

CAVETT KIDS FOUNDATION

FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

HSPG
&
ASSOCIATES

ACCOUNTING | TAX | ADVISORY

CAVETT KIDS FOUNDATION

Table of Contents

December 31, 2022 and 2021

AUDITED FINANCIAL STATEMENTS

Independent Auditor's Report 1-2

Financial Statements

Statements of Financial Position 3

Statements of Activities 4-5

Statements of Functional Expenses 6-7

Statements of Cash Flows 8

Notes to Financial Statements 9-17



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cavett Kids Foundation
Oklahoma City, Oklahoma

Opinion

We have audited the accompanying financial statements of Cavett Kids Foundation (a nonprofit organization) (the "Foundation"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years 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 Cavett Kids Foundation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Cavett Kids 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 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

HSPG & ASSOCIATES, PC

5400 N Grand Blvd, Suite 330 • Oklahoma City, Oklahoma 73112 • Phone: 405.844.9995 • Fax: 405.844.9975

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 Cavett Kids 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cavett Kids 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.

HSPG & Associates, P.C.

June 13, 2023

CAVETT KIDS FOUNDATION
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 871,881	\$ 673,248
Contributions receivable	4,984	1,500
Prepaid expenses	38,695	13,759
Beneficial interest in assets held by others	99,484	64,740
Property and equipment, net of accumulated depreciation	5,180	597
TOTAL ASSETS	<u>\$ 1,020,224</u>	<u>\$ 753,844</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 8,372	\$ 2,633
Accrued payroll	9,819	7,878
TOTAL LIABILITIES	<u>18,191</u>	<u>10,511</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	744,478	523,769
Board designated - emergency reserve	10,376	10,305
Total without donor restrictions	<u>754,854</u>	<u>534,074</u>
With donor restrictions	247,179	209,259
TOTAL NET ASSETS	<u>1,002,033</u>	<u>743,333</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,020,224</u>	<u>\$ 753,844</u>

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

CAVETT KIDS FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022 (with comparative totals for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUES				
Contributions	\$ 417,876	\$ 10,000	\$ 427,876	\$ 214,983
Special event revenues	257,914	48,233	306,147	220,057
Grants and sponsorships	117,012	20,000	137,012	106,200
Program service revenue	25,607	-	25,607	25,607
Investment income	3,970	-	3,970	1,693
Change in beneficial interest in assets held by others	(10,640)	-	(10,640)	7,971
In-kind donations	17,243	-	17,243	9,623
Paycheck protection program forgivable loan	-	-	-	34,325
Other income	4,384	-	4,384	2,698
Restrictions released	40,313	(40,313)	-	-
Total support and revenues	<u>873,679</u>	<u>37,920</u>	<u>911,599</u>	<u>623,157</u>
EXPENSES				
Program services	443,246	-	443,246	310,895
Management and general	99,629	-	99,629	113,617
Costs of direct benefits to donors	31,887	-	31,887	26,099
Fundraising	78,137	-	78,137	71,565
Total expenses	<u>652,899</u>	<u>-</u>	<u>652,899</u>	<u>522,176</u>
CHANGE IN NET ASSETS	220,780	37,920	258,700	100,981
NET ASSETS, BEGINNING OF YEAR	<u>534,074</u>	<u>209,259</u>	<u>743,333</u>	<u>642,352</u>
NET ASSETS, END OF YEAR	<u>\$ 754,854</u>	<u>\$ 247,179</u>	<u>\$ 1,002,033</u>	<u>\$ 743,333</u>

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

CAVETT KIDS FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUES			
Contributions	\$ 214,983	\$ -	\$ 214,983
Special event revenues	220,057	-	220,057
Grants and sponsorships	106,200	-	106,200
Program service revenue	25,607	-	25,607
Investment income	1,693	-	1,693
Change in beneficial interest in assets held by others	7,971	-	7,971
In-kind donations	9,623	-	9,623
Paycheck protection program forgivable loan	34,325	-	34,325
Other income	2,698	-	2,698
Restrictions released	52,576	(52,576)	-
Total operating support and revenues	<u>675,733</u>	<u>(52,576)</u>	<u>623,157</u>
EXPENSES			
Program services	310,895	-	310,895
Management and general	113,617	-	113,617
Costs of direct benefits to donors	26,099	-	26,099
Fundraising	71,565	-	71,565
Total expenses	<u>522,176</u>	<u>-</u>	<u>522,176</u>
CHANGE IN NET ASSETS	153,557	(52,576)	100,981
NET ASSETS, BEGINNING OF YEAR	<u>380,517</u>	<u>261,835</u>	<u>642,352</u>
NET ASSETS, END OF YEAR	<u>\$ 534,074</u>	<u>\$ 209,259</u>	<u>\$ 743,333</u>

