

OKLAHOMA FOUNDATION FOR THE DISABLED, INC.

FINANCIAL STATEMENTS

**AS OF AND FOR THE YEARS ENDED
JUNE 30, 2021 AND 2020**

**TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

HSPG
&
ASSOCIATES

ACCOUNTING | TAX | ADVISORY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Oklahoma Foundation for the Disabled, Inc.
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Oklahoma Foundation for the Disabled, Inc. (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements ("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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 Organization'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 Organization'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 financial position of Oklahoma Foundation for the Disabled, Inc., as of June 30, 2021 and 2020, 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.

HSPG & ASSOCIATES, PC

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule of state financial 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 March 16, 2022, on our consideration of the Organization'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 solely 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 Organization'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 Organization's internal control over financial reporting and compliance.

HSPG & Associates, P.C.

March 16, 2022

OKLAHOMA FOUNDATION FOR THE DISABLED, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 348,718	\$ 265,898
Investments	732,740	607,564
Contributions and grants receivable	238,519	249,327
Prepaid expenses and other assets	17,144	12,110
Beneficial interest in assets held by others	154,602	127,656
Property and equipment, net	<u>772,887</u>	<u>883,876</u>
TOTAL ASSETS	<u><u>\$ 2,264,610</u></u>	<u><u>\$ 2,146,431</u></u>
LIABILITIES		
Accounts payable	\$ 6,619	\$ 9,534
Accrued compensation	68,900	59,661
Notes payable	<u>945,466</u>	<u>876,459</u>
TOTAL LIABILITIES	<u><u>1,020,985</u></u>	<u><u>945,654</u></u>
NET ASSETS		
Without donor restrictions	875,309	853,219
With donor restrictions	<u>368,316</u>	<u>347,558</u>
Total Net Assets	<u>1,243,625</u>	<u>1,200,777</u>
Total Liabilities and Net Assets	<u><u>\$ 2,264,610</u></u>	<u><u>\$ 2,146,431</u></u>

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

OKLAHOMA FOUNDATION FOR THE DISABLED, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021 (with summarized totals for 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES, GAINS AND SUPPORT				
Contributions and donations	\$ 332,858	\$ 210,000	\$ 542,858	\$ 489,703
Government grant revenue	591,435	-	591,435	755,181
Program fee revenue	39,436	-	39,436	90,207
Special event revenue	1,354	-	1,354	13,456
Interest and dividend income	17,288	1,335	18,623	18,372
Realized and unrealized gains (losses) on investments	157,607	-	157,607	(6,229)
Change in value of beneficial interests held by others	-	31,804	31,804	2,628
Gain (loss) on sale of assets	-	-	-	10,392
Restrictions released	222,381	(222,381)	-	-
Total revenues, gains, and support	1,362,359	20,758	1,383,117	1,373,710
EXPENSES				
Program expenses	1,074,902	-	1,074,902	1,251,380
Fundraising expenses	39,633	-	39,633	35,536
Management and general	225,734	-	225,734	268,787
Total expenses	1,340,269	-	1,340,269	1,555,703
CHANGE IN NET ASSETS	22,090	20,758	42,848	(181,993)
NET ASSETS AT BEGINNING OF YEAR	853,219	347,558	1,200,777	1,382,770
NET ASSETS AT END OF YEAR	\$ 875,309	\$ 368,316	\$ 1,243,625	\$ 1,200,777

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

OKLAHOMA FOUNDATION FOR THE DISABLED, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS AND SUPPORT			
Contributions and donations	\$ 274,703	\$ 215,000	\$ 489,703
Government grant revenue	755,181	-	755,181
Program fee revenue	90,207	-	90,207
Special event revenue	13,456	-	13,456
Interest and dividend income	18,372	-	18,372
Realized and unrealized gains (losses) on investments	(6,229)	-	(6,229)
Change in value of beneficial interests held by others	-	2,628	2,628
Gain (loss) on sale of assets	10,392	-	10,392
Restrictions released	221,202	(221,202)	-
Total revenues, gains, and support	<u>1,377,284</u>	<u>(3,574)</u>	<u>1,373,710</u>
EXPENSES			
Program expenses	1,251,380	-	1,251,380
Fundraising expenses	35,536	-	35,536
Management and general	268,787	-	268,787
Total expenses	<u>1,555,703</u>	<u>-</u>	<u>1,555,703</u>
CHANGE IN NET ASSETS	(178,419)	(3,574)	(181,993)
NET ASSETS AT BEGINNING OF YEAR	<u>1,031,638</u>	<u>351,132</u>	<u>1,382,770</u>
NET ASSETS AT END OF YEAR	<u>\$ 853,219</u>	<u>\$ 347,558</u>	<u>\$ 1,200,777</u>

