

**MASONIC CHARITY FOUNDATION
OF OKLAHOMA**

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

For the Year Ended December 31, 2018

MASONIC CHARITY FOUNDATION OF OKLAHOMA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Masonic Charity Foundation of Oklahoma

We have audited the accompanying financial statements of Masonic Charity Foundation of Oklahoma, (a nonprofit organization) (the "Foundation"), which comprise the statement of assets, liabilities and net assets—modified cash basis as of December 31, 2018, and the related statements of support and revenue collected, expenses paid and changes in net assets—modified cash basis, functional expenses—modified cash basis, and cash flows—modified cash basis 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 the modified cash basis of accounting as described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

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 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 auditor's 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 assets, liabilities, and net assets of the Foundation as of December 31, 2018, and its revenue collected, expenses paid and changes in net assets, functional expenses and cash flows for the year then ended in accordance with the modified cash basis of accounting as described in Note A.

Basis of Accounting

We draw attention to Note A of the modified cash basis financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note A to the financial statements, the Foundation adopted Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 17, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Arledge & Associates, P.C.

July 9, 2019

Masonic Charity Foundation of Oklahoma

Statements of Assets, Liabilities, and Net Assets - Modified Cash Basis December 31, 2018 (With Comparative Totals at December 31, 2017)

	2018	Restated 2017
Assets Recognized		
Cash and cash equivalents	\$ 1,799,177	\$ 2,758,568
Investments	89,635,772	98,538,660
Property and equipment, net of accumulated depreciation	337,518	300,607
Other	13,768	13,768
Total assets recognized	\$ 91,786,235	\$ 101,611,603
Liabilities and Fund Balances Recognized		
Liabilities:		
Funds held on behalf of others	\$ 868,280	\$ 826,221
Total liabilities recognized	868,280	826,221
Net Assets:		
Without donor restriction:		
Foundation general fund	2,615,031	12,343,111
Educational general fund	187,699	488,208
Board designated education endowment fund	2,017,737	2,017,737
Total net assets without donor restriction	4,820,467	14,849,056
With donor restriction:		
Foundation endowment fund	84,046,981	83,885,819
Education endowment fund	2,050,507	2,050,507
Total net assets with donor restriction	86,097,488	85,936,326
Total net assets recognized	90,917,955	100,785,382
Total liabilities and net assets recognized	\$ 91,786,235	\$ 101,611,603

The accompanying notes are an integral part of these financial statements.

Masonic Charity Foundation of Oklahoma

**Statement of Support and Revenue Collected and Expenses Paid and Changes in Net Assets - Modified Cash Basis
Year Ended December 31, 2018 (With Comparative Totals for the Year Ended December 31, 2017)**

