

**OKLAHOMA FOUNDATION
FOR EXCELLENCE, INC.**

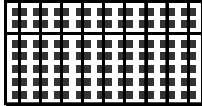
FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.

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KNOL & MINNEY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Oklahoma Foundation for Excellence, Inc.

We have audited the accompanying statements of financial position of Oklahoma Foundation for Excellence, Inc. (a non-profit organization) as of June 30, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the management of Oklahoma Foundation for Excellence, Inc. Our responsibility is to express an opinion on the 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oklahoma Foundation for Excellence, Inc. as of June 30, 2009 and 2008, 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.

Knol & Minney, PLLC

November 23, 2009

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 224,257	\$ 175,121
Pledges receivable – collectible within one year	7,525	23,087
Prepaid expenses	5,390	6,171
Investments	4,789,635	5,816,236
Property and equipment (net of \$29,918 and \$33,643 accumulated depreciation, respectively)	11,402	17,931
Beneficial interest in perpetual trust	32,410	44,411
Beneficial interest in assets held by others	<u>139,267</u>	<u>172,276</u>
TOTAL ASSETS	<u>\$5,209,886</u>	<u>\$6,255,233</u>
LIABILITIES AND NET ASSETS		
Accounts payable	<u>\$ 643</u>	<u>\$ 994</u>
Net assets		
Unrestricted		
General use	313,181	270,445
Endowment accounts	(88,200)	(14,261)
Board designated – Awards	4,091,710	5,048,766
Board designated – OCCF	<u>50,222</u>	<u>62,839</u>
Total unrestricted	4,366,913	5,367,789
Temporarily restricted	96,470	140,590
Permanently restricted	<u>745,860</u>	<u>745,860</u>
Total net assets	<u>5,209,243</u>	<u>6,254,239</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$5,209,886</u>	<u>\$6,255,233</u>

See accompanying notes to financial statements.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.

STATEMENTS OF ACTIVITIES

For the years ended June 30, 2009 and 2008

	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES AND SUPPORT								
Grants and contributions	\$ 172,317	\$400,678	\$ -	\$ 572,995	\$ 177,064	\$518,335	\$ 5,792	\$ 701,191
Investment income allocated for grants	101,724	-	-	101,724	245,387	-	-	245,387
Contributed services and facilities	36,550	19,569	-	56,119	30,715	12,331	-	43,046
Program service events	34,865	-	-	34,865	41,240	-	-	41,240
Other revenue	36,885	-	-	36,885	32,835	-	-	32,835
Net assets reclassified	-	-	-	-	-	(41,000)	41,000	-
Net assets released from restriction	469,666	(469,666)	-	-	422,466	(422,466)	-	-
Total operating revenues and support	852,007	(49,419)	-	802,588	949,707	67,200	46,792	1,063,699
OPERATING EXPENSES								
Program expenses								
Awards program	353,553	-	-	353,553	536,085	-	-	536,085
Local Education Foundations	100,628	-	-	100,628	97,703	-	-	97,703
Colonial Williamsburg	43,327	-	-	43,327	34,929	-	-	34,929
Teacher Scholarship Initiative	169,400	-	-	169,400	130,776	-	-	130,776
Alumni Mentors	35,472	-	-	35,472	45,123	-	-	45,123
Total program expenses	702,380	-	-	702,380	844,616	-	-	844,616
Administrative expenses								
Management and general	52,349	-	-	52,349	49,126	-	-	49,126
Fundraising	38,701	-	-	38,701	36,101	-	-	36,101
Total administrative expenses	91,050	-	-	91,050	85,227	-	-	85,227
Total operating expenses	793,430	-	-	793,430	929,843	-	-	929,843
Changes in net assets from operations	58,577	(49,419)	-	9,158	19,864	67,200	46,792	133,856

(continued)

See accompanying notes to financial statements.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.

