CITY OF MUSKOGEE FOUNDATION, INC.

FINANCIAL REPORT

June 30, 2026 and 2025

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
City of Muskogee Foundation, Inc.

Opinion

We have audited the accompanying financial statements of City of Muskogee Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2026 and 2025, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of City of Muskogee Foundation, Inc. as of June 30, 2026 and 2025, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Muskogee Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Muskogee Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 City of Muskogee Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Muskogee Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Lutton & Co., PLLC

Edmond, Oklahoma
July 31, 2026

CITY OF MUSKOGEE FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2026 and 2025

ASSETS	2026	2025
ASSETS		
Cash and cash equivalents	$ 5,781,350	$ 6,589,064
Interest receivable	260,423	377,727
Marketable securities	159,411,412	142,560,585
Notes receivable	7,062,136	7,062,136
Prepaid expenses	4,875	11,900
Furniture and equipment, net	25,650	52,715
	$ 172,545,846	$ 156,654,127
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 49,903	$ 49,086
Accrued interest payable	73,020	186,055
Notes payable	1,100,000	2,478,626
Grants payable	22,978,002	23,811,600
	24,200,925	26,525,367
NET ASSETS		
Net assets without donor restrictions	148,344,921	130,128,760
	$ 172,545,846	$ 156,654,127

The Notes to Financial Statements are an integral part of these statements.

CITY OF MUSKOGEE FOUNDATION, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years ended June 30, 2026 and 2025

	2026	2025
Revenues		
Interest and dividends	$ 5,007,205	$ 4,742,429
Unrealized gains	13,916,886	9,834,525
Realized gains	5,288,233	1,219,518
	24,212,324	15,796,472
Expenses		
Program expenses	5,278,955	19,688,203
Management and administration	717,208	778,868
Fundraising	-	-
	5,996,163	20,467,071
Increase (decrease) in net assets	18,216,161	(4,670,599)
Net assets, beginning of year	130,128,760	134,799,359
Net assets, end of year	$ 148,344,921	$ 130,128,760

The Notes to Financial Statements are an integral part of these statements.

CITY OF MUSKOGEE FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
Years ended June 30, 2026 and 2025

	2026			
	Program Expenses	Management and Administration	Fundraising	Total
Contract services	$ -	$ 102,043	$ -	$ 102,043
Management fees	-	478,629	-	478,629
Grant expense	5,257,967	-	-	5,257,967
Program expense	20,988	-	-	20,988
Interest expense	-	82,321	-	82,321
Insurance	-	5,718	-	5,718
Accounting	-	17,019	-	17,019
Bank fees	-	914	-	914
Depreciation expense	-	27,064	-	27,064
Technology expense	-	3,500	-	3,500
	$ 5,278,955	$ 717,208	$ -	$ 5,996,163

The Notes to Financial Statements are an integral part of these statements.

CITY OF MUSKOGEE FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
Years ended June 30, 2026 and 2025

	2025			
	Program Expenses	Management and Administration	Fundraising	Total
Contract services	$ -	$ 82,039	$ -	$ 82,039
Management fees	-	447,486	-	447,486
Grant expense	19,629,343	-	-	19,629,343
Program expense	58,860	-	-	58,860
Interest expense	-	200,891	-	200,891
Insurance	-	5,553	-	5,553
Accounting	-	15,015	-	15,015
Bank fees	-	820	-	820
Depreciation expense	-	27,064	-	27,064
	$ 19,688,203	$ 778,868	$ -	$ 20,467,071

The Notes to Financial Statements are an integral part of these statements.

CITY OF MUSKOGEE FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
Years ended June 30, 2026 and 2025

