

Street School, Inc.

***Financial Statements With
Independent Auditor's Report***

**For the Years Ended
June 30, 2018 and 2017**

Street School, Inc.
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June 30, 2018

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Independent Auditor's Report

To the Board of Directors
Street School, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Street School, Inc., which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 consolidated 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 financial position of Street School, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of State Awards and the Schedule of Revenues and Expenses Office of Juvenile Affairs Community Based Youth Services on pages 19-20 are presented for purposes of additional analysis and are 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2018, on our consideration of Street School, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Street School, Inc.'s internal control over financial reporting and compliance.

Regier Carr & Monroe LLP

October 22, 2018
Tulsa, Oklahoma

Street School, Inc.
Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Cash and Cash Equivalents	\$ 456,388	\$ 344,436
Pledges Receivable, net	165,933	125,531
Other Receivables	216,243	322,546
Inventory	2,925	3,627
Prepaid Expenses	11,988	9,578
Investments	191,684	178,629
Beneficial Interest in Assets Held by Others	666,223	617,717
<i>Property and Equipment, net</i>		
Educational Equipment	315,049	315,049
Vehicles	214,688	131,354
Building Improvements	218,716	218,716
Furniture, Fixtures, and Equipment	151,589	149,313
	900,042	814,432
Less: Accumulated Depreciation	(747,926)	(704,857)
<i>Property and Equipment, net</i>	152,116	109,575
Total Assets	\$ 1,863,500	\$ 1,711,639
Liabilities and Net Assets		
<i>Liabilities</i>		
Accounts Payable & accrued liabilities	\$11,527	\$582
<i>Total Liabilities</i>	11,527	582
<i>Net Assets:</i>		
Unrestricted	1,281,113	1,220,905
Temporarily Restricted	369,715	289,007
Permanently Restricted	201,145	201,145
<i>Total Net Assets</i>	1,851,973	1,711,057
Total Liabilities and Net Assets	\$ 1,863,500	\$ 1,711,639

Street School, Inc.
Statements of Activities
For the Years Ended June 30, 2018 and 2017

	2018	2017
Change in Unrestricted Net Assets		
<i>Public Support</i>		
Government Grants	\$ 476,495	\$ 454,908
Contributions	392,377	387,312
In-kind Contributions - Tulsa Public Schools	538,856	531,443
In-kind Contributions - Other	12,558	16,846
Net Assets Released from Restrictions	330,309	311,416
<i>Total Public Support</i>	<u>1,750,595</u>	<u>1,701,925</u>
<i>Fundraising Events</i>		
Special Events	346,180	327,032
Event Expenses	(82,522)	(84,920)
<i>Fundraising Events, net</i>	<u>263,658</u>	<u>242,112</u>
<i>Investment Revenue</i>		
Investment Income	7,566	6,136
Realized/Unrealized Gain (Loss) on Investments	38,591	32,766
<i>Total Investment Revenue</i>	<u>46,157</u>	<u>38,902</u>
<i>Total Public Support and Revenue</i>	<u>2,060,410</u>	<u>1,982,939</u>
<i>Expenses</i>		
Program	1,628,956	1,654,840
Management and Administrative	255,011	254,729
Fundraising	116,235	112,909
<i>Total Expenses</i>	<u>2,000,202</u>	<u>2,022,478</u>
<i>Change in Unrestricted Net Assets</i>	<u>60,208</u>	<u>(39,539)</u>
Change in Temporarily Restricted Net Assets		
Contributions	105,409	121,509
Tulsa Area United Way Contributions	290,007	290,007
Investment Income	2,304	2,296
Realized/Unrealized Gain (Loss) on Investments	13,297	22,075
Net Assets Released from Restrictions	(330,309)	(311,416)
<i>Change in Temporarily Restricted Net Assets</i>	<u>80,708</u>	<u>124,471</u>
<i>Change in Net Assets</i>	140,916	84,932
Net Assets at Beginning of Year	1,711,057	1,626,125
Net Assets at End of Year	<u>\$ 1,851,973</u>	<u>\$ 1,711,057</u>

