

**OKLAHOMA FOUNDATION  
FOR EXCELLENCE, INC.**

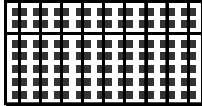
**FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

# OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.

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***KNOL & MINNEY, PLLC***  
**CERTIFIED PUBLIC ACCOUNTANTS**

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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, 2010 and 2009, 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, 2010 and 2009, 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*

January 11, 2011

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 236,716	\$ 224,257
Pledges receivable – collectible within one year	4,652	7,525
Prepaid expenses	6,991	5,390
Investments	5,170,807	4,789,635
Property and equipment (net of \$31,422 and \$29,918 accumulated depreciation, respectively)	9,458	11,402
Beneficial interest in perpetual trust	33,668	32,410
Beneficial interest in assets held by others	<u>148,399</u>	<u>139,267</u>
<b>TOTAL ASSETS</b>	<b><u>\$5,610,691</u></b>	<b><u>\$5,209,886</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	<u>\$ 617</u>	<u>\$ 643</u>
Net assets		
Unrestricted		
General use	325,358	313,181
Endowment accounts	(45,305)	(88,200)
Board designated – Awards	4,431,211	4,091,710
Board designated – OCCF	<u>53,829</u>	<u>50,222</u>
Total unrestricted	4,765,093	4,366,913
Temporarily restricted	99,121	96,470
Permanently restricted	<u>745,860</u>	<u>745,860</u>
<b>Total net assets</b>	<b><u>5,610,074</u></b>	<b><u>5,209,243</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$5,610,691</u></b>	<b><u>\$5,209,886</u></b>

See accompanying notes to financial statements.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.

STATEMENTS OF ACTIVITIES

For the years ended June 30, 2010 and 2009

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>OPERATING REVENUES AND SUPPORT</b>								
Grants and contributions	\$ 171,990	\$404,844	\$ -	\$ 576,834	\$ 172,317	\$400,678	\$ -	\$ 572,995
Investment income allocated for grants	200,981	-	-	200,981	101,724	-	-	101,724
Contributed services and facilities	36,746	15,454	-	52,200	36,550	19,569	-	56,119
Program service events	31,992	-	-	31,992	34,865	-	-	34,865
Other revenue	19,965	-	-	19,965	36,885	-	-	36,885
Net assets released from restriction	<u>442,670</u>	<u>(442,670)</u>	<u>-</u>	<u>-</u>	<u>469,666</u>	<u>(469,666)</u>	<u>-</u>	<u>-</u>
Total operating revenues and support	<u>904,344</u>	<u>(22,372)</u>	<u>-</u>	<u>881,972</u>	<u>852,007</u>	<u>(49,419)</u>	<u>-</u>	<u>802,588</u>
<b>OPERATING EXPENSES</b>								
Program expenses								
Awards program	455,128	-	-	455,128	353,553	-	-	353,553
Local Education Foundations	64,111	-	-	64,111	100,628	-	-	100,628
Colonial Williamsburg	57,107	-	-	57,107	43,327	-	-	43,327
Teacher Scholarship Initiative	151,800	-	-	151,800	169,400	-	-	169,400
Alumni Mentors	<u>40,631</u>	<u>-</u>	<u>-</u>	<u>40,631</u>	<u>35,472</u>	<u>-</u>	<u>-</u>	<u>35,472</u>
Total program expenses	<u>768,777</u>	<u>-</u>	<u>-</u>	<u>768,777</u>	<u>702,380</u>	<u>-</u>	<u>-</u>	<u>702,380</u>
Administrative expenses								
Management and general	63,052	-	-	63,052	52,349	-	-	52,349
Fundraising	<u>45,690</u>	<u>-</u>	<u>-</u>	<u>45,690</u>	<u>38,701</u>	<u>-</u>	<u>-</u>	<u>38,701</u>
Total administrative expenses	<u>108,742</u>	<u>-</u>	<u>-</u>	<u>108,742</u>	<u>91,050</u>	<u>-</u>	<u>-</u>	<u>91,050</u>
Total operating expenses	<u>877,519</u>	<u>-</u>	<u>-</u>	<u>877,519</u>	<u>793,430</u>	<u>-</u>	<u>-</u>	<u>793,430</u>
Changes in net assets from operations	<u>26,825</u>	<u>(22,372)</u>	<u>-</u>	<u>4,453</u>	<u>58,577</u>	<u>(49,419)</u>	<u>-</u>	<u>9,158</u>

(continued)

See accompanying notes to financial statements.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.

