

Northern Oklahoma College Foundation, Inc.

Financial Statements

June 30, 2018 and 2017
(With Independent Auditors' Report Thereon)



NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Northern Oklahoma College Foundation, Inc.
Tonkawa, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Northern Oklahoma College Foundation, Inc. (the "Foundation"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in 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 auditors' 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 auditors consider internal control relevant to the Foundation'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 Foundation'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.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Prior Period Financial Statements

The financial statements of the Foundation as of June 30, 2017, and for the year then ended were audited by other auditors whose report dated October 18, 2017, expressed an unmodified opinion on those statements.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as of and for the year ended June 30, 2018, as a whole. The combining statement of activities for the year ended June 30, 2018, on page 26 is presented for the purpose of additional analysis and is not a part of the required basic 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 basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the combining statement of activities is fairly stated in all material respects, in relation to the basic financial statements as a whole. The combining statement of activities for the year ended June 30, 2017, on page 27 was subjected to the auditing procedures applied in the audit of the June 30, 2017, basic financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the June 30, 2017, financial statements as a whole.

Finlay + Cook, PLLC

Shawnee, Oklahoma
October 25, 2018

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

<i>June 30,</i>	<i>2018</i>	<i>2017</i>
Assets		
Current assets:		
Cash	\$ 288,809	269,710
Investments	9,650,944	9,038,796
Loans receivable	7,355	8,930
Prepaid assets	23,325	-
Investment income receivables	10	6
Total current assets	<u>9,970,443</u>	<u>9,317,442</u>
Noncurrent assets:		
Property and equipment, net	<u>8,438</u>	<u>17,886</u>
Total noncurrent assets	<u>8,438</u>	<u>17,886</u>
Total assets	<u>\$ 9,978,881</u>	<u>9,335,328</u>
Liabilities and Net Assets		
Liabilities:		
Accrued accounts payable	\$ <u>12,574</u>	<u>709</u>
Total liabilities	<u>12,574</u>	<u>709</u>
Net assets:		
Unrestricted	1,195,091	1,098,616
Temporarily restricted	4,944,806	4,453,443
Permanently restricted	<u>3,826,410</u>	<u>3,782,560</u>
Total net assets	<u>9,966,307</u>	<u>9,334,619</u>
Total liabilities and net assets	<u>\$ 9,978,881</u>	<u>9,335,328</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.**STATEMENTS OF ACTIVITIES***Year Ended June 30, 2018*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains, and other support:				
Private gifts and contributions	\$ 296,882	461,362	43,850	802,094
Interest and dividends	21,428	197,932	-	219,360
Net realized and unrealized gains	70,467	404,317	-	474,784
Other income	10,727	214,729	-	225,456
Net assets released from restriction	<u>786,977</u>	<u>(786,977)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>1,186,481</u>	<u>491,363</u>	<u>43,850</u>	<u>1,721,694</u>
Expenses:				
Scholarships	260,288	-	-	260,288
General and administrative expense	367,829	-	-	367,829
Program expense	440,639	-	-	440,639
Depreciation expense	9,448	-	-	9,448
Fundraising expense	<u>11,802</u>	<u>-</u>	<u>-</u>	<u>11,802</u>
Total expenses	<u>1,090,006</u>	<u>-</u>	<u>-</u>	<u>1,090,006</u>
Change in net assets	96,475	491,363	43,850	631,688
Net assets at beginning of year	<u>1,098,616</u>	<u>4,453,443</u>	<u>3,782,560</u>	<u>9,334,619</u>
Net assets at end of year	<u>\$ 1,195,091</u>	<u>4,944,806</u>	<u>3,826,410</u>	<u>9,966,307</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