	2026	2025
Cash flows from operating activities:		
Change in net assets	$ 18,216,161	$ (4,670,599)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	27,064	27,064
(Gains) losses in investments	(19,205,119)	(11,054,043)
(Increase) decrease in interest receivable	117,304	(132,533)
(Increase) decrease in prepaid expenses	7,025	(3,500)
Increase (decrease) in accounts payable	817	3,117
Increase (decrease) in accrued interest payable	(113,035)	(88,344)
Increase (decrease) in grants payable	(833,598)	12,483,638
Net cash provided (used) by operating activities	(1,783,381)	(3,435,200)
Cash flows from investing activities:		
Proceeds from sales and maturities of marketable securities	6,898,120	8,118,500
Proceeds from note receivable payments	-	954,722
Purchase of marketable securities	(4,543,827)	(5,464,606)
Net cash provided (used) by investing activities	2,354,293	3,608,616
Cash flows from financing activities:		
Payment of principal	(1,378,626)	(1,151,000)
Net cash provided (used) by financing activities	(1,378,626)	(1,151,000)
Net increase (decrease) in cash	(807,714)	(977,584)
Cash and cash equivalents, beginning of year	6,589,064	7,566,648
Cash and cash equivalents, end of year	$ 5,781,350	$ 6,589,064
Interest expense paid	$ 195,356	$ 289,235

The Notes to Financial Statements are an integral part of these statements.

Note 1. Organization and Summary of Significant Accounting Policies

Organization

City of Muskogee Foundation, Inc. (the Foundation) was established as a result of the long-term lease of Muskogee Regional Medical Center (MRMC) operations. MRMC is a public trust under Oklahoma law. The City of Muskogee is the sole beneficiary of this Trust. The Foundation was charged with the management of the funds on behalf of the City of Muskogee. The Foundation's mission is to utilize its resources to work cooperatively with the City of Muskogee to develop, support, promote and improve programs relating to education, arts, culture, community revitalization and beautification, social services, health care, economic development, infrastructure, housing and recreation for the City of Muskogee.

The City of Muskogee is the sole member of the Foundation. As the sole member, it appoints the Board of Directors. The City Council (the City's governing body) appoints eleven of the thirteen members of the Board of Directors of the Foundation. The remaining two members serve by virtue of their positions with the city as Mayor and City Manager. Two of the eleven members of the board appointed by the City Council must be members of the City Council.

Basis of presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions.

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. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Foundation had no net assets with donor restrictions at June 30, 2026 or 2025.

Revenue recognition

Revenues, gains, and other support are reported as increases in net assets without donor restrictions if the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statements of activities and changes in net assets as net assets released from restrictions. Expenses are reported as decreases in net assets without donor restrictions only. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law.

Functional allocation of expenses

The costs of programs and supporting service activities have been summarized on a functional basis in the statements of activities and changes in net assets. The statements of functional expenses present the natural classification detail of expenses by function. The program expenses consist of grants paid and other program expenses.

Note 1. Organization and Summary of Significant Accounting Policies, continued

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.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Receivables

The Foundation charges any uncollectable accounts directly to current operations. All accounts at June 30, 2026 and 2025 are thought to be collectible.

Property and equipment

Maintenance and repairs which do not improve or extend the useful lives of the assets are expensed as incurred. Additions and betterments greater than $2,000 are capitalized. Upon retirement or replacement, the costs and accumulated depreciation are removed from the respective accounts and the differences are included in changes in net assets.

Fixed assets are recorded at cost or fair value, if donated, and depreciated using the straight-line method over the estimated useful life as follows:

Furniture and equipment	5 – 7 years
Leasehold improvements	5 years
Website design	3 years

Income tax status

The Foundation has been granted exemption from taxes under Section 501(c)(3) of the Internal Revenue Code.

Note 2. Marketable Securities and Fair Value

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.

Note 2. Marketable Securities and Fair Value, continued

Level II – Observable inputs other than Level I prices, such as quoted prices for similar assets 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 Foundation's marketable securities consist primarily of mutual funds and equities. A summary of the marketable securities as of June 30, sorted by hierarchy, is as follows:

	2026		2025	
Mutual Funds (Level I)	Cost	Market Value	Cost	Market Value
Equity				
DFA Intl Small Cap Value Port	$ 2,413,690	$ 2,715,815	$ -	$ -
Fidelity 500 Index	11,862,997	21,416,010	14,516,590	21,721,963
Vanguard Small-Cap Value Index Inst	8,138,813	21,279,176	9,713,529	19,495,871
Vanguard Tot Int'l Stk Indx Inst	8,090,258	12,062,722	10,241,744	12,726,425
Vanguard Mid-Cap Value Index Admiral	6,510,985	9,533,473	7,019,630	8,514,817
Vanguard Small-Cap Value ETF	1,709,260	8,830,014	1,709,260	7,086,469
Schwab Fnd Emerg Mkts	3,813,431	4,879,416	4,426,995	4,684,983
Schwab Fnd Intl Equity Index	8,372,401	13,175,971	9,317,495	11,518,913
Fixed Income				
Pimco Moderate Duration Instl	24,413,394	22,907,279	21,271,983	19,903,816
Fidelity Short Term Bond Index	22,324,515	22,934,249	19,121,086	19,857,537
Fidelity US Bond Index	19,407,709	19,677,287	16,781,911	17,049,791
	$117,057,453	$159,411,412	$114,120,223	$142,560,585

Unrealized gains arising during 2026 and 2025 total $13,916,886 and $9,834,525, respectively and have been included in the accompanying statements of activities and changes in net assets. Realized gains for 2026 and 2025 of $5,288,233 and $1,219,518, respectively are also included in the statements of activities and changes in net assets. Total proceeds from security sales were $6,898,120 and $8,118,500 for 2026 and 2025, respectively and the gain or loss was determined using the specific identification method.

The investments are overseen by investment managers which have been provided with the investment policy adopted by the board of directors and directed to follow that policy. Additionally, the Foundation maintains an investment committee that provides oversight with regard to the investments.

Growth and income is the Foundation's overall investment objective. The intent of the objective is to provide both current income and future growth to accommodate the Foundation's spending policy plus normal inflation, thereby preserving the constant dollar value and purchasing power of the Foundation for future generations.

Investment performance will be reviewed over a five-year time horizon or market cycle, using the most appropriate benchmarks for the types of investments held. The goal of each asset class is to achieve the total return of its benchmark while maintaining a risk level similar to, or less than, that of the benchmark. The total overall goal for the Foundation is to achieve a real rate of return after inflation that is equal to the spending rate identified in the spending policy.

Note 2. Marketable Securities and Fair Value, continued

The Board expects the Foundation's asset allocation policy to reflect and be consistent with the investment objectives and risk tolerance expressed throughout the investment policy. The following guidelines will be used by the investment committee in determining the allocation of the Foundation's assets:

Fixed income – The fixed income component, including cash and equivalents, shall normally constitute 30% to 50% of total fund assets.

Equities – The equity component of the portfolio shall normally constitute 50% to 70% of the total fund assets

Note 3. Management Agreement

The Foundation has entered into a management agreement with the Foundation Management, Inc., (FMI), an Oklahoma corporation, to conduct and oversee the day-to-day operations of the Foundation as well as investment management of funds received. Under the terms of the agreement, FMI receives a monthly fee equal to the market value of the asset balance as of the last day of each calendar month multiplied by .18% and then divided by $1/12^{th}$. In addition, the agreement states that for each calendar month, FMI will receive a financial consultant fee equal to the assets under management multiplied by .12% and then divided by 1/12th as of the last day of the month. Total management expense for the years ended June 30, 2026 and 2025 was $478,629 and $447,486, respectively.

In March of 2025, a new agreement was reached between the City of Muskogee Foundation, Inc. and Foundation Management, Inc. in which Foundation Management, Inc. will pay the City of Muskogee Foundation, Inc. $200 a month for overhead costs which includes insurance, technology expenses, payroll, rent and utilities.

Note 4. Grants Payable

During 2026, the Foundation approved 28 grants to 21 local applicants and the City of Muskogee and during 2025, the Foundation approved 30 grants to 20 local applicants and the City of Muskogee.

A summary of the grants payable activity is as follows:

Grants payable, June 30, 2024	$ 11,327,962
Grants awarded	19,629,343
Disbursements	(7,145,705)
Grants payable, June 30, 2025	$ 23,811,600
Grants awarded	5,946,667
Grants cancelled	(688,700)
Disbursements	(6,091,565)
Grants payable, June 30, 2026	$ 22,978,002

Note 5. Notes Receivable

The notes receivable at June 30, consist of the following:

	2026	2025
Notes receivable (A)	$5,014,030	$5,014,030
Notes receivable (B)	2,048,106	2,048,106
	$7,062,136	$7,062,136

(A) Loan to the Muskogee Urban Renewal Authority to purchase real property for redevelopment. Payments of interest only to be made annually for twenty years at prime rate less .25 basis points. Matures on January 27, 2035 and shall be payable in a single principal payment plus any accrued and unpaid interest. The Muskogee Urban Renewal Authority sold a tract of land in 2025 and the net proceeds were applied to the note receivable thus reducing the principal balance to $5,014,030.