STATEMENTS OF ACTIVITIES

For the years ended June 30, 2010 and 2009

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>NONOPERATING REVENUES</b>								
Investment income (net of \$25,099 and \$25,085 fees, respectively)	(64,131)	15,209	-	(48,922)	(41,789)	5,299	-	(36,490)
Allocated to operations for grants	(200,981)	-	-	(200,981)	(101,724)	-	-	(101,724)
Unrealized gain (loss) on investments	622,202	-	-	622,202	(886,154)	-	-	(886,154)
Income from beneficial interests	9,400	4,289	-	13,689	15,224	-	-	15,224
Unrealized change in beneficial interests	<u>4,865</u>	<u>5,525</u>	<u>-</u>	<u>10,390</u>	<u>(45,010)</u>	<u>-</u>	<u>-</u>	<u>(45,010)</u>
Nonoperating changes in net assets	<u>371,355</u>	<u>25,023</u>	<u>-</u>	<u>396,378</u>	<u>(1,059,453)</u>	<u>5,299</u>	<u>-</u>	<u>(1,054,154)</u>
CHANGES IN NET ASSETS	398,180	2,651	-	400,831	(1,000,876)	(44,120)	-	(1,044,996)
NET ASSETS, BEGINNING 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>
NET ASSETS, END OF YEAR	<u>\$4,765,093</u>	<u>\$ 99,121</u>	<u>\$745,860</u>	<u>\$5,610,074</u>	<u>\$4,366,913</u>	<u>\$ 96,470</u>	<u>\$745,860</u>	<u>\$5,209,243</u>

See accompanying notes to financial statements.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
For the years ended June 30, 2010 and 2009

	2010				2009			
	Program	Management & General	Fund Raising	Total	Program	Management & General	Fund Raising	Total
Awards	\$229,778	\$ -	\$ -	\$229,778	\$248,987	\$ -	\$ -	\$248,987
Personnel	224,011	29,367	27,109	280,487	220,924	24,409	22,191	267,524
Professional services	79,460	8,374	1,271	89,105	68,236	7,177	1,062	76,475
Program event site expense	39,727	-	-	39,727	45,265	-	-	45,265
Honoraria and acknowledgements	81,496	318	-	81,814	19,929	383	-	20,312
Occupancy	39,459	5,139	6,314	50,912	40,492	5,043	4,912	50,447
Printing	6,722	324	258	7,304	8,475	-	-	8,475
Public relations	10,969	356	328	11,653	1,145	2,014	-	3,159
Other expenses	8,906	3,239	637	12,782	6,429	4,321	556	11,306
Computer	4,627	228	740	5,595	4,318	619	547	5,484
Postage	4,802	-	664	5,466	6,746	214	1,006	7,966
Travel	10,807	406	-	11,213	6,655	264	64	6,983
Depreciation	2,772	788	443	4,003	5,218	658	653	6,529
Awards materials	5,507	-	-	5,507	4,482	-	-	4,482
Telecommunications	5,346	654	597	6,597	4,973	486	460	5,919
Newsletter	-	-	4,145	4,145	-	-	4,774	4,774
Office supplies	2,708	66	2,382	5,156	2,621	344	1,761	4,726
Meetings	4,339	10,287	-	14,626	540	3,347	-	3,887
Insurance	2,136	676	342	3,154	2,689	312	340	3,341
Equipment	2,872	902	460	4,234	2,957	409	375	3,741
Training	1,429	395	-	1,824	190	758	-	948
Commemorative items	904	-	-	904	1,109	-	-	1,109
Bank charges	-	1,533	-	1,533	-	1,591	-	1,591
<b>Total expenses</b>	<b><u>\$768,777</u></b>	<b><u>\$63,052</u></b>	<b><u>\$45,690</u></b>	<b><u>\$877,519</u></b>	<b><u>\$702,380</u></b>	<b><u>\$52,349</u></b>	<b><u>\$38,701</u></b>	<b><u>\$793,430</u></b>

See accompanying notes to financial statements.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.  
STATEMENTS OF CASH FLOWS  
For the years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets from operations	\$ 4,453	\$ 9,158
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	4,003	6,529
Investment return appropriated for operations	(200,981)	(101,724)
(Increase) Decrease in assets:		
Pledges receivable	2,873	15,562
Prepaid expenses	(1,601)	781
Increase (Decrease) in liabilities:		
Accounts payable and accrued liabilities	<u>(26)</u>	<u>(351)</u>
Total adjustments	<u>(195,732)</u>	<u>(79,203)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(191,279)</u>	<u>(70,045)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash payments for the purchase of property and equipment	(2,059)	-
Earnings received from beneficial interests	13,689	15,224
Earnings received from investments	139,198	171,945
Cash payments for the purchase of investments	(3,188,972)	(3,237,260)
Cash proceeds from the sale/maturity of investments	3,266,981	3,194,357
Cash paid for management fees	<u>(25,099)</u>	<u>(25,085)</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>203,738</u>	<u>119,181</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	12,459	49,136
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>224,257</u>	<u>175,121</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 236,716</u>	<u>\$ 224,257</u>

See accompanying notes to financial statements.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010 and 2009

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Organization*

Oklahoma Foundation for Excellence, Inc. (the Foundation) was established in 1985 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, 2010 and 2009

**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.

*Fair Value Measurements*

The Financial Accounting Standards Board (FASB) issued statement number 157, *Fair Value Measurements* (FASB 157), which defines fair value, establishes a framework for measuring fair value, outlines a fair value hierarchy based on inputs used to measure fair value and enhances disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). FASB 157 does not change existing guidance as to whether or not an instrument is carried at fair value.

