

**OPPORTUNITY SCHOLARSHIP  
FUND, INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2018 AND 2017**

## **OPPORTUNITY SCHOLARSHIP FUND, INC.**

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## INDEPENDENT AUDITORS' REPORT

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The Board of Directors  
Opportunity Scholarship Fund, Inc.  
Oklahoma City, Oklahoma

We have audited the accompanying financial statements of Opportunity Scholarship Fund, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets and cash flows for the years 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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.

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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 A to the financial statements, Opportunity Scholarship Fund, Inc. adopted Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs, and information to be provided regarding expenses and investment return. The adoption of the standard resulted in additional footnote disclosures and changes to the classification of net assets and disclosures related to net assets. Our opinion is not modified with respect to this matter.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Opportunity Scholarship Fund, Inc. as of December 31, 2018 and 2017, 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.

*CCK Strategies, PLLC*

Tulsa, Oklahoma  
August 15, 2019

**OPPORTUNITY SCHOLARSHIP FUND, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 5,329,090	\$ 5,307,937
Promises to give, net	2,264,423	1,840,871
Prepaid expenses	1,906	-
Investments	41,214	-
Total current assets	7,636,633	7,148,808
Total assets	\$ 7,636,633	\$ 7,148,808
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Held on behalf of others	\$ 7,099,600	\$ 6,595,156
Payable to donors	-	11,500
Total current liabilities	7,099,600	6,606,656
<b>NET ASSETS</b>		
Without donor restrictions	483,804	440,867
With donor restrictions	53,229	101,285
Total net assets	537,033	542,152
Total liabilities and net assets	\$ 7,636,633	\$ 7,148,808

**OPPORTUNITY SCHOLARSHIP FUND, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Operating revenue and other support:		
Administrative fee revenue	\$ 304,862	\$ 371,447
Grants and other revenue	68,042	-
Interest income	43,488	1,727
Realized loss from sale of donated investments	(507)	(196)
Net assets released from restrictions	59,125	50,000
Total operating revenue and other support	475,010	422,978
General and administrative expenses:		
Contract labor	124,435	78,371
Professional fees	9,088	16,708
Advertising	90,549	60,143
Bank charges	4,804	26
Dues and subscriptions	3,911	2,872
Member school workshops	8,679	2,063
Information technology	17,254	324
Insurance	3,226	2,604
Grants and awards	9,125	-
Other	3,656	34
Total general and administrative operating expenses	274,727	163,145
Increase in net assets without donor restrictions	200,283	259,833
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions	11,069	11,322
Net assets released from restrictions	(59,125)	(50,000)
Decrease in net assets with donor restrictions	(48,056)	(38,678)
Net operating activities	152,227	221,155
NON-OPERATING (PROGRAM):		
Rebates to member schools	157,346	157,775
Net non-operating activities	157,346	157,775
CHANGE IN NET ASSETS	(5,119)	63,380
NET ASSETS - beginning of year	542,152	478,772
NET ASSETS - end of year	\$ 537,033	\$ 542,152

**OPPORTUNITY SCHOLARSHIP FUND, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (5,119)	\$ 63,380
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Prepaid expenses	(1,906)	-
Promises to give, net	8,167	60,017
Payable to donors	(11,500)	11,500
Funds held on behalf of others - cash received	4,165,802	5,120,128
Funds held on behalf of others - cash disbursed	(4,134,291)	(3,322,207)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>21,153</u>	<u>1,932,818</u>
<b>NET INCREASE IN CASH</b>	21,153	1,932,818
<b>CASH, beginning of year</b>	<u>5,307,937</u>	<u>3,375,119</u>
<b>CASH, end of year</b>	<u><u>\$ 5,329,090</u></u>	<u><u>\$ 5,307,937</u></u>

**OPPORTUNITY SCHOLARSHIP FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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**NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

*Organization and Purpose*

Opportunity Scholarship Fund, Inc. (OSF) is a scholarship-granting organization as defined under the Oklahoma Equal Opportunity Education Scholarship Act (the Act). As a scholarship-granting organization, OSF awards educational scholarships to eligible students attending qualified schools as defined in the Act. Oklahoma taxpayers receive a tax credit, as defined in the Act, for their charitable contributions to OSF.

*Change in Accounting Principle*

Effective January 1, 2018, OSF adopted Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

OSF net assets previously reported as temporarily restricted are now reported as net assets with donor restrictions. Likewise, OSF net assets previously reported as unrestricted are now reported as net assets without donor restrictions. OSF has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to OSF’s 2017 financial statements.

