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**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, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oklahoma Foundation for Excellence, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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
March 2, 2023

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
STATEMENT OF FINANCIAL POSITION

	June 30,	
	2022	2021
<u>A S S E T S</u>		
Cash and cash equivalents	\$ 415,743	\$ 506,855
Pledges receivable (Note 4)	10,235	500
Prepaid expenses	9,690	7,117
Investments (Note 5)	7,658,373	8,950,918
Property and equipment (net of accumulated depreciation of \$37,781 and \$31,588) (Note 10)	5,934	11,624
Beneficial interest in assets held by others (Note 7)	108,674	134,235
Beneficial interest in charitable remainder trust (Note 8)	78,296	99,863
	<u>\$ 8,286,945</u>	<u>\$ 9,711,112</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 1,990	\$ 4,369
Note payable (Note 11)		67,494
	<u>1,990</u>	<u>71,863</u>
Net assets:		
Without donor restrictions:		
General use	458,355	469,517
Board designated - Awards (Note 13)	6,908,654	8,078,815
	<u>7,367,009</u>	<u>8,548,332</u>
Total without donor restrictions	7,367,009	8,548,332
With donor restrictions (Note 14)	917,946	1,090,917
	<u>8,284,955</u>	<u>9,639,249</u>
Total net assets	8,284,955	9,639,249
	<u>\$ 8,286,945</u>	<u>\$ 9,711,112</u>
Total liabilities and net assets	<u>\$ 8,286,945</u>	<u>\$ 9,711,112</u>

See notes to financial statements.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and support:			
Grants and contributions	\$ 225,035	\$ 250,076	\$ 475,111
Investment income appropriated for use	301,004		301,004
Contributed services and facilities	11,749	17,824	29,573
Program service events	38,931		38,931
Proceeds from SBA PPP loan	67,494		67,494
Other revenue	1,077		1,077
Net assets released from restriction	303,664	(303,664)	
Total operating revenues and support	948,954	(35,764)	913,190
Operating expenses:			
Program expenses:			
Awards program	543,069		543,069
Oklahoma School Foundations Network	63,343		63,343
Alumni mentors	32,598		32,598
Colonial Williamsburg	27,211		27,211
Teacher professional development	49,835		49,835
Total program expenses	716,056		716,056
Administrative expenses:			
Management and general	124,949		124,949
Fundraising	102,476		102,476
Total administrative expenses	227,425		227,425
Total operating expenses	943,481		943,481
Change in net assets from operations	5,473	(35,764)	(30,291)
Nonoperating revenues:			
Investment income (net of investment fees of \$31,683)	354,420	35,560	389,980
Appropriated for current use	(301,004)		(301,004)
Unrealized gain (loss) on investments	(1,256,207)	(125,640)	(1,381,847)
Income from beneficial interest	15,995		15,995
Unrealized gain (loss) on beneficial interest	(47,127)	(47,127)	(47,127)
Nonoperating changes in net assets	(1,186,796)	(137,207)	(1,324,003)
Total change in net assets	(1,181,323)	(172,971)	(1,354,294)
Net assets, beginning of year	8,548,332	1,090,917	9,639,249
Net assets, end of year	\$ 7,367,009	\$ 917,946	\$ 8,284,955

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 SBA 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:			
Awards program	409,542		409,542
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	709,899		709,899
Administrative expenses:			
Management and general	112,823		112,823
Fundraising	44,980		44,980
Total administrative expenses	157,803		157,803
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 FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022

	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	\$ 98,711	\$ 13,997	\$ 15,187	\$ 10,124	\$ 185,577	\$ 48,090	\$ 65,807	\$ 113,897	\$ 299,474	
Payroll taxes	8,935	458	1,374	916	12,599	4,353	5,957	10,310	22,909	
Employee benefits	5,840	300	898	599	8,236	2,952	3,894	6,846	15,082	
Total employee compensation	113,486	14,755	17,459	11,639	206,412	55,395	75,658	131,053	337,465	
Awards	127,000	15,000		3,000	148,000				148,000	
English Learner				7,322	7,322				7,322	
Professional services			3,359	20,790	24,924	29,393		29,393	54,317	
Program event expenses	233,000				233,000	2,065		2,065	235,065	
Occupancy	16,397	841	2,522	1,682	24,690	7,953	10,931	18,884	43,574	
Miscellaneous	7,064	1,148	1,374	3,756	6,353	547	2,535	3,082	9,435	
Public relations/marketing	14,716	296	272	158	7,899	4,558	2,095	6,653	14,552	
Travel, training & meetings	2,044	4,016		20	18,752	12,771		12,771	31,523	
Postage	15,730	15	33	8	2,422	32	704	736	3,158	
Office expenses	2,129	386	1,158	772	19,567	3,610	6,080	9,690	29,257	
Equipment	6,921	109	328	218	3,002	1,037	1,419	2,456	5,458	
Awards material	1,386	71	214	142	7,250	826	924	1,750	7,250	
Insurance					1,955	5,205		5,205	3,705	
Bank charges									5,205	
Total before depreciation	539,873	32,430	26,719	49,507	711,548	123,392	100,346	223,738	935,286	
Depreciation	3,196	328	492	328	4,508	1,557	2,130	3,687	8,195	
Total functional expenses	\$ 543,069	\$ 32,598	\$ 27,211	\$ 49,835	\$ 716,056	\$ 124,949	\$ 102,476	\$ 227,425	\$ 943,481	

