



FINANCIAL STATEMENTS

JUNE 30, 2020 and 2019

WITH

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Foundation for Tulsa Schools

Report on the Financial Statements

We have audited the accompanying financial statements of The Foundation for Tulsa Schools, which comprise the statements of financial position as of June 30, 2020 and 2019, 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 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 for Tulsa Schools as of June 30, 2020 and 2019, and the 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.



Tulsa, Oklahoma
November 3, 2020

THE FOUNDATION FOR TULSA SCHOOLS

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash	\$ 7,344,549	\$ 5,344,043
Contributions receivable	2,407,765	709,117
Investments	1,373,675	1,315,945
Other assets	5,965	2,857
Beneficial interest in assets held by community foundation	9,464	9,564
	<u> </u>	<u> </u>
Total assets	<u>\$ 11,141,418</u>	<u>\$ 7,381,526</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 27,700	\$ 21,838
Note payable	36,000	-
Net assets:		
Without donor restrictions	1,883,343	1,645,307
With donor restrictions	9,194,375	5,714,381
	<u> </u>	<u> </u>
Total net assets	<u>11,077,718</u>	<u>7,359,688</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 11,141,418</u>	<u>\$ 7,381,526</u>

THE FOUNDATION FOR TULSA SCHOOLS

STATEMENT OF ACTIVITIES

Year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support			
Contributions	\$ 292,387	\$ 14,012,105	\$ 14,304,492
Special event revenue and related contributions	165,849	-	165,849
Interest and dividends	82,176	21,740	103,916
Net unrealized and realized investment gains	26,753	-	26,753
Net assets released from restriction	10,553,851	(10,553,851)	-
Total revenue, gains and other support	11,121,016	3,479,994	14,601,010
Expenses			
Program services:			
TPS Priorities and Strategies	7,453,361	-	7,453,361
Innovative Partners programs	2,386,728	-	2,386,728
TPS High School Redesign	557,105	-	557,105
Compensation and benefits	68,911	-	68,911
Total program services	10,466,105	-	10,466,105
Fundraising:			
Compensation and benefits	88,600	-	88,600
Other	89,090	-	89,090
Total fundraising	177,690	-	177,690
General and administrative:			
Compensation and benefits	137,351	-	137,351
Professional services	69,117	-	69,117
Other	32,717	-	32,717
Total general and administrative	239,185	-	239,185
Total expenses	10,882,980	-	10,882,980
Change in net assets	238,036	3,479,994	3,718,030
Net assets, beginning of year	1,645,307	5,714,381	7,359,688
Net assets, end of year	\$ 1,883,343	\$ 9,194,375	\$ 11,077,718

THE FOUNDATION FOR TULSA SCHOOLS

STATEMENT OF ACTIVITIES

Year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support			
Contributions	\$ 333,468	\$ 10,672,437	\$ 11,005,905
Special event revenue and related contributions	426,620	-	426,620
Less: costs of direct benefits to donors	(141,271)	-	(141,271)
Net revenue from special events	285,349	-	285,349
Interest and dividends	105,917	29,241	135,158
Net unrealized and realized investment gains	54,352	-	54,352
Net assets released from restriction	12,985,553	(12,985,553)	-
Total revenue, gains and other support	13,764,639	(2,283,875)	11,480,764
Expenses			
Program services:			
TPS Priorities and Strategies	8,376,436	-	8,376,436
Innovative Partners programs	3,528,800	-	3,528,800
TPS High School Redesign	1,050,430	-	1,050,430
Compensation and benefits	65,794	-	65,794
Total program services	13,021,460	-	13,021,460
Fundraising:			
Compensation and benefits	84,593	-	84,593
Other	51,535	-	51,535
Total fundraising	136,128	-	136,128
General and administrative:			
Compensation and benefits	126,587	-	126,587
Professional services	84,421	-	84,421
Other	53,344	-	53,344
Total general and administrative	264,352	-	264,352
Total expenses	13,421,940	-	13,421,940
Change in net assets	342,699	(2,283,875)	(1,941,176)
Net assets, beginning of year	1,302,608	7,998,256	9,300,864
Net assets, end of year	\$ 1,645,307	\$ 5,714,381	\$ 7,359,688

See notes to financial statements.

