

COMMUNITIES
FOUNDATION OF
OKLAHOMA

FINANCIAL STATEMENTS

JUNE 30, 2021 and 2020

WITH

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Communities Foundation of Oklahoma, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Communities Foundation of Oklahoma, Inc. (the Foundation), which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2021 and 2020, and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Oklahoma City, Oklahoma
June 14, 2022

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 16,316,951	\$ 4,512,168
Contributions receivable, net	1,463,784	1,640,901
Investments	137,854,863	105,778,098
Real estate and mineral interests	97,970	125,944
Property and equipment, net	60,375	66,069
	<hr/>	<hr/>
Total assets	<u>\$ 155,793,943</u>	<u>\$ 112,123,180</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 471	\$ 16,354
Grants payable, net	7,476,993	3,346,748
Refundable advances	9,392,914	-
Note payable	-	90,201
Agency transfers	48,381,976	38,158,261
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Total liabilities	65,252,354	41,611,564
Net assets - without donor restrictions	90,541,589	70,511,616
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Total liabilities and net assets	<u>\$ 155,793,943</u>	<u>\$ 112,123,180</u>

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

STATEMENTS OF ACTIVITIES

Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenues, Gains and Other Support		
Contributions	\$ 7,395,743	\$ 8,525,823
Grants:		
Federal	58,452,218	-
Private	505,790	-
Net investment return	18,631,997	987,924
Administrative fee income	578,665	591,510
	<hr/>	<hr/>
Total revenues, gains and other support	85,564,413	10,105,257
Expenses		
Grants and program services	65,425,960	9,035,275
Supporting services:		
Management and general	188,462	485,913
Fundraising	10,218	19,841
	<hr/>	<hr/>
Total expenses	65,624,640	9,541,029
Other income:		
Gain on extinguishment of debt	90,200	-
	<hr/>	<hr/>
Increase in net assets	20,029,973	564,228
Net assets - without donor restrictions, beginning of year	70,511,616	69,947,388
	<hr/>	<hr/>
Net assets - without donor restrictions, end of year	<u>\$ 90,541,589</u>	<u>\$ 70,511,616</u>

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

STATEMENTS OF CASH FLOWS

Years ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Increase in net assets	\$ 20,029,973	\$ 564,228
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	21,111	15,299
Net realized and unrealized investment (gains) losses	(17,452,338)	395,586
Noncash contributions of stock and other investments	(1,147,302)	(251,195)
Proceeds from sale of noncash contributions of stock and other investments	1,147,302	251,195
Noncash grant expense of real estate	-	385,000
Forgiveness from Paycheck Protection Program note payable	(90,201)	-
Change in operating assets and liabilities:		
Contributions receivable	177,117	121,859
Accounts payable	(15,883)	(35,431)
Grants payable	4,130,245	(219,930)
Refundable advances	9,392,914	-
Agency transfers	152,058	3,006,886
	16,344,996	4,233,497
Cash Flows from Investing Activities		
Proceeds from sale of investment securities	5,722,931	6,061,772
Purchases of investment securities	(10,247,727)	(9,994,390)
Purchases of property and equipment	(15,417)	(50,237)
	(4,540,213)	(3,982,855)
Cash Flows from Financing Activities		
Proceeds from note payable	-	90,201
	11,804,783	340,843
Net increase in cash and cash equivalents	11,804,783	340,843
Cash and cash equivalents, beginning of year	4,512,168	4,171,325
	\$ 16,316,951	\$ 4,512,168
Non Cash Financing Activity		
Forgiveness from Paycheck Protection Program note payable	\$ 90,201	\$ -

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

Note 1 – Nature of Operations

Communities Foundation of Oklahoma, Inc. (the Foundation) was incorporated November 26, 1991, under the laws of the state of Oklahoma as a not-for-profit organization (NPO) to serve the charitable needs of rural communities in Oklahoma. The Foundation provides a convenient, efficient and effective vehicle for individuals and organizations across the state to donate gifts that permanently impact their communities and a way for charities to build endowments to ensure their ability to continue meeting the needs of their communities long into the future.