Street School, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

Cash Flows from Operating Activities	2018	2017
Change in net assets	\$ 140,916	\$ 84,932
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>		
Depreciation expense	43,069	45,252
Realized/Unrealized (gain) loss on investments	(51,888)	(54,841)
(Increase) decrease in pledges receivable	(40,402)	(119,475)
(Increase) decrease in other receivable	106,303	(86,226)
(Increase) decrease in inventory	702	539
(Increase) decrease in prepaid expenses	(2,410)	1,236
Increase (decrease) in accounts payable & accruals	10,945	(1,404)
Net Cash Provided (Used) By Operating Activities	207,235	(129,987)
 Cash Flows from Investing Activities		
Purchase of investments	(125,338)	(97,527)
Proceeds from sale of investments	30,055	88,647
Net Cash Provided (Used) By Investing Activities	(95,283)	(8,880)
 Net Change in Cash and Cash Equivalents	 111,952	 (138,867)
Cash and Cash Equivalents, Beginning of Year	344,436	483,303
Cash and Cash Equivalents, End of Year	\$ 456,388	\$ 344,436

Street School, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2018

	Program			Total Program	Management and Administrative	Fundraising	Total Expenses
	Alternative Education	Social Services	Scholarships				
Salaries and Wages	\$ 585,253	\$ 382,943	\$ -	\$ 968,196	\$ 94,219	\$ 79,175	\$ 1,141,590
Payroll Taxes	32,100	21,401		53,501	12,127	5,707	71,335
Employee Benefits	181,404	82,619		264,023	46,817	22,032	332,872
Occupancy	148,621	81,066		229,687	40,533		270,220
Insurance	1,504	1,003		2,507	19,804	267	22,578
Student Activities and Projects	11,983	7,988		19,971			19,971
Audit and Accounting					18,659		18,659
Dues and Memberships	3,641	5,460		9,101	1,365	910	11,376
Technology	5,641	5,642		11,283			11,283
Payroll Processing					9,191		9,191
Academic Supplies	3,572	2,382		5,954			5,954
Travel	2,153	2,679		4,832	3,339	175	8,346
Telephone	190	381		571	1,332	1,904	3,807
Printing and Publications	1,150	1,724		2,874	431	287	3,592
Fees for other services						2,797	2,797
General Supplies	873	1,309		2,182	327	218	2,727
Academic Books	2,249			2,249			2,249
Bad Debts						1,902	1,902
Student Assistance	1,084	722		1,806			1,806
Miscellaneous	6,805	6,804		13,609	1,269		14,878
Depreciation	23,691	12,919		36,610	5,598	861	43,069
Total Expenses	\$ 1,011,914	\$ 617,042	\$ -	\$ 1,628,956	\$ 255,011	\$ 116,235	\$ 2,000,202

Street School, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2017

	Program			Total Program	Management and Administrative	Fundraising	Total Expenses
	Alternative Education	Social Services	Scholarships				
Salaries and Wages	\$ 605,494	\$ 388,178	\$ -	\$ 993,672	\$ 96,725	\$ 77,725	\$ 1,168,122
Payroll Taxes	33,320	22,214		55,534	12,588	5,924	74,046
Employee Benefits	169,294	82,875		252,169	46,962	22,100	321,231
Occupancy	150,386	82,029		232,415	41,015		273,430
Insurance	1,504	1,003		2,507	25,027	267	27,801
Technology	12,066	12,066		24,132			24,132
Audit and Accounting					18,095		18,095
Student Activities and Projects	7,479	4,987		12,466			12,466
Dues and Memberships	2,467	3,700		6,167	925	617	7,709
Scholarships			6,823	6,823			6,823
Academic Supplies	3,533	2,355		5,888			5,888
Travel	1,125	1,446		2,571	1,786	107	4,464
Telephone	178	356		534	1,247	1,782	3,563
General Supplies	1,093	1,639		2,732	410	273	3,415
Fees for other services						3,000	3,000
Payroll Processing					2,997		2,997
Printing and Publications	837	1,256		2,093	314	209	2,616
Student Assistance	1,518	1,012		2,530			2,530
Academic Books	1,787			1,787			1,787
Bad Debts							
Miscellaneous	6,178	6,178		12,356	755		13,111
Depreciation	24,888	13,576		38,464	5,883	905	45,252
Total Expenses	\$ 1,023,147	\$ 624,870	\$ 6,823	\$ 1,654,840	\$ 254,729	\$ 112,909	\$ 2,022,478

