

CONTENTS

| | <u>Page</u> |
|----------------------------------|-------------|
| Independent Auditors' Report | 1-2 |
| Financial Statements: | |
| Statement of Financial Position | 3 |
| Statement of Activities | 4-5 |
| Statement of Functional Expenses | 6-7 |
| Statement of Cash Flows | 8 |
| Notes to Financial Statements | 9-24 |

**OKLAHOMA FOUNDATION FOR
EXCELLENCE, INC.**



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Oklahoma Foundation of Excellence, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021 and 2020, 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 Oklahoma Foundation for Excellence, Inc. as of June 30, 2021 and 2020, 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 Oklahoma Foundation for Excellence, Inc. 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.

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 Oklahoma Foundation for Excellence, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

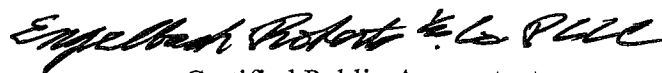
Auditor's Responsibilities for the Audit of the Financial Statements

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, including omissions, 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 Oklahoma Foundation for Excellence, Inc.'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 Oklahoma Foundation for Excellence Inc.'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.



Certified Public Accountants

Oklahoma City, Oklahoma
January 3, 2022

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
STATEMENT OF FINANCIAL POSITION

| | June 30, | |
|---|---------------------|---------------------|
| | 2021 | 2020 |
| <u>ASSETS</u> | | |
| Cash and cash equivalents | \$ 506,855 | \$ 343,759 |
| Pledges receivable (Note 4) | 500 | 250 |
| Prepaid expenses | 7,117 | 7,039 |
| Investments (Note 5) | 8,950,918 | 7,384,546 |
| Property and equipment (net of accumulated depreciation of \$31,588 and \$23,445) (Note 9) | 11,624 | 19,767 |
| Beneficial interest in assets held by others (Note 6) | 134,235 | 109,969 |
| Beneficial interest in charitable remainder trust (Note 7) | 99,863 | 88,042 |
| | <u>\$ 9,711,112</u> | <u>\$ 7,953,372</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Liabilities: | | |
| Accounts payable | \$ 4,369 | \$ 1,918 |
| Note payable (Note 10) | 67,494 | 64,600 |
| | <u>71,863</u> | <u>66,518</u> |
| Net assets: | | |
| Without donor restrictions: | | |
| General use | 469,517 | 277,055 |
| Board designated - Awards (Note 12) | 8,078,815 | 6,667,744 |
| | <u>8,548,332</u> | <u>6,944,799</u> |
| Total without donor restrictions | 8,548,332 | 6,944,799 |
| With donor restrictions (Note 13) | 1,090,917 | 942,055 |
| | <u>9,639,249</u> | <u>7,886,854</u> |
| Total net assets | 9,639,249 | 7,886,854 |
| | <u>\$ 9,711,112</u> | <u>\$ 7,953,372</u> |
| Total liabilities and net assets | <u>\$ 9,711,112</u> | <u>\$ 7,953,372</u> |

