

NORMAN PUBLIC SCHOOL
FOUNDATION

Financial Statements
For the Year Ended June 30, 2006
Together With Auditors' Report



COUNT ON MHM

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, 2006, 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 2005 financial statements and, in our report dated September 23, 2005, 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, 2006, 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
September 29, 2006



NORMAN PUBLIC SCHOOL FOUNDATION, INC.
Statement of Financial Position
June 30, 2006
(With Comparative Totals for 2005)

ASSETS

	2006	2005
Current Assets		
Cash	\$ 212,565	\$ 144,162
Current Receivables		
Gifts Receivable (Net of Allowance for Uncollectible Pledged Gifts of \$750)	\$ 10,254	\$ 7,900
Current Portion of Grant Receivable	--	36,575
Interest Receivable	1,515	3,793
Total Current Receivables	\$ 11,769	\$ 48,268
Total Current Assets	\$ 224,334	\$ 192,430
Long-Term Investments	\$ 1,602,284	\$ 1,543,500
Property and Equipment, at Cost		
Equipment	\$ 3,423	\$ 2,154
Less Accumulated Depreciation	(2,542)	(2,154)
Net Property and Equipment	\$ 881	\$ --
Total Assets	\$ 1,827,499	\$ 1,735,930

LIABILITIES AND NET ASSETS

Current Liabilities		
Grants Payable	\$ 55,353	\$ 38,108
Rent Payable	3,300	--
Accrued Liabilities	661	--
Total Current Liabilities	\$ 59,314	\$ 38,108
Net Assets		
Unrestricted	\$ 181,477	\$ 153,473
Temporarily Restricted	103,093	125,745
Permanently Restricted	1,483,615	1,418,604
Total Net Assets	\$ 1,768,185	\$ 1,697,822
Total Liabilities and Net Assets	\$ 1,827,499	\$ 1,735,930

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, 2006
(With Comparative Totals for 2005)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2006 Total	2005 Total
Revenues and Other Support					
Donations (Net of Provision for Uncollectible Pledged Gifts)	\$ 65,318	\$ 11,385	\$ 65,011	\$ 141,714	\$ 139,164
Investment Return	84,005	1,640	--	85,645	58,766
Earnings on Memorials	2,516	--	--	2,516	2,957
In Kind Donations	4,641	--	--	4,641	1,790
Net Assets Released from Program Restrictions	35,677	(35,677)	--	--	--
Total Revenues and Other Support	\$ 192,157	\$ (22,652)	\$ 65,011	\$ 234,516	\$ 202,677
Expenses					
Program Expenses	\$ 129,323	\$ --	\$ --	\$ 129,323	\$ 68,804
Management and General Expenses	17,984	--	--	17,984	7,059
Fundraising Expenses	16,846	--	--	16,846	11,133
Total Functional Expenses	\$ 164,153	\$ --	\$ --	\$ 164,153	\$ 86,996
Change in Net Assets	\$ 28,004	\$ (22,652)	\$ 65,011	\$ 70,363	\$ 115,681
Net Assets at Beginning of Year	153,473	125,745	1,418,604	1,697,822	1,582,141
Net Assets, End of Year	\$ 181,477	\$ 103,093	\$ 1,483,615	\$ 1,768,185	\$ 1,697,822

See Accompanying Notes to Financial Statements

NORMAN PUBLIC SCHOOL FOUNDATION, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2006
(With Comparative Totals for 2005)

	Grants	Management and General	Fundraising Costs	2006 Total	2005 Total
Scholarships and Grants	\$ 129,323	\$ --	\$ --	\$ 129,323	\$ 68,804
Accounting Fees	--	6,145	--	6,145	4,930
Promotional Expenses	--	--	2,267	2,267	1,573
Depreciation Expense	--	388	--	388	--
Memberships	--	250	--	250	--
Insurance	--	977	--	977	1,139
Bad Debt Expense	--	796	--	796	--
Storage Fees	--	--	--	--	250
Seminar Expense	--	--	598	598	--
Web Site Cost	--	859	--	859	740
Special Awards	--	--	1,200	1,200	1,168
Postage and Printing	--	--	3,266	3,266	2,916
Office Expenses	--	--	865	865	1,583
Salaries and Related Expenses	--	5,269	5,268	10,537	--
Rent Expense	--	3,300	--	3,300	--
Promotional Luncheon	--	--	3,382	3,382	3,893
Total Functional Expenses	\$ 129,323	\$ 17,984	\$ 16,846	\$ 164,153	\$ 86,996

See Accompanying Notes to Financial Statements

NORMAN PUBLIC SCHOOL FOUNDATION, INC.
Statement of Cash Flows
For the Year Ended June 30, 2006
(With Comparative Totals for 2005)