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	
Awards									
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			4,000	108,000				108,000
English Learner				67,400	67,400				67,400
Professional services	625		5,912	19,899	26,436	28,412		28,412	54,848
Program event expenses	139,931				139,931	562		562	140,493
Occupancy	14,912	1,657	2,071	9,527	31,858	6,993	4,142	11,135	42,993
Miscellaneous	4,042	1,251	1,251	135	2,637	295	2,903	3,198	5,835
Public relations/marketing	14,093	190	238	1,094	5,942	3,701	1,270	4,971	10,913
Travel, training & meetings	4,042	75			17,046	9,563		9,563	26,609
Postage	1,286	22	8	5	1,686	(98)	871	773	2,459
Office expenses	9,222	711	889	4,088	16,481	3,296	2,538	5,834	22,315
Equipment	1,926	214	267	1,230	3,904	909	535	1,444	5,348
Awards material	5,334				5,694				5,694
Insurance	1,432	159	199	915	2,904	655	398	1,053	3,957
Bank charges						3,594		3,594	3,594
Total before depreciation	406,611	24,183	26,589	180,764	703,955	111,439	44,166	155,605	859,560
Depreciation	2,931	407	407	1,873	5,944	1,384	814	2,198	8,142
Total functional expenses	\$ 409,542	\$ 24,590	\$ 26,996	\$ 182,637	\$ 709,899	\$ 112,823	\$ 44,980	\$ 157,803	\$ 867,702

See notes to financial statements.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
STATEMENT OF CASH FLOWS

	June 30,	
	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from donors	\$ 465,376	\$ 547,990
Cash received from beneficial interest	15,995	15,446
Cash received from earnings on investment income	389,980	446,041
Cash received from program events	38,931	39,110
Cash received from other revenue	1,077	300
Cash paid to vendors	<u>(912,666)</u>	<u>(835,630)</u>
Net cash provided (used) by operating activities	<u>(1,307)</u>	<u>213,257</u>
Cash flows from investing activities:		
Cash appropriated for operations	(301,004)	(328,343)
Purchase of property and equipment	(503)	
(Increase) decrease in investments	<u>211,702</u>	<u>210,688</u>
Net cash provided (used) by investing activities	<u>(89,805)</u>	<u>(117,655)</u>
Cash flows from financing activities:		
Proceeds from PPP loan		<u>67,494</u>
Net cash provided (used) by financing activities		<u>67,494</u>
Net increase (decrease) in cash	(91,112)	163,096
Cash at beginning of year	<u>506,855</u>	<u>343,759</u>
Cash at end of year	<u>\$ 415,743</u>	<u>\$ 506,855</u>
Supplemental schedule of noncash operating activities:		
Fair market value of donated goods and services received	<u>\$ 29,573</u>	<u>\$ 21,869</u>
Supplemental schedule of noncash financing activities:		
Fair market value of Forgiven Payroll Protection Program Loan	<u>\$ 67,494</u>	<u>\$ 64,600</u>

See notes to financial statements.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

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 recognizes and honors academic excellence in Oklahoma's public schools through our prestigious Oklahoma Academic Awards Program. One hundred graduating seniors are recognized as Academic All-Staters for their academic achievement and five exceptional educators receive Medal for Excellence awards for their impact and innovation in the classroom. Honorees are celebrated at the foundation's annual banquet where they receive a cash award and a medal.

Oklahoma School Foundations Network - Provides free on-call support, training, resources and networking opportunities for Oklahoma Public School Foundation leaders and volunteers.

Early-American History Education - Through a partnership with Colonial Williamsburg Teacher Institute, the foundation provides teachers with exceptional professional development opportunities, teaching resources and engaging learning activities. In addition, the foundation offers opportunities for Oklahoma 5th graders to experience Colonial Day at the Capitol or Virtual Colonial Days. Both programs offer lessons from the past to help students become engaged and responsible citizens for the future.

Boren Mentoring Initiative - Awards start-up grants for new and developing mentoring programs and opportunity grants to support strategic needs of K-12 mentoring organizations in Oklahoma.

