

SOUTHERN OREGON UNIVERSITY FOUNDATION

FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

Jones & Roth

CPAs & Business Advisors

SOUTHERN OREGON UNIVERSITY FOUNDATION
FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Southern Oregon University Foundation
Ashland, Oregon

We have audited the accompanying financial statements of Southern Oregon University Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern Oregon University Foundation as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Southern Oregon University Foundation as of June 30, 2018 were audited by other auditors whose report dated October 24, 2018, expressed an unmodified opinion on those statements.

Jones & Roth, P.C.

Jones & Roth, P.C.
Eugene, Oregon
December 12, 2019

FINANCIAL STATEMENTS

SOUTHERN OREGON UNIVERSITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 854,869	\$ 1,378,360
Unconditional promises to give, current portion	<u>350,626</u>	<u>228,542</u>
Total current assets	<u>1,205,495</u>	<u>1,606,902</u>
Noncurrent assets		
Investments	30,948,063	28,842,382
Assets held under split-interest agreements	409,649	884,076
Unconditional promises to give, noncurrent, less allowance for uncollectibles	246,038	249,303
Other assets	<u>1,181,224</u>	<u>1,224,051</u>
Total noncurrent assets	<u>32,784,974</u>	<u>31,199,812</u>
Total assets	<u><u>\$ 33,990,469</u></u>	<u><u>\$ 32,806,714</u></u>

	<u>2019</u>	<u>2018</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 60,653	\$ 104,276
Payments due to related entity	8,696	2,912
Deferred revenue	<u>169,770</u>	<u>322,618</u>
Total current liabilities	239,119	429,806
Noncurrent liabilities		
Obligations under split-interest agreements	<u>193,475</u>	<u>218,340</u>
Total liabilities	<u>432,594</u>	<u>648,146</u>
Net assets		
Without donor restrictions	2,564,314	2,481,908
With donor restrictions	<u>30,993,561</u>	<u>29,676,660</u>
Total net assets	<u>33,557,875</u>	<u>32,158,568</u>
Total liabilities and net assets	<u><u>\$ 33,990,469</u></u>	<u><u>\$ 32,806,714</u></u>

The accompanying notes are an integral part of these statements.

SOUTHERN OREGON UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Donations	\$ 190,299	\$ 3,051,657	\$ 3,241,956
Contributed services support	759,980	-	759,980
Change in split-interest agreements	-	4,427	4,427
Net investment income	55,707	1,635,954	1,691,661
Net realized and unrealized gains (losses)	-	(356,217)	(356,217)
Fundraising activities and other income	8,100	417,689	425,789
Net assets released from restrictions	<u>3,436,609</u>	<u>(3,436,609)</u>	<u>-</u>
 Total revenue and other support	 <u>4,450,695</u>	 <u>1,316,901</u>	 <u>5,767,596</u>
Expenses			
Program services	2,963,170	-	2,963,170
Management and fundraising	<u>1,405,119</u>	<u>-</u>	<u>1,405,119</u>
 Total expenses	 <u>4,368,289</u>	 <u>-</u>	 <u>4,368,289</u>
 Change in net assets	 82,406	 1,316,901	 1,399,307
 Net assets, beginning of year	 <u>2,481,908</u>	 <u>29,676,660</u>	 <u>32,158,568</u>
 Net assets, end of year	 <u>\$ 2,564,314</u>	 <u>\$ 30,993,561</u>	 <u>\$ 33,557,875</u>

The accompanying notes are an integral part of these statements.

SOUTHERN OREGON UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Donations	\$ 155,510	\$ 2,458,229	\$ 2,613,739
Contributed services support	626,011	-	626,011
Change in split-interest agreements	-	180,895	180,895
Net investment income	83,464	169,999	253,463
Net realized and unrealized gains (losses)	807,500	1,279,837	2,087,337
Fundraising activities and other income	27,360	522,339	549,699
Net assets released from restrictions	<u>2,318,033</u>	<u>(2,318,033)</u>	<u>-</u>
 Total revenue and other support	 <u>4,017,878</u>	 <u>2,293,266</u>	 <u>6,311,144</u>
Expenses			
Program services	1,880,058	-	1,880,058
Management and fundraising	<u>1,147,704</u>	<u>-</u>	<u>1,147,704</u>
 Total expenses	 <u>3,027,762</u>	 <u>-</u>	 <u>3,027,762</u>
 Change in net assets	 990,116	 2,293,266	 3,283,382
 Net assets, beginning of year	 <u>1,491,792</u>	 <u>27,383,394</u>	 <u>28,875,186</u>
 Net assets, end of year	 <u>\$ 2,481,908</u>	 <u>\$ 29,676,660</u>	 <u>\$ 32,158,568</u>

The accompanying notes are an integral part of these statements.

