



August 31, 2020

To the Board of Directors of  
The Masonic Charity Foundation of Oklahoma

We have audited the financial statements of The Masonic Charity Foundation of Oklahoma (the “Foundation”) for the years ended December 31, 2019 and 2018, and have issued our report thereon dated August 31, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 19, 2020. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Foundation are described in Note A to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2019. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management’s measurement of the alternative investment in real estate. Since there is not a readily observable fair market value, the measurement could differ from the actual value of this investment.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statement was:

The disclosure of investments and fair value measurements in Note B to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

##### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

##### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

##### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated August 31, 2020.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the modified cash basis of accounting, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We noted that the Foundation has a limited number of staff which results in increased difficulty maintaining optimal segregation of duties. It is important for management to be aware of this limitation, and to take steps to segregate transactions to the extent possible among the staff available. It is also important for the Board of Directors to monitor and inquire with accounting personnel, on a routine basis, about the preparation of financial information and how transactions are being handled within the Foundation.

This information is intended solely for the use of management and the Board of Directors of the Masonic Charity Foundation of Oklahoma and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Arledge & Associates, P.C." in a cursive script.

Arledge & Associates, P.C.

**MASONIC CHARITY FOUNDATION  
OF OKLAHOMA**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

For the Year Ended December 31, 2019

# 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, 2019, 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, 2019, 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.

### **Report on Summarized Comparative Information**

We have previously audited the Foundation's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 9, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 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.

*Arlidge Associates, P.C.*

August 31, 2020

## Masonic Charity Foundation of Oklahoma

### Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis December 31, 2019 (With Comparative Totals at December 31, 2018)

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	2019	2018
<b>Assets Recognized</b>		
Cash and cash equivalents	\$ 3,200,501	\$ 1,799,177
Investments	101,082,293	89,635,772
Property and equipment, net of accumulated depreciation	313,701	337,518
Other	13,825	13,768
<b>Total assets recognized</b>	<b>\$ 104,610,320</b>	<b>\$ 91,786,235</b>
<b>Liabilities and Fund Balances Recognized</b>		
Liabilities:		
Funds held on behalf of others	\$ 1,057,532	\$ 868,280
<b>Total liabilities recognized</b>	<b>1,057,532</b>	<b>868,280</b>
Fund Balances::		
Unrestricted:		
Foundation general fund	14,554,318	2,615,031
Educational general fund	661,683	187,699
<b>Total unrestricted funds</b>	<b>15,216,001</b>	<b>2,802,730</b>
Restricted:		
Foundation endowment fund	84,235,145	84,046,981
Education endowment fund	4,101,642	4,068,244
<b>Total restricted funds</b>	<b>88,336,787</b>	<b>88,115,225</b>
<b>Total fund balances recognized</b>	<b>103,552,788</b>	<b>90,917,955</b>
<b>Total liabilities and fund balances recognized</b>	<b>\$ 104,610,320</b>	<b>\$ 91,786,235</b>

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, 2019 (With Comparative Totals for the Year Ended December 31, 2018)**

	Unrestricted			Restricted			Total	Total
	Foundation General Fund	Education General Fund	Total Unrestricted	Foundation Endowment Fund	Education Endowment Fund	Total Restricted	2019	2018
Support and revenue collected:								
Net investment return	\$ 14,579,944	\$ 712,857	\$ 15,292,801	\$ -	\$ -	\$ -	\$ 15,292,801	\$ (3,895,269)
Bequests	-	-	-	162,040	33,398	195,438	195,438	134,954
Voluntary contributions	-	-	-	22,854	-	22,854	22,854	22,143
Entered apprentice fees	-	-	-	3,270	-	3,270	3,270	4,065
Oil and gas royalties	1,221,948	-	1,221,948	-	-	-	1,221,948	1,217,060
Miscellaneous	11,741	-	11,741	-	-	-	11,741	-
<b>Total support and revenue collected</b>	<b>15,813,633</b>	<b>712,857</b>	<b>16,526,490</b>	<b>188,164</b>	<b>33,398</b>	<b>221,562</b>	<b>16,748,052</b>	<b>(2,517,047)</b>
Expenses paid:								
Program services expense								
Matching funds, scholarships, and donations	3,089,872	233,000	3,322,872	-	-	-	3,322,872	5,936,246
Total program service expenses	3,089,872	233,000	3,322,872	-	-	-	3,322,872	5,936,246
Supporting services expenses								
Management and general	784,474	5,873	790,347	-	-	-	790,347	1,414,134
Total supporting services expenses	784,474	5,873	790,347	-	-	-	790,347	1,414,134
<b>Total expenses</b>	<b>3,874,346</b>	<b>238,873</b>	<b>4,113,219</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,113,219</b>	<b>7,350,380</b>
<b>Excess (deficiency) of support and revenue collected over expenses paid</b>	<b>11,939,287</b>	<b>473,984</b>	<b>12,413,271</b>	<b>188,164</b>	<b>33,398</b>	<b>221,562</b>	<b>12,634,833</b>	<b>(9,867,427)</b>
Fund balances at beginning of year	2,615,031	187,699	2,802,730	84,046,981	4,068,244	88,115,225	90,917,955	100,785,382
Fund balances at end of year	\$ 14,554,318	\$ 661,683	\$ 15,216,001	\$ 84,235,145	\$ 4,101,642	\$ 88,336,787	\$ 103,552,788	\$ 90,917,955

