

**Enid Community Foundation
For Excellence
dba
Cherokee Strip
Community Foundation**

**Independent
Auditors' Report
And
Consolidated
Financial Statements**

For the Years Ending

December 31, 2020

And

December 31, 2019

Enid Community Foundation for Excellence dba Cherokee Strip Community Foundation

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

Independent Auditors' Report

The Board of Trustees
Enid Community Foundation for Excellence dba Cherokee Strip Community Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of the Enid Community Foundation for Excellence dba Cherokee Strip Community Foundation (a non-profit organization), which comprise the statements of financial position as of December 31, 2020, and the related statements of activities, functional expenses 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 of America. Management is also responsible for design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Enid Community Foundation for Excellence dba Cherokee Strip Community Foundation as of December 31, 2020, and the results of its operations and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Enid Community Foundation for Excellence dba Cherokee Strip Community Foundation for the year ended December 31, 2019, were audited by another auditor who expressed an unmodified opinion on those statements on March 16, 2020.

Report on Summarized Comparative Information

The summarized comparative information presented herein as of and for the year ended December 31, 2019 has not be audited, reviewed, or compiled and, accordingly, we express no opinion on them.

Bryan, Little, Haley + Kent P.C.

Bryan, Little, Haley & Kent PC
Bartlesville, Oklahoma
December 10, 2021

**Enid Community Foundation for Excellence dba
Cherokee Strip Community Foundation
Consolidated Statements of Financial Position**

December 31, 2020 **December 31, 2019**

Assets

Current Assets:

Cash and cash equivalents	\$ 724,894	\$ 538,107
Investments	29,904,626	27,835,056
Whole Life Investments	53,986	52,539
Prepaid Insurance	<u>3,155</u>	<u>2,982</u>
Total current assets	<u>30,686,661</u>	<u>28,428,684</u>

Fixed Assets:

Land	50,000	--
Building	355,907	405,907
Furniture and equipment	51,750	51,750
Less: Accumulated depreciation	<u>(74,201)</u>	<u>(54,296)</u>
Total fixed assets	<u>383,456</u>	<u>403,361</u>

Total assets	<u>\$ 31,070,117</u>	<u>\$ 28,832,045</u>
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Liabilities and Net Assets

Current liabilities:

Distributions payable	\$ 205,175	\$ 42,595
Accounts payable	1,681	1,211
Payroll liabilities	2,716	2,811
Long-term debt-current portion	21,203	20,372
Agency funds held for the benefit of other organizations	<u>5,478,208</u>	<u>4,963,280</u>
Total current liabilities	<u>5,708,983</u>	<u>5,030,269</u>

Long-term debt-non-current portion	<u>10,877</u>	<u>32,080</u>
Total liabilities	<u>5,719,860</u>	<u>5,062,349</u>

Net Assets

Without donor restrictions

Operating fund	<u>869,853</u>	<u>845,381</u>
Total net assets without donor restrictions	<u>869,853</u>	<u>845,381</u>

With donor restrictions

Undesignated endowments	1,766,893	1,649,293
Designated funds	14,630,733	15,789,460
Donor advised funds	1,468,565	1,309,978
Field of interest funds	1,457,329	1,361,930
Accumulated losses on endowment funds	--	(8,181)
Gift funds	170,612	532,284
Scholarship funds – non-endowed	4,932,286	2,237,012
Whole life investments	<u>53,986</u>	<u>52,539</u>
Total net assets with donor restrictions	<u>24,480,404</u>	<u>22,924,315</u>
Total net assets	<u>25,350,257</u>	<u>23,769,696</u>

Total liabilities and net assets	<u>\$ 30,070,117</u>	<u>\$ 28,832,045</u>
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See accompanying notes to the financial statements and independent auditors' report

**Enid Community Foundation for Excellence dba
Cherokee Strip Community Foundation
Consolidated Statements of Activities**