Street School, Inc.
Notes to Financial Statements

Nature of Operations and Summary of Accounting Policies

Nature of Operations

Street School, Inc. ("Street School" or the "Organization") was organized in June 1973, as a not-for-profit organization to provide alternative education, social services, and career development opportunities to adolescents in the Tulsa, Oklahoma school district with special needs.

Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions with donor-imposed restrictions that are met in the same period as the contribution are accounted for as unrestricted contributions.

Permanently Restricted Net Asset – Net assets continuously subject to donor-imposed stipulations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Support and Revenue

Resources for Street School's operations are provided by grants from state, federal and local government agencies, financial and in-kind contributions, and Tulsa Area United Way (United Way). Some fees from government agencies are restricted to reimbursement of expenses incurred. These fees are recognized as revenue when the reimbursable amounts are determined. Income from grants is reported in the period designated by the grantor.

Government Contracts and Pledges Receivable

Street School contracts with agencies of the State of Oklahoma under a variety of contractual arrangements. Amounts received under contracts subject to cost settlement provisions are recorded in income as the related expenses are incurred. Street School also receives an allocation from United Way and records a temporarily restricted receivable for any remaining unpaid commitment. Historically, Street School has not experienced significant uncollectible accounts and has provided no allowance in the current year. Street School typically does not charge interest on receivables.

Contributions

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts of land, buildings and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Street School, Inc.
Notes to Financial Statements

Nature of Operations and Summary of Accounting Policies (continued)

Cash and Cash Equivalents

The Organization considers all unrestricted checking and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Pledges Receivable

The Organization has elected the fair value option for valuing pledges receivable. The fair value option was chosen to measure pledges to mitigate volatility in reported changes in net assets. Pledges are recorded at their estimated fair value when received and are revalued annually. Pledges receivable are written off when deemed uncollectable.

Other Receivables

The Organization's receivables primarily represent the remaining amount of its United Way award and amount due from granting agencies. Historically, the Organization has not experienced significant uncollectible accounts and has provided no allowance at June 30, 2018 and 2017. In determining whether an allowance is necessary, management reviews receivable balances on a periodic basis taking prior payment history and available financial information into account.

The Organization typically does not charge interest on receivables.

Inventory

Inventory is stated at the lower of cost, determined using the first-in, first-out method, or market.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the change of net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

The Organization reports all investments for which a quoted market price is available at fair value based upon information obtained from published sources. Investments in time deposits are recorded at cost plus accrued interest.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value upon receipt. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Additions and improvements that extend the useful lives of the assets are capitalized. Expenditures for repairs and maintenance are expensed as incurred. The Organization follows the practice of capitalizing all expenditures greater than \$500 with an estimated useful life of more than one year.

The Organization records impairment to its property and equipment when it becomes probable that the carrying value of assets will not be fully recovered over the estimated lives. Impairments are recorded to reduce the carrying value of the assets to their estimated fair values determined by the Organization based on facts and circumstances in existence at the time of the determination, estimates of probable future economic conditions, and other information. No impairments were recorded in 2018 and 2017.

The Organization expenses property and equipment using the straight-line method, based on the following estimated useful lives:

	<u>Years</u>
Educational Equipment	5-7
Building Improvements	5-10
Furniture, Fixtures, and Equipment	3-7
Vehicles	7-10

Street School, Inc.
Notes to Financial Statements

Nature of Operations and Summary of Accounting Policies (continued)

Income Taxes

Street School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been determined not to be a private foundation under Section 509(a) of the Code. As a result, as long as it maintains its tax exemption, it will not be subjected to income tax.

