

FINANCIAL STATEMENTS

The Oklahoma Caring Foundation, Inc.
Years Ended December 31, 2021 and 2020
With Report of Independent Auditors

Ernst & Young LLP



The Oklahoma Caring Foundation, Inc.

Financial Statements

Years Ended December 31, 2021 and 2020

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Report of Independent Auditors

The Board of Directors
The Oklahoma Caring Foundation, Inc.

Opinion

We have audited the financial statements of The Oklahoma Caring Foundation Inc., (the Organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization at December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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 the Organization’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of 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 the Organization'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 the Organization'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.

Ernst & Young LLP

August 17, 2022

The Oklahoma Caring Foundation, Inc.

Statements of Financial Position

	December 31	
	2021	2020
Assets		
Cash	\$ 289,880	\$ 172,850
Investments	2,285,545	2,190,948
Contributions receivable	9,708	23,380
Beneficial interest in assets held by others	224,174	199,483
Fixed assets – automobiles, net of accumulated depreciation of \$557,725 – 2021; \$522,271 – 2020	50,807	86,261
Total assets	<u>\$ 2,860,114</u>	<u>\$ 2,672,922</u>
Liabilities and net assets		
Accounts payable	\$ 60,637	\$ 73,653
Net assets – without donor restrictions	2,799,477	2,599,269
Total liabilities and net assets	<u>\$ 2,860,114</u>	<u>\$ 2,672,922</u>

See accompanying notes.

The Oklahoma Caring Foundation, Inc.

Statements of Activities and Changes in Net Assets

	Year Ended December 31, 2021			
	Without Donor			Total
	Without Donor Restrictions	Restrictions Board - Designated Endowment	Without Donor Restrictions Endowment	
Revenue, gains, and other support				
Contributions	\$ 455,535	\$ -	\$ 703	\$ 456,238
Management, supporting, and program services	651,249	-	-	651,249
Net investment income	(5,334)	17,256	6,731	18,653
Total revenue, gains, and other support	1,101,450	17,256	7,434	1,126,140
Expenses				
Program services:				
Caring Van Program	207,174	-	-	207,174
Contributed program services	428,458	-	-	428,458
Total program services	635,632	-	-	635,632
Supporting services:				
Contributed management and general	222,791	-	-	222,791
Depreciation of fixed assets	35,454	-	-	35,454
Professional service fees	32,055	-	-	32,055
Total supporting services	290,300	-	-	290,300
Total expenses	925,932	-	-	925,932
Change in net assets	175,518	17,256	7,434	200,208
Net assets, beginning of year	2,399,786	150,160	49,323	2,599,269
Net assets, end of year	\$ 2,575,304	\$ 167,416	\$ 56,757	\$ 2,799,477

See accompanying notes.

The Oklahoma Caring Foundation, Inc.

Statements of Activities and Changes in Net Assets

	Year Ended December 31, 2020			
	Without Donor			Total
	Without Donor Restrictions	Restrictions Board - Designated Endowment	Without Donor Restrictions Endowment	
Revenue, gains, and other support				
Contributions	\$ 381,156	\$ -	\$ 580	\$ 381,736
Management, supporting, and program services	766,534	-	-	766,534
Net investment income	83,757	20,593	5,246	109,596
Total revenue, gains, and other support	1,231,447	20,593	5,826	1,257,866
Expenses				
Program services:				
Caring Van Program	168,994	-	-	168,994
Contributed program services	534,496	-	-	534,496
Total program services	703,490	-	-	703,490
Supporting services:				
Contributed management and general	232,038	-	-	232,038
Depreciation of fixed assets	53,591	-	-	53,591
Professional service fees	43,924	-	-	43,924
Total supporting services	329,553	-	-	329,553
Total expenses	1,033,043	-	-	1,033,043
Change in net assets	198,404	20,593	5,826	224,823
Net assets, beginning of year	2,201,382	129,567	43,497	2,374,446
Net assets, end of year	\$ 2,399,786	\$ 150,160	\$ 49,323	\$ 2,599,269

See accompanying notes.

The Oklahoma Caring Foundation, Inc.

Statements of Cash Flows

	Year Ended December 31	
	2021	2020
Operating activities		
Change in net assets	\$ 200,208	\$ 224,823
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net investment loss (gain) on securities	5,403	(83,742)
Net investment gain in board-designated endowment	(17,256)	(20,593)
Net investment gain in endowment	(6,731)	(5,246)
Depreciation	35,454	53,591
Decrease (increase) in contributions receivable	13,474	(18,149)
(Decrease) increase in accounts payable	(12,819)	16,693
Net cash provided by operating activities	<u>217,733</u>	<u>167,377</u>
Investing activities		
Purchase of investments in endowment funds	(703)	(580)
Purchase of securities	(100,000)	(160,000)
Net cash used in investing activities	<u>(100,703)</u>	<u>(160,580)</u>
Net increase in cash	117,030	6,797
Cash at beginning of year	172,850	166,053
Cash at end of year	<u>\$ 289,880</u>	<u>\$ 172,850</u>

See accompanying notes.