During the year ended June 30, 2021, the Foundation started the Community Cares Partner (CCP) program to operate the U.S. Department of Treasury's Coronavirus Relief Fund Resident Support Program and the Emergency Rental Assistance Program for the State of Oklahoma and various local agencies. The Foundation received federal and private funding totaling \$23.2 million for the Coronavirus Relief Fund Resident Support Program and \$45.2 million for the Emergency Rental Assistance Program during the year ended June 30, 2021.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of presentation

The Foundation reports information regarding its financial position and changes in net assets according to two classes of net assets based on the existence or absence of donor-imposed restrictions, as follows:

Without donor restrictions – Net assets without donor restrictions are available for use at the discretion of the Foundation's Board of Directors (the Board) and/or management for general operating purposes. From time to time the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at managements discretion. The Foundation had board-designated endowment net assets of \$42,419,366 and \$31,308,457 as of June 30, 2021 and 2020, respectively.

The Foundation receives contributions from donors with recommendations regarding distribution of the assets and the earnings therefrom. It attempts to meet the desires expressed by the donors at the time of the contribution; however, it reserves the right to modify any restrictions or conditions on the distribution of funds for any specified charitable purpose or to specified organizations if, in the sole judgment of the Board, such restrictions or conditions become unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community. Accordingly, the financial statements classify those net assets for which the NPO reserves the right to modify any restriction

or conditions on the distribution of funds as without donor restrictions. This variance power does not extend to the Coronavirus Relief Fund Resident Support Program and the Emergency Rental Assistance Program grants the Foundation received.

With donor restrictions – Net assets with donor restrictions are subject to grantor-imposed restrictions. Grantor-imposed restrictions can be temporary in nature, such as those that will be met by the passage of time or other events specified by the grantor, or perpetual in nature, where the grantor stipulates that the resources be maintained in perpetuity. Grantor-restricted contributions received and expended within the same fiscal year are reported as increases in net assets without donor restrictions. As of and for the years ended June 30, 2021 and 2020, the Foundation had no grantor-imposed restrictions on its net assets.

The Foundation accounts for assets that are transferred by an NPO for the benefit of that NPO, or one of its affiliated organizations, as a liability to the specified beneficiary concurrent with recognition of the assets received in the transfer. All assets of this type, and the activity associated with those assets, are reported as agency transfers in the statements of financial position.

Cash and cash equivalents

Cash and cash equivalents consist primarily of cash management accounts and short-term, highly liquid investments with a maturity of three months or less when purchased, excluding cash equivalent funds held in the Foundation's investment portfolio.

Revenue recognition for contributions and grants

Contributions, including unconditional promises to give, are recorded as revenue in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Foundation operates activities and programs that are funded by grants and contracts with federal government agencies and private organizations. The Foundation's grants and contracts are nonexchange transactions and are recorded as revenue once the conditions on which they depend are substantially met, which is typically when the Foundation has incurred allowable expenses that can be charged to the respective grants. Amounts received before conditions have been satisfied are recorded as refundable advances. Refundable advances as of June 30, 2021 and 2020, were \$9,392,914 and \$0, respectively.

Revenue recognition for exchange transactions

The Foundation recognizes revenue from exchange transactions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, as amended. ASU No. 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition, whereby revenue is recognized when each performance obligation is satisfied. The Foundation reports the following revenue from exchange transactions in its statements of activities.

Administrative fees – The Foundation operates contracts in exchange for administrative fee income. The Foundation considers its various obligations under each contract to represent single performance obligations that aggregate to form a distinct service. Revenue is recognized as the performance obligation is satisfied over time.

Receivables

An allowance for uncollectible receivables is provided based on management's judgment including factors such as prior collections, type of contribution, and nature of the activity. As of June 30, 2021 and 2020, no allowance was recorded.

Donated assets

Donated marketable securities and other noncash assets are recorded as contributions at their estimated fair values at the time of donation. Under the Foundation's gift acceptance policy, such gifts are generally converted to cash and invested as appropriate. During the years ended June 30, 2021 and 2020, the Foundation received donated securities with a fair value of \$1,147,302 and \$251,195, respectively, which were liquidated and invested.

Donated services

No revenues have been recognized in the statements of activities for donated services. The Foundation pays for most services requiring specific expertise; however, many individuals volunteer their time and perform a variety of tasks that assist the Foundation with special projects, committee assignments and service on the Board.

