



**NORTHERN
OKLAHOMA COLLEGE
FOUNDATION, INC.**

June 30, 2012

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

June 30, 2012

Audited Financial Statements

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Independent Auditors' Report

Board of Trustees
Northern Oklahoma College Foundation, Inc.
Tonkawa, Oklahoma

We have audited the accompanying statements of financial position of Northern Oklahoma College Foundation, Inc. (the "Foundation") as of June 30, 2012, and 2011, and the related statements of activities and cash flows for the years 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 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 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 evaluation of the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Northern Oklahoma College Foundation, Inc. at June 30, 2012, and 2011, 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.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the *Northern Oklahoma College Foundation, Inc. - Combining Statements of Activities* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 24, 2012

STATEMENT OF FINANCIAL POSITION

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

| | June 30 | |
|----------------------------------|---------------------|---------------------|
| | 2012 | 2011 |
| ASSETS | | |
| Cash | \$ 139,634 | \$ 126,686 |
| Investments | 5,918,017 | 4,584,692 |
| Loans receivable | 16,754 | - |
| Contributions receivable | - | 704,500 |
| Related party receivable | 13,135 | - |
| Other receivables | 112 | 168 |
| Property and equipment, net | <u>41,214</u> | <u>51,834</u> |
| TOTAL ASSETS | <u>\$ 6,128,866</u> | <u>\$ 5,467,880</u> |
| LIABILITIES | | |
| Accounts payable | <u>\$ -</u> | <u>\$ 1,250</u> |
| TOTAL LIABILITIES | <u>-</u> | <u>1,250</u> |
| NET ASSETS | | |
| Unrestricted | 1,086,597 | 757,430 |
| Temporarily restricted | 1,708,167 | 1,567,972 |
| Permanently restricted | <u>3,334,102</u> | <u>3,156,784</u> |
| TOTAL NET ASSETS | <u>6,128,866</u> | <u>5,482,186</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 6,128,866</u> | <u>\$ 5,483,436</u> |

See notes to financial statements.

STATEMENT OF ACTIVITIES

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

| | Year Ended June 30, 2012 | | | | Year Ended June 30, 2011 | | | |
|--|--------------------------|------------------------|------------------------|---------------------|--------------------------|------------------------|------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| REVENUES AND SUPPORT | | | | | | | | |
| Investment income | | | | | | | | |
| Interest and dividend income | \$ 23,279 | \$ 119,307 | \$ 1,145 | \$ 143,731 | \$ 25,357 | \$ 71,706 | \$ 358 | \$ 97,421 |
| Unrealized gain, net | (1,908) | (10,917) | - | (12,825) | 97,220 | 447,985 | - | 545,205 |
| Net investment income | 21,371 | 108,390 | 1,145 | 130,906 | 122,577 | 519,691 | 358 | 642,626 |
| Contributions | 355,599 | 221,241 | 176,173 | 753,013 | 33,749 | 151,260 | 1,723,739 | 1,908,748 |
| Other income | 5 | 75,199 | - | 75,204 | 159 | 91,429 | - | 91,588 |
| Net assets released from restrictions | 264,635 | (264,635) | - | - | 223,899 | (223,899) | - | - |
| TOTAL REVENUES AND SUPPORT | 641,610 | 140,195 | 177,318 | 959,123 | 380,384 | 538,481 | 1,724,097 | 2,642,962 |
| EXPENSES | | | | | | | | |
| Scholarships to | | | | | | | | |
| Northern Oklahoma College | 99,800 | - | - | 99,800 | 72,990 | - | - | 72,990 |
| General and administrative expense | 35,683 | - | - | 35,683 | 25,958 | - | - | 25,958 |
| Program expense | 162,644 | - | - | 162,644 | 132,453 | - | - | 132,453 |
| Fundraising expense | 14,316 | - | - | 14,316 | 9,934 | - | - | 9,934 |
| TOTAL EXPENSES | 312,443 | - | - | 312,443 | 241,335 | - | - | 241,335 |
| CHANGE IN NET ASSETS | 329,167 | 140,195 | 177,318 | 646,680 | 139,049 | 538,481 | 1,724,097 | 2,401,627 |
| NET ASSETS AT BEGINNING OF YEAR | 757,430 | 1,567,972 | 3,156,784 | 5,482,186 | 618,381 | 1,029,491 | 1,432,687 | 3,080,559 |
| NET ASSETS AT END OF YEAR | \$ 1,086,597 | \$ 1,708,167 | \$ 3,334,102 | \$ 6,128,866 | \$ 757,430 | \$ 1,567,972 | \$ 3,156,784 | \$ 5,482,186 |

See notes to financial statements.

