

SOUTHERN OREGON UNIVERSITY FOUNDATION

FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020



SOUTHERN OREGON UNIVERSITY FOUNDATION
FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

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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 statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, cash flows, and functional expenses for the years 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 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 audits 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.

The Right People Beside You.

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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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Jones & Roth, P.C.

Jones & Roth, P.C.
Eugene, Oregon
October 21, 2021

FINANCIAL STATEMENTS

SOUTHERN OREGON UNIVERSITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 1,067,802	\$ 609,374
Unconditional promises to give, current portion	330,351	250,761
Total current assets	1,398,153	860,135
Noncurrent assets		
Investments	38,777,695	30,500,292
Assets held under split-interest agreements	518,549	423,666
Unconditional promises to give, noncurrent, less allowance for uncollectibles	295,922	136,724
Other assets	1,062,784	1,152,784
Total noncurrent assets	40,654,950	32,213,466
Total assets	\$ 42,053,103	\$ 33,073,601

	<u>2021</u>	<u>2020</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 90,322	\$ 53,974
Payments due to related entity	38,545	11,692
Deferred revenue	<u>-</u>	<u>66,900</u>
Total current liabilities	128,867	132,566
Noncurrent liabilities		
Obligations under split-interest agreements	<u>234,777</u>	<u>215,877</u>
Total liabilities	<u>363,644</u>	<u>348,443</u>
Net assets		
Without donor restrictions	3,056,797	2,759,784
With donor restrictions	<u>38,632,662</u>	<u>29,965,374</u>
Total net assets	<u>41,689,459</u>	<u>32,725,158</u>
Total liabilities and net assets	<u>\$ 42,053,103</u>	<u>\$ 33,073,601</u>

The accompanying notes are an integral part of these statements.

SOUTHERN OREGON UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and other support			
Donations	\$ 125,958	\$ 3,568,823	\$ 3,694,781
Contributed services support	784,296	-	784,296
Change in split-interest agreements	-	(43,451)	(43,451)
Net investment income	123,988	983,191	1,107,179
Net realized and unrealized gains (loss)	-	7,435,188	7,435,188
Fundraising activities and other income (loss)	-	64,327	64,327
Net assets released from restrictions	<u>3,340,790</u>	<u>(3,340,790)</u>	<u>-</u>
 Total revenue and other support	 <u>4,375,032</u>	 <u>8,667,288</u>	 <u>13,042,320</u>
Expenses			
Program services	2,717,186	-	2,717,186
Management and fundraising	<u>1,311,133</u>	<u>-</u>	<u>1,311,133</u>
 Total expenses	 <u>4,028,319</u>	 <u>-</u>	 <u>4,028,319</u>
Other changes in net assets			
Loss on sale of other assets	<u>49,700</u>	<u>-</u>	<u>49,700</u>
 Change in net assets	 297,013	 8,667,288	 8,964,301
Net assets, beginning of year	<u>2,759,784</u>	<u>29,965,374</u>	<u>32,725,158</u>
 Net assets, end of year	 <u>\$ 3,056,797</u>	 <u>\$ 38,632,662</u>	 <u>\$ 41,689,459</u>

The accompanying notes are an integral part of these statements.

