

**SOUTHERN OREGON UNIVERSITY FOUNDATION**

**FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2023 and 2022**



SOUTHERN OREGON UNIVERSITY FOUNDATION  
FINANCIAL STATEMENTS  
For the Years Ended June 30, 2023 and 2022

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3 - 4
Statements of Activities	5 - 6
Statements of Cash Flows	7
Statements of Functional Expenses	8 - 9
Notes to Financial Statements	10 - 21

## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

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, 2023 and 2022, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, 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.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southern Oregon University Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Southern Oregon University's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Southern Oregon University Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southern Oregon University Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Jones & Roth, P.C.  
Eugene, Oregon  
November 27, 2023

## FINANCIAL STATEMENTS

SOUTHERN OREGON UNIVERSITY FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,700,408	\$ 1,409,073
Unconditional promises to give, current portion	<u>1,305,445</u>	<u>612,044</u>
Total current assets	<u>3,005,853</u>	<u>2,021,117</u>
<b>Noncurrent assets</b>		
Investments	40,588,426	36,844,951
Assets held under split-interest agreements	535,621	538,367
Unconditional promises to give, noncurrent, less allowance for uncollectibles	6,733,753	376,844
Other assets	<u>772,659</u>	<u>772,659</u>
Total noncurrent assets	<u>48,630,459</u>	<u>38,532,821</u>
<b>Total assets</b>	<u>\$ 51,636,312</u>	<u>\$ 40,553,938</u>

	<u>2023</u>	<u>2022</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 3,203	\$ 159,724
Payments due to related entity	399,731	61,221
Deferred revenue	<u>55,000</u>	<u>-</u>
Total current liabilities	457,934	220,945
<b>Noncurrent liabilities</b>		
Obligations under split-interest agreements	<u>196,059</u>	<u>216,907</u>
Total liabilities	<u>653,993</u>	<u>437,852</u>
<b>Net assets</b>		
Without donor restrictions	4,123,407	3,350,360
With donor restrictions	<u>46,858,912</u>	<u>36,765,726</u>
Total net assets	<u>50,982,319</u>	<u>40,116,086</u>
<b>Total liabilities and net assets</b>	<u>\$ 51,636,312</u>	<u>\$ 40,553,938</u>

The accompanying notes are an integral part of these statements.

SOUTHERN OREGON UNIVERSITY FOUNDATION  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and other support</b>			
Donations	\$ 384,778	\$ 13,532,461	\$ 13,917,239
Contributed services support	965,967	-	965,967
Change in split-interest agreements	-	(9,990)	(9,990)
Net investment income	784,328	824,168	1,608,496
Net realized and unrealized gains (losses)	-	1,122,918	1,122,918
Fundraising activities and other income (loss)	101	13,516	13,617
Net assets released from restrictions	<u>5,389,887</u>	<u>(5,389,887)</u>	<u>-</u>
 Total revenue and other support	 <u>7,525,061</u>	 <u>10,093,186</u>	 <u>17,618,247</u>
 <b>Expenses</b>			
Program services	4,779,562	-	4,779,562
Management and fundraising	<u>1,972,452</u>	<u>-</u>	<u>1,972,452</u>
 Total expenses	 <u>6,752,014</u>	 <u>-</u>	 <u>6,752,014</u>
 <b>Change in net assets</b>	 773,047	 10,093,186	 10,866,233
Net assets, beginning of year	<u>3,350,360</u>	<u>36,765,726</u>	<u>40,116,086</u>
 <b>Net assets, end of year</b>	 <u>\$ 4,123,407</u>	 <u>\$ 46,858,912</u>	 <u>\$ 50,982,319</u>

The accompanying notes are an integral part of these statements.



SOUTHERN OREGON UNIVERSITY FOUNDATION  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and other support</b>			
Donations	\$ 145,545	\$ 7,397,033	\$ 7,542,578
Contributed services support	974,458	-	974,458
Change in split-interest agreements	-	66,691	66,691
Net investment income	125,795	1,626,436	1,752,231
Net realized and unrealized gains (losses)	(290,125)	(6,905,256)	(7,195,381)
Fundraising activities and other income (loss)	(373)	200,230	199,857
Net assets released from restrictions	<u>4,252,070</u>	<u>(4,252,070)</u>	<u>-</u>
 Total revenue and other support	 <u>5,207,370</u>	 <u>(1,866,936)</u>	 <u>3,340,434</u>
<b>Expenses</b>			
Program services	3,183,419	-	3,183,419
Management and fundraising	<u>1,730,388</u>	<u>-</u>	<u>1,730,388</u>
 Total expenses	 <u>4,913,807</u>	 <u>-</u>	 <u>4,913,807</u>
<b>Change in net assets</b>	293,563	(1,866,936)	(1,573,373)
Net assets, beginning of year	<u>3,056,797</u>	<u>38,632,662</u>	<u>41,689,459</u>
<b>Net assets, end of year</b>	<u>\$ 3,350,360</u>	<u>\$ 36,765,726</u>	<u>\$ 40,116,086</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, 2023 and 2022

