

Rose State College Foundation, Inc.

Financial Statements
with Independent Auditor's Reports

June 30, 2022 and 2021



Rose State College Foundation, Inc.

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June 30, 2022 and 2021

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**HINKLE &
COMPANY**
Strategic PC
Business Advisors

Independent Auditor's Report

Board of Trustees
Rose State College Foundation, Inc.
Midwest City, Oklahoma

Opinion

We have audited the financial statements of Rose State College Foundation, Inc. (the Foundation), which comprise the statements of financial position as of June 30, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Hick & Company, PC

Tulsa, Oklahoma
September 16, 2022



Rose State College Foundation, Inc.

Statements of Financial Position

June 30, 2022 and 2021

| <u>ASSETS</u> | <u>2022</u> | <u>2021</u> |
|--|----------------------------|----------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 806,591 | \$ 688,255 |
| Investments | | |
| Endowment | 1,022,605 | 946,106 |
| Other | 658,375 | 1,033,542 |
| Atkinson Heritage Center Property | 2,863,000 | 2,863,000 |
| Artwork Collection | <u>7,000</u> | <u>7,000</u> |
| Total Assets | \$ <u>5,357,571</u> | \$ <u>5,537,903</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ <u>13,285</u> | \$ <u>13,769</u> |
| Total Liabilities | <u>13,285</u> | <u>13,769</u> |
| Net Assets | | |
| Without donor restrictions | | |
| Board-designated endowment | 34,743 | 29,160 |
| Undesignated | 396,986 | 602,208 |
| With donor restrictions | <u>4,912,557</u> | <u>4,892,766</u> |
| Total Net Assets | <u>5,344,286</u> | <u>5,524,134</u> |
| Total Liabilities and Net Assets | \$ <u>5,357,571</u> | \$ <u>5,537,903</u> |

Rose State College Foundation, Inc.

Statement of Activities
Year Ended June 30, 2022

| | 2022 | | |
|---|----------------------------------|-------------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenues, Gains, and Other Support | | | |
| Contributions | \$ 54,211 | \$ 205,848 | \$ 260,059 |
| Investment income (loss), net | (164,284) | (100,715) | (264,999) |
| Other income | 602 | - | 602 |
| In-kind contributions | 105,000 | - | 105,000 |
| | <u>(4,471)</u> | <u>105,133</u> | <u>100,662</u> |
| Gross special events revenue | 120,923 | - | 120,923 |
| Special events gifts in-kind | 6,900 | - | 6,900 |
| Less cost of direct benefits to donors | <u>(52,392)</u> | <u>-</u> | <u>(52,392)</u> |
| Net Special events revenue | <u>75,431</u> | <u>-</u> | <u>75,431</u> |
| Net assets release from restrictions | <u>85,342</u> | <u>(85,342)</u> | <u>-</u> |
| Total Revenues, Gains, and Other Support | <u>156,302</u> | <u>19,791</u> | <u>176,093</u> |
| Expenses | | | |
| Program services | 212,137 | - | 212,137 |
| Supporting services | | | |
| Management and general | <u>143,804</u> | <u>-</u> | <u>143,804</u> |
| Total Expenses | <u>355,941</u> | <u>-</u> | <u>355,941</u> |
| Change in Net Assets | (199,639) | 19,791 | (179,848) |
| Net Assets, Beginning of Year | <u>631,368</u> | <u>4,892,766</u> | <u>5,524,134</u> |
| Net Assets, End of Year | <u>\$ 431,729</u> | <u>\$ 4,912,557</u> | <u>\$ 5,344,286</u> |

Rose State College Foundation, Inc.

