

# Oklahoma Foundation for Excellence

*Financial Statements With  
Independent Auditor's Report*

For the Year Ended  
June 30, 2023

Oklahoma Foundation for Excellence

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June 30, 2023

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## Independent Auditor's Report

Board of Directors of  
Oklahoma Foundation for Excellence

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Oklahoma Foundation for Excellence (a non-profit Foundation), which comprise the statement of financial position as of June 30, 2023 and the related statement of activities, functional expenses, and cash flow for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Oklahoma Foundation for Excellence as of June 30, 2023, 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 (GAAS). 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 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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'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'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.

*Regier Carr & Monroe LLP*

March 13, 2024  
Tulsa, Oklahoma

**Oklahoma Foundation for Excellence**  
**Statement of Financial Position**  
**June 30, 2023**

	<b>2023</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$370,970
Accounts Receivable	215
Promises to Give Receivable	15,808
Prepaid Assets	6,469
Investments	8,059,600
Beneficial Interest in Assets Held by Others	113,290
Beneficial Interest in Charitable Remainder Trust	76,964
Property and Equipment, Net	1,891
Right of Use Assets	12,126
<b>Total Assets</b>	<b>\$ 8,657,333</b>

<b>Liabilities and Net Assets</b>	
<i>Liabilities</i>	
Accounts Payable	\$3,068
Lease Liabilities	12,141
<i>Total Liabilities</i>	<i>\$15,209</i>
<i>Net Assets</i>	
<i>Without Donor Restrictions</i>	
Without Donor Restrictions	432,063
Without Donor Restrictions - Board Designated	6,246,510
<i>Total Without Donor Restrictions</i>	<i>6,678,573</i>
With Donor Restrictions	1,963,551
<i>Total Net Assets</i>	<i>8,642,124</i>
<b>Total Liabilities and Net Assets</b>	<b>\$ 8,657,333</b>

**Oklahoma Foundation for Excellence  
Statement of Activities  
For the Year Ended June 30, 2023**

	<b>2023</b>		
	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>Support and Revenues</b>			
Contributions	\$445,395	\$10,000	\$455,395
Investment income, net of fees	588,280	176,413	764,693
In-Kind Contributions	10,401		10,401
Program Services events	41,341		41,341
Other income	493		493
Net Assets Released from Restriction	169,773	(169,773)	
<b>Total Support and Revenues</b>	<b>1,255,683</b>	<b>16,640</b>	<b>1,272,323</b>
<b>Expenses</b>			
Program	670,015		670,015
Management & General	122,926		122,926
Fundraising	122,213		122,213
<b>Total Operating Expenses</b>	<b>915,154</b>		<b>915,154</b>
<b>Total Change in Net Assets</b>	<b>340,529</b>	<b>16,640</b>	<b>357,169</b>
Net Assets at Beginning of Year	6,338,044	1,946,911	8,284,955
<b>Net Assets at End of Year</b>	<b>\$6,678,573</b>	<b>\$1,963,551</b>	<b>\$8,642,124</b>

**Oklahoma Foundation for Excellence  
Statement of Functional Expense  
For the Year Ended June 30, 2023**

2023	Oklahoma School Foundations			Early-American History Education	Teacher Professional Development	Total Program	Management & General Fundraising Total		
	Awards	Network	Mentoring				& General	Fundraising	Total
Personnel & Related Expenses	\$116,566	\$37,333	\$7,010	\$18,430	\$17,368	\$196,707	\$56,986	\$96,793	\$350,486
Awards	177,000	4,055	22,500			203,555			203,555
Professional Services					2,078	2,078	27,444		29,522
Program event expenses	167,454			12,984		180,438	405		180,843
Occupancy	15,637	4,915	894	3,128	2,681	27,255	8,055	9,383	44,693
Marketing	8,606	1,018	185	1,688	555	12,052	1,666	3,466	17,184
Travel/Meetings		6,038				6,038	17,338		23,376
Postage	2,742	12	8	59	1	2,822	153		2,975
Office Expenses	9,835	2,392	436	1,522	1,305	15,490	3,916	7,444	26,850
Equipment	2,139	672	122	428	366	3,727	1,101	1,283	6,111
Awards material	5,795					5,795			5,795
Insurance	1,745	548	100	349	299	3,041	898	1,047	4,986
Bank Charges							4,038	1,891	5,929
Depreciation	1,415	445	81	283	243	2,467	727	849	4,043
Other	6,145		753	993	659	8,550	199	57	8,806
<b>Total</b>	<b>\$515,079</b>	<b>\$57,428</b>	<b>\$32,089</b>	<b>\$39,864</b>	<b>\$25,555</b>	<b>\$670,015</b>	<b>\$122,926</b>	<b>\$122,213</b>	<b>\$915,154</b>