STATEMENTS OF ACTIVITIES

For the years ended June 30, 2009 and 2008

	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
NONOPERATING REVENUES								
Investment income (net of \$25,085 and \$28,685 fees, respectively)	(41,789)	5,299	-	(36,490)	356,372	25,248	-	381,620
Allocated to operations for grants	(101,724)	-	-	(101,724)	(245,387)	-	-	(245,387)
Unrealized loss on investments	(886,154)	-	-	(886,154)	(561,290)	(15,745)	-	(577,035)
Income from beneficial interests	15,224	-	-	15,224	15,810	-	-	15,810
Unrealized change in beneficial interests	(45,010)	-	-	(45,010)	(19,353)	-	-	(19,353)
Nonoperating changes in net assets	(1,059,453)	5,299	-	(1,054,154)	(453,848)	9,503	-	(444,345)
CHANGES IN NET ASSETS	(1,000,876)	(44,120)	-	(1,044,996)	(433,984)	76,703	46,792	(310,489)
NET ASSETS, BEGINNING OF YEAR	<u>5,367,789</u>	<u>140,590</u>	<u>745,860</u>	<u>6,254,239</u>	<u>5,810,451</u>	<u>55,209</u>	<u>699,068</u>	<u>6,564,728</u>
NET ASSETS, END OF YEAR, as previously reported	-	-	-	-	5,376,467	131,912	745,860	6,254,239
Net asset reclassification based on changes in law	-	-	-	-	(8,678)	8,678	-	-
NET ASSETS, END OF YEAR	<u>\$4,366,913</u>	<u>\$ 96,470</u>	<u>\$745,860</u>	<u>\$5,209,243</u>	<u>\$5,367,789</u>	<u>\$140,590</u>	<u>\$745,860</u>	<u>\$6,254,239</u>

See accompanying notes to financial statements.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended June 30, 2009 and 2008

	2009				2008			
	Program	Management & General	Fund Raising	Total	Program	Management & General	Fund Raising	Total
Awards	\$248,987	\$ -	\$ -	\$248,987	\$349,215	\$ -	\$ -	\$349,215
Personnel	222,327	24,409	22,191	268,927	218,179	22,056	21,209	261,444
Professional services	68,236	7,177	1,062	76,475	67,593	7,414	1,158	76,165
Program event site expense	45,265	-	-	45,265	46,960	-	-	46,960
Honoraria and acknowledgements	19,929	383	-	20,312	55,657	645	-	56,302
Occupancy	40,492	5,043	4,912	50,447	32,289	3,655	3,800	39,744
Printing	8,475	-	-	8,475	10,695	-	-	10,695
Public relations	1,145	2,014	-	3,159	1,469	1,086	-	2,555
Other expenses	6,429	4,321	556	11,306	7,946	3,130	-	11,076
Computer	4,318	619	547	5,484	5,637	386	705	6,728
Postage	6,746	214	1,006	7,966	6,677	502	893	8,072
Travel	5,252	264	64	5,580	10,732	1,702	221	12,655
Depreciation	5,218	658	653	6,529	6,131	766	766	7,663
Awards materials	4,482	-	-	4,482	5,883	-	-	5,883
Telecommunications	4,973	486	460	5,919	4,507	469	447	5,423
Newsletter	-	-	4,774	4,774	-	-	4,536	4,536
Office supplies	2,621	344	1,761	4,726	3,799	417	1,716	5,932
Meetings	540	3,347	-	3,887	1,013	3,617	-	4,630
Insurance	2,689	312	340	3,341	2,146	970	268	3,384
Equipment	2,957	409	375	3,741	3,054	379	382	3,815
Training	190	758	-	948	2,194	225	-	2,419
Commemorative items	1,109	-	-	1,109	2,840	-	-	2,840
Bank charges	-	1,591	-	1,591	-	1,707	-	1,707
Total expenses	<u>\$702,380</u>	<u>\$52,349</u>	<u>\$38,701</u>	<u>\$793,430</u>	<u>\$844,616</u>	<u>\$49,126</u>	<u>\$36,101</u>	<u>\$929,843</u>