	Without donor restriction				With donor restriction			Total	Restated Total
	Foundation General Fund	Education General Fund	Board Designated Education Endowment Fund	Total Unrestricted	Foundation Endowment Fund	Education Endowment Fund	Total Restricted		
								2018	2017
Support and revenue collected:									
Net investment return	\$ (3,717,466)	\$ (177,803)	\$ -	\$ (3,895,269)	\$ -	\$ -	\$ -	\$ (3,895,269)	\$ 10,579,895
Bequests	-	-	-	-	134,954	-	134,954	134,954	468,871
Voluntary contributions	-	-	-	-	22,143	-	22,143	22,143	20,380
Entered apprentice fees	-	-	-	-	4,065	-	4,065	4,065	6,630
Oil and gas royalties	1,217,060	-	-	1,217,060	-	-	-	1,217,060	958,359
Miscellaneous	-	-	-	-	-	-	-	-	17,185
Total support and revenue collected	(2,500,406)	(177,803)	-	(2,678,209)	161,162	-	161,162	(2,517,047)	12,051,320
Expenses paid:									
Management and general expenses	1,214,695	206	-	1,214,901	-	-	-	1,214,901	778,643
Matching funds	1,643,873	-	-	1,643,873	-	-	-	1,643,873	1,684,949
Other grants and donations	3,287,554	-	-	3,287,554	-	-	-	3,287,554	595,253
Scholarships	-	122,500	-	122,500	-	-	-	122,500	114,000
Promises Matter	99,058	-	-	99,058	-	-	-	99,058	90,837
Edgar M. Woody expenditures for the aged	783,261	-	-	783,261	-	-	-	783,261	736,671
Depreciation	22,233	-	-	22,233	-	-	-	22,233	27,470
Private foundation taxes	177,000	-	-	177,000	-	-	-	177,000	119,000
Total expenses	7,227,674	122,706	-	7,350,380	-	-	-	7,350,380	4,146,823
Excess (deficiency) of support and revenue collected over expenses paid	(9,728,080)	(300,509)	-	(10,028,589)	161,162	-	161,162	(9,867,427)	7,904,497
Net assets at beginning of year, restated	12,343,111	488,208	2,017,737	14,849,056	83,885,819	2,050,507	85,936,326	100,785,382	92,880,885
Net assets at end of year	\$ 2,615,031	\$ 187,699	\$ 2,017,737	\$ 4,820,467	\$ 84,046,981	\$ 2,050,507	\$ 86,097,488	\$ 90,917,955	\$ 100,785,382

The accompanying notes are an integral part of these financial statements.

Masonic Charity Foundation of Oklahoma

Statement of Functional Expenses Year ended December 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Scholarships, grants and donations	\$ 3,410,054	\$ -	\$ 3,410,054
Matching funds	1,643,873	-	1,643,873
Other distributions	882,319	-	882,319
Salaries	-	331,250	331,250
Employment taxes and benefits	-	698,374	698,374
Repairs and maintenance	-	13,267	13,267
Insurance	-	21,742	21,742
Professional services	-	37,558	37,558
Supplies and materials	-	24,413	24,413
Telephone and other utilities	-	23,101	23,101
Member communications	-	49,562	49,562
Travel	-	1,367	1,367
Meetings	-	1,985	1,985
Training and memberships	-	3,492	3,492
Advertising	-	123	123
Bank charges	-	1,765	1,765
Depreciation	-	22,233	22,233
Other taxes	-	5,152	5,152
Private foundation taxes	-	177,000	177,000
Miscellaneous	-	1,750	1,750
Total expenses	<u>\$ 5,936,246</u>	<u>\$ 1,414,134</u>	<u>\$ 7,350,380</u>

The accompanying notes are an integral part of these financial statements.

Masonic Charity Foundation of Oklahoma

Statement of Functional Expenses Year ended December 31, 2017

	Program Services	Management and General	Total
Scholarships, grants and donations	\$ 709,253	\$ -	\$ 709,253
Matching funds	1,684,949	-	1,684,949
Other distributions	827,508	-	827,508
Salaries	-	346,048	346,048
Employment taxes and benefits	-	239,527	239,527
Repairs and maintenance	-	17,862	17,862
Insurance	-	22,038	22,038
Professional services	-	29,034	29,034
Supplies and materials	-	23,644	23,644
Telephone and other utilities	-	24,815	24,815
Member communications	-	62,094	62,094
Travel	-	1,328	1,328
Meetings	-	1,439	1,439
Training and memberships	-	2,785	2,785
Bank charges	-	928	928
Depreciation	-	27,470	27,470
Other taxes	-	5,301	5,301
Private foundation taxes	-	119,000	119,000
Miscellaneous	-	1,800	1,800
Total expenses	<u>\$ 3,221,710</u>	<u>\$ 925,113</u>	<u>\$ 4,146,823</u>

The accompanying notes are an integral part of these financial statements.

