

**Cherokee Strip
Community Foundation**

**Independent
Auditor's Report
And
Consolidated
Financial Statements**

For the Years Ending

December 31, 2022

And

December 31, 2021

Cherokee Strip Community Foundation

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BRYAN, LITTLE, HALEY & KENT_{p.c.}
Certified Public Accountants

Independent Auditor's Report

The Board of Trustees
Cherokee Strip Community Foundation

Opinion

We have audited the financial statements of Cherokee Strip Community Foundation (a non-profit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Cherokee Strip Community Foundation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 Cherokee Strip Community 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 Cherokee Strip Community 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 Cherokee Strip Community 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 Cherokee Strip Community 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.

Bryan, Little, Haley + Kent P.C.

Bryan, Little, Haley & Kent PC
Bartlesville, Oklahoma
September 20, 2023

**Cherokee Strip Community Foundation
Consolidated Statements of Financial Position**

December 31, 2022 **December 31, 2021**

Assets

Current Assets:

Cash and cash equivalents	\$ 583,852	\$ 934,035
Investments	25,489,977	30,959,345
Whole Life Investments	56,525	55,179
Prepaid Insurance	<u>5,420</u>	<u>4,139</u>
Total current assets	<u>26,135,774</u>	<u>31,952,698</u>

Fixed Assets:

Land	50,000	50,000
Building	374,907	374,907
Furniture and equipment	51,750	51,750
Less: Accumulated depreciation	<u>(114,530)</u>	<u>(94,384)</u>
Total fixed assets	<u>362,127</u>	<u>382,273</u>

Total assets	<u>\$ 26,497,901</u>	<u>\$ 32,334,971</u>
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Liabilities and Net Assets

Current liabilities:

Distributions payable	\$ 670,000	\$ 529,707
Accounts payable	25,133	2,177
Payroll liabilities	3,537	3,024
Agency funds held for the benefit of other organizations	<u>4,493,610</u>	<u>5,671,752</u>
Total current liabilities	<u>5,192,280</u>	<u>6,206,660</u>

Total liabilities	<u>5,192,280</u>	<u>6,206,660</u>
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Net Assets

Without donor restrictions

Operating fund	<u>885,292</u>	<u>870,761</u>
Total net assets without donor restrictions	<u>885,292</u>	<u>870,761</u>

With donor restrictions

Undesignated endowments	1,616,459	1,916,777
Designated funds	15,097,659	18,061,203
Donor advised funds	1,227,388	1,530,341
Field of interest funds	1,252,657	1,564,682
Accumulated losses on endowment funds	(196,108)	(2,768)
Gift funds	90,701	153,939
Scholarship funds – non-endowed	1,275,048	1,978,197
Whole life investments	<u>56,525</u>	<u>55,179</u>

Total net assets with donor restrictions	<u>20,420,329</u>	<u>25,257,550</u>
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Total net assets	<u>21,305,621</u>	<u>26,128,311</u>
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Total liabilities and net assets	<u>\$ 26,497,901</u>	<u>\$ 32,334,971</u>
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See accompanying notes to the financial statements and independent auditor's report