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

CAVETT KIDS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022 (with comparative totals for 2021)

	2022					2021
	Program Services	Management and General	Costs of Direct Benefits to Donors	Fundraising	Total	Total
Salaries	\$ 78,338	\$ 39,498	\$ -	\$ 51,899	\$ 169,735	\$ 163,922
Employee benefits	9,986	3,246	-	3,054	16,286	15,841
Payroll taxes	6,213	3,167	-	4,061	13,441	12,695
Contract labor	-	17,943	-	-	17,943	21,870
	<u>94,537</u>	<u>63,854</u>	<u>-</u>	<u>59,014</u>	<u>217,405</u>	<u>214,328</u>
Family assistance	53,408	-	-	-	53,408	23,205
Marketing and promotion	9,485	42	-	54	9,581	4,325
Fundraising events	51,021	113	31,887	8,491	91,512	53,239
Office expenses	10,280	15,353	-	963	26,596	16,967
Information technology	16,771	4,005	-	2,604	23,380	12,930
Occupancy	10,328	3,165	-	3,165	16,658	20,686
Travel	34,020	-	-	158	34,178	33,884
Development and training	5,828	750	-	3,679	10,257	415
Camp facilities and food	116,830	-	-	-	116,830	79,221
Depreciation	69	616	-	-	685	1,107
Insurance	-	11,135	-	-	11,135	11,310
Special activities	36,402	-	-	-	36,402	47,373
Appreciation	4,267	596	-	9	4,872	3,186
Total expenses	<u>\$ 443,246</u>	<u>\$ 99,629</u>	<u>\$ 31,887</u>	<u>\$ 78,137</u>	<u>\$ 652,899</u>	<u>\$ 522,176</u>

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

CAVETT KIDS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services	Management and General	Costs of Direct Benefits to Donors	Fundraising	Total
Salaries	\$ 71,125	\$ 39,283	\$ -	\$ 53,514	\$ 163,922
Employee benefits	3,488	9,081	-	3,272	15,841
Payroll taxes	5,592	2,899	-	4,204	12,695
Contract labor	744	19,766	-	1,360	21,870
	<u>80,949</u>	<u>71,029</u>	<u>-</u>	<u>62,350</u>	<u>214,328</u>
Family assistance	23,205	-	-	-	23,205
Marketing and promotion	4,325	-	-	-	4,325
Fundraising events	20,746	2,049	26,099	4,345	53,239
Office expenses	2,640	14,310	-	17	16,967
Information technology	5,488	2,958	-	4,484	12,930
Occupancy	10,063	10,623	-	-	20,686
Travel	33,838	-	-	46	33,884
Development and training	240	-	-	175	415
Camp facilities and food	79,221	-	-	-	79,221
Depreciation	111	996	-	-	1,107
Insurance	-	11,310	-	-	11,310
Special activities	47,373	-	-	-	47,373
Appreciation	2,696	342	-	148	3,186
Total expenses	<u>\$ 310,895</u>	<u>\$ 113,617</u>	<u>\$ 26,099</u>	<u>\$ 71,565</u>	<u>\$ 522,176</u>

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

CAVETT KIDS FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 258,700	\$ 100,981
Adjustments to reconcile change in net assets to net cash flows provided by operations:		
Depreciation and amortization	685	1,107
Change in beneficial interest in assets held by others	10,640	(7,971)
Paycheck protection program loan forgiveness	-	(34,325)
Changes in operating assets and liabilities:		
Contributions receivable	(3,484)	38,500
Prepaid expenses	(24,936)	3,934
Accounts payable	5,739	(571)
Accrued payroll	1,941	(791)
Net cash provided by operating activities	<u>249,285</u>	<u>100,864</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Distributions received from beneficial interest in assets held by others	2,849	2,669
Contributions to beneficial interest in assets held by others	(48,233)	-
Purchases of property and equipment	(5,268)	-
Net cash provided by (used in) investing activities	<u>(50,652)</u>	<u>2,669</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from paycheck protection program forgivable loan	-	34,325
Net cash provided by financing activities	<u>-</u>	<u>34,325</u>
CHANGE IN CASH AND CASH EQUIVALENTS	198,633	137,858
CASH AND CASH EQUIVALENTS:		
BEGINNING OF YEAR	<u>673,248</u>	<u>535,390</u>
END OF YEAR	<u>\$ 871,881</u>	<u>\$ 673,248</u>

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

CAVETT KIDS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – Cavett Kids Foundation (the “Foundation”) is an Oklahoma not-for-profit organization with the mission of promoting character, coping, and connection for kids battling life-threatening illness. The Foundation serves patients and families each year through various camps, events, and programs.

