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**OKLAHOMA FOUNDATION FOR
EXCELLENCE, INC.**



Independent Auditors' Report

To the Board of Trustees of
Oklahoma Foundation for Excellence, Inc.
Oklahoma City, Oklahoma

We have audited the accompanying financial statements of Oklahoma Foundation for Excellence, Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019 and 2018, and 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oklahoma Foundation for Excellence, Inc. as of June 30, 2019 and 2018, and the 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.

A handwritten signature in black ink that reads "Emelbach Roberts & Co. P.C." in a cursive script.

Certified Public Accountants

Oklahoma City, Oklahoma
November 13, 2019

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
STATEMENT OF FINANCIAL POSITION

	June 30,	
	2019	2018
<u>A S S E T S</u>		
Cash and cash equivalents	\$ 322,298	\$ 280,476
Pledges receivable (Note 4)	5,350	10,000
Accounts receivable		26,000
Prepaid expenses	10,860	11,085
Investments (Note 5)	7,258,080	7,056,203
Property and equipment (net of accumulated depreciation of \$27,755 and \$26,657) (Note 9)	7,555	8,356
Beneficial interest in assets held by others (Note 6)	112,546	111,197
Beneficial interest in charitable remainder trust (Note 7)	93,493	94,936
	<u>\$ 7,810,182</u>	<u>\$ 7,598,253</u>
Total assets		
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 7,894	\$ 2,100
	<u>7,894</u>	<u>2,100</u>
Total liabilities		
Net assets:		
Without donor restrictions:		
General use	288,936	371,363
Board designated - Awards (Note 11)	6,519,218	6,323,810
	<u>6,808,154</u>	<u>6,695,173</u>
Total without donor restrictions		
With donor restrictions (Note 12)	994,134	900,980
	<u>7,802,288</u>	<u>7,596,153</u>
Total net assets		
Total liabilities and net assets	<u>\$ 7,810,182</u>	<u>\$ 7,598,253</u>

See notes to financial statements.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and support:			
Grants and contributions	\$ 369,339	\$ 350,911	\$ 720,250
Investment income appropriated for use	353,324		353,324
Contributed services and facilities	10,172	26,565	36,737
Program service events	26,267		26,267
Other revenue	9,885		9,885
Net assets released from restriction	322,939	(322,939)	
Total operating revenues and support	1,091,926	54,537	1,146,463
Operating expenses:			
Program expenses:			
Adwards program	505,123		505,123
Oklahoma School Foundations Network	74,602		74,602
Alumni mentors	105,070		105,070
Colonial Williamsburg	26,803		26,803
Teacher professional development	140,261		140,261
Total program expenses	851,859		851,859
Administrative expenses:			
Management and general	104,733		104,733
Fundraising	45,581		45,581
Total administrative expenses	150,314		150,314
Total operating expenses	1,002,173		1,002,173
Change in net assets from operations	89,753	54,537	144,290
Nonoperating revenues:			
Investment income (net of investment fees of \$24,785)	1,082,995	114,173	1,197,168
Appropriated for current use	(353,324)		(353,324)
Unrealized gain (loss) on investments	(721,629)	(75,463)	(797,092)
Income from beneficial interest	15,186		15,186
Unrealized gain (loss) on beneficial interest		(93)	(93)
Nonoperating changes in net assets	23,228	38,617	61,845
Total change in net assets	112,981	93,154	206,135
Net assets, beginning of year	6,695,173	900,980	7,596,153
Net assets, end of year	\$ 6,808,154	\$ 994,134	\$ 7,802,288

