

# **Panhandle State Foundation**

Financial Statements

December 31, 2022

# Panhandle State Foundation

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## Independent Auditors' Report

To the Board of Directors of  
Panhandle State Foundation

### Opinion

We have audited the financial statements of Panhandle State Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year 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 December 31, 2022, 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 of America (GAAP).

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Emphasis of Matter

As discussed in Note 11 to the financial statements, net assets with restrictions and without restrictions have been restated at January 1, 2022 to correct a material misstatement. Our opinion is not modified with respect to this matter.

### Responsibilities of Management for the Financial Statements

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

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

## **Auditors' 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 auditors' 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.

*Baker Tilly US, LLP*

Dallas, Texas  
October 3, 2023

# Panhandle State Foundation

Statement of Financial Position

December 31, 2022

## Assets

Cash	\$	127,910
Certificates of deposit		190,000
Investments		18,238,603
Beneficial interest in perpetual trusts		464,482
Other assets		30,057
		<hr/>
Total assets	\$	<u>19,051,052</u>

## Liabilities and Net Assets

### Current Liabilities

Accounts payable	\$	67,982
Accrued compensated absences		1,269
Alumni Association funds		234,279
		<hr/>
Total liabilities		<u>303,530</u>

### Net Assets

Without donor restrictions		4,501,718
With donor restrictions		14,245,804
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Total net assets		<u>18,747,522</u>
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Total liabilities and net assets	\$	<u>19,051,052</u>

See notes to financial statements

# Panhandle State Foundation

Statement of Activities

Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Public Support and Operating Revenue</b>			
Contributions	\$ 21,257	\$ 998,465	\$ 1,019,722
Contributions of nonfinancial assets	21,015	-	21,015
Royalty income	1,690	-	1,690
Changes in beneficial interest in perpetual trusts	-	(125,727)	(125,727)
Investment loss	(361,333)	(900,036)	(1,261,369)
Total	(317,371)	(27,298)	(344,669)
<b>Net Assets Released From Restriction</b>			
Satisfaction of program restrictions	865,134	(865,134)	-
Total public support and operating revenue	547,763	(892,432)	(344,669)
<b>Expenses</b>			
Program services	1,402,079	-	1,402,079
Management and general	53,010	-	53,010
Total expenses	1,455,089	-	1,455,089
Change in net assets	(907,326)	(892,432)	(1,799,758)
<b>Net Assets, Beginning, As Previously Reported</b>	10,885,489	9,661,791	20,547,280
<b>Restatement</b>	(5,476,445)	5,476,445	-
<b>Net Assets, Beginning, As Restated</b>	5,409,044	15,138,236	20,547,280
<b>Net Assets, Ending</b>	<u>\$ 4,501,718</u>	<u>\$ 14,245,804</u>	<u>\$ 18,747,522</u>

See notes to financial statements

## Panhandle State Foundation

### Statement of Functional Expenses

Year Ended December 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
<b>Expenses</b>			
Nonscholarship support to University	\$ 792,434	\$ 8,400	\$ 800,834
Scholarships for University Students	514,250	-	514,250
Salaries and wages	76,442	19,110	95,552
Employee benefits	13,684	3,421	17,105
Professional fees	-	14,282	14,282
Payroll taxes	5,269	1,317	6,586
Office expenses	-	1,902	1,902
Advertising and promotion	-	1,617	1,617
Conferences, conventions and meetings	-	1,461	1,461
Postage and shipping	-	715	715
Travel	-	285	285
Miscellaneous	-	285	285
Insurance	-	215	215
Total	<u>\$ 1,402,079</u>	<u>\$ 53,010</u>	<u>\$ 1,455,089</u>

See notes to financial statements

## Panhandle State Foundation

### Statement of Cash Flows

Year Ended December 31, 2022

#### Cash Flows From Operating Activities

Cash received from contributions	\$ 887,328
Interest, dividends and royalties	8,566
Cash paid to employees and vendors	21,501
Cash paid for scholarships and other support	<u>(1,402,079)</u>
Net cash used in operating activities	<u>(484,684)</u>

#### Cash Flows From Investing Activities

Purchases of investments	(197,525)
Proceeds from sale of investments	534,020
Change in funds held in custody for others	<u>8,865</u>
Net cash provided by investing activities	<u>345,360</u>

#### Cash Flows Provided by Financing Activities

Contributions restricted for long-term purposes	<u>132,394</u>
Net change in cash	(6,930)

#### Cash, Beginning

134,840

#### Cash, Ending

\$ 127,910

#### Supplemental Disclosure of Noncash Operating Activities

Contributed University support	<u>\$ 21,015</u>
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# Panhandle State Foundation

Notes to Financial Statements  
December 31, 2022

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## 1. Nature of Operations and Summary of Significant Accounting Policies

Panhandle State Foundation (the Foundation) was established November 9, 1961, as a private nonprofit organization for the benefit of Oklahoma Panhandle State University (the University). The Foundation awards scholarships to University students and provides general support to the University. In addition, the Foundation maintains and services the funds for various organizations and support groups of the University. A board of directors governs the Foundation, which is separate and distinct from the board of regents of the governing board of the University.

