

Southwestern Oklahoma State University Foundation, Inc.

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY FOUNDATION, INC.

Statement of Financial Position
December 31, 2007
(With Comparative Totals for 2006)

	<u>2007</u>	<u>2006</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 190,104	\$ 170,010
Certificate of deposit	576	576
Current portion of long-term promises to give	<u>186,915</u>	<u>23,000</u>
Total Current Assets	<u>\$ 377,595</u>	<u>\$ 193,586</u>
Long-term promises to give, net of current portion	<u>\$ 729,508</u>	<u>\$ 11,000</u>
Long-Term Investments	<u>\$ 184,163</u>	<u>\$ 153,216</u>
Restricted Investments		
Investments	\$ 11,902,040	\$ 10,153,816
Equity in testamentary trust	580,000	580,000
Cash surrender value of life insurance	<u>203,528</u>	<u>187,212</u>
Total Restricted Investments	<u>\$ 12,685,577</u>	<u>\$ 10,921,028</u>
Net property and equipment, at cost	<u>\$ 769,592</u>	<u>\$ 823,077</u>
	<u>\$ 14,746,435</u>	<u>\$ 12,101,907</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 74,000	\$ 8,560
Deferred rental income	-	5,483
Due to the University	<u>-</u>	<u>8,188</u>
Total Liabilities	<u>\$ 74,000</u>	<u>\$ 22,231</u>
Net Assets		
Unrestricted		
Designated for specific purposes	\$ 591,467	\$ 591,547
Undesignated	<u>494,968</u>	<u>567,101</u>
Total Unrestricted	<u>\$ 1,086,435</u>	<u>\$ 1,158,648</u>
Temporarily Restricted	2,259,705	1,708,263
Permanently Restricted	<u>11,326,295</u>	<u>9,212,768</u>
Total Net Assets	<u>\$ 14,672,435</u>	<u>\$ 12,079,676</u>
Total Liabilities and Net Assets	<u>\$ 14,746,435</u>	<u>\$ 12,101,907</u>

See Accompanying Notes to Financial Statements

Southwestern Oklahoma State University Foundation, Inc.

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY FOUNDATION, INC.

Statement of Activities For the Year Ended December 31, 2007 (With Comparative Totals for 2006)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2007 Total	2006 Total
Revenues, Gains (Losses), and Other Support					
Contributions	\$ 625	\$ 518,273	\$ 2,073,537	\$ 2,592,435	\$ 662,943
Program service revenue	-	211,214	-	211,214	117,066
Interest and dividend income	38,310	217,876	145,736	401,922	342,892
Gains (losses) on investments					
Realized	6,883	263,790	176,447	447,120	349,380
Unrealized	(33,447)	(101,610)	(67,980)	(203,037)	655,816
Building rental	70,601	-	-	70,601	112,978
Loss on Disposal of Property	(34,828)	-	-	(34,828)	-
Other	6,741	65,000	-	71,741	86,764
Net assets released from restrictions	837,291	(837,291)	-	-	-
Total Revenues, Gains (Losses), and Other Support	\$ 892,176	\$ 337,232	\$ 2,327,740	\$ 3,557,148	\$ 2,317,839
Expenses					
Program services	\$ 860,518	\$ -	\$ -	\$ 860,518	757,856
Supporting services					
Management and general	93,018	-	-	93,018	63,777
Fund-raising	10,853	-	-	10,853	38,140
Total Expenses	\$ 964,389	\$ -	\$ -	\$ 964,389	\$ 859,773
Increase in Net Assets	\$ (72,213)	\$ 337,232	\$ 2,327,740	\$ 2,592,759	\$ 1,458,066
Net Assets at Beginning of Year, as Previously Reported	1,158,648	1,708,263	9,212,765	12,079,676	10,621,610
Reclassification of Net Assets	-	214,210	(214,210)	-	-
Net Assets at Beginning of Year, as Reclassified	\$ 1,158,648	\$ 1,922,473	\$ 8,998,555	\$ 12,079,676	\$ 10,621,610
Net Assets, End of Year	\$ 1,086,435	\$ 2,259,705	\$ 11,326,295	\$ 14,672,435	\$ 12,079,676

See Accompanying Notes to Financial Statements

Southwestern Oklahoma State University Foundation, Inc.

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY FOUNDATION, INC.