See notes to financial statements.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and support:			
Grants and contributions	\$ 249,143	\$ 359,358	\$ 608,501
Investment income appropriated for use	345,548		345,548
Contributed services and facilities	9,477	21,249	30,726
Program service events	41,962		41,962
Other revenue	35,649		35,649
Net assets released from restriction	401,930	(401,930)	
Total operating revenues and support	1,083,709	(21,323)	1,062,386
Operating expenses:			
Program expenses:			
Adwards program	497,291		497,291
Oklahoma School Foundations Network	103,556		103,556
Alumni mentors	111,158		111,158
Colonial Williamsburg	44,956		44,956
Teacher professional development	154,161		154,161
Total program expenses	911,122		911,122
Administrative expenses:			
Management and general	90,709		90,709
Fundraising	45,095		45,095
Total administrative expenses	135,804		135,804
Total operating expenses	1,046,926		1,046,926
Change in net assets from operations	36,783	(21,323)	15,460
Nonoperating revenues:			
Investment income (net of investment fees of \$29,687)	204,454	22,883	227,337
Appropriated for current use	(345,548)		(345,548)
Unrealized gain (loss) on investments	238,797	25,599	264,396
Income from beneficial interest	15,107		15,107
Unrealized gain (loss) on beneficial interest		1,953	1,953
Nonoperating changes in net assets	112,810	50,435	163,245
Total change in net assets	149,593	29,112	178,705
Net assets, beginning of year, as restated (Note 15)	6,545,580	871,868	7,417,448
Net assets, end of year	\$ 6,695,173	\$ 900,980	\$ 7,596,153

See notes to financial statements.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019

	Program Services				Supporting Services		Total Program Services and Supporting Services
	Oklahoma School Foundations Network	Mentoring	Colonial Williamsburg	Teacher Professional Development	Total Program Services	Total Supporting Services	
Awards	\$ 92,146	\$ 67,422	\$ 13,551	\$ 56,914	\$ 282,251	\$ 37,943	\$ 349,986
Salaries	106,832	70,249	15,711	65,985	314,843	43,991	78,554
Payroll taxes	127,500	3,020		57,308	387,828		187,828
Employee benefits	116,514		6,863		223,377	29,905	153,282
Total employee compensation	40,285				40,285		40,285
Professional services	13,714	3,500	2,017	8,470	31,331	5,647	41,415
Program event site expense	31,283				31,283	378	31,661
Occupancy	12,988	22,850	123	148	36,566	2,624	39,190
Honoraria and acknowledgements	5,030	277	298	970	6,991	647	8,146
Miscellaneous	18,826	2,911			22,285	1,512	23,917
Public relations	7,844	568	47	197	8,740	131	9,486
Travel	30				30		30
Printing	4,971	86	62	120	6,079	597	8,824
Meetings	3,773	1,467			5,240	1,919	7,389
Postage	904	663	502	2,109	7,532	1,406	7,159
Training	1,702	657	181	760	4,072	507	10,043
Computer	2,827	469	416	1,746	6,513	1,164	6,002
Office supplies	1,843	325	271	1,138	4,065	759	8,592
Telecommunications	4,805				4,805	2,729	5,420
Equipment	1,416	250	208	875	3,124	583	2,729
Newsletter	2,594				2,594		5,120
Awards material							4,165
Insurance							2,594
Commemorative items							3,456
Bank charges							
Total before depreciation	504,418	104,526	26,699	139,826	850,304	104,443	1,000,100
Depreciation	705	124	104	435	1,555	290	2,073
Total functional expenses	\$ 505,123	\$ 105,070	\$ 26,803	\$ 140,261	\$ 851,859	\$ 104,733	\$ 1,002,173

See notes to financial statements.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018