See accompanying notes to financial statements.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets from operations	\$ 9,158	\$133,856
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	6,529	7,663
Non-cash contributions	-	(125,792)
Non-cash expense	-	223
Contributions permanently restricted by donor	-	(41,000)
(Increase) Decrease in assets:		
Pledges receivable	15,562	32,252
Prepaid expenses	781	(965)
Increase (Decrease) in liabilities:		
Accounts payable and accrued liabilities	<u>(351)</u>	<u>(709)</u>
Total adjustments	<u>22,521</u>	<u>(128,328)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>31,679</u>	<u>5,528</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash payments for the purchase of property and equipment	-	(8,580)
Earnings received from beneficial interests	15,224	15,810
Earnings received from investments	2,233	6,890
Cash payments for the purchase of investments	-	(41,000)
Cash proceeds from the sale/maturity of investments	101,724	245,387
Cash proceeds allocated to operating	<u>(101,724)</u>	<u>(245,387)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>17,457</u>	<u>(26,880)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions permanently restricted by donor	<u>-</u>	<u>41,000</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>-</u>	<u>41,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	49,136	19,648
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>175,121</u>	<u>155,473</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$224,257</u>	<u>\$175,121</u>

See accompanying notes to financial statements.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Oklahoma Foundation for Excellence, Inc. (the Foundation) was incorporated in 1996 under the laws of the State of Oklahoma to recognize and encourage excellence in teaching and scholarship in the State of Oklahoma, to nurture and support a favorable climate for the teaching profession and for the attainment of excellence by students, and to encourage the development of similar groups in Oklahoma communities. The Foundation provides grants and scholarships to educators, students and public schools to promote excellence in education within Oklahoma.

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Foundation reports information regarding its financial position and changes in net assets according to three classes of net assets, based on the existence or absence of donor-imposed restrictions, if any, as follows:

Unrestricted - expendable amounts available for use without restriction.

Temporarily Restricted - amounts which have been temporarily restricted by donors for specific purposes or time periods.

Permanently Restricted - amounts restricted by donors to be maintained for the benefit of the Foundation and its programs with income generated by such amounts available for purposes specified by the donor.

Receivables

Receivables are reported at their estimated collectible amount. Uncollectible receivables, if any, are estimated to be immaterial. Receivables are determined to be uncollectible when collection efforts have been exhausted and are written off to expense at that time.

Pledges receivable are reported as temporarily restricted net assets until collected. Upon collection, these amounts are:

- Classified as temporarily restricted until any other donor-imposed restriction has been satisfied; or
- Reclassified to unrestricted net assets if their donor-imposed restriction has been satisfied; or
- Reclassified to permanently restricted net assets if they were donor-restricted to permanent endowments.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Actual results could differ from those estimates.

Cash and equivalents

The Foundation considers highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments

The Foundation reports investments in equity securities with readily determinable market values and all investments in debt securities at fair value based on quoted market prices with gains and losses included in the statement of activities.

Contributions

Gifts of cash and other assets received with donor stipulations that limit the use of the donated assets are reported as temporarily restricted, when applicable, unless the time restriction ends or a purpose restriction is accomplished within the same reporting period. When a donor's temporary 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. The Foundation reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Contributed materials are recorded at market value at the time of donation, and contributed services are recorded at the fair value of the services, provided they meet the following criteria:

- Create or enhance non-financial assets; or
- Require specialized skills, are provided by individuals possessing those skills and would typically be purchased if not provided by donation.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions (continued)

The Foundation receives services from volunteers who give significant amounts of their time to the Foundation's programs and management. No amounts have been reflected for these types of donated services, as they do not meet the criteria outlined above.

Property and Equipment

Purchased assets are recorded at cost, and donated assets are recorded at market value at the time of donation. Property and equipment is capitalized and depreciated over an estimated useful life of two to five years on a straight-line basis.

Income Taxes

The Foundation is an exempt organization under Internal Revenue Service (IRS) Code Section 501(c)(3) and is not classified as a private foundation within the meaning of IRS Code Section 509(a). Therefore, no provision has been made in the financial statements for income taxes.

Functional expenses

Expenses are allocated between program and supportive services based upon either actual usage or the estimated cost attributable to each function.

NOTE 2 - INVESTMENTS

The Foundation's investments consisted of:

	<u>2009</u>	<u>2008</u>
Equity mutual funds	\$2,586,290	\$3,162,937
Commodities mutual fund	174,900	322,958
US Government/Agency securities	727,501	1,106,421
Corporate bonds and fixed preferred stocks	837,821	749,330
Certificates of deposit	199,000	-
Accrued income to be reinvested	14,488	19,423
Money market mutual funds	<u>249,635</u>	<u>455,167</u>
	<u>\$4,789,635</u>	<u>\$5,816,236</u>

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 3 – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

Beneficial interest in assets held by others included:

	2009	2008
Oklahoma City Community Foundation	\$ 50,222	\$ 62,839
Beneficial interest in charitable remainder trust	89,045	109,437
	\$139,267	\$172,276

Oklahoma City Community Foundation: The Foundation and other donors have contributed to a fund administered by the Oklahoma City Community Foundation, Inc. (OCCF) for the benefit of the Foundation. According to OCCF policy, the principal amounts of such contributions become the legal assets of OCCF.