The Oklahoma Caring Foundation, Inc.

Notes to Financial Statements

December 31, 2021

1. Organization

The Oklahoma Caring Foundation, Inc. (the Foundation) was incorporated in 1994 as an Oklahoma not-for-profit corporation. The purpose of the Foundation is to operate exclusively for charitable, educational, and scientific purposes for the benefit of economically disadvantaged young citizens by providing support for programs designed to improve the quality, awareness, and availability of health care benefits. The Foundation is an affiliate, as such term is defined pursuant to the Illinois Insurance Holding Company Act, of Health Care Service Corporation, a Mutual Legal Reserve Company (HCSC), which does business as Blue Cross Blue Shield of Illinois, Texas, New Mexico, Oklahoma, and Montana. HCSC is the primary corporate sponsor of the Foundation and provides financial and administrative support. The Foundation's Board of Directors includes HCSC senior management and representatives from the provider and business communities.

The Foundation's resources are currently directed to the Oklahoma Caring Van Program, in which nine vans travel throughout the state providing Oklahomans access to preventive health services such as immunizations, and dental and health screenings.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis, in accordance with U.S. generally accepted accounting principles (GAAP). Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

At December 31, 2021 and 2020, the Foundation had no donor-imposed net assets. Accordingly, the Foundation's net assets are classified as without donor restrictions at December 31, 2021 and 2020.

COVID-19 Coronavirus Pandemic

Beginning in the first quarter of 2020, there has been a global coronavirus pandemic that impacted financial markets and the economy. As the pandemic continues to evolve, the extent of the impact will depend on future developments, and could result in the Foundation experiencing operational changes, increased administrative expenses, investment losses and/or reduced cash flow, as well as other indirect adverse financial effects due to similar issues experienced by stakeholders.

The Oklahoma Caring Foundation, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies

Investments

Investments consist of fixed-income mutual funds that are carried at net asset value (NAV), which approximates fair value. The NAV of shares is based on the fund's unadjusted quoted market price of underlying assets at the measurement date.

Fixed Assets

The Foundation's fixed assets consist of vans utilized to facilitate its on-site immunizations to children. These are recorded at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over the estimated useful life of five years.

Contributions and Gifts

The Foundation reports gifts of cash and other assets received without restrictions as contributions. Contributions are recorded as they are made, including unconditional promises to give. Pledges are recorded when the pledge is obtained. Contributions receivable are recorded in the period for which the amount of the contribution is attributable. Receivables related to contributions have a maturity of less than one year.

Contributed Goods and Services

The estimated fair values at the date of receipt of donated goods and certain general and administrative services are reported as contributions in the accompanying financial statements. The contributions of services are recognized if the services received either (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. No amounts have been recorded in the financial statements for other donated services since no objective basis is available to measure the value of such services.

The Oklahoma Caring Foundation, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Tax-Exempt Status

The Foundation is recognized as an organization exempt from federal income tax as defined in Section 501(c)(3) of the Internal Revenue Code (IRC). On May 25, 1999, the Internal Revenue Service concluded that the Foundation met the requirements of the applicable support test during an advance ruling period, which began on August 29, 1994 and ended on December 31, 1998; therefore, the Foundation is considered a publicly supported organization as defined by Section 170(b)(1)(A) of the IRC.

Exempt Section 501(c)(3) organizations are subject to income tax on unrelated business income under Section 511 of the IRC and excise tax on political and lobbying expenditures under Sections 4911, 4912, and 4955. For the years ended December 31, 2021 and 2020, the Foundation had no unrelated business income and had no political or lobbying expenditures.

The Foundation adopted the provisions of Financial Accounting Standards Board (the FASB) Accounting Standards Codification 740, *Income Taxes*, which requires recognition and disclosure of uncertain tax positions in the financial statements and notes. The Foundation believes it has no uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could affect the amounts reported and disclosed therein such that actual results differ from management's estimates.