	Program Services					Supporting Services		Total Program Services and Supporting Services
	Oklahoma School Foundations Network	Mentoring	Colonial Williamsburg	Teacher Professional Development	Total Program Services	Management and General	Fundraising	
Salaries	\$ 90,577	\$ 66,674	\$ 13,320	\$ 55,945	\$ 284,917	\$ 37,296	\$ 29,304	\$ 56,600
Payroll taxes	6,739	5,474	991	4,162	21,922	2,785	2,183	4,965
Employee benefits	5,325	2,526	783	3,289	14,341	2,163	1,723	3,886
Total employee compensation	102,641	74,674	15,094	63,396	321,260	42,244	33,207	75,451
Awards	127,000			59,940	190,940	21,243		21,243
Professional services	117,769		6,228		123,997			
Program event site expense	67,042			8,370	72,394	5,529	4,385	9,914
Occupancy	13,552	4,072	1,993		33,120	455		455
Honoraria and acknowledgements	17,053			13,857	7,568	970	1,225	2,195
Miscellaneous	2,870	24,360	19,419	1,899	61,254	1,776	984	2,760
Public relations	7,392	602	567	439	11,112	296		296
Travel	11,210	2,309		177	4,530	118	326	444
Printing	8,727	302	42		1,514	6,358		6,358
Meetings	331				6,428	76	718	794
Postage	3,348	894	186	121	6,170	1,679		1,679
Training		2,188			8,782	1,420	1,007	2,427
Computer	3,113	549	458	1,923	6,867	605	1,598	2,203
Office supplies	1,822	430	207	870	4,105	571	470	1,041
Telecommunications	1,454	257	214	898	3,814	724	570	1,294
Equipment	1,763	311	259	1,089	3,859	2,010		2,010
Newsletter					6,391			6,391
Awards material	5,973			869	3,103	547	455	1,002
Insurance	1,407	248	207		2,384	3,924		3,924
Commemorative items	2,384							
Bank charges								
Total before depreciation	496,841	111,076	44,874	153,848	910,772	90,545	44,945	135,490
Depreciation	450	82	82	313	1,050	164	150	314
Total functional expenses	\$ 497,291	\$ 111,158	\$ 44,956	\$ 154,161	\$ 911,122	\$ 90,709	\$ 45,095	\$ 135,804

See notes to financial statements.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
STATEMENT OF CASH FLOWS

	June 30,	
	2019	2018
Cash flows from operating activities:		
Cash received from donors	\$ 750,900	\$ 578,511
Cash received from beneficial interest	15,186	15,107
Cash received from earnings on investment income	1,197,168	227,337
Cash received from program events	26,267	41,962
Cash received from other revenue	9,885	35,649
Cash paid to vendors	(957,344)	(1,017,514)
Net cash provided (used) by operating activities	1,042,062	(118,948)
Cash flows from investing activities:		
Cash appropriated for operations	(353,324)	(345,548)
Purchase of property and equipment	(1,272)	(3,431)
(Increase) decrease in investments	(645,644)	466,237
Net cash provided (used) by investing activities	(1,000,240)	117,258
Net increase (decrease) in cash	41,822	(1,690)
Cash at beginning of year	280,476	282,166
Cash at end of year	\$ 322,298	\$ 280,476
Supplemental schedule of noncash operating activities:		
Fair market value of donated goods and services received	\$ 36,737	\$ 30,726

See notes to financial statements.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

1. Nature of Activities and Summary of Accounting Policies

Organization - The Oklahoma Foundation for Excellence, Inc. (the Foundation) was incorporated under the laws of the State of Oklahoma as a nonprofit organization in 1985. The Foundation's mission is to recognize and encourage academic excellence in Oklahoma's public schools. The Foundation focuses on the following five key programs to carry out its mission.

Description of Programs

Academic Awards Program - The Foundation provides scholarships and cash awards to honor 100 outstanding graduating seniors as Academic All-Staters and five exceptional educators as Medal for Excellence winners.

Oklahoma School Foundations Network - Provides free training and resources to school foundations, sponsors the Fall Forum for Oklahoma School Foundations, and various training and networking events for school foundation volunteers and public school supporters.

Early-American History Education - Administers fellowships for fifth and eighth grade teachers to attend the Colonial Williamsburg Teacher Institute. The Foundation also co-sponsors the annual Colonial Day at the Capitol.