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

OKLAHOMA FOUNDATION FOR THE DISABLED, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021 (with summarized totals for 2020)

	2021			2020	
	Program expenses	Fundraising expenses	Management and general	Total	Total
Salaries and wages	\$ 610,494	\$ 22,510	\$ 128,205	\$ 761,209	\$ 975,851
Other employee benefits	29,222	1,077	6,137	36,436	26,704
Payroll taxes	52,602	1,940	11,047	65,589	80,994
Other	7,739	285	1,625	9,649	9,888
Advertising and promotion	60	2	13	75	242
Office expenses	20,103	741	4,222	25,066	22,186
Occupancy	39,252	1,447	8,243	48,942	45,245
Travel	36,385	1,342	7,641	45,368	58,444
Conferences, conventions, and meetings	242	9	51	302	1,959
Interest expense	21,624	797	4,541	26,962	26,445
Depreciation	97,461	3,594	20,467	121,522	124,012
Insurance	87,530	3,227	18,382	109,139	85,575
Outside services	30,742	1,134	6,456	38,332	23,806
Bank charges	5,515	203	1,158	6,876	7,214
Program expenses	30,690	1,132	6,445	38,267	63,453
Licenses and permits	5,241	193	1,101	6,535	3,685
Total	<u>\$ 1,074,902</u>	<u>\$ 39,633</u>	<u>\$ 225,734</u>	<u>\$ 1,340,269</u>	<u>\$ 1,555,703</u>

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

OKLAHOMA FOUNDATION FOR THE DISABLED, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program expenses	Fundraising expenses	Management and general	Total
Salaries and wages	\$ 784,957	\$ 22,290	\$ 168,604	\$ 975,851
Other employee benefits	21,480	610	4,614	26,704
Payroll taxes	65,150	1,850	13,994	80,994
Other	7,954	226	1,708	9,888
Advertising and promotion	194	6	42	242
Office expenses	17,846	507	3,833	22,186
Occupancy	36,395	1,033	7,817	45,245
Travel	47,011	1,335	10,098	58,444
Conferences, conventions, and meetings	1,576	45	338	1,959
Interest expense	21,272	604	4,569	26,445
Depreciation	99,753	2,833	21,426	124,012
Insurance	68,835	1,955	14,785	85,575
Outside services	19,149	544	4,113	23,806
Bank charges	5,803	165	1,246	7,214
Program expenses	51,041	1,449	10,963	63,453
Licenses and permits	2,964	84	637	3,685
Total	<u>\$ 1,251,380</u>	<u>\$ 35,536</u>	<u>\$ 268,787</u>	<u>\$ 1,555,703</u>

