OKLAHOMA EDUCATIONAL TECHNOLOGY TRUST

FINANCIAL REPORT

December 31, 2017 and 2016
CONTENTS

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FINANCIAL STATEMENTS

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Oklahoma Educational Technology Trust
Oklahoma City, OK

We have audited the accompanying financial statements of Oklahoma Educational Technology Trust (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 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 Oklahoma Educational Technology Trust as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


Oklahoma City, Oklahoma
July 11, 2018
OKLAHOMA EDUCATIONAL TECHNOLOGY TRUST

STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 824,984</td>
<td>$ 2,035,818</td>
</tr>
<tr>
<td>Accrued income</td>
<td>5,835</td>
<td>9,318</td>
</tr>
<tr>
<td>Marketable securities</td>
<td>37,561,137</td>
<td>33,325,136</td>
</tr>
<tr>
<td></td>
<td>$ 38,391,956</td>
<td>$ 35,370,272</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIABILITIES</td>
</tr>
<tr>
<td>Accounts payable</td>
</tr>
<tr>
<td>Grants payable</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET ASSETS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

The Notes to Financial Statements are an integral part of these statements.
## OKLAHOMA EDUCATIONAL TECHNOLOGY TRUST

### STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2017 and 2016

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>$741,081</td>
<td>$664,456</td>
</tr>
<tr>
<td>Realized gains (losses)</td>
<td>674,396</td>
<td>(285,103)</td>
</tr>
<tr>
<td>Unrealized gains (losses)</td>
<td>3,310,609</td>
<td>2,355,810</td>
</tr>
<tr>
<td>Contribution</td>
<td>5,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>4,731,086</td>
<td>2,735,163</td>
</tr>
</tbody>
</table>

| **Expenses**         |          |          |
| Grants               | 1,365,000| 1,365,000|
| Management fees      | 220,155  | 205,607  |
| Investment fees      | 102,485  | 95,410   |
| Insurance            | 5,073    | 5,174    |
| Audit fees           | 6,500    | 5,600    |
| Travel and meeting expenses | 3,626 | 2,623 |
| Other expenses       | 325      | 375      |
| Printing and publication | 4,400 | 4,814   |
| Attorney fees        | -        | 500      |
| **Total Expenses**   | 1,707,564| 1,685,103|

Increase in net assets | 3,023,522 | 1,050,060 |

Net assets, beginning | 35,077,953 | 34,027,893 |

Net assets, ending    | $38,101,475 | $35,077,953 |

The Notes to Financial Statements are an integral part of these statements.
## OKLAHOMA EDUCATIONAL TECHNOLOGY TRUST

### STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

<table>
<thead>
<tr>
<th>Cash flows from operating activities</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividends received</td>
<td>$744,563</td>
<td>$668,711</td>
</tr>
<tr>
<td>Grants paid</td>
<td>(1,367,500)</td>
<td>(1,373,102)</td>
</tr>
<tr>
<td>Other expenses paid</td>
<td>(341,901)</td>
<td>(319,455)</td>
</tr>
<tr>
<td>Contributions received</td>
<td>5,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash provided (used) by operating activities</strong></td>
<td>(959,838)</td>
<td>(1,023,846)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from investing activities</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of marketable securities</td>
<td>(8,478,352)</td>
<td>(6,957,917)</td>
</tr>
<tr>
<td>Proceeds from sales and maturities of marketable securities</td>
<td>8,227,356</td>
<td>9,467,695</td>
</tr>
<tr>
<td><strong>Net cash provided (used) by investing activities</strong></td>
<td>(250,996)</td>
<td>2,509,778</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Increase (decrease) in cash and cash equivalents</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1,210,834)</td>
<td>1,485,932</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash and cash equivalents, beginning</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,035,818</td>
<td>549,886</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents, ending</strong></td>
<td>$824,984</td>
<td>$2,035,818</td>
</tr>
</tbody>
</table>

