

**PANHANDLE STATE FOUNDATION**

AUDIT REPORT

FOR THE YEARS ENDED

DECEMBER 31, 2011 and 2010

# PANHANDLE STATE FOUNDATION

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**BROWN, GRAHAM & COMPANY**

PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 67 • Spearman, Texas 79081 • 806-659-2538

Independent Auditor's Report

Board of Directors  
Panhandle State Foundation  
Goodwell, Oklahoma

We have audited the accompanying statements of financial position of the Panhandle State Foundation (a nonprofit organization) (the "Foundation") as of December 31, 2011 and 2010, 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 evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Panhandle State Foundation as of December 31, 2011 and 2010, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Brown, Graham & Company, P.C.*

Spearman, Texas  
July 24, 2012

**PANHANDLE STATE FOUNDATION**

STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 239,233	\$ 119,481
Temporary investments	160,061	160,218
Investments (at fair market value)	8,684,174	6,804,598
Receivables:		
Accrued interest	165	448
Interest in net assets of perpetual trusts	422,209	447,624
Property and equipment (net of accumulated depreciation)	1,330	1,802
Investment in mineral interests	45,500	-
	<u>          </u>	<u>          </u>
Total assets	<u>\$ 9,552,672</u>	<u>\$ 7,534,171</u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
Liabilities:		
Accrued compensated absences	\$ 5,390	\$ 4,198
Funds held in custody for others	176,708	163,644
	<u>          </u>	<u>          </u>
Total liabilities	<u>182,098</u>	<u>167,842</u>
 Net Assets:		
Unrestricted	5,211,549	4,511,376
Temporarily restricted	295,198	288,759
Permanently restricted	3,863,827	2,566,194
	<u>          </u>	<u>          </u>
Total net assets	<u>9,370,574</u>	<u>7,366,329</u>
	<u>          </u>	<u>          </u>
Total liabilities and net assets	<u>\$ 9,552,672</u>	<u>\$ 7,534,171</u>

The accompanying notes are an integral part of these financial statements.

# PANHANDLE STATE FOUNDATION

## STATEMENTS OF ACTIVITIES

Years Ended December 31, 2011 and 2010

<u>CHANGE IN UNRESTRICTED NET ASSETS</u>	2011	2010
Unrestricted revenues, gains and (losses):		
Contributions	\$ 77,285	\$ 52,345
Investment income	333,899	299,340
Royalty income	21,764	-
Net unrealized gains (losses) on investments	579,730	710,922
Total unrestricted revenues, gains and (losses)	1,012,678	1,062,607
Net assets released from restrictions:		
Satisfaction of program restrictions	413,362	414,941
Reclassifications	-	(7,709)
Total unrestricted revenues, gains, (losses), and reclassifications	1,426,040	1,469,839
Expenses:		
Program services:		
Scholarships for University students	294,999	263,588
Non-scholarship support to University	309,480	331,491
Supporting services:		
General and administrative	120,916	104,712
Depreciation	472	751
Total expenses	725,867	700,542
Increase in unrestricted net assets	700,173	769,297
<u>CHANGE IN TEMPORARILY RESTRICTED ASSETS</u>		
Revenues and gains:		
Contributions	440,701	452,271
Net assets released from restrictions:		
Satisfaction of program restrictions	(413,362)	(414,941)
Reclassifications	(20,900)	(10,406)
Increase in temporarily restricted assets	6,439	26,924
<u>CHANGES IN PERMANENTLY RESTRICTED ASSETS</u>		
Revenues and gains:		
Contributions	1,302,147	27,973
Change in interest in perpetual trusts	(25,414)	22,126
Reclassifications	20,900	18,115
Increase in permanently restricted assets	1,297,633	68,214
Total increase in net assets	2,004,245	864,435
NET ASSETS, beginning of year	7,366,329	6,501,894
NET ASSETS, end of year	\$ 9,370,574	\$ 7,366,329

The accompanying notes are an integral part of these financial statements.