**Oklahoma Foundation for Excellence  
Statement of Cash Flows  
For the Year Ended June 30, 2023**

	<b>2023</b>
<b>Cash Flows from Operating Activities</b>	
Change in net assets	\$357,169
<i>Adjustments to reconcile change in net assets to net cash used by operating activities:</i>	
Depreciation Expense	4,043
Right of Use Asset Amortization	15
Realized & Unrealized (Gain)/Loss	(549,524)
(Increase) Decrease in Accounts Receivable	(215)
(Increase) Decrease in Pledges Receivable	(5,573)
(Increase) Decrease in Prepaid Expenses	3,221
Increase (Decrease) in Accounts Payable	1,078
<b>Net Cash Provided (Used) By Operating Activities</b>	<b>(189,786)</b>
<b>Cash Flows from Investing Activities</b>	
Purchase of Investments	(1,270,204)
Proceeds from Sale of Investments	1,415,217
<b>Net Cash Provided (Used) By Investing Activities</b>	<b>145,013</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(44,773)</b>
Cash and Cash Equivalents, Beginning of Year	415,743
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$370,970</b>



**Oklahoma Foundation for Excellence  
Notes to Financial Statements**

**Summary of Significant Accounting Policies**

*Nature of Operations*

The Oklahoma Foundation for Excellence, Inc. (the Foundation) was incorporated under the laws of the State of Oklahoma as a nonprofit Foundation 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 Foundations in Oklahoma.

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

*Basis of Accounting*

The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

*Basis of Presentation*

The Foundation is required to report information regarding its financial position and activities according to the following two classes of net assets:

**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 Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

**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.

Donor restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

**Summary of Significant Accounting Policies (continued)**

*Contributions*

The Foundation reports support in conformity with U.S. generally accepted accounting principles for not-for-profit Foundations. 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 in-kind contributions relating to its various programs. These contributions are recorded at fair value when received.

*Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Cash and Cash Equivalents*

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

*Promises to Give Receivable*

Pledges receivable as of June 30, 2023 are unconditional promises to give. Pledges receivable to be collected in future years are recorded at fair value when the promise is made based on a discounted cash flow model. Amortization of discounts is recorded as additional contribution revenue.

The discount rate used in determining the net present value of pledges receivable was 3% at June 30, 2023. Management believes all pledges to be collectible; it is reasonably possible that this may change in the near term as additional information regarding collections is obtained.

*Accounts Receivable*

Receivables represent amounts due for tuition. The Foundation has historically not experienced significant uncollectible amounts and has provided no allowance. The Foundation typically does not charge interest or require collateral on receivables. Accounts receivable are written off when deemed uncollectible.

**Oklahoma Foundation for Excellence  
Notes to Financial Statements**

**Summary of Significant Accounting Policies (continued)**

*Investments*

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change of net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met in the reporting period in which the income and gains are recognized. Investment income is accrued as it is earned and reported net of advisory fees.

The Foundation reports all investments for which a quoted market price is available at fair value based upon information obtained from published sources.

*Functional Expenses*

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and support services provided based upon management's experience and other factors.