See notes to financial statements.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|----------------------------------|----------------------------|---------------------|
| Operating revenues and support: | | | |
| Grants and contributions | \$ 274,942 | \$ 273,548 | \$ 548,490 |
| Investment income appropriated for use | 328,343 | | 328,343 |
| Contributed services and facilities | 10,979 | 10,890 | 21,869 |
| Program service events | 39,110 | | 39,110 |
| Proceeds from SRA PPP loan | 64,600 | | 64,600 |
| Other revenue | 300 | | 300 |
| Net assets released from restriction | 342,437 | (342,437) | |
| Total operating revenues and support | 1,060,711 | (57,999) | 1,002,712 |
| Operating expenses: | | | |
| Program expenses: | | | |
| Adwards program | 412,413 | | 412,413 |
| Oklahoma School Foundations Network | 66,215 | | 66,215 |
| Alumni mentors | 24,509 | | 24,509 |
| Colonial Williamsburg | 26,996 | | 26,996 |
| Teacher professional development | 182,637 | | 182,637 |
| Total program expenses | 712,770 | | 712,770 |
| Administrative expenses: | | | |
| Management and general | 112,823 | | 112,823 |
| Fundraising | 42,109 | | 42,109 |
| Total administrative expenses | 154,932 | | 154,932 |
| Total operating expenses | 867,702 | | 867,702 |
| Change in net assets from operations | 193,009 | (57,999) | 135,010 |
| Nonoperating revenues: | | | |
| Investment income (net of investment fees of \$26,776) | 405,514 | 40,527 | 446,041 |
| Appropriated for current use | (328,343) | | (328,343) |
| Unrealized gain (loss) on investments | 1,317,907 | 130,810 | 1,448,717 |
| Income from beneficial interest | 15,446 | | 15,446 |
| Unrealized gain (loss) on beneficial interest | | 35,524 | 35,524 |
| Nonoperating changes in net assets | 1,410,524 | 206,861 | 1,617,385 |
| Total change in net assets | 1,603,533 | 148,862 | 1,752,395 |
| Net assets, beginning of year | 6,944,799 | 942,055 | 7,886,854 |
| Net assets, end of year | \$ 8,548,332 | \$ 1,090,917 | \$ 9,639,249 |

See notes to financial statements.

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

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|----------------------------------|----------------------------|--------------|
| 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 | 422,996 | (422,996) | |
| Total operating revenues and support | 878,243 | (70,957) | 807,286 |
| 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 | 233,230 | | 233,230 |
| Total program expenses | 706,478 | | 706,478 |
| Administrative expenses: | | | |
| Management and general | 108,703 | | 108,703 |
| Fundraising | 42,820 | | 42,820 |
| Total administrative expenses | 151,523 | | 151,523 |
| Total operating expenses | 858,001 | | 858,001 |
| Change in net assets from operations | 20,242 | (70,957) | (50,715) |
| 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 | | (8,028) | (8,028) |
| Nonoperating changes in net assets | 116,403 | 18,878 | 135,281 |
| Total change in net assets | 136,645 | (52,079) | 84,566 |
| Net assets, beginning of year | 6,808,154 | 994,134 | 7,802,288 |
| Net assets, end of year | \$ 6,944,799 | \$ 942,055 | \$ 7,886,854 |

See notes to financial statements.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021

| | 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 | \$ 98,520 | \$ 18,247 | \$ 13,683 | \$ 62,943 | \$ 243,796 | \$ 46,523 | \$ 27,367 | \$ 73,890 | \$ 317,686 |
| Payroll taxes | 8,749 | 972 | 1,215 | 5,590 | 17,741 | 4,132 | 2,430 | 6,562 | 24,303 |
| Employee benefits | 6,164 | 685 | 856 | 3,938 | 12,499 | 2,902 | 1,712 | 4,614 | 17,113 |
| Total employee compensation | 113,433 | 19,904 | 15,754 | 72,471 | 274,036 | 53,557 | 31,509 | 85,066 | 359,102 |
| Awards | 101,000 | | | 19,899 | 123,899 | | | | 123,899 |
| English Learner | | | | 71,400 | 71,400 | | | | 71,400 |
| Professional services | 106,187 | | 5,912 | | 112,724 | 28,412 | | 28,412 | 141,136 |
| Program event site expense | 20,319 | | | | 20,319 | | | | 20,319 |
| Occupancy | 14,912 | 1,657 | 2,071 | 9,527 | 31,858 | 6,993 | 4,142 | 11,135 | 42,993 |
| Honoraria and acknowledgements | 12,342 | | | | 12,342 | 562 | | 562 | 12,904 |
| Miscellaneous | 3,234 | 1,251 | 1,251 | 135 | 5,871 | 295 | 32 | 327 | 6,198 |
| Public relations | 4,042 | 190 | 238 | 1,095 | 5,943 | 885 | 476 | 1,361 | 7,304 |
| Travel | 13,719 | 153 | | | 13,872 | | | 579 | 14,451 |
| Printing | 3,437 | 598 | 6 | 28 | 4,074 | 21 | 773 | 794 | 4,868 |
| Meetings | 374 | | | | 374 | 7,077 | | 7,077 | 7,451 |
| Postage | 1,286 | | | | 1,286 | (98) | | 773 | 2,459 |
| Training | | 22 | 8 | 5 | 1,686 | 1,907 | 871 | 1,907 | 4,707 |
| Computer | 3,515 | 488 | 488 | 2,246 | 7,128 | 1,849 | 976 | 2,825 | 9,953 |
| Office supplies | 695 | 166 | 76 | 347 | 1,344 | 250 | 946 | 1,196 | 2,540 |
| Telecommunications | 2,295 | 319 | 319 | 1,466 | 4,654 | 1,176 | 637 | 1,813 | 6,467 |
| Equipment | 1,926 | 267 | 267 | 1,230 | 3,904 | 909 | 535 | 1,444 | 5,348 |
| Awards material | 4,054 | | | | 4,414 | | | | 4,414 |
| Insurance | 1,432 | 199 | 199 | 915 | 2,904 | 655 | 398 | 1,053 | 3,957 |
| Commemorative items | 1,280 | | | | 1,280 | | | | 1,280 |
| Newsletter | | | | | | 2,816 | | 2,816 | 2,816 |
| Bank charges | | | | | | 3,594 | | 3,594 | 3,594 |
| Total before depreciation | 409,482 | 24,183 | 26,589 | 180,764 | 706,826 | 111,459 | 41,295 | 152,734 | 859,560 |
| Depreciation | 2,931 | 407 | 407 | 1,873 | 5,944 | 1,384 | 814 | 2,198 | 8,142 |
| Total functional expenses | \$ 412,413 | \$ 24,590 | \$ 26,996 | \$ 182,637 | \$ 712,770 | \$ 112,823 | \$ 42,109 | \$ 154,932 | \$ 867,702 |