# PANHANDLE STATE FOUNDATION

## STATEMENTS OF CASH FLOWS

Years Ended December 31, 2011 and 2010

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<u>2011</u>	<u>2010</u>
Cash received from contributions	\$ 467,316	\$ 499,446
Interest, dividends and royalty	355,945	299,309
Cash paid to vendors and employees	(114,553)	(98,295)
Cash paid for scholarships & other support	(604,479)	(595,079)
Net cash flows from operating activities	104,229	105,381
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Increase in funds held in custody for others	13,064	10,003
Purchase of equipment	-	(1,945)
Proceeds from sale of investments	166,486	911,037
Purchase of investments	(1,466,174)	(1,042,374)
Net cash flows from investing activities	(1,286,624)	(123,279)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Contributions restricted for investment in endowment	1,302,147	27,973
Net cash flows from financing activities	1,302,147	27,973
Net increase in cash and cash equivalents	119,752	10,075
CASH AND CASH EQUIVALENTS, beginning of year	119,481	109,406
CASH AND CASH EQUIVALENTS, end of year	\$ 239,233	\$ 119,481

### RECONCILIATION OF CHANGES IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 2,004,245	\$ 864,435
Adjustments to reconcile increase in net assets to net cash flows from operating activities:		
Net unrealized (gain) loss on investments	(579,730)	(710,922)
Change in interest in perpetual trusts	25,414	(22,126)
Receipt of non-cash contribution	(50,670)	(5,170)
Non-cash rent expense	5,170	5,170
Depreciation	472	751
Loss on disposal of assets	-	613
Contributions restricted for endowment	(1,302,147)	(27,973)
Change in assets and liabilities:		
(Increase) decrease in accrued interest receivable	283	(31)
Increase in accounts payable	1,192	634
Net cash flows from operating activities	\$ 104,229	\$ 105,381

### SUPPLEMENTAL DISCLOSURES:

Non-cash contributions received	\$ 50,670	\$ 5,170
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The accompanying notes are an integral part of these financial statements.

# PANHANDLE STATE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

### 1. ORGANIZATION

Panhandle State Foundation (the Foundation) was established November 9, 1961, as a private non-profit organization for the benefit of Oklahoma Panhandle State University (the University). The Foundation awards scholarships to University students and provides general support to the University. In addition, the Foundation maintains and services the funds for various organizations and support groups of the University. A board of directors governs the Foundation, which is separate and distinct from the board of regents, the governing board of the University.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting and reporting policies applied in the preparation of the accompanying financial statements are as follows:

Basis of Accounting - The Foundation uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when a liability is incurred. Expenses incurred but not paid at year-end are represented as a liability on the statements of financial position. Other revenues are recognized when received or earned. Net assets represent the cumulative excess of revenues recognized over expenses incurred.

Financial Statement Presentation - The accompanying financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification No. 958, which requires the Foundation to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets represent resources over which the Board of Directors has unlimited discretionary control to carry out the activities of the Foundation. Temporarily restricted net assets represent resources whose use is limited by donor-imposed restrictions that will be met either by actions of the organization or by the passage of time. Permanently restricted net assets represent resources whose use is limited by donor-imposed restrictions that require the net assets to be maintained permanently.

Contributions Received and Made - In accordance with FASB Accounting Standards Codification No. 958, pledges from contributors are recognized as revenues in the period that they are made by the donor. Unsolicited contributions are recognized as revenues when received. FASB Accounting Standards Codification No. 958 defines a contribution as "an unconditional transfer of cash or other assets. Other assets include unconditional promises to give." FASB Accounting Standards Codification No. 958 also requires the recognition of a liability for an unconditional promise to give by the Foundation. The liability and associated expense should be recognized at the time when the Foundation has an obligation to transfer the promised assets in the future, which generally occurs when the donor approves a specific grant or when the recipient is notified.

Recognition of Donor Restrictions - Revenues restricted by donors are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenues are received. All other donor restricted revenues are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

# PANHANDLE STATE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment - Purchased property and equipment is recorded at cost while donated property and equipment is recorded at fair market value at the date of donation. Depreciation of property and equipment is calculated on the estimated useful life of the assets using the straight-line method as follows:

Computer equipment and software	5 - 7 years
Furniture and fixtures	10 years

Statements of Cash Flows - For purposes of the statements of cash flows, cash and cash equivalents include bank checking and savings accounts and certificates of deposit with original maturities of 90 days or less.

Investments - In accordance with FASB Accounting Standards Codification No. 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the statements of financial position. Net unrealized and realized gains and losses on investments are included in the statements of activities as changes in unrestricted net assets.

Use of Estimates - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets, liabilities, and net assets, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Income Tax - The Panhandle State Foundation qualifies as an organization exempt from income taxes under Section 501(c)(3) of the *Internal Revenue Code*. As such, no provision has been made for federal or state income taxes.

