

Putnam City Public Schools Foundation, Inc.

Financial Statements

For the Year Ended June 30, 2021

With Report of Certified Public Accountants

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 (a nonprofit organization), which comprise the statement of financial position—modified cash basis as of June 30, 2021, the related statement of activities and changes in net assets—modified cash basis, and statement of functional expense – modified cash basis for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Putnam City Public Schools Foundation, Inc as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Putnam City Public Schools Foundation, Inc and to meet our other ethical responsibilities in accordance with the 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 audit opinion.

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 in respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of these financial statements in the circumstances. Management is also responsible 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 Putnam City Public Schools Foundation, Inc ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted 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, including omissions, 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

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



CERTIFIED PUBLIC ACCOUNTANTS

Oklahoma City, Oklahoma
December 17, 2021

Putnam City Public Schools Foundation, Inc.
Statement of Financial Position - Modified Cash Basis
June 30, 2021

ASSETS	
Cash and Cash Equivalents - Unrestricted	\$ -
Cash and Cash Equivalents - Restricted	136,551
Investments	514,966
Other Assets	2,313
Beneficial Interest in Assets Held by Others	404,072
Endowment Investments	<u>165,836</u>
 Total Assets	 <u><u>\$ 1,223,738</u></u>
LIABILITIES AND NET ASSETS	
Payroll Protection Loan	<u>\$ 24,100</u>
 Total Liabilities	 <u>24,100</u>
Net Assets	
Without Donor Restrictions	311,870
With Donor Restrictions	<u>887,768</u>
 Total Net Assets	 <u>1,199,638</u>
 Total Liabilities and Net Assets	 <u><u>\$ 1,223,738</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, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Support and Revenue			
Contributions	\$ 228,556	\$ 64,761	\$ 293,317
Gross Special Events Revenue	73,986	-	73,986
Less: Cost of Direct Benefits to Donors	(31,343)	-	(31,343)
Net Special Event Revenue	42,643	-	42,643
Net Investment Return	88,589	60,211	148,800
Change in Value of Beneficial Interest in Assets Held by Others	-	86,586	86,586
Net Assets Released from Restriction	48,753	(48,753)	-
Total Support and Revenue	408,541	162,805	571,346
Program and Supporting Expenses			
Program Services	225,387	-	225,387
Management and General	45,118	-	45,118
Fundraising	34,219	-	34,219
Total Program and Supporting Expenses	304,724	-	304,724
Change in Net Assets	103,817	162,805	266,622
Net Assets - Beginning of Year	208,053	724,963	933,016
Net Assets - End of Year	\$ 311,870	\$ 887,768	\$ 1,199,638

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, 2021

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	COST OF DIRECT BENEFITS TO DONORS	TOTAL
Compensation	\$ 93,709	\$ 18,742	\$ 12,495	\$ -	\$ 124,946
School District and Student Activities Support	89,987	17,997	11,998	-	119,982
Education and Training	65	-	-	-	65
Program	20,488	-	-	-	20,488
Professional Fees	-	4,638	-	-	4,638
Bank and Administrative Fees	-	-	3,175	-	3,175
Dues and Subscriptions	-	2,340	-	-	2,340
Insurance	-	-	2,358	-	2,358
Technology Expense	4,916	983	655	-	6,554
Travel	2,788	-	-	-	2,788
Supplies	1,139	228	152	-	1,519
Telephone	675	135	90	-	900
Printing and Reproduction	2,757	-	-	-	2,757
Postage and Delivery	-	-	2,664	-	2,664
Miscellaneous	8,863	-	-	-	8,863
Conferences and Conventions	-	55	-	-	55
Cost of Direct Benefits to Donors	-	-	-	31,343	31,343
Advertising	-	-	632	-	632
	225,387	45,118	34,219	31,343	336,067
Less Expenses Included with Revenues on the Statement of Activities					
Cost of Direct Benefits to Donors	-	-	-	(31,343)	(31,343)
Total Expenses Included in the Expense Section on the Statement of Activities	\$ 225,387	\$ 45,118	\$ 34,219	\$ -	\$ 304,724

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 and the Payroll Protections Loan accrual.