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 | 4,058 | | 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 | | | | 495 |
| Occupancy | 14,641 | 4,060 | | 8,948 | 32,139 | 6,507 | 3,660 | 10,167 | 42,306 |
| Honoraria and acknowledgements | 13,000 | | 2,033 | | 13,000 | 294 | | 294 | 13,294 |
| Miscellaneous | 3,893 | | 3,492 | | 9,329 | 484 | 30 | 514 | 9,843 |
| Public relations | 5,181 | 715 | 537 | 2,226 | 9,266 | 1,619 | 911 | 2,530 | 11,796 |
| Travel | | 1,111 | | | 2,117 | 880 | 15 | 896 | 3,013 |
| Printing | 779 | 612 | 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 | | | 6,768 | 2,311 | | 2,311 | 9,079 |
| Computer | 6,162 | 1,027 | 856 | 3,766 | 12,838 | 2,739 | 1,541 | 4,280 | 17,118 |
| Office supplies | 897 | 279 | 117 | 515 | 1,961 | 374 | 3,723 | 4,097 | 6,058 |
| Telecommunications | 3,111 | 519 | 432 | 1,901 | 6,482 | 1,383 | 773 | 2,161 | 8,643 |
| Equipment | 1,953 | 325 | 271 | 1,193 | 4,067 | 868 | 483 | 1,356 | 5,423 |
| Awards material | 3,589 | 316 | | | 3,905 | | | | 3,905 |
| Insurance | 1,396 | 233 | 194 | 853 | 2,909 | 620 | 343 | 969 | 3,878 |
| Commemorative items | 1,364 | | | | 1,364 | | | | 1,364 |
| Bank charges | | | | | | 3,460 | | 3,460 | 3,460 |
| Total before depreciation | 315,958 | 76,730 | 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 | \$ 33,806 | \$ 233,230 | \$ 706,478 | \$ 108,703 | \$ 42,820 | \$ 151,523 | \$ 858,001 |

