

**Putnam City Public Schools Foundation, Inc.**

**Financial Statements**

**For the Year Ended June 30, 2019**

**With Report of Certified Public Accountants**



PETERS & CHANDLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

*Founded in 1954*

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Putnam City Public Schools Foundation, Inc.

We have audited the accompanying financial statements of Putnam City Public Schools Foundation, Inc. (an Oklahoma non-profit corporation), which comprise the statements of financial position-modified cash basis as of June 30, 2019 and the related statements of activities and changes in net assets-modified cash basis for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and contingency reserve of Putnam City Public Schools Foundation, Inc., as of June 30, 2019, and its support and expenses and changes in contingency reserve for the year then ended, in accordance with the modified cash basis of accounting as described in Note 1.

*Basis of Accounting*

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Handwritten signature in cursive script that reads "Acker & Chandler".

CERTIFIED PUBLIC ACCOUNTANTS

Oklahoma City, Oklahoma  
September 20, 2019

**Putnam City Public Schools Foundation, Inc.**  
**Statement of Financial Position - Modified Cash Basis**  
**June 30, 2019**

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ASSETS		
Cash and Cash Equivalents		\$ 81,937
Certificates of Deposit		51,590
Investments		389,428
Other Assets		2,313
Beneficial Interest in Assets Held by Others		284,119
Endowment Investments		90,290
		<hr/>
Total Assets		<u><u>\$ 899,677</u></u>
LIABILITIES AND NET ASSETS		
Net Assets		
Without Donor Restrictions	\$	302,974
With Donor Restrictions		596,703
		<hr/>
Total Net Assets		<u>899,677</u>
		<hr/>
Total Liabilities and Net Assets	\$	<u><u>899,677</u></u>

The accompanying notes are an integral part of these financial statements.

**Putnam City Public Schools Foundation, Inc.**  
**Statement of Activities and Changes in Net Assets - Modified Cash Basis**  
**For the Year Ended June 30, 2019**

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Support and Revenue			
Contributions	\$ 236,627	\$ 1,000	\$ 237,627
Gross Special Events Revenue	75,562	-	75,562
Less: Cost of Direct Benefits to Donors	(30,628)	-	(30,628)
Net Special Event Revenue	44,934	-	44,934
Net Investment Return	14,707	8,052	22,759
Change in Value of Beneficial Interest in Assets Held by Others	-	18,137	18,137
Net Assets Released from Restriction	15,704	(15,704)	-
Total Support and Revenue	311,972	11,485	323,457
Program and Supporting Expenses			
Program Services	214,262	-	214,262
Management and General	50,178	-	50,178
Fundraising	33,047	-	33,047
Total Program and Supporting Expenses	297,487	-	297,487
Change in Net Assets	14,485	11,485	25,970
Net Assets - Beginning of Year	288,489	585,218	873,707
Net Assets - End of Year	\$ 302,974	\$ 596,703	\$ 899,677

The accompanying notes are an integral part of these financial statements.

**Putnam City Public Schools Foundation, Inc.**  
**Statement of Functional Expenses - Modified Cash Basis**  
**For the Year Ended June 30, 2019**

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	COST OF DIRECT BENEFITS TO DONORS	TOTAL
Compensation	\$ 79,781	\$ 15,956	\$ 10,638	\$ -	\$ 106,375
School District and Student Activities Support	112,515	24,503	16,335	-	153,353
Education and Training	977	-	-	-	977
Program	10,000	-	-	-	10,000
Professional Fees	-	6,065	-	-	6,065
Bank and Administrative Fees	-	-	1,346	-	1,346
Dues and Subscriptions	-	1,963	-	-	1,963
Insurance	-	-	1,557	-	1,557
Technology Expense	3,813	763	508	-	5,084
Travel	3,782	-	-	-	3,782
Supplies	1,095	219	146	-	1,460
Telephone	675	135	90	-	900
Printing and Reproduction	1,624	-	-	-	1,624
Postage and Delivery	-	-	1,570	-	1,570
Conferences and Conventions	-	574	-	-	574
Cost of Direct Benefits to Donors	-	-	-	30,628	30,628
Advertising	-	-	857	-	857
	214,262	50,178	33,047	30,628	328,115
Less Expenses Included with Revenues on the Statement of Activities					
Cost of Direct Benefits to Donors	-	-	-	(30,628)	(30,628)
Total Expenses Included in the Expense Section on the Statement of Activities	\$ 214,262	\$ 50,178	\$ 33,047	\$ -	\$ 297,487

The accompanying notes are an integral part of these financial statements.

