

GF Communities
Foundation
of Oklahoma

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

JUNE 30, 2023 and 2022

WITH

INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Communities Foundation of Oklahoma, Inc. (the Foundation), which comprise the statements of financial position as of June 30, 2023 and 2022, the related 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 results of its operations 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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.

Other Matter

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2023, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



Oklahoma City, Oklahoma
October 30, 2023

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 38,276,296	\$ 39,347,436
Contributions receivable, net	1,786,946	1,920,840
Investments	155,219,196	125,647,538
Mineral interests	217,159	97,970
Property and equipment, net	49,838	56,857
Operating lease right-of-use asset	453,630	-
	<hr/>	<hr/>
Total assets	<u>\$ 196,003,065</u>	<u>\$ 167,070,641</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 32,517	\$ 15,750
Grants payable, net	4,000,369	11,747,530
Operating lease liability	453,630	-
Refundable advances	25,021,842	12,693,408
Agency transfers	52,276,387	42,897,763
	<hr/>	<hr/>
Total liabilities	81,784,745	67,354,451
Net assets - without donor restrictions	<u>114,218,320</u>	<u>99,716,190</u>
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 196,003,065</u>	<u>\$ 167,070,641</u>

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

STATEMENTS OF ACTIVITIES

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenues, Gains and Other Support		
Contributions	\$ 16,060,131	\$ 18,118,838
Federal grants	110,187,967	239,403,931
Net investment return (loss)	9,436,610	(9,398,055)
Administrative fee income	593,087	640,967
	<hr/>	<hr/>
Total revenues, gains and other support	136,277,795	248,765,681
Expenses		
Grants and program services	120,591,244	238,786,756
Supporting services:		
Management and general	1,114,307	724,153
Fundraising	70,114	80,171
	<hr/>	<hr/>
Total expenses	121,775,665	239,591,080
	<hr/>	<hr/>
Increase in net assets	14,502,130	9,174,601
Net assets - without donor restrictions, beginning of year	99,716,190	90,541,589
	<hr/>	<hr/>
Net assets - without donor restrictions, end of year	<u>\$ 114,218,320</u>	<u>\$ 99,716,190</u>

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

STATEMENTS OF CASH FLOWS

Years ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Increase in net assets	\$ 14,502,130	\$ 9,174,601
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	23,890	24,196
Net realized and unrealized investment (gains) losses	(5,678,520)	10,741,898
Noncash contributions of stock and other investments	(546,918)	(692,428)
Proceeds from sale of noncash contributions of stock and other investments	546,918	692,428
Change in operating assets and liabilities:		
Contributions receivable	133,894	(457,056)
Accounts payable	16,767	39,660
Grants payable	(7,747,161)	4,246,156
Refundable advances	12,328,434	3,300,494
Agency transfers	5,967,061	310,599
	19,546,495	27,380,548
Cash Flows from Investing Activities		
Proceeds from sale of investment securities	6,502,388	5,636,608
Purchases of investment securities	(27,103,152)	(9,965,993)
Purchases of property and equipment	(16,871)	(20,678)
	(20,617,635)	(4,350,063)
Net cash used in investing activities		
	(1,071,140)	23,030,485
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents, beginning of year	39,347,436	16,316,951
Cash and cash equivalents, end of year	\$ 38,276,296	\$ 39,347,436

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

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 funding totaling \$121.6 million and \$242.4 million for the Emergency Rental Assistance Program during the years ended June 30, 2023 and 2022, respectively.

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 management's discretion. The Foundation had board-designated endowment net assets of \$47,887,082 and \$39,841,967 as of June 30, 2023 and 2022, 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 Emergency Rental Assistance Program grants the Foundation received.

With donor restrictions – Net assets with donor restrictions are subject to grantor-imposed restrictions. 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, 2023 and 2022, 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.

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, 2023 and 2022, no allowance was recorded.

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.

Mineral interests

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.

Leases

The Foundation determines if an arrangement contains an operating or finance lease at its inception and recognizes right-of-use assets and lease liabilities at the commencement date based on the present value of lease payments over the lease terms.

The discount rate for a lease is the rate implicit in the lease or, if that rate cannot be readily determined, the risk-free discount rate. The Foundation has elected to combine lease and nonlease components to determine lease payments for any of its leases. The Foundation does not record leases with terms of 12 months or less on the statement of financial position but instead recognizes the lease payments as an expense on a straight-line basis over the term of the lease. The Foundation recognizes variable lease payments as expenses when incurred.

For operating leases, the expenses are generally recognized on a straight-line basis over the lease term.

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, 2023 and 2022, were \$25,021,842 and \$12,693,408, 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.

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, 2023 and 2022, the Foundation received donated securities with a fair value of \$546,918 and \$692,428, 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.

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.