STATEMENT OF CASH FLOWS

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

| | June 30 | |
|---|--------------------|--------------------|
| | <u>2012</u> | <u>2011</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 646,680 | \$ 2,401,627 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Net investments gains/losses | 12,825 | (545,206) |
| Non-cash contributions restricted for long-term investment | - | (1,599,267) |
| Contributions restricted for long-term investment | (176,173) | (124,472) |
| Depreciation | 10,620 | 10,620 |
| Loss on sale of property and equipment | - | 25,546 |
| Changes in operating assets and liabilities: | | |
| Accrued interest receivable | 56 | 326 |
| Contributions receivable | 704,500 | (704,500) |
| Related party receivable | (13,135) | - |
| Accounts payable | - | 1,250 |
| NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES | <u>1,185,373</u> | <u>(534,075)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of investments | 1,421,332 | 466,030 |
| Purchase of investments | (2,786,685) | (1,633,909) |
| Net change in loans receivable | 16,754 | 1,513 |
| Proceeds from sale of property and equipment | - | 4,454 |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(1,348,599)</u> | <u>(1,161,912)</u> |
| FINANCING ACTIVITIES | | |
| Contributions restricted for long-term investment | 176,173 | 1,723,739 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | <u>176,173</u> | <u>1,723,739</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 12,948 | 27,252 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>126,686</u> | <u>98,934</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 139,634</u> | <u>\$ 126,686</u> |

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

June 30, 2012

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities: Northern Oklahoma College Foundation, Inc. (the Foundation) was established for the benefit of Northern Oklahoma College (the College). The Foundation awards scholarships and makes loans to students of the College and provides other general support to the College.

The Board of Trustees, which governs the Foundation, is separate and distinct from the Board of Regents, the governing body of the College.

Accounting Standards Codification: The Foundation follows the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). The ASC provides a single source of authoritative U.S. GAAP for nongovernmental entities and supersedes all other previously issued non-SEC accounting and reporting guidance.

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board and accordingly, the Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service. Expirations of temporary restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Contributions received from donors with general use restrictions for the College as a whole, or for specific departments within the College, are reflected as unrestricted to the extent that the College, or departments have expended sufficient dollars which meet these general use restrictions.

Income and gains on investments are reported as increases in permanently restricted net assets if the terms of the gift that gave rise to the investment require such amounts be added to permanent endowment principal. Income and gains are reported as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income and/or the income is related to a donor-restricted endowment fund, and as increases in unrestricted net assets in all other cases.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

June 30, 2012

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Basis of Presentation--Continued: Generally, losses on investments of endowments reduce temporarily restricted net assets to the extent donor-imposed temporary restrictions on the net appreciation of investments have not been met before the loss occurs. Any remaining losses reduce unrestricted net assets. Subsequent investment gains are applied first to unrestricted net assets to the extent that losses have previously been recognized, and then to temporarily restricted net assets.

Net Asset Classification: The Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") was enacted in the state of Oklahoma effective November 1, 2007 ("OK UPMIFA"). The Foundation's Board of Trustees' (the "Trustees") interpretation of OK UPMIFA and other required endowment disclosures are included in Note E.

Net assets, revenues, and gains and losses of the Foundation are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets - Net assets for which no donor has imposed any restrictions that the assets be used for a specific purpose or held for a certain period of time. Contributions received with time and/or purpose restrictions which are fully expended in the same period are classified as unrestricted.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investment for general or specific purposes.

Cash and Cash Equivalents: The Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Support and Expenses: Expenses are reported as decreases in unrestricted net assets. Expirations of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

June 30, 2012

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Loans Receivable: The Foundation grants various students loans as directed by donor-imposed stipulations. The Foundation considers all loans receivable to be fully collectible.

Income Taxes: The Internal Revenue Service has recognized the Foundation as exempt from income taxes under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501 (c)(3) of the Code.

Accounting for Uncertain Tax Positions: Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal state or local tax authorities before 2008.

