UNION SCHOOLS EDUCATION FOUNDATION, INC.

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS

For the Year Ended June 30, 2010
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Independent Auditors' Report

To the Board of Trustees of
Union Schools Education Foundation, Inc.

We have audited the accompanying statement of financial position of UNION SCHOOLS EDUCATION FOUNDATION, INC. (a non-profit organization) as of June 30, 2010 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 UNION SCHOOLS EDUCATION FOUNDATION, INC. as of June 30, 2010, 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.

Tulsa, Oklahoma
September 7, 2010
UNION SCHOOLS EDUCATION FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2010

ASSETS

Current assets:
Cash and cash equivalents (Notes A and B) $ 201,151
Certificates of deposit (Notes A and B) 30,023
Pledges receivable, current portion (Note C) 150,000

Total current assets 381,174

Investments in marketable securities, at fair value (Note D) 764,187
Pledges receivable (Note C) 122,731

Total assets $ 1,268,092

NET ASSETS

Net assets:
Unrestricted (Notes A and E):
Board designated endowment (Note I) 1,144,736
Available for program expenditures 93,333

Unrestricted net assets, total 1,238,069

Temporarily restricted (Notes A, F and G) 30,023

Total net assets $ 1,268,092

See the accompanying notes to the financial statements.
### Support and Revenue:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted: Available for Program Expenditures</th>
<th>Unrestricted: Board Designated Endowment</th>
<th>Total Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special events</td>
<td>$ 79,359</td>
<td>$ 79,359</td>
<td>$ 2,261</td>
<td>$</td>
<td>$ 79,359</td>
</tr>
<tr>
<td>Public contributions</td>
<td>2,261</td>
<td>2,261</td>
<td></td>
<td></td>
<td>2,261</td>
</tr>
<tr>
<td>Gain on sales of investments</td>
<td>18,223</td>
<td>18,223</td>
<td></td>
<td></td>
<td>18,223</td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>15,830</td>
<td>15,936</td>
<td>506</td>
<td></td>
<td>16,442</td>
</tr>
<tr>
<td>Unrealized gain on investments</td>
<td>49,161</td>
<td>49,161</td>
<td></td>
<td></td>
<td>49,161</td>
</tr>
<tr>
<td>Other income</td>
<td>52</td>
<td>52</td>
<td></td>
<td></td>
<td>52</td>
</tr>
</tbody>
</table>

Net assets released from restrictions:
 Satisfaction of program restrictions (Note G) 2,000 2,000 (2,000) 2,000

Total support and revenue 83,778 83,214 166,992 (1,494) 165,498

### Expenses:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted: Available for Program Expenditures</th>
<th>Unrestricted: Board Designated Endowment</th>
<th>Total Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants to teachers</td>
<td>33,206</td>
<td>33,206</td>
<td></td>
<td></td>
<td>33,206</td>
</tr>
<tr>
<td>Scholarships</td>
<td>2,000</td>
<td>2,000</td>
<td></td>
<td></td>
<td>2,000</td>
</tr>
<tr>
<td>Total program expenses</td>
<td>35,206</td>
<td>35,206</td>
<td></td>
<td></td>
<td>35,206</td>
</tr>
</tbody>
</table>

Operating expenses:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted: Available for Program Expenditures</th>
<th>Unrestricted: Board Designated Endowment</th>
<th>Total Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special events</td>
<td>20,547</td>
<td>20,547</td>
<td></td>
<td></td>
<td>20,547</td>
</tr>
<tr>
<td>General &amp; administrative</td>
<td>6,843</td>
<td>5,492</td>
<td>12,335</td>
<td></td>
<td>12,335</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>27,390</td>
<td>5,492</td>
<td>32,882</td>
<td></td>
<td>32,882</td>
</tr>
</tbody>
</table>

Total expenses 62,596 5,492 68,088

Change in net assets 21,182 77,722 98,904 (1,494) 97,410

Transfer to board designated endowment (15,886) 15,886

Net assets, beginning of year 88,037 1,051,128 1,139,165 31,517 1,170,682

Net assets, end of year $ 93,333 $ 1,144,736 $ 1,238,069 $ 30,023 $ 1,268,092

See the accompanying notes to the financial statements.
UNION SCHOOLS EDUCATION FOUNDATION, INC.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