The Organization is not classified as a private foundation under Section 509(a) of the Internal Revenue Code. It is the Organization's policy that penalties and interest assessed by income taxing authorities, if any, are included in operating expenses. There were no penalties or interest assessed by taxing authorities during the years ended June 30, 2018 and 2017. The Organization annually evaluates its various tax positions and assesses the likelihood of these positions being upheld by examination with relevant tax authorities.

Concentrations and Credit Risk

The Organization maintains several bank accounts at high-quality financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash exceeds the FDIC limits at times. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

In the normal course of operations, the Organization receives a substantial amount of its support from Tulsa Public Schools, various governmental agencies and the Tulsa Area United Way. If a significant reduction in the level of this support were to occur, it would have a significant effect on the Organization's programs and activities.

Investments & Fair Value Measurements

Investment securities are exposed to various risks such as interest rate, market risk and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risk in the near term may materially affect the amounts reported in the financial statements.

The codification of accounting principles generally accepted in the United States of America defines fair value, establishes a consistent framework for measuring fair value and establishes a fair value hierarchy based on the availability of inputs used to measure fair value. These inputs are summarized in the three broad levels listed below:

- Level 1 – quoted prices in active markets for identical securities
- Level 2 – other significant observable inputs (including quoted prices for similar securities)
- Level 3 – significant unobservable inputs (including the Organization's own assumptions in determining the value of the investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and support services provided based upon management's experience and other factors.

Street School, Inc.
Notes to Financial Statements

Nature of Operations and Summary of Accounting Policies (continued)

Recent Accounting Pronouncements

On August 26, 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The amendments in this update provide cash flow statement classification guidance for the following eight categories: (1) debt repayment or debt extinguishment costs; (2) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; (3) contingent consideration payments made after a business combination; (4) proceeds from the settlement of insurance claims; (5) proceeds from the settlement of corporate owned life insurance policies, including bank-owned life insurance policies; (6) distributions received from equity method investees; (7) beneficial interest in securitization transactions; and (8) separately identifiable cash flows and application of the predominance principle. ASU No. 2016-15 is effective for the Organizations' year end June 30, 2020. Earlier application is permitted. The Organization is currently evaluating the effect implementation of this standard will have on its financial statements.

On August 18, 2016, the FASB issued ASU No. 2016-14, *Not-For-Profit Entities (Topic 958) Presentation of Financial Statements of Not-For-Profit Entities*. The amendments in this update change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and changes in those resources) to donors, grantors, creditors and other users. These amendments include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU No. 2016-14 is effective for the Organizations' year end June 30, 2019. Earlier application is permitted. The Organization is currently evaluating the effect implementation of this standard will have on its financial statements.

On February 25, 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The amendments in this update affect any entity that enters into a lease transaction. The primary change from this guidance is that the lessee should recognize the assets and liabilities that arise from all leases over 12 months in duration. For leases with durations less than 12 months, a lessee is permitted to make a policy election, by class of the underlying asset, not to recognize the related assets and liabilities. If this election is made, the lessees will recognize the lease expense on a straight-line basis over the lease term. ASU No. 2016-02 is effective for the Organizations' year end June 30, 2021. Earlier application is permitted. The Organization is currently evaluating the effect implementation of this standard will have on its financial statements.

On January 5, 2016, the FASB issued ASU No. 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets & Financial Liabilities*; the long-awaited final standard on the recognition and measurement of financial instruments. The ASU applies to all entities that holds financial assets or owe financial liabilities and represents the finalization of just one of the FASB's broader financial instruments project. ASU No. 2016-01 is effective for the Organizations' year end June 30, 2020. Earlier application is permitted. The Organization is currently evaluating the effect implementation of this standard will have on its financial statements.

On May 26, 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods and services to customers. The update will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14 which defers the effective date of ASU No. 2014-09 one year making it effective for the Organizations' year end June 30, 2019. Earlier application is permitted. The Organization is currently evaluating the effect implementation of this standard will have on its financial statements.

Financial Statement Presentation

Certain items in the 2017 financial statements have been reclassified to the current year presentation.