Masonic Charity Foundation of Oklahoma

Statements of Cash Flows Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (9,867,427)	\$ 7,904,497
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	22,233	27,470
Unrealized (gain) loss on investments	12,869,524	(5,143,061)
Funds held on behalf of others	42,059	126,892
	<u>3,066,389</u>	<u>2,915,798</u>
Net cash provided (used) by operations		
Cash flows from investing activities:		
Net proceeds (purchases) from sale of investments	(3,966,636)	(3,003,854)
Purchases of property and equipment	(59,144)	(22,630)
	<u>(4,025,780)</u>	<u>(3,026,484)</u>
Net cash provided (used) by investing activities		
Net increase (decrease) in cash	(959,391)	(110,686)
Cash at beginning of year	<u>2,758,568</u>	<u>2,869,254</u>
Cash at end of year	<u>\$ 1,799,177</u>	<u>\$ 2,758,568</u>

The accompanying notes are an integral part of these financial statements.

MASONIC CHARITY FOUNDATION OF OKLAHOMA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operation - The Masonic Charity Foundation of Oklahoma (the Foundation) is a charitable organization established by the Most Worshipful Grand Lodge of Ancient Free and Accepted Masons of the State of Oklahoma (the Grand Lodge) to accept and manage gifts and bequests made to the Foundation for the support of charitable activities of the Foundation conducted throughout Oklahoma. The Foundation's primary source of revenue is bequests and investment earnings.

Basis of Presentation - The Foundation maintains its records and prepares its financial statements on the modified cash basis of accounting. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, revenues are recognized when received rather than when earned, and grants made and operating expenses are recognized when paid rather than when the obligation is incurred.

The modified cash basis of accounting differs from U.S. GAAP in the following significant respects:

1. The Foundation's unconditional grants to be paid in future years are recognized when paid rather than when approved by the board of directors.
2. Accounts receivable, accounts payable, and other accrued expenses, including pension obligations, are not recognized. Revenues are recorded when collected rather than when earned, and expenses are recorded when paid rather than when an obligation has been incurred.
3. No liability is recorded for uncertain tax positions, if any, in accordance with the Financial Accounting Standards Board (FASB) guidance on uncertain tax position.
4. In addition, the Foundation is the trustee for a perpetual trust and the beneficiary of one-sixth of the trust income. The Foundation recognizes annual distributions from the trust but does not recognize its beneficial interest in the estimated future cash flows from the trust (see Note E).

Basis of presentation - The Foundation follows the principles of fund accounting, which reflect limitations or restrictions on the use of available resources by classifying such resources in funds associated with specified activities or objectives. The funds used by the Foundation do not necessarily present its financial information in the same manner as would be presented if the Foundation followed U.S. GAAP for (a) Accounting for contributions received and made and (b) Financial Statements of Not-for-Profit Organizations. U.S. GAAP requires not-for-profit organizations to report their activities and related net assets based on third-party restrictions. The funds used by the Foundation do consider third-party restrictions; however, the Foundation's restricted funds also consider internal restrictions placed on contributions which, under U.S. GAAP, would be considered unrestricted.

The financial statements include certain prior-year summarized comparative information in total, but not by fund classification. Such information does not include sufficient detail to constitute a presentation in conformity with the modified cash basis of accounting. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2017, from which the summarized information was obtained.

The funds used by the Foundation are the Foundation General Fund, Education General Fund, Foundation Endowment Fund, Education Endowment Fund, and Throckmorton Fund.

MASONIC CHARITY FOUNDATION OF OKLAHOMA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CON'D)

The net assets without restrictions for the Foundation include the Foundation General Fund and the Education General Fund. These funds are designed to account for resources that are expended for the overall support of the Foundation, which includes the purchases of property and equipment and the support of the Foundation's education and other charitable operations.

The net assets with restrictions for the Foundation include the Foundation Endowment Fund and the Education Endowment Fund. The Foundation Endowment Fund is comprised of resources received by gift, devise, bequest, or otherwise. The bylaws of the Foundation prohibit the expenditure of the Endowment Fund principal. The income earned, including realized and unrealized investment gains, from the restricted investments is included in the Foundation General Fund.