The value of reciprocal transfer assets, that is assets transferred by the Foundation to organizations raising or holding contributions for others, such as OCCF, are recognized as assets in the financial statements of the transferor. The value of assets contributed by others to these types of organizations for the benefit of a specified beneficiary are not recognized and recorded by the beneficiary.

The market value of reciprocal transfer assets was \$50,222 and \$62,839 at June 30, 2009 and 2008, respectively. The market value of assets contributed by others to OCCF for the benefit of the Foundation and, therefore, not recorded in the financial statements was \$74,879 and \$93,076 at June 30, 2009 and 2008, respectively.

Annual distributions from earnings are made to the Foundation based on OCCF's spending policy, which is currently five percent of the average market value over the previous eight quarters for all assets held for the benefit of the Foundation. Distributions to the Foundation under the spending policy of \$8,390 and \$8,170 were received during the years ended June 30, 2009 and 2008, respectively, and are included in income from beneficial interests in the statement of activities.

Beneficial interest in charitable remainder trust: The Foundation has been named the ultimate beneficiary of a charitable remainder trust administered by an outside trustee. The Foundation's beneficial interest in the assets of this trust is reported at market value. The Foundation will receive no earnings related to this interest until the death of two life-income beneficiaries.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2009 and 2008

NOTE 4 – FUNDS HELD BY OTHERS

Certain donors have contributed to a fund administered by the Communities Foundation of Oklahoma (CFO) to benefit the Oklahoma Foundation for Excellence. According to CFO policy, the principal amounts of such contributions become the legal assets of CFO. As a result, the value of these assets are not recognized and recorded by the beneficiary, similar to assets contributed by others to OCCF for the benefit of the Foundation, as discussed in Note 3 above. The value of these assets, which is not included in the financial statements but provided for information purposes, was \$77,684 and \$96,332 at June 30, 2009 and 2008, respectively.

NOTE 5 – RISKS AND UNCERTAINTIES

Investments and beneficial interests are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and in such amounts that could be material to the financial statements taken as a whole.

NOTE 6 - CONTRIBUTED SERVICES AND FACILITIES

Contributed services and facilities included primarily the value of certain professional services and occupancy costs which were contributed by area businesses.

NOTE 7 – UNRESTRICTED NET ASSETS – BOARD DESIGNATED

The Foundation’s board of trustees (the trustees) has designated certain unrestricted net assets to be separately invested with the earnings being used to fund Academic All-State scholarships and Medal for Excellence awards. Utilization of these funds for any other purpose would require approval by the Foundation trustees.

The trustees have also designated certain unrestricted net assets to be held by OCCF as more fully described above in Note 3 – Beneficial Interest in Assets Held by Others.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were all restricted for use in future periods when they will be available for the following purposes:

	2009	2008
Academic awards	\$ 5,000	\$ 26,178
General operations	91,470	114,412
	\$96,470	\$140,590

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2009 and 2008

NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support:

	<u>2009</u>	<u>2008</u>
Academic All-State Scholarships and Medal for Excellence Awards	\$135,000	\$135,000
David and Molly Boren Mentoring Initiative	462,220	462,220
General use	48,640	48,640
Teacher Scholarship Initiative	<u>100,000</u>	<u>100,000</u>
	<u>\$745,860</u>	<u>\$745,860</u>

NOTE 10 - ENDOWMENTS

In August 2008, the Financial Accounting Standards Board (“FASB”) issued FASB Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Assets Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (“FSP 117-1”). FSP 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization and enhanced disclosure information to enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policy, and related investment policy of its endowment funds.

The Foundation’s Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring 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 of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts 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, if any. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- Donor intent as expressed in the applicable agreement
- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2009 and 2008

NOTE 10 – ENDOWMENTS (continued)

- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation.