**Cherokee Strip Community Foundation
Consolidated Statements of Activities**

	<u>Year Ended December 31, 2022</u>			<u>Year Ended December 31, 2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue:						
Contributions:						
Endowments	\$ --	\$ 465,221	\$ 465,221	\$ --	\$ 1,356,780	\$ 1,356,780
Non-endowed scholarship funds & gift funds	51,645	30,792	82,437	31,546	131,500	163,046
Investment income, net	(5,781)	3,097,524	3,091,743	748	1,428,692	1,429,440
Administrative fee income	323,299	--	323,299	344,765	--	344,765
Other income	3,815	--	3,815	--	--	--
Net assets released from restriction:						
Funds appropriated for distribution	<u>1,415,674</u>	<u>(1,415,674)</u>	<u>--</u>	<u>3,093,494</u>	<u>(3,093,494)</u>	<u>--</u>
Total revenue	<u>1,788,652</u>	<u>2,177,863</u>	<u>3,966,515</u>	<u>3,470,553</u>	<u>(176,522)</u>	<u>3,294,031</u>
Expenses:						
Grants and distributions:						
Gift funds	94,012	--	94,012	147,253	--	147,253
Endowments	809,436	--	809,436	2,251,674	--	2,251,674
Scholarships	512,226	--	512,226	694,567	--	694,567
Program services	139,448	--	139,448	115,912	--	115,912
Management and general	<u>218,999</u>	<u>--</u>	<u>218,999</u>	<u>260,425</u>	<u>--</u>	<u>260,425</u>
Total expenses	<u>1,774,121</u>	<u>--</u>	<u>1,774,121</u>	<u>3,469,831</u>	<u>--</u>	<u>3,469,831</u>
Other gains and losses:						
Gain on sale of assets	--	--	--	--	--	--
Unrealized gains on						
Investments	<u>--</u>	<u>(7,015,084)</u>	<u>(7,015,084)</u>	<u>--</u>	<u>956,253</u>	<u>956,253</u>
Total other gains and losses	<u>--</u>	<u>(7,015,084)</u>	<u>(7,015,084)</u>	<u>--</u>	<u>956,253</u>	<u>956,253</u>
Increase (decrease) in net assets	14,531	(4,837,221)	(4,822,690)	722	779,731	780,453
Net Assets, beginning of year	<u>870,761</u>	<u>25,257,550</u>	<u>26,128,311</u>	<u>869,853</u>	<u>24,480,404</u>	<u>25,350,257</u>
Prior period adjustment	--	--	--	186	(2,585)	(2,399)
Net Assets, end of year	<u>\$ 885,292</u>	<u>\$ 20,420,329</u>	<u>\$ 21,305,621</u>	<u>\$ 870,761</u>	<u>\$ 25,257,550</u>	<u>\$ 26,128,311</u>

See accompanying notes to the financial statements and independent auditor's report

Cherokee Strip Community Foundation
Consolidated Statements of Functional Expenses

	<u>Year Ended December 31, 2022</u>			<u>Year Ended December 31, 2021</u>		
	<u>Management & General</u>	<u>Program Services</u>	<u>Total</u>	<u>Management & General</u>	<u>Program Services</u>	<u>Total</u>
Grants and Distributions	\$ --	\$ 1,415,674	\$ 1,415,674	\$ --	\$ 3,093,494	\$ 3,093,494
Salaries	45,000	90,000	135,000	31,250	93,750	125,000
Payroll taxes	3,443	6,885	10,328	2,390	7,172	9,562
Insurance	7,761	--	7,761	7,284	--	7,284
Office supplies	2,449	--	2,449	1,929	--	1,929
Dues and subscriptions	--	5,906	5,906	--	5,341	5,341
Depreciation	20,146	--	20,146	20,183	--	20,183
Equipment rent and maintenance	488	--	488	719	--	719
Postage and delivery	763	--	763	757	--	757
Printing and reproduction	--	350	350	--	1,318	1,318
Property expense	4,840	--	4,840	6,601	--	6,601
Professional fees	97,861	--	97,861	125,128	--	125,128
Public awareness	--	2,856	2,856	--	2,340	2,340
Program expenses	--	30,628	30,628	--	4,720	4,720
Repairs	3,613	--	3,613	5,786	--	5,786
Software	13,030	--	13,030	8,580	--	8,580
Telephone	2,749	--	2,749	3,131	--	3,131
Training and education	--	2,823	2,823	--	1,271	1,271
Utilities	6,409	--	6,409	5,179	--	5,179
Accounting and audit	6,650	--	6,650	28,736	--	28,736
Board expense	2,851	--	2,851	3,901	--	3,901
Interest	--	--	--	387	--	387
Miscellaneous	946	--	946	8,484	--	8,484
Total	<u>\$ 218,999</u>	<u>\$ 1,555,122</u>	<u>\$ 1,774,121</u>	<u>\$ 260,425</u>	<u>\$ 3,209,406</u>	<u>\$ 3,469,831</u>