THE FOUNDATION FOR TULSA SCHOOLS

STATEMENTS OF CASH FLOWS

Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 3,718,030	\$ (1,941,176)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net unrealized and realized investment gains	(26,753)	(54,352)
Change in operating assets and liabilities:		
Contributions receivable	(1,698,648)	1,252,800
Other assets	(3,108)	(558)
Accounts payable and accrued liabilities	5,862	(3,460)
	<u>1,995,383</u>	<u>(746,746)</u>
Net cash provided by (used in) operating activities	1,995,383	(746,746)
Cash Flows from Investing Activities		
Purchase of investments	(449,437)	(382,961)
Proceeds from sales and maturities of investments	418,460	354,133
	<u>(30,977)</u>	<u>(28,828)</u>
Net cash used in investing activities	(30,977)	(28,828)
Cash Flows from Financing Activities		
Proceeds from note payable	36,000	-
	<u>36,000</u>	<u>-</u>
Net change in cash	2,000,406	(775,574)
Cash, beginning of year	5,344,043	6,119,617
	<u>5,344,043</u>	<u>6,119,617</u>
Cash, end of year	<u>\$ 7,344,449</u>	<u>\$ 5,344,043</u>

THE FOUNDATION FOR TULSA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 1 – Nature of Operations

The Foundation for Tulsa Schools (the Foundation) is a not-for-profit organization that was incorporated on March 29, 2001, under the laws of the state of Oklahoma. The Foundation's purpose is to enhance the educational programs of Independent School District No. 1 of Tulsa County, Oklahoma, (the School District or TPS) by providing a permanent entity through which contributions can be received and distributions made for the benefit of the School District and its students. The Foundation is committed to raising revenues to increase educational opportunities, enlisting community support and business assistance in providing educational resources and opportunities, and communicating the need for continued community involvement in the process and mission of providing a first-class public education.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation

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 (U.S. GAAP) and include the statements of financial position, statements of activities and cash flows of the Foundation.

Description of the two net asset categories and the types of transactions offsetting each category are as follows:

Without donor restrictions – Net assets not subject to donor-imposed restrictions that are available for use at the discretion of the 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, making them unavailable for use at management's discretion.

With donor restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Foundation or the passage of time. When a restriction has been fulfilled, net assets subject to donor-imposed restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Also included in this category are net assets whose use is limited by donor-imposed restrictions that require such resources be maintained in perpetuity and the related income utilized for operating or other donor-restricted purposes.

Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes.

Contributions

Contributions, including unconditional promises to give, are recorded when received. All contributions are available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions.

Conditional promises to give, which contain donor-imposed conditions that include one or more barriers that must be overcome as well as a right of return or release from the obligation, are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor. Transfers of assets under conditional promises, which are received by the Foundation prior to fulfilling these conditions, are recorded as a liability (i.e., refundable advance) until the conditions are substantially met or explicitly waived by the donor.

Contributions receivable

Contributions receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts and historical collection experience. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to contributions receivable. At June 30, 2020 and 2019, there was no allowance for uncollectible contributions receivable. All contributions receivable at June 30, 2020, are expected to be received within the next fiscal year, except for one receivable that will be made in four annual installments of \$64,200.

Investments

Investments, including investments restricted for endowment, are held under managerial agency agreements and include money market funds, fixed income securities and equity securities, which are carried at fair value based upon quoted market prices or dealer quotes. Net unrealized gains and losses, including investment expenses, are reported in the statement of activities. Interest and gains earned on investments are considered unrestricted as to their use, unless their use is restricted by donor stipulation.

Donated goods and services

The Foundation recognizes the fair value of substantive donated goods and services that either create or enhance a nonfinancial asset or require specialized skills that would need to be purchased if they were not donated.

Volunteers from the community donate a significant amount of time to the Foundation's programs and fundraising campaigns. The value of this time is not reflected in the accompanying financial statements as it does not meet the criteria for recognition.

Functional allocation of expenses

The statements of activities present expenses by natural and functional classifications. Compensation and benefit expenses are allocated between program, fundraising or administrative expenses based on the estimated time spent for each function.

