

NORMAN PUBLIC SCHOOL  
**FOUNDATION**

Financial Statements  
For the Year Ended June 30, 2004  
Together With Auditors' Report



MURRELL, HALL, MCINTOSH & CO., PLLP  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Norman Public School Foundation, Inc.:

We have audited the accompanying statement of financial position of Norman Public School Foundation, Inc. (an Oklahoma non-profit corporation) as of June 30, 2004, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's 2003 financial statements and, in our report dated July 25, 2003, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 audit provides 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 the Norman Public School Foundation, Inc. as of June 30, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Murrell, Hall, McIntosh & Co., PLLP*

Norman, Oklahoma  
August 20, 2004

NORMAN PUBLIC SCHOOL FOUNDATION, INC.  
Statement of Financial Position  
June 30, 2004  
(With Comparative Totals for 2003)

**ASSETS**

	2004	2003
Current Assets		
Cash	\$ 162,885	\$ 105,853
Current Receivables		
Gifts Receivable (Net of Allowance for Uncollectible Pledged Gifts of \$750)	\$ 4,265	\$ 8,127
Endowment Receivable	--	10,000
Current Portion of Grant Receivable	36,575	36,575
Interest Receivable	5,280	6,650
Total Current Receivables	\$ 46,120	\$ 61,352
Total Current Assets	\$ 209,005	\$ 167,205
Restricted Cash	\$ 14,412	\$ 116,046
Long-Term Investments	1,353,670	1,166,285
Total Long-Term Investments and Restricted Cash	\$ 1,368,082	\$ 1,282,331
Grant Receivable, Net of Current Portion	\$ 36,575	\$ 73,150
Property and Equipment, at Cost		
Equipment	\$ 2,154	\$ 2,154
Less Accumulated Depreciation	(2,154)	(2,154)
Net Property and Equipment	\$ --	\$ --
<b>Total Assets</b>	<b>\$ 1,613,662</b>	<b>\$ 1,522,686</b>

**LIABILITIES AND NET ASSETS**

Current Liabilities		
Grants Payable	\$ 31,521	\$ 32,292
Endowment Payable	--	10,000
Accrued Liabilities	--	1,000
Total Current Liabilities	\$ 31,521	\$ 43,292
Net Assets		
Unrestricted	\$ 112,314	\$ 59,245
Temporarily Restricted	122,745	137,818
Permanently Restricted	1,347,082	1,282,331
Total Net Assets	\$ 1,582,141	\$ 1,479,394
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,613,662</b>	<b>\$ 1,522,686</b>

See Accompanying Notes to Financial Statements

NORMAN PUBLIC SCHOOL FOUNDATION, INC.  
Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2004  
(With Comparative Totals for 2003)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2004 Total</u>	<u>2003 Total</u>
Revenues and Other Support					
Donations (Net of Provision for Uncollectible Pledged Gifts)	\$ 67,891	\$ 29,462	\$ 64,751	\$ 162,104	\$ 157,415
Investment Return	51,369	--	--	51,369	42,635
Miscellaneous Income	2,257	--	--	2,257	117
In Kind Donations	5,126	--	--	5,126	2,566
Net Assets Released from Program Restrictions	44,535	(44,535)	--	--	--
Total Revenues and Other Support	<u>\$ 171,178</u>	<u>\$ (15,073)</u>	<u>\$ 64,751</u>	<u>\$ 220,856</u>	<u>\$ 202,733</u>
Expenses					
Program Expenses	\$ 98,960	\$ --	\$ --	\$ 98,960	\$ 129,670
Management and General Expenses	9,146	--	--	9,146	6,632
Fundraising Expenses	10,003	--	--	10,003	6,132
Total Functional Expenses	<u>\$ 118,109</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 118,109</u>	<u>\$ 142,434</u>
<b>Change in Net Assets</b>	<b>\$ 53,069</b>	<b>\$ (15,073)</b>	<b>\$ 64,751</b>	<b>\$ 102,747</b>	<b>\$ 60,299</b>
Net Assets at Beginning of Year	<u>59,245</u>	<u>137,818</u>	<u>1,282,331</u>	<u>1,479,394</u>	<u>1,419,095</u>
<b>Net Assets, End of Year</b>	<b><u>\$ 112,314</u></b>	<b><u>\$ 122,745</u></b>	<b><u>\$ 1,347,082</u></b>	<b><u>\$ 1,582,141</u></b>	<b><u>\$ 1,479,394</u></b>

See Accompanying Notes to Financial Statements

NORMAN PUBLIC SCHOOL FOUNDATION, INC.  
Statement of Functional Expenses  
For the Year Ended June 30, 2004  
(With Comparative Totals for 2003)