Statement of Cash Flows For the Year Ended December 31, 2007 (With Comparative Totals for 2006)

	<u>2007</u>	<u>2006</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 2,592,759	\$ 1,458,066
Adjustments to reconcile increase in net assets to		
Cash provided (used) by operating activities		
Depreciation and amortization	18,658	22,527
Loss on disposal of property	34,828	-
Unrealized (gains) losses on marketable securities	157,861	(912,478)
Gain on sale of marketable securities	(103,139)	(172,151)
Increase in cash surrender value of life insurance policies	(16,316)	(10,187)
(Increase) decrease in:		
Unconditional promises to give	(882,423)	50,400
Receivable from trust	-	127,539
Increase (decrease) in:		
Accounts payable	57,251	(30,909)
Deferred rental income	(5,483)	5,483
Contributions restricted for long-term purposes		
Contributions	(2,073,538)	(290,617)
Interest and Dividends	(145,736)	(232,751)
Net Cash Provided (Used) by Operating Activities	<u>\$ (365,278)</u>	<u>\$ 14,922</u>
Cash Flow from Investing Activities		
Increase in certificate of deposit	\$ -	\$ (19)
Purchase of marketable securities	(4,343,476)	(4,025,544)
Proceeds from sale of marketable securities	2,509,574	3,648,122
Net Cash Provided (Used) by Investing Activities	<u>\$ (1,833,902)</u>	<u>\$ (377,441)</u>
Cash Flow from Financing Activities		
Payments on note payable to bank	\$ -	\$ (217,153)
Collections of contributions restricted for long-term purposes:		
Endowment fund	2,219,274	523,368
Net Cash Provided (Used) by Financing Activities	<u>\$ 2,219,274</u>	<u>\$ 306,215</u>
Net Increase (Decrease) in Cash	<u>\$ 20,094</u>	<u>\$ (56,304)</u>
Cash, Beginning of Year	<u>170,010</u>	<u>226,314</u>
Cash, End of Year	<u>\$ 190,104</u>	<u>\$ 170,010</u>
Supplemental Disclosure		
Cash paid for interest	<u>\$ -</u>	<u>\$ 3,777</u>

See Accompanying Notes to Financial Statements

Southwestern Oklahoma State University Foundation, Inc.

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY FOUNDATION, INC.

Statement of Functional Expenses For the Year Ended December 31, 2007 (With Comparative Totals for 2006)

	Program			Total	
	Services for University	Management and General	Fund- Raising	2007	2006
Grants and allocations	\$ 42,025	\$ —	\$ —	\$ 42,025	\$ 110,536
Scholarships	416,517	—	—	416,517	305,523
Furniture, fixtures and equipment expenses	80,247	20,008	—	100,255	13,815
Departmental activities	153,095	—	—	153,095	73,224
Supplies	52,742	727	2,186	55,655	108,921
Printing and publications	11,526	4,188	2,996	18,710	21,597
Postage and shipping	739	2,314	—	3,053	8,405
Travel	9,523	231	1,215	10,969	12,101
Seminars and meetings	44,463	4,392	—	48,855	42,949
Events	—	128	3,201	3,329	3,525
Recruiting	23,634	—	—	23,634	21,247
Insurance premiums - donors, net	(6,801)	—	—	(6,801)	1,277
Other insurance	—	6,303	—	6,303	4,814
Other program services	14,569	—	—	14,569	35,711
Accounting and legal fees	—	17,870	—	17,870	2,520
Member dues	—	1,152	—	1,152	968
Telephone	—	848	505	1,353	2,592
Depreciation	18,239	419	—	18,658	19,388
Amortization of mineral rights	—	—	—	—	3,140
Management fees	—	5,129	—	5,129	15,413
Professional fund-raising expenses	—	5,309	750	6,059	19,325
Interest expense	—	—	—	—	3,777
Personnel usage fee	—	24,000	—	24,000	24,000
	<u>\$ 860,518</u>	<u>\$ 93,018</u>	<u>\$ 10,853</u>	<u>\$ 964,389</u>	<u>\$ 854,768</u>

See Accompanying Notes to Financial Statements

Southwestern Oklahoma State University Foundation, Inc.