The Education Endowment Fund is comprised of donations that are invested for the education program's use. Income from the investments is transferred to the Education General Fund and is available to pay for awarded scholarships.

In 2006, the Foundation received proceeds from the Edgar M. Woody Trust which are subject to the following restrictions as outlined in a "Journal Entry" filed in the District Court of Oklahoma County:

- The Foundation will hold and administer the Edgar M. Woody funds as segregated restricted funds;
- Beginning in 2006 and continuing each year thereafter, the Foundation will use or distribute, for direct services to the elderly, an amount equal to five percent (5 percent) of the net market value of the Edgar M. Woody Fund as of the preceding year end;
- Distributions by the Foundation from the Edgar M. Woody Fund for direct services to the elderly shall first be made to members of the Masonic family who are fifty-five (55) years of age or older; and
- The Foundation is required to account to the District Court of Oklahoma County, Oklahoma by February 15 of each year, beginning February 15, 2007, for its administration of the Aged Fund, which will be subject to the approval of the Court.

At December 31, 2018, \$1,649,933 of Edgar M. Woody trust funds are included in the Foundation General Fund, which represents cumulative earnings of the Edgar M. Woody Trust in excess of related disbursements. The balance of the Edgar M. Woody Trust, \$12,007,383, represents the corpus balance that is included in the Foundation Endowment Fund.

Cash equivalents - The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased, including cash and money market funds maintained in equity based investment accounts, to be cash equivalents.

Investments - Investments consist of marketable securities and are recognized at fair value. Substantially all investments are managed by various investment managers and held under a master custodial arrangement.

Marketable securities include equity and fixed income securities. Net realized and unrealized gains (losses) are reflected in the statement of support and revenue collected and expenses paid and changes in fund balance-modified cash basis.

MASONIC CHARITY FOUNDATION OF OKLAHOMA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The Foundation has elected to report the fair value of its investment in a limited partnership using the practical expedient. The practical expedient allows for the use of net asset value (NAV), either as reported by the investee fund or as adjusted by Foundation management.

Fair value measurements - The Foundation follows guidance issued by the FASB, specifically ASC Topic 820, Fair Value Measurements, which provides the framework for measuring fair value. Fair value measurements accounting guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Inputs that are derived principally from or corroborated by observable market data

Level 3: Inputs that are unobservable and significant to the overall fair value measurement

Financial assets carried at fair value on a recurring basis are limited to the Foundation's investments. At December 31, 2018, the Foundation has no assets or liabilities carried at fair value on a nonrecurring basis or liabilities carried at fair value on a recurring basis.

Concentration of credit risk - The Foundation maintains cash in bank deposit accounts that, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash or cash equivalents.

Property and equipment - Expenditures for property and equipment that exceed the Foundation's capitalization policy threshold of \$5,000 are capitalized at cost and are depreciated on the straight-line basis over their estimated useful lives as follows:

Vehicles	5 years
Buildings and improvements	10-40 years
Office furniture and equipment	5-10 years

When assets are sold or retired, the costs of the assets and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in operations.

Contributed noncash assets - Royalty mineral rights interests, real estate, noncash bequests and life insurance policies are recorded at a nominal value of \$1 when received. Revenue is recognized when cash is received upon the sale or realization of such assets.

The Foundation's policy is not to sell its royalty mineral rights interests. No provision is made for depletion of mineral properties, and no asset is recognized for mineral reserves.

Income taxes - The Foundation was formed exclusively for charitable purposes as defined by Section 501 of the Internal Revenue Code of 1986. As a not-for-profit organization, the Foundation is not subject to income taxes on normal operations. It is management's belief that the Foundation continues to qualify as a not-for-profit organization. During 2010, the Foundation lost its public charity status, as it failed the facts and circumstances test required by the Internal Revenue Code.