STATEMENTS OF ACTIVITIES, CONTINUED

Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains, and other support:				
Private gifts and contributions	\$ 222,402	349,131	100,000	671,533
Interest and dividends	19,949	141,361	-	161,310
Net realized and unrealized gains	108,670	655,731	-	764,401
Other income	14,479	258,783	-	273,262
Net assets released from restriction	<u>1,071,558</u>	<u>(1,071,558)</u>	-	-
Total revenues, gains, and other support	<u>1,437,058</u>	<u>333,448</u>	<u>100,000</u>	<u>1,870,506</u>
Expenses:				
Scholarships	249,007	-	-	249,007
General and administrative expense	372,095	-	-	372,095
Program expense	268,444	-	-	268,444
Depreciation expense	12,272	-	-	12,272
Fundraising	<u>11,679</u>	-	-	<u>11,679</u>
Total expenses	<u>913,497</u>	<u>-</u>	<u>-</u>	<u>913,497</u>
Change in net assets	523,561	333,448	100,000	957,009
Net assets at beginning of year	<u>575,055</u>	<u>4,119,995</u>	<u>3,682,560</u>	<u>8,377,610</u>
Net assets at end of year	<u>\$ 1,098,616</u>	<u>4,453,443</u>	<u>3,782,560</u>	<u>9,334,619</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents

<i>Years Ended June 30,</i>	<i>2018</i>	<i>2017</i>
Reconciliation of changes in net assets to net cash provided by operating activities:		
Changes in net assets	\$ 631,688	957,009
Adjustment to reconcile changes in net assets to net cash provided by operating activities:		
Contributions restricted for long-term investment	(43,850)	(100,000)
Depreciation expense	9,448	12,272
Net realized and unrealized investment gains	(475,436)	(764,401)
Changes in operating assets and liabilities:		
Contributions and other receivables	(23,325)	-
Accrued interest receivable	(4)	11,415
Accounts payable	11,865	209
Net cash provided by operating activities	<u>110,386</u>	<u>116,504</u>
Cash flows from capital and related financing activities:		
Cash received from permanently restricted contributions	<u>43,850</u>	<u>100,000</u>
Net cash provided by capital and related financing activities	<u>43,850</u>	<u>100,000</u>
Cash flows from investing activities:		
Purchase of investments	(288,620)	(1,705,966)
Proceeds from sales of investments	151,908	1,485,486
Net changes in loans receivable	<u>1,575</u>	<u>344</u>
Net cash used in investing activities	<u>(135,137)</u>	<u>(220,136)</u>
Net increase (decrease) in cash and cash equivalents	19,099	(3,632)
Cash and cash equivalents at beginning of year	<u>269,710</u>	<u>273,342</u>
Cash and cash equivalents at end of year	<u>\$ 288,809</u>	<u>269,710</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Northern Oklahoma College Foundation, Inc. (the “Foundation”) was established and organized exclusively for the benefit of the educational, literacy and scientific activities of Northern Oklahoma College (the “College”). The principal function of the Foundation is to promote the College and the welfare of its programs and students by providing scholarships, loans and other awards to students, faculty, and staff as deemed appropriate.

The Board of Trustees, which governs the Foundation, is separate and distinct from the Board of Regents, the governing body of the College.

Accounting Standards Codification

The Foundation adopted the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC). ASC does not alter current accounting principles generally accepted in the United States (GAAP), but rather integrates existing accounting standards with other authoritative guidance. ASC provides a single source of authoritative GAAP for nongovernmental entities and supersedes all other previously issued non-SEC accounting and reporting guidance. Adoption of ASC did not have a significant effect on the Foundation’s financial statements.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting. Under this basis, revenues are recognized when earned rather than when received, and expenses are recognized when incurred rather than when the obligation is paid.

Basis of Presentation

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

Unrestricted net assets—Net assets for which no donor has imposed any restrictions that the assets be used for a specific purpose or held for a certain period of time. Contributions received with time and/or purpose restrictions which are fully expended in the same period are classified as unrestricted.

Temporarily restricted net assets—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. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

See Independent Auditors’ Report.

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Basis of Presentation, Continued

Permanently restricted net assets—Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investment for general or specific purposes.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received by the Foundation. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. An allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors. As of June 30, 2018 and 2017, the Foundation had no receivables relating to contributions.

Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in unrestricted net assets. 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 unrestricted support unless explicit donor stipulations specify how the assets must be used, in which case the gift is recorded as restricted support. 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 unrestricted contributions.

Income and gains on investments are reported as increases in permanently restricted net assets if the terms of the gift that gave rise to the investment or applicable law require such amounts be added to permanent endowment principal. Income and gains are reported as increases in temporarily restricted net assets if the terms of the gift or applicable law impose restrictions on the use of the income and as increases in unrestricted net assets in all other cases.

Generally, losses on investments of restricted endowments reduce temporarily restricted net assets to the extent donor-imposed temporary restrictions on the net appreciation of investments have not been met before the loss occurs. Any remaining losses reduce unrestricted net assets. Subsequent investment gains are applied first to unrestricted net assets to the extent that losses have previously been recognized, and then to temporarily restricted net assets.

See Independent Auditors' Report.

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an initial maturity of 3 months or less to be cash equivalents.

Concentration of Credit Risk

At June 30, 2018, the Foundation had no concentration of credit risk with financial institutions. The Foundation evaluates the stability of the financial institutions it does business with in evaluating credit risk. The Foundation's exposure to credit loss in the event of nonperformance by the other party to the financial instrument is represented by the contractual or notional amount of the account, less the amount covered by the Federal Deposit Insurance Corporation (FDIC) insurance (\$250,000 per institution), if applicable.

The Foundation maintains cash in its brokerage money market account which invests in U.S. government obligations. The fund is not federally insured or guaranteed by the U.S. government, the FDIC, or any other agency; however, management believes because of the high grade of instruments held by the fund that it is not exposed to any significant credit risk.

Support and Expenses

Expenses are reported as decreases in unrestricted net assets. Expirations of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes.

Loans Receivable

The Foundation grants various student loans as directed by donor-imposed stipulations. The Foundation considers all loans receivable to be fully collectible.

Income Taxes

The Internal Revenue Service has recognized the Foundation as exempt from income taxes under Section 501(a) of the Internal Revenue Code (the "Code") as an organization described in Section 501 (c)(3) of the Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements. The Foundation had no unrelated business income during 2018 or 2017.

See Independent Auditors' Report.

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of 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.

Accounting for Uncertain Tax Positions

The Foundation evaluates and accounts for its uncertain tax positions, if any, in accordance with ASC Topic 740, "Income Taxes," including the Foundation's tax position as a tax-exempt, not-for-profit entity. Through the Foundation's evaluation of its uncertain tax positions, management has determined no uncertain tax positions existed as of June 30, 2018 or 2017, which would require the Foundation to record a liability for the uncertain tax positions in its financial statements. Interest and penalties, if any, resulting from any uncertain tax position required to be recorded by the Foundation would be presented in operating expenses in the statements of activities. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal state or local tax authorities for years ended on or before June 30, 2015.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the statements of financial position. Realized and unrealized investment gains and losses are computed on the average cost basis. These gains and losses and other investment income are reflected in the statements of activities. Investment income and realized and unrealized gains and losses on investments are classified as unrestricted in the statements of activities unless a donor or law temporarily restricts their use.

Property and Equipment

Property and equipment are stated at cost or fair value at date of donation. For equipment, the Foundation's capitalization policy includes all items with a cost of \$5,000 or more and an estimated useful life of greater than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets: ten years for equipment.

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Contributions Receivable

Contributions receivable, which arise primarily from trusts and estates, are carried at present value at the financial statement date. This valuation assumes collection within one year; however, due to the nature of the receivable, the final settlement dates are uncertain. All amounts are expected to be fully collected. There were no contributions receivable at June 30, 2018 or 2017.

Reclassifications

Certain 2017 amounts have been reclassified to make them comparable to the 2018 presentation.

