

OSAGE NATION FOUNDATION

*FINANCIAL STATEMENTS WITH
INDEPENDENT ACCOUNTANT'S REPORT THEREON*

Year Ended September 30, 2017

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Osage Nation Foundation
Southlake, Texas

I have reviewed the accompanying financial statements of Osage Nation Foundation (a nonprofit Foundation), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Osage Nation Foundation management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Accountant's Conclusion

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Lynn W. Bryant, PC

Hurst, Texas
November 8, 2017

OSAGE NATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
September 30, 2017

ASSETS	
Cash and equivalents	\$ 490,161
Gift shop inventory	8,453
Freeman Ranch land	<u>11,700,000</u>
Total assets	<u>\$ 12,198,614</u>
LIABILITIES	
Freeman Ranch reserves	\$ 86,262
James Bigheart statue fund	<u>3,321</u>
Total liabilities	<u>89,583</u>
NET ASSETS	
Without donor restrictions	166,430
With donor restrictions	<u>11,942,601</u>
Total net assets	<u>12,109,031</u>
 Total liabilities and net assets	 <u>\$ 12,198,614</u>

See accompanying notes and independent accountant's report.

OSAGE NATION FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended September 30, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Gift shop sales	\$ 17,418	\$ -	\$ 17,418
Less cost of goods sold	(15,945)	-	(15,945)
	1,473	-	1,473
Contributions and grants	90,650	180,000	270,650
Freeman ranch revenue	-	108,000	108,000
Less costs related to Freeman ranch	-	(41,442)	(41,442)
	-	66,558	66,558
Total revenue, support, and gains	92,123	246,558	338,681
EXPENSES AND LOSSES			
Program services expenses			
Arts grants	-	77,683	77,683
Charitable grants	-	63,145	63,145
Community grants	-	36,983	36,983
General grants	-	38,252	38,252
Summer camp	-	7,665	7,665
Total program expenses	-	223,728	223,728
SUPPORTING SERVICES EXPENSES			
Management and general	95,072	-	95,072
Fundraising and development	10,238	-	10,238
Total supporting services expenses	105,310	-	105,310
Change in net assets	(13,187)	22,830	9,643
Net assets, beginning of year	179,617	11,919,771	12,099,388
Net assets, end of year	\$ 166,430	\$ 11,942,601	\$ 12,109,031

See accompanying notes and independent accountant's report.

OSAGE NATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2017

	Program Services		Management and General	Fundraising and Development	Cost of Goods Sold	Total
	Grants	Summer Camp				
Grants and other assistance	\$ 216,058	\$ 7,665	\$ -	\$ -	\$ -	\$ 223,723
Advertising	-	-	-	2,200	-	2,200
Board of directors stipend	-	-	9,000	-	-	9,000
Board travel	-	-	691	-	-	691
Business registration fees	-	-	26	-	-	26
Marketing	-	-	-	1,175	-	1,175
Accounting fees	-	-	5,709	-	-	5,709
Contract labor	-	-	600	-	-	600
Management fees	-	-	72,000	-	-	72,000
Rent, parking, utilities	-	-	2,337	-	-	2,337
Office supplies	-	-	880	-	-	880
Credit card processing fees	-	-	941	-	-	941
Postage, mailing service	-	-	421	-	-	421
Printing and copying	-	-	480	-	-	480
Supplies	-	-	69	-	-	69
Website costs	-	-	-	6,864	-	6,864
Meals	-	-	81	-	-	81
Travel	-	-	1,841	-	-	1,841
Gift shop cost of goods sold	15,945	-	-	-	-	15,945
Direct costs of Freeman Ranch	-	-	-	-	41,442	41,442
Total expenses by function	232,003	7,665	95,076	10,239	41,442	386,425
Less expenses included with revenues in the statement of activities						
Gift shop cost of goods	(15,945)	-	-	-	-	(15,945)
Freeman Ranch direct costs	-	-	-	-	(41,442)	(41,442)
Total expenses included in the expenses section on the statement of activities	\$ 216,058	\$ 7,665	\$ 95,076	\$ 10,239	\$ -	\$ 329,038

See accompanying notes and independent accountant's report.

OSAGE NATION FOUNDATION
STATEMENT OF CASH FLOWS
Year Ended September 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 9,643
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
(Increase)/decrease in operating assets	
Gift shop inventory	10,301
(Increase)/decrease in operating liabilities	
Freeman Ranch reserves	<u>31,109</u>
Net cash provided by operating activities	51,053

CASH FLOWS FROM INVESTING ACTIVITIES ----

CASH FLOWS FROM FINANCING ACTIVITIES ----

Net increase/(decrease) in cash and cash equivalents	51,053
Beginning cash and cash equivalents	<u>439,108</u>
Ending cash and cash equivalents	<u>\$ 490,161</u>

See accompanying notes and independent accountant's report.