(B) Loan to Muskogee Redevelopment Authority to purchase land near State Highway 69 and Shawnee Bypass; The note was renewed on August 25, 2025, effective March 1, 2025. The note matures on October 1, 2030. During 2024, the board of directors voted to cap the interest rate at 4% which is being honored. In July 2024, a tract of land was sold and the net proceeds were applied to the note receivable. A payment of interest only was made March 1, 2026. After that date, interest and principal payments will be made quarterly until the maturity date.

Additionally, the board of directors approved the Foundation to act as a guarantor for a $2,500,000 loan to the Muskogee City-County Port Authority to replace the direct loan that had expired. The terms of the new loan agreement for the Muskogee City-County Port authority commenced in February 2023 and will mature in February 2028. The Foundation is also the guarantor of two loans for the Muskogee Redevelopment Authority for $3,255,000 and $4,340,000. Pledges of the Foundation's investments have been made.

Note 6. Related Party Transactions

During the fiscal year ending June 30, 2026 and 2025, the Foundation had the following related party transactions with the City of Muskogee and its Authorities:

	2026	2025
Interest income	$ 445,367	$ 534,793
Grants disbursed	$ 2,940,132	$ 4,824,457
Grants awarded	$ 2,079,400	$ 5,756,394

Note 7. Notes Payable

The Foundation was obligated on the following notes at June 30, 2026 and 2025. The active loan is collateralized by investments.

	2026	2025
Note payable to BancFirst to fund Muskogee Little Theatre building construction grant. Variable interest at prime rate less 25 basis points. One annual principal payment of $500,000 and one final payment in the amount of $820,380 plus accrued interest, due July 15, 2025.	$ -	$ 820,380
Note payable to BancFirst to fund the Urban Renewal Authority grant for acquisition of property on Shawnee Bypass. Variable interest at prime rate less 25 basis points. Two annual principal payments of $400,000 and one principal payment of $300,000 plus accrued interest due July 15, 2028.	1,100,000	1,500,000
Note payable to BancFirst to fund construction of a new building for the Martin Luther King Center. Variable interest at prime rate less 25 basis points. One annual principal payment of $251,000 and one final payment of principal in the amount of $158,246 plus accrued interest due August 15, 2025.	-	158,246
	$1,100,000	$2,478,626

Future maturities as of June 30, are as follows:

2027	$ 400,000
2028	400,000
2029	300,000
	$1,100,000

Note 8. Liquidity and Availability

Financial assets available for general expenditures, that is without donor restrictions or other restrictions limiting their use, within one year of the statement of financial position, comprise the following:

Cash and cash equivalents	$ 5,781,350
Interest receivable	260,423
Marketable securities	159,411,412
Pledged as collateral	(1,100,000)
Loan guarantees	(10,095,000)
	$154,258,185

Note 8. Liquidity and Availability, continued

Although the Foundation's investments are available to meet current obligations and needs, it is their intent to keep the additional funds invested until needed.

Note 9. Current Economic Conditions

Given the volatility of current economic conditions, the values of assets recorded in the accompanying financial statements could change rapidly, resulting in material future adjustments in investment values that could negatively impact the Foundation's operations.

Note 10. Furniture and Equipment

Furniture and equipment consist of the following at June 30:

	2026	2025
Furniture and equipment	$ 19,286	$ 19,286
Leasehold improvements	12,000	12,000
Website design	65,900	65,900
Less accumulated depreciation	(71,536)	(44,471)
Net	$ 25,650	$ 52,715

The depreciation expense for the years ending June 30, 2026 and 2025 was $27,064 for each of the years.

Note 11. Subsequent Events

Management has evaluated subsequent events, if any, through the report date of July 31, 2026, the date the report was available to be issued, and has determined that no additional events occurred which would require disclosure in these financial statements.