Income taxes

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and has been determined not to be a private foundation. As a result, the Foundation will not be subject to income tax as long as it maintains its tax exemption.

Recently adopted accounting pronouncements

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or

services to customers. The update replaced most existing revenue recognition guidance in U.S. GAAP and permits the use of either a full retrospective or modified retrospective with cumulative effect transition method. The topic of contributions to not-for-profit entities is not included in this update. The Foundation implemented this standard effective July 1, 2019, using the modified retrospective method. The Foundation's exchange transactions are not material to the financial statements, and as such, the adoptions of the ASU resulted in no impact to the Foundation's financial statements.

In 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The contributions standard aims to assist entities in evaluating whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional. The Foundation adopted the provisions of this new standard on July 1, 2019. The adoption of this standard had no material effect on the Foundation's financial statements but did result in changes to the disclosure about conditional contributions in Note 2.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the accounting period. Actual results could differ from those estimates.

Concentrations and risks

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist primarily of cash, contributions receivable and investments.

The Foundation maintains its cash in accounts which may, at times, exceed federally insured amounts. However, it has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Foundation received contributions from two donors that accounted for approximately 80% and three donors that accounted for approximately 74% of the Foundation's total revenue during the years ended June 30, 2020 and 2019, respectively. Approximately 99% and 94% of contributions receivable consisted of two donors as of June 30, 2020 and 2019, respectively.

The Foundation's investments are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the statements of activities. Significant fluctuations in fair values could occur from year-to-year, and the amounts the Foundation will ultimately realize could differ materially.

Subsequent events

Management has evaluated subsequent events through November 3, 2020, the date the financial statements were available to be issued.

Note 3 – Liquidity and Availability of Financial Assets

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Foundation seeks to raise all funds needed for its operations in each fiscal year. In addition to funds raised annually, the Foundation seeks to maintain an amount of funds to cover operating expenses exclusive of program

expenses. The Foundation holds these funds in its operating and investments accounts. The Foundation also maintains a board-designated fund that is not currently available for general expenditure. The board-designated fund can be made available for general expenditure upon approval of the Board.

Financial assets available for general expenditure, that is without donor or other restriction limiting their use, within one year of June 30, comprise the following:

	2020	2019
Financial assets at year-end:		
Cash	\$ 7,344,549	\$ 5,344,043
Contributions receivable	2,407,765	709,117
Investments and beneficial interest	1,383,139	1,325,509
	<hr/>	<hr/>
Total financial assets	11,135,453	7,378,669
Less amounts not available for general expenditures within one year:		
Subject to appropriation or satisfaction of donor-purpose restrictions	(9,150,693)	(5,654,032)
Board-designated financial assets	(316,637)	-
Perpetual endowment	(27,015)	(27,015)
	<hr/>	<hr/>
Total financial assets available to management for general expenditures within one year	<u>\$ 1,641,108</u>	<u>\$ 1,697,622</u>

Note 4 – Investments

Investments consist of the following at June 30:

	2020	2019
Fixed income securities	\$ 615,495	\$ 631,150
Equity securities	693,792	661,472
Money market	64,388	23,323
	<hr/>	<hr/>
	<u>\$ 1,373,675</u>	<u>\$ 1,315,945</u>

Note 5 – Beneficial Interest in Assets Held by Community Foundation

The Foundation is the beneficiary of certain endowment funds at the Tulsa Community Foundation (TCF). TCF is a not-for-profit entity that provides for endowed contributions to be pooled to maximize return on investments for the benefit of area not-for-profit organizations. Contributions to the endowment funds are permitted by not-for-profit entities, as well as individual donors in the community who designate the Foundation as the beneficiary of their contributions. The Foundation made no contributions to TCF for the years ended June 30, 2020 or 2019. Earnings on these endowed funds are distributed in accordance with the terms of the endowment, TCF's spending policies and upon the Foundation's direction to TCF.

Endowed funds contributed by the Foundation and the reinvested earnings thereon, net of distributions received, are reflected in the statements of financial position as beneficial interest in assets held by community foundation. The fair value of endowed funds contributed by third-party donors that are held by TCF designated for the benefit of the Foundation was \$17,707 and \$17,197 at June 30, 2020 and 2019, respectively. TCF has variance power over contributions it has received from third parties on behalf of the Foundation. Accordingly, such endowed funds are not reflected in the Foundation's statements of financial position.