See accompanying notes to the financial statements and independent auditor's report

**Cherokee Strip Community Foundation
Consolidated Statements of Cash Flows**

	Year Ended December 31, 2022	Year Ended December 31, 2021
Cash Flows from Operating Activities:		
Change in net assets	\$ (4,822,690)	\$ 780,453
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	20,146	20,183
Increase prepaid insurance	(1,281)	(984)
Increase accounts payable	22,956	804
Increase in distributions payable	140,293	321,825
Increase payroll liabilities	<u>513</u>	<u>308</u>
Net cash provided by (used in) operating activities	<u>(4,640,063)</u>	<u>1,122,589</u>
Cash flows from investing activities:		
Purchase of fixed assets	--	(19,000)
(Increase) decrease in investments	<u>5,468,020</u>	<u>(1,055,912)</u>
Net cash provided by (used in) investing activities	<u>5,468,020</u>	<u>(1,074,912)</u>
Cash Flows from Financing Activities:		
Change in agency funds	(1,178,142)	193,544
Payment of debt principal	<u>--</u>	<u>(32,080)</u>
Net cash provided by (used in) financing activities	<u>(1,178,142)</u>	<u>161,464</u>
Net increase (decrease) in cash and cash equivalents	(350,183)	209,141
Cash and cash equivalents at beginning of the year	<u>934,035</u>	<u>724,894</u>
Cash and cash equivalents at end of the year	<u>\$ 583,852</u>	<u>\$ 934,035</u>
Supplemental disclosures:		
Interest earned on investments	<u>\$ 2,203,571</u>	<u>\$ 1,508,805</u>
Interest paid on long-term debt	<u>\$ --</u>	<u>\$ 387</u>
Fund management fees	<u>\$ 323,299</u>	<u>\$ 391,015</u>
Unrealized gains (losses)	<u>\$ (7,015,084)</u>	<u>\$ 956,253</u>

See accompanying notes to the financial statements and independent auditor's report

Cherokee Strip Community Foundation
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies

Reporting Entity – The accompanying financial statements include the accounts of Cherokee Strip Community Foundation (the Foundation).

The Foundation is an Oklahoma, non-profit corporation. The Foundation is a publicly supported, philanthropic organization established for the purpose of collection of endowed funds for the long-term benefit of the City of Enid, Oklahoma and the northwest Oklahoma area. The Foundation administers approximately 310 component funds and provides a variety of services to donors who wish to establish endowed funds without incurring the administrative and legal costs of starting independent foundations.

Grants from the Foundation are available to fund projects that other organizations may not support such as emergency funding, research, cultural, educational, or pilot projects. The Board of Trustees is committed to providing services to strengthen and educate local nonprofit organizations through the promotion of partnerships and collaborations in our area.

Related Entity – ECF Real Estate, L.L.C. (the Company) – ECF Real Estate, L.L.C., a related entity, was formed in August 2005 pursuant to the Oklahoma Limited Liability Company Act for the purpose of receiving any gift of real property to the Foundation. This entity had no activity in the current fiscal year.

Basis of Accounting – All revenues and expenses are recorded using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Basis of Presentation – The Foundation’s financial statement presentation follows the Financial Accounting Standards Board ASU 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- Net assets with donor restrictions – net assets subject to donor-imposed restrictions
- Net assets without donor restrictions – net assets not subject to donor-imposed restrictions

Net Asset Classification – The Board of Trustees of the Foundation have adopted policies that require the Foundation to exercise prudence in determining whether to spend from or accumulate to donor-restricted endowment funds with a view toward the permanent nature and long-term continuing viability of such funds, rather than the maintenance of the historic dollar value thereof, absent explicit donor stipulations to the contrary. The Foundation classifies net assets which are subject to appropriation by the Board of Trustees as net assets with donor restrictions until amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by OK Uniform Prudent Management of Institutional Funds Act (UPMIFA). Once amounts are appropriated for spending, such amounts are classified as net assets without donor restriction until spent.