OSAGE NATION FOUNDATION
Notes to Financial Statements

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Mission of the Foundation is to promote and enhance the general welfare of the people of the Foundation by supporting cultural, educational, health, historical, community and other appropriate activities and programs. Approximately 70% of the Foundation's revenue and support is derived from grants.

Basis of Accounting

The financial statements of the Osage Nation Foundation (hereinafter, "the Foundation") have been prepared on the accrual basis of accounting and reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors and are as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts or cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair market value at the date of donation.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Foundation generally pays for services requiring specific expertise.

OSAGE NATION FOUNDATION
Notes to Financial Statements

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b) (1) (A) and has been classified as a Foundation other than a private Foundation under Section 509(a) (2).

Inventories

Inventories are stated at the lower of cost or market determined by the first-in, first-out method.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the year ended September 30, 2017 is \$2,200.

Revenue Recognition

Revenue from gift shop merchandise is recognized at the point of sale. Revenue from leasing the Freeman Ranch is recognized when payment is received, generally twice a year on January 1 and September 1 for both leases.

Concentration of Contribution Revenue

For the year ended September 30, 2017, contributions from one major donor accounted for essentially 100% of the total contributions to the Foundation. The Osage Nation provides grants for operational support, arts and charitable endeavors. The grants for arts and charity have a restricted purpose but no time restrictions.

NOTE B – FREEMAN RANCH

On May 1, 2014, the Foundation received a charitable contribution from THE MARK N. FREEMAN, JR. REVOCABLE TRUST DATED OCTOBER 17, 1983 and THE ELEANOR C. FREEMAN REVOCABLE TRUST DATED JANUARY 18, 2008, in the form of the Freeman Ranch of Osage County, LLC, including but not limited to, all of the ranch lands owned by Freeman Ranch of Osage County, LLC. The Freeman Ranch of Osage County, LLC contributed all of its approximately 9,000 acres of ranch land located in Osage County, Oklahoma to the Foundation. The fair market value of the acres contributed is \$11,700,000.

OSAGE NATION FOUNDATION
Notes to the Financial Statements

NOTE B – FREEMAN RANCH (continued)

The charitable contribution included a condition that the ranch lands shall not be alienated, subdivided or disposed of by the Foundation. The Foundation may hold or transfer the ranch lands to entities wholly owned by the Foundation and may lease the ranch lands for cattle ranching purposes and grant limited use easements, which may be required in the ordinary course of ranch management. The Foundation shall abide by the requirement to reserve \$5 per acre each year for repairs, replacements and maintenance. See also Note C. The Foundation is required to pay the donors, Mark N. Freeman and Eleanor C. Freeman, the sum of \$3,000 per month until the last of them to survive shall pass away. The Foundation also agrees to pay any memorial and family feast costs associated with the passing of the donors.

NOTE C – FREEMAN RANCH RESTRICTED RESERVE ACCOUNTS

In 2014, when the Foundation received the charitable contribution referenced in Note B in the form of the Freeman Ranch of Osage County, LLC, the charitable contribution included a condition that the Foundation would be required to reserve \$5 per leased acre each year, for repairs, replacements, and maintenance of the ranch lands. In the event there is a balance in the reserve account upon termination of this lease, the lease reserve shall be delivered to the lessor.

There are two separate leases on the ranch lands, one with Aaron Labadie and the other with MF Ranch, LLC.

Aaron Labadie currently has a lease through December 31, 2043 for 2,200 acres at \$15 an acre. At the beginning of the year, there was \$26,583 in the reserve account. During the year, the required \$11,000 was deposited into the reserve account. Repairs, replacements, or maintenance during the year totaled \$2,974, leaving the reserve account with a balance of \$34,609.

The MF Ranch, LLC currently has a lease through December 31, 2033 for 6,800 acres at \$15 an acre. At the beginning of the year there was \$28,569 in the reserve account. During the year the required \$34,000 was deposited into the reserve account. Repairs, replacement, or maintenance during the year totaled \$10,917, leaving the reserve account with a balance of \$51,652.

NOTE D – OTHER RESTRICTED ACCOUNT

The Foundation has a restricted account for the James Bigheart Statue Fund. The James Bigheart Statue Fund was established by the Osage Tribal Museum, to help pay for a statue of James Bigheart to be erected on the Osage campus. The Foundation strictly acts as a custodian of the account, and has no involvement in the raising of money or how the money is spent. At the beginning of the year, there was \$3,321 in the restricted account. No funds were collected or disbursed during the year.