	2023	2022
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 10,866,233	\$ (1,573,373)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized and unrealized (gains) losses	(1,122,918)	7,195,381
Contributions restricted for long-term investment	(1,218,593)	(4,150,460)
Investment income restricted for long-term investment	(1,601,828)	(1,739,488)
Contributions of stock	(400,605)	(387,858)
(Increase) decrease in:		
Unconditional promises to give	(7,050,310)	(362,615)
Increase (decrease) in:		
Accounts payable	(156,521)	69,402
Related party payable	338,510	22,676
Obligations under split-interest agreements	9,990	(66,691)
Deferred revenue	55,000	-
	<u>(281,042)</u>	<u>(993,026)</u>
Net cash used by operating activities		
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	7,227,796	2,548,478
Proceeds from split-interest agreements	-	74,290
Purchase of investments	(7,874,012)	(5,438,931)
Proceeds from contributions restricted for long-term investment	1,218,593	4,150,460
	<u>572,377</u>	<u>1,334,297</u>
Net cash provided by investing activities		
<b>Net increase in cash and cash equivalents</b>	291,335	341,271
Cash and cash equivalents, beginning of year	<u>1,409,073</u>	<u>1,067,802</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,700,408</u>	<u>\$ 1,409,073</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, 2023

	Program Services			Total Program Services	Management and Fundraising	Total
	Southern Oregon University Foundation	Southern Oregon University	Affiliates			
<b>Functional expenses</b>						
Scholarships	\$ -	\$ 1,469,579	\$ -	\$ 1,469,579	\$ -	\$ 1,469,579
Grants	55,000	-	-	55,000	-	55,000
Special project expense	-	-	-	-	79,540	79,540
Personnel expenses	-	-	-	-	496,312	496,312
Personnel expenses provided by SOU	-	-	-	-	922,738	922,738
Administrative expenses	-	143,188	49,914	193,102	473,862	666,964
Program support	1,290	3,014,773	45,818	3,061,881	-	3,061,881
<b>Total functional expenses</b>	<u>\$ 56,290</u>	<u>\$ 4,627,540</u>	<u>\$ 95,732</u>	<u>\$ 4,779,562</u>	<u>\$ 1,972,452</u>	<u>\$ 6,752,014</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, 2022

	Program Services			Total Program Services	Management and Fundraising	Total
	Southern Oregon University Foundation	Southern Oregon University	Affiliates			
<b>Functional expenses</b>						
Scholarships	\$ -	\$ 1,404,272	\$ -	\$ 1,404,272	\$ -	\$ 1,404,272
Grants	25,000	-	-	25,000	-	25,000
Special project expense	-	-	-	-	1,781	1,781
Personnel expenses	-	-	-	-	306,368	306,368
Personnel expenses provided by SOU	-	-	-	-	955,199	955,199
Administrative expenses	-	189,207	26,718	215,925	467,040	682,965
Program Support	13,987	1,235,738	288,497	1,538,222	-	1,538,222
	<u>38,987</u>	<u>2,829,738</u>	<u>288,497</u>	<u>3,183,419</u>	<u>1,730,388</u>	<u>4,913,807</u>
<b>Total functional expenses</b>	<u>\$ 38,987</u>	<u>\$ 2,829,217</u>	<u>\$ 315,215</u>	<u>\$ 3,183,419</u>	<u>\$ 1,730,388</u>	<u>\$ 4,913,807</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 five 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, and Osher Lifelong Learning Institute.

**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).

**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.

**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, 2023 and 2022, the Foundation's uninsured cash balances totaled \$2,368,251 and \$1,435,728, respectively.

**Concentrations of Revenues**

During the years ended June 30, 2023 and 2022, contributions from one donor respectively made up approximately 61 and 29 percent of total revenues, excluding realized and unrealized gains and losses.

SOUTHERN OREGON UNIVERSITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

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

**Concentrations of Receivables**

Approximately 94 percent and 52 percent of the Foundation's receivables were due from one and three individuals or businesses as of June 30, 2023 and 2022, 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. 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.

**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, 2023 and 2022, 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 management and fundraising services. The Foundation's purpose is entirely fundraising; therefore, this amount is not separately stated.

The Foundation allocates its expenses on a functional basis among its program services and management and fundraising services. Expenses that can be identified with a specific program or management and fundraising service are allocated directly to that program or management and fundraising service according to their natural expenditure classification. Other expenses that are common to several functions are allocated among the programs and management and fundraising services benefitted.

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

*Management and Fundraising Services* - Management, general, and fundraising expenses.