Recent Accounting Pronouncements

In May 2014, FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09). ASU 2014-09 clarifies the principles for recognizing revenue by providing a more robust framework that will give greater consistency and comparability in revenue recognition practices. In the new framework, an entity recognizes revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. The new model requires the identification of performance obligations included in contracts with customers, a determination of the transaction price, and an allocation of the price to those performance obligations. The entity recognizes revenue when performance obligations are satisfied. In August 2015, FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers—Deferral of the Effective Date*, which defers the effective date of ASU 2014-09 by one year. ASU 2014-09 is effective for the Foundation's annual periods beginning after July 1, 2018. Currently, the Foundation has not evaluated the impact on the financial statements of adopting ASU 2014-09.

In May 2015, FASB issued ASU No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASU 2015-07), which amends ASC Topic 820, "Fair Value Measurement" (ASC 820). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. It also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset per share practical expedient. ASU 2015-07 is effective for fiscal years beginning after December 15, 2016. The amendments in ASU 2015-07 were adopted by the Foundation on July 1, 2017, which did not have a significant effect on the Foundation's financial statements.

See Independent Auditors' Report.

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Recent Accounting Pronouncements, Continued

In January 2016, FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01), which requires all equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value, with changes in the fair value recognized through net income. An entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. ASU 2016-01 eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities. ASU 2016-01 is effective for financial statements issued for fiscal years beginning after December 15, 2018. Currently, the Foundation has not evaluated the impact on the financial statements of adopting ASU 2016-01.

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02), which requires that lessees recognize on the balance sheet the assets and liabilities for the rights and obligations created by operating leases. ASU 2016-02 is effective for financial statements issued for fiscal years beginning after December 15, 2019. Currently, the Foundation has not evaluated the impact on the financial statements of adopting ASU 2016-02.

In June 2016, FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), in order to provide more timely recording of credit losses on loans and other financial instruments. ASU 2016-13 adds an impairment model (known as the current expected credit loss (CECL) model) that is based on expected credit losses rather than incurred credit losses. It requires an organization to measure all expected credit losses for financial assets carried at amortized cost at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. ASU 2016-13 is effective for financial statements issued for fiscal years beginning after December 15, 2020. Currently, the Foundation has not evaluated the impact on the financial statements of adopting ASU 2016-13.

In August 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profits Entities* (ASU 2016-14). ASU 2016-14 will change the way all not-for-profits classify net assets and prepare financial statements. It is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Currently, the Foundation is evaluating the impact on the financial statements of adopting ASU 2016-14.

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Recent Accounting Pronouncements, Continued

In August 2016, FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments* (ASU 2016-15), which clarifies the classification of certain cash receipts and payments in the statement of cash flows. ASU 2016-15 addresses eight cash flow issues, including debt repayment and extinguishment costs, settlement of zero-coupon debt instruments, contingent consideration payments following a business combination, proceeds from the settlement of insurance claims and corporate-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows. ASU 2016-15 is effective for financial statements issued for fiscal years beginning after December 15, 2018. Currently, the Foundation has not evaluated the impact on the financial statements of adopting ASU 2016-15.

In November 2016, FASB issued ASU No. 2016-18, *Restricted Cash* (ASU 2016-18), which requires restricted cash or restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for financial statements issued for fiscal years beginning after December 15, 2018. Currently, the Foundation has not evaluated the impact on the financial statements of adopting ASU 2016-18.

In December 2016, FASB issued ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606, "Revenue from Contracts with Customers"* (ASU 2016-20), which affects narrow aspects of the guidance issued in ASU 2014-09. ASU 2016-20 is effective for financial statements issued for fiscal years beginning after December 15, 2018. Currently, the Foundation has not evaluated the impact on the financial statements of adopting ASU 2016-20.

Subsequent Events

The Foundation has evaluated subsequent events through October 25, 2018, which is the date that the financial statements were available to be issued. There are no subsequent events requiring recognition or disclosure in the 2018 financial statements.