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



## Masonic Charity Foundation of Oklahoma

### Statement of Functional Expenses

Year ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

	Program Services	Management and General	Total	Total
			2019	2018
Scholarships, grants and donations	\$ 1,642,939	\$ -	\$ 1,642,939	\$ 3,410,054
Matching funds	1,679,933	-	1,679,933	1,643,873
Other distributions	-	-	-	882,319
Salaries	-	315,738	315,738	331,250
Employment taxes and benefits	-	132,563	132,563	698,374
Repairs and maintenance	-	21,042	21,042	13,267
Insurance	-	27,040	27,040	21,742
Professional services	-	71,703	71,703	37,558
Supplies and materials	-	30,125	30,125	24,413
Telephone and other utilities	-	16,990	16,990	23,101
Member communications	-	57,368	57,368	49,562
Travel	-	1,049	1,049	1,367
Meetings	-	1,964	1,964	1,985
Training and memberships	-	2,931	2,931	3,492
Advertising	-	194	194	123
Bank charges	-	1,668	1,668	1,765
Depreciation	-	25,569	25,569	22,233
Other taxes	-	4,558	4,558	5,152
Private foundation taxes	-	75,004	75,004	177,000
Miscellaneous	-	4,841	4,841	1,750
Total expenses	\$ 3,322,872	\$ 790,347	\$ 4,113,219	\$ 7,350,380

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

## Masonic Charity Foundation of Oklahoma

### Statement of Cash Flows

Year ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

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	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 12,634,833	\$ (9,867,427)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	25,569	22,233
Realized and unrealized (gain) loss on investments	(11,272,834)	12,869,524
Increase in other assets	(57)	-
Increase infunds held on behalf of others	<u>189,252</u>	<u>42,059</u>
Net cash provided by operations	<u>1,576,763</u>	<u>3,066,389</u>
Cash flows from investing activities:		
Net proceeds (purchases) from sale of investments	(173,687)	(3,966,636)
Purchases of property and equipment	<u>(1,752)</u>	<u>(59,144)</u>
Net cash (used) by investing activities	<u>(175,439)</u>	<u>(4,025,780)</u>
Net increase (decrease) in cash	1,401,324	(959,391)
Cash and cash equivalents at beginning of year	<u>1,799,177</u>	<u>2,758,568</u>
Cash and cash equivalents at end of year	<u>\$ 3,200,501</u>	<u>\$ 1,799,177</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, 2019

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### 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, 2018, from which the summarized information was obtained.

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

# MASONIC CHARITY FOUNDATION OF OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Cont'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, 2019, \$3,205,300 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, \$12,007,455, 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, 2019

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### 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 and funds held on behalf of others.

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 to be considered a publicly supported charity, and was classified as a private foundation.

# MASONIC CHARITY FOUNDATION OF OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

As a result, the Foundation is now subject to a 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 2019, the Foundation paid \$75,004 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.

Subsequent events - Management has evaluated subsequent events through August 31, 2020, the date the financial statements were available to be issued.

During March 2020, the COVID-19 pandemic began to impact virtually all aspects of business, including the Foundation. To date, the Foundation's operations have not been materially impacted by COVID-19; however, the Foundation could continue to be impacted by both positive and negative developments related to COVID-19.

# MASONIC CHARITY FOUNDATION OF OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### NOTE B - INVESTMENTS AND FAIR VALUE MEASUREMENTS

As described in Note A, the Foundation reports marketable securities and funds held on behalf of others 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 and liabilities 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 2049.

Funds held on behalf of others – The investments held in the Throckmorton Trust are carried at fair value which is calculated using the same methodology as marketable securities.