Investments and Investment Return: Investments in marketable equity securities with readily determinable fair values and all debt securities are carried at fair value. Non-marketable securities are stated at fair value or the best estimate of fair value as determined by the investment manager and/or Foundation management. Realized gains and losses are computed on the first-in, first-out basis.

Property and Equipment: Property and equipment are stated at cost or fair value at date of donation. For equipment, the Foundation's capitalization policy includes all items with a cost of \$5,000 or more and an estimated useful life of greater than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets: ten years for equipment.

Contributions Receivable: Contributions receivable, which arise primarily from trusts and estates, are carried at present value at the financial statement date. This valuation assumes collection within one year; however, due to the nature of the receivables, the final settlement dates are uncertain. All amounts are expected to be fully collected. At June 30, 2011, contributions receivable were \$704,500 (none at 2012).

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

June 30, 2012

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Fair Value Measurements: The Foundation follows the ASC Topic 820, *Fair Value Measurements and Disclosures*. Topic 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 establishes a fair value hierarchy that prioritizes that inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs that are derived principally from or corroborated by observable market data;

Level 3: Inputs that are unobservable and significant to the overall fair value measurement.

Financial assets and liabilities carried at fair value on a recurring basis include investments, beneficial interest in assets held by others, and custodial funds. The Foundation has no assets or liabilities carried at fair value on a non-recurring basis at June 30, 2012.

The FASB continues to clarify and enhance disclosures related to Topic 820 and as a result, the Foundation implemented *Improving Disclosures about Fair Value Measurements* (ASU 2010-06) which requires additional disclosures about transfers in and out of Levels 1 and 2 and disaggregation within the reconciliation for fair value measurements using significant unobservable inputs in 2010. The update also clarifies existing disclosures regarding disaggregation by class and disclosures about inputs and valuation techniques. Implementation of these new requirements did not have a significant impact on the Foundation's financial statements.

Recent Accounting Pronouncements: The FASB has issued additional clarification related to Topic 820, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04) that are effective for periods beginning after December 15, 2011. Early adoption of this update for the year ended June 30, 2012 is not permitted. The Foundation will apply the provisions of this update prospectively beginning with the year ending June 30, 2013. The Foundation does not anticipate adoption of this new guidance to have a significant impact on the financial statements.

Use of Estimates: The preparation of the 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

June 30, 2012

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Concentration of Credit Risk: The Foundation maintains cash in bank deposit accounts that, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash or cash equivalents.

In 2012, approximately 45% of total contribution revenue was received from one donor. In 2011, approximately 84% of total contribution revenue was received from one donor. Contributions receivable are due from one donor at June 30, 2012.

Subsequent Events: The Foundation has evaluated subsequent events through October 24, 2012, which is the date that the financial statements were available to be issued. There are no subsequent events requiring recognition or disclosure in the 2012 financial statements.

NOTE B--PROPERTY AND EQUIPMENT

Property and equipment by category is summarized as follows:

| | June 30 | |
|--------------------------------|------------------|------------------|
| | 2012 | 2011 |
| Equipment | \$ 106,203 | \$ 106,203 |
| Less: accumulated depreciation | (64,989) | (54,369) |
| Net property and equipment | <u>\$ 41,214</u> | <u>\$ 51,834</u> |

NOTE C--RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes:

| | June 30 | |
|--------------|---------------------|---------------------|
| | 2012 | 2011 |
| Scholarships | \$ 1,629,921 | \$ 1,496,866 |
| Loans | 78,246 | 71,106 |
| | <u>\$ 1,708,167</u> | <u>\$ 1,567,972</u> |

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

June 30, 2012

NOTE C--RESTRICTED NET ASSETS--Continued

Permanently restricted net assets are restricted for the following purposes:

| | June 30 | |
|--------------|---------------------|---------------------|
| | 2012 | 2011 |
| Scholarships | \$ 3,095,095 | \$ 2,917,777 |
| Loans | 139,007 | 139,007 |
| Lectureship | 100,000 | 100,000 |
| | <u>\$ 3,334,102</u> | <u>\$ 3,156,784</u> |

NOTE D--RELATED-PARTY TRANSACTIONS

Based upon an exchange of service agreement, the College provides the Foundation with the necessary staffing and office space at no cost to the Foundation. Thus, the Foundation has no employees. In exchange, the College receives scholarships, funds for capital improvement, and other services from the Foundation. The value of services provided by the College is not reasonably estimated; therefore the Foundation has not recorded any amounts as contributions or expenses.