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

December 31, 2007

Notes 1 – Nature of Activities and Significant Accounting Policies

Nature of Activities

Southwestern Oklahoma State University Foundation, Inc. (the Foundation) is organized for the benefit of Southwestern Oklahoma State University (the University), Weatherford, Oklahoma, its faculty, its student body, and its programs. The Foundation provides scholarships and support and enhances the further development of Southwestern Oklahoma State University. The Foundation receives contributions from the public which are generally to be used for the benefit of the University. The Foundation also receives program service revenues which support the various departmental activities at the University.

Promises to Give and Other Receivables

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. All contributions are considered to be available for unrestricted use unless specifically restricted by donor. Donor restricted funds are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, restricted net assets are reclassified to unrestricted net assets.

Management charges income with doubtful accounts when they are considered uncollectible. Management believes that the remaining promises to give are fully collectible, therefore no provision for uncollectible promises to give has been recorded.

Contributed Services and Materials

During the year ended December 31, 2007, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Foundation, but these services do not meet the criteria for recognition as contributed services. Donated materials and supplies are recorded at estimated fair value and reported as contributions and program expenses.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, gains (losses), and other support and expenses during the reporting period. Actual results could differ from these estimates.

Southwestern Oklahoma State University Foundation, Inc.

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY FOUNDATION, INC. Notes to Financial Statements December 31, 2007

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

Property and Equipment

It is the Foundation's policy to capitalize property and equipment additions over \$5,000. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. If there are no donor stipulations regarding how long these donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Property and equipment is depreciated using the straight-line method as follows:

Office equipment	10 years
Buildings	40 years

Amortization

Mineral rights were initially recorded at fair value of \$15,700 and are amortized by the straight-line method over a 5 year period. The mineral rights were fully amortized at December 31, 2006.

Office Facility and Staff Support

The Foundation and University operate under an agreement that the University will provide office space for the Foundation records, administrator and secretarial support, and various other operating costs. The Foundation pays the University a personnel usage fee. This fee for 2007 was \$24,000. The Foundation also provides monies for scholarship support and other program needs of the University which is in excess of the benefits provided by the University. All costs incurred for University programs are included in program expenses. No additional accounting entries are made to record the benefit received from the University.

Financial Statement Presentation

The Foundation applies Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statement of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets, unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As required by the statement, the Foundation does not use fund accounting.

Contributions

The Foundation has also adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Southwestern Oklahoma State University Foundation, Inc.

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

December 31, 2007

Notes 1 – Nature of Activities and Significant Accounting Policies (continued)

Income Taxes

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue code and is classified by the Internal Revenue Service as other than a private foundation.

Investments

The Foundation has adopted SFAS No. 124, *Accounting for Certain Investments Held by Not-For-Profit Organizations*. Under SFAS No. 124, 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 gains and losses are included in the changes in net assets. Investment income and gains restricted by a donor are reported as increases in restricted net assets. When the restrictions are met (either by passage of time or by use) the amount is transferred to unrestricted net assets.

Management fees charged by the investment companies are paid from unrestricted funds. The fees for 2007 were \$20,644.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Restrictions on Net Assets

Temporarily restricted net assets include the various program activity accounts maintained for the university departments. All support and revenue for these various accounts are reported as an increase in temporarily restricted net assets. Temporarily restricted net assets also include the income earned on permanently restricted net assets, which is available for distributions as scholarships or other expenses as required by the donor.

Permanently restricted net assets are generally contributions received from an estate or trust or provided by an endowment. Generally a certain percentage of the investment return for these accounts are available and transferred to temporarily restricted net assets for the benefit of the university as specified by the donor.

Related Parties

Substantially all expenditures are incurred for the benefit of the University. University management faculty are very much involved in the operations of the Foundation and are considered related parties. Accounts payable of \$74,000 are to the University for personnel costs and grant payments.

Southwestern Oklahoma State University Foundation, Inc.

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements
December 31, 2007

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

Comparative Data

The financial statements include certain 2006 comparative information. With respect to the statement of activities, 2006 support and revenue are presented in total rather than by type of restriction. With respect to the statement of functional expenses, 2006 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 December 31, 2006, from which the summarized information was prepared.

Note 2 – Promise to Give and Other Program Receivables

Unconditional promises to give are due as follows:

Amounts due in:	
Less than one year	\$ 186,915
One to five years	<u>729,508</u>
	<u>\$ 916,423</u>

Promises to give are reported as temporarily or permanently restricted contributions since they are not available for expenditure until collected.

Unconditional promises to give in more than one year are reflected at present value of estimated future cash flows.