Boren Mentoring Initiative - Promotes the establishment and growth of quality youth mentoring programs and promotes mentoring as a positive step toward academic success. The Foundation also sponsors the annual Oklahoma Mentor Day to recognize outstanding youth mentors and helps organize the Coaches Mentoring Challenge.

Teacher Professional Development - The Foundation also administers Professional Development Grants for teachers.

Financial Statement Presentation - The Foundation's financial statements are presented on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles for not-for-profit organizations, which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Years Ended June 30, 2019 and 2018

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and the board of trustees.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Contributions The Foundation reports support in conformity with U.S. generally accepted accounting principles for not for profit organizations. Contributions, including unconditional promises to give, are recognized as revenue in the period received or promised and are reported as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

The Foundation reports gifts of cash or other assets as restricted support if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, through the passage of time or when a stipulated purpose is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the statement of activities as net assets released from restriction. Donor restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying financial statements.

Revenue Recognition - The Foundation records contributions when received or when an unconditional promise to give has been made as without donor restrictions or with donor restrictions depending on donor restrictions, if any are stated at the time of the contribution. Program service fees and other revenues are recognized as revenue in the fiscal year that services are rendered.

Donated Services - Contributions of services are recognized when the services received require specialized skills or enhance non-financial assets. Contributions of services are recorded at fair value when received.

In-Kind Contributions - The Foundation receives numerous in-kind contributions relating to its fundraising events and other various programs. These contributions are recorded at fair value when received.

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended June 30, 2019 and 2018

Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates. It is at least reasonably possible that the significant estimates of the recorded fair values of investments, which are based on quoted market prices, will change within the next year.

Cash and Cash Equivalents - For purposes of the statement of cash flows, only deposits subject to immediate withdrawal and highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents.

Investments - Investments consist of marketable investment assets. Marketable securities are reported at fair value calculated in accordance with U.S. generally accepted accounting principles. Such investments include certificates of deposit, mutual funds, fixed income, and other investments. Fair value is generally determined based on quoted market prices, other observable inputs, or unobservable inputs.

Property and Equipment - The Foundation follows the practice of capitalizing all major expenditures for furniture and equipment with a cost greater than \$500. Such assets are recorded at cost, or if acquired by gift, at fair value at date of receipt. Depreciation is provided over the estimated useful lives of the assets of two to five years on a straight-line basis.

Functional Expense Allocation - The costs of providing the various programs of the Foundation have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain indirect costs have been allocated to the programs and supporting services benefited. The allocation of certain indirect expenses between supporting services and program services is based on estimates of the percentage of effort expended by employees, and other factors.

Concentration of Credit Risk - Financial instruments that potentially subject the Foundation to credit risk consist of amounts in financial institutions at June 30, 2019 and 2018 totaling \$111,480 and \$86,569 in excess of the Federal Deposit Insurance Corporation (FDIC) insured limits.

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended June 30, 2019 and 2018

Tax Exempt Status - The Foundation is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code. Therefore, no provision has been made in the accompanying financial statements for income taxes.

The Foundation evaluates and accounts for their uncertain tax positions, if any, in accordance with U.S. generally accepted accounting principles, including the Foundation's tax position as a tax-exempt not-for-profit entity. Through the Foundation's evaluation of its uncertain tax positions, management has determined no uncertain tax positions exist as of June 30, 2019 and 2018, which would require the Foundation to record a liability for the uncertain tax positions in its financial statements. The Foundation's exempt returns for the years ended before June 30, 2015, are no longer subject to examination by taxing authorities.

Date of Management Evaluation - Management of the Foundation has evaluated subsequent events through November 13, 2019, which is the date the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

New Accounting Pronouncement - On August 18, 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, "*Not-for-Profits Entities (Topic 958) - Presentation of Financial Statements for Not-for-Profits Entities*". The update addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources, and lack of consistency in the type of information provided about expense and investment return. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. Certain prior year amounts have been reclassified to conform to current year presentation.