Statement of Activities
Year Ended June 30, 2021

| | 2021 | | |
|---|----------------------------------|-------------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenues, Gains, and Other Support | | | |
| Contributions | \$ 96,773 | \$ 154,920 | \$ 251,693 |
| Investment income, net | 299,123 | 230,056 | 529,179 |
| Other income | 564 | - | 564 |
| In-kind contributions | 113,000 | - | 113,000 |
| | <u>509,460</u> | <u>384,976</u> | <u>894,436</u> |
| Gross special events revenue | 111,346 | - | 111,346 |
| Special events gifts in-kind | 29,852 | - | 29,852 |
| Less cost of direct benefits to donors | (91,309) | - | (91,309) |
| Net Special events revenue | <u>49,889</u> | <u>-</u> | <u>49,889</u> |
| Net assets release from restrictions | <u>94,758</u> | <u>(94,758)</u> | <u>-</u> |
| Total Revenues, Gains, and Other Support | <u>654,107</u> | <u>290,218</u> | <u>944,325</u> |
| Expenses | | | |
| Program services | 239,876 | - | 239,876 |
| Supporting services | | | |
| Management and general | 145,933 | - | 145,933 |
| Total Expenses | <u>385,809</u> | <u>-</u> | <u>385,809</u> |
| Change in Net Assets | 268,298 | 290,218 | 558,516 |
| Net Assets, Beginning of Year | <u>363,070</u> | <u>4,602,548</u> | <u>4,965,618</u> |
| Net Assets, End of Year | <u>\$ 631,368</u> | <u>\$ 4,892,766</u> | <u>\$ 5,524,134</u> |

Rose State College Foundation, Inc.
Statement of Functional Expenses
Year Ended June 30, 2022

| | 2022 | | |
|---------------------------------|-----------------------------|-----------------------------------|-------------------|
| | Program Services | Management and General | Total |
| Scholarship and awards | \$ 185,073 | \$ - | \$ 185,073 |
| Capital and other contributions | 27,064 | - | 27,064 |
| In-kind salaries and benefits | - | 105,000 | 105,000 |
| In-kind rent | - | 6,900 | 6,900 |
| Other expenses | - | 31,904 | 31,904 |
| Total Expenses | \$ 212,137 | \$ 143,804 | \$ 355,941 |

Rose State College Foundation, Inc.

Statement of Functional Expenses

Year Ended June 30, 2021

| | 2021 | | |
|---------------------------------|---------------------|---------------------------|-------------------|
| | Program Services | Management and General | Total |
| Scholarship and awards | \$ 184,416 | \$ - | \$ 184,416 |
| Capital and other contributions | 55,460 | - | 55,460 |
| In-kind salaries and benefits | - | 105,000 | 105,000 |
| In-kind rent | - | 8,000 | 8,000 |
| Other expenses | - | 32,933 | 32,933 |
| Total Expenses | \$ 239,876 | \$ 145,933 | \$ 385,809 |

Rose State College Foundation, Inc.

Statements of Cash Flows Year Ended June 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ (179,848) | \$ 558,516 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Net realized and unrealized investment losses (gains) | 265,865 | (536,217) |
| Contributions restricted for endowment | (83,068) | (45,103) |
| Changes in: | | |
| Accounts payable and accrued expenses | (484) | (14,229) |
| Net Cash Provided by (Used In) Operating Activities | <u>2,465</u> | <u>(37,033)</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from sales and maturities of investments | <u>32,803</u> | <u>57,055</u> |
| Net Cash Used In Investing Activities | <u>32,803</u> | <u>57,055</u> |
| Cash Flows from Financing Activities | | |
| Contributions restricted from endowment | <u>83,068</u> | <u>45,103</u> |
| Net Cash Provided by Financing Activities | <u>83,068</u> | <u>45,103</u> |
| Net Change in Cash and Cash Equivalents | 118,336 | 65,125 |
| Cash and Cash Equivalents at Beginning of Year | <u>688,255</u> | <u>623,130</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 806,591</u> | <u>\$ 688,255</u> |

Rose State College Foundation, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 1: Summary of Significant Accounting Policies

Organization

Rose State College Foundation, Inc. (the "Foundation") is a nonprofit organization whose mission and principal activities are to promote the educational and cultural interest of Rose State College (the "College"), a public institution of higher education. The Foundation's revenues and other support are derived principally from contributions and its activities are conducted in the Midwest City, Oklahoma, area. Members of the Board of Governors are associate members of the Board of Trustees and are nonvoting members.