Concentration of credit risk

The Foundation maintains cash in bank deposit accounts which typically exceed federally insured limits of \$250,000. Checking account balances in excess of federally insured limits are regularly swept into an account that is secured by a mutual fund that invests primarily in government securities. The Foundation has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash or cash equivalents.

Contributions receivable reflected in the statements of financial position are primarily due from two donors representing 99% of gross contributions receivable for both June 30, 2021 and 2020. In 2021, there were no donors representing 10% or more of the contributions received, however, 99% of the grant revenue was received from one government agency. In 2020, contributions from two donors represented 30% of total contributions.

Investments

The Foundation carries investments in marketable securities at their fair values in the statements of financial position. Fair values are based on quoted market prices, if available. Substantially all investments are held under a master custodial arrangement by a bank trust department.

Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

Real estate and mineral interests

Real estate and mineral interests are recorded at the lower of cost or fair value. Permanent decreases in fair value below cost are recorded in the year that such decreases become known. Contributions of real estate and mineral interests are recorded at fair value at the time of donation.

Grants and program services

Grants and program services represent amounts awarded to various recipients in accordance with donor intent and the Foundation's mission. Grants payable consist of unconditional amounts awarded, but not paid, to recipients.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized in the statements of activities on a functional basis. Expenses attributable to more than one functional expense category are allocated. See Note 10 for an analysis of expenses by function and nature.

Income tax status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation is also exempt from state income taxes under similar provisions of state law. It has no activities which are subject to tax on unrelated business income, nor has it been classified by the Internal Revenue Service as a private foundation.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosed contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change include the valuation of investments and contributions receivable. Investments in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with these assets, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position. Significant fluctuations in fair values could occur from year to year and the amounts the Foundation will ultimately realize could differ materially. Management's estimate of contributions receivable is based on consideration of all relevant available information and an analysis of the collectibility of individual contributions at the financial statement date.

Adoption of accounting pronouncement

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The new accounting guidance creates a framework under which an entity allocates the transaction price to separate performance obligations and recognizes revenue when each performance obligation is satisfied. Under the new standard, entities are required to use judgment and make estimates, including identifying performance obligations in a contract, estimating the amount of variable consideration to include in the transaction price, allocating the transaction price to each separate performance obligation, and determining when an entity satisfies its performance obligations. The standard allows for either "full retrospective" adoption, meaning that the standard is applied to all of the periods presented with a cumulative catch-up as of the earliest period presented, or "modified retrospective" adoption, meaning the standard is applied only to the most current period presented in the financial statements with a cumulative catch-up as of the current period.

On July 1, 2020, the Foundation adopted ASU No. 2014-09 using the modified retrospective method of adoption to all contracts with customers that were not completed as of July 1, 2020. The Foundation completed its adoption of ASU 2014-09 and determined that there is no impact to its financial statements,

results of operations or liquidity. Additionally, when comparing the Foundation's historical revenue recognition to the newly applied revenue recognition under Topic 606, there was no change to the amount or timing of revenue recognized.

New accounting pronouncements not yet adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which seeks to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and by disclosing key information about leasing arrangements. Consistent with current U.S. GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend primarily on its classification as a finance or an operating lease (i.e., the classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases under the previous guidance). However, unlike current U.S. GAAP, which requires only capital leases to be recognized on the statement of financial position, ASU No. 2016-02 will require both operating and finance leases to be recognized on the statement of financial position. Additionally, the ASU will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases, including qualitative and quantitative requirements. As deferred by ASU 2020-05, the update is effective for annual reporting periods beginning after December 15, 2021. Upon adoption in the year ending June 30, 2023, the Foundation will record a lease asset and liability equal to the present value of its future minimum lease payments on the statement of financial position and include additional disclosures on its leases in the footnotes to the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The update increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure regarding the measurement of contributed nonfinancial assets, as well as the amount of those contributions used in the entity's programs and other activities. The ASU should be applied on a retrospective basis and is effective for the Foundation for the year ending June 30, 2022. Early adoption is permitted. The Foundation is evaluating the impact the standard will have on its financial statements and related disclosures.

Subsequent events

The Foundation has evaluated subsequent events through June 14, 2022, which is the date the financial statements were available to be issued.