SOUTHERN OREGON UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and other support			
Donations	\$ 123,472	\$ 2,534,506	\$ 2,657,978
Contributed services support	894,689	-	894,689
Change in split-interest agreements	-	(18,068)	(18,068)
Net investment income	161,417	1,242,467	1,403,884
Net realized and unrealized gains (loss)	-	(1,222,629)	(1,222,629)
Fundraising activities and other income (loss)	(27)	107,216	107,189
Net assets released from restrictions	<u>3,671,679</u>	<u>(3,671,679)</u>	<u>-</u>
 Total revenue and other support	 <u>4,851,230</u>	 <u>(1,028,187)</u>	 <u>3,823,043</u>
 Expenses			
Program services	3,147,036	-	3,147,036
Management and fundraising	<u>1,508,724</u>	<u>-</u>	<u>1,508,724</u>
 Total expenses	 <u>4,655,760</u>	 <u>-</u>	 <u>4,655,760</u>
 Change in net assets	 195,470	 (1,028,187)	 (832,717)
 Net assets, beginning of year	 <u>2,564,314</u>	 <u>30,993,561</u>	 <u>33,557,875</u>
 Net assets, end of year	 <u>\$ 2,759,784</u>	 <u>\$ 29,965,374</u>	 <u>\$ 32,725,158</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, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 8,964,301	\$ (832,717)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized and unrealized (gains) losses	(7,435,188)	1,222,629
Loss on sale of other assets	49,700	-
Contributions restricted for long-term investment	(859,687)	(590,970)
Investment income restricted for long-term investment	(1,101,786)	(1,403,884)
Contributions of stock	(330,104)	(176,801)
(Increase) decrease in:		
Other assets	-	28,440
Assets held under split-interest agreements	-	(14,017)
Unconditional promises to give	(238,788)	209,179
Increase (decrease) in:		
Accounts payable	36,348	(6,679)
Related party payable	26,853	2,996
Obligations under split-interest agreements	43,451	22,402
Deferred revenue	(66,900)	(102,870)
Net cash used by operating activities	(911,800)	(1,642,292)
Cash flows from investing activities		
Proceeds from sale of investments	2,257,115	3,234,741
Purchase of investments	(1,786,874)	(2,428,914)
Proceeds from sale of other assets	40,300	-
Proceeds from contributions restricted for long-term investment	859,687	590,970
Net cash provided by investing activities	1,370,228	1,396,797
Net increase (decrease) in cash and cash equivalents	458,428	(245,495)
Cash and cash equivalents, beginning of year	609,374	854,869
Cash and cash equivalents, end of year	\$ 1,067,802	\$ 609,374

The accompanying notes are an integral part of these statements.

SOUTHERN OREGON UNIVERSITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021

	Program Services					Management and Fundraising	Total
	Southern Oregon University Foundation	Southern Oregon University	Affiliates	Total Program Services			
Functional expenses							
Scholarships	\$ -	\$ 1,385,482	\$ -	\$ 1,385,482	\$ -	\$ 1,385,482	
Special project expense	-	-	-	-	25,607	25,607	
Personnel expenses	-	-	218,469	218,469	217,782	436,251	
Personnel expenses provided by SOU	-	-	-	-	772,239	772,239	
Other expenses	-	147,843	44,525	192,368	295,505	487,873	
University support	-	727,155	193,712	920,867	-	920,867	
Total functional expenses	<u>\$ -</u>	<u>\$ 2,260,480</u>	<u>\$ 456,706</u>	<u>\$ 2,717,186</u>	<u>\$ 1,311,133</u>	<u>\$ 4,028,319</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, 2020

	Program Services					Management and Fundraising	Total
	Southern Oregon University Foundation	Southern Oregon University	Affiliates	Total Program Services			
Functional expenses							
Scholarships	\$ -	\$ 1,323,259	\$ -	\$ 1,323,259	\$ -	\$ 1,323,259	
Grants	20,000	-	-	20,000	-	20,000	
Personnel expenses	-	-	208,962	208,962	272,692	481,654	
Personnel expenses provided by SOU	-	-	-	-	882,364	882,364	
Other expenses	-	126,403	152,585	278,988	353,668	632,656	
University Support	<u>2,212</u>	<u>583,766</u>	<u>729,849</u>	<u>1,315,827</u>	<u>-</u>	<u>1,315,827</u>	
Total functional expenses	<u>\$ 22,212</u>	<u>\$ 2,033,428</u>	<u>\$ 1,091,396</u>	<u>\$ 3,147,036</u>	<u>\$ 1,508,724</u>	<u>\$ 4,655,760</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 institutions. 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, 2021 and 2020, the Foundation's uninsured cash balances totaled \$925,749 and \$456,677, 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 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, 2021 and 2020, 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 \$6,634 and \$6,386 for the years ended June 30, 2021 and 2020, 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, 2021, the Foundation adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update 2014-09: *Revenue from Contracts with Customers* (ASC Topic 606) and related subsequently issued and clarifying ASUs. Topic 606 and related ASUs supersede previous revenue recognition principles for exchange transactions and establish a core principle requiring the recognition of revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled for such goods or services. The Foundation adopted the new standard effective July 1, 2020, using the full retrospective approach. The adoption of ASU 2014-09 did not have a significant impact on the Foundation's financial statements.