Financial instruments in the statement of financial position currently include investments and beneficial interests. Investments, consisting of debt and equity securities and mutual funds investing in these types of securities are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date. The beneficial interest in assets held by others is considered a Level 2 asset and is reported at fair value based on the valuation provided by the fund manager.

*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.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010 and 2009

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*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.

The Foundation receives services from volunteers and companies who give significant amounts of their time and resources 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.

*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.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010 and 2009

**NOTE 2 - INVESTMENTS**

The Foundation's investments consisted of:

	<u>2010</u>	<u>2009</u>
Equity mutual funds	\$2,667,664	\$2,586,290
Commodities mutual fund	474,925	174,900
US Government/Agency securities	418,010	727,501
Corporate bonds and fixed preferred stocks	1,108,677	837,821
Certificates of deposit	298,000	199,000
Accrued income to be reinvested	10,181	14,488
Money market mutual funds	<u>193,350</u>	<u>249,635</u>
	<u>\$5,170,807</u>	<u>\$4,789,635</u>

**NOTE 3 – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS**

Beneficial interest in assets held by others included:

	<u>2010</u>	<u>2009</u>
Oklahoma City Community Foundation	\$ 53,829	\$ 50,222
Beneficial interest in charitable remainder trust	<u>94,570</u>	<u>89,045</u>
	<u>\$148,399</u>	<u>\$139,267</u>

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 \$53,829 and \$50,222 at June 30, 2010 and 2009, 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 \$80,158 and \$74,879 at June 30, 2010 and 2009, respectively.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010 and 2009

**NOTE 3 – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (continued)**

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 \$7,706 and \$8,390 were received during the years ended June 30, 2010 and 2009, 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.

**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 or 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 \$81,923 and \$77,684 at June 30, 2010 and 2009, 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 – 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.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010 and 2009

**NOTE 7 - 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:

	2010	2009
Academic awards	\$ 2,350	\$ 5,000
General operations	96,771	91,470
	\$99,121	\$96,470

**NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS**

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

	2010	2009
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	100,000	100,000
	\$745,860	\$745,860

**NOTE 9 - ENDOWMENTS**

The Financial Accounting Standards Board (“FASB”) has 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.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010 and 2009

**NOTE 9 – ENDOWMENTS (continued)**

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
- 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, 2009, the Board approved a flat dollar amount of distribution that approximated 1% of the average market value. For the year ended June 30, 2010, the distributions rate was 3.75%.

OKLAHOMA FOUNDATION FOR EXCELLENCE, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010 and 2009

**NOTE 9 – ENDOWMENTS (continued)**

The net asset classifications of the Foundation’s endowment funds as of June 30, 2010, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowments	\$ (45,305)	\$ -	\$745,860	\$ 700,555
Board-designated endowments	<u>4,485,040</u>	<u>-</u>	<u>-</u>	<u>4,485,040</u>
 Total endowment funds	 <u>\$4,439,735</u>	 <u>\$ -</u>	 <u>\$745,860</u>	 <u>\$5,185,595</u>

Changes in endowment net assets for the fiscal year ending June 30, 2010, included:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets as of July 1, 2009	\$4,053,732	\$ -	\$745,860	\$4,799,592
Investment return (loss):				
Investment income	98,359	20,274	-	118,633
Net appreciation (realized & unrealized)	<u>425,458</u>	<u>42,893</u>	<u>-</u>	<u>468,351</u>
Total investment return (loss)	523,817	63,167	-	586,984
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	(162,151)	(38,830)	-	(200,981)
Reclassification of endowment accounts with total net assets less than original gift	24,337	(24,337)	-	-
Other changes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets at June 30, 2010	<u>\$4,439,735</u>	<u>\$ -</u>	<u>\$745,860</u>	<u>\$5,185,595</u>

**NOTE 10 - 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.

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**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, 2010 and 2009, totaled \$6,967 and \$6,764, respectively.

**NOTE 12 – LEASE COMMITMENTS**

The Foundation has entered into noncancelable leases for certain office space and equipment. Lease expense related to these agreements totaling \$48,392 and \$45,941 is included in expense for the years ended June 30, 2010 and 2009, respectively. Future minimum lease payments under these agreements will be: 2011 - \$16,827 (net of \$11,450 in-kind contribution from the lessor); 2012 - \$2,455; 2013 - \$2,455; 2014 - \$2,455; 2015 - \$2,046.

**NOTE 13 – CONCENTRATIONS**

Included in cash and cash equivalents are money market mutual funds which exceeded FDIC insurance limits by \$11,500 at June 30, 2010. The broker-dealers of the mutual funds and their 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 14 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through January 11, 2011, which is the date the financial statements were available to be issued.

**NOTE 15 – RECLASSIFICATIONS**

Certain reclassifications have been made to the financial statements as of and for the year ended June 30, 2009, to conform to June 30, 2010, presentation. Such reclassifications have no effect on total net assets as previously reported.