Although the College does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the College. Therefore, these restricted resources held by the Foundation can only be used by, or for the benefit of, the College. The Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

Financial Statement Presentation

The Foundation follows the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). The ASC is the single source of authoritative guidance for accounting principles generally accepted in the United States of America ("U.S. GAAP") for nongovernmental entities. The Foundation's financial statements have been prepared on the accrual basis of accounting and to ensure the observance of limitations and restrictions placed on the use of available resources, the Foundation maintains its accounts in accordance with the principles and practices of fund accounting. All inter-fund activities have been eliminated in the accompanying financial statements.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Property and Equipment

Property and equipment additions over \$7,000 are capitalized on a straight-line basis over the estimated useful life of each asset, with the exception of computer hardware and software additions, which are not capitalized unless the addition exceeds \$20,000. At June 30, 2022 and 2021, all property and equipment was fully depreciated.

Rose State College Foundation, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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. Investment in the Commonfund is valued at fair value based upon the underlying fair value of the funds' equity and debt securities. Net investment gain/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Collections

All collections of works of art, historical treasures, and similar assets are capitalized. Items added to the collections are capitalized at cost if purchased or at estimated fair value on the acquisition date, if donated. Collection items sold or removed are reported as unrestricted or temporarily restricted gains or losses depending on donor stipulations, if any, placed on the items at the time of acquisition.

Net Asset Classifications

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions – Consists of amounts that are available for use in carrying out the supporting activities of the Foundation and are not subject to donor-imposed stipulations. The Board had designated \$34,743 and \$29,160 of the Foundation's net assets without donor restrictions for specified purposes as of June 30, 2022 and 2021, respectively.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time, or are maintained in perpetuity by the Foundation. When the donor-imposed stipulation ends or the Foundation satisfies an action, the Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions.

The Foundation reports contributions restricted by donors 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. When a restriction expires, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the statements of activities as net assets released from restrictions.

Rose State College Foundation, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions, including unconditional promises to give, are recognized as revenues in accordance with ASU 2018-08 (See "Implementation of New Accounting Guidance").

Allocation of Expenses

The Foundation accounts for direct support to Rose State College, such as scholarships and grants/gifts as program expenses. All other expenses are considered to be supporting services expenses. The majority of supporting services expenses are in-kind expenses for salaries and rent.

Income Taxes

The Foundation is exempt from federal income tax as an organization described in 501(c)(3) of the Internal Revenue Code. There are no tax-related interest and/or penalties included in the statement of activities. There are no tax-related interest and/or penalties included in the statement of financial position. Tax years that remain open and subject to examination by major tax jurisdictions include previous three years.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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.

Financial Instruments and Credit Risk

The Foundation manages deposit concentration risk by placing cash and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Investments are made by diversified investment managers whose performance is monitored by management and the Investment Committee of the Board of Trustees. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

Rose State College Foundation, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Implementation of New Account Guidance

In February 2016, the FASB issued ASU No. 2016-02, Leases. The new standard establishes a right of use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2020. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, practical expedients are available. The Foundation has not yet determined the potential effects of the new standard on the financial statements, if any.

Subsequent Events

Subsequent events have been evaluated through September 16, 2022, which is the date the financial statements were issued.

Note 2: Cash and Cash Equivalents

The Foundation maintains several bank accounts. The table below is designed to disclose the level of custody credit risk assumed by the Foundation based upon how its deposits were insured at June 30, 2022 and 2021. FDIC regulations state that time and savings accounts are insured up to \$250,000 per depositor, per insured bank.

Category 1 - Insured by FDIC or collateralized with securities held by the Foundation or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Foundation's name.