The Foundation serves patients up to the age of 24 at no charge so that every child has the opportunity to experience life-changing camps. Most of the patients that participate with the Foundation are based out of OU Medical Center, The Children’s Hospital, and OU Children’s Physicians in Oklahoma City. The Foundation’s programs serve children from all socioeconomic paths.

Basis of Accounting – The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other assets and liabilities. Revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation – Net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Foundation reports information regarding its financial position and activities as follows:

Net assets without donor restrictions – Net assets available for use in general operations that are not subject to donor-imposed restrictions.

Net assets with donor restrictions – Net assets subject to donor-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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue recognition and other support – Revenues that have characteristics of exchange transactions, such as service contracts, are not recognized until earned. Fees received prior to services being provided are recorded as unearned revenue. Contributions are recognized as support in the period unconditional promises to give are received and are reported as net assets with or without donor restrictions depending on the existence or nature of any donor restrictions. The standards also provide that if the governing body of an organization has the right to remove a donor restriction, the contributions should be classified as without donor restriction.

The Foundation’s revenue and other support during the year ended December 31, 2022 and 2021 primarily include the following:

Contributions, grants, and sponsorships – The Foundation recognizes contributions, grants, and sponsorships as support in the period received and are reported as net assets with or without donor restrictions depending on the existence or nature of any donor restrictions. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Program service revenue – Revenue from diversionary play coordination service agreements include a single performance obligation which is recognized over time as services are provided. Monies collected for this program before services are provided are recorded as unearned revenue.

Contributions are reported as increases in the appropriate net asset category. Expenses are reported as decreases in net assets without donor restrictions. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service. Gifts of property and equipment are recorded as support without donor restrictions unless explicit donor stipulations specify how the assets must be used, in which case the gift is recorded as support with donor restrictions. Expirations of temporary restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Contributions which are received and whose restrictions are met in the same period are recognized as contributions without donor restrictions.

Cash and Cash Equivalents – For purposes of reporting cash flows, the Foundation considers all cash on hand, demand deposit bank accounts and temporary investments with an original maturity of three months or less, when purchased, to be cash equivalents except those cash equivalents included in investment accounts.

Beneficial Interest in Assets Held by Others – The Foundation accounts for assets that are contributed by the Foundation to the Oklahoma City Community Foundation (“OCCF”) as an asset of the Foundation, if it has been specified as the beneficiary of those assets. All contributions of this type, and the activity associated with the asset held at OCCF, are reported at fair value as beneficial interest in assets held by others in the statements of financial position, with the related changes in fair value reported in the statements of activities. Distributions to the Foundation from these funds reduce the Foundation’s beneficial interest in assets held by others.

Property and equipment – Property and equipment are carried at cost or, if donated, at the approximate fair value, based on donor appraisal, at the date of donation. The Foundation’s capitalization threshold is \$1,500 for assets acquired with an economic useful life greater than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from three to fifteen years.

Concentration of Credit Risk – The Foundation maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. As of December 31, 2022 and 2021, the Foundation’s balances with financial institutions subject to FDIC coverage exceeded such coverage by \$365,040 and \$420,751, respectively.

In-kind Support – The Foundation recognizes various types of in-kind support including professional services, materials, and use of property and equipment to support the Foundation. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses or property and equipment.

The Foundation’s main source of in-kind donation relates to auction items for their special events. Donated auction items were valued at the sale price received during the auction on the day of the event.

The Foundation receives donated services from unpaid volunteers assisting in the activities of the Foundation which do not meet the two recognition criteria described above. Accordingly, the value of

these contributed services has not been determined and is not reflected in the accompanying financial statements.

Functional Expenses – Costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Costs are allocated between program services, management and general, costs of direct benefits to donors, and fundraising based on evaluations of the related activities. Management and general expenses are those expenses which are not directly identifiable with any other specific function, but provide for the overall support and direction of the Foundation.

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.

Tax Status – The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”), and is classified as other than a private foundation under Section 509(a) of the Code. Generally, all revenue earned outside the purpose for which the Foundation is created is taxable as earned income. With few exceptions, the Foundation is not subject to examination by any tax jurisdiction for years prior to 2019.

Fair Value Measurements – The Foundation follows Accounting Standards Codification (“ASC”) Topic 820, Fair Value Measurements, which 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 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.