Subsequent Events

The Organization has evaluated events subsequent to the statement of financial position date (June 30, 2018) through October 22, 2018, the date the financial statements were available to be issued.

Street School, Inc.
Notes to Financial Statements

Beneficial Interest in Assets Held By Others

The Organization has established an agency reserve fund with the Tulsa Community Foundation (the Foundation), an Oklahoma not-for-profit corporation and community foundation. The mutual intent of the Organization and the Foundation is to create a permanent endowment fund for the benefit of the Organization. The objective of the investment management and distribution policies is to provide for sufficient fund growth after distribution and investment expense in order to preserve the inflation-adjusted value of the investment portfolio. The Foundation holds and administers the endowment fund (including subsequent contributions and future earnings) for the benefit of the Organization.

The Agency Fund Agreement provides that the Board of Trustees of the Foundation shall have the power to modify any restriction or condition on distributions from the Fund for any specific charitable purposes or to specific organizations, if in the sole judgment of the Board of Trustees the restriction or condition becomes, in effect, necessary, incapable of fulfillment or inconsistent with the charitable needs served by the Foundation. The Foundation may grant the request if it concludes, upon independent review, that such distribution is neither unreasonable nor inconsistent with the charitable purposes of the Foundation and the Organization; however, the Foundation shall have the ultimate authority over and control of all property in the Fund and all distributions from the Fund.

As the Foundation has agreed to transfer the assets and the return of these assets back to the Organization, the investments are required to be treated as an asset on the financial statements of the Organization. Under the Foundation's endowment management policies, dividends and interest earned and capital gains are retained in the endowment fund.

The Interests at June 30, 2018 and 2017 are as follows:

	2018			2017		
	Cost	Fair Value	Level	Cost	Fair Value	Level
<i>Beneficial Interest in Assets Held by Others</i>						
Cash Equivalent Investments	\$ 20,189	\$ 18,021	2	\$ 19,056	\$ 19,056	2
Corporate Obligations (A)	190,567	185,808	2	177,886	177,716	2
Equity Securities (B)	326,151	429,754	2	315,504	383,696	2
Other (C)	37,502	32,640	2	35,961	37,249	2
	\$ 574,409	\$ 666,223		\$ 548,407	\$ 617,717	

- A. This class includes investments in mutual funds primarily invested in bonds and other debt instruments. The funds seek to maximize total return consisting of current income and capital appreciation.
- B. This class includes investments in mutual funds with portfolios that consist of a mix of value, growth, and blend stocks. It includes funds with a diversified portfolio of stocks that has capital appreciation as its primary goal, funds with stocks that are deemed to be undervalued in price and that are likely to pay dividends, and funds with portfolios that are made up of a mix of value and growth stocks.
- C. This class includes investments in open end mutual funds, which are shares bought and sold on demand at their net asset value, or NAV, which is based on the value of the fund's underlying securities and is generally calculated at the close of every trading day. This class also includes mutual fund real estate investment trusts (REITs) that primarily focuses on investing in securities offered by public real estate companies.

Street School, Inc.
Notes to Financial Statements

Beneficial Interest in Assets Held By Others (continued)

The following tables summarize investments measured at fair value based on the NAV per share as of June 30, 2018 and 2017, respectively:

Fair Value of Investments in Entities that Use NAV as of June 30, 2018				
Description	Fair Value 6/30/17	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
<i>Beneficial Interest in Assets Held by Others</i>				
Tulsa Community Foundation	\$666,223	N/A	Unusual Circumstances of need or opportunity	N/A
Total	<u><u>\$666,223</u></u>			

Fair Value of Investments in Entities that Use NAV as of June 30, 2017				
Description	Fair Value 6/30/16	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
<i>Beneficial Interest in Assets Held by Others</i>				
Tulsa Community Foundation	\$617,717	N/A	Unusual Circumstances of need or opportunity	N/A
Total	<u><u>\$617,717</u></u>			

Pledges Receivable

Unconditional promises to give are reported at net realizable value if at the time the promise is made payment is expected to be received in one year or less. Unconditional promises that are expected to be collected in more than one year are reported at fair value initially and in subsequent periods because the Organization elected the fair value option in accordance with generally accepted accounting principles. Management believes that the use of fair value reduces the cost of measuring unconditional promises to give in periods subsequent to their receipt and provides equal or better information to users of its financial statements than if those promises were measured using present value techniques and historical discount rates.