SOUTHERN OREGON UNIVERSITY FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ 1,399,307	\$ 3,283,382
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gains) losses	356,217	(1,192,007)
Contributions restricted for long term investment	(730,396)	(599,623)
Investment income	(1,691,661)	(1,148,793)
Contributions of stock	(116,697)	(88,955)
(Increase) decrease in:		
Other assets	42,827	848
Assets held under split-interest agreements	474,427	84,578
Unconditional promises to give	(118,819)	78,248
Increase (decrease) in:		
Accounts payable	(43,623)	15,408
Scholarships payable	-	(918,729)
Related party payable	5,784	26,707
Obligations under split-interest agreements	(24,865)	(181,267)
Deferred revenue	<u>(152,848)</u>	<u>36,169</u>
Net cash used by operating activities	<u>(600,347)</u>	<u>(604,034)</u>
Cash flows from investing activities		
Proceeds from sale of investments	2,454,476	695,012
Purchase of investments	(3,108,016)	-
Proceeds from contributions restricted for long term investment	<u>730,396</u>	<u>599,623</u>
Net cash provided by investing activities	<u>76,856</u>	<u>1,294,635</u>
Net increase (decrease) in cash and cash equivalents	(523,491)	690,601
Cash and cash equivalents, beginning of year	<u>1,378,360</u>	<u>687,759</u>
Cash and cash equivalents, end of year	<u>\$ 854,869</u>	<u>\$ 1,378,360</u>

The accompanying notes are an integral part of these statements.

SOUTHERN OREGON UNIVERSITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019

	Program Services					
	Southern Oregon University Foundation	Southern Oregon University	Affiliates	Total Program Services	Management and Fundraising	Total
Functional expenses						
Scholarships	\$ -	\$ 1,296,277	\$ -	\$ 1,296,277	\$ -	\$ 1,296,277
Special project expense	-	1,000	-	1,000	81,514	82,514
Personnel expenses	-	-	-	-	211,980	211,980
Personnel expenses provided by SOU	-	-	-	-	741,453	741,453
Administrative expenses	-	2,091	15,693	17,784	370,172	387,956
Faculty support	-	164,205	110,170	274,375	-	274,375
Program support	16,369	724,824	566,589	1,307,782	-	1,307,782
Buildings and improvements support	-	52,318	-	52,318	-	52,318
Other expense endowment	13,634	-	-	13,634	-	13,634
Total functional expenses	<u>\$ 30,003</u>	<u>\$ 2,240,715</u>	<u>\$ 692,452</u>	<u>\$ 2,963,170</u>	<u>\$ 1,405,119</u>	<u>\$ 4,368,289</u>

The accompanying notes are an integral part of these statements.

**SOUTHERN OREGON UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

The Southern Oregon University Foundation (the Foundation) is a nonprofit corporation established in 1959 to support and promote the educational, scientific and charitable activities of Southern Oregon University (the University) and programs and activities occurring on its campuses or in its facilities or undertaken by it in coordination with other educational, scientific or charitable institutions. Supporting and promoting includes activities to solicit, acquire, receive, own, manage, invest, and dispose of any real and personal property for the benefit of the University. The Foundation's exempt purpose includes maintaining a development program to encourage contributions to the Foundation for University support (academic programs, capital projects, athletics, student activities, etc.), and maintaining scholarships and grants for the benefit of students and faculty at the University. The Foundation also includes six affiliate organizations (not separately organized) that support and promote a specific unit or activity of the University and are comprised of the Alumni Association, Chamber Music Concerts, Friends of the Hannon Library, Friends of the Schneider Museum of Art, Osher Lifelong Learning Institute, and Raider Club.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Foundation considers cash to be all highly liquid investments available for current use with an initial maturity of three months or less. At times, balances may exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC).