Teacher Professional Development - The foundation provides professional development opportunities for Oklahoma public school teachers.

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Years Ended June 30, 2022 and 2021

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:

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.

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended June 30, 2022 and 2021

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.

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, 2022 and 2021 totaling \$200,232 and \$263,747 in excess of the Federal Deposit Insurance Corporation (FDIC) insured limits.

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended June 30, 2022 and 2021

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, 2022 and 2021, 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, 2018, are no longer subject to examination by taxing authorities.

Subsequent Events - Management has evaluated subsequent events through March 2, 2023, 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.

Reclassifications - Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets or changes in net assets.

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>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash	\$415,743	\$506,855
Pledges receivable	10,235	500
Prepaid expenses	9,690	7,117
Investments	<u>7,658,373</u>	<u>8,950,918</u>
Total financial assets at year end	8,094,041	9,465,390
Less those unavailable for general expenditures due to:		
Donor restrictions	(764,190)	(811,318)
Board designated	<u>(6,908,654)</u>	<u>(8,078,815)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$421,197</u>	<u>\$575,257</u>

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended June 30, 2022 and 2021

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, 2022 and 2021 totaled \$7,154 and \$9,085.

4. Contributions Receivable

The Foundation expects to collect all unconditional pledges to give; therefore they have not estimated an allowance amount. At June 30, 2022, the Foundation had an unconditional pledge to give of \$10,235.

5. Investments

Investments are stated at fair value and are summarized as follows as of June 30, 2022:

	<u>Cost</u>	<u>Market Value</u>
Money market	\$298,842	\$298,842
Fixed income	3,118,445	2,981,825
Equity mutual funds	3,654,105	4,370,326
Accrued income	<u>7,382</u>	<u>7,382</u>
	<u><u>\$7,078,774</u></u>	<u><u>\$7,658,373</u></u>

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended June 30, 2022 and 2021

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

	Cost	Market Value
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>

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

	2022	2021
Without donor restrictions:		
Investment income	\$354,420	\$405,514
Net realized and unrealized gains (losses)	(1,256,207)	1,317,907
	(901,787)	1,723,421
With donor restrictions:		
Investment income	35,560	40,527
Net realized and unrealized gains (losses)	(125,640)	130,810
	(90,080)	171,337
Total investment income and gains (losses)	<u>(\$991,867)</u>	<u>\$1,894,758</u>

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended June 30, 2022 and 2021

6. In-Kind Contributions

In-kind contributions consisted of the following at June 30:

	2022	2021
Without donor restrictions		
Discounted professional services	\$6,316	\$6,640
Discounted office expenses	5,433	4,339
	11,749	10,979
With donor restrictions		
Discounted Awards Banquet expenses	17,824	10,890
Total In-Kind Contributions	\$29,573	\$21,869

All in-kind contributions were valued from the vendor invoices. No in-kind donations were monetized.

7. Beneficial Interest in Assets Held by Others

Beneficial interest in assets held by others includes:

	2022	2021
Oklahoma City Community Foundation	\$69,177	\$83,762
The Oklahoma United Methodist Foundation	39,497	50,473
	\$108,674	\$134,235

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 \$172,150 and \$208,495 at June 30, 2022 and 2021. 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, 2022 and 2021, \$69,177 and \$83,762 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 \$102,973 and \$124,733 at June 30, 2022 and 2021, are not reported in the Foundation's financial statements.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS

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For the Year Ended June 30, 2022 and 2021

The Foundation receives annual distributions from the fund, which totaled \$9,580 and \$8,938 for the years ended June 30, 2022 and 2021.

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, 2022 and 2021 of \$39,497 and \$50,743. The Foundation has the irrevocable right to receive income earned on these assets. The income received during the fiscal years ended June 30, 2022 and 2021 was \$1,793 and \$2,216.

8. 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, 2022 and 2021 of \$78,296 and \$99,863. The Foundation will receive no earnings related to this interest until the death of two life income beneficiaries.

9. 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 \$87,757 and \$104,384 at June 30, 2022 and 2021. CFO made a distribution to the Foundation during the years ended June 30, 2022 and 2021 of \$4,623 and \$4,520.

10. Property and Equipment

Property and equipment are summarized as follows:

	2022	2021
Computer equipment	\$34,144	\$33,641
Furniture and fixtures	9,571	9,571
	43,715	43,212
Less accumulated depreciation	37,781	31,588
Net	\$5,934	\$11,624

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For the Year Ended June 30, 2022 and 2021

Depreciation expense for the years ended June 30, 2022 and 2021 was \$8,195 and \$8,142.