The Foundation has adopted investment and spending policies for endowment assets designed to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended, over the long-term to:

- Enhance the total value of the endowment through appreciation, contributions, and/or the reinvestment of excess current earnings;
- Preserve capital and avoid the risk of large loss;
- Maintain sufficient liquidity to provide for all anticipated withdrawals and to invest in issues with sufficient marketability to provide for unexpected withdrawals.

To satisfy its long-term objectives, the Foundation seeks investment returns through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The spending or distribution policy determined under a method adopted annually by the Board of Directors provides for distribution from the funds based on a percentage of the average of the market value of the endowment funds over the trailing eight quarters. For the year ended June 30, 2008, that percentage of distribution was 4% while, due to deterioration in market conditions, in 2009, the Board approved a flat dollar amount of distribution that approximated 1% of the average market value.

The net asset classifications of the Foundation’s endowment funds as of June 30, 2009, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowments	\$ (88,200)	\$ -	\$745,860	\$ 657,660
Board-designated endowments	<u>4,141,932</u>	<u>-</u>	<u>-</u>	<u>4,141,932</u>
Total endowment funds	<u>\$4,053,732</u>	<u>\$ -</u>	<u>\$745,860</u>	<u>\$4,799,592</u>

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 10 – ENDOWMENTS (continued)

Changes in endowment net assets for the fiscal year ending June 30, 2009, included:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets as of July 1, 2008	\$5,106,022	\$ -	\$745,860	\$5,851,882
Net asset reclassification based on changes in law	<u>(8,678)</u>	<u>8,678</u>	<u>-</u>	<u>-</u>
Endowment net assets after reclassification	5,097,344	8,678	745,860	5,851,882
Investment return (loss):				
Investment income	124,899	23,958	-	148,857
Net appreciation (realized & unrealized)	<u>(1,008,396)</u>	<u>(80,790)</u>	<u>-</u>	<u>(1,089,186)</u>
Total investment return (loss)	(883,497)	(56,832)	-	(940,329)
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	(86,176)	(25,785)	-	(111,961)
Reclassification of endowment accounts with total net assets less than original gift	(73,939)	73,939	-	-
Other changes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets at June 30, 2009	<u>\$4,053,732</u>	<u>\$ -</u>	<u>\$745,860</u>	<u>\$4,799,592</u>

NOTE 11 – RETIREMENT PLAN

The Foundation has established a Defined Contribution Retirement Plan for the benefit of all employees beginning on the Plan Entry Date following the completion of one year of service. The plan provides for the Foundation to make contributions to the plan equal to 3% of compensation up to Internal Revenue Code limits. The Foundation's contributions for the year ended June 30, 2009 and 2008, totaled \$6,764 and \$6,399, respectively.

NOTE 12 – NON-CASH INVESTING AND FINANCING ACTIVITY

Non-cash investing activity included equity securities contributed in-kind with a fair market value of \$5,791 during the year ended June 30, 2008.

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NOTE 13 – LEASE COMMITMENTS

The Foundation has entered into noncancelable leases for certain office space and equipment. Lease expense related to these agreements totaling \$45,941 and \$35,165 is included in expense for the years ended June 30, 2009 and 2008. Future minimum lease payments under these agreements will be: 2009 - \$14,986; 2010 - \$5,212 which is net of \$27,480 and \$9,160 per year, respectively, in-kind contribution from the lessor.

NOTE 14 – CONCENTRATIONS

Included in cash and cash equivalents are money market mutual funds which exceeded FDIC insurance limits by \$133,734 and \$78,163 at June 30, 2009 and 2008, respectively. The broker-dealers of the mutual funds and its security customers are generally covered by the basic insurance of Security Investors Protection Corporation (SIPC). This coverage does not insure any declines in market value of the funds.

Investments of the Foundation consist primarily of fixed income securities and equity mutual funds. Credit risk is considered by management to be limited due to the financial stability of the institutions managing the funds and the diversity of the investments.

NOTE 15 – RECLASSIFICATIONS

Certain reclassifications have been made to the financial statements as of and for the year ended June 30, 2008, to conform to June 30, 2009, presentation. Such reclassifications have no effect on total net assets as previously reported.