## ORGANIZATION

The Putnam City Public Schools Foundation, Inc. (the Foundation) was organized as a 501(c)(3) nonprofit in 1987. The mission of the Foundation is to enhance and enrich the educational opportunities of children in Putnam City Schools. The Foundation was organized for the purpose of receiving and administering gifts for the ultimate benefit of the Putnam City Schools and their students.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### BASIS OF PRESENTATION

The Foundation prepares its financial statements on the modified cash basis, but includes the recording of fair market value on investment accounts.

### CASH AND CASH EQUIVALENTS

The Foundation considers all cash and highly liquid financial instruments with a maturity of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building project, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

### INVESTMENTS

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

### BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Foundation has established an endowment fund that is perpetual in nature with the Oklahoma City Community Foundation (OCCF) and specified itself as the beneficiary of the funds. Variance power was granted to OCCF which allows them to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of OCCF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. These funds are held and invested by OCCF for the benefit of the Foundation, and are reported at fair value in the statements of financial position, with changes in fair value recognized in the statements of activities. For the year ended June 30, 2019, the Foundation received \$13,003 as a distribution from the Foundation's funds held at OCCF. The distribution is included in the net assets released from restriction in the statement of activities.

In addition to the funds discussed above, the OCCF maintains other assets that have been contributed by various donors to the OCCF for the benefit of the Foundation. Annually, distributions from these funds are paid to the Foundation according to OCCF's spending policies which are currently to distribute an amount equal to 5% of a moving 12 quarter average market value for all types of funds. For the year ended

June 30, 2019, the Foundation received \$12,102, which is included in contributions revenue in the statements of activities.

### NET ASSETS

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions – Net assets subject to donor – (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

### REVENUE RECOGNITION

Contributions are recognized when cash, securities, or other assets, or notification of a beneficial interest is received. Special events revenue is recorded equal to the cost of direct benefits to donors, and contribution revenue for the difference.

### DONATED SERVICES AND IN-KIND CONTRIBUTIONS

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statement do not reflect the value of these contributed services because they do not meet the recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. No significant contributions of such goods or services were received during the year ended June 30, 2019.

### FUNCTIONAL ALLOCATION OF EXPENSES

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.



### INCOME TAXES

The Foundation is organized as an Oklahoma nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under the Internal Revenue Code Section 501(c)(3). The Foundation is required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS annually. In addition, the Foundation is subject to income tax on net income that is derived from business activities that is unrelated to its exempt purpose. The Foundation has determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

### CONCENTRATIONS OF CREDIT AND MARKET RISK

The Foundation manages deposit concentration risk by placing cash and cash equivalents with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and foundations supportive of the Foundation's mission.

### CHANGE IN ACCOUNTING PRINCIPLE

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

### RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which establishes a comprehensive revenue recognition standard for virtually all industries in U.S. GAAP, including those that previously followed industry-specific guidance. For non-public entities, the new standard was originally effective for annual periods beginning after December 15, 2017. In August 2015, the FASB issued ASU 2015-04, Revenue from Contracts with Customers (Topic 606) – Deferral of Effective Date, which deferred the effective date for one year. Accordingly, this ASU will be effective for the Foundation for the year ending August 31, 2019. The Foundation has not yet evaluated the impact this will have on future financial statements or elected to early implement the pronouncement.

### SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through September 20, 2019, the date the financial statements were available to be issued.