11. 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 1%, with a deferral of payments for the first six months. On December 15, 2020 the \$64,600 loan was forgiven by the Small Business Administration and on July 26, 2021 the \$67,494 was forgiven by the Small Business Administration. Both forgiven loans are included in the statement of activities as operating revenue.

12. Leases

The Foundation currently leases office space under an operating lease expiring on August 31, 2023. The current required monthly payments are \$2,903. Total expense for the years ended June 30, 2022 and 2021 was \$35,799 and \$33,738 and is included in occupancy. The future required annual payments are as follows:

<u>Year</u>	<u>Amount</u>
2023	\$34,728
2024	<u>14,513</u>
Total	<u><u>\$49,241</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, 2022 and 2021 was \$4,995 and \$5,260 and is included in equipment expense. The future required annual payments are as follows:

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Year Ended June 30, 2022 and 2021

Year	Amount
2023	\$4,486
2024	4,486
2025	3,588
2026	1,358
Total	\$13,918

13. 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.

14. Restricted Net Assets

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

	2022	2021
Academic awards	\$10,485	\$5,750
Teacher professional development	33,255	57,952
Mentoring initiative	110,016	215,897
General operations	78,296	99,863
	\$232,052	\$379,462

Perpetual in nature net assets are restricted to:

	2022	2021
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	108,674	134,235
Teacher professional development	100,000	100,000
	\$685,894	\$711,455

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For the Year Ended June 30, 2022 and 2021

15. Endowments

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

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

The Foundation has interpreted UPMIFA as requiring the preservation of the original fair value of gifts to donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as perpetual in nature net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetual in nature net assets is classified as time or purpose restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

NOTES TO FINANCIAL STATEMENTS

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For the Year Ended June 30, 2022 and 2021

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 \$268,097 for the year ended June 30, 2022.

The net asset classification of the Foundation's endowment funds as of June 30, 2022 are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Donor restricted endowments	\$	\$793,013	\$793,013
Board designated endowments	6,908,654		6,908,654
Total endowment funds	<u>\$6,908,654</u>	<u>\$793,013</u>	<u>\$7,701,667</u>

Changes in endowment net assets for the year ended June 30, 2022, include:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Net assets, beginning of the year	<u>\$8,078,815</u>	<u>\$941,561</u>	<u>\$9,020,376</u>
Investment gains (losses):			
Investment income	354,143	35,560	389,703
Investment gains (losses)	<u>(1,256,207)</u>	<u>(125,640)</u>	<u>(1,381,847)</u>
Total investment return	<u>(902,064)</u>	<u>(90,080)</u>	<u>(992,144)</u>

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For the Year Ended June 30, 2022 and 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Change in value of beneficial interest	-	(25,561)	(25,561)
Appropriation of endowment assets for expenditure	(268,097)	(32,907)	(301,004)
	<u>(268,097)</u>	<u>(32,907)</u>	<u>(301,004)</u>
Net assets, end of the year	<u>\$6,908,654</u>	<u>\$793,013</u>	<u>\$7,701,667</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, beginning of the year	\$6,667,744	\$785,485	\$7,453,229
Investment gains (losses):			
Investment income	405,591	40,527	446,118
Investment gains (losses)	1,317,907	107,762	1,425,669
Total investment return	<u>1,723,498</u>	<u>148,289</u>	<u>1,871,787</u>

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NOTES TO FINANCIAL STATEMENTS
(Continued)
For the Year Ended June 30, 2022 and 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</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>

16. 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, 2022, or that will be realized in the future.

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For the Year Ended June 30, 2022 and 2021

The Foundation's financial instruments at June 30, 2022 were as follows:

	<u>Fair Value/ Estimated Market Value and Carrying Amount</u>
Cash and cash equivalents	\$415,743
Investments	\$7,658,373
Beneficial interest in assets held by others	\$108,674
Beneficial interest in charitable remainder trust	\$78,296

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.

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:

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
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For the Year Ended June 30, 2022 and 2021

	2022	
	Fair Value	Fair Value Level
Money market	\$298,842	(1)
Fixed mutual funds	2,981,825	(1)
Equity mutual funds	4,370,324	(1)
Accrued income	7,382	(1)
	7,658,373	
Held by others:		
Beneficial interest held by others	108,674	(2)
Beneficial interest in charitable remainder trust	78,296	(2)
Total held by others	186,970	
	\$7,845,343	
	2021	
	Fair Value	Fair Value Level
Money market	\$112,889	(1)
Fixed mutual funds	3,121,521	(1)
Equity mutual funds	5,711,713	(1)
Accrued income	4,795	(1)
	8,950,918	
Held by others:		
Beneficial interest held by	\$134,235	(2)
Beneficial interest in remainder trust	99,863	(2)
Total held by others	234,098	
	\$9,185,016	