Subsequent events have been evaluated through October 3, 2023, which is the date the financial statements were available to be issued.

### Basis of Presentation

**Net Assets With Donor Restrictions** - are net assets subject to donor-imposed restrictions, either in perpetuity or for a specified time or purpose. Net assets with perpetual restrictions consist primarily of the historical amounts of endowed gifts. In addition, endowment appreciation and net unrealized losses on donor-restricted endowment funds for which historical cost exceeds market value are included.

**Net Assets Without Donor Restriction** - are all the remaining net assets of the Foundation, including funds designated to function as endowments. Donor-restricted gifts that are received and either spent or deemed spent within the same year are reported as net assets without donor restrictions.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

### Income Taxes

The Foundation is exempt from federal income tax on its exempt income under Section 501(c)(3) of the Internal Revenue Code.

The Foundation accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2022.

### Certificates of Deposit

Certificates of deposit are recorded at amortized cost, which approximate fair value and mature at various dates, all maturity dates are greater than 90 days.

### Compensated Absences

Employees earn annual leave at a rate of 22-24 hours per month, depending on the years of service. Upon leaving employment with the Foundation an employee with one or more years of service is paid based on their hourly rate for accrued annual leave up to a maximum of 432 hours.

## Panhandle State Foundation

Notes to Financial Statements  
December 31, 2022

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### Contributions and Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contribution.

Contributions received are recorded without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without restrictions if the restrictions expire in the reporting period in which the support is recognized. All of the donor-restricted support is reported as an increase in net assets with restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restriction.

### Investments

Investments in marketable equity securities are recorded at fair value. See Note 3 for a discussion of fair value measurements. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the change in net assets in the accompanying statement of activities.

The Foundation's investments are comprised of a variety of financial instruments and are managed by an investment advisor. The fair values reported in the statement of financial position are exposed to various risks, including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near term.

### New Accounting Standards Adopted

During 2022, the Foundation adopted Accounting Standard Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The Foundation has adjusted the presentation of these financial statements accordingly.

## Panhandle State Foundation

Notes to Financial Statements  
December 31, 2022

### 2. Liquidity and Availability of Financial Assets

The following table reflects the Foundation's financial assets available for general expenditure within one year at December 31, 2022. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

Financial assets:	
Cash	\$ 121,557
Certificates of deposit	190,000
Investments	<u>18,238,603</u>
Total financial assets	18,550,160
Less those unavailable for general expenditures within one year:	
Alumni Association funds	(234,279)
Scholarships	(377,806)
Specific programs and student groups	(382,822)
University facilities and equipment	(525,379)
Staff development	(60,558)
Endowment funds	<u>(12,434,757)</u>
Total	<u>\$ 4,534,559</u>

### 3. Fair Value Measurements and Investments

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework established for measuring fair value includes a hierarchy that prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Foundation for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets and other observable inputs.

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

## Panhandle State Foundation

Notes to Financial Statements  
December 31, 2022

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022.

*Certificates of deposit:* Valued at amortized cost, which approximate fair value.

*Money market:* The carrying amounts approximate fair value.

*Common stock, Mutual funds, publicly traded limited partnerships, exchange traded funds:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Corporate bonds and asset and mortgage-backed securities:* Valued at quoted prices for similar assets in active markets.

*Beneficial interest in perpetual trusts:* The Foundation's beneficial interest in perpetual trusts are measured at fair value using the Foundation's percentage of the earnings of the underlying trust assets applied to the fair value of the underlying assets. This is considered a Level 3 measurement because even though the measurement is based on the underlying fair value of the trust assets as reported by the trustee, the Foundation will never receive those assets or have the right to direct the trustee to redeem them.

There were no changes to the valuation methodologies used at December 31, 2022.

The following table presents the assets held by the Foundation at their fair value as of December 31, 2022, by level within the fair value hierarchy.

