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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, 2020 and 2019, 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, 2020 and 2019, 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.



Certified Public Accountants

Oklahoma City, Oklahoma
November 23, 2020

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
STATEMENT OF FINANCIAL POSITION

	June 30,	
	2020	2019
<u>ASSETS</u>		
Cash and cash equivalents	\$ 343,759	\$ 322,298
Pledges receivable (Note 4)	250	5,350
Prepaid expenses	7,039	10,860
Investments (Note 5)	7,384,546	7,258,080
Property and equipment (net of accumulated depreciation of \$23,445 and \$27,755) (Note 9)	19,767	7,555
Beneficial interest in assets held by others (Note 6)	109,969	112,546
Beneficial interest in charitable remainder trust (Note 7)	88,042	93,493
	<u>\$ 7,953,372</u>	<u>\$ 7,810,182</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 1,918	\$ 7,894
Note payable (Note 10)	64,600	
	<u>66,518</u>	<u>7,894</u>
Net assets:		
Without donor restrictions:		
General use	277,055	288,936
Board designated - Awards (Note 12)	6,667,744	6,519,218
	<u>6,944,799</u>	<u>6,808,154</u>
Total without donor restrictions	6,944,799	6,808,154
With donor restrictions (Note 13)	942,055	994,134
	<u>7,886,854</u>	<u>7,802,288</u>
Total net assets	7,886,854	7,802,288
	<u>\$ 7,953,372</u>	<u>\$ 7,810,182</u>

See notes to financial statements.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenues and support:			
Grants and contributions	\$ 249,304	\$ 340,924	\$ 590,228
Investment income appropriated for use	174,130		174,130
Contributed services and facilities	14,930	11,115	26,045
Program service events	7,410		7,410
Other revenue	9,473		9,473
Net assets released from restriction	<u>422,996</u>	<u>(422,996)</u>	
 Total operating revenues and support	 <u>878,243</u>	 <u>(70,957)</u>	 <u>807,286</u>
 Operating expenses:			
Program expenses:			
Adwards program	318,633		318,633
Oklahoma School Foundations Network	77,176		77,176
Alumni mentors	43,633		43,633
Colonial Williamsburg	33,806		33,806
Teacher professional development	<u>233,230</u>		<u>233,230</u>
 Total program expenses	 <u>706,478</u>		 <u>706,478</u>
 Administrative expenses:			
Management and general	108,703		108,703
Fundraising	<u>42,820</u>		<u>42,820</u>
 Total administrative expenses	 <u>151,523</u>		 <u>151,523</u>
 Total operating expenses	 <u>858,001</u>		 <u>858,001</u>
 Change in net assets from operations	 <u>20,242</u>	 <u>(70,957)</u>	 <u>(50,715)</u>
 Nonoperating revenues:			
Investment income (net of investment fees of \$25,692)	186,115	18,729	204,844
Appropriated for current use	(174,130)		(174,130)
Unrealized gain (loss) on investments	89,095	8,177	97,272
Income from beneficial interest	15,323		15,323
Unrealized gain (loss) on beneficial interest	<u></u>	<u>(8,028)</u>	<u>(8,028)</u>
 Nonoperating changes in net assets	 <u>116,403</u>	 <u>18,878</u>	 <u>135,281</u>
 Total change in net assets	 136,645	 (52,079)	 84,566
 Net assets, beginning of year	 <u>6,808,154</u>	 <u>994,134</u>	 <u>7,802,288</u>
 Net assets, end of year	 <u>\$ 6,944,799</u>	 <u>\$ 942,055</u>	 <u>\$ 7,886,854</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 FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020