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended June 30, 2019 and 2018

2. Availability and Liquidity

The following represents Oklahoma Foundation for Excellence, Inc.'s financial assets at June 30 that are available to meet general expenditures over the next twelve months:

	<u>2019</u>	<u>2018</u>
Financial assets at year-end:		
Cash	\$322,298	\$280,476
Accounts receivable		26,000
Pledges receivable	5,350	10,000
Prepaid expenses	10,860	11,085
Investments	7,258,080	7,056,203
 Total financial assets at year end	 7,596,588	 7,383,764
 Less those unavailable for general expenditures due to:		
Donor restrictions	(782,745)	(718,575)
Board designated	(6,519,220)	(6,323,810)
 Financial assets available to meet general expenditures over the next twelve months	 <u>\$294,623</u>	 <u>\$341,379</u>

The Oklahoma Foundation for Excellence, Inc. is substantially supported by contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus certain financial assets may not be available for general expenditures within one year. As part of the Foundation's liquidity management, they structure their financial assets to be available as their general expenditures, liabilities, and other obligations come due.

3. Pension Costs

The Foundation has established a Defined Contribution Retirement Plan for the benefit of all employees beginning on the Plan Entry Date. The plan provides for the Foundation to make contributions to the plan equal to 3% of compensation up to the Internal Revenue Code limits. The Foundation's contributions for the years ended June 30, 2019 and 2018 totaled \$7,657 and \$9,554.

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended June 30, 2019 and 2018

4. Contributions Receivable

The Foundation expects to collect all unconditional pledges to give; therefore they have not estimated an allowance amount. At June 30, 2019, the Foundation had an unconditional pledge to give of \$5,350.

5. Investments

Investments are stated at fair value and are summarized as follows as of June 30, 2019:

	<u>Cost</u>	<u>Market Value</u>
Money market	\$424,693	\$424,693
Fixed mutual funds	1,879,686	1,924,873
Fixed income	113,966	115,936
Equity mutual funds	4,064,514	4,437,280
Alternative investments	355,545	351,078
Accrued income	4,220	4,220
	<u>\$6,842,624</u>	<u>\$7,258,080</u>

Investments are stated at fair value and are summarized as follows as of June 30, 2018:

	<u>Cost</u>	<u>Market Value</u>
Money market	\$319,055	\$319,055
Certificates of deposit	128,000	128,000
Fixed mutual funds	1,890,754	1,811,170
Fixed income	114,737	118,011
Equity mutual funds	3,079,261	4,370,967
Alternative investments	304,409	301,561
Accrued income	7,439	7,439
	<u>\$5,843,655</u>	<u>\$7,056,203</u>

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended June 30, 2019 and 2018

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30:

	<u>2019</u>	<u>2018</u>
Without donor restrictions:		
Investment income	\$1,082,995	\$204,454
Net realized and unrealized gains (losses)	<u>(721,629)</u>	<u>238,797</u>
	<u>361,366</u>	<u>443,251</u>
With donor restrictions:		
Investment income	114,173	22,883
Net realized and unrealized gains (losses)	<u>(75,556)</u>	<u>25,599</u>
	<u>38,617</u>	<u>48,482</u>
Total investment income and gains (losses)	<u><u>\$399,983</u></u>	<u><u>\$491,733</u></u>

6. Beneficial Interest in Assets Held by Others

Beneficial interest in assets held by others includes:

	2019	2018
Oklahoma City Community Foundation	\$70,643	\$69,371
The Oklahoma United Methodist Foundation	<u>41,903</u>	<u>41,826</u>
	<u><u>\$112,546</u></u>	<u><u>\$111,197</u></u>

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS

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(Continued)