Concentrations of Credit Risk

Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash and cash equivalents and investments.

Cash and cash equivalents are maintained at two financial institution. The Foundation has not experienced any losses on its cash and cash equivalents. The FDIC secures accounts in insured institutions up to \$250,000 per depositor. At times, the balance of the Foundation's accounts may exceed the federally insured limits. At June 30, 2019 and 2018, the Foundation's uninsured cash balances totaled \$783,898 and \$1,419,043, respectively.

Investments

Investments are carried at market value, and realized and unrealized gains and losses are reflected in the statements of activities. Gains or losses are reported as increases or decreases in the net assets without donor restrictions unless the donor places restrictions on the gains and losses. Investment income is also reported as an increase in net assets without donor restrictions or net assets with donor restrictions, depending on the nature of the restrictions.

**SOUTHERN OREGON UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

1. Nature of Organization and Summary of Significant Accounting Policies, continued

Investments, continued

Investments consist of real property and funds that are managed by professional fund managers chosen by the Board of Trustees and are invested in U.S. Government and Agency obligations, corporate bonds, equity securities, mortgage-backed securities, money market accounts, and certificates of deposit.

Artwork

Collections, works of art and historical treasures of significance that are owned by the Foundation and meet all of the required conditions, are capitalized and recorded at cost or, if donated, the fair market value at the date of the donation. Required conditions for capitalizing are:

- Held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- Protected, kept unencumbered, cared for, and preserved.
- Subject to an organizational policy that required the proceeds from sales of collection items to be used to acquire other items for collections.

Inexhaustible collections, works of art, and historical treasures where the economic benefit or service potential is used up so slowly that the estimated useful lives are extraordinarily long are not depreciated. Because of their cultural, aesthetic, or historical value, these assets are protected and preserved in a manner greater than that for similar assets without such cultural, aesthetic, or historical value.

Promises to Give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Obligations Under Split-interest Agreements

Obligations under split-interest agreements and charitable remainder trusts are recorded when incurred at the present value, discounted at various rates for the years ended June 30, 2019 and 2018, respectively. Distributions under charitable remainder annuity trusts are fixed amounts, while distributions under charitable remainder unitrusts are a specified percentage of the trust assets' fair value, determined annually. Distributions are paid over the lives of the beneficiaries or another specified period. Present values are determined using discount rates established by the Internal Revenue Service (IRS) and actuarially determined expected lives. Obligations under the split-interest agreements are revalued annually at June 30 to reflect actual experience. The net revaluations, together with any remaining recorded obligations after all trust obligations under terminated agreements have been met, are recorded as increases/decreases in contributions in the statements of activities.

SOUTHERN OREGON UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

1. Nature of Organization and Summary of Significant Accounting Policies, continued

Net Assets

Net assets of the Foundation consisted of the following:

Net assets without donor restrictions - These net assets are available for general obligations of the Foundation.

Net assets with donor restrictions - These net assets are restricted by donors to be used for specific purposes.

Contributions

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

Donated Administrative Support

Donated administrative support received from the University is recorded as revenue. This type of support is also recorded as an expense in the accompanying statements of activities. The University provides for a portion of the Foundation's operating budget, including a percentage of salaries and related expenses.

Donated Assets

Noncash donations are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as without restrictions unless the donor has restricted the donated asset for a specific purpose. The Foundation allocates expense as the donated assets are used to the appropriate program or supporting service.

Functional Expenses

Expenses for the Foundation are summarized according to functional classification of program services and support services. The Foundation's purpose is entirely fundraising; therefore, this amount is not separately stated in support services.

Program Services - Costs that are identifiable with a program and are clearly described by that program.

Support Services - Management, general, and fundraising expenses.

Advertising Expenses

Advertising expenses are expensed when incurred. Advertising costs totaled \$22,095 and \$40,872 for the years ended June 30, 2019 and 2018, respectively.

