



FINANCIAL STATEMENTS

JUNE 30, 2023 and 2022

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 Audit of the Financial Statements

Opinion

We have audited the financial statements of The Foundation for Tulsa Schools (the Foundation), which comprise the statements of financial position as of June 30, 2023 and 2022, the statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

A handwritten signature in black ink that reads "Hogan Taylor LP". The signature is written in a cursive, flowing style.

Tulsa, Oklahoma
January 2, 2024

THE FOUNDATION FOR TULSA SCHOOLS

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash	\$ 6,364,363	\$ 9,360,558
Contributions receivable, net	4,215,844	2,504,450
Investments	1,902,745	1,520,971
Other assets	6,342	6,438
Beneficial interest in assets held by community foundation	14,644	13,343
	<hr/>	<hr/>
Total assets	<u>\$ 12,503,938</u>	<u>\$ 13,405,760</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 47,972	\$ 81,541
Net assets:		
Without donor restrictions	2,125,274	2,225,279
With donor restrictions	10,330,692	11,098,940
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Total net assets	<u>12,455,966</u>	<u>13,324,219</u>
Total liabilities and net assets	<u>\$ 12,503,938</u>	<u>\$ 13,405,760</u>

THE FOUNDATION FOR TULSA SCHOOLS

STATEMENT OF ACTIVITIES

Year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support			
Contributions	\$ 610,529	\$ 4,431,089	\$ 5,041,618
Other revenues	2,905	-	2,905
Net investment returns	255,691	9,369	265,060
Net assets released from restriction	5,208,706	(5,208,706)	-
Total revenue, gains and other support	6,077,831	(768,248)	5,309,583
Expenses			
Program services:			
TPS Priorities and Strategies	2,089,585	-	2,089,585
Innovative Partners programs	3,442,065	-	3,442,065
TPS High School Redesign	10,836	-	10,836
Compensation and benefits	78,842	-	78,842
Total program services	5,621,328	-	5,621,328
Fundraising:			
Compensation and benefits	150,060	-	150,060
Other	122,601	-	122,601
Total fundraising	272,661	-	272,661
General and administrative:			
Compensation and benefits	121,838	-	121,838
Professional services	94,309	-	94,309
Other	67,700	-	67,700
Total general and administrative	283,847	-	283,847
Total expenses	6,177,836	-	6,177,836
Change in net assets	(100,005)	(768,248)	(868,253)
Net assets, beginning of year	2,225,279	11,098,940	13,324,219
Net assets, end of year	\$ 2,125,274	\$ 10,330,692	\$ 12,455,966

THE FOUNDATION FOR TULSA SCHOOLS

STATEMENT OF ACTIVITIES

Year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support			
Contributions	\$ 615,204	\$ 7,193,604	\$ 7,808,808
Other revenues	7,125	-	7,125
Net investment returns	(120,112)	160	(119,952)
Net assets released from restriction	7,192,011	(7,192,011)	-
Total revenue, gains and other support	7,694,228	1,753	7,695,981
Expenses			
Program services:			
TPS Priorities and Strategies	3,340,056	-	3,340,056
Innovative Partners programs	3,466,071	-	3,466,071
TPS High School Redesign	427,164	-	427,164
Compensation and benefits	95,270	-	95,270
Total program services	7,328,561	-	7,328,561
Fundraising:			
Compensation and benefits	165,951	-	165,951
Other	107,162	-	107,162
Total fundraising	273,113	-	273,113
General and administrative:			
Compensation and benefits	52,741	-	52,741
Professional services	77,396	-	77,396
Other	38,703	-	38,703
Total general and administrative	168,840	-	168,840
Total expenses	7,770,514	-	7,770,514
Change in net assets	(76,286)	1,753	(74,533)
Net assets, beginning of year	2,301,565	11,097,187	13,398,752
Net assets, end of year	\$ 2,225,279	\$ 11,098,940	\$ 13,324,219

THE FOUNDATION FOR TULSA SCHOOLS

STATEMENTS OF CASH FLOWS

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (868,253)	\$ (74,533)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net unrealized and realized investment (gains) losses	(55,253)	128,167
Depreciation	648	648
Change in operating assets and liabilities:		
Contributions receivable	(1,711,394)	2,943,309
Other assets	(552)	(361)
Accounts payable and accrued liabilities	(33,569)	78,050
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	(2,668,373)	3,075,280
Cash Flows from Investing Activities		
Purchase of investments	(1,192,178)	(452,221)
Proceeds from sales and maturities of investments	864,356	448,342
	<hr/>	<hr/>
Net cash used in investing activities	(327,822)	(3,879)
Net change in cash	(2,996,195)	3,071,401
Cash, beginning of year	9,360,558	6,289,157
	<hr/>	<hr/>
Cash, end of year	<u>\$ 6,364,363</u>	<u>\$ 9,360,558</u>

THE FOUNDATION FOR TULSA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

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 included in 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, 2023 and 2022, there was no allowance for uncollectible contributions receivable.

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.

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.

One and three donors accounted for approximately 63% and 70% of the Foundation's total revenue during the years ended June 30, 2023 and 2022, respectively. Two and one donors accounted for approximately 97% and 90% of the Foundation's contributions receivable at June 30, 2023 and 2022, 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.