**Putnam City Public Schools Foundation, Inc.**  
**Notes to Financial Statements**

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**NOTE 2 – LIQUIDITY AND AVAILABILITY**

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and Cash Equivalents	\$	45,980
Investments		256,994
		\$ 302,974

**NOTE 3 – NET INVESTMENT RETURN**

The following schedule summarizes net investment return and its classification in the statement of activities:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Dividends, Interest, and Net Realized Gains (Losses) (Net of Expenses of \$2,718)	\$ 9,308	\$ 5,118	\$ 14,426
Unrealized Gains (Losses)	5,399	2,934	8,333
Net Investment Return	\$ 14,707	\$ 8,052	\$ 22,759

**NOTE 4 – FAIR VALUE MEASUREMENTS**

The Foundation reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

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**Notes to Financial Statements**

Level 3 – Unobservable inputs for the asset. In these situations, the Foundation develops inputs using the best information available in the circumstances

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

Beneficial interest in assets held by others is measured at fair value using Level 3 inputs. Since OCCF 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 Foundation’s assets reported at fair value on a recurring basis are summarized as follows:

	LEVEL 1 INPUTS	LEVEL 2 INPUTS	LEVEL 3 INPUTS
Investments			
Mutual Funds	\$ 389,428	\$ -	\$ -
Endowment Investments			
Mutual Funds	90,290	-	-
Beneficial Interest in Assets Held by Others	-	-	284,119
	\$ 479,718	\$ -	\$ 284,119

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS
Balance at June 30, 2018	\$ 278,985
Net Realized and Unrealized Gain(Loss)	18,137
Distributions	(13,003)
Balance at June 30, 2019	\$ 284,119

**NOTE 5 – ENDOWMENT FUNDS**

The Foundation’s endowment (the Endowment) consists of approximately 3 individual funds established by donors to provide annual funding for specific activities and general operations.

The Foundation has interpreted the Oklahoma Prudent Management of Institutional Funds Act (the “Act”) as requiring the preservation of the fair value of a donation as of the date on which the donation was made, except where the donor provides different instructions or conditions in connection with the donation. Consistent with this interpretation, the Foundation has classified its permanently restricted net assets in the amount of the original value of donations made to the permanent endowment as well as the original value of subsequent donations made to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until

**Putnam City Public Schools Foundation, Inc.**  
**Notes to Financial Statements**

those amounts are approved for distribution by the Foundation in a manner consistent with the standards set forth in the Act. In accordance with the Act, the Foundation considers the following factors in making a determination to maintain or distribute donor-restricted endowment funds:

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

As of June 30, 2019, the Foundation had the following endowment net asset composition by type of fund:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Donor Restricted Endowment Funds	\$ -	\$ 90,290	\$ 90,290

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no underwater funds at June 30, 2019.

*Investment and Spending Policies*

The Foundation has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. To satisfy the long-term return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

Changes in Endowment net assets for the year ended June 30, 2019 are as follows:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Endowment Net Assets, Beginning of Year	\$ -	\$ 88,515	\$ 88,515
Net Investment Return	-	1,775	1,775
Endowment Net Assets, End of Year	\$ -	\$ 90,290	\$ 90,290

**NOTE 6 –RESTRICTION OF NET ASSETS**

The restrictions on net assets relate to funds raised that have not yet been expended for their restrictive purpose or to assets acquired using grant funds for which the agreement specifically restricts the use of the asset for a specified period of time.

Net assets with donor restrictions are restricted for the following purposes:

Subject to Expenditure for Specified Purpose:

Ralph Downs Scholarship Fund	\$ 4,725
Michael Cutter Scholarship Fund	15,172
Roger Barrios Scholarship Fund	20,516
Clay Culver Scholarship Fund	12,396
Thromas Glenn Scholarship Fund	37,812
Dorothy Nixon Scholarship Fund	1,130
Kirkland Scholarship Fund	8,163
CareShare	77,622
Community Fund	48,021
Early Birds	1,462
	227,019

Perpetual in Nature, Earnings from which are Subject to  
 Endowment Spending Policy and Appropriation:

Ralph Downs Scholarship Fund	10,000
Roberta Jo Lowe Scholarship Fund	24,679
Legacy Fund	50,886
OCCF	284,119
	369,684

Total Net Assets with Donor Restrictions	\$ 596,703
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