	<u>Year Ended December 31, 2020</u>			<u>Year Ended December 31, 2019</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	\$ --	\$ 274,547	\$ 274,547	\$ --	\$ 2,269,746	\$ 2,269,746
Non-endowed scholarship funds & gift funds	5,578	91,567	97,145	--	126,923	126,923
Other	775	--	775	665	--	665
Investment income, net	2,360	1,871,204	1,873,564	405	1,047,793	1,048,198
Administrative fee income	274,985	--	274,985	252,300	--	252,300
Other income	4,797	21,410	26,207	8,081	--	8,081
Net assets released from restriction:						
Funds appropriated for distribution	<u>1,512,565</u>	<u>(1,512,565)</u>	<u>--</u>	<u>826,053</u>	<u>(826,053)</u>	<u>--</u>
Total revenue	<u>1,801,060</u>	<u>746,163</u>	<u>2,547,223</u>	<u>1,087,504</u>	<u>2,618,409</u>	<u>3,705,913</u>
Expenses:						
Grants and distributions:						
Gift funds	356,651	--	356,651	49,378	--	49,378
Endowments	828,625	--	828,625	656,675	--	656,675
Scholarships	203,650	--	203,650	120,000	--	120,000
Program services	235,598	--	235,598	104,728	--	104,728
Management and general	<u>156,987</u>	<u>--</u>	<u>156,987</u>	<u>135,214</u>	<u>--</u>	<u>135,214</u>
Total expenses	<u>1,781,511</u>	<u>--</u>	<u>1,781,511</u>	<u>1,065,995</u>	<u>--</u>	<u>1,065,995</u>
Other gains and losses:						
Gain on sale of assets	--	--	--	3,062	--	3,062
Unrealized gains on Investments	<u>--</u>	<u>809,926</u>	<u>809,926</u>	<u>--</u>	<u>2,133,398</u>	<u>2,133,398</u>
Total other gains and losses	<u>--</u>	<u>809,926</u>	<u>809,926</u>	<u>3,062</u>	<u>2,133,398</u>	<u>2,136,460</u>
Increase in net assets	19,549	1,556,089	1,575,638	24,571	4,751,807	4,776,378
Net Assets, beginning of year	<u>845,381</u>	<u>22,924,315</u>	<u>23,769,696</u>	<u>820,810</u>	<u>18,172,508</u>	<u>18,993,318</u>
Prior period adjustment	4,923	--	4,923	--	--	--
Net Assets, end of year	<u>\$ 869,853</u>	<u>\$ 24,480,404</u>	<u>\$ 25,350,257</u>	<u>\$ 845,381</u>	<u>\$ 22,924,315</u>	<u>\$ 23,769,696</u>

See accompanying notes to the financial statements and independent auditors' report

**Enid Community Foundation for Excellence dba
Cherokee Strip Community Foundation
Consolidated Statements of Functional Expenses**

	<u>Year Ended December 31, 2020</u>			<u>Year Ended December 31, 2019</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	\$ --	\$ 1,512,565	\$ 1,512,565	\$ --	\$ 826,053	\$ 826,053
Salaries	27,862	83,586	111,448	25,700	77,099	102,799
Payroll taxes	2,130	6,389	8,519	1,966	5,898	7,864
Insurance	8,037	--	8,037	7,046	--	7,046
Office supplies	3,264	--	3,264	4,126	--	4,126
Dues and subscriptions	--	3,371	3,371	--	2,569	2,569
Depreciation	19,905	--	19,905	20,059	--	20,059
Equipment rent and maintenance	3,393	--	3,393	4,022	--	4,022
Postage and delivery	593	--	593	687	--	687
Printing and reproduction	--	2,866	2,866	--	1,819	1,819
Property expense	5,699	--	5,699	5,595	--	5,595
Professional fees	16,497	--	16,497	330	--	330
Public awareness	--	13,021	13,021	--	7,149	7,149
Program expenses	--	1,529	1,529	--	5,581	5,581
Repairs	2,685	--	2,685	4,212	--	4,212
Software	16,650	--	16,650	22,359	--	22,359
Storage	525	--	525	900	--	900
Telephone	1,298	--	1,298	1,602	--	1,602
Training and education	--	1,197	1,197	--	1,481	1,481
Travel	--	--	--	--	1,218	1,218
Utilities	7,395	--	7,395	7,859	--	7,859
Licenses, permits & fees	--	--	--	10	--	10
Accounting and audit	31,795	--	31,795	24,276	--	24,276
Special events	--	--	--	--	1,914	1,914
Board expense	4,149	--	4,149	2,532	--	2,532
Interest	1,733	--	1,733	1,825	--	1,825
Miscellaneous	3,377	--	3,377	108	--	108
Total	<u>\$ 156,987</u>	<u>\$ 1,624,524</u>	<u>\$ 1,781,511</u>	<u>\$ 135,214</u>	<u>\$ 930,781</u>	<u>\$ 1,065,995</u>

See accompanying notes to the financial statements and independent auditors' report

**Enid Community Foundation for Excellence dba
Cherokee Strip Community Foundation
Consolidated Statements of Cash Flows**