During the years ended June 30, 2012 and 2011, the Foundation awarded scholarships totaling approximately \$100,000 and \$73,000, respectively, to students of the College.

At June 30, 2012, the Foundation has recorded a receivable from the College of \$13,135 for investment income received by the College for the benefit of the Foundation.

NOTE E--ENDOWMENT DISCLOSURES

The Foundation's endowment consists of approximately 40 individual donor-restricted funds and 3 other funds which are managed and controlled by the Foundation. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Other endowment funds consist of contributions which were not restricted by the donor for scholarships but have been endowed by the Foundation's Board of Trustees to provide scholarships for future periods rather than fully expending such amounts in the current year. All of the endowment funds held by the Foundation are managed and controlled by the Foundation in accordance with the following policies.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

June 30, 2012

NOTE E--ENDOWMENT DISCLOSURES--Continued

The State of Oklahoma adopted UPMIFA effective November 1, 2007 ("OK UPMIFA"). The Board of Trustees of the Foundation has interpreted OK 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.

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 OK UPMIFA.

In accordance with OK UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effects of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

June 30, 2012

NOTE E--ENDOWMENT DISCLOSURES--Continued

Endowment Net Asset Composition by Type of Fund as of June 30, 2012:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|-------------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Donor-restricted endowment funds | \$ (68,710) | \$ 592,884 | \$ 3,334,102 | \$ 3,858,276 |
| Board-designated endowment funds | <u>359,241</u> | <u>-</u> | <u>-</u> | <u>359,241</u> |
| Total Funds Invested | <u>\$ 290,531</u> | <u>\$ 592,884</u> | <u>\$ 3,334,102</u> | <u>\$ 4,217,517</u> |

Changes in Endowment Net Assets for the Year Ended June 30, 2012:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Endowment net assets, beginning of year | \$ (17,530) | \$ 540,773 | \$ 3,156,784 | \$ 3,680,027 |
| Investment return: | | | | |
| Investment income | 4,950 | 81,414 | 1,145 | 87,509 |
| Net investment return (realized and unrealized) | <u>(357)</u> | <u>(3,275)</u> | <u>-</u> | <u>(3,632)</u> |
| Net investment return | 4,593 | 78,139 | 1,145 | 83,877 |
| Contributions | 305,640 | - | 176,173 | 481,813 |
| Transferred to recover Underwater funds | (1,922) | 1,922 | - | - |
| Appropriation of endowment assets for expenditure | <u>(250)</u> | <u>(27,950)</u> | <u>-</u> | <u>(28,200)</u> |
| Endowment Net Assets | <u>\$ 290,531</u> | <u>\$ 592,884</u> | <u>\$ 3,334,102</u> | <u>\$ 4,217,517</u> |

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

June 30, 2012

NOTE E--ENDOWMENT DISCLOSURES--Continued

Endowment Net Asset Composition by Type of Fund as of June 30, 2011:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|-------------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Donor-restricted endowment funds | \$ (77,580) | \$ 540,773 | \$ 3,156,784 | \$ 3,619,977 |
| Board-designated endowment funds | <u>60,050</u> | <u>-</u> | <u>-</u> | <u>60,050</u> |
| Total Funds Invested | <u>\$ (17,530)</u> | <u>\$ 540,773</u> | <u>\$ 3,156,784</u> | <u>\$ 3,680,027</u> |

Changes in Endowment Net Assets for the Year Ended June 30, 2011:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Endowment net assets, beginning of year | \$ (56,378) | \$ 169,844 | \$ 1,432,687 | \$ 1,546,153 |
| Investment return: | | | | |
| Investment income | 756 | 56,531 | 358 | 57,645 |
| Net investment return (realized and unrealized) | <u>22,131</u> | <u>330,958</u> | <u>-</u> | <u>353,089</u> |
| Net investment return | 22,887 | 387,489 | 358 | 410,734 |
| Contributions | 19,500 | - | 1,723,739 | 1,743,239 |
| Transferred to recover Underwater funds | (3,139) | 3,139 | - | - |
| Appropriation of endowment assets for expenditure | <u>(400)</u> | <u>(19,699)</u> | <u>-</u> | <u>(20,099)</u> |
| Endowment Net Assets | <u>\$ (17,530)</u> | <u>\$ 540,773</u> | <u>\$ 3,156,784</u> | <u>\$ 3,680,027</u> |