### Reconciliation of change in net assets

to net cash provided by operating activities

<table>
<thead>
<tr>
<th>Change in net assets</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$3,023,522</td>
<td>$1,050,060</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Adjustments to reconcile change in net assets</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>to net cash provided by operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realized (gains) losses</td>
<td>(674,396)</td>
<td>285,103</td>
</tr>
<tr>
<td>Unrealized (gains) losses</td>
<td>(3,310,609)</td>
<td>(2,355,810)</td>
</tr>
<tr>
<td>(Increase) decrease in assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued income</td>
<td>3,482</td>
<td>4,255</td>
</tr>
<tr>
<td>Due from CFO</td>
<td>-</td>
<td>502</td>
</tr>
<tr>
<td>Increase (decrease) in liabilities</td>
<td>663</td>
<td>146</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(2,500)</td>
<td>(8,102)</td>
</tr>
<tr>
<td>Grants payable</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| **Net cash provided (used) by operating activities**      | $959,838   | (1,023,846)|

The Notes to Financial Statements are an integral part of these statements.
Note 1. Organization and Summary of Significant Accounting Policies

Organization

The Oklahoma Educational Technology Trust ("the Trust") was created on February 6, 2001. The Trust was initially funded with contributions from Southwestern Bell Telephone Company totaling $30,725,049. The purpose of the Trust is to provide funding for the purchase, installation, and maintenance of information technology in the common and CareerTech schools of the State of Oklahoma. In fulfilling this purpose, the Trust may assist schools in obtaining, installing, and integrating computer equipment, software, and related telecommunications products and services for the use and benefit of the schools.

Basis of presentation

Financial statement presentation follows generally accepted accounting principles and reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Trust has only unrestricted net assets.

Use of estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Statement of cash flows

For purposes of the statement of cash flows, the Trust considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Income taxes

The Trust is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code.

Investment and investment return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Investment return includes dividend, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value, and realized gains and losses on other investments.
Note 2. Functional Expenses

Generally accepted accounting principles require a presentation of expenses on a functional basis. The costs of providing program services and other activities have been summarized below. Certain costs have been allocated among the program and supporting services benefited.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program services</td>
<td>$1,499,427</td>
<td>$1,490,125</td>
</tr>
<tr>
<td>Support services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management and general</td>
<td>208,137</td>
<td>194,978</td>
</tr>
<tr>
<td>Fundraising</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>208,137</td>
<td>194,978</td>
</tr>
<tr>
<td></td>
<td>$1,707,564</td>
<td>$1,685,103</td>
</tr>
</tbody>
</table>

Note 3. Marketable Securities and Fair Values

Investments are measured at fair value in the statements of financial position. Realized and unrealized gains and losses are reported in the statements of activities and changes in net assets. Accounting standards establish a three level hierarchy for the valuation of financial instruments:

Level I – Quoted prices in active markets for identical assets or liabilities.

Level II – Observable inputs other than Level I prices, such as quoted prices for similar asset or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level III – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Trust’s marketable securities consist primarily of bonds, mutual funds, and equities. A summary of the marketable securities as of December 31, sorted by fair value hierarchy, is as follows:
2017 -