Cherokee Strip Community Foundation
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies (continued)

All contributions received by the Foundation without a donor-imposed time restriction, a donor-imposed endowment restriction, or an implied time restriction are classified as net assets without donor restriction.

The following types of donor-restricted net assets are considered “endowments”. Awards are made based on a board-specified rate. All distributions must be approved by the Board of Trustees.

Undesignated Funds do not have a named beneficiary.

Designated Funds have a specific not-for-profit beneficiary named by the donor.

Donor Advised Funds allow the fund advisor to suggest different beneficiary charities each year, to be approved by the Board of Trustees.

Field of Interest Funds are tied to a general area of interest and not to a specific organization. The board selects recipients through an annual grant application process.

Scholarship Funds are typically endowed. The annual distributions are typically designated by the donor to a particular area high school. The recipients are chosen by the school (or a committee made up of the donor/or fund advisor, a teacher, a counselor and/or principal), fitting the parameters designated by the donor.

Three additional categories of donor-restricted net assets are not considered to be an “endowment”:

Gift Funds are a spendable fund. Donors benefit from a current tax deduction at the time of their gift to the foundation, yet may make suggestions about distribution to charitable organizations of their choice over a more extensive time period. Although gift funds are eventually spent out to a third-party beneficiary, the Foundation does not merely function as an agent in the transaction. According to generally accepted accounting principles, the variance power of a community foundation, which gives it the power to exercise substantial discretion over funds it receives, requires the recipient organization to recognize the fair value of any asset received as a contribution.

Scholarship Funds – Non Endowed

The Allen Family Opportunity Scholarship was established with a two million dollar donation in 2018. It is CSCF’s only spendable scholarship fund and is separate from the annual distributions. In accordance with the Foundation’s scholarship policies a selection committee was established to choose award winners from four of the area high schools – EHS, OBA, Chisholm, and Pioneer High Schools. As long as the student maintains eligibility, the Allen Scholarship Fund will continue to pay for their secondary education at the college of their choice.

Cherokee Strip Community Foundation
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies (continued)

Whole Life Investment Funds represent whole life insurance policies which have been donated to the Foundation. These funds are considered to be undesignated at this time. An endowment will be established in accordance with the donor's directives upon receipt of payment on the policies.

As a community foundation, in accordance with United States Treasury Regulations, the Foundation possesses variance power. Variance power is the unilateral right to remove donor-imposed restrictions upon a gift in response to changed circumstances. The Foundation interprets its variance power to apply to time restrictions and endowment restrictions as well as purpose restrictions. This power is exercisable only in narrowly defined circumstances. Because this power is incorporated by reference in the gift instruments for all of the donor-restricted endowment fund gifts received by the Foundation, the Foundation views its variance power as an explicit expression of donor intent.

Agency Funds – Generally accepted accounting principles of the United States establish standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both to another entity that is specified by the donor. These principles specifically require that if a not-for-profit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, that community foundation must account for the transfer of such assets as a liability rather than as a contribution. The Foundation does have variance power over these funds, and these funds are not considered an equity transaction. The assets held on behalf of the agency are included in cash and investments and the related liability is reported as Agency Funds Held on Behalf of Other Organizations on the statement of financial position. Assets and liabilities related to such funds totaled approximately \$4,493,610 and \$5,671,752 at December 31, 2022 and 2021, respectively. These assets are managed in accordance with the same investment policies as the Foundation's other funds.

Endowment Investment and Spending Policies – The Foundation has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The Foundation targets a diversified asset allocation that places an emphasis on U.S. Treasury securities and equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds, for grant making and administration. The distribution rate will be applied to a 12-quarter moving average of the Fund's market value to determine the amount allocated each year for programs. However, in the first year of operation, the distribution rate will be zero. In order to protect the Fund's assets into the future, new funds would not receive a distribution until the funds have been invested for an entire year. In the second year of operation, the distribution rate will be up to five percent (5%) of the Fund's two (2) year moving average of the Fund's market value. In the third year, the distribution rate will be up to 5% of the Fund's three (3) year moving average of the Fund's market value.