Concentrations 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 one donor representing 76% of gross contributions receivable at June 30, 2023. One donor represented 71% of gross contributions receivable at June 30, 2022. In 2023, 35% of contributions revenue was received by two donors, while in 2022, 38% of contributions revenue was received by one donor. In 2023 and 2022, 88% and 99%, respectively, of grant revenue was received from one government agency.

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.

Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 presentation. These reclassifications had no impact on the previously reported change in net assets.

Recently adopted accounting standard

Effective July 1, 2022, the Foundation adopted the new lease accounting guidance in ASU No. 2016-02, *Leases (Topic 842)* Accounting Standards Codification (ASC) 842, which supersedes the guidance in ASC 840, *Leases*, and generally requires entities to recognize operating and financing lease liabilities and corresponding right-of-use assets on the statement of financial position. The Foundation used the modified retrospective transition method and elected to recognize the cumulative-effect adjustments as of July 1, 2022, the beginning of the adoption period.

The Foundation elected the following transition practical expedients: (a) no reassessment of whether contractual arrangements that expired prior to the adoption date are, or contain leases, (b) the

classification of existing capital leases as finance leases and existing operating leases as operating leases, (c) no redetermination of initial direct costs for leases that existed as of the adoption date, (d) application of hindsight in determining the lease term and impairment of right-of-use assets.

As a result of the adoption of the new lease accounting guidance, the Foundation recognized on July 1, 2022, an operating lease liability and right-of-use asset of \$524,790, which represents the present value of the remaining lease payments of \$564,047 discounted using the Foundation's risk-free rate of 2.14%.

Subsequent events

The Foundation has evaluated subsequent events through October 30, 2023, 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:

	<u>2023</u>	<u>2022</u>
Less than one year	\$ 569,434	\$ 1,020,655
One to five years, net of discount of \$16,681 and \$14,590, respectively	<u>1,217,512</u>	<u>900,185</u>
Contributions receivable, net	<u><u>\$ 1,786,946</u></u>	<u><u>\$ 1,920,840</u></u>

Unconditional promises to give due in more than one year are discounted using an estimated risk-free rate at June 30, 2023 and 2022. The estimated risk-free rate applied to each year averaged 0.5% and 1.8% at June 30, 2023 and 2022, respectively.

Note 4 – 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, 2023 and 2022, 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, 2023 or 2022.

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

Cash equivalent funds and certificates of deposit – Stated at fair value which approximates cost and accordingly are classified as Level 1 in the fair value hierarchy.

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:

	2023			
	Level 1	Level 2	Level 3	Total
Cash equivalent funds	\$ 11,816,638	\$ -	\$ -	\$ 11,816,638
Certificates of deposit	90,624	-	-	90,624
Mutual funds:				
Equities	85,644,617	-	-	85,644,617
Fixed income	57,659,969	-	-	57,659,969
Mortgage-backed securities	-	7,348	-	7,348
Total investments at fair value	\$ 155,211,848	\$ 7,348	\$ -	\$ 155,219,196
	2022			
	Level 1	Level 2	Level 3	Total
Cash equivalent funds	\$ 1,070,344	\$ -	\$ -	\$ 1,070,344
Certificates of deposit	90,000	-	-	90,000
Mutual funds:				
Equities	72,224,146	-	-	72,224,146
Fixed income	52,251,032	-	-	52,251,032
Mortgage-backed securities	-	12,016	-	12,016
Total investments at fair value	\$ 125,635,522	\$ 12,016	\$ -	\$ 125,647,538

Agency transfers of \$52,276,387 and \$42,897,763 at June 30, 2023 and 2022, 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 5 – Agency Transfers

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, 2023 and 2022, 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 – Leases

The Foundation leases office space under a long-term, noncancelable operating lease agreement. The term of the lease includes a renewal option that the Foundation is reasonably certain to exercise of five years. The Foundation has variable lease payments for common area maintenance costs on this lease.

Short-term leases

Short-term leases consist of certain office space and equipment that are for terms of 12 months or less. Short-term lease costs for the year ended June 30, 2023, do not reflect the lessee's short-term lease commitments for the ensuing year.

The Foundation's lease costs and other information are as follows for the year ended June 30, 2023:

Lease cost:	
Operating lease cost	\$ 81,549
Short-term lease cost	99,076
Variable lease cost	<u>8,307</u>
Total lease cost	<u><u>\$ 188,932</u></u>
Other information:	
Cash paid for amounts included in the measurement of lease liability:	
Operating cash flows from operating lease	\$ 81,549
Weighted-average remaining lease term - operating lease	5.92 years
Weighted-average discount rate - operating lease	2.14%

Future minimum lease payments for the operating lease as of June 30, 2023, are as follows:

<u>Year ended June 30,</u>	
2024	\$ 81,549
2025	81,549
2026	81,549
2027	81,549
2028	81,549
Thereafter	<u>74,753</u>
	482,498
Less imputed interest	<u>28,868</u>
Present value of net minimum lease payments	<u><u>\$ 453,630</u></u>

Leases in accordance with ASC 840, *Leases*

During the year ended June 30, 2019, under ASC 840, *Leases*, 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, 2022, lease expense under these leases was approximately \$205,000.