<u>Expense</u>	<u>Method of Allocation</u>
Personnel & Related Expenses	Time and effort
Office Expenses	Time and effort
Miscellaneous	Time and effort

*Property and Equipment*

Acquisitions of assets costing more than five-hundred dollars (\$500) and that provide benefits to the Foundation greater than one year are capitalized. Office equipment and furniture and fixtures are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation expense is computed using the straight-line method. Estimated useful lives are as follows:

<u>Category</u>	<u>Useful Life</u>
Computer Equipment and Software	3 Years
Office Furniture and Equipment	7 Years

*Income Taxes*

The Foundation is organized as an Oklahoma nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as Foundations described in Section 501(c)(3). The Foundation is qualified to receive deductible charitable contributions under Section 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private Foundation under Sections 509(a)(1) and (3). The Foundation is annually required to file a Return of Foundation Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Foundation has determined that it is not subject to unrelated business income tax and has not filed an Exempt Foundation Business Income Tax Return (Form 990-T) with the IRS.

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

### Summary of Significant Accounting Policies (continued)

#### *Concentration of Credit Risk*

Exposure to concentrations of credit risk consists of cash, accounts receivable and investments. Cash and investments are maintained at high quality financial institutions. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash, cash equivalents and investments. The Foundation has historically not experienced significant uncollectible amounts and believes it is not exposed to any significant credit risk on accounts receivable.

The Foundation relies strongly upon the support of Oklahoma communities. A severe decline in the economy could have a negative impact on the community's ability to support the Foundation and its operations.

#### *Advertising*

Costs incurred for producing and communicating non-direct advertising are expensed when incurred. Costs incurred for direct response advertising is capitalized and amortized over its estimated useful life. No advertising costs were capitalized at June 30, 2023. The Foundation did not incur any advertising expense for the year ended June 30, 2023.

#### *Investments & Fair Value Measurements*

Investment securities are exposed to various risks such as interest rate, market risk and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risk in the near term may materially affect the amounts reported in the financial statements.

The codification of accounting principles generally accepted in the United States of America defines fair value, establishes a consistent framework for measuring fair value and establishes a fair value hierarchy based on the availability of inputs used to measure fair value. These inputs are summarized in the three broad levels listed below:

- Level 1 – quoted prices in active markets for identical securities
- Level 2 – other significant observable inputs (including quoted prices for similar securities)
- Level 3 – significant unobservable inputs (including the Foundation's own assumptions in determining the value of the investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

#### *Recent Accounting Pronouncements*

On February 25, 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The amendments in this update affect any entity that enters into a lease transaction. The primary change for this guidance is that the lessee should recognize the assets and liabilities that arise from all leases over 12 months in duration. For leases with durations less than 12 months, a lessee is permitted to make a policy election, by class of the underlying asset, not to recognize the related assets and liabilities. If this election is made, the lessees will recognize the lease expense on a straight-line basis over the lease term. ASU No. 2016-02 is effective for the Foundation's' year-end June 30, 2023. The Foundation has implemented this standard and the impact is discussed in the leases footnote to these statements.

#### *Subsequent Events*

We have evaluated all events subsequent to the statement of financial position date of June 30, 2023 through the date available for issuance of these financial statements, March 13, 2024, and have determined that there are no subsequent events that require disclosure.

**Oklahoma Foundation for Excellence**  
**Notes to Financial Statements**

**Liquidity and Availability**

The Foundation's goal is generally to maintain financial assets to ensure twelve months of operating expenses (approximately \$900,000-\$950,000), and be able to maintain operations without interruption. The current liquidity position exceeds the Foundation's goal. The Foundation receives significant contributions and promises to give which are restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

Financial assets available for future periods for the years ended June 30, 2023 are summarized below:

<b>Quantitative</b> <i>Financial Assets at Year End:</i>	<b>2023</b>
Cash and Cash equivalents	\$370,970
Accounts Receivable	215
Promises to Give Receivable	15,808
Investments	8,059,600
Beneficial Interest in Assets Held by Others	113,290
Beneficial Interest in Charitable Remainder Trust	76,964
<i>Total Financial Assets</i>	<u>8,636,847</u>
 <i>Less amounts not available to be used within one year:</i>	
Accounts Payable	(3,068)
Beneficial Interest in Assets Held by Others	(113,290)
Beneficial Interest in Charitable Remainder Trust	(76,964)
Perpetual Time Restriction	<u>(1,647,832)</u>
<i>Total amounts not available to be used within one year</i>	<u>(1,841,154)</u>
<b>Financial Assets Available for Future Period</b>	<b><u>\$6,795,693</u></b>

