Accounting Standards Codification (ASC) 842, Leases, on January 1, 2022 using the modified retrospective approach. ASC 842 requires lessees to recognize lease assets and lease liabilities on the balance sheet for most leases. As a result of the adoption of ASC 842, a restatement was made to the Foundation's prior year combined balance sheet increasing lease liabilities \$200,493 and corresponding right-of-use assets \$200,493. The Foundation's adoption did not have a material impact on the Foundation's income statement, functional expenses, or cash flow statement.

The Foundation has elected to apply a practical expedient in accordance with ASC 842-20-30-3 that allows the lessee to use the risk-free rate to calculate the internal borrowing rate.

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 and 2021

NOTE 12 – LEASES (Cont'd)

The Foundation has provided the following additional disclosures related to the adoption of ASC 842 as of January 1, 2022:

- A description of the Foundation's leasing arrangements
- The accounting policies adopted in accordance with ASC 842
- The significant assumptions and judgements made in determining lease liabilities and right-of-use assets
- The maturing analysis of the Foundation's lease liabilities
- The reconciliation of undiscounted cash flows to the lease liabilities
- The weighted average remaining lease term and weighted average discount rate used to calculate the lease liabilities
- The impact of the adoption of ASC 842 on the Foundation's financial statements, including the statement of financial position, statement of activities, and cash flow statement

The Foundation operates one lease as it leases general office space in Oklahoma City, Oklahoma, under a non-cancellable operating lease for 1,916 of square feet of space until September 25, 2025. The lease was entered into on September 4, 2015 and commenced on September 25, 2015. Per the terms of the lease agreement, The Foundation expects to exercise a renewal option of the lease through September 25, 2030 and the expected renewal option is included in the following tables:

Right-of-use assets:

January 1, 2022	\$ 200,493
Amortization	<u>(22,829)</u>
Total lease assets	<u>\$ 177,664</u>

Liabilities:

January 1, 2022	\$ 200,493
Lease payments	(26,403)
Interest accretion	<u>3,574</u>
Total lease liabilities	<u>\$ 177,664</u>

Lease cost at December 31, 2022	\$ 177,664
Operating cash flows for lease	\$ 22,829
Remaining estimated lease term	7.75 Years
Discount rate	2.17%

OKLAHOMA CITY PUBLIC SCHOOLS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
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NOTE 12 – LEASES (Cont'd)

Pursuant to the terms of the Foundation's lease agreements in effect at January 1, 2022, the following table summarized the Foundation's estimated maturities of operating lease liabilities as of December 31, 2022:

2023	\$ 26,403
2024	26,403
2025	26,799
2026	27,987
2027	27,987
Thereafter	<u>76,963</u>
Total Lease Payments	212,542
Less: imputed interest	<u>(34,878)</u>
Present value of lease liabilities	177,664
Less: current obligations under leases	<u>22,829</u>
Total	<u><u>\$ 154,835</u></u>