Note 3 – Credit Risk

Financial instruments that potentially subject the Foundation to credit risk consists principally of unconditional promises to give and other receivables from donors.

The Foundation maintains its cash in bank deposit accounts which, at times, exceed Federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes the Foundation is not exposed to any significant credit risk on these accounts. The Foundation also participates in diversified asset mutual funds and common equity securities which are not covered by FDIC insurance. These funds are reported as marketable securities, except for cash management accounts that are reported as cash and cash equivalents.

Southwestern Oklahoma State University Foundation, Inc.

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements
December 31, 2007

Note 4 – Promises to Give

Promises to give include the following:

Unconditional promises to give before unamortized discount	\$ 1,183,000
Less: Unamortized discounted (6.0%)	<u>(266,577)</u>
Net unconditional promises to give	<u>\$ 916,423</u>
Amounts due in:	
Less than one year	\$ 186,915
One to five years	700,898
Six to seven years	<u>28,610</u>
Total	<u>\$ 916,423</u>

Management believes that all contributions are receivable based on prior pledge drives and knowledge of donors. The promises to give are restricted by the donors to the endowment funds.

Note 5 – Investments

Investments are stated at fair value and consist of the following:

Equity Securities	\$ 1,328,714
Mutual Funds	<u>10,515,867</u>
Total Marketable Securities	\$ 11,844,581
Investment in Trust	580,000
Annuity Contract	241,631
Cash Surrender Value of Life Insurance	<u>203,528</u>
	<u>\$ 12,869,740</u>

The cost and unrealized appreciation on marketable securities is as follows:

	<u>Cost</u>	<u>Unrealized Appreciation</u>
Equity Securities	\$ 1,232,997	\$ 95,717
Mutual Funds	<u>9,424,347</u>	<u>1,091,520</u>
	<u>\$ 10,657,344</u>	<u>\$ 1,187,237</u>

Southwestern Oklahoma State University Foundation, Inc.

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY FOUNDATION, INC. Notes to Financial Statements December 31, 2007

Notes 5 – Investments (continued)

These investments are restricted to the extent of temporarily and permanently restricted net assets.

Market Value Risk

The Foundation invests funds in professionally managed funds which include mutual funds that contain various types of marketable securities. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in the near term could materially affect investment balances and the amounts reported in the financial statements.

Notes 6 – Rental Property

The Foundation acquired property and completed construction of a building during 2003. The Foundation has renewed a lease agreement with the University to lease the property for a one year term expiring on June 30, 2008. The lease provides for an annual rental of \$70,000 payable in monthly installments of \$5,833. The Foundation is to provide for any significant repairs and maintenance. The University is to provide for all utilities, services and other operating costs including general repair and maintenance. The University has the sole option to renew for a 10 year period. Terms and conditions of the lease are to be reviewed annually. At December 31, 2007, the University is committed to pay rentals, which total \$35,000 through June 30, 2008. Also, in prior years the Foundation received a donation of real property located in Colony, Oklahoma. This property was donated to the University during 2007.

Notes 7 – Property and Equipment

The following is a summary of property and equipment at December 31, 2007:

	Cost	Accumulated Depreciation	Net Property
Rental Property			
Land	\$ 120,000	\$ --	\$ 120,000
Buildings	729,549	82,835	646,714
Office Equipment	4,185	1,307	2,878
	<u>\$ 853,734</u>	<u>\$ 84,142</u>	<u>\$ 769,592</u>

During 2007, property with a cost of \$36,500 was donated to the University.

Notes 8 – Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Southwestern Oklahoma State University Foundation, Inc.

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

December 31, 2007

Note 9 – Reclassifications

A reclassification has been made on the statement of activities to correct beginning net assets for an account which should have been shown as temporarily restricted rather than permanently restricted. At the present time, scholarships may be paid out of the account on an annual basis. The account is to become permanently restricted in 2010. A reclassification of \$214,210 was made. This reclassification did not have an effect on total beginning net assets.

Note 10 – Concentration of Credit Risk Arising From Cash Deposits

The Foundation maintains its cash balances at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. The Foundation has a balance of approximately \$60,000 at one financial institution that was uninsured at December 31, 2007.

Note 11 – Contingency

The Foundation's investments have incurred unrealized losses subsequent to year-end due to the downturn in the market. The unrealized loss for the period January 1, 2008 through June 30, 2008, was approximately \$1,254,000.