When estimating the fair value of unconditional promises to give, management considers promises of \$100,000 or more individually. The relationship with the donor, the donor's past history of making timely payments, and the donor's overall creditworthiness are considered and incorporated into a fair value measurement computed using present value techniques. Unconditional promises to give less than \$100,000 are measured in the aggregate using present value techniques that consider historical trends of collection, the type of donor (individual or corporation/foundation), general economic conditions in the geographic area in which the majority of the Organization's donors live, the Organization's policies concerning enforcement of promises to give, and market interest rate assumptions (currently 3%). The change in the fair value of the unconditional promises expected to be collected in more than one year is reported as contribution revenue.

The fair value inputs used by the Organization for pledges receivable as of June 30, 2018 and 2017, were Level 3. When estimating the fair value of pledges receivable, management considers the historical trends of collection, the type of donor (individual or corporate/foundation), general economic conditions in the geographic area in which the majority of the Organization's donors live, and market interest rate assumptions for individuals (currently 3.0%) or corporations/foundations (currently 3.0%).

The interest element resulting from amortization of the discount for the time value of money, computed using the effective interest rate method, is reported as contributed revenue. Pledges receivable that are due in more than one year are recorded at the present value of estimated future cash flows using a discount rate of 3%.

Street School, Inc.
Notes to Financial Statements

Pledges Receivable (continued)

Pledges receivable at June 30, 2018 and 2017 consist of the following:

	2018	2017
Receivable within 1 year	\$61,368	\$19,490
Receivable between 1 & 5 years	114,726	116,202
Receivable in more than 5 years		
Pledges Receivable	<u>176,094</u>	<u>135,692</u>
Less discounts to net present value	(10,161)	(10,161)
Net Pledges Receivable	<u><u>\$165,933</u></u>	<u><u>\$125,531</u></u>

Changes in the fair value pledges receivable at June 30, 2018 and 2017 is summarized below:

	2018	2017
Beginning Balance	\$125,531	\$151,060
New Pledges Received	120,300	163,680
Outstanding Pledges Collected	(79,898)	(179,048)
Less Discounts to Net Present Value		(10,161)
Ending Balance	<u><u>\$165,933</u></u>	<u><u>\$125,531</u></u>

Pledges receivable valued at fair value at June 30, 2018 and 2017 consisted of the following:

2018	Total at				
	Level 1	Level 2	Level 3	Fair Value	Cost
Pledges receivable			\$ 165,933	\$ 165,933	

2017	Total at				
	Level 1	Level 2	Level 3	Fair Value	Cost
Pledges receivable			\$ 125,531	\$ 125,531	

Other Receivables

Grants receivable at June 30, 2018 and 2017 consist of the following:

	2018	2017
Office of Juvenile Affairs	\$15,645	\$19,129
United Way	145,004	145,004
State Department of Education	45,000	158,413
Other	10,594	
	<u>216,243</u>	<u>322,546</u>
Less allowance for doubtful accounts		
Other Receivables	<u><u>\$216,243</u></u>	<u><u>\$322,546</u></u>

Street School, Inc.
Notes to Financial Statements

Investments

Investments, which are valued at fair value, are summarized as follows at June 30, 2018 and 2017:

	2018			2017		
	Cost	Fair Value	Level	Cost	Fair Value	Level
<i>Investments</i>						
Fidelity Intermediate						
Government Income Fund	\$100,000	\$191,684	1	170,017	\$178,629	1
	\$ 100,000	\$ 191,684		\$ 170,017	\$ 178,629	

Endowment

Street School has an endowment fund with Tulsa Community Foundation (TCF), an Oklahoma not-for-profit corporation and community foundation. The mutual intent of Street School and TCF is to create a permanent endowment (the Fund) for the benefit of Street School. Investment management policies are directed by TCF.