See notes to financial statements.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
STATEMENT OF CASH FLOWS

| | June 30, | |
|---|-------------------|-------------------|
| | 2021 | 2020 |
| Cash flows from operating activities: | | |
| Cash received from donors | \$ 547,990 | \$ 595,328 |
| Cash received from beneficial interest | 15,446 | 15,323 |
| Cash received from earnings on investment income | 446,041 | 204,844 |
| Cash received from program events | 39,110 | 7,410 |
| Cash received from other revenue | 300 | 9,473 |
| Cash paid to vendors | <u>(835,630)</u> | <u>(826,679)</u> |
| Net cash provided (used) by operating activities | <u>213,257</u> | <u>5,699</u> |
| Cash flows from investing activities: | | |
| Cash appropriated for operations | (328,343) | (174,130) |
| Purchase of property and equipment | | (19,644) |
| (Increase) decrease in investments | <u>210,688</u> | <u>144,936</u> |
| Net cash provided (used) by investing activities | <u>(117,655)</u> | <u>(48,838)</u> |
| Cash flows from financing activities: | | |
| Proceeds from PPP loan | <u>67,494</u> | <u>64,600</u> |
| Net cash provided (used) by financing activities | <u>67,494</u> | <u>64,600</u> |
| Net increase (decrease) in cash | 163,096 | 21,461 |
| Cash at beginning of year | <u>343,759</u> | <u>322,298</u> |
| Cash at end of year | <u>\$ 506,855</u> | <u>\$ 343,759</u> |
| Supplemental schedule of noncash operating activities: | | |
| Fair market value of donated goods and services received | <u>\$ 21,869</u> | <u>\$ 26,045</u> |
| Supplemental schedule of noncash financing activities: | | |
| Fair market value of Forgiven Payroll Protection Program Loan | <u>\$ 64,600</u> | <u>\$</u> |

See notes to financial statements.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020 totaling \$263,747 and \$101,054 in excess of the Federal Deposit Insurance Corporation (FDIC) insured limits.

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended June 30, 2021 and 2020

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, 2021 and 2020, 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, 2017, are no longer subject to examination by taxing authorities.

Subsequent Events - Management has evaluated subsequent events through January 3, 2022, 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.

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>2021</u> | <u>2020</u> |
|---|--------------------|--------------------|
| Financial assets at year-end: | | |
| Cash | \$506,855 | \$343,759 |
| Pledges receivable | 500 | 250 |
| Prepaid expenses | 7,117 | 7,039 |
| Investments | <u>8,950,918</u> | <u>7,384,546</u> |
| Total financial assets at year end | 9,465,390 | 7,735,594 |
| Less those unavailable for general expenditures due to: | | |
| Donor restrictions | (811,318) | (744,044) |
| Board designated | <u>(8,078,815)</u> | <u>(6,667,744)</u> |
| Financial assets available to meet general expenditures over the next twelve months | <u>\$575,257</u> | <u>\$323,806</u> |

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended June 30, 2021 and 2020

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, 2021 and 2020 totaled \$9,085 and \$8,356.

4. Contributions Receivable

The Foundation expects to collect all unconditional pledges to give; therefore they have not estimated an allowance amount. At June 30, 2021, the Foundation had an unconditional pledge to give of \$500.

5. Investments

Investments are stated at fair value and are summarized as follows as of June 30, 2021:

| | <u>Cost</u> | <u>Market Value</u> |
|---------------------|--------------------|-------------------------|
| Money market | \$112,889 | \$112,889 |
| Fixed income | 3,041,594 | 3,121,521 |
| Equity mutual funds | 3,830,194 | 5,711,713 |
| Accrued income | 4,795 | 4,795 |
| | <u>\$6,989,472</u> | <u>\$8,950,918</u> |

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended June 30, 2021 and 2020

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 | <u>256</u> | <u>256</u> |
| | <u><u>\$6,871,818</u></u> | <u><u>\$7,384,546</u></u> |

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

| | <u>2021</u> | <u>2020</u> |
|--|---------------------------|-------------------------|
| Without donor restrictions: | | |
| Investment income | \$405,514 | \$186,115 |
| Net realized and unrealized gains (losses) | <u>1,317,907</u> | <u>89,095</u> |
| | <u>1,723,421</u> | <u>275,210</u> |
| With donor restrictions: | | |
| Investment income | 40,527 | 18,729 |
| Net realized and unrealized gains (losses) | <u>130,810</u> | <u>149</u> |
| | <u>171,337</u> | <u>18,878</u> |
| Total investment income and gains (losses) | <u><u>\$1,894,758</u></u> | <u><u>\$294,088</u></u> |