SOUTHERN OREGON UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

1. Nature of Organization and Summary of Significant Accounting Policies, continued

Recent Accounting Standard Adopted

During the year ended June 30, 2019, the Foundation adopted the provisions of the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2016-14: *Presentation of Financial Statements of Not-for-Profit Entities*. The standard was applied on a retrospective basis. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources and related to functional allocation of expenses. The June 30, 2018 financial statements have been restated to conform to the presentation and disclosure requirements of ASU 2016-14.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles of the United States of America requires the Foundation to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Income Taxes

The Foundation is a charitable organization exempt from payment of federal income taxes and Oregon excise taxes. All filing requirements of Internal Revenue Code (IRC) Section 501(c)(3) and Oregon Revised Statutes (ORS) 128.670 have been met. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(iv). The Foundation's information returns are generally subject to examination by taxing authorities for a period of three years after filing.

Reclassifications

Certain reclassifications have been made to the June 30, 2018 financial statements to conform to the 2019 presentation.

2. Liquidity and Availability of Resources

The Foundation has a policy to manage its liquidity and reserves in order to meet its needs to fund operating expenditures. At June 30, the Foundation's financial assets, reduced by amounts not available for general expenditures within one year, are comprised of the following:

	2019	2018
Cash and cash equivalents	\$ 397,980	\$ 269,475
Receivables	2,580	3,350
Investments	<u>2,015,550</u>	<u>1,438,165</u>
Financial assets available for general expenditure	<u>\$ 2,416,110</u>	<u>\$ 1,710,990</u>

SOUTHERN OREGON UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

3. Investments

Substantially all of the Foundation's investments are held in a pooled account managed by a professional fund manager selected by the Board of Trustees. Investment management fees are recorded when incurred.

At June 30, the summary of investments was as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 55,615	\$ 50,305
Mutual funds:		
Equities:		
U.S. large company stocks	7,215,980	7,367,168
International large company stocks	3,898,592	3,638,760
U.S. small company stocks	2,256,293	2,103,847
U.S. REITs	2,726,180	2,195,962
Emerging markets stocks	1,537,504	1,382,944
International REITs	1,378,113	1,315,903
International small company stocks	690,882	638,970
Fixed income:		
Ultrashort bonds	3,143,766	2,395,311
High quality bonds	2,788,982	2,692,175
Investment grade bonds	3,266,010	3,130,344
International bonds	1,441,344	1,395,353
High yield bonds	<u>548,802</u>	<u>535,340</u>
Total investments	<u>\$ 30,948,063</u>	<u>\$ 28,842,382</u>

Temporarily restricted investment income has been reduced by investment expenses of \$128,388 in 2019 and \$121,932 in 2018.

For the year ended June 30, net realized and unrealized gains (losses) were as follows:

	<u>2019</u>	<u>2018</u>
Net realized gains	\$ 75,689	\$ 895,330
Net unrealized gains (losses)	<u>(431,906)</u>	<u>1,192,007</u>
Total realized and realized gains(losses)	<u>\$ (356,217)</u>	<u>\$ 2,087,337</u>

SOUTHERN OREGON UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

4. Unconditional Promises to Give

At June 30, unconditional promises to give consisted of the following:

	2019	2018
Unrestricted promises to give	\$ 2,580	\$ 3,350
Temporarily restricted promises to give	469,289	460,042
Permanently restricted promises to give	129,333	31,000
Allowance for uncollectible promises to give	(1,000)	-
	600,202	494,392
Unamortized discount	(3,538)	(16,547)
Unconditional promises to give, net	<u>\$ 596,664</u>	<u>\$ 477,845</u>

The following table consists of a timeline of amounts due at June 30:

	2019	2018
Amounts due in:		
Less than one year	\$ 350,626	\$ 228,542
One to five years	246,038	249,303
	<u>\$ 596,664</u>	<u>\$ 477,845</u>

The unconditional promises to give unamortized discount has been discounted using a rate of 1.71 percent and 2.63 percent for the years ended June 30, 2019 and 2018, respectively.

5. Net Assets with Donor Restrictions

Net assets with purpose or time restrictions at June 30, 2019 and 2018, in the amount of \$9,133,055 and \$8,550,977, respectively, consisted of tuition scholarships, student support, and other program services.