	Year Ended December 31, 2020	Year Ended December 31, 2019
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,575,638	\$ 4,776,378
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	19,905	19,985
Increase prepaid insurance	(173)	(561)
Increase accounts payable	6,670	1,211
Increase in distributions payable	156,380	32,053
Increase (decrease) payroll liabilities	<u>(95)</u>	<u>595</u>
Net cash provided by operating activities	<u>1,758,325</u>	<u>4,829,661</u>
Cash flows from investing activities:		
Disposition of fixed assets	--	30,138
Increase in investments	<u>(2,071,017)</u>	<u>(5,292,053)</u>
Net cash used by investing activities	<u>(2,071,017)</u>	<u>(5,261,915)</u>
Cash Flows from Financing Activities:		
Earnings and gains reinvested in agency funds	482,202	281,544
Unrealized gains – agency funds	106,467	463,496
Increase in agency fund deposits	15,078	31,000
Distributions and expenses for agency funds	(83,906)	(235,794)
Payment of debt principal	<u>(20,372)</u>	<u>(19,572)</u>
Net cash provided by financing activities	<u>499,479</u>	<u>520,674</u>
Net increase in cash and cash equivalents	186,787	88,420
Cash and cash equivalents at beginning of the year	<u>538,107</u>	<u>449,687</u>
Cash and cash equivalents at end of the year	<u>\$ 724,894</u>	<u>\$ 538,107</u>
Supplemental disclosures:		
Interest earned on investments	<u>\$ 2,162,019</u>	<u>\$ 1,310,726</u>
Interest paid on long-term debt	<u>\$ 1,733</u>	<u>\$ 1,825</u>
Fund management fees	<u>\$ 290,815</u>	<u>\$ 267,385</u>
Unrealized gains (losses)	<u>\$ 809,926</u>	<u>\$ 2,133,398</u>

See accompanying notes to the financial statements and independent auditors' report

**Enid Community Foundation for Excellence dba
Cherokee Strip Community Foundation
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019**

Note 1 - Summary of Significant Accounting Policies

Reporting Entity – The accompanying financial statements include the accounts of Enid Community Foundation for Excellence dba 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 190 individual charitable 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.

Two educational series currently provided by the Foundation consist of leadership training for non-profit organizations and a youth workshop on philanthropy.

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.

**Enid Community Foundation for Excellence dba
Cherokee Strip Community Foundation
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019**

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 donor to suggest a different beneficiary charity 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 a recipient 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 Charitable Foundation Scholarship was established with a two million dollar donation in 2017. It is CSCF’s only spendable scholarship fund and is separate from the annual distributions. A committee made up of members of the Allen Family and school staff chooses the applicants 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.

**Enid Community Foundation for Excellence dba
Cherokee Strip Community Foundation
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019**

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 not 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 \$5,478,208 and \$4,963,280 at December 31, 2020 and 2019, 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 three year 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.

**Enid Community Foundation for Excellence dba
Cherokee Strip Community Foundation
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019**

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.

**Enid Community Foundation for Excellence dba
Cherokee Strip Community Foundation
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019**

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. If a donor-designated investment manager is used for a Fund exceeding \$100,000, the Foundation will charge an annual fee to the Fund equal to 0.5% of the market value of the Fund plus all fees and expenses charged by the donor-designated investment manager. This 0.5% fee is also collected upon a quarterly basis.

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, 2020 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, 2020.

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.

**Enid Community Foundation for Excellence dba
Cherokee Strip Community Foundation
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019**

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>2020</u>	<u>2019</u>
Financial assets at year end	\$ 30,683,506	\$ 28,425,702
Less those unavailable for general expenditures within one year, due to:		
Agency funds held on behalf of others	(5,478,208)	(4,963,280)
Funds subject to appropriation	(24,426,418)	(22,871,776)
Investments held in whole life policies	<u>(53,986)</u>	<u>(52,539)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 724,894</u>	<u>\$ 538,107</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.

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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:

	2020		
	<u>With Donor Restrictions</u>		
	<u>Endowed</u>	<u>Non-Endowed</u>	<u>Total</u>
Net assets, beginning of year	\$ 20,102,480	\$ 2,821,835	\$ 22,924,315
Contribution	306,398	66,138	372,536
Investment return, net	2,452,461	227,412	2,679,873
Funds appropriated for disbursement	<u>(958,604)</u>	<u>(537,716)</u>	<u>(1,496,320)</u>
Net assets, end of year	<u>\$ 21,902,735</u>	<u>\$ 2,577,669</u>	<u>\$ 24,480,404</u>

	2019		
	<u>With Donor Restrictions</u>		
	<u>Endowed</u>	<u>Non-Endowed</u>	<u>Total</u>
Net assets, beginning of year	\$ 15,781,929	\$ 2,390,579	\$ 18,172,508
Contribution	2,175,862	200,208	2,376,070
Investment return, net	2,931,011	400,426	3,331,437
Funds appropriated for disbursement	<u>(786,322)</u>	<u>(169,378)</u>	<u>(955,700)</u>
Net assets, end of year	<u>\$ 20,102,480</u>	<u>\$ 2,821,835</u>	<u>\$ 22,924,315</u>

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

	<u>2020</u>	<u>2019</u>
With donor restrictions	\$ 809,926	\$ 2,133,398
Without donor restrictions	<u>--</u>	<u>3,062</u>
Total	<u>\$ 809,926</u>	<u>\$ 2,136,460</u>