Cash flows from operating activities:
  Cash received from all sources $ 155,478
  Cash paid to suppliers and others (68,088)
  Interest and dividend income 16,442

Net cash provided by operating activities 103,832

Cash flows from investing activities:
  (Increase) in fair market value of investments (67,384)
  Proceeds from sales of investments, net of purchases of investments 51,573
  Proceeds from sales of certificates of deposits, net 1,494

Net cash (used in) investing activities (14,317)

Net increase in cash and cash equivalents 89,515

Cash and cash equivalents, beginning of year 111,636

Cash and cash equivalents, end of year $ 201,151

Reconciliation of changes in net assets to net cash provided by operating activities:

Change in net assets $ 97,410

Adjustments to reconcile changes in net assets to net cash provided by operating activities:

  Realized (gain) on sales of investments (18,223)
  Unrealized (gain) on investments (49,161)

Changes in assets and liabilities:
  Decrease in pledges receivable 73,806

Total adjustments and changes in assets and liabilities 6,422

Net cash provided by operating activities $ 103,832

See the accompanying notes to the financial statements.
UNION SCHOOLS EDUCATION FOUNDATION, INC.  
Notes to the Financial Statements

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities

Union Schools Education Foundation, Inc. (the “Organization”) is a community based non-profit partner of the public education system of Union Public Schools. The Foundation secures resources from individuals, corporations, foundations and other sources. These funds are distributed for the benefit of the Union school system to support educational programs to challenge all students. The educational programs are funded through the Foundation’s ongoing solicitation of contributions and endowment earnings.

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. If donor-imposed restrictions are met in the same period as the gift or investment income is received, the amount is reported as unrestricted revenues. Accordingly, net assets of the Organization and changes therein are classified and reported as:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets that are available for use, but expendable only for those purposed specified by the grantor.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition

The Organization is required to report support and revenue received as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending upon the nature of the restriction. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.
UNION SCHOOLS EDUCATION FOUNDATION, INC.
Notes to the Financial Statements

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued):

Contributed Services

The Organization receives a substantial amount of services donated by volunteers in carrying out the Organization’s stated purpose(s). No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under SFAS No. 116, Accounting for Contributions Received and Contributions Made.

Cash and Cash Equivalents and Certificates of Deposit

For purposes of the statement of cash flows, cash and cash equivalents consist of all highly liquid investments with initial maturities of three months or less when purchased. Certificates of deposit are stated separately from cash and cash equivalents as the initial maturities, when purchased were longer than three months in duration.

Income Taxes

The Organization is a non-profit organization that is exempt from income taxes under Section 501(a)(1) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation.

The Organization has implemented the accounting guidance for uncertainty in income taxes using the provisions of Financial Accounting Standards Board Accounting Standards Codification (ASC) 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by the taxing authorities.

As of June 30, 2010, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

The federal and state returns of exempt income of the Organization for June 30, 2008, 2009 and 2010 are subject to examination by the tax authorities, generally for three years after they were filed.

(B) CONCENTRATION OF CREDIT RISK:

The Organization maintains cash and cash equivalent and certificate of deposit balances with various local financial institutions. The Federal Deposit Insurance Corporation (FDIC) temporarily insures account balances at the financial institutions up to $250,000. As of June 30, 2010, the Organization had not exceeded the FDIC limit at the financial institutions. However, at June 30, 2010, the Organization held $101,766 in a money market fund at one financial institution that is not FDIC insured.
C) PROMISES TO GIVE:

The Organization is the beneficiary of a pledge receivable from Mr. John Q. Hammons under a naming rights agreement for the Union Multi-Purpose Activity Center (UMAC). Total pledges receivable at June 30, 2010 were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pledges receivable in 2010</td>
<td>$150,000</td>
</tr>
<tr>
<td>Pledge receivable/bequest from the estate and Trust of Mr. John Q. Hammons</td>
<td>150,000</td>
</tr>
<tr>
<td>Total pledges receivable</td>
<td>300,000</td>
</tr>
<tr>
<td>Less: discount to net present value</td>
<td>(27,269)</td>
</tr>
<tr>
<td>Total pledges receivable, net of discount</td>
<td>$272,731</td>
</tr>
</tbody>
</table>

The current portion of pledges receivable, net of discount at June 30, 2010 was $150,000 and the non-current portion was $122,731.