Category 3 - Uninsured and uncollateralized.

| Type of Deposits | Total Bank Balances | Custody (Category 1) | Credit Risk (Category 2) | Uninsured (Category 3) |
|----------------------|---------------------|----------------------|--------------------------|------------------------|
| June 30, 2022 | | | | |
| Demand Deposits | \$ 793,414 | \$ 510,123 | \$ - | \$ 283,291 |
| Total Deposits | <u>\$ 793,414</u> | <u>\$ 510,123</u> | <u>\$ -</u> | <u>\$ 283,291</u> |
| June 30, 2021 | | | | |
| Demand Deposits | \$ 365,783 | \$ 250,000 | \$ - | \$ 115,783 |
| Total Deposits | <u>\$ 365,783</u> | <u>\$ 250,000</u> | <u>\$ -</u> | <u>\$ 115,783</u> |

Rose State College Foundation, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 3: Fair Value Measurement

The methods and assumptions used to estimate the fair value of assets and liabilities in the financial statements, including a description of the methodologies used for the classifications within the fair value hierarchy for financial instruments carried at fair value, are as follows:

Cash and cash equivalents: The assets' carrying amounts approximate fair value due to their short maturities.

Investments: Investments in cash and cash equivalents, publicly traded securities, and mutual funds are stated at market value based on quoted market prices. Investments, common trust funds, certificates of deposit, government agency bonds and mortgage-backed securities are stated at market price as determined by the fund manager or quoted market prices in nonactive markets. Other investments are stated at fair value based upon current market conditions and other factors deemed relevant to the valuation as provided by the independent valuation specialist and or Foundation management.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than the Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Rose State College Foundation, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 3: Fair Value Measurement (Continued)

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements at fair value on a recurring basis and the level within the fair market value hierarchy in which the fair value measurements fall at June 30, 2022 and 2021.

| As of June 30, 2022 | | | | |
|----------------------------|---------------------|-------------|-------------|---------------------|
| Investments | Level 1 | Level 2 | Level 3 | Total |
| Multi-Strategy Bond Fund | \$ 927,073 | \$ - | \$ - | \$ 927,073 |
| Multi-Strategy Equity Fund | 753,907 | - | - | 753,907 |
| | <u>\$ 1,680,980</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,680,980</u> |

| As of June 30, 2021 | | | | |
|----------------------------|---------------------|-------------|-------------|---------------------|
| Investments | Level 1 | Level 2 | Level 3 | Total |
| Multi-Strategy Bond Fund | \$ 106,973 | \$ - | \$ - | \$ 106,973 |
| Multi-Strategy Equity Fund | 1,872,675 | - | - | 1,872,675 |
| | <u>\$ 1,979,648</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,979,648</u> |

Multi- Strategy Bond Fund (Bond Fund) – The investment objective of the Bond Fund is to offer an actively managed, multi-manager investment program that will provide, in a single fund, broad exposure to global debt markets. The Bond Fund seeks to add value above the return of the broad U.S. bond market over a full market cycle, as measured by Barclays Capital U.S. Aggregate Bond Index and, due to its strategy and manager diversification, to reduce volatility in comparison to that of investing in the index.

The redemption of these investments is not in structured liquidation. Instead, distributions are received through the liquidation of the underlying assets of the fund.

Multi-Strategy Equity Fund (Equity Fund) – The investment objective of the Equity Fund is to offer an investment program that will provide, in a single fund, all of the strategy and manager diversification that an endowment would normally require for its equity allocation. The Equity Fund seeks to add value over long periods of time, above the return of the U.S. equity market as measured by the S&P 500 Index and, due to its strategy and manager diversification, to reduce volatility in comparison to that of investing in the index.

The redemption of these investments is not in structured liquidation. Instead, distributions are received through the liquidation of the underlying assets of the fund.