	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	Total Supporting Services	
Salaries	\$ 96,020	\$ 31,070	\$ 13,336	\$ 58,679	\$ 250,128	\$ 42,675	\$ 24,005	\$ 66,680	\$ 316,808
Payroll taxes	7,345	2,377	1,020	4,489	19,134	3,265	1,836	5,101	24,235
Employee benefits	6,081	1,014	845	3,716	12,670	2,703	1,520	4,223	16,893
Total employee compensation	109,446	34,461	15,201	66,884	281,932	48,643	27,361	76,004	357,936
Awards	128,000			64,608	196,666				196,666
English Learner				80,592	80,592				80,592
Professional services	18,355		10,235		28,590	30,257		30,257	58,847
Program event site expense					495				495
Occupancy	14,641		2,033	8,948	32,139	6,507	3,660	10,167	42,306
Honoraria and acknowledgements	13,000				13,000	294		294	13,294
Miscellaneous	3,893		3,492		9,329	484	30	514	9,843
Public relations	5,181		537	2,226	9,266	1,619	911	2,530	11,796
Travel					2,117	880	16	896	3,013
Printing	779		24	105	1,575	77	1,080	1,157	2,732
Meetings	112				112	6,877		6,877	6,989
Postage	4,079		42	4	4,797	121	2,214	2,335	7,132
Training					6,768	2,311		2,311	9,079
Computer	6,162		856	3,766	12,838	2,739	1,541	4,280	17,118
Office supplies	897	153	117	515	1,961	374	3,723	4,097	6,058
Telecommunications	3,111	519	432	1,901	6,482	1,383	778	2,161	8,643
Equipment	1,953	325	271	1,193	4,067	868	488	1,356	5,423
Awards material	3,589				3,905				3,905
Insurance	1,396	233	194	853	2,909	620	349	969	3,878
Commemorative items	1,364				1,364				1,364
Bank charges						3,460		3,460	3,460
Total before depreciation	315,958	43,187	33,434	231,595	700,904	107,514	42,151	149,665	850,569
Depreciation	2,675	446	372	1,635	5,574	1,189	669	1,858	7,432
Total functional expenses	\$ 318,633	\$ 77,176	\$ 43,633	\$ 233,230	\$ 706,478	\$ 108,703	\$ 42,820	\$ 151,523	\$ 858,001

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	Management and General	Fundraising	Total Supporting Services		
Awards	\$ 92,146	\$ 52,208	\$ 67,412	\$ 13,551	\$ 56,914	\$ 282,231	\$ 37,943	\$ 29,812	\$ 67,755	\$ 349,986
Salaries	9,097	2,408	1,605	1,338	5,619	20,067	3,746	2,943	6,689	26,756
Payroll taxes	5,589	1,480	1,202	822	3,452	12,545	2,302	1,808	4,110	16,655
Employee benefits										
Total employee compensation	106,832	56,096	70,219	15,711	65,985	314,843	43,991	34,563	78,554	393,397
Awards	127,500	3,020			57,308	187,828				187,828
Professional services	116,514			6,863		123,377	29,905		29,905	153,282
Program event site expense	40,285					40,285				40,285
Occupancy	13,714	3,630	3,500	2,017	8,470	31,331	5,647	4,437	10,084	41,415
Honoraria and acknowledgements	31,283					31,283	378		378	31,661
Miscellaneous	12,988	477	22,830	123	148	36,566	2,624		2,624	39,190
Public relations	5,030	416	277	298	970	6,991	647	508	1,155	8,146
Travel	18,826	648	2,911			22,385	1,512	20	1,532	23,917
Printing	7,844	84	568	47	197	8,740	131	615	746	9,486
Meetings	30	2,306				2,336	6,488		6,488	8,824
Postage	4,971	86	840	62	120	6,079	597	713	1,310	7,389
Training	3,773	3,773	1,467			5,240	1,919		1,919	7,159
Computer	3,414	904	603	502	2,109	7,532	1,406	1,105	2,511	10,043
Office supplies	1,702	772	657	181	760	4,072	507	1,423	1,930	6,002
Telecommunications	2,827	1,025	499	416	1,746	6,513	1,164	915	2,079	8,592
Equipment	1,843	488	325	271	1,138	4,065	759	596	1,355	5,420
Newsletter							2,729		2,729	2,729
Awards material	4,805	315				5,120				5,120
Insurance	1,416	375	250	208	875	3,124	583	458	1,041	4,165
Commemorative items	2,594					2,594				2,594
Bank charges							3,456		3,456	3,456
Total before depreciation	504,418	74,415	104,946	26,699	139,826	850,304	104,443	45,353	149,796	1,000,100
Depreciation	705	187	124	104	435	1,555	290	228	518	2,073
Total functional expenses	\$ 505,123	\$ 74,602	\$ 105,070	\$ 26,803	\$ 140,261	\$ 851,859	\$ 104,733	\$ 45,581	\$ 150,314	\$ 1,002,173