Assets measured at fair value on a recurring basis at December 31, 2019, are classified within the fair value hierarchy as follows:

	As of December 31, 2019			
	Total	Level 1	Level 2	Level 3
Assets held at fair value				
Marketable securities:				
Equity Securities:				
Materials	\$ 995,006	\$ 995,006	\$ -	\$ -
Industrials	1,399,128	1,399,128	-	-
Telecommunication	847,683	847,683	-	-
Consumer discretion	782,741	782,741	-	-
Consumer staples	1,406,252	1,406,252	-	-
Energy	1,292,709	1,292,709	-	-
Financials	3,484,650	3,484,650	-	-
Healthcare	1,355,880	1,355,880	-	-
Information technology	1,864,138	1,864,138	-	-
Utilities	466,419	466,419	-	-
Mutual funds	35,238,901	35,238,901	-	-
Fixed Income:				
U.S. government obligations	29,450,020	-	29,450,020	-
Mutual funds	4,986,190	4,986,190	-	-
Certificates of Deposit	284,486	-	284,486	-
Common collective trusts	5,053,373	-	5,053,373	-
Alternative Investments:				
Real Estate	7,175,457	-	7,175,457	-
Mutual funds	4,999,260	4,999,260	-	-
Total assets held at fair value	\$ 101,082,293	\$ 59,118,957	\$ 41,963,336	\$ -

# MASONIC CHARITY FOUNDATION OF OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

Liabilities measured at fair value on a recurring basis at December 31, 2019, are classified within the fair value hierarchy as follows:

	As of December 31, 2019			
	Total	Level 1	Level 2	Level 3
Liabilities held at fair value				
Marketable securities held for the benefit of others:				
Equity Securities:				
Mutual funds	\$ 552,144	\$ 552,144	\$ -	\$ -
Fixed Income:				
U.S. government obligations	320,586	-	320,586	-
Mutual funds	47,904	47,904	-	-
Common collective trusts	46,894	-	46,894	-
Alternative Investments:				
Mutual funds	49,017	-	-	-
Total liabilities held at fair value	\$ 1,016,545	\$ 600,048	\$ 367,480	\$ -
Liabilities not held at fair value				
Cash held for the benefit of others	40,987			
Funds held on behalf of others	\$ 1,057,532			

### NOTE C – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2019, are summarized as follows:

Land	\$ 147,457
Building	397,050
Parking Lot	27,839
Automobiles	38,192
Furniture, fixtures, & equipment	54,081
	<hr/>
	664,619
Less accumulated depreciation	350,918
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	\$ 313,701



**MASONIC CHARITY FOUNDATION OF OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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**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, 2019, are as follows:

Actuarial present value of projected plan benefits:

Accumulated (earned) benefits	\$ 3,179,487
Expected benefits subject to future services	19,655
	<u>3,199,142</u>

Total plan assets	<u>\$ 3,654,647</u>
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As of December 31, 2019, the Plan's assets available for plan benefits were more than the accumulated (i.e., earned) plan benefits by \$475,160. The Plan's assets are invested in cash—\$97,588, government securities—\$1,454,396 and mutual funds—\$2,102,663. 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 5.30 percent and (b) rate of increase in future compensation levels of 0 percent.

During the 2019 Plan year, the Foundation contributed \$50,000. Benefits paid, administrative-related expenses, and professional fees and commissions were approximately \$203,000, \$15,000, and \$6,000 for 2019, respectively.

# MASONIC CHARITY FOUNDATION OF OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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### 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, 2019 the fair value of Floyd Throckmorton Trust assets held by the Foundation, including those held for the benefit of others totaled \$1,057,532. 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 \$517,628. At December 31, 2019 the Foundation's beneficial interest (one-sixth) in the Floyd Throckmorton Trust totaled \$176,255. 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 October 2019 with an effective date of January 1, 2020. This five-year agreement is renewable annually and is historically renewed every year. The remaining commitment under the term of this amended agreement is approximately \$790,835 as of December 31, 2019.

# MASONIC CHARITY FOUNDATION OF OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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### NOTE G – 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 in accordance with the targets in the investment policy.

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

Total financial assets	\$ 104,295,806
Restricted:	
Foundation Endowment	(84,235,145)
Education Endowment	<u>(4,101,642)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 15,959,019</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, 2019

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Support and revenue collected:

Interest and dividends	\$ 431,670
Oil and gas royalties	132,691
Realized and unrealized gains (losses) on investments	<u>1,943,972</u>

Total support and revenue collected 2,508,333

Expenses

Management and general expenses	57,571
Matching funds	108,614
Edgar M. Woody expenditures for the aged	<u>786,709</u>

Total expenses 952,894

Excess of support and revenue collected over expenses 1,555,439

Fund balances at beginning of year 13,657,316

Fund balances at end of year \$ 15,212,755

## Masonic Charity Foundation of Oklahoma

### Supplemental Floyd Throckmorton Trust Statement of Support and Revenue Collected and Expenses and Changes in Total Assets- Modified Cash Basis Year Ended December 31, 2019

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Support and revenue collected:		
Interest and dividends	\$	30,058
Oil and gas royalties		65,422
Realized and unrealized gains on investments		<u>134,041</u>
Total support and revenue collected		<u>229,521</u>
 Expenses		
Management and general expenses		5,733
Matching funds		<u>34,536</u>
Total expenses		<u>40,269</u>
 Excess of support and revenue collected over expenses		189,252
 Total assets at beginning of year		<u>868,280</u>
Total assets at end of year	\$	<u><u>1,057,532</u></u>