Rose State College Foundation, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 4: Net Investment Return

Net investment return (loss) consists of the following for the years ended June 30, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|-------------------|
| Operating investments | | |
| Net realized and unrealized gain (loss) | \$ (101,274) | \$ 230,056 |
| Less investment management and custodial fees | <u>(3,106)</u> | <u>(2,904)</u> |
| | <u>(104,380)</u> | <u>227,152</u> |
| Endowment investments | | |
| Net realized and unrealized gain (loss) | (155,928) | 306,161 |
| Less investment management and custodial fees | <u>(4,691)</u> | <u>(4,134)</u> |
| | <u>(160,619)</u> | <u>302,027</u> |
| | <u>\$ (264,999)</u> | <u>\$ 529,179</u> |

Note 5: Historical Properties

Historical properties consist of the following at June 30, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|--------------------------|---------------------|---------------------|
| Historical Properties | | |
| Atkinson Heritage Center | \$ 1,400,000 | \$ 1,400,000 |
| Atkinson Land | 850,000 | 850,000 |
| Atkinson Pony Barn | 613,000 | 613,000 |
| Artwork- Sculpture | <u>7,000</u> | <u>7,000</u> |
| | <u>\$ 2,870,000</u> | <u>\$ 2,870,000</u> |

These properties are not depreciated since they have cultural and historical value that is worth preserving perpetually, and the Foundation is protecting the service potential of the properties.

Rose State College Foundation, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 6: Related Party Transactions

The Foundation and the College are related parties that are not financially interrelated organizations. The College authorizes the Foundation to solicit contributions on its behalf. In the absence of donor restrictions, the Foundation has discretionary control over the amounts and timing of its distributions to the College. The Foundation's contributions to the College during the years ended June 30, 2022 and 2021 are reported in the Foundation's financial statements as scholarships, awards, and programs of \$212,137 and \$239,876, respectively. At June 30, 2022 and 2021, the Foundation had scholarship, awards and programs payable to the College of \$13,285 and \$13,769, respectively.

The Foundation receives various administrative services and office space from the College at no cost. The Foundation's office space is provided by the College. During 2022 and 2021, \$8,000 was recorded as in-kind rent. The Foundation's payroll cost for employees handling all day-to-day operations are paid by the College. During 2022 and 2021, approximately \$105,000 and \$105,000, respectively, was recorded as contributed services, which represent the Foundation's portion of the staff's salaries. These amounts are recorded as in-kind contributions on the accompanying statements of activities.

The Foundation has entered into an operating lease with the College for the Atkinson Heritage Center property. The purpose of the lease is for the College to use, operate, and maintain the property. The term of the lease is for a period of 99 years. In consideration for use of the property, the College is to pay a nominal rent amount to the Foundation and is to pay all executor costs (maintenance, insurance, etc.) related to the property.

Note 7: Endowment Disclosures

Foundation's endowment consists of several individual funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Rose State College Foundation, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 7: Endowment Disclosures (Continued)

Interpretation of Relevant Law

In accordance with the requirements of the Oklahoma Uniform Prudent Management of Institutional Funds Act (OUPMIFA), the Foundation will report the market value of an endowment as perpetual in nature. As a result, the Foundation classifies as permanently restricted 1) the original value of gifts donated to the endowment, 2) the original value of subsequent gifts donated to the endowment, and 3) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by OUPMIFA. In accordance with OUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund;
- 2) The purposes of the Foundation 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 Foundation; and
- 7) The investment policies of the Foundation.

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 the endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results which generate a dependable, increasing source of income and appreciation while assuming a moderate to conservative level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives while reducing risk to acceptable levels.