The fair value of Street School's contribution to TCF was \$666,223 and \$617,717 at June 30, 2018 and 2017, respectively, valued at the net asset value (NAV) based on the market value of its underlying investments. Although the endowment fund with TCF is not available in an active market, the NAV of the investments are approximated based on the quoted prices of the underlying investments that are traded in an active market. The Organization has no unfunded commitments related to any of these investments and there are no initiated redemption restrictions on these investments.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurement at the reporting date.

TCF has also received contributions for Street School that are not recorded in Street School's financial statements due to the donor granting variance power to TCF. The fair value of funds held by TCF for the benefit of Street School, but not reported as an asset was \$7,733 and \$6,917 at June 30, 2018 and 2017, respectively. In unusual circumstances of need or opportunity, Street School may request a distribution of all or a portion of the Fund upon two-thirds vote of Street School's Board of Directors (the Board). TCF may grant the request if it concludes the distribution is neither unreasonable nor inconsistent with the charitable purposes of TCF and Street School; however, TCF has the ultimate unilateral authority over and control of all property in the Fund.

The Board requires the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result, Street School classifies as permanently restricted new assets (a) the original value of gift donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified based on the existence or absence of donor-imposed restrictions.

Street School's policy governing the amounts paid annually from the endowment to support current operations is designed to protect the value of the endowment against the expected impact of inflation and to provide real growth of the endowment. The payout rate, set annually by the Board, is based on an estimate of total investment returns and the expected impact of inflation of the endowment assets. The sources of the payout are earned income on the endowment assets (interest and dividends), previously reinvested income, and a portion of realized capital gains. Street School's spending policy is to distribute annually up to a maximum of 5% of the endowment assets' total fair value calculated as of January 1 of the current fiscal year, at the discretion of the Board. There were no distributions for the year ended June 30, 2018 and there was a distribution of \$25,162 for the year ended June 30, 2017.

Street School, Inc.
Notes to Financial Statements

Endowment (continued)

Street School has adopted the Tulsa Community Foundation Investment Policy for endowment assets that attempts to provide a predictable stream of funding by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board, the endowment is invested in a manner that is intended to produce results based on a moderate investment objective. This objective seeks an average annual real total return equal to at least 6%. Real total return defined as the sum of capital appreciation (or loss) and current income achieved in the form of dividends and interest adjusted for inflation as measured by the consumer price index.

To satisfy its long-term rate-of-return objectives, Street School relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The TCF moderate allocation fund has an overall target asset allocation of 63% in equities, 28% in fixed income and 9% in other to achieve its long-term return objectives.

Changes in Endowment Fund Net Assets for the years ended June 30, 2018 and 2017, consist of the following:

2018	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Fund net assets, beginning of year	\$ 416,572	\$ -	\$ 201,145	\$ 617,717
Investment income	32,905	15,601		48,506
Release from Restriction	15,601	(15,601)		-
Endowment Fund net assets, end of year	\$ 465,078	\$ -	\$ 201,145	\$ 666,223

2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Fund net assets, beginning of year	\$ 350,543	\$ -	\$ 201,145	\$ 551,688
Investment income	41,658	24,371		66,029
Release from Restriction	24,371	(24,371)		-
Endowment Fund net assets, end of year	\$ 416,572	\$ -	\$ 201,145	\$ 617,717

Contribution of Facilities and Service

As part of its agreement with Tulsa Public Schools, Street School is provided, without charge, classrooms, counselling and administrative offices, educational materials and the services of four full-time teachers. There are also items, such as food, donated by individuals or businesses.