Future minimum lease payments under the terms of the leases as of June 30, 2022 were as follows.

<u>Year ending June 30,</u>	<u>Amount</u>
2023	\$ 116,549
2024	<u>74,753</u>
	<u><u>\$ 191,302</u></u>

Note 7 – Grants Payable

Grants payable are expected to be paid as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2024	\$ 2,534,896
2025	865,266
2026	309,619
2027	258,088
2028	<u>32,500</u>
Grants payable, net	<u><u>\$ 4,000,369</u></u>

Grants payable due in more than one year are discounted using an estimated risk-free rate. The estimated risk-free rate applied to each year averaged 0.5% at June 30, 2023. Grants due within one to five years are presented net of discount of \$22,596.

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 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>2023</u>	<u>2022</u>
Board-designated endowment funds:		
Community funds	\$ 5,566,670	\$ 4,597,303
Designated intent funds	24,767,342	20,008,432
Field of interest funds	2,346,287	2,216,564
Scholarship funds	12,787,038	10,519,077
Oklahoma Initiative fund	2,419,745	2,500,591
	<u>\$ 47,887,082</u>	<u>\$ 39,841,967</u>

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

	<u>Without Donor Restrictions</u>	
	<u>2023</u>	<u>2022</u>
Board-designated endowment net assets, beginning of year	\$ 39,841,967	\$ 42,419,366
Investment return:		
Interest and dividends	1,175,627	723,519
Royalty income	82,348	46,116
Net investment gains (losses)	3,211,314	(5,105,712)
	<u>4,469,289</u>	<u>(4,336,077)</u>
Contributions	6,265,195	3,961,181
Appropriations for expenditures	(2,107,515)	(1,668,550)
Administrative fees	(581,854)	(533,953)
	<u>\$ 47,887,082</u>	<u>\$ 39,841,967</u>

The Foundation has adopted the following 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 12 most recent quarters, which is based on the expected rate of return 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 – 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:

	2023	2022
Cash and cash equivalents	\$ 38,276,296	\$ 39,347,436
Contributions receivable	1,786,946	1,920,840
Investments	155,219,196	125,647,538
Total financial assets as of year-end	195,282,438	166,915,814
Less:		
Amounts unavailable for general expenditures within one year due to:		
Contributions receivable after one year	(1,217,512)	(900,185)
Board-designated endowment funds	(47,887,082)	(39,841,967)
Agency transfers	(52,276,387)	(42,897,763)
Add:		
Appropriation from board-designated endowment funds for general expenditure within the next 12 months	2,394,354	1,992,098
Total financial assets available to management for general expenditures within one year	<u>\$ 96,295,811</u>	<u>\$ 85,267,997</u>

The Foundation's board-designated endowments are subject to an annual spending rate, which was 5% for the years ended June 30, 2023 and 2022. 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 – 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, which are allocated based on estimates of time and effort. Other expenses are allocated based on an estimate of usage. The tables below present expenses by both nature and function for the years ended June 30:

2023	Grants and Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries, wages and benefits	\$ 9,003,319	\$ 559,296	\$ 12,971	\$ 9,575,586
Grants	109,799,699	-	-	109,799,699
Scholarship	1,207,022	-	-	1,207,022
Legal services	13,072	10,591	-	23,663
Technology	25,658	77,830	-	103,488
Audit and tax preparation	-	59,275	-	59,275
Office	108,165	152,293	-	260,458
Marketing and advertising	-	-	57,143	57,143
Conferences	-	17,094	-	17,094
Events	-	87,435	-	87,435
Dues and publications	-	17,568	-	17,568
Meeting	-	5,345	-	5,345
Insurance	-	37,750	-	37,750
Outside consulting	210,341	36,282	-	246,623
Reimbursements	223,968	3,093	-	227,061
Staff development	-	14,723	-	14,723
Travel	-	10,227	-	10,227
Business entertainment	-	1,615	-	1,615
Depreciation	-	23,890	-	23,890
Total expenses	\$ 120,591,244	\$ 1,114,307	\$ 70,114	\$ 121,775,665

2022	Grants and Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries, wages, and benefits	\$ 7,118,471	\$ 220,907	\$ 13,417	\$ 7,352,795
Grants	230,161,305	-	-	230,161,305
Scholarship	1,105,086	-	-	1,105,086
Legal services	-	2,938	-	2,938
Technology	3,540	62,573	-	66,113
Audit and tax preparation	-	27,351	-	27,351
Office	90,544	127,599	-	218,143
Marketing and advertising	-	-	66,754	66,754
Conferences	-	10,526	-	10,526
Events	-	11,829	-	11,829
Dues and publications	-	3,278	-	3,278
Meeting	-	8,359	-	8,359
Insurance	-	28,380	-	28,380
Outside consulting	230,988	182,066	-	413,054