Net assets with perpetual restrictions at June 30, 2019 and 2018, in the amount of \$21,860,506 and \$21,125,683, respectively, consisted of endowment funds, which are permanently restricted as stipulated by the donors.

6. Endowment Fund

The Foundation's endowment consists of approximately 196 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**SOUTHERN OREGON UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

6. Endowment Fund, continued

Interpretation of Relevant Law

The Board of Trustees of the Foundation has interpreted the State of Oregon Uniform Prudent Management of Institutional Funds Act (SPMIFA) as allowing the Foundation, absent of any donor stipulations to the contrary, to appropriate so much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes, and duration for which the endowment is established. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted until appropriated for expenditure by the Foundation. In accordance with SPMIFA, 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 SOU Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect 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.

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 or SPMIFA requires the Foundation to retain as a fund of perpetual duration. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

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 endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk.

The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 7 percent annually. Actual returns in any given year may vary from this amount.

SOUTHERN OREGON UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

6. Endowment Fund, continued

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 a greater emphasis on equity-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 long-term policy of appropriating for distribution each fiscal year 4.0 percent of its endowment fund's average fair value over the prior 12 quarters preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3.5 percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The revalue calculation is done annually at June 30, disbursing quarterly.

At June 30, the Endowment Fund consisted of the following:

	2019	2018
Time restricted earnings	\$ 6,238,127	\$ 6,289,385
Perpetually restricted	<u>21,860,506</u>	<u>21,125,683</u>
Total Endowment Fund	<u>\$ 28,098,633</u>	<u>\$ 27,415,068</u>

A summary of Endowment Fund activity was as follows:

	2019	2018
Balance, July 1	\$ 27,415,068	\$ 25,457,209
Contributions	730,396	526,833
Appropriated expenditures	(1,401,656)	(1,068,603)
Change in value of assets held under split-interest agreements	4,427	180,895
Other changes	<u>-</u>	<u>47,842</u>
	26,748,235	25,144,176
Investment returns:		
Net unrealized gain on endowment	(323,768)	1,880,691
Net return on endowment investments	<u>1,674,166</u>	<u>390,201</u>
Investment returns	<u>1,350,398</u>	<u>2,270,892</u>
Balance, June 30	<u>\$ 28,098,633</u>	<u>\$ 27,415,068</u>

SOUTHERN OREGON UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

7. In-kind Administrative Contributions by the University

At June 30, in-kind administrative contributions by the University consisted of the following:

	<u>2019</u>	<u>2018</u>
Personnel expenses provided by the University	\$ 759,980	\$ 626,011

8. Split-interest Agreements

At June 30, total assets held under the split-interest agreements consisted of the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 14,885	\$ 18,604
Mutual funds:		
Equities:		
U.S. large company stocks	106,462	248,905
International large company stocks	57,447	121,685
U.S. small company stocks	33,051	71,388
U.S. REITs	39,493	73,766
Emerging markets stocks	22,946	44,633
International REITs	19,926	44,096
International small company stocks	9,890	21,306
Fixed income:		
High quality bonds	40,265	88,922
Investment grade bonds	39,673	92,245
International bonds	17,297	40,740
High yield bonds	8,314	17,786
Total assets held under split-interest agreements	<u>\$ 409,649</u>	<u>\$ 884,076</u>

9. Other Assets

At June 30, other assets consisted of the following:

	<u>2019</u>	<u>2018</u>
Collections:		
Antique furniture and collectibles	\$ 21,508	\$ 58,341
Musical instrument collections	29,738	29,738
Real property:		
Fern Valley Road, Phoenix, Oregon	1,015,125	1,015,125
Guiley property, Klamath County, Oregon	90,000	90,000
Resort property timeshares	9,000	13,500
Other assets	<u>15,853</u>	<u>17,347</u>
Total other assets	<u>\$ 1,181,224</u>	<u>\$ 1,224,051</u>

SOUTHERN OREGON UNIVERSITY FOUNDATION
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9. Other Assets, continued

Works of art, historical treasures and other similar assets held by the Foundation meet the definition of collections as they are: held for public exhibition, education, or research in furtherance of public service rather than financial gain; protected, kept unencumbered, cared for, and preserved; and subject to an organizational policy that if they were to be sold, the proceeds of items sold are to be used to purchase other items for collections.