The components of in-kind support at June 30, 2018 and 2017 are summarized below:

	2018	2017
Tulsa Public Schools:		
Salaries and Benefits	\$249,063	\$225,440
Facilities	270,221	272,979
Educational Materials	19,572	33,024
	538,856	531,443
In-kind Support from Other Sources	12,558	16,846
	\$551,414	\$548,289

Street School, Inc.
Notes to Financial Statements

Temporarily Restricted Net Assets

The Organization receives contributions from donors stipulating their donations be utilized for specific purposes. A summary of the activity subject to restrictions for the years ending June 30, 2018 and 2017 follows:

For the Year Ending June 30, 2018				
Temporarily Restricted Activity	Beginning of Year Balance	Contributions & Income Received	Satisfaction of Restrictions	End of Year Balance
Tulsa Area United Way	\$145,004	\$290,007	(\$290,007)	\$145,004
Endowment operations		15,601	(15,601)	
Pledges Receivable	106,041	70,053	-	176,094
Student Pantry	12,309	775	(2,111)	10,973
Kitchen Renovations	4,380	-	-	4,380
Fitness	4,000	-	(3,998)	2
Thanksgiving	3,395	2,750	(3,512)	2,633
Sponsor a Senior	2,367	4,522	(6,889)	-
Technical	2,277	-	-	2,277
World as our Classroom	2,024	2,000	(3,266)	758
Art	1,948	2,450	(2,500)	1,898
Library	1,658	-	-	1,658
Student Prom	1,624	2,148	(1,739)	2,033
Other	1,614	611	(527)	1,698
Student Assistance	366	100	(159)	307
Scholarships	-	20,000	-	20,000
Total	\$289,007	\$411,017	(\$330,309)	\$369,715

For the Year Ending June 30, 2017				
Temporarily Restricted Activity	Beginning of Year Balance	Contributions & Income Received	Satisfaction of Restrictions	End of Year Balance
Tulsa Area United Way	\$117,503	\$290,007	(\$262,506)	\$145,004
Endowment operations		24,371	(24,371)	
Pledges Receivable		106,041		106,041
Student Pantry	12,389	622	(702)	12,309
Kitchen Renovations	4,820		(440)	4,380
Fitness		4,000		4,000
Thanksgiving	2,916	3,825	(3,346)	3,395
Sponsor a Senior	5,017	3,500	(6,150)	2,367
Technical	2,277			2,277
World as our Classroom	7,317	329	(5,622)	2,024
Art	1,948			1,948
Library	1,658			1,658
Student Prom		2,318	(694)	1,624
Other	1,490			1,490
Student Assistance	377	750	(761)	366
Spirit Store		124		124
Scholarships	6,824		(6,824)	
Total	\$164,536	\$435,887	(\$311,416)	\$289,007

Street School, Inc.
Notes to Financial Statements

Employee Benefits

Street School has a 403(b) Teacher Retirement account for its eligible full-time employees. The rate of contributions, 9.5% of employee salary and additional compensation for the years ended June 30, 2018 and 2017, was approved by the Board. Total contributions for the years ended June 30, 2018 and 2017, were \$103,681 and \$109,066, respectively.

SUPPLEMENTAL INFORMATION

Street School, Inc.
Schedule of State Awards
For the Year Ended June 30, 2018

State Grantor/Program Title	Contract Number	Current Year Revenue
Community Based Prevention and Diversionary: Youth Services Program	4009019034	\$208,595
Oklahoma Department of Education: Alternative and At-risk Education Grant	FY 2015/Code 3310	180,000
Department of Mental Health and Substance Abuse Services: Outpatient Substance Abuse/Adolescents	100730790A	87,900
Total State Awards		\$476,495

Street School, Inc.
Schedule of Revenues and Expenses
Office of Juvenile Affairs
Community Based Youth Services
For the Year Ended June 30, 2018

Revenues	\$ 208,595
Program Costs:	
Salaries	208,595
Excess of Revenues over Program Costs	<u><u>\$ -</u></u>

OTHER REPORT

**Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Directors of
Street School, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Street School, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018 and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, which collectively comprise the Street School, Inc.’s basic financial statements, and have issued our report thereon dated October 22, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Street School, Inc.’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Street School, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Street School, Inc.’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Street School, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Regier Carr & Monroe LLP

October 22, 2018
Tulsa, Oklahoma

Street School, Inc.
Schedule of Findings
For the Year Ended June 30, 2018

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported
Significant deficiency(ies) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No