The Oklahoma Caring Foundation, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Effect of New Accounting Pronouncements

In 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendment clarifies and enhances the presentation in the financial statements of contributed nonfinancial assets by requiring a separate line item in the statement of activities. The ASU also requires additional quantitative and qualitative disclosures relating to contributed nonfinancial assets. The guidance is effective for fiscal years beginning after June 15, 2021, and is applied on a retrospective basis. The Foundation will adopt this guidance in 2022 and does not expect the guidance to affect total net assets. The guidance will enhance certain disclosures in the financial statements and change the presentation of the statements of activities and changes in net assets.

3. Program and Supporting Services

Program services represent the direct expenses associated with the delivery of immunization services and the cost of medical insurance premiums. Some of these services consist of an allocation of the estimated cost to HCSC for providing the services. HCSC donates these services; thus, the Foundation is not required to pay for these services.

Management, general, administrative, and fundraising expenses are also donated directly by HCSC; thus, the Foundation is not required to pay for these services. These services consist of an allocation of the estimated cost to HCSC for providing the services.

In accordance with GAAP, these contributed services have been reported as contributions and expenses on the statements of activities and changes in net assets. Program services provided by HCSC were \$428,458 and \$534,496 in 2021 and 2020, respectively, and are reported under contributed program services. Supporting services provided by HCSC were \$222,791 and \$232,038 in 2021 and 2020, respectively, and are reported as contributed management and general.

All contributions and nearly all revenues received from other contributors were used, or will be used, by the Foundation to provide program services. Management believes HCSC will continue supporting the Foundation.

The Oklahoma Caring Foundation, Inc.

Notes to Financial Statements (continued)

4. Investments

The Foundation has a portfolio of securities that are carried at fair value based on NAV, which approximates fair value, and is based on the net assets attributable to each mutual fund share, with changes in fair value reported as earnings. The change in unrealized gain recognized in 2021 and 2020 on investments was \$41,681 and \$38,801, respectively. The unrealized gains are included in net investment income. The change in unrealized gain recognized in 2021 and 2020 on beneficial interests in assets held was \$8,883 and \$16,131, respectively. There were no gains or losses recognized on sales of securities for the years ended December 31, 2021 or 2020.

5. Fair Value of Financial Instruments

The Foundation's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest-level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). There were no changes in valuation techniques from the prior period.

The Oklahoma Caring Foundation, Inc.

Notes to Financial Statements (continued)

5. Fair Value of Financial Instruments (continued)

The levels of the fair value hierarchy are as follows:

Level Input	Input Definition
Level 1	Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
Level 2	Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.
Level 3	Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Foundation's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.
NAV	NAV per share is the amount of net assets attributable to each share of capital stock (other than senior equity securities, that is, preferred stock) outstanding at the close of the period. It excludes the effects of assuming conversion of outstanding convertible securities, whether or not their conversion would have a diluting effect.

In order to be classified as Level 1, unadjusted quoted market prices for identical assets or liabilities in active markets must be available. Fair values based on quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument (e.g., market interest rates and volatilities, spreads, yield curves, reported trades, broker/dealer quotes, bids, and offers) are classified as fair value Level 2. Fair values not determined using the methods applicable to Levels 1 and 2, such as using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality (matrix pricing) or other methods, models, and assumptions that management believes market participants would use to determine a current transaction price, are assigned to Level 3.

The Oklahoma Caring Foundation, Inc.

Notes to Financial Statements (continued)

5. Fair Value of Financial Instruments (continued)

The following table presents information about the Foundation's assets that are measured at fair value on a recurring basis (no liabilities are reported at fair value) as of December 31 and indicates the fair value hierarchy of the valuation techniques used to determine such fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
2021					
Investments:					
Mutual fund – fixed income	\$ –	\$ –	\$ –	\$ 2,285,545	\$ 2,285,545
Beneficial interest in assets held at:					
Tulsa Community Foundation	–	–	167,417	–	167,417
Oklahoma City Community Foundation	–	–	56,757	–	56,757
	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 224,174</u>	<u>\$ 2,285,545</u>	<u>\$ 2,509,719</u>
2020					
Investments:					
Mutual fund – fixed income	\$ –	\$ –	\$ –	\$ 2,190,948	\$ 2,190,948
Beneficial interest in assets held at:					
Tulsa Community Foundation	–	–	150,160	–	150,160
Oklahoma City Community Foundation	–	–	49,323	–	49,323
	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 199,483</u>	<u>\$ 2,190,948</u>	<u>\$ 2,390,431</u>

The beneficial interest in assets held at the Tulsa Community Foundation (TCF) is valued based on the fair value of the assets, as of the measurement date, which are valued based on quoted market prices based on recent trading activity or other observable market data. The beneficial interest in assets held at the Oklahoma City Community Foundation (OCCF) has been valued at the fair value of the Foundation's share of the investment pool as of the measurement date. The assets held by OCCF are valued based on the fair value of the underlying assets, consisting mainly of equity securities and fixed-income securities, which are valued based on quoted market prices based on recent trading activity and other observable market data. The beneficial interests in assets held at TCF and OCCF are not redeemable by the Foundation; accordingly, the Foundation has classified the beneficial interest in assets as Level 3. Refer to Note 7 for further discussion of rollforward of beneficial interests. There were no transfers in or out of Level 3 of the fair value hierarchy for the years ended December 31, 2021 or 2020.