D) INVESTMENTS IN MARKETABLE SECURITIES:

ASB 820 defines fair value under U.S. generally accepted accounting principles, establishes a framework for measuring fair value and enhances disclosures about fair value measurements. This standard defines fair value as the exchange price that would be received for an asset, or paid to transfer a liability (an exit price), in the principal or most advantageous market for the asset or liability, in an orderly transaction value hierarchy, which requires an entity to maximize the use of observable inputs when measuring fair value.

The following provides a description of the three levels of inputs that may be used to measure fair value under the standard, the types of investments that fall under each category and the valuation methodologies used to measure these investments at fair value.

Level 1 Fair Value Measurements

Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date.

Level 2 Fair Value Measurements

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 models or other valuation methodologies.

There were no Level 2 investments as of the reporting date.
(D) INVESTMENTS IN MARKETABLE SECURITIES - (Continued):

Level 3 Fair Value Measurements

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 preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Organization’s investments are reported at fair value in the accompanying statement of net assets available for benefits.

Fair Value Measurement at
June 30, 2010
Using Quoted Prices In
Active Markets For
Identical Assets

<table>
<thead>
<tr>
<th></th>
<th>Fair Value</th>
<th>(Level 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity mutual funds</td>
<td>$636,256</td>
<td>$636,256</td>
</tr>
<tr>
<td>Fixed income mutual</td>
<td></td>
<td></td>
</tr>
<tr>
<td>funds</td>
<td>127,931</td>
<td>127,931</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$764,187</strong></td>
<td><strong>$764,187</strong></td>
</tr>
</tbody>
</table>

The cumulative investment income for the year ended June 30, 2010 was composed of:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrealized gains</td>
<td>$49,161</td>
</tr>
<tr>
<td>Realized gains</td>
<td>18,223</td>
</tr>
<tr>
<td>Dividends</td>
<td>15,830</td>
</tr>
<tr>
<td><strong>Total investment income</strong></td>
<td><strong>$83,214</strong></td>
</tr>
</tbody>
</table>
UNION SCHOOLS EDUCATION FOUNDATION, INC.
Notes to the Financial Statements

(E) **UNRESTRICTED NET ASSETS:**

Unrestricted net assets consist of two classes; board designated endowment and net assets available for program expenditures. Under the by-laws of the Organization, a general endowment fund was created, which is to receive a stated percentage of the annual net revenue of the Organization. After this allocation is made, the remaining funds are available for program expenditures.

(F) **TEMPORARILY RESTRICTED NET ASSETS:**

Temporarily restricted net assets are assets that have restrictions as to the specific use for the principal and earnings thereon. Temporarily restricted net assets at June 30, 2010 are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents - Barlow fund</td>
<td>$18,006</td>
</tr>
<tr>
<td>Cash and cash equivalents - Anderson fund</td>
<td>$12,017</td>
</tr>
<tr>
<td>Total temporarily restricted net assets</td>
<td>$30,023</td>
</tr>
</tbody>
</table>

(G) **NET ASSETS RELEASED FROM RESTRICTIONS:**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by donors.

Temporarily and permanently restricted net assets were released for the following categories of program restrictions:

Satisfaction of Program Restrictions - Temporarily Restricted:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scholarships</td>
<td>$2,000</td>
</tr>
</tbody>
</table>

Total net assets released from restrictions $2,000

(H) **FUNCTIONAL ALLOCATION OF EXPENSES:**

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

(I) **BOARD-DESIGNATED ENDOWMENT:**

In 2002, the Organization established a board-designated endowment as a long-term reserve to be used to sustain funding of teacher grants. The endowment is reported as a component of unrestricted net assets in the accompanying financial statements.
(J) **SUBSEQUENT EVENTS:**

Management has evaluated subsequent events through September 7, 2010, the date which the financial statements were available for issuance.