**Donated services and in-kind contributions**

Volunteers contribute significant amounts of time to the Foundation's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

Revenues from contributed goods amounted to \$10,401 during the year ended June 30, 2023, respectively as follows:

	<b>2023</b>
<i>Utilized in Colonial Day Program</i>	
Professional services	\$75
Lodging	1,086
 <i>Utilized in Awards Program</i>	
Professional services	3,000
 <i>Utilized in Administration</i>	
Professional services	2,523
Office expenses	3,717
	<b><u>\$10,401</u></b>

The Foundation does not monetize in-kind donations. The donor-imposed restrictions are based on the type of in-kind of donation, as well as seasonality.

**Oklahoma Foundation for Excellence  
Notes to Financial Statements**

**Donated services and in-kind contributions(Continued)**

In relation to the fair value measurement in Topic 820, upon receipt of the initial donation, the Foundation recognizes in-kind contribution revenue based on the Level 2 market value of the donated item (service invoice, lodging, supplies, etc.). Refer to fair value measurement footnote below for more information.

**Beneficial Interest in Assets Held By Others**

*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 \$179,565 at June 30, 2023. This investment 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, 2023, \$72,158 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 \$107,407 at June 30, 2023, are not reported in the Foundation's financial statements.

The Foundation receives annual distributions from the fund, which totaled \$9,520 for the year ended June 30, 2023.

*Funds Held by The Oklahoma United Methodist Foundation*

The Foundation was the beneficiary of a gift annuity contract administered by The Oklahoma United Methodist Foundation, Inc., with a market value at June 30, 2023 of \$41,132. The Foundation has the irrevocable right to receive income earned on these assets. The income received during the fiscal year ended June 30, 2023 was \$1,979.

The following tables summarize investments measured at fair value based on the Level 2 fair value as of June 30, 2023, respectively:

	<u>2023</u>
<i>Beneficial Interest in assets held by others</i>	
Oklahoma City Community Foundation	\$72,158
The Oklahoma United Methodist Foundation	41,132
	<u>\$113,290</u>

**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, 2023 of \$76,694. The Foundation will receive no earnings related to this interest until the death of two life income beneficiaries.

The following tables summarize investments measured at fair value based on the Level 2 fair value as of June 30, 2023, respectively:

	<u>2023</u>
<i>Beneficial Interest in charitable remainder trust</i>	
Woods CRUT	<u>\$76,964</u>

**Oklahoma Foundation for Excellence**  
**Notes to Financial Statements**

**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 Beneficial Interest in Assets Held by Others Note above. The value of these assets, which is not included in the financial statements but provided for information purposes, was \$97,890 and at June 30, 2023. CFO made a distribution to the Foundation during the years ended June 30, 2023 of \$5,414.

**Investments**

Investments consist of the following at June 30, 2023:

	<b>2023</b>	
	<b>Fair Value</b>	<b>Level</b>
<i>Investments:</i>		
Mixed Mutual Fund	\$399,268	1
Fixed Income	2,816,792	1
Equity Mutual Funds	4,835,647	1
Accrued Income	7,893	1
	<b><u>\$8,059,600</u></b>	
<i>Held by others:</i>		
Beneficial Interest in assets held by others	\$113,674	2
Beneficial interest in charitable remainder trust	76,964	2
	<b><u>\$190,638</u></b>	

Investment income consists of the following for the year ended June 30, 2023:

	<b>2023</b>
<i>Without donor restriction:</i>	
Investment income, net of expenses	\$134,549
Net realized and unrealized gains(losses)	<u>548,391</u>
	682,941
<i>With donor restriction:</i>	
Investment income, net of expenses	12,630
Net realized and unrealized gains(losses)	<u>57,697</u>
	70,326
<i>Beneficial Interest Trust:</i>	
Investment income, net of expenses	(1,474)
Net realized and unrealized gains(losses)	<u>12,900</u>
	<u>11,426</u>
Total investment income and gains(losses)	<b><u>\$764,693</u></b>

**Oklahoma Foundation for Excellence  
Notes to Financial Statements**

**Endowments**

The Foundation’s endowment consists of a variety of funds established for a variety of purposes. As required by generally accepted accounting principles (“GAAP”), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation.