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

June 30, 2012

NOTE E--ENDOWMENT DISCLOSURES--Continued

Description of amounts classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only) at June 30, 2012:

Permanently Restricted Net Assets

| | |
|---|---------------------|
| The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by OK UPMIFA | \$ 3,334,102 |
| Total endowment funds classified as permanently restricted net assets | <u>\$ 3,334,102</u> |

Temporarily Restricted Net Assets

| | |
|--|-------------------|
| The portion of perpetual endowment funds subject to time restriction under OK UPMIFA with purpose restrictions | \$ 592,884 |
| Total endowment funds classified as temporarily restricted net assets | <u>\$ 592,884</u> |

Description of amounts classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only) at June 30, 2011:

Permanently Restricted Net Assets

| | |
|---|---------------------|
| The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by OK UPMIFA | \$ 3,156,784 |
| Total endowment funds classified as permanently restricted net assets | <u>\$ 3,156,784</u> |

Temporarily Restricted Net Assets

| | |
|--|-------------------|
| The portion of perpetual endowment funds subject to time restriction under OK UPMIFA with purpose restrictions | \$ 540,773 |
| Total endowment funds classified as temporarily restricted net assets | <u>\$ 540,773</u> |

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were approximately \$68,710 and \$77,580 for years ending June 30, 2012 and 2011, respectively. These deficiencies resulted from unfavorable market fluctuations. As a result, appropriations were limited to appropriations that were deemed prudent and necessary for the programs of the Foundation.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

June 30, 2012

NOTE E--ENDOWMENT DISCLOSURES--Continued

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments 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 or for a donor-specified period(s). The Foundation's investment objective for the Endowment Fund (the "Fund") is "Growth and Income". The intent of the objective is to provide both current income and future growth of the Fund sufficient to offset reasonable spending plus nominal inflation; thereby, preserving the dollar value and purchasing power of the endowment for future generations. Investment performance will be judged over a five-year horizon or market cycle. The goal for equity investment performance is to exceed the price and yield results of Standard and Poor's 500 Common Stock Index while maintaining a risk level similar to that of the benchmark. The goal for fixed income investment performance is to exceed returns of the broad U.S. bond market, while maintaining a risk level similar to that of the benchmark.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places an equal emphasis on equity and fixed income based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year amounts up to, but not to exceed actual investment performance for that year, as well as prior year accumulations. Since the Foundation has a policy of designating unrestricted funds each year for investment, it feels that this policy protects the purchasing power of the endowments as well as the original corpus of the donor-restricted investment. In light of current market fluctuations and the future needs of the Foundation, it will evaluate the spending policy to ensure that it remains in accordance with the long-term objectives of the Foundation.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

June 30, 2012

NOTE F--FAIR VALUE MEASUREMENTS

The following methods and assumptions were used to estimate the fair value of assets and liabilities in the financial statements.

Cash and Cash Equivalents: The carrying amount of the asset approximates fair value due to the short maturity of such amounts.

Investments: Governmental agency securities, common stock, and mutual funds are stated at fair value, and are based on quoted market prices, when available, or the best estimate of fair value as determined by the fund and/or investment manager. Fair values are based on quoted market prices, when available and are classified as Level 1 in the fair value hierarchy. When documented trade histories are not available, the fair value is determined using a discounted cash flow model and the assets are classified as Level 2 in the fair value hierarchy. The key observable inputs to the discounted cash flow model are the coupon, yield, and expected maturity. Fair values of certificates of deposit are based on yield curves, interest rates, and other relevant factors and are classified as Level 2. Private pool, and pooled equity and fixed income funds for which a quoted market price is not available are carried at net asset value ("NAV") as determined by the fund manager and are classified as Level 2. The pooled investments are classified as Level 2 due to their ability to be redeemed within 30 days of redemption request.

Contributions Receivable: The note is carried at cost and fair value is determined by calculating the present value of the expected future cash flows using a discount rate equal to the rate of return earned on the Foundation's investment portfolio.

