

OPPORTUNITY SCHOLARSHIP FUND, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2022 AND 2021

OPPORTUNITY SCHOLARSHIP FUND, INC.

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6



INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022 and 2021, 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.

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, 2022 and 2021, 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.

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 Responsibility section of our report. We are required to be independent of Opportunity Scholarship Fund, Inc. 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.

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.

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 Opportunity

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

Scholarship Fund, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibility

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 Opportunity Scholarship Fund, Inc.'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 Opportunity Scholarship Fund, Inc.'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.

CCK Strategies, PLLC

Tulsa, Oklahoma
October 31, 2023

OPPORTUNITY SCHOLARSHIP FUND, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash, cash equivalents, and restricted cash	\$ 4,754,580	\$ 5,172,445
Promises to give, net	2,443,911	1,619,809
Prepaid expenses	-	2,305
Total current assets	7,198,491	6,794,559
Total assets	\$ 7,198,491	\$ 6,794,559
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Held on behalf of others	\$ 6,700,682	\$ 6,397,676
Accounts payable	2,500	-
Total current liabilities	6,703,182	6,397,676
NET ASSETS		
Without donor restrictions	495,309	396,883
Total net assets	495,309	396,883
Total liabilities and net assets	\$ 7,198,491	\$ 6,794,559

OPPORTUNITY SCHOLARSHIP FUND, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Operating revenue and other support:		
Administrative fee revenue	\$ 575,593	\$ 286,555
Interest and dividend income	24,628	774
Net assets released from restrictions	-	52,184
Total operating revenue and other support	<u>600,221</u>	<u>339,513</u>
Operating expenses:		
Program activities	175,316	101,474
Fundraising	182,644	91,246
Management and General	143,835	113,178
Total operating expenses	<u>501,795</u>	<u>305,898</u>
Change in net assets without donor restrictions	98,426	33,615
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	-	30,317
Net assets released from restrictions	-	(52,184)
Change in net assets with donor restrictions	<u>-</u>	<u>(21,867)</u>
Net operating activities	<u>98,426</u>	<u>11,748</u>
CHANGE IN NET ASSETS	98,426	11,748
NET ASSETS, beginning of year	<u>396,883</u>	<u>385,135</u>
NET ASSETS, end of year	<u>\$ 495,309</u>	<u>\$ 396,883</u>

OPPORTUNITY SCHOLARSHIP FUND, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 98,426	\$ 11,748
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Changes in operating assets and liabilities:		
Prepaid expenses	2,305	-
Promises to give, net	(824,102)	(60,212)
Accounts payable	2,500	-
Funds held on behalf of others	303,006	637,869
NET CHANGE IN CASH FROM OPERATING ACTIVITIES	(417,865)	589,405
NET CHANGE IN CASH, CASH EQUIVALENTS, and RESTRICTED CASH	(417,865)	589,405
CASH, CASH EQUIVALENTS, and RESTRICTED CASH, beginning of year	5,172,445	4,583,040
CASH, CASH EQUIVALENTS, and RESTRICTED CASH, end of year	\$ 4,754,580	\$ 5,172,445

OPPORTUNITY SCHOLARSHIP FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

The 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 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:

- *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.

Cash Equivalents and Restricted Cash

OSF includes as cash equivalents all investments which, when purchased, had an original maturity of 90 days or less.

OSF includes as restricted cash all cash held for the purpose of distributing scholarships at a future date. This policy was elected during 2022 and any resulting adjustments to prior periods had no material impact on the Company's financial statements.

OPPORTUNITY SCHOLARSHIP FUND, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2022 AND 2021

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.

Recognition of Revenues

The Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which clarifies when a transaction should be accounted for as a contribution or exchange transaction.

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 both 2022 and 2021, there were no excess operating funds to member schools approved.

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% and 7.5% for funds designated for schools that were collected for the years ended December 31, 2022 and 2021, respectively. OSF assessed an administrative fee of 10% and 7.5% for undesignated funds collected for the years ended December 31, 2022 and 2021, respectively. Due to a policy change effective during 2022, OSF assessed an administrative fee of 10% for any funds that were designated for a school that joined OSF after the policy was enacted.

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.

OPPORTUNITY SCHOLARSHIP FUND, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2022 AND 2021

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, 2022 and 2021, OSF provided an allowance for uncollectible promises to give of \$182,040 and \$179,979, 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.

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, 2022 and 2021, OSF's cash deposits are held in insured cash sweep accounts to mitigate this risk. As of December 31, 2022 and 2021, OSF was fully insured for all cash deposits.

Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Note C presents statements of functional expenses for the year ended December 31, 2022 and 2021.

OPPORTUNITY SCHOLARSHIP FUND, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2022 AND 2021

Reclassifications

Certain amounts as previously reported in the 2021 financial statements have been reclassified to conform to the 2022 presentation. Such reclassifications had no effect on reported amounts of net assets or change in net assets.

Adoption of New FASB Accounting Standard in the Current Year—No Material Effect on the Financial Statements

The Company adopted Accounting Standards Update (“ASU”) No. 2016-02, *Leases* (Topic 842) for the year ended December 31, 2022 using the modified retrospective approach. Under the modified retrospective approach, the Company adjusts the beginning members’ deficit balance to reflect the impact Topic 842 would have had if the standard had always been followed. Taking into consideration the practical expedients elected below, this beginning members’ deficit adjustment had no material impact on the Company’s financial statements.

The Company has elected several practical expedients in applying the new standard. Applied as a group, the Company:

- Did not reassess whether any expired or existing contracts are or contain leases.
- Did not reassess the lease classification for any expired or existing leases.
- Did not reassess initial direct costs for any existing leases.

Additionally, in applying the individual practical expedients allowed by Topic 842 the Company:

- Elects to expense short term leases (those with a term of less than one year) rather than account for them as prescribed for other leases under Topic 842.

See Note D for further discussion of the Company’s leases.

OPPORTUNITY SCHOLARSHIP FUND, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2022 AND 2021

NOTE B - LIQUIDITY AND RESERVES

The following table reflects OSF's financial assets as of December 31, 2022 and 2021, that could readily be made available within one year of the statements of financial position to fund general expenditures without limitations:

	2022	2021
Financial assets:		
Cash, cash equivalents, and restricted cash	\$ 4,754,580	\$ 5,172,445
Promises to give, net	2,443,911	1,619,809
Total financial assets	7,198,491	6,792,254
Less those unavailable for general expenditures within one year due to:		
Accounts Payable	(2,500)	-
Held on behalf of others	(6,700,682)	(6,397,676)
Financial assets available to meet cash needs for general expenditures within one year	\$ 495,309	\$ 394,578

NOTE C - FUNCTIONAL EXPENSES

The following table reflects OSF's statement of functional expenses for the year ended December 31, 2022:

	Program Activities	Fundraising	Management and General	Totals
Advertising/Marketing	\$ 586	\$ 141,615	\$ -	\$ 142,201
Administrative	10,260	-	8,864	19,124
Salaries	63,899	37,284	63,899	165,082
Professional services	88,752	-	40,493	129,245
Office expense	10,763	2,689	21,897	35,349
Training expense	1,056	1,056	8,682	10,794
Total expenses	\$ 175,316	\$ 182,644	\$ 143,835	\$ 501,795

OPPORTUNITY SCHOLARSHIP FUND, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2022 AND 2021

The following table reflects OSF's statement of functional expenses for the year ended December 31, 2021:

	Program Activities	Fundraising	Management and General	Totals
Advertising/Marketing	\$ 5,000	\$ 73,414	\$ -	\$ 78,414
Administrative	17,618	-	5,104	22,722
Salaries	34,922	17,533	34,922	87,377
Professional Services	43,648	-	53,745	97,393
Office Expense	286	299	17,003	17,588
Training Expense	-	-	2,404	2,404
Total expenses	<u>\$ 101,474</u>	<u>\$ 91,246</u>	<u>\$ 113,178</u>	<u>\$ 305,898</u>

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include contract services, which are on the basis of time and effort, as well as services and professional fees, which are allocated on the basis of the service performed.

NOTE D - LEASES

As of December 31, 2022, OSF had one active operating lease. The agreement specified 24 monthly payments of \$752 for office space beginning August 1, 2022. In January 2023, the agreement was terminated.

Rent expense for the year ended December 31, 2022 was \$12,237.

NOTE E - CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position as of December 31, 2022 that sum to the total of the same such amounts shown in the statement of cash flows.

	2022	2021
Cash and cash equivalents	\$ 601,033	5,172,445
Restricted cash held to satisfy future scholarship scholarship disbursements	<u>4,153,547</u>	<u>-</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 4,754,580</u>	<u>\$ 5,172,445</u>

OPPORTUNITY SCHOLARSHIP FUND, INC.
NOTES TO FINANCIAL STATEMENTS *(continued)*
DECEMBER 31, 2022 AND 2021

NOTE F - SUBSEQUENT EVENTS

OSF has evaluated subsequent events and their related disclosure through October 31, 2023, which coincides with the financial statement issuance date and identified no such events.