COMMUNITIES FOUNDATION OF OKLAHOMA

FINANCIAL STATEMENTS

JUNE 30, 2019 and 2018

WITH

INDEPENDENT AUDITOR'S REPORT

HoganTaylor LLP
CPAs + ADVISORS

CONTENTS

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, 2019 and 2018, and 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2019 and 2018, and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2019, the Foundation adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* Our opinion is not modified with respect to this matter.

Hogan Taylor LLP

Oklahoma City, Oklahoma
October 11, 2019

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 4,171,325	$ 4,715,800
Contributions receivable, net	1,762,760	1,725,423
Investments	102,354,390	96,359,635
Real estate and mineral interests	514,304	502,743
Property and equipment	31,131	-
Total assets	$ 108,833,910	$ 103,303,601
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 51,785	$ 94,732
Grants payable, net	3,566,678	3,547,833
Agency transfers	35,268,059	32,487,379
Total liabilities	38,886,522	36,129,944
Net assets - without donor restrictions	69,947,388	67,173,657
Total liabilities and net assets	$ 108,833,910	$ 103,303,601

See notes to financial statements.

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

STATEMENTS OF ACTIVITIES

Years ended June 30, 2019 and 2018

	2019	2018
Revenues, Gains and Other Support		
Contributions	$ 7,003,606	$ 7,736,811
Net investment return	3,457,622	3,788,003
Administrative fee income	767,202	966,596
Total revenues, gains and other support	11,228,430	12,491,410
Expenses		
Grants and program services	8,027,947	9,906,902
Supporting services:		
Management and general	383,927	295,871
Fundraising	42,825	57,015
Total expenses	8,454,699	10,259,788
Increase in net assets	2,773,731	2,231,622
Net assets - without donor restrictions, beginning of year	67,173,657	64,942,035
Net assets - without donor restrictions, end of year	$ 69,947,388	$ 67,173,657

See notes to financial statements.

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

STATEMENTS OF CASH FLOWS

Years ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	$ 2,773,731	$ 2,231,622
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized investment gains	(2,133,860)	(2,831,391)
Noncash contributions of stock and other investments	(1,014,899)	(2,424,676)
Proceeds from sale of noncash contributions of stock and other investments	1,014,899	-
Change in operating assets and liabilities:		
Contributions receivable	(37,337)	258,275
Accounts payable	(42,947)	(2,149)
Grants payable	18,845	(227,365)
Agency transfers	1,579,851	(1,314,705)
Net cash provided by (used) in operating activities	2,158,283	(4,310,389)
Cash Flows from Investing Activities		
Proceeds from sale of investment securities	4,315,569	9,027,525
Purchases of investment securities	(6,987,196)	(3,927,144)
Purchases of property and equipment	(31,131)	-
Net cash provided by investing activities	(2,702,758)	5,100,381
Net increase (decrease) in cash and cash equivalents	(544,475)	789,992
Cash and cash equivalents, beginning of year	4,715,800	3,925,808
Cash and cash equivalents, end of year	$ 4,171,325	$ 4,715,800

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. On December 15, 2001, the Foundation entered into an agreement with Foundation Management, Inc. (FMI) for management services, which was renewed on an annual basis until December 31, 2018, when the agreement was terminated. Beginning January 1, 2019, the Foundation began managing daily operations internally.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting and presentation

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).

Generally, NPO financial statements report information regarding financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. 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 Foundation's Board of Directors (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 all net assets as without donor restrictions.

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.

Contributions

Contributions, including unconditional promises to give, are recorded as revenue without donor restrictions when received. It is the expressed intention of the Foundation to honor the designations of donors; however, the Foundation reserves the right to exercise final control over all funds.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. 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. The allowance was $0 and $29,318 at June 30, 2019 and 2018, respectively.

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 year ended June 30, 2019, the Foundation received donated securities with a fair value of $1,014,899, which were liquidated and invested. During the year ended June 30, 2018, the Foundation received donated securities with a fair value of $2,424,676. Because these donated securities were permitted by the Foundation's investment policy, they were immediately 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, 2019 and 2018. In 2019, 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. Nonmarketable investments for which observable market prices in active markets do not exist are reported at fair value based on net asset values provided by the investment managers. Substantially all investments are held under a master custodial arrangement by a bank trust department.

Net investment return is reported in the statement 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 11 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. 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 State 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 August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,* which provides more relevant information about available resources (and the changes in those resources) to donors, grantors, creditors, and other users. The most significant aspects of the standard are as follows: the standard (1) replaced the previous presentation of three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two classes of net assets – net assets with donor restrictions and net assets without donor restrictions; (2) expanded the disclosures about the nature and amount of any donor restrictions, board designations of net assets without donor restrictions as well as any underwater endowment funds; (3) required expenses to be presented by nature and function, as well as an analysis of the allocation of these expenses; (4) required specific quantitative and qualitative disclosures to improve the ability of financial statement users to assess the entity's available financial resources and the methods by which it manages liquidity and liquidity risk; and (5) the standard required investment returns to be presented net of external and direct internal investment expenses. The Foundation adopted the provisions of this standard as of and for the year ended June 30, 2019, with retrospective application for the 2018 financial statements. As a result, the Foundation changed its presentation of its net asset classes and expanded the footnote disclosure required by the standard.