Cherokee Strip Community Foundation
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies (continued)

To further protect the Fund's assets in the future, "underwater endowments" will receive individual review. Endowments are considered to be underwater when market value is below the original contributed amount. To preserve the integrity and purchasing power of each underwater fund the Foundation will reduce spending to an amount that will allow the fund to recover within a reasonable time period.

It is the responsibility of the board to maintain each endowment fund at no less than the original contributed amount to the extent possible. Market fluctuations can create underwater endowments, and while spending is not prohibited, prudent evaluation is required. According to the UPMIFA, before making distributions from underwater funds, the board is to consider:

- The duration and preservation of the endowment fund
- The purposes of the Foundation and the endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

This spending policy has two implications. First, by incorporating a three (3) year moving average of the Fund's market value in calculating the distribution rate, the policy minimizes large fluctuations in the market value, enabling the Fund to distribute a more steady income to the Fund recipient. Second, the policy adjusts spending toward the long-term maximum distribution rate of five percent (5%) of the three (3) year moving average of the Fund's market value, ensuring that spending levels will be sensitive to fluctuating Fund levels, providing stability and growth in long-term purchasing power.

Cash and Cash Equivalents – For purposes of the statement of cash flow, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted prices in active markets in the statement of financial position. Unrealized gains and losses are included in the changes in net assets. Investment expenses include fees for bank trustees, investment managers and custodians.

Investments of the Foundation are administered by investment agents chosen by the Foundation's Board of Trustees. The investment agents report the assigned values and market values of the investments and are responsible for custody and investment management under supervision of the Board of Trustees. The Foundation provides administrative and reporting support as needed.

Cherokee Strip Community Foundation
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies (continued)

Property and Equipment – Purchased property and equipment are recorded at cost. Donations of property and equipment are recorded as support (gifts in kind) at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit instructions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Fixed assets are depreciated over their estimated useful lives ranging from 5 to 39 years using the straight-line method.

Administrative Fees – The Foundation charges an annual fee to each Fund equal to 1.25%. One quarter of the annual fee is charged based upon the market value of each Fund at the end of each calendar quarter. If the Fund exists for only a portion of an entire calendar year, the Foundation’s annual fee will be prorated based upon the days the Fund exists in relation to the entire calendar year.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of functional expenses. Costs are allocated between program services and management and general expenses. Management and general expenses include those expenses that are not directly identifiable to program service activities. The majority of costs, other than personnel related costs, are direct to the specific functional area. Personnel related costs have been allocated based on time studies.

Income Tax Matters – The Foundation qualifies as an organization exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code and is subject to a tax on income from any unrelated business, as defined by Section 509(a)(1) of the Code. The Foundation historically has not had unrelated business income and is of the opinion that any such income that may exist at December 31, 2022 would not be material. Accordingly, no provision for income taxes has been recorded.

The Foundation has adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return only when it is determined that the income tax position will more-likely-than not be sustained upon examinations by taxing authorities. The Foundation has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Foundation believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Foundation’s financial condition, results of operations, or cash flow. Accordingly, the Foundation has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2022.

Federal and state income tax statutes dictate that tax returns filed in any of the previous three reporting periods remain open to examination. Currently, the Foundation has no open examinations with the Internal Revenue Service or the Oklahoma Tax Commission.

Cherokee Strip Community Foundation
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies (continued)

Fair Value Measurement of Investments – The Foundation follows ASC Topic 820, Fair Value Measurements, which provides the framework for measuring fair value and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The inputs to the three levels of the fair value hierarchy under ASC Topic 820 are described as follows:

Level 1: Unadjusted quoted Prices in active markets for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liability; and inputs that are derived principally from, or corroborated by, observable market data by correlation to other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Unobservable and significant to the fair value measurement.

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

Prior period adjustment – A prior period adjustment was made to account for a change with retained earnings.

Note 2 – Liquidity and Availability of Financial Assets

The following reflects the Foundation’s financial assets as of the statement of financial position date reduced by the amounts not available for general use because of contractual requirements or donor preference within one year of the statement of financial position date.