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.

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:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 83,093	\$ 436,624
Receivables	15,000	17,705
Investments	<u>2,390,463</u>	<u>1,939,203</u>
Financial assets available for general expenditure	<u>\$ 2,488,556</u>	<u>\$ 2,393,532</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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 48,428	\$ 72,813
Mutual funds:		
Equities:		
U.S. large company stocks	9,472,628	7,101,800
International large company stocks	4,997,713	3,886,233
U.S. small company stocks	2,833,184	2,141,171
U.S. REITs	3,677,415	2,677,943
Emerging markets stocks	1,974,950	1,547,183
International REITs	1,825,050	1,363,316
International small company stocks	885,727	681,285
Fixed income:		
Ultrashort bonds	2,747,031	2,721,541
High quality bonds	3,567,378	2,905,190
Investment grade bonds	4,173,377	3,347,642
International bonds	1,855,509	1,495,686
High yield bonds	<u>719,305</u>	<u>558,489</u>
Total investments	<u>\$ 38,777,695</u>	<u>\$ 30,500,292</u>

For the years ended June 30, 2021 and 2020, donor restricted investment income has been reduced by investment expenses of \$145,542 and \$133,837, respectively.

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

	<u>2021</u>	<u>2020</u>
Net realized gain (loss)	\$ 285,229	\$ (45,173)
Net unrealized gain (loss)	<u>7,149,959</u>	<u>(1,177,456)</u>
Total realized and unrealized gains (losses)	<u>\$ 7,435,188</u>	<u>\$ (1,222,629)</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:

	<u>2021</u>	<u>2020</u>
Unrestricted promises to give	\$ 15,000	\$ 17,705
Temporarily restricted promises to give	511,488	285,968
Permanently restricted promises to give	126,750	97,000
Allowance for uncollectible promises to give	<u>(25,976)</u>	<u>(5,508)</u>
	627,262	395,165
Unamortized discount	<u>(989)</u>	<u>(7,680)</u>
Unconditional promises to give, net	<u>\$ 626,273</u>	<u>\$ 387,485</u>

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

	<u>2021</u>	<u>2020</u>
Amounts due in:		
Less than one year	\$ 330,351	\$ 250,761
One to five years	<u>295,922</u>	<u>136,724</u>
	<u>\$ 626,273</u>	<u>\$ 387,485</u>

The unconditional promises to give unamortized discount has been discounted using a rate of 0.46 percent and 0.18 percent for the years ended June 30, 2021 and 2020, respectively.

5. Net Assets with Donor Restrictions

Net assets with purpose or time restrictions at June 30, 2021 and 2020, in the amount of \$15,383,018 and \$7,531,966, respectively, consisted of tuition scholarships, student support, and other program services.

Net assets with perpetual restrictions at June 30, 2021 and 2020, in the amount of \$23,249,644 and \$22,433,408, respectively, consisted of endowment funds, which are permanently restricted as stipulated by the donors.

6. Endowment Fund

The Foundation's endowment consists of approximately 230 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 6 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:

	2021	2020
Time restricted earnings	\$ 11,596,289	\$ 4,759,590
Perpetually restricted	23,249,644	22,433,408
 Total Endowment Fund	 \$ 34,845,933	 \$ 27,192,998

A summary of Endowment Fund activity was as follows:

	2021	2020
Balance, July 1	\$ 27,192,998	\$ 28,098,633
Contributions	859,687	590,970
Appropriated expenditures	(1,581,745)	(1,485,607)
Change in value of assets held under split-interest agreements	(43,451)	(18,068)
	26,427,489	27,185,928
Investment returns:		
Net unrealized gain (loss) on endowment	7,435,253	(1,235,397)
Net return on endowment investments	983,191	1,242,467
 Investment returns	 8,418,444	 7,070
Balance, June 30	\$ 34,845,933	\$ 27,192,998