Financial assets subject to fair value measurement disclosure requirements include beneficial interest in assets held by others (see Note 4). The Foundation has no liabilities carried at fair value on a recurring basis and no assets or liabilities carried at fair value on a non-recurring basis at December 31, 2022 and 2021.

Subsequent Events – The Foundation has evaluated subsequent events through June 13, 2023, which is the date the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure in the accompanying financial statements.

Adopted accounting pronouncements – In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. FASB ASC 842 supersedes the lease requirements in FASB ASC 840. Under FASB ASC 842, lessees are required to recognize assets and liabilities on the balance sheet for most leases and provide enhanced disclosures. The Foundation adopted FASB ASC 842, with a date of initial application of January 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*. The Foundation did not restate prior comparative periods as presented under FASB ASC 840 and instead evaluated whether a cumulative effect adjustment to net assets as of January 1, 2022, was necessary for the cumulative impact of adoption of FASB ASC 842. The implementation of this standard did not have a material impact on the Foundation’s financial statements as of December 31, 2022.

In September 2020, the FASB issued ASU No. 2020-07 “*Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*” which increases transparency around contributed nonfinancial assets (also known as “gifts-in-kind”) received by not-for-profit (“NFP”) organizations including transparency on how those assets are used and how they are valued. The ASU requires an NFP to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires an NFP to disclose certain information related to the types of contributed nonfinancial assets received, whether they were utilized or monetized, the NFP’s policy, if any, about monetizing rather than utilizing such assets, and valuation techniques used to determine the valuation of such contributed assets. The amendments for this ASU were applied retrospectively.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

	2022	2021
Cash and cash equivalents	\$ 874,015	\$ 673,248
Distributions from funds held by community foundations	4,378	3,103
Total financial assets	878,393	676,351
Less:		
Board designated assets - emergency reserve	(10,376)	(10,305)
Donor restricted assets - heart camp fund	(81,061)	(93,724)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 786,956</u>	<u>\$ 572,322</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The Foundation receives contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

3. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

From time to time, the Foundation transfers funds to OCCF and specifies itself as the beneficiary of the funds. Annually, distributions from these funds are paid to the Foundation according to OCCF's spending policies. OCCF maintains variance power over these funds, which 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. OCCF maintains legal ownership of the funds; however, accounting guidance requires that the Foundation reflect its beneficial interest in these assets in its financial statements. The statements of financial position as of December 31, 2022 and 2021, include the beneficial interest in assets held by others of \$99,484 and \$64,740, respectively. The statements of activities include a change in the value of its beneficial interest in assets held by others of (\$10,640) and \$7,971 for the years ended December 31, 2022 and 2021, respectively. The Foundation received distributions of \$2,849 and \$2,669 related to these reciprocal transfers for the years ended December 31, 2022 and 2021, respectively. Contributions by the Foundation to OCCF for these reciprocal funds totaled \$48,233 and \$0- during the years ended December 31, 2022 and 2021, respectively.

In addition to the funds discussed above, OCCF maintains other funds that have been contributed by various donors to OCCF for the benefit of the Foundation. These funds are not included as assets of the Foundation. The earnings from these funds are paid to the Foundation in accordance with OCCF's spending policy. For the year ended December 31, 2022 and 2021, the Foundation received approximately \$4,700 and \$3,800, respectively, from the funds. At December 31, 2022 and 2021, the fair value of the funds was approximately \$142,000 and \$113,000, respectively. The Foundation has no remainder interest in the corpus of the funds.

4. FAIR VALUE MEASUREMENTS

Following is a description of methodologies used for assets valued at fair value.

Beneficial interest in assets held by others: The fair value of the Foundation's beneficial interest in assets held by others is based on the fair value of fund investments as reported by the Community Foundation. These are considered to be level 3 investments.

Assets measured at fair value consist of the following:

	As of December 31, 2022				
	Carrying Value	Total Fair Value	Fair Value Measurements		
			Level 1	Level 2	Level 3
ASSETS					
Beneficial interest in assets held by others	\$ 99,484	\$ 99,484	\$ -	\$ -	\$ 99,484
	As of December 31, 2021				
	Carrying Value	Total Fair Value	Fair Value Measurements		
			Level 1	Level 2	Level 3
ASSETS					
Beneficial interest in assets held by others	\$ 64,740	\$ 64,740	\$ -	\$ -	\$ 64,740

5. ENDOWMENT

The Foundation's endowment consists of the beneficial interest in assets held by OCCF totaling \$99,484 and \$64,740 as of December 31, 2022 and 2021, respectively, as discussed in Note 6. That endowment was created through donor restricted contributions as well as certain net assets without donor restrictions that have been designated for endowment by the board of directors that were subsequently transferred to OCCF. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – The Board of Directors of Goodwill Industries has interpreted the Oklahoma Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Goodwill Industries retains in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not held in perpetuity is temporary in nature. In accordance with UPMIFA, Goodwill Industries considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds held for the benefit of Goodwill Industries.