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

OKLAHOMA FOUNDATION FOR THE DISABLED, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES:		
Change in net assets	\$ 42,848	\$ (181,993)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	121,522	124,012
Reinvested interest and dividends	(11,534)	(14,310)
Realized and unrealized (gains) losses	(129,986)	6,229
Change in value of beneficial interest in assets held by others	(33,139)	(2,628)
Gain on sale of assets	-	(10,392)
Changes in operating assets and liabilities:		
Contributions and grants receivable	10,808	17,472
Prepaid expenses and other assets	(5,034)	(6,188)
Accounts payable	(2,915)	(1,842)
Accrued compensation	9,239	(190)
Net cash provided by (used in) operating activities	<u>1,809</u>	<u>(69,830)</u>
INVESTING ACTIVITIES:		
Proceeds from sales of investments	16,344	43,645
Purchase of property and equipment	(10,533)	(224,854)
Proceeds from disposal of property and equipment	-	11,500
Proceeds from beneficial interest in assets held by others	6,193	6,104
Net cash provided by (used in) investing activities	<u>12,004</u>	<u>(163,605)</u>
FINANCING ACTIVITIES:		
Proceeds from notes payable	151,148	371,430
Payments on notes payable	(82,141)	(102,421)
Net cash provided by (used in) financing activities	<u>69,007</u>	<u>269,009</u>
CHANGE IN CASH AND CASH EQUIVALENTS	82,820	35,574
CASH AND CASH EQUIVALENTS, beginning of year	<u>265,898</u>	<u>230,324</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 348,718</u>	<u>\$ 265,898</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	<u>\$ 26,962</u>	<u>\$ 26,445</u>

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

OKLAHOMA FOUNDATION FOR THE DISABLED, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities – Oklahoma Foundation for the Disabled, Inc. (the “Foundation” or “Organization”) is an Oklahoma not-for-profit organization whose mission is to improve the quality of life of developmentally disabled central Oklahoma adults by providing them with high quality and transformative learning programs and services that include life skills training, recreational activities and socialization opportunities in a safe, caring and compassion-focused environment.

Basis of accounting – The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other assets and liabilities.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basis of presentation – Net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Financial statement presentation reports information regarding the Organization’s financial position and activities as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor 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.

Revenues and other support – Revenues that have characteristics of exchange transactions, such as program fee income, are not recognized until earned. The Organization’s earned revenue include single performance obligations and are recognized at a point-in-time as services are provided. Fees received prior to services being provided are recorded as deferred revenue. Contributions are recorded as support when received or upon receipt of an unconditional promise to give, net of estimated discounts. Conditional contributions are recorded when the conditions have been substantially met or explicitly waived by the donor. The Organization’s revenue and other support primarily included the following:

Contributions and donations – Contributions and donations received are reported as with or without donor restricted support depending on the existence or nature of any donor restrictions. The Organization reports gifts of cash and other assets as restricted contributions if they are received with donor stipulations that limit the use of the donated assets. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the same period in which the contribution is received.

Government grant revenue – Various services provided by the Organization to qualifying clients such as meals served, transportation, counseling, and general daily activities qualify for grant revenues with various federal, state, and local government agencies including the Oklahoma Department of Human Services (“DHS”), Oklahoma Health Care Association (“OHCA”), and the Oklahoma State Department of Education (“OSDE”). These agencies notify the Organization of clients that they have pre-qualified to receive selected services from the Organization for whom the agencies will reimburse the Organization based on daily rates noted in the respective grant agreements. The Organization recognizes these revenues upon providing the services.

Program fee revenue – The same services noted above in government grant revenue are also available to clients who are not otherwise eligible for funding under the respective government grant. These clients pay for services received directly to the Organization which the Organization recognizes upon providing such services.

Cash and cash equivalents – Cash and cash equivalents consist of cash on hand, demand deposits with banks and other financial institutions, and highly liquid investments with original maturities of three months or less to be cash equivalents with the exception of those instruments held in investment accounts.

Investments – The Organization records investment purchases 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 / (loss) is reported in the statement of activities as interest and dividend income, less investment expenses, and realized and unrealized gains (losses).

Contributions and grants receivable and allowance for doubtful accounts – The Organization’s accounts receivable are uncollateralized obligations primarily from government grant revenues and from contributions and donations. The Organization estimates an allowance for doubtful accounts based on review of outstanding receivables, historical collection information and existing economic conditions. Management believes all receivables are fully collectible within one year; accordingly, no allowance for doubtful accounts or discounts have been recorded.