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) INVESTMENTS

Investments are held at several investment companies and consist of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Certificates of deposit	\$ 4,999	4,999
Common stock	567,577	1,334,777
Mutual funds	1,049,284	258,571
Fixed income funds	797,991	751,983
Pooled funds	7,206,177	6,688,466
Limited partnership	<u>24,916</u>	<u>-</u>
	<u>\$ 9,650,944</u>	<u>9,038,796</u>

Investment income was as follows for the years ended June 30:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>2018</u>				
Interest and dividends	\$ 21,428	197,932	-	219,360
Net realized and unrealized gains	<u>70,467</u>	<u>404,317</u>	<u>-</u>	<u>474,784</u>
Investment income, net	<u>\$ 91,895</u>	<u>602,249</u>	<u>-</u>	<u>694,144</u>
<u>2017</u>				
Interest and dividends	\$ 19,949	141,361	-	161,310
Net realized and unrealized gains	<u>108,670</u>	<u>655,731</u>	<u>-</u>	<u>764,401</u>
Investment income, net	<u>\$ 128,619</u>	<u>797,092</u>	<u>-</u>	<u>925,711</u>

See Independent Auditors' Report.

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(3) PROPERTY AND EQUIPMENT

Property and equipment by category as of June 30 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Equipment	\$ 148,393	148,393
Less accumulated depreciation	<u>(139,955)</u>	<u>(130,507)</u>
Property and equipment, net	<u>\$ 8,438</u>	<u>17,886</u>

(4) RESTRICTED NET ASSETS

Temporarily restricted net assets were restricted for the following purposes as of June 30:

	<u>2018</u>	<u>2017</u>
Scholarships	\$ 4,669,627	4,186,769
Loans	<u>275,179</u>	<u>266,674</u>
	<u>\$ 4,944,806</u>	<u>4,453,443</u>

Net assets released from restrictions were as follows for the year ended June 30:

	<u>2018</u>	<u>2017</u>
Scholarships	\$ 260,288	407,031
Program expense	440,639	473,436
Other expense	<u>86,050</u>	<u>191,091</u>
	<u>\$ 786,977</u>	<u>1,071,558</u>

Permanently restricted net assets were restricted for the following purposes as of June 30:

	<u>2018</u>	<u>2017</u>
Scholarships	\$ 3,552,903	3,509,053
Loans	173,507	173,507
Lectureship	<u>100,000</u>	<u>100,000</u>
	<u>\$ 3,826,410</u>	<u>3,782,560</u>

See Independent Auditors' Report.

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(5) RELATED-PARTY TRANSACTIONS

Based upon an exchange of service agreement, the College provides the Foundation with the necessary staffing and office space at no cost to the Foundation. In exchange, the College receives scholarships, funds for capital improvement, and other services from the Foundation. Substantially all expenses are for the benefit of the students, faculty, or activities of College. Transactions between the Foundation and the College are covered under a written agreement between the Foundation and the College. Under this agreement, the College agrees to provide certain administrative services to the Foundation in exchange for scholarships, endowments, grants, and payment of services for the benefit of the College. The Foundation has recorded in-kind contributions received from the College in the accompanying financial statements in the amount of \$273,423 and \$212,347 for the years ended June 30, 2018 and 2017, respectively.

During the years ended June 30, 2018 and 2017, the Foundation awarded scholarships totaling approximately \$260,000 and \$249,000, respectively, to students of the College.

(6) RETIREMENT PLANS

The Foundation has one employee who participates in the retirement plan and benefit plans of the College. The plans available include the Oklahoma Teachers' Retirement System (OTRS), which is a State of Oklahoma public employees' retirement system, and NOC Employee Health Plan, a single-employer defined benefit plan. During the year ended June 30, 2018, the Foundation contributed approximately \$11,000 to OTRS.

The Foundation has not disclosed any amounts or items required by the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As the Foundation employee is considered an employee of the College, all such disclosures will be made by the College.

(7) ENDOWMENT DISCLOSURES

The Foundation's endowment consists of 46 individual donor-restricted funds and 3 other funds which are managed and controlled by the Foundation. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Other endowment funds consist of contributions which were not restricted by the donor for scholarships but have been endowed by the Foundation's Board of Trustees to provide scholarships for future periods rather than fully expending such amounts in the current year. All of the endowment funds held by the Foundation are managed and controlled by the Foundation in accordance with the following policies.

