

OPPORTUNITY SCHOLARSHIP FUND, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2020 AND 2019

OPPORTUNITY SCHOLARSHIP FUND, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Opportunity Scholarship Fund, Inc.
Tulsa, 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, 2020 and 2019, 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.

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

TULSA | FRISCO
CCKCPA.COM

Oklahoma Office
8811 South Yale Avenue
Suite 400
Tulsa, OK 74137
918.491.4036

Texas Office
3211 Internet Boulevard
Suite 330
Frisco, TX 75034
469.562.4036

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, 2020 and 2019, and the changes in 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
October 20, 2021

OPPORTUNITY SCHOLARSHIP FUND, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 4,583,040	\$ 4,593,005
Promises to give, net	1,557,114	1,114,866
Prepaid expenses	2,305	1,906
Investments	2,483	2,728
Total current assets	6,144,942	5,712,505
Total assets	\$ 6,144,942	\$ 5,712,505
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Held on behalf of others	\$ 5,759,807	\$ 5,228,197
Total current liabilities	5,759,807	5,228,197
NET ASSETS		
Without donor restrictions	363,268	468,145
With donor restrictions	21,867	16,163
Total net assets	385,135	484,308
Total liabilities and net assets	\$ 6,144,942	\$ 5,712,505

OPPORTUNITY SCHOLARSHIP FUND, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Operating revenue and other support:		
Administrative fee revenue	\$ 249,302	\$ 269,692
Interest and investment income	11,820	74,075
Net assets released from restrictions	-	50,490
Total operating revenue and other support	<u>261,122</u>	<u>394,257</u>
Operating expenses (general and administrative):		
Contract services	123,530	145,457
Advertising and fundraising	165,315	123,019
Other general and administrative expenses	77,154	90,460
Total operating expenses	<u>365,999</u>	<u>358,936</u>
(Decrease) increase in net assets without donor restrictions	<u>(104,877)</u>	<u>35,321</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	5,704	13,424
Net assets released from restrictions	-	(50,490)
Increase (decrease) in net assets with donor restrictions	<u>5,704</u>	<u>(37,066)</u>
Net operating activities	(99,173)	(1,745)
NON-OPERATING (PROGRAM):		
Rebates to member schools	-	50,980
Net non-operating activities	<u>-</u>	<u>50,980</u>
CHANGE IN NET ASSETS	(99,173)	(52,725)
NET ASSETS - beginning of year	<u>484,308</u>	<u>537,033</u>
NET ASSETS - end of year	<u>\$ 385,135</u>	<u>\$ 484,308</u>

OPPORTUNITY SCHOLARSHIP FUND, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (99,173)	\$ (52,725)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Changes in operating assets and liabilities:		
Prepaid expenses	(399)	-
Funds held on behalf of others - cash received	3,431,256	3,804,047
Funds held on behalf of others - cash disbursed	<u>(3,341,649)</u>	<u>(4,487,407)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(9,965)</u>	<u>(736,085)</u>
NET DECREASE IN CASH	(9,965)	(736,085)
CASH, beginning of year	<u>4,593,005</u>	<u>5,329,090</u>
CASH, end of year	<u><u>\$ 4,583,040</u></u>	<u><u>\$ 4,593,005</u></u>

OPPORTUNITY SCHOLARSHIP FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

The Opportunity Scholarship Fund (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 school-aged students attending qualified schools as defined in the Act. Donors to OSF receive an Oklahoma income tax credit, as defined in the Act, for their charitable contributions.

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.

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, 2020 AND 2019

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 2020, there was not a rebate of excess operating funds to member schools approved, however for 2019, the Board approved a rebate in the amount of \$50,980. The rebate is recorded as a non-operating activity in the statements of activities for the year ended December 31, 2019.

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, 2020 and 2019, respectively.

OSF recognizes revenue from administrative fees in accordance with ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Topic 606 provides a five-step model for recognizing revenue from contracts with customers as follows: 1) identify the contract, 2) identify performance obligations, 3) determine the transaction price, 4) allocate the transaction price, and 5) recognize revenue.

Topic 606 establishes principles for recognizing revenue upon the transfer of control of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. OSF recognizes revenue at the time fees are received on behalf of a member school.

Promises to Give

Under the Act, any taxpayer who contributes 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, 2020 and 2019, OSF provided an allowance for uncollectible promises to give of \$173,013 and \$71,162, respectively.

OPPORTUNITY SCHOLARSHIP FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

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.

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, 2020 and 2019, 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.

Reclassifications

Certain amounts as previously reported in the 2019 financial statements have been reclassified to conform to the 2020 presentation. Such reclassifications had no effect on reported amounts of net assets or change in net assets.

OPPORTUNITY SCHOLARSHIP FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE B - LIQUIDITY AND RESERVES

The following table reflects OSF's financial assets as of December 31, 2020 and 2019, that could readily be made available within one year of the statements of financial position to fund general expenditures without limitations:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash	\$ 4,583,040	\$ 4,593,005
Promises to give, net	1,557,114	1,114,866
Investments	<u>2,483</u>	<u>2,728</u>
Total financial assets	<u>6,142,637</u>	<u>5,710,599</u>
Less those unavailable for general expenditures within one year due to:		
Held on behalf of others	(5,759,807)	(5,228,197)
Purpose restrictions	<u>(21,867)</u>	<u>(16,163)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 360,963</u>	<u>\$ 466,239</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 except as noted below.

In May 2021 the Oklahoma Legislature approved an increase from \$3.5 million to \$25 million in the tax credit cap. OSF anticipates an increase in their operations and revenues as a result.