Interest and Other Receivables: The carrying amount approximates fair value due to the short maturity of such amounts.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

June 30, 2012

NOTE F--FAIR VALUE MEASUREMENTS-Continued

Assets measured at fair value on a recurring basis are classified within the fair value hierarchy is as follows:

| | As of June 30, 2012 | | | |
|------------------------------|---------------------|---------------------|-------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 63,970 | \$ - | \$ - | \$ 63,970 |
| Certificates of deposit | - | 247,198 | - | 247,198 |
| Common stock | 1,068,188 | - | - | 1,068,188 |
| Government agency securities | - | 110,013 | - | 110,013 |
| Mutual fund - fixed income | 831,993 | - | - | 831,993 |
| Mutual fund - equity | 99,221 | - | - | 99,221 |
| Pooled fund - fixed income | - | 1,970,695 | - | 1,970,695 |
| Pooled fund - equities | - | 1,437,132 | - | 1,437,132 |
| Private pool | - | 89,607 | - | 89,607 |
| | <u>\$ 2,063,372</u> | <u>\$ 3,854,645</u> | <u>\$ -</u> | <u>\$ 5,918,017</u> |

Assets measured at fair value on a recurring basis are classified within the fair value hierarchy is as follows:

| | As of June 30, 2011 | | | |
|----------------------------|---------------------|---------------------|-------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 26,008 | \$ - | \$ - | \$ 26,008 |
| Certificates of deposit | - | 567,311 | - | 567,311 |
| Common stock - domestic | 755,335 | - | - | 755,335 |
| Mutual fund | 25,153 | - | - | 25,153 |
| Pooled fund - fixed income | - | 1,250,758 | - | 1,250,758 |
| Pooled fund - equities | - | 1,867,924 | - | 1,867,924 |
| Private pool | - | 92,203 | - | 92,203 |
| | <u>\$ 806,496</u> | <u>\$ 3,778,196</u> | <u>\$ -</u> | <u>\$ 4,584,692</u> |

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

June 30, 2012

NOTE F--FAIR VALUE MEASUREMENTS-Continued

The Foundation's investments in certain entities that calculate net asset value ("NAV") per share for which there is not a readily determinable fair market value include the following:

Pooled fund - Fixed income: This pooled fund is invested in a multi-strategy bond program, and will generally be invested in investment grade bonds and other fixed income securities in an attempt to outperform the broad U.S. bond market. Investment in the multi-strategy bond fund can be redeemed at net asset value per share on the last business day of each month with five days prior written notice. If the redemption is for 90% or more of the member's total interest, then 10% will be held back until after the final NAV on the redemption date is determined.

Pooled fund - Equities: The fund is a multi-strategy equity program, and is primarily invested in investment grade common and preferred stock of domestic companies, and includes diversification through a portion of assets allocated to common stock and equity securities of foreign companies in developed and emerging markets. A portion of the fund is also allocated to marketable alternative investments in domestic and foreign markets. Investment in the multi-strategy equity fund can be redeemed at net asset value per share on the last business day of each month with five days prior written notice. If the redemption is for 90% or more of the member's total interest, then 10% will be held back until after the final NAV on the redemption date is determined.

Private pool investment: The fund is primarily invested in domestic and foreign bond fund programs. The private pool includes diversification through a portion of assets allocated to common stock and equity index funds, and a portion is also allocated to marketable alternative investments. Investment in the private pool can be redeemed at net asset value per unit share with 30 days notice.