Note 3 – Contributions Receivable

Included in contributions receivable are unconditional promises to give, expected to be received as follows, at June 30:

	2021	2020
Less than one year	\$ 600,160	\$ 562,647
One to five years, net of discount of \$11,833 and \$10,647, respectively	863,624	1,078,254
Contributions receivable, net	<u>\$ 1,463,784</u>	<u>\$ 1,640,901</u>

Unconditional promises to give due in more than one year are discounted using an estimated risk-free rate at June 30, 2021 and 2020. The estimated risk-free rate applied to each year averaged 0.4% and 0.2% at June 30, 2021 and 2020, respectively.

Note 4 – Grants Payable

Grants payable are expected to be paid as follows at June 30:

	2021	2020
Less than one year	\$ 5,908,915	\$ 1,313,702
One to five years, net of discount of \$9,848 and \$5,286, respectively	<u>1,568,078</u>	<u>2,033,046</u>
Grants payable, net	<u>\$ 7,476,993</u>	<u>\$ 3,346,748</u>

Grants payable due in more than one year are discounted using an estimated risk-free rate at June 30, 2021 and 2020. The estimated risk-free rate applied to each year averaged 0.4% and 0.2% at June 30, 2021 and 2020, respectively.

Note 5 – Agency Transfers

Accounting Standards Codification (ASC) Subtopic 958-605-25, *Not-for-Profit Entities – Revenue Recognition-Contributions*, establishes standards for transactions in which the Foundation accepts a transfer from a donor and agrees to transfer those assets, the return on investment of those assets or both to another entity that is specified by the donor. This guidance requires that if an NPO establishes a fund at a community foundation with its own funds and specifies itself or one of its affiliated organizations as the beneficiary of that fund, the community foundation must account for the transfer of such assets and the activity associated with those assets as a liability.

The Foundation maintains variance power, as described in its governing documents, and legal ownership over these funds and, as such, continues to report the funds as assets of the Foundation. Variance power assures donors that if the charitable purpose of their contribution becomes impractical or impossible, the distributions will be directed to similar purposes in the community. All financial activity for the years ended June 30, 2021 and 2020, related to these assets is not reflected in the statements of activities, but rather as a liability in the statements of financial position.

Note 6 – Related Party Transactions

The Foundation had investments of \$135,054,706 and \$103,431,934 at June 30, 2021 and 2020, respectively, that were managed by a local bank. The Foundation also had cash and cash equivalents of \$16,316,951 and \$4,512,168 at June 30, 2021 and 2020, respectively, that were held in accounts with the same bank. A member of the Board has an ownership interest and helps manage the operations of this bank. The Foundation paid investment management and other fees to this bank of approximately \$271,000 and \$229,000 for the years ended June 30, 2021 and 2020, respectively.

Note 7 – Endowment Disclosures

The state of Oklahoma adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) on November 1, 2007. The Board has determined that the Foundation's net assets do not meet the definition of an endowment under UPMIFA. The Foundation is governed subject to the terms of its by-laws and articles of incorporation and all contributions are subject to the terms of these governing documents. Under the terms of its governing documents, the Board has the ability to distribute as much of the corpus of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. As a result, the Foundation classifies all contributions as without donor restrictions for financial statement purposes. While the assets of the Foundation do not meet the definition of an endowment as defined under UPMIFA, some of the assets, described by donor intent to be governed by the Foundation's spending policy, function as endowments. These assets are managed by the Foundation and are considered board-designated endowment funds.

The Foundation's net asset composition for board-designated endowments by type of fund is as follows at June 30:

	<u>Without Donor Restrictions</u>	
	<u>2021</u>	<u>2020</u>
Board-designated endowment funds:		
Community funds	\$ 4,938,928	\$ 4,016,921
Designated intent funds	22,611,041	17,512,389
Field of interest funds	2,394,864	1,908,888
Scholarship funds	10,674,827	6,375,057
Oklahoma Initiative fund	1,799,706	1,495,202
	<u>\$ 42,419,366</u>	<u>\$ 31,308,457</u>

Changes in board-designated endowment net assets are as follows at June 30:

	<u>Without Donor Restrictions</u>	
	<u>2021</u>	<u>2020</u>
Board-designated endowment net assets, beginning of year	\$ 31,308,457	\$ 30,418,078
Investment return:		
Interest and dividends	630,750	690,664
Royalty income	30,207	29,308
Net investment gains (losses)	8,710,416	(183,868)
	<u>9,371,373</u>	<u>536,104</u>
Contributions	3,827,171	2,076,973
Appropriations for expenditures	(1,649,651)	(1,369,136)
Administrative fees	(437,984)	(353,562)
	<u>\$ 42,419,366</u>	<u>\$ 31,308,457</u>

Return objectives and risk parameters, strategies employed for achieving objectives, and spending policy and how the investment objectives relate to spending policy:

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve these objectives. Generally, the Foundation follows a spending policy of 5% of total assets calculated over the eight most recent quarters, which based on the expected rate of return is designed to ensure preservation of capital. The investment policy establishes a long-term return objective through diversification of asset classes.