MASONIC CHARITY FOUNDATION OF OKLAHOMA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Cont'd)

As a result, the Foundation is now subject to a 1 percent or 2 percent excise tax on net investment income. In addition, a 30 percent excise tax is imposed on the Foundation if it fails to distribute significantly all of its minimum investment return to qualified beneficiaries before the end of the next tax year and a 100 percent tax if it fails to distribute its minimum investment return before the end of the second tax year. The 100 percent tax is not payable until ninety days after it is assessed by the Internal Revenue Service. If the Foundation distributes the accumulated income within ninety days after the 100 percent penalty is assessed, the penalty will be waived. During 2018, the Foundation paid \$177,000 of excise tax to the Internal Revenue Service.

Management has evaluated the Foundation's tax positions and concluded that the Foundation has taken no uncertain tax positions that require disclosure in the financial statements. Currently, the Foundation is not subject to examination by any major tax jurisdictions. Federal and state income tax statutes dictate that tax returns filed in any of the previous three reporting periods remain open to examination.

Use of estimates - The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Significant estimates - Estimates that are particularly susceptible to significant change include the valuation of investments in marketable and non-marketable securities. The Foundation's various investment securities are exposed to various risk, such as interest rate, market and credit risk. Such credit risk is considered by management to be limited due to the financial stability of the institutions managing the funds, and the dispersion both in geography and industry of the investments. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in value of investment securities will occur in the near term and in such amounts that could be material.

Adoption of Accounting Standard - Effective January 1, 2018, the Foundation adopted Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) – 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 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 of gifts used to acquire or construct long-lived assets absent 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 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 expense, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

MASONIC CHARITY FOUNDATION OF OKLAHOMA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Cont'd)

Restatement – During 2018 the Foundation determined that the assets related to the Throckmorton Trust should be included and reported as assets and a corresponding liability. Previously, these assets and liabilities were not reported. Because the assets and liabilities offset, there is no effect to net assets as previously reported. Amounts for 2017 have been restated to reflect this change.

Additionally, the Foundation determined that \$2,017,737 of the Education Endowment Fund should be reported as net assets without donor restrictions due to the board-designated nature.

Subsequent events - Management has evaluated subsequent events through July 9, 2019, the date the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.

NOTE B - INVESTMENTS AND FAIR VALUE MEASUREMENTS

As described in Note A, the Foundation reports marketable securities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The methods and assumptions used to estimate the fair value of assets in the financial statements, including a description of the methodologies used for classification within the fair value hierarchy, are as follows:

Marketable securities - Quoted prices for equity securities are obtained from active markets such as the NYSE or NASDAQ, and as a result, equity securities are classified within Level 1 of the hierarchy. Fixed income securities including corporate bonds, U.S. government obligations, and certificates of deposit are classified within Level 2 of the hierarchy due to their proprietary nature. The fair values of these securities are based on bid prices published in financial newspapers or bid quotations received from securities dealers. The fair value of certain securities are not readily available through market sources other than dealer quotations, so fair value estimates are based on quoted market prices of similar instruments, adjusted for the differences between the quoted instruments and the instruments being valued. Maturity dates of U.S. government securities and corporate bonds range from 2022 to 2046.

MASONIC CHARITY FOUNDATION OF OKLAHOMA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE B - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Cont'd)

Assets measured at fair value on a recurring basis at December 31, 2018, are classified within the fair value hierarchy as follows:

	Total	Level 1	Level 2	Level 3
Assets held at fair value				
Marketable securities:				
Equity Securities:				
Materials	\$ 669,307	\$ 669,307	\$ -	\$ -
Industrials	1,259,740	1,259,740	-	-
Telecommunication	689,365	689,365	-	-
Consumer discretion	558,831	558,831	-	-
Consumer staples	968,302	968,302	-	-
Energy	701,646	701,646	-	-
Financials	2,910,746	2,910,746	-	-
Healthcare	1,226,229	1,226,229	-	-
Information technology	1,725,176	1,725,176	-	-
Utilities	611,168	611,168	-	-
Mutual funds	28,665,433	28,665,433	-	-
Fixed Income:				
U.S. government obligations	27,992,699	-	27,992,699	-
Mutual funds	8,957,985	8,957,985	-	-
Certificates of Deposit	284,486	-	284,486	-
Alternative Investments:				
Real Estate	7,525,207	-	-	7,525,207
Mutual funds	4,555,211	4,555,211	-	-
Total Marketable Securities	\$ 89,635,772	\$ 53,833,380	\$ 28,277,185	\$ 7,525,207