Beneficial interest in assets held by others – The Organization established an endowment fund that is perpetual in nature at Oklahoma City Community Foundation (“Community Foundation”) and named the Organization as beneficiary. The Organization granted the Community Foundation variance power which allows the Community Foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgement of the Community Foundation’s board of directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the Community Foundation for the Organization’s benefit and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

Property and equipment – Property and equipment are carried at cost or, if contributed, at fair value as of the date of donation. Expenditures for major additions and improvements with a useful life of more than one year are capitalized as determined on a case-by-case basis by the Executive Director. Minor replacements, maintenance, and repairs are charged to expense as incurred. The Organization reports gifts of fixed assets as unrestricted support unless explicit donor restrictions specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor restrictions about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the

donated or acquired long-lived assets are placed in service. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period.

Depreciation is computed using the straight-line method based on useful lives that range from five to forty years.

Functional allocation of 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, fundraising, and management and general expenses based on evaluations of the related activities. Management has allocated all expenses based on a time and efforts study of the Organization’s personnel. Non-personnel expenses are further allocated on a functional basis in portion to the aggregate personnel allocations.

Concentration of credit risk – The Organization maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. As of June 30, 2021 and 2020, the Organization’s balances with financial institutions subject to FDIC coverage did not exceeded such coverage. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash.

As of June 30, 2021 and 2020, 88% and 86%, respectively, of the Organization’s contributions and grants receivable are from one donor.

During the year ended June 30, 2021 and 2020, 63% and 71%, respectively, of the Organization’s revenues are from four entities.

Donated services – No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise; however, many individuals contribute their time and perform a variety of tasks that assist the Organization with specific programs.

Income taxes – The Organization is a not-for-profit organization exempt from income taxes under the Section 501(c)(3) of the Internal Revenue Code. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. With few exceptions, the Organization is no longer subject to income tax examination by the U.S. federal, state, or local tax authorities for years beginning before June 30, 2018.

Subsequent events – Management evaluated its June 30, 2021 financial statements for subsequent events through March 16, 2022, the date the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.

2. RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU No. 2016-02 “Leases (Topic 842).” The purpose of the guidance is to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position as well as providing additional disclosure requirements related to leasing arrangements. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2021, though early adoption is permitted.

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 are to be applied retrospectively and are effective for annual periods beginning after June 15, 2021. Early adoption is permitted.

Management is currently evaluating the impact that adopting the above recent accounting pronouncements will have on the Organization’s financial statements in future reporting periods.

3. LIQUIDITY AND AVAILABILITY

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 348,718	\$ 265,898
Investments	732,740	607,564
Contributions and grants receivable	238,519	249,327
Distributions from beneficial interest in assets held by others	<u>13,181</u>	<u>12,844</u>
	<u>\$1,333,158</u>	<u>\$1,135,633</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The Organization receives contributions and promises to give 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 Organization 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.

4. FAIR VALUE MEASUREMENTS AND DISCLOSURES

The Organization 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 or liability, 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 or liability 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 or liability 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 or liabilities that the Organization can access at the measurement date.

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

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

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

A significant portion of the Organization’s investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values. The fair value of the Organization’s beneficial interest in assets held by the Community Foundation is based on the fair value of fund investments as reported by the Community Foundation. These are considered to be Level 3 measurements.

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2021:

Assets	Total	Fair Value Measurements		
		(Level 1)	(Level 2)	(Level 3)
Investments:				
Cash and money market funds (at cost)	\$ 6,086	\$ -	\$ -	\$ -
Mutual funds:				
Equity securities	488,925	488,925	-	-
Fixed income securities	237,729	237,729	-	-
	732,740	726,654	-	-
Beneficial interest in assets held by others	154,602	-	-	154,602
	<u>\$ 887,342</u>	<u>\$ 726,654</u>	<u>\$ -</u>	<u>\$ 154,602</u>

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2020:

Assets	Total	Fair Value Measurements		
		(Level 1)	(Level 2)	(Level 3)
Investments:				
Cash and money market funds (at cost)	\$ 13,494	\$ -	\$ -	\$ -
Mutual funds:				
Equity securities	358,042	358,042	-	-
Fixed income securities	236,028	236,028	-	-
	607,564	594,070	-	-
Beneficial interest in assets held by others	127,656	-	-	127,656
	<u>\$ 735,220</u>	<u>\$ 594,070</u>	<u>\$ -</u>	<u>\$ 127,656</u>