Reclassifications

Certain items in the 2022 financial statements have been reclassified to conform with the 2023 financial statement presentation. These reclassifications had no impact on net assets or changes in net assets.

Subsequent events

Management has evaluated subsequent events through January 2, 2024, 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:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash	\$ 6,364,363	\$ 9,360,558
Contributions receivable, net	4,215,844	2,504,450
Investments and beneficial interest	1,917,389	1,534,314
Total financial assets	12,497,596	13,399,322

	2023	2022
Less amounts not available for general expenditures within one year:		
Subject to appropriation or satisfaction of donor-purpose restrictions	(10,035,564)	(11,071,925)
Board-designated financial assets	(190,785)	(316,952)
Perpetual endowment	(295,128)	(27,015)
Total financial assets available to management for general expenditures within one year	<u>\$ 1,976,119</u>	<u>\$ 1,983,430</u>

Note 4 – Contributions Receivable

Below is a summary of the expected periods of collection for outstanding contributions receivable as of June 30:

	2023	2022
In one year or less	\$ 3,408,321	\$ 934,200
Between one and five years	843,861	1,639,202
	4,252,182	2,573,402
Less: discount to reflect contributions receivable at present value	(36,338)	(68,952)
	<u>\$ 4,215,844</u>	<u>\$ 2,504,450</u>

Note 5 – Investments

Investments consist of the following at June 30:

	2023	2022
Fixed income securities	\$ 801,290	\$ 743,700
Equity securities	1,056,418	637,620
Money market	45,037	139,651
	<u>\$ 1,902,745</u>	<u>\$ 1,520,971</u>

Note 6 – Beneficial Interest in Assets Held by Community Foundation

The Foundation is the beneficiary of certain endowment funds held by 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, 2023 or 2022. 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 \$20,917 and \$19,058 at June 30, 2023 and 2022, 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 7 – Fair Value Measurements

The Financial Accounting Standards Board 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, 2023 or 2022. During the years ended June 30, 2023 and 2022, 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:

	2023		
	Level 1	Level 2	Total
Fixed income securities	\$ -	\$ 801,290	\$ 801,290
Equity securities	1,056,418	-	1,056,418
Money market	45,037	-	45,037
Total investments	1,101,455	801,290	1,902,745
Beneficial interest in assets held by community foundation	-	14,644	14,644
	<u>\$ 1,101,455</u>	<u>\$ 815,934</u>	<u>\$ 1,917,389</u>
	2022		
	Level 1	Level 2	Total
Fixed income securities	\$ -	\$ 743,700	\$ 743,700
Equity securities	637,620	-	637,620
Money market	139,651	-	139,651
Total investments	777,271	743,700	1,520,971
Beneficial interest in assets held by community foundation	-	13,343	13,343
	<u>\$ 777,271</u>	<u>\$ 757,043</u>	<u>\$ 1,534,314</u>

Note 8 – Net Assets

Net assets without donor restrictions include \$190,785 and \$293,434 of board-designated financial assets as of June 30, 2023 and 2022, respectively. Board designated net assets are earmarked for future projects.

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

	2023	2022
Restricted for purpose:		
Early Childhood Development Initiative	\$ 4,460,433	\$ 4,394,115
TPS Priorities and Strategies	-	1,495,155
Innovative Partners Programs	1,790,911	2,893,466
Parent Resource Center	620,210	-
TPS High School Redesign	99,675	110,511
Tulsa Teacher Corps	1,256,523	-
QT Cares Enrollment Initiative	1,807,812	2,178,678
Total funds restricted for purpose	10,035,564	11,071,925
Endowment funds held in perpetuity	295,128	27,015
Total net assets with donor restrictions	<u>\$ 10,330,692</u>	<u>\$ 11,098,940</u>

Note 9 – Endowment

The Foundation's endowment consists of a permanently restricted fund established by several donors. Net assets associated with endowment funds are classified and based on the existence or absence of donor-imposed restrictions. The Foundation has interpreted the Oklahoma Uniform Prudent Management of Institutional Funds Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2023 and 2022, there were no such stipulations. As a result of this interpretation, The Foundation classifies net assets with donor restrictions to be held in perpetuity as (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts donated to the endowment (including promises to give net of discount and allowance for doubtful accounts), and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument the time the accumulation is added. Earnings on the endowment are purpose restricted as defined by the donor. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and appreciation of investments
- Other resources of The Foundation
- The investment policies of The Foundation

Investment and spending policies

The Foundation has adopted investment and spending policies for the endowment that emphasizes long-term growth while achieving returns in excess of the rate of inflation. The Foundation's strategy is secondarily designed to generate investment returns as a supplemental source of revenue to support the Foundation's programs. Spending from these funds will commence upon determination by the Foundation that a sufficient level of funding exists to support the purposes of the funds. The Foundation may choose to make distributions of up to 5% of the market value annually. The amount to be distributed is based on the Foundation's prior year operating budget, adjusted for inflation, and on expected annual distributions.

Activity in The Foundation's long-term endowment investments are summarized as follows at June 30:

	With Donor Restrictions	
	2023	2022
Endowment net assets, beginning of year	\$ 27,015	\$ 27,015
Contributions	260,013	-
Investment return, net	8,100	-
Endowment fund net assets, end of year	<u>\$ 295,128</u>	<u>\$ 27,015</u>