COMBINING STATEMENT OF ACTIVITIES

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

Year Ended June 30, 2012

| | <u>Tonkawa Unrestricted</u> | <u>Tonkawa Temporarily Restricted</u> | <u>Tonkawa Permanently Restricted</u> | <u>Enid Unrestricted</u> | <u>Enid Temporarily Restricted</u> | <u>Enid Permanently Restricted</u> | <u>Total</u> |
|--|---------------------------------|---|---|------------------------------|--|--|---------------------|
| REVENUES AND SUPPORT | | | | | | | |
| Investment income | | | | | | | |
| Interest and dividend income | \$ 23,267 | \$ 112,545 | \$ - | \$ 12 | \$ 6,762 | \$ 1,145 | \$ 143,731 |
| Unrealized gain, net | (1,908) | (6,599) | - | - | (4,318) | - | (12,825) |
| Total investment income | 21,359 | 105,946 | - | 12 | 2,444 | 1,145 | 130,906 |
| Contributions | 354,154 | 154,240 | 96,173 | 1,445 | 67,001 | 80,000 | 753,013 |
| Other income | - | 64,498 | - | 5 | 10,701 | - | 75,204 |
| Net assets released from restriction | 196,556 | (196,556) | - | 68,079 | (68,079) | - | - |
| TOTAL REVENUES AND SUPPORT | 572,069 | 128,128 | 96,173 | 69,541 | 12,067 | 81,145 | 959,123 |
| EXPENSES | | | | | | | |
| Scholarships to | | | | | | | |
| Northern Oklahoma College | 72,827 | - | - | 26,973 | - | - | 99,800 |
| General and administrative expense | 35,683 | - | - | - | - | - | 35,683 |
| Program expense | 124,303 | - | - | 38,341 | - | - | 162,644 |
| Fundraising expense | 14,316 | - | - | - | - | - | 14,316 |
| TOTAL EXPENSES | 247,129 | - | - | 65,314 | - | - | 312,443 |
| CHANGE IN NET ASSETS | 324,940 | 128,128 | 96,173 | 4,227 | 12,067 | 81,145 | 646,680 |
| NET ASSETS AT BEGINNING OF YEAR | 769,457 | 1,382,240 | 2,931,604 | (12,027) | 185,732 | 225,180 | 5,482,186 |
| NET ASSETS AT END OF YEAR | \$ 1,094,397 | \$ 1,510,368 | \$ 3,027,777 | \$ (7,800) | \$ 197,799 | \$ 306,325 | \$ 6,128,866 |

COMBINING STATEMENT OF ACTIVITIES

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

Year Ended June 30, 2011

| | <u>Tonkawa Unrestricted</u> | <u>Tonkawa Temporarily Restricted</u> | <u>Tonkawa Permanently Restricted</u> | <u>Enid Unrestricted</u> | <u>Enid Temporarily Restricted</u> | <u>Enid Permanently Restricted</u> | <u>Total</u> |
|--|---------------------------------|---|---|------------------------------|--|--|----------------------------|
| REVENUES AND SUPPORT | | | | | | | |
| Investment income | | | | | | | |
| Interest and dividend income | \$ 25,345 | \$ 66,322 | \$ 309 | \$ 12 | \$ 5,384 | \$ 49 | \$ 97,421 |
| Unrealized gain, net | <u>97,220</u> | <u>427,496</u> | <u>-</u> | <u>-</u> | <u>20,490</u> | <u>-</u> | <u>545,206</u> |
| Total investment income | 122,565 | 493,818 | 309 | 12 | 25,874 | 49 | 642,626 |
| Contributions | 31,134 | 116,268 | 1,663,739 | 2,615 | 34,992 | 60,000 | 1,908,748 |
| Other income | 159 | 80,754 | - | - | 10,675 | - | 91,588 |
| Net assets released from restriction | <u>198,185</u> | <u>(198,185)</u> | <u>-</u> | <u>25,714</u> | <u>(25,714)</u> | <u>-</u> | <u>-</u> |
| TOTAL REVENUES AND SUPPORT | 352,043 | 492,655 | 1,664,048 | 28,341 | 45,826 | 60,049 | 2,642,962 |
| EXPENSES | | | | | | | |
| Scholarships to | | | | | | | |
| Northern Oklahoma College | 57,894 | - | - | 15,096 | - | - | 72,990 |
| General and administrative expense | 25,885 | - | - | 73 | - | - | 25,958 |
| Program expense | 119,935 | - | - | 12,518 | - | - | 132,453 |
| Fundraising expense | <u>9,934</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>9,934</u> |
| TOTAL EXPENSES | 213,648 | - | - | 27,687 | - | - | 241,335 |
| CHANGE IN NET ASSETS | 138,395 | 492,655 | 1,664,048 | 654 | 45,826 | 60,049 | 2,401,627 |
| NET ASSETS AT BEGINNING OF YEAR | <u>631,062</u> | <u>889,585</u> | <u>1,267,556</u> | <u>(12,681)</u> | <u>139,906</u> | <u>165,131</u> | <u>3,080,559</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 769,457</u> | <u>\$ 1,382,240</u> | <u>\$ 2,931,604</u> | <u>\$ (12,027)</u> | <u>\$ 185,732</u> | <u>\$ 225,180</u> | <u>\$ 5,482,186</u> |