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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, 2020 and 2019 were as follows:

	2020					
	Without Donor Restrictions		With Donor Restriction		Total	
	Cost	Market	Cost	Market	Cost	Market
Cash and Money Market	\$ --	\$ --	\$ 733,555	\$ 733,555	\$ 733,555	\$ 733,555
Balanced Funds	--	--	3,760,846	4,398,899	3,760,846	4,398,899
Fixed Income Funds	--	--	11,190,380	11,540,080	11,190,380	11,540,080
Equities	--	--	10,902,294	13,279,987	10,902,294	13,279,987
Other: Mineral Interest	--	--	1	220	1	220
Total Investments	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 26,587,076</u>	<u>\$ 29,952,741</u>	<u>\$26,587,076</u>	<u>\$ 29,952,741</u>

	2019					
	Without Donor Restrictions		With Donor Restriction		Total	
	Cost	Market	Cost	Market	Cost	Market
Cash and Money Market	\$ --	\$ --	\$ 1,063,358	\$ 1,063,358	\$ 1,063,358	\$ 1,063,358
Balanced Funds	--	--	3,858,418	4,055,070	3,858,418	4,055,070
Fixed Income Funds	--	--	10,523,426	10,613,058	10,523,426	10,613,058
Equities	--	--	10,000,713	12,103,350	10,000,713	12,103,350
Other: Mineral Interest	--	--	1	220	1	220
Total Investments	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 25,445,916</u>	<u>\$ 27,835,056</u>	<u>\$ 25,445,916</u>	<u>\$ 27,835,056</u>

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

	2020	2019
With donor restrictions	\$ 809,926	\$ 2,133,398
Without donor restrictions	--	3,062
Total	<u>\$ 809,926</u>	<u>\$ 2,136,460</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:

	2020	2019
External fees	\$ 290,815	\$ 267,385
Direct internal fees	--	--
Total fees	<u>\$ 290,815</u>	<u>\$ 267,385</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, 2020 and 2019:

December 31, 2020
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	\$ 163,622	\$ --	\$ --	\$ 163,622
CDs	245,000	--	--	245,000
Fixed Income Funds	11,540,080	--	--	11,540,080
Balanced Funds	4,398,899	--	--	4,398,899
Equities	13,279,987	--	--	13,279,987
Mineral Interest	--	--	220	220
Total	<u>\$ 29,627,588</u>	<u>\$ --</u>	<u>\$ 220</u>	<u>\$ 29,627,808</u>

December 31, 2019
Fair Value Measurements at Reporting Date Using

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Fixed Income Funds	\$10,613,058	\$ --	\$ --	\$ 10,613,058
Balanced Funds	4,055,070	--	--	4,055,070
Equities	12,103,350	--	--	12,103,350
Mineral Interest	--	--	220	220
Total	<u>\$26,771,478</u>	<u>\$ --</u>	<u>\$ 220</u>	<u>\$ 26,771,698</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 2020 the market experienced appreciation which resulted in the removal of underwater endowments at December 31, 2020. These funds are reported below along with comparative amounts for 2019.

	2020		
	<u>Original Gift</u>	<u>Fair Value</u>	<u>Deficiencies</u>
Designated Funds	\$ --	\$ --	\$ --
	2019		
	<u>Original Gift</u>	<u>Fair Value</u>	<u>Deficiencies</u>
Designated Funds	\$ 60,089	\$ 51,819	\$ (8,181)

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, 2020, 44.3% of the investments were concentrated in equities. At December 31, 2019, that amount equaled 43.4%.

Note 9 – Property and Equipment

Property and equipment is summarized as follows:

	2020	2019
Land	\$ 50,000	--
Office Building	355,907	\$ 405,907
Office Furniture and Equipment	51,750	51,750
Less: Accumulated depreciation	(74,201)	(54,296)
Net Property and Equipment	\$ 383,456	\$ 403,361
Depreciation expense	\$ 19,905	\$ 20,059

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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.

Note 11 – Long-Term Debt

On June 26, 2018, the Foundation entered into a promissory note in the amount of \$100,000. This note bears a 3.9% interest rate and a term of 60 months, maturing on June 26, 2022. Proceeds from the note were used to purchase a new office building. The note is secured by a mortgage and assignment of rents covering this building. At December 31, 2020, outstanding principal on the note equaled \$32,080.

Future debt service requirements are as follows:

	Principal	Interest
2021	\$ 21,203	\$ 901
2022	<u>10,877</u>	<u>128</u>
Total	<u>\$ 32,080</u>	<u>\$ 1,029</u>

Note 12 – 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 13 - 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 14 - Subsequent Events

The Foundation evaluated subsequent events through December 10, 2021, 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.