See Independent Auditors' Report.

(7) **ENDOWMENT DISCLOSURES, CONTINUED**

Interpretation of Relevant Law

The State of Oklahoma adopted Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) effective November 1, 2007. The Board of Trustees of the Foundation 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 Foundation classifies as permanently restricted net assets (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 classified in permanently restricted net assets 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 UPMIFA. In accordance with UPMIFA, 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 effects of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Foundation.
7. The investment policies of the Foundation.

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) **ENDOWMENT DISCLOSURES, CONTINUED**

Interpretation of Relevant Law, Continued

Endowment net asset composition by type of fund as of June 30:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>2018</u>				
Donor-restricted endowment funds	\$ (28,123)	2,558,000	3,770,038	6,299,915
Board-designated endowment funds	<u>555,150</u>	-	-	<u>555,150</u>
Total funds invested	<u>\$ 527,027</u>	<u>2,558,000</u>	<u>3,770,038</u>	<u>6,855,065</u>
<u>2017</u>				
Donor-restricted endowment funds	\$ (31,702)	2,150,212	3,724,545	5,843,055
Board-designated endowment funds	<u>527,191</u>	-	-	<u>527,191</u>
Total funds invested	<u>\$ 495,489</u>	<u>2,150,212</u>	<u>3,724,545</u>	<u>6,370,246</u>

Temporarily restricted net assets represent the portion of perpetual endowment funds that are subject to time restriction under UPMIFA with purpose restrictions. Permanently restricted net assets represent the portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA.

See Independent Auditors' Report.

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) **ENDOWMENT DISCLOSURES, CONTINUED**

Interpretation of Relevant Law, Continued

Changes in endowment net assets for the years ended June 30 were as follows:

<u>2018</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 495,489	2,151,517	3,723,240	6,370,246
Investment return:				
Investment income	<u>46,872</u>	<u>445,658</u>	<u>-</u>	<u>492,530</u>
Net investment return	<u>46,872</u>	<u>445,658</u>	<u>-</u>	<u>492,530</u>
Contributions	-	109,627	43,850	153,477
Transferred to recover underwater funds	2,830	(68,117)	-	(65,287)
Appropriation of endowment assets for expenditure	<u>(18,164)</u>	<u>(77,737)</u>	<u>-</u>	<u>(95,901)</u>
Endowment net assets, end of year	<u>\$ 527,027</u>	<u>2,560,948</u>	<u>3,767,090</u>	<u>6,855,065</u>

See Independent Auditors' Report.

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) **ENDOWMENT DISCLOSURES, CONTINUED**

Interpretation of Relevant Law, Continued

<u>2017</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 450,051	1,653,533	3,623,240	5,726,824
Investment return:				
Investment income	<u>60,102</u>	<u>565,506</u>	<u>-</u>	<u>625,608</u>
Net investment return	<u>60,102</u>	<u>565,506</u>	<u>-</u>	<u>625,608</u>
Contributions	100	39,730	100,000	139,830
Transferred to recover underwater funds	1,002	(12,654)	-	(11,652)
Appropriation of endowment assets for expenditure	<u>(15,766)</u>	<u>(94,598)</u>	<u>-</u>	<u>(110,364)</u>
Endowment net assets, end of year	<u>\$ 495,489</u>	<u>2,151,517</u>	<u>3,723,240</u>	<u>6,370,246</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 requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$(28,123) and \$(31,702) as of June 30, 2018 and 2017, respectively. These deficiencies resulted from unfavorable market fluctuations. As a result, appropriations were limited to appropriations that were deemed prudent and necessary for the programs of the Foundation.

See Independent Auditors' Report.