	<u>2022</u>	<u>2021</u>
Financial assets at year end	\$ 26,130,354	\$ 31,948,559
Less those unavailable for general expenditures within one year, due to:		
Agency funds held on behalf of others	(4,493,610)	(5,671,752)
Funds subject to appropriation	(20,363,804)	(25,202,371)
Investments held in whole life policies	<u>(56,525)</u>	<u>(55,179)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,216,415</u>	<u>\$ 1,019,257</u>

As part of the Foundation’s liquidity management plan, cash in excess of daily requirements is invested in money market funds and short-term investments.

Cherokee Strip Community Foundation
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 3 – Changes in Net Assets of Endowed and Non-Endowed Funds

The Foundation’s reconciliation of the beginning and ending balances of net assets held in endowed funds and non-endowed funds in total and by class follows:

	2022		
	<u>With Donor Restrictions</u>		
	<u>Endowed</u>	<u>Non-Endowed</u>	<u>Total</u>
Net assets, beginning of year	\$ 23,070,235	\$ 2,187,315	\$ 25,257,550
Contribution	465,221	30,792	496,013
Investment return, net	(3,557,930)	(359,630)	(3,917,560)
Funds appropriated for disbursement	<u>(979,471)</u>	<u>(436,203)</u>	<u>(1,415,674)</u>
Net assets, end of year	<u>\$ 18,998,055</u>	<u>\$ 1,422,274</u>	<u>\$ 20,420,329</u>

	2021		
	<u>With Donor Restrictions</u>		
	<u>Endowed</u>	<u>Non-Endowed</u>	<u>Total</u>
Net assets, beginning of year	\$ 21,902,735	\$ 2,577,669	\$ 24,480,404
Contribution	1,356,780	131,500	1,488,280
Investment return, net	2,151,813	233,132	2,384,945
Funds appropriated for disbursement	<u>(2,341,093)</u>	<u>(754,986)</u>	<u>(3,096,079)</u>
Net assets, end of year	<u>\$ 23,070,235</u>	<u>\$ 2,187,315</u>	<u>\$ 25,257,550</u>

Current year gains and losses (realized and unrealized) are reported in other gains and losses as follows:

	<u>2022</u>	<u>2021</u>
With donor restrictions	\$ (7,015,084)	\$ 956,253
Without donor restrictions	--	--
Total	<u>\$ (7,015,084)</u>	<u>\$ 956,253</u>

Cherokee Strip Community Foundation
Notes to the Consolidated Financial Statements
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Note 4 – Investments

The Foundation maintains its investments in Stride Bank which is located in Enid, Oklahoma.

The major categories of investments, at fair market value, at December 31, 2022 and 2021 were as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash and Money Market	\$ 1,816,897	\$ 1,816,897	\$ 776,310	\$ 776,310
Balanced Funds	2,255,431	1,940,943	3,825,649	4,916,625
Fixed Income Funds	11,580,205	10,428,619	11,235,907	11,265,164
Equities	12,489,407	11,629,352	11,424,614	14,737,658
Other: Mineral Interest	<u>1</u>	<u>220</u>	<u>1</u>	<u>220</u>
Total Investments	<u>\$ 28,141,941</u>	<u>\$ 25,816,031</u>	<u>\$ 27,262,481</u>	<u>\$ 31,695,977</u>

Current year gains and losses (realized and unrealized) are reported in other gains and losses as follows:

	<u>2022</u>	<u>2021</u>
With donor restrictions	\$ (7,015,084)	\$ 956,253
Without donor restrictions	<u>--</u>	<u>--</u>
Total	<u>\$ (7,015,084)</u>	<u>\$ 956,253</u>

Note 5 – Dividends and Interest Revenue

Dividends and interest revenues are reflected in the statement of activities net of external and direct internal investment fees. These fees are summarized as follows:

	<u>2022</u>	<u>2021</u>
External fees	\$ 323,299	\$ 344,765
Direct internal fees	<u>--</u>	<u>--</u>
Total fees	<u>\$ 323,299</u>	<u>\$ 344,765</u>