<table>
<thead>
<tr>
<th>Mutual funds (Level I)</th>
<th>Cost</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baird Intermediate Bond Fund</td>
<td>$2,920,465</td>
<td>$2,930,416</td>
</tr>
<tr>
<td>Baird Short-Term Bond Inst</td>
<td>2,191,928</td>
<td>2,191,928</td>
</tr>
<tr>
<td>Causeway International Value</td>
<td>1,879,711</td>
<td>2,090,944</td>
</tr>
<tr>
<td>Dodge &amp; Cox Income Fund</td>
<td>3,485,785</td>
<td>3,661,020</td>
</tr>
<tr>
<td>American Beacon L/C Value Fund</td>
<td>852,950</td>
<td>914,277</td>
</tr>
<tr>
<td>Vanguard 500 Index Fund</td>
<td>3,681,718</td>
<td>6,869,721</td>
</tr>
<tr>
<td>Vanguard Developed Markets Index Adm</td>
<td>1,103,292</td>
<td>1,387,655</td>
</tr>
<tr>
<td>Vanguard Small Cap Value Index Fund</td>
<td>586,288</td>
<td>858,405</td>
</tr>
<tr>
<td>Northern Small Cap Value Fund</td>
<td>550,112</td>
<td>581,391</td>
</tr>
<tr>
<td>Vanguard Mid-Cap Value Index Adm</td>
<td>1,863,623</td>
<td>2,288,365</td>
</tr>
<tr>
<td>Vanguard Growth Index Admiral</td>
<td>1,803,294</td>
<td>2,289,407</td>
</tr>
<tr>
<td>Vanguard Total Int'l Bond Index Adm</td>
<td>2,194,650</td>
<td>2,191,823</td>
</tr>
<tr>
<td>Vanguard Emerg Mkts Stock Index Adm</td>
<td>622,039</td>
<td>698,223</td>
</tr>
<tr>
<td>Earnest Partners LLC-Small Cap Value</td>
<td>744,234</td>
<td>1,355,227</td>
</tr>
<tr>
<td>Lazard Emerging Markets</td>
<td>1,351,507</td>
<td>1,632,668</td>
</tr>
<tr>
<td>Goldman Sachs Strategic Income Fund</td>
<td>1,189,593</td>
<td>1,170,205</td>
</tr>
<tr>
<td>PIMCO Low Duration</td>
<td>2,553,007</td>
<td>2,496,219</td>
</tr>
<tr>
<td>Dodge &amp; Cox Stock Fund</td>
<td>911,564</td>
<td>1,371,471</td>
</tr>
<tr>
<td>Wells Fargo Special Small Value Inst</td>
<td>487,318</td>
<td>581,772</td>
</tr>
</tbody>
</table>

$30,973,078 $37,561,137

Unrealized gains arising during the year totaling $3,310,609 have been included in the accompanying statement of activities and changes in net assets. Realized gains of $674,396 are also included in the statement of activities. Total proceeds of securities sales were $8,227,356 and the gain or loss was determined using the specific identification method.
OKLAHOMA EDUCATIONAL TECHNOLOGY TRUST

NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

Note 3. Marketable Securities and Fair Values, continued

2016 -

<table>
<thead>
<tr>
<th>Mutual funds (Level I)</th>
<th>Cost</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>PIMCO Total Return</td>
<td>$2,565,900</td>
<td>$2,393,996</td>
</tr>
<tr>
<td>Baird Intermediate Bond Fund</td>
<td>3,943,109</td>
<td>3,928,313</td>
</tr>
<tr>
<td>Causeway International Value</td>
<td>1,829,091</td>
<td>1,629,509</td>
</tr>
<tr>
<td>Dodge &amp; Cox Income Fund</td>
<td>3,798,176</td>
<td>3,923,344</td>
</tr>
<tr>
<td>American Beacon L/C Value Fund</td>
<td>800,161</td>
<td>811,072</td>
</tr>
<tr>
<td>Vanguard 500 Index Fund</td>
<td>4,144,569</td>
<td>6,253,250</td>
</tr>
<tr>
<td>Vanguard Developed Markets Index Adm</td>
<td>1,049,955</td>
<td>1,096,434</td>
</tr>
<tr>
<td>Vanguard Small Cap Value Index Fund</td>
<td>1,216,633</td>
<td>1,366,220</td>
</tr>
<tr>
<td>Northern Small Cap Value Fund</td>
<td>564,399</td>
<td>632,695</td>
</tr>
<tr>
<td>Vanguard Mid-Cap Value Index Adm</td>
<td>1,937,562</td>
<td>2,076,344</td>
</tr>
<tr>
<td>Vanguard Growth Index Admiral</td>
<td>2,082,183</td>
<td>2,083,800</td>
</tr>
<tr>
<td>Earnest Partners LLC-Small Cap Value</td>
<td>853,236</td>
<td>1,556,383</td>
</tr>
<tr>
<td>Lazard Emerging Markets</td>
<td>1,564,451</td>
<td>1,484,155</td>
</tr>
<tr>
<td>Goldman Sachs Strategic Income Fund</td>
<td>1,000,233</td>
<td>999,246</td>
</tr>
<tr>
<td>PIMCO Low Duration</td>
<td>1,303,183</td>
<td>1,251,233</td>
</tr>
<tr>
<td>Dodge &amp; Cox Stock Fund</td>
<td>864,828</td>
<td>1,203,447</td>
</tr>
<tr>
<td>Wells Fargo Special Small Value Inst</td>
<td>530,147</td>
<td>635,695</td>
</tr>
</tbody>
</table>