New accounting pronouncements not yet adopted

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The update provides guidance concerning the recognition and measurement of revenue from contracts with customers. Its objective is to increase the usefulness of information in the financial statements regarding the nature, timing and uncertainty of revenues. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. As deferred by ASU 2015-14, the update is effective for the Foundation for the year ending June 30, 2020. The standard permits the use of either the retrospective or cumulative effect transition method. The Foundation will be evaluating the impact this standard will have on its financial statements and related disclosures; however, the Foundation will apply the guidance using the cumulative effect transition method. The cumulative effect (if any) of applying the standard will be accounted for as an adjustment to the opening balance of net assets at the date of initial application.

In June 2018, FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It will also provide a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed conditions from a donor-imposed restrictions. The ASU will be effective for the Foundation for its fiscal year ending June 30, 2020. The Foundation is currently evaluating the effects that this guidance will have on its financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU No. 2018-13 is effective for the Foundation for its fiscal year ending June 30, 2020. The Foundation is currently evaluating the impact of this new standard on its financial statements.

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 balance sheet, ASU No. 2016-02 will require both operating and finance leases to be recognized on the balance sheet. 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. ASU No. 2016-02 is effective for years beginning after December 15, 2019, with early adoption permitted. Upon adoption in the year ending June 30, 2021, unless deferred one year by FASB, 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.

<u>Reclassifications</u>

Certain reclassifications have been made to the 2018 financial statements to conform with the 2019 presentation. These reclassifications had no impact on the previously reported change in net assets.

<u>Subsequent events</u>

The Foundation has evaluated subsequent events through October 11, 2019, which is the date the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.

Note 3 – Contributions Receivable

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

	2019	2018
Less than one year	$ 367,989	$ 428,721
One to five years, net of discount of $26,830 and $46,254, respectively	1,394,771	1,326,020
	1,762,760	1,754,741
Allowance	-	(29,318)
Contributions receivable, net	$ 1,762,760	$ 1,725,423

Unconditional promises to give due in more than one year are discounted using an estimated risk-free rate at June 30, 2019 and 2018.

Note 4 – Investments

Investments consisted of the following at June 30:

	2019	2018
Cash equivalent funds	$ 574,950	$ 578,773
Mutual funds:		
Equities	59,282,411	55,556,498
Fixed income	42,471,138	40,190,148
Government agency bonds	-	1,021
Mortgage-backed securities	25,891	33,195
Investments	$ 102,354,390	$ 96,359,635

Note 5 – Grants Payable

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

	2019	2018
Less than one year	$ 1,388,895	$ 1,352,396
One to five years, net of discount of $61,690 and $103,163, respectively	2,177,783	2,195,437
Grants payable, net	$ 3,566,678	$ 3,547,833

Grants payable due in more than one year are discounted using an estimated risk-free rate at June 30, 2019 and 2018.

Note 6 – 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, 2019 and 2018, related to these assets has been reclassified from the statements of activities to a liability on the statements of financial position.

Note 7 – Related Party Transactions

The Foundation had investments of $99,827,260 and $93,780,241 at June 30, 2019 and 2018, respectively, that were managed by a local bank. The Foundation also had cash and cash equivalents of $4,171,325 and $4,715,800 at June 30, 2019 and 2018, 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 $308,000 and $368,000 for the years ended June 30, 2019 and 2018, respectively.

Note 8 – 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 the 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:

	Without Donor Restrictions	
	2019	2018
Board-designated endowment funds:		
Community funds	$ 4,223,666	$ 4,154,098
Designated intent funds	16,201,833	15,401,052
Field of interest funds	2,003,385	1,995,488
Scholarship funds	6,513,450	6,336,120
Oklahoma Initiative fund	1,475,744	1,394,909
Total board-designated endowment funds	$ 30,418,078	$ 29,281,667

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

	Without Donor Restrictions	
	2019	2018
Board-designated endowment net assets, beginning of year	$ 29,281,667	$ 25,191,140
Investment return:		
Interest and dividends	671,963	519,535
Royalty income	43,503	45,145
Net investment gains	909,924	1,313,043
	1,625,390	1,877,723
Contributions	1,076,532	3,569,629
Appropriations for expenditures	(1,221,864)	(1,051,714)
Administrative fees	(343,647)	(305,111)
Board-designated endowment net assets, end of year	$ 30,418,078	$ 29,281,667

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 polices 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 9 – 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, 2019 and 2018, 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, 2019 or 2018.