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>2021</u>	<u>2020</u>
Personnel and supplies expenses provided	<u>\$ 784,296</u>	<u>\$ 894,689</u>

8. Split-interest Agreements

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 15,008	\$ 15,358
Mutual funds:		
Equities:		
U.S. large company stocks	136,352	107,722
International large company stocks	72,194	59,099
U.S. small company stocks	40,867	32,649
U.S. REITs	52,602	40,476
Emerging markets stocks	28,469	23,523
International REITs	25,368	20,520
International small company stocks	12,714	10,245
Fixed income:		
High quality bonds	51,390	43,746
Investment grade bonds	51,271	43,000
International bonds	22,028	18,888
High yield bonds	<u>10,286</u>	<u>8,440</u>
Total assets held under split-interest agreements	<u>\$ 518,549</u>	<u>\$ 423,666</u>

9. Other Assets

At June 30, other assets consisted of the following:

	<u>2021</u>	<u>2020</u>
Collections:		
Antique furniture and collectibles	\$ 21,508	\$ 21,508
Real property:		
Fern Valley Road, Phoenix, Oregon	1,015,125	1,015,125
Guiley property, Klamath County, Oregon	-	90,000
Resort property timeshares	9,000	9,000
Other assets	<u>17,151</u>	<u>17,151</u>
Total other assets	<u>\$ 1,062,784</u>	<u>\$ 1,152,784</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 statements.

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 Guiley property was sold in August 2020.

The Foundation previously received a contribution of a timeshare unit in Puerto Vallarta, Mexico. As of June 30, 2021 and 2020, the resort property timeshares are carried at their donated value.

10. Net Assets Released from Restrictions

During 2021 and 2020, net assets in the amount of \$3,340,790 and \$3,671,679, 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 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, 2021			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 63,436	\$ -	\$ -	\$ 63,436
Mutual funds:				
Equities:				
U.S. large company stocks	9,608,981	-	-	9,608,981
International large company stocks	5,069,907	-	-	5,069,907
U.S. small company stocks	2,874,051	-	-	2,874,051
U.S. REITs	3,730,016	-	-	3,730,016
Emerging markets stocks	2,003,419	-	-	2,003,419
International REITS	1,850,418	-	-	1,850,418
International small company stocks	898,441	-	-	898,441
Fixed income:				
Ultrashort bonds	2,747,031	-	-	2,747,031
High quality bonds	3,618,768	-	-	3,618,768
Investment grade bonds	4,224,648	-	-	4,224,648
International bonds	1,877,537	-	-	1,877,537
High yield bonds	729,591	-	-	729,591
	<u>\$ 39,296,244</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,296,244</u>
	Assets at Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 88,171	\$ -	\$ -	\$ 88,171
Mutual funds:				
Equities:				
U.S. large company stocks	7,209,522	-	-	7,209,522
International large company stocks	3,945,332	-	-	3,945,332
U.S. small company stocks	2,173,820	-	-	2,173,820
U.S. REITs	2,718,419	-	-	2,718,419
Emerging markets stocks	1,570,705	-	-	1,570,705
International REITS	1,383,836	-	-	1,383,836
International small company stocks	691,530	-	-	691,530
Fixed income:				
Ultrashort bonds	2,721,541	-	-	2,721,541
High quality bonds	2,948,937	-	-	2,948,937
Investment grade bonds	3,390,643	-	-	3,390,643
International bonds	1,514,574	-	-	1,514,574
High yield bonds	566,928	-	-	566,928
	<u>\$ 30,923,958</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,923,958</u>

SOUTHERN OREGON UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

12. Economic Uncertainties

As of the date of the independent auditor's report, there still exists certain economic uncertainties related to the COVID-19 coronavirus pandemic. These continuing uncertainties could negatively impact the Foundation's future financial condition and operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

13. 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, 2021 in Fall 2021 of \$263,979.