In June 2006, the Financial Accounting Standards Board (FASB) released FASB Interpretation 48 (FIN 48) *Accounting for Uncertainty in Income Taxes* (Currently FASB Accounting Standards Codification (ASC) 740, *Income Taxes*), which requires extensive disclosures about uncertain income tax positions. This standard seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to income taxes. The Panhandle State Foundation evaluates any uncertain tax positions using the provisions of ASC 450, *Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. The Panhandle State Foundation does not believe that it engaged in any activity that would result in an uncertain tax position. As a result, management does not believe that any uncertain tax positions currently exist and no loss contingency has been recognized in the accompanying financial statements. Federal and state income tax statutes dictate that tax returns filed in any of the three previous reporting periods remain open to examination. Currently the Panhandle State Foundation has no open examination with either the Internal Revenue Service or state taxing authorities.



## PANHANDLE STATE FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

#### 3. CASH AND CASH EQUIVALENTS

For purposes of these financial statements, cash equivalents consist of deposits in checking and money market accounts.

	<u>2011</u>	<u>2010</u>
Checking account	\$ 195,455	\$ 52,714
Money market	43,778	66,767
Total cash and cash equivalents	<u>\$ 239,233</u>	<u>\$ 119,481</u>

Certificates of deposit with an original maturity in excess of 90 days, in the amounts of \$160,061 and 160,218 on December 31, 2011 and 2010, respectively, are reported as temporary investments rather than cash equivalents. A credit risk exists when deposits held at a financial institution are in excess of FDIC insured amounts or when cash accounts at brokerage firms exceed SIPC limits. For the years ended December 31, 2011 and 2010 there were no deposits in excess of FDIC and SIPC limits.

#### 4. INVESTMENTS IN SECURITIES

The Foundation's investments in securities, at fair market value, include the following as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Common stocks	\$ 3,945,220	\$ 2,917,584
Mutual funds	348,389	367,085
Corporate bonds	1,627,391	751,630
Asset and mortgage backed securities	2,683,660	2,768,299
Publically traded limited partnership	79,514	-
Total investments	<u>\$ 8,684,174</u>	<u>\$ 6,804,598</u>

Total investment return consists of the following components:

	<u>2011</u>	<u>2010</u>
Interest income	\$ 195,137	\$ 183,595
Dividend income	138,762	115,745
Net gains and losses on investments reported at fair value	579,730	710,922
Total investment return	<u>\$ 913,629</u>	<u>\$ 1,010,262</u>

#### 5. FAIR VALUE MEASUREMENTS

FASB ASC No. 820-10-50, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC No. 820-10-50 are described as follows:

Level 1 – Inputs to the value methodology are quoted prices available in active markets for identical investments as of the reporting date;

## PANHANDLE STATE FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

#### 5. FAIR VALUE MEASUREMENTS (continued)

Level 2 – Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of model or other valuation methodologies; and

Level 3 – Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

The fair market values of the Foundation's investments are determined from quoted prices in active markets, (Level 1, as defined above) as of December 31, 2011, and 2010. The fair market values of the Foundation's CD's are determined by issuer, which is a valuation methodology other than quoted prices in active markets (Level 2, as defined above) as of December 31, 2011, and 2010.

#### 6. PROPERTY AND EQUIPMENT

Investment in property and equipment, at December 31, 2011 and 2010, was as follows:

	Balance 1/1/11	Additions	Dispositions	Balance 12/31/11
Computer equipment and software	\$ 7,907	\$ -	\$ -	\$ 7,907
Accumulated depreciation	(6,105)	(472)	-	(6,577)
Net property and equipment	\$ 1,802	\$ (472)	\$ -	\$ 1,330

	Balance 1/1/10	Additions	Dispositions	Balance 12/31/10
Computer equipment and software	\$ 8,489	\$ 1,945	\$ (2,527)	\$ 7,907
Accumulated depreciation	(7,268)	(751)	1,914	(6,105)
Net property and equipment	\$ 1,221	\$ 1,194	\$ (613)	\$ 1,802

#### 7. INTEREST IN NET ASSETS OF PERPETUAL TRUST

The Foundation is the beneficiary of assets held in trust by other foundations. Two donors created trusts that are managed through Baptist Foundation of Oklahoma and the Oklahoma United Methodist Foundation. These assets are to be held in perpetuity by the respective foundations, with the trust income to be distributed annually to the Panhandle State Foundation. The funds received from these trusts are for general scholarships and therefore reported as unrestricted. Investments of the trusts were valued at \$422,209 and \$447,624 on December 31, 2011 and 2010, respectively. In accordance with FASB Accounting Standards Codification No. 958, the value of the assets held in trust have been reported as an asset of the Panhandle State Foundation.