(7) **ENDOWMENT DISCLOSURES, CONTINUED**

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 endowments 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(s). The Foundation's investment objective for the Endowment Fund (the "Fund") is "Growth and Income." The intent of the objective is to provide both current income and future growth of the Fund sufficient to offset reasonable spending plus nominal inflation; thereby, preserving the dollar value and purchasing power of the endowment for future generations. Investment performance will be judged over a 5-year horizon or market cycle. The goal for equity investment performance is to exceed the price and yield results of Standard & Poor's 500 Common Stock Index while maintaining a risk level similar to that of the benchmark. The goal for fixed income investment performance is to exceed returns of the broad U.S. bond market, while maintaining a risk level similar to that of the benchmark.

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 an equal emphasis on equity and fixed income based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year amounts up to, but not to exceed actual investment performance for that year, as well as prior year accumulations. Since the Foundation has a policy of designating unrestricted funds each year for investment, it believes that this policy protects the purchasing power of the endowments, as well as the original corpus of the donor-restricted investment. In light of current market fluctuations and the future needs of the Foundation, it will evaluate the spending policy to ensure that it remains in accordance with the long-term objectives of the Foundation.

(8) FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In estimating fair value, the Foundation utilizes valuation techniques that are consistent with the market approach, the income approach, and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset. Fair values may not represent actual values of assets that could have been realized on the measurement date or that will be realized in the future. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

ASC 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 inputs consist of unobservable inputs which are used when observable inputs are unavailable and reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

The Foundation uses appropriate valuation methods based on the available inputs to measure the fair value of its assets and liabilities.

Financial assets and liabilities are carried at fair value on a recurring basis. The Foundation has no assets or liabilities carried at fair value on a nonrecurring basis at June 30, 2018 or 2017.

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) FAIR VALUE MEASUREMENTS, CONTINUED

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy.

Certificates of Deposit

The carrying amounts approximate fair value.

Common Stock, Mutual Funds, and Fixed Income Funds

The fair values of common stock, mutual funds, and fixed income funds are based on quoted market prices for identical assets in active markets utilizing Level 1 inputs.

Pooled Funds and Limited Partnership

The fair value of pooled funds and limited partnership at investment companies are based on fair value provided by investment companies, which is based on the fair values of the underlying investments in such pooled investments and limited partnership. Management of investment companies determines fair values based on observable and unobservable inputs, where appropriate. The Foundation has classified the fair value of pooled investments and limited partnership as Level 3 in the fair value hierarchy, based on the lowest level of fair value hierarchy assigned by investment companies' management to the underlying investments in the respective pooled funds and limited partnership.

See Independent Auditors' Report.

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) FAIR VALUE MEASUREMENTS, CONTINUED

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30:

	Assets Measured at <u>Fair Value</u>	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
<u>2018</u>				
Certificates of deposit	\$ 4,999	-	4,999	-
Common stock	567,577	567,577	-	-
Mutual funds	1,049,284	1,049,284	-	-
Fixed income funds	797,991	797,991	-	-
Pooled funds	7,206,177	-	-	7,206,177
Limited partnership	24,916	-	-	24,916
	<u>\$ 9,650,944</u>	<u>2,414,852</u>	<u>4,999</u>	<u>7,231,093</u>
<u>2017</u>				
Certificates of deposit	\$ 4,999	-	4,999	-
Common stock	1,334,777	1,334,777	-	-
Mutual funds	258,571	258,571	-	-
Fixed income funds	751,983	751,983	-	-
Pooled funds	6,688,466	-	-	6,688,466
	<u>\$ 9,038,796</u>	<u>2,345,331</u>	<u>4,999</u>	<u>6,688,466</u>

See Independent Auditors' Report.

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) FAIR VALUE MEASUREMENTS, CONTINUED

The following is a reconciliation of the beginning and ending balances of the fair value of assets measured on a recurring basis using unobservable inputs (Level 3) for the year ended June 30:

	<u>2018</u>	<u>Pooled Funds</u>	<u>Limited Partnership</u>
Balance at beginning of year		\$ 6,688,466	-
Purchases		-	24,000
Investment gains		<u>517,711</u>	<u>916</u>
Balance at end of year		<u>\$ 7,206,177</u>	<u>24,916</u>
	<u>2017</u>		
Balance at beginning of year		\$ 5,848,459	-
Purchases		141,000	-
Investment gains		<u>699,007</u>	<u>-</u>
Balance at end of year		<u>\$ 6,688,466</u>	<u>-</u>

See Independent Auditors' Report.