	<u>Grants</u>	Management and <u>General</u>	Fundraising <u>Costs</u>	2004 <u>Total</u>	2003 <u>Total</u>
Scholarships and Grants	\$ 98,960	\$ --	\$ --	\$ 98,960	\$ 129,670
Accounting Fees	--	4,185	--	4,185	4,075
Interest	--	--	--	--	600
Memberships	--	285	--	285	250
Insurance	--	1,139	--	1,139	1,139
Bad Debt Expense	--	452	--	452	--
Maintenance	--	150	--	150	269
Storage Fees	--	250	--	250	--
Lot Expenses	--	2,377	--	2,377	--
Web Site Cost	--	308	--	308	299
Special Awards	--	--	1,060	1,060	526
Postage and Printing	--	--	3,588	3,588	3,496
Office Expenses	--	--	1,355	1,355	610
Promotional Luncheon	--	--	4,000	4,000	1,500
Total Functional Expenses	<u>\$ 98,960</u>	<u>\$ 9,146</u>	<u>\$ 10,003</u>	<u>\$ 118,109</u>	<u>\$ 142,434</u>

See Accompanying Notes to Financial Statements

NORMAN PUBLIC SCHOOL FOUNDATION, INC.

Statement of Cash Flows

For the Year Ended June 30, 2004

(With Comparative Totals for 2003)

	2004	2003
Cash Flows From Operating Activities		
Change in Net Assets	\$ 102,747	\$ 60,299
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Unrealized Loss (Gain) on Investments	(7,385)	7,188
Realized Loss on Sale of Investments	3,000	--
(Increase)Decrease in Operating Assets:		
Endowment Receivable	10,000	10,000
Grants and Gifts Receivable	40,437	32,223
Interest Receivable	1,370	855
Increase(Decrease) in Operating Liabilities:		
Grants Payable	(771)	(16,790)
Endowment Payable	(10,000)	--
Accrued Liabilities	(1,000)	--
Contributions Restricted for Long-Term Purposes	(64,751)	(70,881)
Net Cash Flows Provided by Operating Activities	\$ 73,647	\$ 22,894
Cash Flows From Investing Activities		
Purchase of Investments	\$ (425,000)	\$ (725,000)
Sale of Investments	242,000	715,000
Net Cash Flows Used By Investing Activities	\$ (183,000)	\$ (10,000)
Cash Flows From Financing Activities		
Collections of Contributions Restricted for Permanent Endowment	\$ 64,751	\$ 70,881
Net Cash Flows Provided by Financing Activities	\$ 64,751	\$ 70,881
Net Increase (Decrease) in Cash	\$ (44,602)	\$ 83,775
Cash at Beginning of Year	221,899	138,124
Cash at End of Year	\$ 177,297	\$ 221,899
Reconciliation of Cash at End of Year:		
Unrestricted Cash	\$ 162,885	\$ 105,853
Restricted Cash	14,412	116,046
Total Cash at End of Year	\$ 177,297	\$ 221,899

See Accompanying Notes to Financial Statements

NORMAN PUBLIC SCHOOL FOUNDATION, INC.  
Notes to Financial Statements  
June 30, 2004

Note 1 -- Nature of Activities and Significant Accounting Policies

Nature of Activities

Norman Public School Foundation, Inc. (the Foundation) was organized in January of 1984 as a broadly-based, community organization whose purpose is exclusively educational and charitable and is to secure and distribute contributions from individuals, corporations and foundations for the benefit of the students attending public schools in Norman, Oklahoma.

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis in conformity with generally accepted accounting principles. Statement of Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations" requires that net assets and revenues, gains, expenses and losses be classified as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor-imposed restrictions. A description of the three net asset categories follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted – Net assets whose use by the Foundation is subject to donor-imposed restrictions that can be fulfilled by actions of the Foundation pursuant to those restrictions. The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated 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.

Permanently Restricted – Net assets subject to donor-imposed restrictions requiring that they be maintained permanently by the Foundation. The Foundation solicits donations as endowment funds to be held indefinitely. Gifts are reported as permanently restricted unless explicit donor stipulations specify that the donated assets must be used for a specific purpose. Income from the endowment fund interest is expendable to support the Foundation's grant program. One half of all contributions received, which are not given to memorial endowments, are considered permanently restricted by written restrictions on donor documents.

Income Taxes

The Foundation is a non-profit Oklahoma corporation, which has been granted tax exempt status under Section 501(c)(3) of the Internal Revenue Code.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. There are no cash equivalents at June 30, 2004.

NORMAN PUBLIC SCHOOL FOUNDATION, INC.  
Notes to Financial Statements  
June 30, 2004

Note 1 -- Nature of Activities and Significant Accounting Policies (continued)

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized and realized gains or losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Property and Equipment

Property and equipment is recorded at cost as of the date of acquisition or fair value as of the date of receipt in the case of gifts. Depreciation is computed on a straight-line basis over the estimated useful lives of three years. The cost and accumulated depreciation of property sold or retired is removed from the related asset and accumulated depreciation accounts and any resulting gain or loss is recorded in the period of disposal. Renewals and improvements which extend the useful lives of assets are capitalized at cost. Maintenance and repairs are included as expenses in the statement of activities.

Comparative Data

The financial statements include certain 2003 comparative information, which is presented only to facilitate financial analysis. With respect to the statement of activities, such information is not presented by net asset class and, in the statement of functional expenses, 2003 expenses by object are presented in total rather than by functional category. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2003.