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Note 6 – Fair Value Measurement

The following tables present assets that are measured at fair value on a recurring basis at December 31, 2022 and 2021:

December 31, 2022
Fair Value Measurements at Reporting Date Using

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Money market funds	\$ 1,479,595	\$ --	\$ --	\$ 1,479,595
CDs	337,302	--	--	337,302
Fixed Income Funds	10,428,619	--	--	10,428,619
Real Estate Funds	1,940,943			1,940,943
Equities	11,629,352			11,629,352
Mineral Interest	--	--	220	220
Total	<u>\$ 25,815,811</u>	<u>\$ --</u>	<u>\$ 220</u>	<u>\$ 25,816,031</u>

December 31, 2021
Fair Value Measurements at Reporting Date Using

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Money market funds	\$ 420,819	\$ --	\$ --	\$ 420,819
CDs	355,491	--	--	355,491
Fixed Income Funds	11,265,164	--	--	11,265,164
Balanced Funds	4,916,625	--	--	4,916,625
Equities	14,737,658	--		14,737,658
Mineral Interest	--	--	220	220
Total	<u>\$31,695,757</u>	<u>\$ --</u>	<u>\$ 220</u>	<u>\$ 31,695,977</u>

Investments in oil and gas interests are reported at fair value. Fair value is generally determined by independent appraisal at the time of donation and revalued annually by management.

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Note 7 – Underwater Endowment Funds

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature may result from unfavorable market fluctuations or continued appropriation for certain programs that was deemed prudent by the Board of Trustees. During 2022 and 2021 the market experienced depreciation which resulted in the creation of underwater endowments at December 31, 2022 and 2021.

	2022		
	Original Gift	Fair Value	Deficiencies
Designated Funds	\$ 2,554,073	\$ 2,388,354	\$ (165,719)
Scholarships	1,561,337	1,533,253	(28,084)
Donor Advised Funds	195,383	195,189	(194)
Field of Interest	10,000	8,496	(1,504)
Unrestricted Endowments	58,462	57,855	(607)
Total	\$ 4,379,255	\$ 4,183,147	\$ (196,108)

	2021		
	Original Gift	Fair Value	Deficiencies
Designated Funds	\$ 523,722	\$ 520,954	\$ (2,768)

Note 8 – Concentrations of Credit Risk

The Foundation may, from time to time, maintain cash balances in their bank account in excess of the FDIC insured limit. The Foundation has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash or cash equivalents.

The Foundation's investment portfolio consists of diversified investments, which are subject to market risk. At December 31, 2022, 45.0% of the investments were concentrated in equities. At December 31, 2021, that amount equaled 47.3%.

Note 9 – Property and Equipment

Property and equipment is summarized as follows:

	2022	2021
Land	\$ 50,000	\$ 50,000
Office Building	374,907	374,907
Office Furniture and Equipment	51,750	51,750
Less: Accumulated depreciation	(114,530)	(94,384)
Net Property and Equipment	\$ 362,127	\$ 382,273
Depreciation expense	\$ 20,146	\$ 20,183

Cherokee Strip Community Foundation
Notes to the Consolidated Financial Statements
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Note 10 – Distributions Payable

Distributions payable consist of unconditional amounts designated for, but not yet paid to, various not-for-profit groups and scholarships designed but not yet paid to respective schools.

Note 11 – Compensated Absences

The Foundation does not accrue a liability for compensated absences. Any such liability would not be material to the financial statements as a whole.

Note 12 - Conflict of Interest

Several board members for the Foundation also serve as board members for some of the funds, some of the members work or are otherwise affiliated with companies paid by the Foundation for services, or hold positions, whether paid or unpaid, within the community that are considered conflicts of interest in accordance with the Foundation's policy.

Note 13 - Subsequent Events

The Foundation evaluated subsequent events through September 20, 2023, which is the date the financial statements were available to be issued, and did not note any items that would adjust the financial statements or require disclosure other than those noted above.