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

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

Mutual funds – Valued at quoted market prices and accordingly are classified as Level 1 in the fair value hierarchy

Government agency bonds and 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:

	2019			
	Level 1	Level 2	Level 3	Total
Cash equivalent funds	$ 574,950	$ -	$ -	$ 574,950
Mutual funds:				
Equities	59,282,411	-	-	59,282,411
Fixed income	42,471,138	-	-	42,471,138
Mortgage-backed securities	-	25,891	-	25,891
Total investments at fair value	$ 102,328,499	$ 25,891	$ -	$ 102,354,390

	2018			
	Level 1	Level 2	Level 3	Total
Cash equivalent funds	$ 578,773	$ -	$ -	$ 578,773
Mutual funds:				
Equities	55,556,498	-	-	55,556,498
Fixed income	40,190,148	-	-	40,190,148
Government agency bonds	-	1,021	-	1,021
Mortgage-backed securities	-	33,195	-	33,195
Total investments at fair value	$ 96,325,419	$ 34,216	$ -	$ 96,359,635

Agency transfers of $35,268,059 and $32,487,379 at June 30, 2019 and 2018, respectively, include funds held by the Foundation on behalf of others (see Note 6). The Foundation determines fair value of these liabilities on the basis of the fair value of the underlying investments.

Note 10 – 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:

	2019	2018
Cash and cash equivalents	$ 4,171,325	$ 4,715,800
Contributions receivables	1,762,760	1,725,423
Investments	102,354,390	96,359,635
Total financial assets as of year-end	108,288,475	102,800,858
Less:		
Amounts unavailable for general expenditures within one year due to:		
Contributions receivable after one year	(1,394,771)	(1,326,020)
Board-designated endowment funds	(30,418,078)	(29,281,667)
Agency transfers	(35,268,059)	(32,487,379)
Add:		
Appropriation from board-designated endowment funds for general expenditure within the next 12 months	1,520,904	1,464,083
Total financial assets available to management for general expenditures within one year	$ 42,728,471	$ 41,169,875

The Foundation's board-designated endowments are subject to an annual spending rate, which was 5% for the years ended June 30, 2019 and 2018. 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 11 – 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.

The table below presents expenses by both nature and function for the years ended June 30:

2019	Grants and Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total
Salaries and wages	$ 154,002	$ 89,988	$ 4,710	$ 248,700
Grants	6,349,948	-	-	6,349,948
Scholarship	1,030,243	-	-	1,030,243
FMI management fee	475,732	126,862	31,715	634,309
Legal services	-	1,165	-	1,165
Technology	-	42,897	-	42,897
Audit and tax preparation	-	27,428	-	27,428
Office	-	23,287	-	23,287
Marketing and advertising	-	-	6,400	6,400
Conferences	-	4,015	-	4,015
Dues and publications	-	6,750	-	6,750
Meeting	-	1,194	-	1,194
Insurance	-	20,376	-	20,376
Outside consulting	15,000	37,011	-	52,011
Staff development	-	1,414	-	1,414
Travel	3,022	-	-	3,022
Business entertainment	-	1,540	-	1,540
Total expenses	$ 8,027,947	$ 383,927	$ 42,825	$ 8,454,699

2018	Grants and Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total
Grants	$ 8,106,285	$ -	$ -	$ 8,106,285
Interfund grant	56,665	-	-	56,665
Scholarship	902,503	-	-	902,503
FMI management fee	841,449	224,386	56,097	1,121,932
Legal services	-	3,052	-	3,052
Technology	-	24,160	-	24,160
Audit and tax preparation	-	23,701	-	23,701
Office	-	388	-	388
Promotional	-	-	918	918
Conferences	-	882	-	882
Dues and publications	-	365	-	365
Meeting	-	1,032	-	1,032
Insurance	-	17,905	-	17,905
Total expenses	$ 9,906,902	$ 295,871	$ 57,015	$ 10,259,788

Note 12 – Commitments

On December 18, 2001, the Foundation entered into an agreement with Oklahoma Education Technology Trust (the Trust) to coordinate the ongoing activities of the Trust and manage the process of soliciting and evaluating grant requests for the Trust. The agreement has been renewed annually on a rolling three-year basis, with provisions for earlier termination by either party. The Foundation is paid an annual fee by the

Trust for services provided, which is calculated and charged monthly and is based on the fair value of Trust assets. The monthly management fee is equal to the product of 0.60% of the aggregate market value of the assets. For the purpose of calculating the fee for services, a minimum fair value of Trust assets had been imputed, which results in a minimum fee of $180,000. Fees for services received under this agreement were $221,252 and $225,817 for the years ended June 30, 2019 and 2018, respectively.

On January 14, 2008, the Foundation entered into an agreement with the City of Muskogee Foundation Ind. (Muskogee Foundation) to hold, invest, manage and administer Muskogee Foundation. The agreement was automatically renewed annually, until it was terminated on December 31, 2018. The Foundation was paid an annual fee by Muskogee Foundation for services provided, which is calculated and charged monthly based on the fair value of Muskogee Foundation assets. The monthly management fee was equal to the product of 0.30% of aggregate market value of the assets. Fees for services received under this agreement were $212,954 and $440,105 for the years ended June 30, 2019 and 2018, respectively.

Note 13 – 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 year ended June 30, 2019, lease expense under these leases was approximately $10,000.

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

Year ending June 30,	Amount
2020	$ 84,057
2021	84,057
2022	83,639
2023	81,549
2024	74,753
	$ 408,055