The Foundation has interpreted UPMIF A 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 Foundation 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 distributions of \$341,589 for the year ended June 30, 2023.

The net asset classification of the Foundation's endowment funds as of June 30, 2023 are as follows:

	<b>2023</b>
Without Donor or board restriction	\$0
Board designated	6,246,510
<b>Total Without Donor restriction</b>	6,246,510
Donor restricted	1,773,296
	<b>\$8,019,806</b>



**Oklahoma Foundation for Excellence  
Notes to Financial Statements**

**Endowments (Continued)**

Changes in endowment net assets for the year ended June 30, 2023, include:

	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<i>Net assets, beginning of the year</i>	\$5,972,044	\$1,647,832	\$7,619,876
Investment income, net of expenses	576,532	164,987	741,519
Distributions	(319,089)	(22,500)	(341,589)
Appropriation for expenditure	17,023	(17,023)	-
<i>Net assets, end of year</i>	<b>\$6,246,510</b>	<b>\$1,773,296</b>	<b>\$8,019,806</b>

**Promises to Give Receivable**

Unconditional promises to give are reported at net realizable value if at the time the promise is made payment is expected to be received in one year or less. Unconditional promises that are expected to be collected in more than one year are reported at fair value initially and in subsequent periods because the Foundation elected the fair value option in accordance with generally accepted accounting principles. Management believes that the use of fair value reduces the cost of measuring unconditional promises to give in periods subsequent to their receipt and provides equal or better information to users of its financial statements than if those promises were measured using present value techniques and historical discount rates.

When estimating the fair value of unconditional promises to give, management considers promises of \$100,000 or more individually. The relationship with the donor, the donor's past history of making timely payments, and the donor's overall creditworthiness are considered and incorporated into a fair value measurement computed using present value techniques. Unconditional promises to give less than \$100,000 are measured in the aggregate using present value techniques that consider historical trends of collection, the type of donor (individual or corporation/Foundation), general economic conditions in the geographic area in which the majority of the Foundation's donors live, the Foundation's policies concerning enforcement of promises to give, and market interest rate assumptions (currently 3%).

The change in the fair value of the unconditional promises expected to be collected in more than one year is reported as contribution revenue.

The fair value inputs used by the Foundation for pledges receivable as of June 30, 2023, were Level 3. When estimating the fair value of pledges receivable, management considers the historical trends of collection, the type of donor (individual or corporate/Foundation), general economic conditions in the geographic area in which the majority of the Foundation's donors live, and market interest rate assumptions for individuals (currently 3.0%) or corporations/Foundations (currently 3.0%).

The interest element resulting from amortization of the discount for the time value of money, computed using the effective interest rate method, is reported as contributed revenue. Pledges receivable that are due in more than one year are recorded at the present value of estimated future cash flows using a discount rate of 3%.

**Oklahoma Foundation for Excellence  
Notes to Financial Statements**

**Promises to Give Receivable (Continued)**

Promises to Give Receivable consist of the following at June 30, 2023:

	<b>2023</b>
Due within one year	\$15,808
Due in 1-5 years	
<b>Total Promises to Give Receivable</b>	<b>15,808</b>
Allowance for Loss	
Discount	
<b>Promises to Give Receivable</b>	<b>\$15,808</b>

**Property and Equipment**

Property and equipment at June 30, 2023 is as follows:

	<b>2023</b>
Office Equipment	\$34,144
Furniture & Fixtures	9,571
Accumulated Depreciation	(41,824)
<b>Property and Equipment, Net</b>	<b>\$1,891</b>

**Leases**

*After Implementation of ASU No. 2016-02, Leases (Topic 842)*

Effective July 1, 2022 (the “implementation date”), the Foundation adopted new guidance intended to improve financial reporting for leases. A lease is defined as a party obtaining the right to use an asset legally owned by another party. The Foundation determines if an arrangement is a lease at inception. For operating leases entered into prior to July 1, 2022, the Right-of-Use (“ROU”) assets and operating lease liabilities were recognized in the statement of financial position on the implementation date based on the present value of the remaining future minimum payments over the lease term from the implementation date. This ROU asset was adjusted for unamortized lease incentives and restructuring liabilities that existed on the implementation date. For leases entered into subsequent to July 1, 2022, the operating lease ROU asset and operating lease liabilities are based on the present value of minimum payments over the lease term at the commencement date of the lease.