The following table 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) for the years ended June 30, 2021 and 2020:

	2021	2020
Balance at beginning of year	\$ 127,656	\$ 131,132
Purchases / contributions	-	-
Investment return, net	33,139	2,628
Distributions	(6,193)	(6,104)
Balance at end of year	<u>\$ 154,602</u>	<u>\$ 127,656</u>

The summary of changes in fair value of Level 3 assets has been prepared to reflect the activity in the same categories as those provided to the Organization by the Community Foundation. Net investment performance includes realized and unrealized gains (losses) on investments, investment income, and administrative fees and is included in change in value of beneficial interest in assets held by others in the statement of activities. Typically, distributions decrease the Organization's respective financial asset and increase cash at the time of distribution.

5. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The statements of financial position as of June 30, 2021 and 2020, include the beneficial interest in assets held by others of \$154,602 and \$127,656, respectively, (see Note 1). In addition to these funds, the Community Foundation maintains other funds that have been contributed by various donors to the Community Foundation for the benefit of the Organization. These funds are not included as assets of the Organization. The earnings from these funds are paid to the Organization each year. For the years ended June 30, 2021 and 2020, the Organization received approximately \$6,800 and \$6,600, respectively, from the third-party donor funds held by the Community Foundation. At June 30, 2021 and 2020, the fair value of the third-party donor funds held by the

Community Foundation was approximately \$166,000 and \$137,000, respectively. The Organization has no remainder interest in the corpus of the funds.

6. ENDOWMENT DISCLOSURES

The Organization’s endowment consists of the beneficial interest in assets held by the Community Foundation totaling \$154,602 and \$127,656 as of June 30, 2021, and 2020, respectively, as discussed in Note 5. That endowment was created through donor restricted contributions that were subsequently transferred to the Community Foundation. 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 Organization follows the Accounting Standards Codification’s guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit entity that is subject to an enacted version of the Oklahoma Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). The Board of Directors of the Organization has interpreted 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, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence in UPMIFA. In accordance with UPMIFA, the following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds held for the benefit of the Organization.

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 June 30, 2021, is as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 89,870	\$ 89,870
Accumulated investment gains	-	64,732	64,732
	<u>\$ -</u>	<u>\$ 154,602</u>	<u>\$ 154,602</u>

Changes in endowment net assets for the year ended June 30, 2021, are as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 127,656	\$ 127,656
Investment return, net	-	33,139	33,139
Contributions	-	-	-
Appropriation of endowment assets pursuant to spending-rate policy	-	(6,193)	(6,193)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 154,602</u>	<u>\$ 154,602</u>

Endowment net asset composition by type of fund as of June 30, 2020, is as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 89,870	\$ 89,870
Accumulated investment gains	-	37,786	37,786
	<u>\$ -</u>	<u>\$ 127,656</u>	<u>\$ 127,656</u>

Changes in endowment net assets for the year ended June 30, 2020, are as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 131,132	\$ 131,132
Investment return, net	-	2,628	2,628
Contributions	-	-	-
Appropriation of endowment assets pursuant to spending-rate policy	-	(6,104)	(6,104)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 127,656</u>	<u>\$ 127,656</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 Organization to retain as a fund of perpetual duration. The Organization interprets UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2021 and 2020, there were no underwater endowments.

Return objectives and risk parameters – The Organization 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 Organization 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 the Community Foundation, 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 – The Community Foundation’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 Organization’s operations as appropriated by the board of directors.

7. FIXED ASSETS

Fixed assets as of June 30, 2021 and 2020, consist of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 50,500	\$ 50,500
Buildings and improvements	1,734,244	1,723,711
Furniture and equipment	109,312	109,312
Transportation equipment	<u>271,589</u>	<u>271,589</u>
	2,165,645	2,155,112
Accumulated depreciation	<u>(1,392,758)</u>	<u>(1,271,236)</u>
	<u>\$ 772,887</u>	<u>\$ 883,876</u>

The Organization received a grant from the Oklahoma Department of Human Services (“OKDHS”) to purchase a van. Under terms of the grant, OKDHS maintains a lien on the van until it is disposed which must be approved by OKDHS. The net book value of the van at June 30, 2021 and 2020 is approximately \$39,000 and \$55,000, respectively.