For the Year Ended June 30, 2019 and 2018

Endowed funds held by Oklahoma City Community Foundation - The Foundation is the beneficiary of a designated agency endowment fund held by the Oklahoma City Community Foundation, Inc. (OCCF) with a market value of \$175,841 and \$172,673 at June 30, 2019 and 2018. This endowment was established with funds contributed by both the Foundation and other third party donors. Under the terms of OCCF's designated fund policies, OCCF has variance power over these assets, and only that portion of the assets contributed by the Foundation together with earnings thereon, is considered to represent the present value of future distributions expected to be made to the Foundation. Of the total fund balance at June 30, 2019 and 2018, \$70,643 and \$69,371 represents contributions and accumulated earnings by the Foundation and is included as an asset in the accompanying statement of financial position. Assets contributed by third party donors, totaling \$105,198 and \$103,302 at June 30, 2019 and 2018, are not reported in the Foundation's financial statements.

The Foundation receives annual distributions from the fund, which totaled \$8,584 and \$8,443 for the years ended June 30, 2019 and 2018.

Funds Held by The Oklahoma United Methodist Foundation - Oklahoma Foundation for Excellence, Inc. was the beneficiary of a gift annuity contract administered by The Oklahoma United Methodist Foundation, Inc., with a market value at June 30, 2019 and 2018 of \$41,903 and \$41,826. The Foundation has the irrevocable right to receive income earned on these assets. The income received during the fiscal years ended June 30, 2019 and 2018 was \$2,035 and \$2,039.

7. Beneficial Interest in Charitable Remainder Trust

The Foundation has been named the ultimate beneficiary of a charitable remainder trust administered by an outside trustee with a market value at June 30, 2019 and 2018 of \$93,493 and \$94,936. The Foundation will receive no earnings related to this interest until the death of two life income beneficiaries.

8. Funds Held by Others

Certain donors have contributed to a fund administered by the Communities Foundation of Oklahoma (CFO) to benefit the Oklahoma Foundation for Excellence, Inc. According to CFO policy, the principle amounts of such contributions become the legal assets of CFO. As a result, the value of these assets are not recognized and recorded by the beneficiary, similar to assets contributed by others to OCCF for the benefit of the Foundation, as discussed in Note 6 above. The value of these assets, which is not included in the financial statements but provided for information purposes, was \$91,378 and \$92,909 at June 30, 2019 and 2018. CFO made a distribution to the Foundation during the years ended June 30, 2019 and 2018 of \$4,709 and \$4,625.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
For the Year Ended June 30, 2019 and 2018

9. Property and Equipment

Property and equipment are summarized as follows:

	2019	2018
Computer equipment	\$21,624	\$21,327
Furniture and fixtures	13,686	13,686
	35,310	35,013
Less accumulated depreciation	27,755	26,657
Net	\$7,555	\$8,356

Depreciation expense for the years ended June 30, 2019 and 2018 was \$2,073 and \$1,364.

10. Leases

The Foundation currently leases office space under an operating lease expiring on August 31, 2020. The current required monthly payments are \$2,749. Total expense for the years ended June 30, 2019 and 2018 was \$32,426 and \$32,728 and is included in occupancy. The future required annual payments are as follows:

Year	Amount
2020	\$32,883
2021	5,498
Total	\$38,381

The Foundation also currently leases office equipment under operating leases expiring in 2020 and 2021. The required monthly payments are \$329. Rent expense for this equipment for the years ended June 30, 2019 and 2018 was \$4,512 and \$4,530 and is included in equipment expense. The future required annual payments are as follows:

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended June 30, 2019 and 2018

<u>Year</u>	<u>Amount</u>
2020	\$3,790
2021	<u>1,383</u>
Total	<u><u>\$5,173</u></u>

11. Net Assets Without Donor Restrictions - Board Designated

The Foundation's Board of Trustees have designated certain net assets without donor restrictions to be separately invested with the earnings being used to fund Academic All-State scholarships, Medal for Excellence awards, and associated expenses. Utilization of these funds for other purposes would require approval by the Foundation's trustees.