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2018, are summarized as follows:

Land	\$ 147,457
Building	397,050
Parking lot	27,839
Automobiles	36,443
Furniture, fixtures, & equipment	54,081
	<u>662,870</u>
Less accumulated depreciation	<u>325,350</u>
	<u>\$ 337,520</u>

MASONIC CHARITY FOUNDATION OF OKLAHOMA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE D – PENSION PLAN

On January 1, 1984, the Foundation adopted a defined benefit pension plan (the Plan), which covers all employees who have attained the age of 21 and completed 12 months of service. Effective January 1, 2012, the Plan was amended. The information included hereafter describes the benefits based on the January 1, 2012, amended plan documents. Benefits under the Plan will accrue in an amount equal to 2.0 percent of the employee's average annual compensation for each year of credited service up to a maximum of 40 years. Benefits under the Plan vest 100 percent after five years of service.

As discussed in Note A, the Foundation prepares its financial statements on a modified cash basis. The Foundation does not report a pension obligation or asset. Pension expense is based on amounts contributed to the Plan rather than on the actuarially determined amount based on services performed.

The summary plan information presented below was calculated utilizing the unit benefit nonintegrated method of actuarial valuation. The actuarial present value of the projected benefits to participants of the Plan includes one employee who retired prior to adoption of the Plan.

The projected benefit obligation and net assets available for those benefits as of the latest actuarial valuation date of December 31, 2018, are as follows:

Actuarial present value of projected plan benefits:	
Accumulated (earned) benefits	\$ 3,155,565
Expected benefits subject to future services	<u>211,665</u>
	<u>\$ 3,367,230</u>
Total plan assets	<u>\$ 3,284,315</u>

As of December 31, 2018, the Plan's assets available for plan benefits were more than the accumulated (i.e., earned) plan benefits by \$128,750. The Plan's assets are invested in cash—\$283,845, government securities—\$1,267,552 and mutual funds—\$1,732,918. In the event of unfunded benefits, including expected benefits subject to future services, the Foundation will fund said benefits based on required minimum funding outlined in the Pension Protection Act of 2006.

In determining the actuarially present value of the projected plan benefits, the following assumptions were used: (a) weighted-average discount rate of 5.45 percent and (b) rate of increase in future compensation levels of 0 percent.

During the 2018 Plan year, the Foundation contributed \$600,000. Benefits paid, administrative-related expenses, and professional fees and commissions were approximately \$186,000, \$9,000, and \$1,000 for 2018, respectively.

MASONIC CHARITY FOUNDATION OF OKLAHOMA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE E – PERPETUAL TRUST

Effective January 1, 2016 the Foundation was appointed as Successor Trustee of the Floyd Throckmorton Testamentary Charitable Trust (the Floyd Throckmorton Trust) as decreed by the District Court of Kingfisher County. The Foundation received and manages the investments of the assets of the trust and is also named as a beneficiary to receive a one-sixth income interest in the Floyd Throckmorton Trust.

The trust funds are subject to the following restrictions as outlined in the Last Will and Testament of Floyd Throckmorton and subsequent related court orders:

- The Foundation will pool the assets of the Floyd Throckmorton Trust with the other assets of the Foundation as segregated restricted funds;
- On an annual basis the Foundation will distribute to the named beneficiaries a combined aggregate amount equal to 4 percent of the net market value of the Floyd Throckmorton Trust as of the preceding year end, unless the Court shall order that the Trustee only be required to distribute an amount equal to all dividends, interest, royalties, bonuses and other income received during the preceding year, less expenses of administration, of the Floyd Throckmorton Trust by application of the majority of the beneficiaries.