The Foundation uses discount rates to determine the present value of future lease payments. The Foundation has made the policy election to use a risk-free rate as the discount rate for all operating leases, based on the U.S. Daily Treasury Par Yield Curve rates for various time periods that approximate the lease term.

The lease terms used to calculate the ROU asset and lease liability may include options to extend or terminate when it is reasonably certain that the Foundation will exercise that option.

The Foundation leases office space and equipment under non-cancelable operating leases with varying expiration dates through August 2028. Leases are negotiated with third-parties and, in some instances contain renewal, expansion and termination options. None of the Foundation’s leases contain significant purchase options. All of the Foundation’s material leases are operating leases.

As of July 27, 2023, the Foundation entered into a new lease for office space through August 2028. The monthly payments begin on September 1, 2023 for \$2,137.33 per month. Amounts increase 1.5% annually each year in September.

**Oklahoma Foundation for Excellence**  
**Notes to Financial Statements**

**Leases (Continued)**

The following chart provides additional information about the Foundation’s office space and equipment leases for the year ended June 30, 2023:

**Lease expense**

Operating lease expense	\$37,071
<b>Total</b>	<b><u>\$37,071</u></b>

Other pertinent information related to leases is as follows:

**Other Information**

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$37,056
ROU assets obtained in exchange for new operating lease liabilities	\$48,386
Weighted-average remaining lease term in years for operating leases	1.56
Weighted-average discount rate for operating leases	2.84%

At June 30, 2023, minimum lease payments in future fiscal years for the Foundation’s operating leases are as follows:

	<b>Maturity Analysis</b>	<b>Operating</b>
2024		\$8,133
2025		2,328
2026		1,940
Total undiscounted cash flows		<u>\$12,401</u>
Less: present value discount		(261)
Total lease liabilities		<b><u>\$12,141</u></b>

Note: Table excludes obligations for leases with original terms of 12 months or less which have not been recognized as a right to use asset or liability in the consolidated balance sheet.

**Employee Benefit Plan**

The Foundation maintains a 403(b) Plan covering employees who have one year of service to be eligible for company match. Employees may contribute to the plan any amount of their compensation up to the maximum allowed under federal income tax regulations. 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 contributions charged to expense were \$6,239 for the year ended June 30, 2023.

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**Net Assets with Donor Restrictions**

The Foundation receives contributions from donors stipulating their donations be utilized for specific purposes or time frames. A summary of the assets subject to restrictions at June 30, 2023 follows:

	<b>2023</b>
<i>Subject to expenditure for specific program purpose:</i>	
Mentoring- Endowment Earnings	\$125,465
	125,465
 <i>Restricted assets held by others:</i>	
OCCF	72,158
Crooch Trust- OMF	41,132
Wood CRUT	76,964
	190,254
 <i>Perpetual Time:</i>	
Academic All-State Scholarships and Medal for Excellence	1,077,220
David & Molly Boren Mentoring Initiative	470,612
Teacher Professional Development	100,000
	1,647,832
 <b>Total Net Assets with Donor Restrictions</b>	<b>\$1,963,551</b>

**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.

**Prior Period Restatement**

During the current year audit, management determined that the amount of restricted net assets was previously incorrectly reported due to the principal funding of endowments. Management obtained documentation to support the initial endowment principal balances and updated the restricted assets and related board designated assets in accordance with the evidence.

Net assets as of June 30, 2022 were as follows:

	<b>FY 2022 Previously Reported Balance</b>	<b>Reclassification Entry</b>	<b>FY 2022 Corrected Reported Balance</b>
<i>Net Assets without Restriction:</i>			
General Use	\$458,355	-	\$458,355
Board Designated	6,908,654	(1,028,965)	5,879,689
 Restricted Net Assets	 917,946	 1,028,965	 1,946,911
Total Net Assets	<b>\$8,284,955</b>	<b>-</b>	<b>\$8,284,955</b>