8. NOTES PAYABLE

Notes payable consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Note payable, monthly payments of principal and interest amortizable over 240 months with outstanding principal and interest due September 15, 2024. Variable interest rate is based on the weekly average yield on U.S. treasury securities adjusted to a constant maturity of five years plus a margin of 2.75 percentage point with a floor of 4.25% (4.27% at June 30, 2021). Secured by the Organization's land, building, and investments.	\$ 386,379	\$ 407,414
5.00% note payable, monthly payments of principal and interest of \$1,206 with remaining unpaid principal and interest due September 15, 2024. Secured by the Organization's land, building, and investments.	47,325	102,240
Note payable from a financial institution, monthly payments of principal and interest of \$558 for 60 months with maturity in August 2024 and an annual interest rate of 4.20%. Secured by the vehicle purchased with this note.	19,800	25,475
Two Paycheck Protection Program unsecured forgivable loans from the Small Business Administration bearing interest at 1%. Full forgiveness of principal and interest can be achieved by incurring qualifying expenses during the defined Covered Period as well as meeting other criteria related to employee retention. If any portion of the loan is not forgiven, repayment of the loan will commence with principal and interest payments to be repaid over two to five years.	337,962	190,814
Economic Injury Disaster Loan from the Small Business Administration bearing interest at 2.75%. Repayments begin in May 2021 with 360 monthly payments of principal and interest of \$641 followed by a final payment due June 2050, for all unpaid principal and interest. Secured by the Organization's assets.	<u>154,000</u>	<u>150,516</u>
	<u>\$ 945,466</u>	<u>\$ 876,459</u>

- (1) The initial PPP loan of \$190,814 was forgiven by the SBA subsequent to June 30, 2021. Management believes the second loan of \$147,151 will also be forgiven prior to any required payments.

Future maturities of notes payable are as follows:

<u>Years Ending June 30,</u>	
2022	\$ 233,079
2023	84,162
2024	86,526
2025	79,073
2026	54,630
Thereafter	<u>407,996</u>
	<u>\$ 945,466</u>

9. NET ASSETS WITH RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods.

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Donor software	\$ 3,714	\$ 4,902
Subject to the passage of time:		
Contributions to fund a subsequent period	210,000	215,000
Perpetual in nature:		
Beneficial interest in assets held by others	<u>154,602</u>	<u>127,656</u>
	<u>\$ 368,316</u>	<u>\$ 347,558</u>

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SUPPLEMENTARY INFORMATION

OKLAHOMA FOUNDATION FOR THE DISABLED, INC.
SUPPLEMENTARY SCHEDULE OF STATE FINANCIAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

State Grantor / Program Title	Contract Number	Award Period	Revenues Recognized	Current - Year Expenditures
<u>Oklahoma State Department of Human Services</u>				
Developmental Disabilities Services Division - Waiver		10/01/2020 to 10/31/2024	\$ 363,799	\$ 363,799
Aging Services Division - Adult Day Services	PA #18000369	6/30/2018 to 6/30/2021	180,315	180,315
Child and Adult Food Care Program		10/01/2020 to 9/30/2021	32,366	32,366
Medicaid Services Unit - Advantage Program Waiver		11/16/2018 to 11/30/2022	6,070	6,070
Transportation			<u>8,885</u>	<u>8,885</u>
Total state financial awards			<u>\$ 591,435</u>	<u>\$ 591,435</u>

See independent auditor's report on supplementary information.

REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS



**INDEPENDENT AUDITOR’S 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**

To the Board of Directors of
Oklahoma Foundation for the Disabled, Inc.
Oklahoma City, Oklahoma

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 Oklahoma Foundation for the Disabled, Inc., (the “Organization”) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements (“financial statements”), and have issued our report thereon dated March 16, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization’s internal control over financial reporting (internal control) as a basis for designing 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 Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’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

HSPG & ASSOCIATES, PC

effect on the financial statements. 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HSPG & Associates, P.C.

March 16, 2022