Rose State College Foundation, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 7: Endowment Disclosures (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year a Board approved percent of its endowment fund's fair value as of the immediately preceding July 1. Permitted annual disbursements for scholarships from permanent endowment fund earnings are reviewed by the Budget and Investment Committee annually and submitted to the Board for approval. In establishing this policy, the Foundation considered both the short-term and the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for specified term as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets for the years ending June 30, 2022 and 2021 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|----------------------------------|-------------------------------|---------------------|
| June 30, 2022 | | | |
| Endowment net assets, beginning of year | \$ - | \$ 946,106 | \$ 946,106 |
| Investment income, net | - | - | - |
| Contributions | - | 83,068 | 83,068 |
| Transfers between restrictions | - | 750 | 750 |
| Appropriations | - | - | - |
| Endowment net assets, end of year | <u>\$ -</u> | <u>\$ 1,029,924</u> | <u>\$ 1,029,924</u> |

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|----------------------------------|-------------------------------|-------------------|
| June 30, 2021 | | | |
| Endowment net assets, beginning of year | \$ - | \$ 861,951 | \$ 861,951 |
| Investment income, net | - | 230,056 | 230,056 |
| Contributions | - | 45,103 | 45,103 |
| Transfers between restrictions | - | 39,052 | 39,052 |
| Appropriations | - | (230,056) | (230,056) |
| Endowment net assets, end of year | <u>\$ -</u> | <u>\$ 946,106</u> | <u>\$ 946,106</u> |

Rose State College Foundation, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 8: Net Assets

Net assets subject to expenditure for specified purpose or period are restricted for the following purposes at June 30, 2022 and 2021, consist of:

| | 2022 | 2021 |
|-----------------------------------|---------------------|---------------------|
| Academic Scholarships | \$ 814,462 | \$ 936,507 |
| Academic Program Support Funds | 34,936 | 28,936 |
| Athletic Scholarships | 112,337 | 80,270 |
| Special Project Improvement Funds | 50,898 | 30,947 |
| | <u>\$ 1,012,633</u> | <u>\$ 1,076,660</u> |

Net assets were released from restrictions as follows during the years ended June 30, 2022 and 2021:

| | 2022 | 2021 |
|-----------------------------------|------------------|------------------|
| Academic Scholarships | \$ 73,248 | \$ 79,692 |
| Academic Program Support Funds | - | - |
| Athletic Scholarships | 10,795 | 14,001 |
| Special Project Improvement Funds | 1,299 | 1,065 |
| | <u>\$ 85,342</u> | <u>\$ 94,758</u> |

Net assets not subject to appropriation or expenditures consist of the following at June 30, 2022 and 2021, consist of:

| | 2022 | 2021 |
|-----------------------------------|---------------------|---------------------|
| Academic Scholarships | \$ 1,029,924 | \$ 946,106 |
| Donated Property: | | |
| Atkinson Heritage Center Property | 2,863,000 | 2,863,000 |
| Artwork | 7,000 | 7,000 |
| | <u>\$ 3,899,924</u> | <u>\$ 3,816,106</u> |

Rose State College Foundation, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 9: Liquidity and Availability of Financial Assets

The Foundation manages its liquid resources by focusing on fundraising efforts to ensure that it has adequate contributions to cover the programs that are being conducted. The table below reflects the Foundation's financial assets, as of June 30, 2022 and 2021, expected to be available within one year to meet the cash needs for general expenditures.

| | <u>2022</u> | <u>2021</u> |
|--|--------------------|--------------------|
| Financial Assets | | |
| Cash and cash equivalents | \$ 806,591 | \$ 688,255 |
| Investments, endowment | 1,022,605 | 946,106 |
| Investments, other | 658,375 | 1,033,542 |
| | <u>2,487,571</u> | <u>2,667,903</u> |
| Less those unavailable for general expenditure within one year, due to: | | |
| Donor-imposed restrictions subject to appropriation or expenditures | | |
| Academic Scholarships | (814,462) | (936,507) |
| Athletic Scholarships | (112,337) | (80,270) |
| Capital Improvements | (50,898) | (30,947) |
| Donor-imposed restrictions not subject to appropriation or expenditures | | |
| Academic Scholarships | (1,029,924) | (946,106) |
| Board designated | (34,743) | (29,160) |
| | <u>(2,042,364)</u> | <u>(2,022,990)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 445,207</u> | <u>\$ 644,913</u> |