**Advertising Expenses**

Advertising expenses are expensed when incurred. Advertising costs totaled \$16,599 and \$16,687 for the years ended June 30, 2023 and 2022, respectively.

SOUTHERN OREGON UNIVERSITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

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

**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:

	2023	2022
Receivables	\$ 18,681	\$ 28,098
Investments	2,783,212	2,296,476
Financial assets available for general expenditure	\$ 2,801,893	\$ 2,324,574

**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.



SOUTHERN OREGON UNIVERSITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**3. Investments, continued**

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 7,808	\$ 2,145
Treasury bills	3,472,022	-
Mutual funds:		
Equities:		
U.S. large company stocks	9,154,778	8,264,934
International large company stocks	4,784,782	4,402,717
U.S. small company stocks	2,593,669	2,449,257
U.S. REITs	3,284,190	3,277,815
Emerging markets stocks	1,844,854	1,728,454
International REITs	1,527,225	1,562,220
International small company stocks	810,757	756,200
Fixed income:		
Ultrashort bonds	3,491,556	5,035,707
High quality bonds	3,310,140	3,304,895
Investment grade bonds	3,877,978	3,759,631
International bonds	1,744,842	1,673,178
High yield bonds	<u>683,825</u>	<u>627,798</u>
Total investments	<u>\$ 40,588,426</u>	<u>\$ 36,844,951</u>

For the years ended June 30, 2023 and 2022, donor restricted investment income has been reduced by investment expenses of \$139,356 and \$166,930, respectively.

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

	<u>2023</u>	<u>2022</u>
Net realized gain (loss)	\$ 551,100	\$ (342,040)
Net unrealized gain (loss)	<u>571,818</u>	<u>(6,563,216)</u>
Total realized and unrealized gains (losses)	<u>\$ 1,122,918</u>	<u>\$ (6,905,256)</u>

**4. Unconditional Promises to Give**

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

	<u>2023</u>	<u>2022</u>
Unrestricted promises to give	\$ 18,681	\$ 28,098
Donor restricted promises to give	9,582,002	1,029,485
Allowance for uncollectible promises to give	<u>(48,752)</u>	<u>(39,126)</u>
	9,551,931	1,018,457
Unamortized discount	<u>(1,512,733)</u>	<u>(29,569)</u>
Unconditional promises to give, net	<u>\$ 8,039,198</u>	<u>\$ 988,888</u>

SOUTHERN OREGON UNIVERSITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**4. Unconditional Promises to Give, continued**

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

	2023	2022
Amounts due in:		
Less than one year	\$ 1,305,445	\$ 612,044
One to five years	6,733,753	376,844
	\$ 8,039,198	\$ 988,888

The unconditional promises to give unamortized discount has been discounted using a rate of 3.81 percent and 2.99 percent for the years ended June 30, 2023 and 2022, respectively.

**5. Net Assets with Donor Restrictions**

Net assets with purpose or time restrictions at June 30, 2023 and 2022, in the amount of \$18,183,514 and \$9,298,931, respectively, consisted of tuition scholarships, student support, and other program services.

Net assets with perpetual restrictions at June 30, 2023 and 2022, in the amount of \$28,675,398 and \$27,466,795, respectively, consisted of endowment funds, which are permanently restricted as stipulated by the donors.

**6. Endowment Fund**

The Foundation's endowment consists of approximately 255 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.

**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 Foundation and the donor-restricted endowment fund
- (3) General economic conditions

SOUTHERN OREGON UNIVERSITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**6. Endowment Fund, continued**

**Interpretation of Relevant Law, continued**

- (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. There were not any current appropriations for these programs that was deemed prudent by the Board of Trustees.

As of June 30, 2023, the amount by which funds were underwater were calculated as follows:

Aggregate fair value	\$ 5,757,546
Aggregate original gift amount	<u>6,390,977</u>
Aggregate deficiency	<u>\$ (633,431)</u>

**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.

**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.

SOUTHERN OREGON UNIVERSITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**6. Endowment Fund, continued**

**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:

	<u>2023</u>	<u>2022</u>
Time restricted earnings	\$ 4,693,813	\$ 4,481,047
Perpetually restricted	<u>28,675,398</u>	<u>27,466,795</u>
 Total Endowment Fund	 <u>\$ 33,369,211</u>	 <u>\$ 31,947,842</u>

A summary of Endowment Fund activity was as follows:

	<u>2023</u>	<u>2022</u>
Balance, July 1	\$ 31,947,842	\$ 34,845,933
Contributions	1,218,593	4,150,460
Appropriated expenditures	(1,654,117)	(1,873,018)
Change in value of assets held under split-interest agreements	<u>(9,990)</u>	<u>66,691</u>
	<u>31,502,328</u>	<u>37,190,066</u>
Investment returns:		
Net unrealized gain (loss) on endowment	1,042,715	(6,868,660)
Net return on endowment investments	<u>824,168</u>	<u>1,626,436</u>
 Investment returns (losses)	 <u>1,866,883</u>	 <u>(5,242,224)</u>
Balance, June 30	<u>\$ 33,369,211</u>	<u>\$ 31,947,842</u>

**7. In-kind Administrative Contributions by the University**

The Foundation receives donated professional services from the University that would typically be purchased if not provided as an in-kind contribution. These services, which require specialized skills, are recognized as in-kind contributions at fair value, and are expensed, when the services are rendered. The fair value of these services is estimated by the University using staff hourly wages.