The Oklahoma Caring Foundation, Inc.

Notes to Financial Statements (continued)

6. Liquidity and Availability of Resources

The Foundation has the following assets available within one year for general expenditures:

	<u>2021</u>	<u>2020</u>
Cash	\$ 289,880	\$ 172,850
Investments	2,285,545	2,190,948
Contributions receivable	9,708	23,380
	<u>\$ 2,585,133</u>	<u>\$ 2,387,178</u>

7. Endowments

Board-Designated Endowment

In 2002, the Foundation transferred assets to TCF, which is holding them as a donor-advised fund (TCF fund) that functions for the benefit of the Foundation. The objective of the investment management and distribution policies of TCF is to provide opportunities for fund growth after distributions and investment expenses. TCF also provides opportunities for its participating organizations to gain broader access to local, national, and corporate charitable donors. The Foundation may make recommendations and give advice to TCF regarding the administration of and distributions from the TCF fund. However, TCF maintains ultimate authority and control over the assets and distributions from the TCF fund. Distributions from the TCF fund may be used for any purpose by the Foundation.

The Foundation reports the fair value of the TCF fund as beneficial interest in assets held by others and board-designated endowment on the accompanying statements of financial position. Changes in the TCF fund held by TCF on behalf of the Foundation consisted of the following:

Fair value balance at January 1, 2020	\$ 129,567
Investment performance	21,414
Fees	(821)
Fair value balance at December 31, 2020	<u>150,160</u>
Investment performance	18,267
Fees	(1,010)
Fair value balance at December 31, 2021	<u><u>\$ 167,417</u></u>

The Oklahoma Caring Foundation, Inc.

Notes to Financial Statements (continued)

7. Endowments (continued)

The amount of investment performance, including unrealized gains and losses, net of fees, is included in net investment income on the accompanying statements of activities and changes in net assets.

Endowment

In 2012, the Foundation transferred assets to OCCF, which is holding them as an endowed component fund (OCCF fund) for the benefit of the Foundation. The Foundation has granted OCCF variance power, which gives OCCF's board of trustees the power to use the OCCF fund for other purposes in certain circumstances. The OCCF fund is subject to OCCF's investment and spending policies, which currently result in a distribution to the Foundation of 5% of the average quarterly value over the previous 12 quarters. Distributions from the OCCF fund may be used for any purpose by the Foundation. The investment policy of OCCF calls for a portfolio of equities and fixed-income securities that is highly diversified. Capital preservation, protection against inflation, and long-term growth are the fundamental objectives of OCCF's investment strategy. OCCF also provides opportunities for its participating organizations to gain broader access to local, national, and corporate charitable donors.

The OCCF fund consists of funds contributed directly by the Foundation to the OCCF fund and receipts from third-party donors made directly to the OCCF fund. The OCCF fund has received total contributions (from all sources) of \$54,837 since its inception in 2012. Only the portion of the OCCF fund that was established with funds from the Foundation is included on the accompanying statements of financial position as beneficial interest in assets held by others.

The Oklahoma Caring Foundation, Inc.

Notes to Financial Statements (continued)

7. Endowments (continued)

Changes in the OCCF funds held by OCCF on behalf of the Foundation consisted of the following:

Fair value balance at January 1, 2020	\$ 43,497
Amounts invested in OCCF fund	580
Investment performance	5,568
Fees	<u>(322)</u>
Fair value balance at December 31, 2020	49,323
Amounts invested in OCCF fund	703
Investment performance	7,108
Fees	<u>(377)</u>
Fair value balance at December 31, 2021	<u><u>\$ 56,757</u></u>

The amount of investment performance, including unrealized gains and losses, net of fees, is included in net investment income on the accompanying statements of activities and changes in net assets.

8. Subsequent Events

Management of the Foundation has evaluated all events occurring after December 31, 2021 through August 17, 2022, the date the accompanying financial statements were available to be issued, to determine whether any event required either recognition or disclosure in the financial statements. Based on this evaluation, no significant subsequent events occurred other than those disclosed in the financial statements.

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