To achieve its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). 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 parameters.

Note 8 – Fair Value Measurements

ASC Topic 820, *Fair Value Measurements*, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The inputs to the three levels of the fair value hierarchy under ASC Topic 820 are described as follows:

- Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from, or corroborated by, observable market data by correlation to other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. During the years ended June 30, 2021 and 2020, there were no transfers of financial instruments into or out of Level 3.

Financial assets and liabilities carried at fair value on a recurring basis include investments and the liability for agency transfers. The Foundation has no assets or liabilities carried at fair value on a nonrecurring basis at June 30, 2021 or 2020.

Following is a description of the valuation methodologies used for assets measured at fair value:

Cash equivalent funds, certificates of deposit and mutual funds – Stated at fair value based on quoted market prices and accordingly are classified as Level 1 in the fair value hierarchy.

Mortgage-backed securities – Valued using observable Level 2 inputs under the market approach including quoted prices for similar assets in active markets, quoted prices for identical or similar

assets in markets where there is not sufficient activity, and/or where price quotations vary substantially either over time or among market makers, or in which little information is released publicly. Mid-market pricing or other pricing conventions may be used for fair value measurements within a bid-ask spread. Observable Level 2 inputs under the income or market approach include commonly quoted interest rates, yield curves, volatilities, prepayment spreads, loss severities, credit risks and/or default rates.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets that are measured at fair value on a recurring basis at June 30:

	2021			
	Level 1	Level 2	Level 3	Total
Cash equivalent funds	\$ 1,201,563	\$ -	\$ -	\$ 1,201,563
Certificates of deposit	45,000	-	-	45,000
Mutual funds:				
Equities	84,566,683	-	-	84,566,683
Fixed income	52,025,633	-	-	52,025,633
Mortgage-backed securities	-	15,984	-	15,984
Total investments at fair value	\$ 137,838,879	\$ 15,984	\$ -	\$ 137,854,863
	2020			
	Level 1	Level 2	Level 3	Total
Cash equivalent funds	\$ 1,889,509	\$ -	\$ -	\$ 1,889,509
Mutual funds:				
Equities	60,594,439	-	-	60,594,439
Fixed income	43,272,963	-	-	43,272,963
Mortgage-backed securities	-	21,187	-	21,187
Total investments at fair value	\$ 105,756,911	\$ 21,187	\$ -	\$ 105,778,098

Agency transfers of \$48,381,976 and \$38,158,261 at June 30, 2021 and 2020, respectively, include funds held by the Foundation on behalf of others (see Note 5). The Foundation determines fair value of these liabilities on the basis of the fair value of the underlying investments and are classified as Level 2 in the fair value hierarchy.

Note 9 – Liquidity and Availability of Funds

The Foundation structures its financial assets to be available as obligations come due. As part of its liquidity management the Foundation uses a sweep account to invest cash in excess of daily requirements. The Foundation's financial assets available for general expenditure, that is, without donor or other

restrictions limiting their use, within one year of the statement of financial position date, are as follows at June 30:

	2021	2020
Cash and cash equivalents	\$ 16,316,951	\$ 4,512,168
Contributions receivable	1,463,784	1,640,901
Investments	137,854,863	105,778,098
Total financial assets as of year-end	155,635,598	111,931,167
Less:		
Amounts unavailable for general expenditures within one year due to:		
Contributions receivable after one year	(863,624)	(1,078,254)
Board-designated endowment funds	(42,419,366)	(31,308,457)
Agency transfers	(48,381,976)	(38,158,261)
Add:		
Appropriation from board-designated endowment funds for general expenditure within the next 12 months	2,120,968	1,565,423
Total financial assets available to management for general expenditures within one year	\$ 66,091,600	\$ 42,951,618

The Foundation's board-designated endowments are subject to an annual spending rate, which was 5% for the years ended June 30, 2021 and 2020. Although the Foundation does not intend to spend from these board-designated endowments, other than the amounts appropriated per the spending policy, these amounts could be made available, if necessary, upon approval of the Board.