See notes to financial statements.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
STATEMENT OF CASH FLOWS

	June 30,	
	2020	2019
Cash flows from operating activities:		
Cash received from donors	\$ 595,328	\$ 750,900
Cash received from beneficial interest	15,323	15,186
Cash received from earnings on investment income	204,844	1,197,168
Cash received from program events	7,410	26,267
Cash received from other revenue	9,473	9,885
Cash paid to vendors	<u>(826,679)</u>	<u>(957,344)</u>
Net cash provided (used) by operating activities	<u>5,699</u>	<u>1,042,062</u>
Cash flows from investing activities:		
Cash appropriated for operations	(174,130)	(353,324)
Purchase of property and equipment	(19,644)	(1,272)
(Increase) decrease in investments	<u>144,936</u>	<u>(645,644)</u>
Net cash provided (used) by investing activities	<u>(48,838)</u>	<u>(1,000,240)</u>
Cash flows from financing activities:		
Proceeds from PPP loan	<u>64,600</u>	<u> </u>
Net cash provided (used) by financing activities	<u>64,600</u>	<u> </u>
Net increase (decrease) in cash	21,461	41,822
Cash at beginning of year	<u>322,298</u>	<u>280,476</u>
Cash at end of year	<u>\$ 343,759</u>	<u>\$ 322,298</u>
Supplemental schedule of noncash operating activities:		
Fair market value of donated goods and services received	<u>\$ 26,045</u>	<u>\$ 36,737</u>

See notes to financial statements.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

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:

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS

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(Continued)

For the Years Ended June 30, 2020 and 2019

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. 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, 2020 and 2019

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, 2020 and 2019 totaling \$101,054 and \$111,480 in excess of the Federal Deposit Insurance Corporation (FDIC) insured limits.

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended June 30, 2020 and 2019

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, 2020 and 2019, 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, 2016, are no longer subject to examination by taxing authorities.

New Accounting Pronouncement - In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenues from Contracts with Customers (Topic 606)*. Topic 606 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets. Under Topic 606, an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects what it expects in exchange for goods or services. Topic 606 is effective for annual periods beginning after December 18, 2018. Oklahoma Foundation for Excellence adopted the provisions of Topic 606 on July 1, 2019 under the modified retrospective approach. Under the modified retrospective approach, the guidance is applied to the most current period presented, recognizing the cumulated effect of the adoption to the beginning net assets. Oklahoma Foundation for Excellence has determined that the adoption of Topic 606 did not result in an adjustment to the beginning net assets and did not result in significant changes to the amount and/or timing of revenue reported within the Foundation's financial statements.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
 (Continued)
 For the Year Ended June 30, 2020 and 2019

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:

	2020	2019
Financial assets at year-end:		
Cash	\$343,759	\$322,298
Pledges receivable	250	5,350
Prepaid expenses	7,039	10,860
Investments	7,384,546	7,258,080
 Total financial assets at year end	 7,735,594	 7,596,588
 Less those unavailable for general expenditures due to:		
Donor restrictions	(744,044)	(788,095)
Board designated	(6,667,744)	(6,519,218)
 Financial assets available to meet general expenditures over the next twelve months	 \$323,806	 \$289,275

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, 2020 and 2019 totaled \$8,356 and \$7,657.