Note 6 – Fair Value Measurements

The FASB Accounting Standards Codification establishes a consistent framework for measuring the fair value and fair value hierarchy based on the observability 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 assets or liabilities. |
| Level 2 | Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. |
| Level 3 | Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. |

The asset or liability's 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. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at June 30, 2020 or 2019. During the years ended June 30, 2020 and 2019, there were no transfers of financial instruments between Level 1 and Level 2 or transfers into or out of Level 3. The following is a description of the valuation methodologies used for assets measured at fair value:

The fair value of investments in money market funds and equity securities are based upon quoted market prices for identical assets and are classified within Level 1.

Fixed income securities (including government and agency securities) are valued by the asset custodian who uses independent pricing services or by dealers who make markets in such securities. Pricing services consider yield or price of bonds of comparable quality, coupon, maturity and type as well as available dealer supplied prices. Certain securities may be valued by a single source or dealer. Fixed income securities are classified within Level 2.

Beneficial interest in assets held by community foundation is measured at fair value using Level 2 inputs. Since TCF maintains variance power for the beneficial interests held, there is no potential market for the beneficial interests or similar assets. Consequently, the valuation is determined by aggregating the valuation of the underlying investments of the beneficial interest. The underlying investments include cash equivalents, corporate obligations, equity securities and other investments. The fair values of the underlying investments are based on quoted prices from active and inactive markets.

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:

	2020		
	Level 1	Level 2	Total
Fixed income securities	\$ -	\$ 615,495	\$ 615,495
Equity securities	693,792	-	693,792
Money market	64,388	-	64,388
Total investments	758,180	615,495	1,373,675
Beneficial interest in assets held by community foundation	-	9,464	9,464
	<u>\$ 758,180</u>	<u>\$ 624,959</u>	<u>\$ 1,383,139</u>
	2019		
	Level 1	Level 2	Total
Fixed income securities	\$ -	\$ 631,150	\$ 631,150
Equity securities	661,472	-	661,472
Money market	23,323	-	23,323
Total investments	684,795	631,150	1,315,945
Beneficial interest in assets held by community foundation	-	9,564	9,564
	<u>\$ 684,795</u>	<u>\$ 640,714</u>	<u>\$ 1,325,509</u>

Note 7 – Note Payable

On April 10, 2020, the Foundation executed a \$36,000 loan payable with a financial institution under the Small Business Administration's Paycheck Protection Program. The loan bears interest at 1.00 percent. Monthly payments of accrued interest are due beginning November 10, 2020, and repayment of the principal loan balance and all remaining unpaid accrued interest is due on April 10, 2022. Management expects the loan and all interest will be forgiven during the year ended June 30, 2021. Loan forgiveness from the Small Business Administration is contingent upon meeting the conditions of the Paycheck Protection Program.

Note 8 – Net Assets

Net assets without donor restrictions include \$316,637 of board-designated financial assets as of June 30, 2020. There were no board-designated financial assets as of June 30, 2019.

Net assets with donor restrictions at June 30, are as follows:

	2020	2019
Restricted for purpose:		
Early Childhood Development Initiative	\$ 4,670,663	\$ 322,507
TPS Priorities and Strategies	1,596,849	2,440,640
Innovative Partners programs	1,757,390	1,591,531
TPS High School Redesign	1,125,791	1,299,354
	<hr/>	<hr/>
Total funds restricted for purpose	9,150,693	5,654,032
Restricted for use in future period (time restricted)	16,667	33,334
Endowment funds held in perpetuity	27,015	27,015
	<hr/>	<hr/>
Total net assets with donor restrictions	<u>\$ 9,194,375</u>	<u>\$ 5,714,381</u>

Note 9 – Uncertainties

As a result of the spread of the SARS-COV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively impact the financial position, results of operations, and cash flows of the Foundation. It is possible that changes in the values of investment securities will occur in the near term and that such changes could affect the Foundation's investments. In addition, the impact to the financial markets and donors' operations could impact the donors' ability to make future contributions. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.