**PANHANDLE STATE FOUNDATION**

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

8. FUNDS HELD IN CUSTODY FOR OTHERS

The Foundation holds in custody funds belonging to the Alumni Association. Although these funds are administered by the Foundation, the Foundation does not exercise control over the funds. Accordingly, these amounts are presented as liabilities in the accompanying statements of financial position. The balances of these funds as of December 31, 2011 and 2010, include the following:

	2011	2010
Alumni Association	\$ 176,708	\$ 163,644

9. COMPENSATED ABSENCES

Employees earn annual leave at a rate of 20 hours per month. Upon leaving employment with the Foundation, an employee with one or more years of service is paid for accrued annual leave up to a maximum of 36 days. The liability for accrued compensated absences as of December 31, 2011 and 2010, was \$5,390 and \$4,198, respectfully.

10. RESTRICTED NET ASSETS

In the year 2011 temporarily restricted net assets are available for the following purposes as specified by the donor:

	12/31/2010	Increase	Decrease	Reclass	12/31/2011
Contributions received for scholarships	\$ 149,425	\$ 88,149	\$ 103,882	\$ (20,000)	\$ 113,692
Contributions received for staff development	12,196	5,000	3,575	-	13,621
Contributions received for specific programs and student groups	124,081	283,968	258,426	(900)	148,723
Contribution received for PSU facilities and equipment	3,057	63,584	47,479	-	19,162
Total temporarily restricted net assets	\$ 288,759	\$ 440,701	\$ 413,362	\$ (20,900)	\$ 295,198

In the year 2010 temporarily restricted net assets are available for the following purposes as specified by the donor:

	12/31/2009	Increase	Decrease	Reclass	12/31/2010
Contributions received for scholarships	\$ 120,101	\$ 122,774	\$ 83,450	\$ (10,000)	\$ 149,425
Contributions received for staff development	10,948	5,000	3,752	-	12,196
Contributions received for specific programs and student groups	94,058	314,247	284,225	-	124,081
Contribution received for PSU facilities and equipment	36,728	10,250	43,515	(406)	3,057
Total temporarily restricted net assets	\$ 261,835	\$ 452,271	\$ 414,942	\$ (10,406)	\$ 288,759

## PANHANDLE STATE FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

#### 10. RESTRICTED NET ASSETS (continued)

Permanently restricted net assets are restricted to investments held in perpetuity, the income from which is expendable for scholarships to students and for the support of specified academic programs of the University.

In the year 2011 permanently restricted net assets include the following endowment funds:

	Balance 12/31/2010	Market Increase or Decrease	Contributions	Reclass	Balance 12/31/2011
<u>Endowments</u>					
Rule of Law Educational fund	\$ -	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000
Lucille Rhoton Fund	319,621	-	-	-	319,621
Hazel E. Exline Scholarship Endowment	164,289	-	-	-	164,289
Mary Lee Memorial Endowment	160,000	-	-	-	160,000
Baughman Foundation Endowment	145,000	-	5,000	-	150,000
Other permanently restricted funds	1,329,661	-	297,147	20,900	1,647,708
Total Endowments	<u>2,118,571</u>	<u>-</u>	<u>1,302,147</u>	<u>20,900</u>	<u>3,441,618</u>
<u>Beneficial Interests</u>					
Interest in Allie Mitchell Trust	431,544	(24,338)	-	-	407,206
Interest in Robert Murphy Trust	16,079	(1,076)	-	-	15,003
Total Beneficial Interests	<u>447,623</u>	<u>(25,414)</u>	<u>-</u>	<u>-</u>	<u>422,209</u>
Total permanently restricted net assets	<u>\$ 2,566,194</u>	<u>\$ (25,414)</u>	<u>\$ 1,302,147</u>	<u>\$ 20,900</u>	<u>\$ 3,863,827</u>

In the year 2010 permanently restricted net assets include the following endowment funds:

	Balance 12/31/2009	Market Increase or Decrease	Contributions	Reclass	Balance 12/31/2010
<u>Endowments</u>					
Lucille Rhoton Fund	\$ 319,621	\$ -	\$ -	\$ -	\$ 319,621
Hazel E. Exline Scholarship Endowment	164,289	-	-	-	164,289
Mary Lee Memorial Endowment	160,000	-	-	-	160,000
Baughman Foundation Endowment	140,000	-	5,000	-	145,000
Downer Endowment	119,931	-	-	-	119,931
Other permanently restricted funds	1,168,642	-	22,973	18,115	1,209,730
Total Endowments	<u>2,072,483</u>	<u>-</u>	<u>27,973</u>	<u>18,115</u>	<u>2,118,571</u>
<u>Beneficial Interests</u>					
Interest in Allie Mitchell Trust	410,282	21,262	-	-	431,544
Interest in Robert Murphy Trust	15,215	864	-	-	16,079
Total Beneficial Interests	<u>425,497</u>	<u>22,126</u>	<u>-</u>	<u>-</u>	<u>447,623</u>
Total permanently restricted net assets	<u>\$ 2,497,980</u>	<u>\$ 22,126</u>	<u>\$ 27,973</u>	<u>\$ 18,115</u>	<u>\$ 2,566,194</u>

# PANHANDLE STATE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

### 10. RESTRICTED NET ASSETS (continued)

Selected funds within the three groups of net assets have been reclassified. Reclassified temporarily restricted net assets and permanently restricted net assets are included in the "Reclass" columns of the tables listed on the previous page. Funds in the temporarily restricted net assets grouping that had accumulated enough contributions to endow a continuing scholarship have been reclassified as permanently restricted net assets, based upon an understanding with the donor.

The Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the date the donor restricted endowment funds are received, absent of any explicit donor stipulations to the contrary.

The Foundation's policy is to invest endowed assets in such a way as to provide a predictable stream of funding for scholarships to the University while preserving the original principal of endowed funds. When selecting investments, more emphasis is given to investment return rather than growth as a means to provide more current income for scholarships. The rate of return on investments varies according to the market, but the Foundation has been able to consistently maintain a minimum return of at least 5% over the past few years.

The Foundation utilizes a total return approach whereby all funds are pooled for investing and the total earnings are reported as unrestricted net assets. The total earnings are first used to fund the endowed scholarships and the remainder is then used to provide general scholarship support to the University. Any unrealized gains or losses on investments are also reported as unrestricted net assets so that the original amount of the endowment principal is maintained.

### 11. SUMMARY OF SUPPORTING SERVICES

Following is a summary of general and administrative supporting services by type of expenditure for the year ended December 31, 2011 and 2010.

General and Administrative:	2011	2010
Salaries and benefits	\$ 84,259	\$ 75,892
Audit and legal	17,408	8,155
Office supplies	3,864	2,811
Postage	2,322	3,139
Printing	4,146	4,312
Travel	742	988
Meeting expense	2,813	2,862
Other current expense	192	1,383
Facility expense	5,170	5,170
Total general and administrative	<u>\$ 120,916</u>	<u>\$ 104,712</u>

### 12. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2011 and 2010, the Foundation awarded scholarships totaling approximately \$294,999 and \$263,588 respectively, to students and faculty members of the University. In addition, the Foundation paid for goods and services on behalf of the University totaling \$309,480 and \$331,491 for 2011 and 2010 respectively. Included in contribution revenues and in general and administrative expenses for both years is \$5,170 for office space contributed by the University to the Foundation.

## PANHANDLE STATE FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

13. RELATED ENTITY

The Panhandle State Foundation is the sole owner of the OPSU Student Housing, LLC, a single-member limited liability company created to build and manage a student housing facility on the OPSU campus. The LLC is to exist until all construction related debt is satisfied. By contract, the University controls the operation of the facility owned by the LLC. The Foundation has no transactions with the LLC, it has no investment in the LLC, it is not entitled to any distribution of net profits from the LLC, and all assets of the LLC pass directly to the University upon dissolution of the LLC. In accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification No. 958-810-55 the financial statements of the LLC have not been consolidated with the financial statements of the Panhandle State Foundation. The LLC is reported as a component unit of Panhandle State University.

14. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through July 24, 2012, which is the date on which the financial statements were available to be issued. No events requiring disclosure were noted.