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended June 30, 2021 and 2020

6. Beneficial Interest in Assets Held by Others

Beneficial interest in assets held by others includes:

| | <u>2021</u> | <u>2020</u> |
|--|------------------|------------------|
| Oklahoma City Community Foundation | \$83,762 | \$68,628 |
| The Oklahoma United Methodist Foundation | <u>50,473</u> | <u>41,341</u> |
| | <u>\$134,235</u> | <u>\$109,969</u> |

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 \$208,495 and \$170,825 at June 30, 2021 and 2020. 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, 2021 and 2020, \$83,762 and \$68,628 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 \$124,733 and \$102,197 at June 30, 2021 and 2020, are not reported in the Foundation's financial statements.

The Foundation receives annual distributions from the fund, which totaled \$8,938 and \$8,710 for the years ended June 30, 2021 and 2020.

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, 2021 and 2020 of \$50,743 and \$41,341. The Foundation has the irrevocable right to receive income earned on these assets. The income received during the fiscal years ended June 30, 2021 and 2020 was \$2,216 and \$2,047.

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, 2021 and 2020 of \$99,863 and \$88,042. The Foundation will receive no earnings related to this interest until the death of two life income beneficiaries.

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended June 30, 2021 and 2020

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 \$104,384 and \$86,883 at June 30, 2021 and 2020. CFO made a distribution to the Foundation during the years ended June 30, 2021 and 2020 of \$4,520 and \$4,692.

9. Property and Equipment

Property and equipment are summarized as follows:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------|------------------------|------------------------|
| Computer equipment | \$33,641 | \$33,641 |
| Furniture and fixtures | <u>9,571</u> | <u>9,571</u> |
| | 43,212 | 43,212 |
| Less accumulated depreciation | <u>31,588</u> | <u>23,445</u> |
| Net | <u><u>\$11,624</u></u> | <u><u>\$19,767</u></u> |

Depreciation expense for the years ended June 30, 2021 and 2020 was \$8,142 and \$7,432.

10. Notes Payable

On January 29, 2021 and April 17, 2020, Oklahoma Foundation for Excellence, Inc. received loan proceeds in the amounts of \$67,494 and \$64,600, respectively 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

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended June 30, 2021 and 2020

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 these loans.

On December 15, 2020 the \$64,600 loan was forgiven by the Small Business Administration and is included in the statement of activities as operating revenue.

11. Leases

The Foundation currently leases office space under an operating lease expiring on August 31, 2023. The current required monthly payments are \$2,851. Total expense for the years ended June 30, 2021 and 2020 was \$33,738 and \$33,162 and is included in occupancy. The future required annual payments are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|------------------------|
| 2022 | \$34,106 |
| 2023 | <u>34,728</u> |
| Total | <u><u>\$68,834</u></u> |

The Foundation also currently leases office equipment under operating leases expiring in 2025 and 2026. The required monthly payments are \$374. Rent expense for this equipment for the years ended June 30, 2021 and 2020 was \$5,260 and \$4,795 and is included in equipment expense. The future required annual payments are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|------------------------|
| 2022 | \$4,486 |
| 2023 | 4,486 |
| 2024 | <u>4,486</u> |
| Total | <u><u>\$13,458</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.

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended June 30, 2021 and 2020

13. Restricted Net Assets

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

| | <u>2021</u> | <u>2020</u> |
|----------------------------------|------------------|------------------|
| Academic awards | \$5,750 | \$16,750 |
| Teacher professional development | 57,952 | 62,854 |
| Mentoring initiative | 215,897 | 87,220 |
| General operations | <u>99,863</u> | <u>88,042</u> |
| | <u>\$379,462</u> | <u>\$254,866</u> |

Perpetual in nature net assets are restricted to:

| | <u>2021</u> | <u>2020</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 | 134,235 | 109,969 |
| Teacher professional development | <u>100,000</u> | <u>100,000</u> |
| | <u>\$711,455</u> | <u>\$687,189</u> |

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.