$30,047,816   $33,325,136

Unrealized gains arising during the year totaling $2,355,810 have been included in the accompanying statement of activities and changes in net assets. Realized losses of $285,103 are also included in the statement of activities. Total proceeds of securities sales were $9,467,695 and the gain or loss was determined using the specific identification method.

Note 4. Management Fees

The Trust has entered into an agreement with Communities Foundation of Oklahoma (the “Foundation”), to administer the Trust. The Foundation provides staff, office space and equipment to execute the granting program and all administrative functions. Fees are calculated at an annual rate of 0.6% of the fair market value of Trust assets, payable monthly. The minimum monthly fee is $15,000. The term of the agreement is three years, but it can be terminated by either party with 90 days written notice. Management fees of $220,155 and $205,607 were paid to the Foundation for 2017 and 2016, respectively.
Note 5. Investment Advisory Fees

On July 22, 2005, the Trust entered into an investment management agreement with BancFirst. The agreement has no termination date but may be terminated at any time with 90 day written notice. Fees are calculated at 0.25% of the fair market value of assets under management, however if the assets drop below $15,000,000, the fee is subject to renegotiation. Additional fees related to outside investment advisory services, trading costs for individual securities and unusual or special circumstances are not covered by this agreement.

Note 6. Grants Payable

The Trust has approved two phases of grants. Phase I provides professional development and iPads to head principals and superintendents at Oklahoma public schools through the University of Oklahoma’s Oklahoma Achievement Through Collaboration and Technology Support (OK-ACTS) program. Upon successful completion of Phase I, these administrators are eligible to apply for a Phase II grant for their school or district. Each Phase II grant award consists of up to $40,000 for technology equipment including up to $4,000 for staff release time. Grant recipients are required to provide a 10% match of $4,000 that can be used for technology equipment or substitutes or stipends for staff.

A summary of the grants payable activity is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Phase I</th>
<th>Phase II</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants payable, January 1, 2016</td>
<td>$ 15,000</td>
<td>$ 278,102</td>
<td>$ 293,102</td>
</tr>
<tr>
<td>Year ended December 31, 2016-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant award</td>
<td>30,000</td>
<td>1,335,000</td>
<td>1,365,000</td>
</tr>
<tr>
<td>Disbursements</td>
<td>(30,000)</td>
<td>(1,343,102)</td>
<td>(1,373,102)</td>
</tr>
<tr>
<td>Grants payable at year-end</td>
<td>15,000</td>
<td>270,000</td>
<td>285,000</td>
</tr>
<tr>
<td>Year ended December 31, 2017-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant award</td>
<td>30,000</td>
<td>1,335,000</td>
<td>1,365,000</td>
</tr>
<tr>
<td>Disbursements</td>
<td>(30,000)</td>
<td>(1,337,500)</td>
<td>(1,367,500)</td>
</tr>
<tr>
<td>Grants payable at year-end</td>
<td>$15,000</td>
<td>$267,500</td>
<td>$282,500</td>
</tr>
</tbody>
</table>
Note 7. Granting Policy

To ensure perpetuity of the fund, the Trust agreement specifies a granting policy. The policy sets a distribution rate of 5% of the average fair market value of the trust assets from the previous 12 to 36 months. Distributions include grants and all trust expenses. Distributions less than 5% in any year may be carried over to increase subsequent year distributions. Upon approval by 70% of all Trustees, distributions may exceed the 5% ceiling but may never exceed 8% plus unexpended allowable amounts from previous years. Subsequent to year end, grants in the amount of $1,485,000 were approved to be paid during 2018.

Note 8. Subsequent Events

Management has evaluated subsequent events, if any, through the report date of July 11, 2018, the date the report was available to be issued, and has determined that no additional events occurred which require disclosure in the financial statements.