Reimbursements	60,074	-	-	60,074
Staff development	400	13,693	-	14,093
Travel	16,348	-	-	16,348
Business entertainment	-	458	-	458
Depreciation	-	24,196	-	24,196
Total expenses	<u>\$ 238,786,756</u>	<u>\$ 724,153</u>	<u>\$ 80,171</u>	<u>\$ 239,591,080</u>

Note 11 – Related Party Transactions

The Foundation had investments of \$152,230,950 and \$122,955,165 at June 30, 2023 and 2022, respectively, that were managed by a local bank. The Foundation also had cash and cash equivalents of \$38,276,296 and \$39,347,436 at June 30, 2023 and 2022, 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 \$362,000 and \$298,000 for the years ended June 30, 2023 and 2022, respectively.

Note 12 – Contingencies

The Foundation's performance under certain grants and contracts with federal, state and local agencies is subject to audit by those entities. If it is determined that the Foundation's performance under any of these grants and contracts was not in accordance with respective agreements, the awarding agencies may require refund of a portion or all of such amounts. The Foundation's management believes that amounts questioned, if any, would be immaterial.

The Foundation is involved in a legal action arising in the normal course of business. Management, after consultation with legal counsel, believes the ultimate outcome of such legal actions will not have a material effect on the Foundation's financial position or future results of operations.

SUPPLEMENTAL INFORMATION

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal ALN (CFDA) Number	Agency or Pass-Through Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of the Treasury:				
Passed through the State of Oklahoma:				
COVID-19 - Emergency Rental Assistance Program	21.023		\$ 1,179,496	\$ 96,150,505
Passed through the City of Oklahoma City:				
COVID-19 - Emergency Rental Assistance Program	21.023		-	6,602,540
Passed through Oklahoma County:				
COVID-19 - Emergency Rental Assistance Program	21.023		-	5,145,751
Passed through Cleveland County:				
COVID-19 - Emergency Rental Assistance Program	21.023		-	1,385,731
Total U.S. Department of the Treasury			1,179,496	109,284,527
U.S. Department of Housing and Urban Development:				
Passed through the State of Oklahoma: Emergency Solutions Grant Program	14.231		903,440	903,440
Total expenditures for federal awards			\$ 2,082,936	\$ 110,187,967

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2023

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Communities Foundation of Oklahoma, Inc. (the Foundation) under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

The Foundation has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 – Administrative Expenses

Emergency Rental Assistance Program expenditures include direct and indirect administrative costs of \$15,643,127 for the year ended June 30, 2023.

OTHER REPORTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Communities Foundation of Oklahoma, Inc. (the Foundation), which comprise the statement of financial position as of June 30, 2023, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an

opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Oklahoma City, Oklahoma
October 30, 2023

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Communities Foundation of Oklahoma, Inc.'s (the Foundation) compliance with the types of compliance requirements identified as subject to an audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Foundation's major federal program for the year ended June 30, 2023. The Foundation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 US. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Foundation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Foundation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not

identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Oklahoma City, Oklahoma
October 30, 2023

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2023

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

Yes	No	None Reported
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X

X

Noncompliance material to financial statements noted?

X

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

Yes	No	None Reported
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X

X

Type of Auditor's report issued on compliance for federal major programs:

Unmodified

Yes	No	None Reported
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Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?

X

Identification of major programs:

<u>ALN (CFDA) Number</u>	<u>Name of Federal Program or Cluster</u>
21.023	Covid-19 - Emergency Rental Assistance Program

Dollar threshold used to distinguish between type A and type B programs:

\$3,000,000

Yes	No
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Auditee qualified as low-risk auditee?

X

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

Year ended June 30, 2023

Section II – Financial Statement Findings

None

Section III – Findings and Questioned Costs for Federal Awards

None

COMMUNITIES FOUNDATION OF OKLAHOMA, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2023

Section II – Financial Statement Findings

Program	Finding
Emergency Rental Assistance Program	Item 2022-001 Accounting for Grant Activity
Audit finding:	During the year ended June 30, 2022, the Foundation improperly recognized \$4.9 million as refundable advance and grant receivable. These amounts should not have been recorded as funding had not been received from the granting jurisdictions as of June 30, 2022, nor were conditions met to record a receivable. The Foundation also had an error in the calculation of the refundable advance and therefore overstated the refundable advance liability and understated revenue by \$4.4 million. Audit entries were proposed and recorded to correct these misstatements.
Corrective action taken:	Corrective action was taken.

Section III – Findings and Questioned Costs for Federal Awards

None