At December 31, 2018 the fair value of Floyd Throckmorton Trust assets held by the Foundation, including those held for the benefit of others totaled \$868,279. The fair value at the time the assets were transferred to the Foundation was \$539,904 and the change in fair value from the time of transfer until year end was \$328,384. At December 31, 2018 the Foundation's beneficial interest (one-sixth) in the Floyd Throckmorton Trust totaled \$144,713. As discussed in Note A, the Foundation recognizes distributions from the trust when received but does not recognize its beneficial interest in the trust's future cash flows.

NOTE F - COMMITMENTS

Effective June 30, 2008, the Foundation entered into an employment agreement with an officer of the Foundation. The agreement stipulates an annual base salary, which may be adjusted annually for (a) cost of living adjustments based on Bureau of Labor Statistics Southwest Statistical Summary Consumer Price Index for All Urban Consumers and (b) annual evaluation based on performance at the board of directors' discretion. The board of directors approved an amendment to the agreement in September 2016 with an effective date of January 1, 2017. The remaining commitment under the term of this amended agreement is approximately \$779,148 as of December 31, 2018.

MASONIC CHARITY FOUNDATION OF OKLAHOMA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE G – RESTRICTION ON NET ASSETS

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Consists of amounts that are available for use in carrying out the supporting activities of the Foundation and are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time, or are maintained in perpetuity by the Foundation. When the donor-imposed stipulation ends or the Foundation satisfies an action, the Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions. The assets of the Edgar M. Woody Fund are required to be maintained in perpetuity.

NOTE H – LIQUIDITY

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures are due. The Foundation's cash flows are largely cyclical based on historical trends in grant making, education endowment funds, and other substantial programmatic outflows allowing the Foundation to pool or reinvest excess cash based on these known cycles. Management and the Board of Directors of the Foundation reinvest excess cash from the Foundation's checking account in accordance with the targets in the investment policy.

The following table provides information about the Foundation's liquidity:

Total financial assets	\$ 91,447,961
Donor imposed restrictions:	
Purpose restricted:	
Edgar M. Woody Trust	(13,657,316)
Education Endowment	(2,144,309)
Throckmorton Trust	<u>(868,280)</u>
Net financial assets after donor imposed restrictions	74,778,056
Internal designations	<u>(74,151,209)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 626,847</u>

Masonic Charity Foundation of Oklahoma

Supplemental Edgar M. Woody Fund Statement of Support and Revenue Collected and Expenses and Changes in Fund Balances - Modified Cash Basis Year Ended December 31, 2018

Support and revenue collected:

Interest and dividends	\$ 423,367
Oil and gas royalties	150,952
Realized and unrealized gains (losses) on investments	<u>(1,001,041)</u>
Total support and revenue collected	<u>(426,722)</u>

Expenses

Management and general expenses	48,074
Matching funds	80,938
Edgar M. Woody expenditures for the aged*	<u>1,452,167</u>
Total expenses	<u>1,581,179</u>

Excess of support and revenue collected over expenses (2,007,901)

Fund balances at beginning of year 15,665,217

Fund balances at end of year \$ 13,657,316

Masonic Charity Foundation of Oklahoma

Supplemental Floyd Throckmorton Trust Statement of Support and Revenue Collected and Expenses and Changes in Fund Balances - Modified Cash Basis Year Ended December 31, 2018

Support and revenue collected:		
Interest and dividends	\$	23,315
Oil and gas royalties		117,516
Realized and unrealized gains on investments		<u>(61,759)</u>
Total support and revenue collected		<u>79,072</u>
 Expenses		
Management and general expenses		3,930
Matching funds		<u>33,083</u>
Total expenses		<u>37,013</u>
 Excess of support and revenue collected over expenses		42,059
 Fund balances at beginning of year		<u>826,221</u>
 Fund balances at end of year	\$	<u><u>868,280</u></u>