Note 10 – Payroll Protection Program

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted in response to the COVID-19 pandemic. On April 10, 2020, the Foundation received loan proceeds in the amount of \$90,201 under the Small Business Administration's Payroll Protection Program (PPP), which was established as part of the CARES Act.

The Foundation's PPP loan initially required monthly payments of approximately \$5,051 beginning in November 2020, had an interest rate of 1%, and would mature in April 2022 if not forgiven. However, the Paycheck Protection Flexibility Act of 2020 was enacted on June 5, 2020, allowing for the deferment of PPP loan repayments until the later of (1) the SBA remits the loan forgiveness amount to the financial institution, or (2) a determination is made that no forgiveness is allowed.

On March 4, 2021, the Foundation received notice that its application for loan forgiveness was approved by the SBA, and the SBA had remitted payment to the financial institution for full loan forgiveness. The Foundation has recorded the forgiveness of this loan as a gain on the extinguishment from debt in the accompanying statements of activities.

Note 11 – Operating Leases

During the year ended June 30, 2019, the Foundation began leasing office space and equipment under noncancelable operating leases that expire at various dates through 2024. For the years ended June 30, 2021 and 2020, lease expense under these leases was approximately \$167,000 and \$91,000, respectively.

Future minimum lease payments under the terms of the leases are as follows.

Year ending June 30,	Amount
2022	\$ 148,116
2023	81,549
2024	<u>74,753</u>
	<u>\$ 304,418</u>

Note 12 – Analysis of Expenses by Function and Nature

The Foundation allocates costs between grants and program services, management and general and fundraising based on management's evaluation of the resources expended in the related activities. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation. The financial statements report certain categories of expense that are attributable to more than one function, including salaries and wages and management fees, which are allocated based on estimates of time and effort. Other expenses are allocated based on an estimate of usage. The tables below presents expenses by both nature and function for the years ended June 30:

2021	Grants and Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries, wages, and benefits	\$ 3,785,585	\$ 87,888	\$ 10,039	\$ 3,883,512
Grants	60,630,080	-	-	60,630,080
Scholarship	744,855	-	-	744,855
Oklahoma Educational Technology Trust program expense	2,908	-	-	2,908
Legal services	126	34	-	160
Technology	41,629	13,944	-	55,573
Audit and tax preparation	-	28,937	-	28,937
Office	93,456	35,934	-	129,390
Marketing and advertising	1,041	-	179	1,220
Conferences	-	1,605	-	1,605
Dues and publications	7,274	1,186	-	8,460
Insurance	18,190	4,736	-	22,926
Outside consulting	75,545	11,988	-	87,533
Staff development	4,033	869	-	4,902
Travel	971	-	-	971

2021	Grants and Program Services	Supporting Services		Total
		Management and General	Fundraising	
Business entertainment	-	497	-	497
Depreciation	20,267	844	-	21,111
Total expenses	\$ 65,425,960	\$ 188,462	\$ 10,218	\$ 65,624,640

2020	Grants and Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and wages	\$ 324,152	\$ 195,795	\$ 9,962	\$ 529,909
Grants	7,797,859	-	-	7,797,859
Scholarship	835,236	-	-	835,236
Oklahoma Educational Technology Trust program expense	1,517	-	-	1,517
Legal services	-	520	-	520
Technology	-	47,288	-	47,288
Audit and tax preparation	-	27,118	-	27,118
Office	-	117,507	-	117,507
Marketing and advertising	-	-	9,879	9,879
Conferences	-	1,567	-	1,567
Dues and publications	-	7,945	-	7,945
Meeting	-	823	-	823
Insurance	-	23,345	-	23,345
Outside consulting	67,000	40,751	-	107,751
Staff development	-	3,344	-	3,344
Travel	9,511	-	-	9,511
Business entertainment	-	4,611	-	4,611
Depreciation	-	15,299	-	15,299
Total expenses	\$ 9,035,275	\$ 485,913	\$ 19,841	\$ 9,541,029