1. The duration and preservation of the fund,
2. The purposes of the Organization and the donor-restricted endowment fund,
3. General economic conditions,
4. The possible effect of inflation and deflation,
5. The expected total return from income and the appreciation of investments,
6. Other resources of the Organization, and
7. The investment policies of the Organization.

Endowment net asset composition by type of fund as of December 31, 2022 and 2021 is as follows:

December 31, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ 48,233	\$ 48,233
Board designated endowment funds	51,251	-	51,251
Total endowment funds	<u>\$ 51,251</u>	<u>\$ 48,233</u>	<u>\$ 99,484</u>
December 31, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ -	\$ -
Board designated endowment funds	64,740	-	64,740
Total endowment funds	<u>\$ 64,740</u>	<u>\$ -</u>	<u>\$ 64,740</u>

Changes in endowment net assets for the years ended December 31, 2022 and 2021 are as follows:

<u>Year ended December 31, 2022</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 64,740	\$ -	\$ 64,740
Contributions	-	48,233	48,233
Investment return	(10,640)	-	(10,640)
Appropriation of endowment assets for expenditure	(2,849)	-	(2,849)
Endowment net assets, end of year	<u>\$ 51,251</u>	<u>\$ 48,233</u>	<u>\$ 99,484</u>

<u>Year ended December 31, 2021</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 59,438	\$ -	\$ 59,438
Investment return	7,971	-	7,971
Appropriation of endowment assets for expenditure	(2,669)	-	(2,669)
Endowment net assets, end of year	<u>\$ 64,740</u>	<u>\$ -</u>	<u>\$ 64,740</u>

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no funds of this nature at December 31, 2022 or 2021.

Return objectives and risk parameters – 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. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board of directors, the endowment assets are invested with OCCF, whose investment policies emphasize preservation of capital, protection against inflation, and a continuing source of income.

Spending policy and how the investment objectives relate to spending policy – OCCF’s distribution policy is five percent of the average market value of the endowment fund, which is calculated on a rolling quarter average of the previous 12 quarters. Distributions received from the endowment are to be available for use in the Foundation’s operations as appropriated by the board of directors.

6. FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, information technology, occupancy, and insurance which are allocated on the basis of estimates of time and effort.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purposes:		
Heart fund	\$ 81,061	\$ 93,724
Camp Cavett	80,879	108,378
Family support	4,223	4,223
Diversionsary play	2,783	2,934
Transitions	15,000	-
Beach bash	10,000	-
	<u>193,946</u>	<u>209,259</u>
Subject to the passage of time:		
Year beginning January 1, 2023	5,000	-
	<u>5,000</u>	<u>-</u>
Not subject to appropriation:		
Endowment held in beneficial interest in assets held by others	48,233	-
	<u>\$ 247,179</u>	<u>\$ 209,259</u>

8. LEASES

The Foundation has a lease agreement for office facilities under which rent expense was \$16,659 and \$17,832 respectively, for the years ended December 31, 2022 and 2021.

Subsequent to year-end the Foundation entered into a lease agreement beginning March 1, 2023 for three additional years. The monthly rent for those years will be \$1,418 for year 1, \$1,447 for year 2, and \$1,476 for year 3.

9. RETIREMENT PLAN

In 2020, the Foundation established a 401(k) plan for the benefit of all employees after 90 days of service. The plan provides for the Foundation to make safe harbor contributions to the plan based on matching 100% of the first 3% and 50% of the next 2% of salary deferrals elected by each employee for a total of 4%. The Foundation's matching contributions for the years ended December 31, 2021 and 2020 totaled \$5,235 and \$6,379, respectively.

10. PAYCHECK PROTECTION PROGRAM FORGIVABLE LOAN

In February 2021, the Foundation applied for and received a forgivable loan from the federal government as part of the Small Business Administration (SBA) Paycheck Protection Program (PPP) in the amount of \$34,325 bearing annual interest of 1.00%. Based on the Foundation incurring qualifying expenses during the defined Covered Period as well as meeting other criteria related to employee retention, principal and interest of this loan was fully forgiven by the SBA in June 2021. These funds are recognized as grant income in the accompanying statement of activities for the year ended December 31, 2021.

* * * * *