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended June 30, 2021 and 2020

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 \$312,427 for the year ended June 30, 2021.

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended June 30, 2021 and 2020

The net asset classification of the Foundation's endowment funds as of June 30, 2021 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|-----------------------------|----------------------------------|----------------------------|--------------------|
| Donor restricted endowments | \$ | \$941,561 | \$941,561 |
| Board designated endowments | 8,078,815 | | 8,078,815 |
| Total endowment funds | <u>8,078,815</u> | <u>\$941,561</u> | <u>\$9,020,376</u> |

Changes in endowment net assets for the year ended June 30, 2021, include:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|----------------------------------|----------------------------|--------------------|
| Net assets, beginning of the year | <u>\$6,667,744</u> | <u>\$785,485</u> | <u>\$7,453,229</u> |
| Investment gains (losses): | | | |
| Investment income | 405,591 | 40,527 | 446,118 |
| Investment gains (losses) | <u>1,317,907</u> | <u>107,762</u> | <u>1,425,669</u> |
| Total investment return | <u>1,723,498</u> | <u>148,289</u> | <u>1,871,787</u> |
| Change in value of beneficial interest | <u>-</u> | <u>23,703</u> | <u>23,703</u> |
| Appropriation of endowment assets for expenditure | <u>(312,427)</u> | <u>(15,916)</u> | <u>(328,343)</u> |
| | <u>(312,427)</u> | <u>(15,916)</u> | <u>(328,343)</u> |
| Net assets, end of the year | <u>8,078,815</u> | <u>\$941,561</u> | <u>\$9,020,376</u> |

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
For the Year Ended June 30, 2021 and 2020

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

| | Without Donor Restrictions | With Donor Restrictions | Total |
|-----------------------------|----------------------------------|----------------------------|-------------|
| Donor restricted endowments | \$ | \$785,485 | \$785,485 |
| Board designated endowments | 6,667,744 | | 6,667,744 |
| Total endowment funds | \$6,667,744 | \$785,485 | \$7,453,229 |

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 | \$6,519,218 | \$787,232 | \$7,306,450 |
| Investment gains (losses): | | | |
| Investment income | 184,170 | 18,729 | 202,899 |
| Investment gains (losses) | 89,095 | 8,177 | 97,272 |
| Total investment return | 273,265 | 26,906 | 300,171 |
| Change in value of beneficial interest | - | (2,577) | (2,577) |
| Appropriation of endowment assets for expenditure | (124,739) | (26,076) | (150,815) |
| | (124,739) | (26,076) | (150,815) |
| Net assets, end of the year | \$6,667,744 | \$785,485 | \$7,453,229 |

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.

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended June 30, 2021 and 2020

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, 2021, or that will be realized in the future.

The Foundation's financial instruments at June 30, 2021 were as follows:

| | <u>Fair Value/ Estimated Market Value and Carrying Amount</u> |
|---|---|
| Cash and cash equivalents | \$506,855 |
| Investments | \$8,950,918 |
| Beneficial interest in assets held by others | \$134,235 |
| Beneficial interest in charitable remainder trust | \$99,863 |

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.

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended June 30, 2021 and 2020

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.

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>2021</u> | |
|--|---------------------------|-----------------------------|
| | <u>Fair Value</u> | <u>Fair Value Level</u> |
| Money market | \$112,889 | (1) |
| Fixed mutual funds | 3,121,521 | (1) |
| Equity mutual funds | 5,711,713 | (1) |
| Accrued income | <u>4,795</u> | (1) |
| | <u>8,950,918</u> | |
| Held by others: | | |
| Beneficial interest held by others | \$134,235 | (2) |
| Beneficial interest in charitable remainder trust | <u>99,863</u> | (2) |
| Total held by others | <u>234,098</u> | |
| | <u><u>\$9,185,016</u></u> | |

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
For the Year Ended June 30, 2021 and 2020

| | 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 | \$109,969 | (2) |
| Beneficial interest in remainder trust | 88,042 | (2) |
| Total held by others | 198,011 | |
| | \$7,582,557 | |