*Basis of Accounting*

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.



**OPPORTUNITY SCHOLARSHIP FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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**NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**  
*(continued)*

*Net Assets*

Net assets, revenue and expenses are classified based on the existence or absence of donor-imposed restrictions. Net assets of OSF and changes therein are classified into the following categories:

These classifications are defined as follows:

- *Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of OSF's management and the board of directors.
- *Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of OSF or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions consist of donor-imposed funds designated for educational scholarships for which the donor has not specified the intended beneficiary. OSF has no donor restrictions that are perpetual in nature.

*Funds Held on Behalf of Others*

Educational scholarships where the beneficiary has been specified by the donor are treated as agency transactions and are not reported as revenues or expenses in the statements of activities unless OSF has variance power with respect to the determination of the beneficiary. Variance power is the unilateral ability to redirect the use of the transferred assets to another beneficiary. A liability has been established for amounts in which the donor has specified the intended beneficiary and for which OSF does not maintain variance power.

**OPPORTUNITY SCHOLARSHIP FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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**NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**  
*(continued)*

*Recognition of Revenues*

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of donor restrictions on the use of contributions to provide scholarships at the organization's discretion of participating eligible schools. OSF reports contributions as net assets with donor restrictions to the extent that the donor obligates such contributions for the provision of scholarships but does not specify the intended beneficiary. When a scholarship is paid, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. For 2018 and 2017, the Board approved a rebate of excess operating funds to member schools in the amounts of \$157,346 and \$157,775, respectively. The rebates are recorded as a non-operating activity in the statements of activities for the years ended December 31, 2018 and 2017, respectively.

Under the Act, OSF is allowed an administrative fee on all current year contributions and cash received for funds held on behalf of others. OSF assessed an administrative fee of 7.5% of the funds collected for the years ended December 31, 2018 and 2017, respectively.

*Promises to Give*

Under the Act, any taxpayer who makes a contribution to an eligible scholarship-granting organization and makes a written commitment to contribute the same amount for an additional year receives an additional credit in the taxable year that the commitment is made. The commitments qualify as unconditional promises to give and are recorded when the promises are received. OSF uses the allowance method to determine uncollectible promises to give. The allowance is based on current economic conditions, historical collection rates, and specific identification of uncollectible accounts. As of December 31, 2018 and 2017, OSF provided an allowance for uncollectible promises to give of \$70,034 and \$56,934, respectively.

*Income Taxes*

OSF is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the financial statements. OSF is required to file annual information tax returns.

OSF evaluates its uncertain tax positions, if any, on a continual basis through review of their policies and procedures, review of their regular tax filings and discussions with outside experts. Management has determined that OSF had no uncertain tax positions that require adjustment to the financial statements.

**OPPORTUNITY SCHOLARSHIP FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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**NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**  
*(continued)*

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Concentrations of Credit Risk*

The Federal Deposit Insurance Corporation (FDIC) currently insures up to \$250,000 of substantially all depository accounts held at each financial institution. At December 31, 2018 and 2017, OSF's cash deposits exceeded the federally insured limits. OSF has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk.

*Functional Expenses*

OSF's expenses have been summarized on a functional expense basis in the statements of activities. Rebates to member schools are classified as program expenses. OSF's other expenses are classified as general and administrative operating expenses.

**OPPORTUNITY SCHOLARSHIP FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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**NOTE B - LIQUIDITY AND RESERVES**

The following table reflects OSF's financial assets as of December 31, 2018 and 2017, that could readily be made available within one year of the statements of financial position to fund general expenditures without limitations:

	<u>2018</u>	<u>2017</u>
Financial assets:		
Cash	\$ 5,329,090	\$ 5,307,937
Promises to give, net	2,264,423	1,840,871
Investments	<u>41,214</u>	<u>-</u>
Total financial assets	<u>7,634,727</u>	<u>7,148,808</u>
Less those unavailable for general expenditures within one year due to:		
Held on behalf of others	(7,099,600)	(6,595,156)
Purpose restrictions	<u>(53,229)</u>	<u>(101,285)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 481,898</u>	<u>\$ 452,367</u>

**NOTE C - SUBSEQUENT EVENTS**

OSF has evaluated subsequent events and their related disclosure through the audit report date which coincides with the financial statement issuance date and identified no such events.