	Level 1	Level 2	Level 3	Total
Certificates of deposits	\$ -	\$ 190,000	\$ -	\$ 190,000
Money market	395,697	-	-	395,697
Common stocks	5,645,939	-	-	5,645,939
Mutual funds	10,968,355	-	-	10,968,355
Corporate bonds	-	633,720	-	633,720
Asset and mortgage-backed securities	-	320,267	-	320,267
Publicly traded limited partnerships	174,033	-	-	174,033
Exchange traded funds	100,592	-	-	100,592
Beneficial interest in perpetual trusts	-	-	464,482	464,482
<b>Total</b>	<b>\$ 17,284,616</b>	<b>\$ 1,143,987</b>	<b>\$ 464,482</b>	<b>\$ 18,893,085</b>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest income	\$ 27,497	\$ 68,493	\$ 95,990
Dividend income	193,994	483,220	677,214
Net realized gain	26,487	65,977	92,464
Unrealized loss	(609,311)	(1,517,726)	(2,127,037)
<b>Total investment return, net</b>	<b>\$ (361,333)</b>	<b>\$ (900,036)</b>	<b>\$ (1,261,369)</b>

## Panhandle State Foundation

Notes to Financial Statements  
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### 4. Beneficial Interest in Perpetual Trusts

These assets are to be held in perpetuity by the respective foundations, with the trust income to be distributed annually to the Foundation. Distributions received from these agreements are included as restricted contributions in the statement of activities. The funds received from these trusts are for general scholarships. The assets are recorded at their fair value of \$464,482 as of December 31, 2022.

### 5. Funds Held in Custody for Others

The Foundation holds funds in custody belonging to the Alumni Association. Although these funds are administered by the Foundation, the Foundation does not exercise control over the funds. Accordingly, these amounts are presented as liabilities in the accompanying statement of financial position.

### 6. Significant Concentration of Credit Risk

The Foundation maintains its cash accounts in various financial institutions. Portions of the Foundation's cash balances may exceed Federal Deposit Insurance Corporation or Securities Investor Protection Corporation coverage limits of up to \$250,000 and \$500,000, respectively. Management considers these excesses to be normal business risks.

### 7. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes as specified by the donor:

University facilities and equipment	\$	525,379
Specific programs and student groups		382,822
Scholarships		377,806
Staff development		60,558
Beneficial interest in perpetual trusts		464,482
Endowments		<u>12,434,757</u>
Total net assets	\$	<u>14,245,804</u>

### 8. Endowment

Net assets with donor restrictions are restricted to investments held in perpetuity, the income from which is expendable for scholarships to students and for the support of specified academic programs of the University.

	<u>Accumulated Gains</u>	<u>Corpus</u>	<u>Total With Donor Restrictions</u>
Endowment net assets, beginning, as restated	\$ 5,432,302	\$ 7,760,184	\$ 13,192,486
Investment loss	(890,123)	-	(890,123)
Contributions	-	132,394	132,394
Withdrawals	-	-	-
Endowment net assets, ending	<u>\$ 4,542,179</u>	<u>\$ 7,892,578</u>	<u>\$ 12,434,757</u>

## Panhandle State Foundation

Notes to Financial Statements

December 31, 2022

The Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the date the donor restricted endowment funds are received, absent any explicit donor stipulations to the contrary.

The Foundation's policy is to invest endowed assets in such a way as to provide a predictable stream of funding for scholarships to the University while preserving the original principal of endowed funds. When selecting investments, more emphasis is given to investment return rather than growth as a means to provide more current income for scholarships.

The Foundation utilizes a total return approach whereby all funds are pooled for investing and the total earnings are reported as net assets with donor restrictions. Any unrealized gains or losses on investments are also reported as net assets with donor restrictions so that the original amount of the endowment principal is maintained. 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. There were no deficiencies of this nature as of December 31, 2022.

### 9. Related-Party Transactions

During the year ended December 31, 2022, the Foundation awarded scholarships totaling \$514,250 to students and faculty members of the University. In addition, the Foundation paid for goods and services on behalf of the University totaling \$792,434. Included in contribution revenues and in general and administrative expenses is \$21,015 of which \$8,400 was for office space and \$12,615 was for payroll and benefits contributed by the University to the Foundation.

Contributions made by noncompensated members of the Board of Directors and officers for the Foundation totaled approximately \$12,500 for the year ended December 31, 2022.

### 10. Nonfinancial Contributions

Nonfinancial contributions recognized within the statements of activities at December 31, 2022 included the following:

Salaries and employee benefits	\$	12,615
Facility		<u>8,400</u>
Total	\$	<u>21,015</u>

The Foundation recognized nonfinancial contributions within revenue, including a portion of salaries and benefits related to the executive director of the Foundation and the office space that is provided by the University. Unless otherwise noted nonfinancial contributions did not have donor-imposed restrictions.

### 11. Restatement

Prior to January 1, 2022, the Foundation did not report any of the investment earnings/losses that relate to restricted funds within net assets with donor restrictions. Only the corpus was accounted for in net assets with donor restrictions. This led to net asset with donor restrictions being understated and net assets without donor restrictions being overstated by \$5,476,455.