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended June 30, 2020 and 2019

4. Contributions Receivable

The Foundation expects to collect all unconditional pledges to give; therefore they have not estimated an allowance amount. At June 30, 2020, the Foundation had an unconditional pledge to give of \$250.

5. Investments

Investments are stated at fair value and are summarized as follows as of June 30, 2020:

	<u>Cost</u>	<u>Market Value</u>
Money market	\$147,177	\$147,177
Fixed income	1,988,301	2,075,552
Equity mutual funds	4,370,083	4,804,740
Alternative investments	366,001	356,821
Accrued income	256	256
	<u>\$6,871,818</u>	<u>\$7,384,546</u>

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>

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended June 30, 2020 and 2019

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

	<u>2020</u>	<u>2019</u>
Without donor restrictions:		
Investment income	\$186,115	\$1,082,995
Net realized and unrealized gains (losses)	<u>89,095</u>	<u>(721,629)</u>
	<u>275,210</u>	<u>361,366</u>
With donor restrictions:		
Investment income	18,729	114,173
Net realized and unrealized gains (losses)	<u>149</u>	<u>(75,556)</u>
	<u>18,878</u>	<u>38,617</u>
Total investment income and gains (losses)	<u><u>\$294,088</u></u>	<u><u>\$399,983</u></u>

6. Beneficial Interest in Assets Held by Others

Beneficial interest in assets held by others includes:

	<u>2020</u>	<u>2019</u>
Oklahoma City Community Foundation	\$68,628	\$70,643
The Oklahoma United Methodist Foundation	<u>41,340</u>	<u>41,903</u>
	<u><u>\$109,968</u></u>	<u><u>\$112,546</u></u>

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS

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For the Year Ended June 30, 2020 and 2019

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 \$170,825 and \$175,841 at June 30, 2020 and 2019. 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, 2020 and 2019, \$68,628 and \$70,643 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 \$102,197 and \$105,198 at June 30, 2020 and 2019, are not reported in the Foundation's financial statements.

The Foundation receives annual distributions from the fund, which totaled \$8,710 and \$8,584 for the years ended June 30, 2020 and 2019.

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, 2020 and 2019 of \$41,341 and \$41,903. The Foundation has the irrevocable right to receive income earned on these assets. The income received during the fiscal years ended June 30, 2020 and 2019 was \$2,047 and \$2,035.

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, 2020 and 2019 of \$88,042 and \$93,493. 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 \$86,883 and \$91,378 at June 30, 2020 and 2019. CFO made a distribution to the Foundation during the years ended June 30, 2020 and 2019 of \$4,692 and \$4,709.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
For the Year Ended June 30, 2020 and 2019

9. Property and Equipment

Property and equipment are summarized as follows:

	2020	2019
Computer equipment	\$33,641	\$21,624
Furniture and fixtures	9,571	13,686
	43,212	35,310
Less accumulated depreciation	23,445	27,755
Net	\$19,767	\$7,555

Depreciation expense for the years ended June 30, 2020 and 2019 was \$7,432 and \$2,073.

10. Notes Payable

On April 17, 2020, Oklahoma Foundation for Excellence, Inc. received loan proceeds in the amount of \$64,600 under the Small Business Administration Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization. The loan and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight – week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. Oklahoma Foundation for Excellence, Inc. currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.

11. Leases

The Foundation currently leases office space under an operating lease expiring on August 31, 2023. The current required monthly payments are \$2,799. Total expense for the years ended June 30, 2020 and 2019 was \$33,162 and \$32,426 and is included in occupancy. The future required annual payments are as follows:

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For the Year Ended June 30, 2020 and 2019

<u>Year</u>	<u>Amount</u>
2021	\$33,488
2022	34,106
2023	<u>34,728</u>
Total	<u><u>\$102,322</u></u>

The Foundation also currently leases office equipment under operating leases expiring in 2020 and 2025. The required monthly payments are \$353. Rent expense for this equipment for the years ended June 30, 2020 and 2019 was \$4,795 and \$4,512 and is included in equipment expense. The future required annual payments are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$3,541
2022	2,158
2023	<u>2,158</u>
Total	<u><u>\$7,857</u></u>