12. Restricted Net Assets

Time or purpose restricted net assets are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Academic awards	\$5,350	\$10,000
Teacher professional development	118,929	26,000
Mentoring initiative	86,596	81,628
General operations	<u>93,493</u>	<u>94,935</u>
	<u><u>\$304,368</u></u>	<u><u>\$212,563</u></u>

Perpetual in nature net assets are restricted to:

	<u>2019</u>	<u>2018</u>
Academic All-State Scholarships and Medal for Excellence Awards	\$15,000	\$15,000
David and Molly Boren Mentoring Initiative	462,220	462,220
General use	112,546	111,197
Teacher professional development	<u>100,000</u>	<u>100,000</u>
	<u><u>\$689,766</u></u>	<u><u>\$688,417</u></u>

(Continued)

For the Year Ended June 30, 2019 and 2018

13. Endowments

The Foundation follows U.S. generally accepted accounting principles, which provides guidance on the net assets classification of donor-restricted endowment funds for not-for-profit organizations subject to the requirements of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). It also provides guidance on enhanced disclosure information to enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policy, and related investment policy of its endowment funds.

The Foundation’s endowments consist of donor restricted funds and funds designated by the Foundation to function as endowments established to support the programs conducted by the Foundation. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds, including funds designated by the Foundation to function as endowments are classified and reported based on the existence or absence of donor imposed restrictions. The endowments represent only those net assets that are under control of the Foundation.

The Foundation has interpreted UPMIFA as requiring the preservation of the original fair value of gifts to donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as perpetual in nature 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 perpetual in nature net assets is classified as time or purpose restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Foundation has adopted investment and spending policies for endowment assets designed to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the organization must hold in perpetuity as well as board designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended, over the long term to (a) enhance the total value of the endowment through appreciation, contributions, and the reinvestment of excess current earnings, (b) preserve capital and avoid the risk of large loss, and (c) maintain sufficient liquidity to provide for all anticipated withdrawals as well as unexpected withdrawals.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended June 30, 2019 and 2018

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

The spending or distribution policy determined under a method adopted annually by the Board of Trustees provides for distribution from the funds based on a percentage of the average of the market value of the endowment funds over the trailing eight quarters. The Board approved a distribution rate of 5.0% for the year ended June 30, 2019.

The net asset classification of the Foundation's endowment funds as of June 30, 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowments	\$	\$787,232	\$787,232
Board designated endowments	6,519,218		6,519,218
	<u>\$6,519,218</u>	<u>\$787,232</u>	<u>\$7,306,450</u>

The net asset classification of the Foundation's endowment funds as of June 30, 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowments	\$	\$780,107	\$780,107
Board designated endowments	6,323,810		6,323,810
	<u>\$6,323,810</u>	<u>\$780,107</u>	<u>\$7,103,917</u>

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
For the Year Ended June 30, 2019 and 2018

Changes in endowment net assets for the year ended June 30, 2019, include:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of the year	<u>\$6,323,810</u>	<u>\$780,107</u>	<u>\$7,103,917</u>
Investment gains (losses):			
Investment income	1,078,277	114,173	1,192,450
Investment gains (losses)	<u>(721,629)</u>	<u>(74,114)</u>	<u>(795,743)</u>
Total investment return	<u>356,648</u>	<u>40,059</u>	<u>396,707</u>
Contributions	159,150	-	159,150
Appropriation of endowment assets for expenditure	<u>(320,390)</u>	<u>(32,934)</u>	<u>(353,324)</u>
	<u>(161,240)</u>	<u>(32,934)</u>	<u>(194,174)</u>
Net assets, end of the year	<u>\$6,519,218</u>	<u>\$787,232</u>	<u>\$7,306,450</u>

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
For the Year Ended June 30, 2019 and 2018