The real property on Fern Valley Road in Phoenix, Oregon is a twenty-seven-acre undeveloped parcel that was appraised at \$1,000,000 when the Foundation received the property as a contribution in 1995. Additionally, the Foundation incurred \$15,125 in land survey costs subsequent to receipt of the real property. The City of Phoenix had been granted an easement for use of up to two acres of the parcel for a community water reservoir. The City of Phoenix and the Foundation negotiated an agreement regarding the property. The effect of the agreement on the value of the property has not been determined and no adjustment has been made in the value of the property in the financial statement. The Fern Valley Property was listed for sale at June 30, 2018.

The Guiley property is 120 acres of vacant land suitable for recreational, agricultural, and forestry uses. The land was received December 29, 1999, as a contribution at an appraised value of \$90,000. The Foundation, in accordance with the intent of the donor, has made the property available to Southern Oregon University for use as a science field site. Should the property be sold, the net proceeds are to be credited to the Guiley Scholarship endowment administered by the Foundation.

The Foundation previously received a contribution of two timeshare units in Puerto Vallarta, Mexico and one in Orlando, Florida. As of June 30, 2019 and 2018, the resort property timeshares are carried at their donated value.

10. Net Assets Released from Restrictions

During 2019 and 2018, net assets in the amount of \$3,436,609 and \$2,318,033, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors.

11. Fair Value Measurements

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, the fair value of a financial instrument is 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. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the entity's various financial instruments. In cases where quoted market prices are not available, fair value is based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

SOUTHERN OREGON UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

11. Fair Value Measurements, continued

FASB ASC 820 provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

In accordance with FASB ASC 820, the Foundation groups its financial assets and financial liabilities generally measured at fair value in three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 – Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

SOUTHERN OREGON UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

11. Fair Value Measurements, continued

At June 30, fair value of assets measured on a recurring basis was as follows:

	Assets at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 70,500	\$ -	\$ -	\$ 70,500
Mutual funds:				
Equities:				
U.S. large company stocks	7,322,441	-	-	7,322,441
International large company stocks	3,956,038	-	-	3,956,038
U.S. small company stocks	2,289,344	-	-	2,289,344
U.S. REITs	2,765,673	-	-	2,765,673
Emerging markets stocks	1,560,450	-	-	1,560,450
International REITS	1,398,039	-	-	1,398,039
International small company stocks	700,771	-	-	700,771
Fixed income:				
Ultrashort bonds	3,143,766	-	-	3,143,766
High quality bonds	2,829,247	-	-	2,829,247
Investment grade bonds	3,305,683	-	-	3,305,683
International bonds	1,458,640	-	-	1,458,640
High yield bonds	557,120	-	-	557,120
	<u>\$ 31,357,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,357,712</u>
	Assets at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 68,909	\$ -	\$ -	\$ 68,909
Mutual funds:				
Equities:				
U.S. large company stocks	7,616,073	-	-	7,616,073
International large company stocks	3,760,445	-	-	3,760,445
U.S. small company stocks	2,175,235	-	-	2,175,235
U.S. REITs	2,269,728	-	-	2,269,728
Emerging markets stocks	1,427,577	-	-	1,427,577
International REITS	1,359,999	-	-	1,359,999
International small company stocks	660,276	-	-	660,276
Fixed income:				
Ultrashort bonds	2,395,311	-	-	2,395,311
High quality bonds	2,784,420	-	-	2,784,420
Investment grade bonds	3,219,266	-	-	3,219,266
International bonds	1,436,093	-	-	1,436,093
High yield bonds	553,126	-	-	553,126
	<u>\$ 29,726,458</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,726,458</u>

SOUTHERN OREGON UNIVERSITY FOUNDATION
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12. Subsequent Events

Management evaluates events and transactions that occur after the statement of financial position date as potential subsequent events. Management has performed this evaluation through the date of the independent auditor's report.

The Foundation made distributions to the University for scholarships subsequent to June 30, 2019 in Fall 2019 of \$687,524.