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, 2021, the Foundation received \$86,586 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, 2021, the Foundation received \$12,489, 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, 2021.

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. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

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.

RECENT ACCOUNTING PRONOUNCEMENTS

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The update increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure regarding the measurement of contributed nonfinancial assets, as well as the amount of those contributions used in the entity's programs and other activities. The ASU should be applied on a retrospective basis and is effective for the Foundation in fiscal year 2022. The Foundation is evaluating the impact that the standard will have on its financial statements and related disclosures.

SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through December 17, 2021, the date the financial statements were available to be issued.

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.

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

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:

Distribution from Beneficial Interest in Assets Held by Others	\$	13,137
Operating Investments		303,893
		\$ 317,030

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 \$3,585)	\$ 6,268	\$ 4,262	\$ 10,530
Unrealized Gains (Losses)	82,321	55,949	138,270
Net Investment Return	\$ 88,589	\$ 60,211	\$ 148,800

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.

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

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

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	\$ 514,966	\$ -	\$ -
Endowment Investments			
Mutual Funds	165,836	-	-
Beneficial Interest in Assets Held by Others	-	-	404,072
	\$ 680,802	\$ -	\$ 404,072

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, 2020	\$ 330,946
Net Realized and Unrealized Gain(Loss)	86,586
Distributions	(13,460)
Balance at June 30, 2021	\$ 404,072

NOTE 5 – ENDOWMENT FUNDS

The Foundation’s endowment (the Endowment) consists of approximately 4 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 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:

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

- 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, 2021, the Foundation had the following endowment net asset composition by type of fund:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Donor Restricted Endowment Funds	\$ -	\$ 165,836	\$ 165,836

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, 2021.

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, 2021 are as follows:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Endowment Net Assets, Beginning of Year	\$ -	\$ 126,831	\$ 126,831
Net Investment Return	-	39,005	39,005
Endowment Net Assets, End of Year	\$ -	\$ 165,836	\$ 165,836

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

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	\$ 8,633
Michael Cutter Scholarship Fund	16,610
Roger Barrios Scholarship Fund	26,854
Clay Culver Scholarship Fund	15,584
Thromas Glenn Scholarship Fund	48,209
Dorothy Nixon Scholarship Fund	1,130
Kirkland Scholarship Fund	10,042
Talley Scholarship Fund	12,616
CareShare	84,992
Community Fund	56,445
Early Birds	4,950
CAST	25,751
ELL	5,000
STEM	4,750
Other	17,543
	339,109

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	31,701
Talley Scholarship Fund	52,000
Legacy Fund	50,886
OCCF	404,072
	548,659

Total Net Assets with Donor Restrictions	\$ 887,768
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NOTE 7 – PPP LOAN

On April 11, 2020, the Foundation obtained a loan pursuant to the Paycheck Protection Program under the CARES Act in an aggregate principal amount of \$24,000 (the “PPP Loan”). This PPP Loan was forgiven on November 24, 2020 and included in contributions on the statement of activities and changes in net assets – modified cash basis.

On March 13, 2021, the Foundation obtained a second loan pursuant to the Paycheck Protection Program under the CARES Act in an aggregate principal amount of \$24,100 (the “Second PPP Loan”). The Second PPP Loan was forgiven subsequent to year-end and is therefore included as a liability on the statement of financial position – modified cash basis.

NOTE 8 – RISKS AND UNCERTAINTIES

In early 2020, the World Health Organization (WHO) recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay at home orders. This pandemic has caused economic downturn on a global scale, and created significant uncertainty, volatility, and disruption across economies and financial markets. The pandemic has continued into 2021 and as such, the impact to the Foundation’s operations and future financial statements is not yet determinable.