12. 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.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended June 30, 2020 and 2019

13. Restricted Net Assets

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

	2020	2019
Academic awards	\$16,750	\$5,350
Teacher professional development	62,854	118,929
Mentoring initiative	87,220	86,596
General operations	88,042	93,493
	\$254,866	\$304,368

Perpetual in nature net assets are restricted to:

	2020	2019
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	109,969	112,546
Teacher professional development	100,000	100,000
	\$687,189	\$689,766

14. 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.

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For the Year Ended June 30, 2020 and 2019

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.

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 of \$124,739 for the year ended June 30, 2020.

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NOTES TO FINANCIAL STATEMENTS

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For the Year Ended June 30, 2020 and 2019

The net asset classification of the Foundation's endowment funds as of June 30, 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowments	\$	\$785,485	\$785,485
Board designated endowments	6,667,744		6,667,744
Total endowment funds	<u>\$6,667,744</u>	<u>\$785,485</u>	<u>\$7,453,229</u>

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
Total endowment funds	<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, 2020 and 2019

Changes in endowment net assets for the year ended June 30, 2020, include:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of the year	<u>\$6,519,218</u>	<u>\$787,232</u>	<u>\$7,306,450</u>
Investment gains (losses):			
Investment income	184,170	18,729	202,899
Investment gains (losses)	<u>89,095</u>	<u>5,600</u>	<u>94,695</u>
Total investment return	<u>273,265</u>	<u>24,329</u>	<u>297,594</u>
Contributions	-	-	-
Appropriation of endowment assets for expenditure	<u>(124,739)</u>	<u>(26,076)</u>	<u>(150,815)</u>
	<u>(124,739)</u>	<u>(26,076)</u>	<u>(150,815)</u>
Net assets, end of the year	<u><u>\$6,667,744</u></u>	<u><u>\$785,485</u></u>	<u><u>\$7,453,229</u></u>

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NOTES TO FINANCIAL STATEMENTS
(Continued)
For the Year Ended June 30, 2020 and 2019

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

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

15. 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, 2020, or that will be realized in the future.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
For the Year Ended June 30, 2020 and 2019

The Foundation's financial instruments at June 30, 2020 were as follows:

	<u>Fair Value/ Estimated Market Value and Carrying Amount</u>
Cash and cash equivalents	\$343,759
Investments	\$7,384,546
Beneficial interest in assets held by others	\$109,969
Beneficial interest in charitable remainder trust	\$88,042

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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NOTES TO FINANCIAL STATEMENTS
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For the Year Ended June 30, 2020 and 2019

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:

	2020	
	Fair Value	Fair Value Level
Money market	\$147,177	(1)
Fixed mutual funds	2,075,552	(1)
Equity mutual funds	4,804,740	(1)
Alternative investments	356,821	(1)
Accrued income	256	(1)
	7,384,546	
Held by others:		
Beneficial interest held by others	\$109,969	(2)
Beneficial interest in charitable remainder trust	88,042	(2)
Total held by others	198,011	
	\$7,582,557	

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NOTES TO FINANCIAL STATEMENTS
(Continued)
For the Year Ended June 30, 2020 and 2019

	2019	
	Fair Value	Fair Value Level
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	4,220	(1)
	7,258,080	
Held by others:		
Beneficial interest held by	\$112,546	(2)
Beneficial interest in remainder trust	93,493	(2)
Total held by others	206,039	
	\$7,464,119	

16. Events Cancellations

Due to the COVID-19 pandemic the Awards Banquet that was scheduled for May was cancelled and awards were sent through the mail and the Colonial Williamsburg and other teacher development trips were postponed.

17. Subsequent Events

Management has evaluated subsequent events through November 23, 2020, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to the financial statements. Due to the COVID-19 pandemic the Fall Forum is being conducted over a series of virtual events. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.