SOUTHERN OREGON UNIVERSITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**7. In-kind Administrative Contributions by the University, continued**

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

	<u>2023</u>	<u>2022</u>
Personnel and supplies expenses provided	\$ <u>965,967</u>	\$ <u>974,458</u>

**8. Split-interest Agreements**

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 10,342	\$ 20,762
Mutual funds:		
Equities:		
U.S. large company stocks	143,525	134,100
International large company stocks	74,605	71,180
U.S. small company stocks	38,053	37,264
U.S. REITs	52,491	54,735
Emerging markets stocks	28,149	27,388
International REITs	24,409	25,771
International small company stocks	12,478	11,822
Fixed income:		
High quality bonds	53,242	66,812
Investment grade bonds	60,535	50,451
International bonds	26,442	26,879
High yield bonds	<u>11,350</u>	<u>11,203</u>
Total assets held under split-interest agreements	<u>\$ 535,621</u>	<u>\$ 538,367</u>

**9. Other Assets**

At June 30, other assets consisted of the following:

	<u>2023</u>	<u>2022</u>
Collections:		
Antique furniture and collectibles	\$ 21,508	\$ 21,508
Real property:		
Fern Valley Road, Phoenix, Oregon	725,000	725,000
Resort property timeshares	9,000	9,000
Other assets	<u>17,151</u>	<u>17,151</u>
Total other assets	<u>\$ 772,659</u>	<u>\$ 772,659</u>

SOUTHERN OREGON UNIVERSITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**9. Other Assets, continued**

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. In March 2022, the property was appraised at \$725,000 and a \$290,125 loss was recorded in that year.

The Foundation previously received a contribution of a timeshare unit in Puerto Vallarta, Mexico. As of June 30, 2023 and 2022, the resort property timeshares are carried at their donated value.

**10. Net Assets Released from Restrictions**

During 2023 and 2022, net assets in the amount of \$5,389,887 and \$4,252,070, 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.

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.

SOUTHERN OREGON UNIVERSITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**11. Fair Value Measurements, continued**

*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.

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

	Assets at Fair Value as of June 30, 2023			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 18,150	\$ -	\$ -	\$ 18,150
Treasury bills	3,472,022	-	-	3,472,022
Mutual funds:				
Equities:				
U.S. large company stocks	9,298,303	-	-	9,298,303
International large company stocks	4,859,387	-	-	4,859,387
U.S. small company stocks	2,631,722	-	-	2,631,722
U.S. REITs	3,336,680	-	-	3,336,680
Emerging markets stocks	1,873,003	-	-	1,873,003
International REITS	1,551,635	-	-	1,551,635
International small company stocks	823,235	-	-	823,235
Fixed income:				
Ultrashort bonds	3,491,556	-	-	3,491,556
High quality bonds	3,363,382	-	-	3,363,382
Investment grade bonds	3,938,513	-	-	3,938,513
International bonds	1,771,284	-	-	1,771,284
High yield bonds	695,175	-	-	695,176
	<u>\$ 41,124,047</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,124,047</u>

SOUTHERN OREGON UNIVERSITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**11. Fair Value Measurements, continued**

	Assets at Fair Value as of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 22,907	\$ -	\$ -	\$ 22,907
Treasury bills	-	-	-	-
Mutual funds:				
Equities:				
U.S. large company stocks	8,399,034	-	-	8,399,034
International large company stocks	4,473,897	-	-	4,473,897
U.S. small company stocks	2,486,521	-	-	2,486,521
U.S. REITs	3,332,550	-	-	3,332,550
Emerging markets stocks	1,755,842	-	-	1,755,842
International REITS	1,587,991	-	-	1,587,991
International small company stocks	768,022	-	-	768,022
Fixed income:				
Ultrashort bonds	5,035,707	-	-	5,035,707
High quality bonds	3,371,707	-	-	3,371,707
Investment grade bonds	3,810,082	-	-	3,810,082
International bonds	1,700,056	-	-	1,700,056
High yield bonds	639,002	-	-	639,002
	<u>\$ 37,383,318</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,383,318</u>

**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, 2023 in Fall 2023 of \$461,883.