Note 2 -- Gifts Receivable

Receivables consist of pledges on gifts receivable from donors of \$5,015 less an allowance for uncollectible pledged gifts of \$750 at June 30, 2004. Management believes the remaining balance to be collectible within one year.

NORMAN PUBLIC SCHOOL FOUNDATION, INC.  
Notes to Financial Statements  
June 30, 2004

Note 3 -- Grants Receivable

Receivables at June 30, 2004 are summarized as follows:

Expected receipt in:	
2005	\$ 40,000
2006	<u>40,000</u>
Gross receivable	\$ 80,000
Discount to present value (6%)	<u>(6,850)</u>
Net receivable	<u>\$ 73,150</u>

Note 4 -- Investments

Investments are current and are stated at fair market value. Market value and unrealized gains(losses) at June 30, 2004, are summarized below:

<u>Type of Investment</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized/Realized Gains (Losses)</u>
Certificates of Deposit	\$ 1,225,000	\$ 1,225,000	\$ --
Money Funds	4,011	2,640	(1,371)
Common Stocks with Readily Determinable Fair Values	70,045	76,285	6,240
Government Securities	<u>47,229</u>	<u>49,745</u>	<u>2,516</u>
Total Investments	<u>\$ 1,346,285</u>	<u>\$ 1,353,670</u>	<u>\$ 7,385</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2004:

	<u>Unrestricted</u>
Interest Income	\$ 46,984
Realized Loss	(3,000)
Unrealized Gain	<u>7,385</u>
Total Investment Return	<u>\$ 51,369</u>

NORMAN PUBLIC SCHOOL FOUNDATION, INC.  
Notes to Financial Statements  
June 30, 2004

Note 5 -- Grants Payable

The following schedule shows the amount approved by the Board for those grant periods still outstanding at June 30, 2004 and the amount expended on those grants outstanding through June 30, 2004. The prior years' lapsed grants have been transferred, by board decision, to designated funds, with the excess of approved amount over the expended amount remaining as Grants Payable as follows:

Period of Grant Application	Total Approved	Expended From Inception	Total Lapsed Grants Written Off	Grants Payable
Fall of 2001	\$ 28,453	\$ 27,427	\$ 1,026	\$ --
Spring of 2002	27,802	26,448	1,354	--
Fall of 2002	25,603	24,228	1,375	--
Spring of 2003	28,407	21,279	--	7,128
Fall of 2003	27,851	22,720	--	5,131
Spring of 2004	<u>30,164</u>	<u>10,902</u>	<u>--</u>	<u>19,262</u>
Total Grants	<u>\$ 168,280</u>	<u>\$ 133,004</u>	<u>\$ 3,755</u>	<u>\$ 31,521</u>

Note 6 -- Temporarily Restricted Net Assets

Temporarily restricted net assets include donations that are currently available for use, but expendable only for items designated by the donor. The temporarily restricted net assets received and expended during the year ended June 30, 2004, are as follows:

Source	Beginning Temporarily Restricted Net Assets	Assets Received With Restrictions	Program Restrictions Released	Ending Temporarily Restricted Net Assets
Irving School Project	\$ 335	\$ --	\$ 335	\$ --
Sarkey's Foundation	106,299	--	40,000	66,299
Judy Ford Scholarship	5,449	200	400	5,249
Fine Arts Program	2,000	--	1,000	1,000
Security Bank - Kennedy	200	--	200	--
Cleveland School	100	--	100	--
Betty Haile Memorial	17,450	11,650	2,250	26,850
Austin McKaig Memorial	--	17,362	--	17,362
O'Brian Development Fund	<u>5,985</u>	<u>250</u>	<u>250</u>	<u>5,985</u>
Total	<u>\$137,818</u>	<u>\$29,462</u>	<u>\$44,535</u>	<u>\$122,745</u>

NORMAN PUBLIC SCHOOL FOUNDATION, INC.  
Notes to Financial Statements  
June 30, 2004

Note 7 -- Donated Services

Donated services are reflected as in kind donations in the accompanying statements at their estimated value at the date of receipt. The value of these services for the year ended June 30, 2004 is \$5,126.

A substantial number of volunteers have donated significant amounts of their time in the Foundation's fundraising events and programs. However, since there is not an objective basis available by which to measure the value of these services, the value is not reflected in the accompanying financial statements.

Note 8 -- Functional Allocation of Expenses

The costs of providing the various grants have been summarized on a functional basis in the statement of activities.

Only the direct costs of the grants are shown as program expenses. Management and general expenses include those expenses that are not directly identifiable with any specific grant but provide for the overall support and direction of the Foundation.

Note 9 -- Concentration of Credit Risk

The Foundation keeps its cash and certificates of deposits at various financial institutions. Cash accounts and certificates of deposits are insured by the FDIC for up to \$100,000 at each financial institution. Amounts in excess of insured limits were \$192,694 at June 30, 2004.

The Foundation also held investments with Salomon Smith Barney Inc. valued at \$128,670 at June 30, 2004, that were not insured by the FDIC.