Changes in endowment net assets for the year ended June 30, 2018, include:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of the year	<u>\$6,137,170</u>	<u>\$823,319</u>	<u>\$6,960,489</u>
Investment gains (losses):			
Investment income	201,443	19,282	220,725
Investment gains (losses)	<u>238,797</u>	<u>24,484</u>	<u>263,281</u>
Total investment return	<u>440,240</u>	<u>43,766</u>	<u>484,006</u>
Contributions	-	-	-
Appropriation of endowment assets for expenditure	(313,886)	(26,692)	(340,578)
Reclassification of endowment assets	<u>60,286</u>	<u>(60,286)</u>	<u>-</u>
	<u>(253,600)</u>	<u>(86,978)</u>	<u>(340,578)</u>
Net assets, end of the year	<u><u>\$6,323,810</u></u>	<u><u>\$780,107</u></u>	<u><u>\$7,103,917</u></u>

14. Disclosure About Fair Value of Financial Instruments

U.S. generally accepted accounting principles (GAAP) requires the Foundation to disclose estimated fair values for all financial instruments. Under GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date.

The carrying amount of cash and cash equivalents approximate fair values because of the short term maturity of these investments. The carrying value of investments, which is fair value, is based upon quoted market prices, if available. If quoted market prices are not available, fair value is estimated using quoted prices for similar securities.

The fair values reported below for financial instruments were based on a variety of factors. In some cases, fair values have been estimated based on assumptions concerning the amount and the timing of estimated future cash flows and assumed discount rates reflecting varying degrees of risk. Accordingly, the fair values may not represent actual values of the financial instruments that could have been realized as of June 30, 2019, or that will be realized in the future.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
For the Year Ended June 30, 2019 and 2018

The Foundation's financial instruments at June 30, 2019 were as follows:

	<u>Fair Value/ Estimated Market Value and Carrying Amount</u>
Cash and cash equivalents	\$322,298
Investments	\$7,258,080
Beneficial interest in assets held by others	\$112,546
Beneficial interest in charitable remainder trust	\$93,493

GAAP establishes a fair value hierarchy that prioritized the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1: Quoted Prices in Active Markets for Identical Assets; Level 2: Significant Other Observable Inputs; and Level 3: Significant Unobservable Inputs. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its assets and liabilities.

Fair Value Measured on a Recurring Basis

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying balance sheet, as well as the general classification of such assets pursuant to the valuation hierarchy.

Investments

The fair values of investments in money market, certificates of deposit, mutual funds, alternative investments, and other investments are based on quoted market prices for active markets, where available. If quoted market prices for active markets are not available, fair values are obtained from pricing services, based on quoted market prices of comparable instruments, bid/ask quotes, or the use of discounted cash flow models, using observable inputs such as current yields, credit risks, and prepayment speeds.

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For the Year Ended June 30, 2019 and 2018

The following table presents the fair value measurements of investments and beneficial interest recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30:

	<u>2019</u>	
	<u>Fair Value</u>	<u>Fair Value Level</u>
Money market	\$424,693	(1)
Fixed mutual funds	1,924,873	(1)
Fixed income	115,936	(1)
Equity mutual funds	4,437,280	(1)
Alternative investments	351,078	(1)
Accrued income	<u>4,220</u>	(1)
	<u>\$7,258,080</u>	
Held by others:		
Beneficial interest held by others	\$112,546	(2)
Beneficial interest in charitable remainder trust	<u>93,493</u>	(2)
Total held by others	<u>206,039</u>	
	<u>\$7,464,119</u>	

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NOTES TO FINANCIAL STATEMENTS
(Continued)
For the Year Ended June 30, 2019 and 2018

	2018	
	Fair Value	Fair Value Level
Money market	\$319,055	(1)
Certificates of deposit	128,000	(1)
Fixed mutual funds	1,811,170	(1)
Fixed income	118,011	(1)
Equity mutual funds	4,370,967	(1)
Alternative investments	301,561	(1)
Accrued income	7,439	(1)
	\$7,056,203	
Held by others:		
Beneficial interest held by	\$111,197	(2)
Beneficial interest in charitable remainder trust	94,936	(2)
Total held by others	206,133	
	\$7,262,336	