	2006	2005
Cash Flows From Operating Activities		
Change in Net Assets	\$ 70,363	\$ 115,681
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	388	--
Unrealized Gain on Investments	(13,384)	(12,777)
Realized (Gain) Loss on Sale of Investments	--	(2,058)
Provision for Uncollectible Pledged Gifts	796	--
(Increase)Decrease in Operating Assets:		
Grants and Gifts Receivable	33,425	32,940
Interest Receivable	2,277	1,488
Increase(Decrease) in Operating Liabilities:		
Grants Payable	20,545	6,586
Accrued Liabilities	661	--
Contributions Restricted for Long-Term Purposes	(65,011)	(71,522)
Net Cash Flows Provided by Operating Activities	\$ 50,060	\$ 70,338
Cash Flows From Investing Activities		
Purchase of Investments	\$ (345,399)	\$ (930,723)
Sale of Investments	300,000	755,728
Purchase of Property, Plant and Equipment	(1,269)	--
Net Cash Flows Used By Investing Activities	\$ (46,668)	\$ (174,995)
Cash Flows From Financing Activities		
Collections of Contributions Restricted for Permanent Endowment	\$ 65,011	\$ 71,522
Net Cash Flows Provided by Financing Activities	\$ 65,011	\$ 71,522
Net Increase (Decrease) in Cash	\$ 68,403	\$ (33,135)
Cash at Beginning of Year	144,162	177,297
Cash at End of Year	\$ 212,565	\$ 144,162

See Accompanying Notes to Financial Statements

NORMAN PUBLIC SCHOOL FOUNDATION, INC.

Notes to Financial Statements

June 30, 2006

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.

NORMAN PUBLIC SCHOOL FOUNDATION, INC.
Notes to Financial Statements
June 30, 2006

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

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, 2006.

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 2005 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, 2005 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, 2005.

NORMAN PUBLIC SCHOOL FOUNDATION, INC.

Notes to Financial Statements

June 30, 2006

Note 2 -- Gifts Receivable

Receivables consist of pledges on gifts receivable from donors of \$11,004 less an allowance for uncollectible pledged gifts of \$750 at June 30, 2006. Management believes the remaining balance to be collectible within one year.

Note 3 -- Investments

Investments are current and are stated at fair market value. Market value and unrealized gains (losses) at June 30, 2006, are summarized below:

<u>Type of Investment</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gains</u>
Certificates of Deposit	\$ 300,000	\$ 300,000	\$ --
Money Funds	4,911	4,911	--
Common Stocks with Readily Determinable Fair Values	<u>1,283,989</u>	<u>1,297,373</u>	<u>13,384</u>
Total Investments	<u>\$ 1,588,900</u>	<u>\$ 1,602,284</u>	<u>\$ 13,384</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2006:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest Income	\$ 72,426	\$ 1,640	\$ 74,066
Realized Loss	(1,805)	--	(1,805)
Unrealized Gain	<u>13,384</u>	<u>--</u>	<u>13,384</u>
Total Investment Return	<u>\$ 84,005</u>	<u>\$ 1,640</u>	<u>\$ 85,645</u>

NORMAN PUBLIC SCHOOL FOUNDATION, INC.

Notes to Financial Statements

June 30, 2006

Note 4 -- Grants Payable

The following schedule shows the amount approved by the Board for those grant periods still outstanding at June 30, 2006 and the amount expended on those grants outstanding through June 30, 2006. 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:

<u>Period of Grant Application</u>	<u>Total Approved</u>	<u>Expended From Inception</u>	<u>Lapsed Grants Written Off</u>	<u>Grants Payable</u>
Spring of 2004	\$ 30,165	\$ 28,418	\$ 1,747	\$ --
Fall of 2004	32,972	30,462	2,510	--
Spring of 2005	33,925	32,192	--	1,733
Fall of 2005	38,149	25,959	--	12,190
Spring of 2006	41,998	568	--	41,430
Total Grants	\$ 177,209	\$ 117,599	\$ 4,257	\$ 55,353

Note 5 -- 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, 2006, are as follows:

<u>Source</u>	<u>Beginning Temporarily Restricted Net Assets</u>	<u>Assets Received With Restrictions</u>	<u>Program Restrictions Released</u>	<u>Ending Temporarily Restricted Net Assets</u>
Sarkey's Foundation	\$ 66,299	\$ --	\$ 26,299	\$ 40,000
Judy Ford Scholarship	5,149	285	185	5,249
Fine Arts Program	1,000	--	--	1,000
Betty Haile Memorial	28,050	4,600	3,000	29,650
Austin McKaig Memorial	19,012	3,750	3,000	19,762
O'Brian Development Fund	6,235	250	400	6,085
Barwick Earnings	--	640	600	40
Parker Earnings	--	1,000	1,000	--
Hurricane Katrina Relief	--	2,500	1,193	1,307
Total	\$ 125,745	\$ 13,025	\$ 35,677	\$ 103,093

NORMAN PUBLIC SCHOOL FOUNDATION, INC.

Notes to Financial Statements

June 30, 2006

Note 6 -- Donated Services

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 7 -- 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 8 -- Related Party Transactions

The Foundation rents office space from Norman Public Schools, the primary beneficiary of all grants awarded by the Foundation. Rent in the amount of \$3,300 has been accrued for the year ended June 30, 2006. Rent expense for 2006 was \$3,300. Future minimum rentals for the year ending June 30, 2007 are \$3,600.

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 \$11,390 at June 30, 2006.

The Foundation also held investments with Merrill Lynch valued at \$1,302,284 at June 30, 2006, that were not insured by the FDIC.