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

COMBINING SCHEDULE—STATEMENTS OF ACTIVITIES INFORMATION

Year Ended June 30, 2018

	Tonkawa			Stillwater			Enid			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues and support:										
Investment income:										
Net realized and unrealized gains	\$ 70,163	357,960	-	-	-	-	303	46,358	-	474,784
Interest and dividend income	21,316	183,583	-	-	-	-	110	14,351	-	219,360
Total investment income	91,479	541,543	-	-	-	-	413	60,709	-	694,144
Contributions	189,671	404,704	43,850	-	8,764	-	107,212	47,893	-	802,094
Other income	10,731	120,712	-	-	21,883	-	-	72,130	-	225,456
Net assets released from restriction	628,676	(639,722)	-	27,762	(26,106)	-	130,539	(121,149)	-	-
Total revenues and support	920,557	427,237	43,850	27,762	4,541	-	238,164	59,583	-	1,721,694
Expenses:										
Scholarships to										
Northern Oklahoma College	207,087	-	-	14,050	-	-	39,151	-	-	260,288
General and administrative expense	259,006	-	-	-	-	-	108,823	-	-	367,829
Program expense	338,406	-	-	13,712	-	-	88,521	-	-	440,639
Depreciation expense	9,448	-	-	-	-	-	-	-	-	9,448
Fundraising expense	11,802	-	-	-	-	-	-	-	-	11,802
Total expenses	825,749	-	-	27,762	-	-	236,495	-	-	1,090,006
Changes in net assets	94,808	427,237	43,850	-	4,541	-	1,669	59,583	-	631,688
Net assets at beginning of year*	1,040,930	3,994,651	3,426,235	536	8,837	-	57,148	449,957	356,325	9,334,619
Net assets at end of year	\$ 1,135,738	4,421,888	3,470,085	536	13,378	-	58,817	509,540	356,325	9,966,307

*Certain amounts of the beginning net assets are reclassified from Tonkawa and Enid to Stillwater .

See Independent Auditors' Report.

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

COMBINING SCHEDULE—STATEMENTS OF ACTIVITIES INFORMATION, CONTINUED

Year Ended June 30, 2017

	Tonkawa			Enid			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues and support:							
Investment income:							
Net realized and unrealized gains	\$ 108,218	586,971	-	452	68,760	-	764,401
Interest and dividend income	19,855	128,635	-	94	12,726	-	161,310
Total investment income	128,073	715,606	-	546	81,486	-	925,711
Contributions	113,229	309,593	100,000	109,174	39,537	-	671,533
Other income	14,479	185,898	-	-	72,886	-	273,263
Net assets released from restriction	861,588	(861,588)	-	209,970	(209,970)	-	-
Total revenues and support	1,117,369	349,509	100,000	319,690	(16,061)	-	1,870,507
Expenses:							
Scholarships to							
Northern Oklahoma College	208,869	-	-	40,139	-	-	249,008
General and administrative expense	263,366	-	-	108,729	-	-	372,095
Program expense	191,463	-	-	76,981	-	-	268,444
Depreciation expense	12,272	-	-	-	-	-	12,272
Fundraising expense	11,679	-	-	-	-	-	11,679
Total expenses	687,649	-	-	225,849	-	-	913,498
Changes in net assets	429,720	349,509	100,000	93,841	(16,061)	-	957,009
Net assets at beginning of year	611,746	3,653,979	3,326,235	(36,693)	466,018	356,325	8,377,610
Net assets at end of year	\$ 1,041,466	4,003,488	3,426,235	57,148	449,957	356,325	9,334,619

See Independent Auditors' Report.