

**WESTERN OREGON UNIVERSITY
DEVELOPMENT FOUNDATION
FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017**

WESTERN OREGON UNIVERSITY DEVELOPMENT FOUNDATION
BOARD OF TRUSTEES

Trustee

Cori Frauendiener '67
Chair, WOU Foundation
Director of Education Partnerships, MAPS Credit Union

John Schrenk '76
Vice-Chair, WOU Foundation
President & CEO, Marquis Spa

Ryan Skogstad '03
Treasurer, WOU Foundation
Capstone Wealth Advisors, Senior Financial Advisor

Pat Stineff '77 '83
Secretary, WOU Foundation
Retired

Gayle Caldarazzo-Doty
Trustee-at-Large, WOU Foundation
Community Relations Director, Doty, Pruett, Wilson & Company

Kelly Carlisle
Trustee-at-Large, WOU Foundation
Assistant Superintendent, Salem-Keizer School District

Ron Clark '83
Trustee-at-Large, WOU Foundation
Attorney, Bullivant, Houser, Bailey, P.C.

Judith Corwin '96
Trustee-at-Large, WOU Foundation
Director of Marketing and Public Relations, The Corvallis Clinic P.C.

Tony Crawford '80
Alumni Association, Representative
Retired

Dr. Patricia Flatt
Faculty Senate, Representative
WOU Associate Professor, Chemistry

Jim Francesconi
Trustee-at-Large, WOU Foundation
Vice President, Public Policy, Moda Health

Jessica Freeman
ASWOU Representative
ASWOU Office

WESTERN OREGON UNIVERSITY DEVELOPMENT FOUNDATION
BOARD OF TRUSTEES (Continued)

Trustee

Dr. Rex Fuller
President, WOU

Jim Gibson
Trustee-at-Large, WOU Foundation
Vice President Branch Services, Oregon State Credit Union

Scott Hamersly
Trustee-at-Large, WOU Foundation
Owner, Oregon Wealth Management

Michael Harper
Trustee-at-Large, WOU Foundation
Agent, State Farm Insurance Companies

Scott McClure
Smith Fine Arts, Representative
Monmouth City Manager

Mike Morgan
Trustee-at-Large, WOU Foundation

Carlene Neal
Trustee-at-Large, WOU Foundation

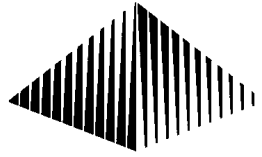
Joan Scherf
Emeritus Society, Representative
Retired

Legal Counsel

Teresa Wade
Legal Counsel, WOU Foundation
Attorney, Garrett, Hemann, Robertson, Et Al

Foundation Staff

Erin McDonough
Executive Director, WOU Foundation



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Western Oregon University Development Foundation
345 N. Monmouth Avenue
Monmouth, Oregon 97361

We have audited the accompanying financial statements of the Western Oregon University Development Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows 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 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 the Western Oregon University Development Foundation as of June 30, 2018 and 2017, 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.


CERTIFIED PUBLIC ACCOUNTANTS

September 12, 2018

WESTERN OREGON UNIVERSITY DEVELOPMENT FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018			
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
ASSETS				
Cash and cash equivalents	\$ (113,434)	\$ 563,921	\$ 1,460	\$ 451,947
Investments	1,133,891	5,000,829	9,473,448	15,608,168
Pledges receivable (no allowance for uncollectible amounts)	4,134	30,340	70,095	104,569
Due from WOU	278,539	-	-	278,539
Property and equipment, net of depreciation	226,950	76,752	-	303,702
<i>Total Assets</i>	<u>\$ 1,530,080</u>	<u>\$ 5,671,842</u>	<u>\$ 9,545,003</u>	<u>\$ 16,746,925</u>
LIABILITIES AND NET ASSETS				
<i>Liabilities</i>				
Annuities payable	\$ -	\$ 952,031	\$ -	\$ 952,031
Accounts payable	26,847	44,242	52	71,141
Notes payable	154,931	-	-	154,931
<i>Total Liabilities</i>	181,778	996,273	52	1,178,103
<i>Net Assets</i>				
Unrestricted				
Undesignated	434,106	-	-	434,106
Designated	914,196	-	-	914,196
Temporarily restricted	-	4,675,569	-	4,675,569
Permanently restricted	-	-	9,544,951	9,544,951
<i>Total Net Assets</i>	<u>1,348,302</u>	<u>4,675,569</u>	<u>9,544,951</u>	<u>15,568,822</u>
<i>Total Liabilities and Net Assets</i>	<u>\$ 1,530,080</u>	<u>\$ 5,671,842</u>	<u>\$ 9,545,003</u>	<u>\$ 16,746,925</u>

2017

<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
\$ (138,895)	\$ 917,966	\$ -	\$ 779,071
1,111,214	4,589,098	8,487,473	14,187,785
3,746	15,854	91,254	110,854
210,055	-	-	210,055
303,950	81,842	-	385,792
\$ 1,490,070	\$ 5,604,760	\$ 8,578,727	\$ 15,673,557
\$ -	\$ 1,023,621	\$ -	\$ 1,023,621
22,158	35,559	-	57,717
232,968	-	-	232,968
255,126	1,059,180	-	1,314,306
301,167	-	-	301,167
933,777	-	-	933,777
-	4,545,580	-	4,545,580
-	-	8,578,727	8,578,727
1,234,944	4,545,580	8,578,727	14,359,251
\$ 1,490,070	\$ 5,604,760	\$ 8,578,727	\$ 15,673,557

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

WESTERN OREGON UNIVERSITY DEVELOPMENT FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018			
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
REVENUE				
Contributions	\$ 462,208	\$ 808,002	\$ 888,826	\$ 2,159,036
Dividends and interest	22,005	290,729	101,333	414,067
Realized and unrealized gains (losses)	7,577	475,093	(23,935)	458,735
Miscellaneous	41,436	261,737	-	303,173
<i>Total Revenue</i>	533,226	1,835,561	966,224	3,335,011
NET ASSETS RELEASED FROM RESTRICTIONS	1,705,572	(1,705,572)	-	-
EXPENSES				
Program services	1,573,453	-	-	1,573,453
Management and general	453,201	-	-	453,201
Fundraising	98,786	-	-	98,786
<i>Total Expenses</i>	2,125,440	-	-	2,125,440
CHANGE IN NET ASSETS	113,358	129,989	966,224	1,209,571
NET ASSETS, Beginning of year	1,234,944	4,545,580	8,578,727	14,359,251
NET ASSETS, End of year	\$ 1,348,302	\$ 4,675,569	\$ 9,544,951	\$ 15,568,822

2017

<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
\$ 597,640	\$ 840,381	\$ 387,644	\$ 1,825,665
26,783	242,245	129,634	398,662
14,708	945,883	(81,844)	878,747
23,952	201,092	-	225,044
663,083	2,229,601	435,434	3,328,118
1,403,549	(1,403,549)	-	-
1,400,637	-	-	1,400,637
417,856	-	-	417,856
173,943	-	-	173,943
1,992,436	-	-	1,992,436
74,196	826,052	435,434	1,335,682
1,160,748	3,719,528	8,143,293	13,023,569
<u>\$ 1,234,944</u>	<u>\$ 4,545,580</u>	<u>\$ 8,578,727</u>	<u>\$ 14,359,251</u>

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

WESTERN OREGON UNIVERSITY DEVELOPMENT FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018			
	<i>Program Services</i>	<i>Management & General</i>	<i>Fundraising</i>	<i>Total</i>
Grants	\$ 6,625	\$ -	\$ -	\$ 6,625
Accounting fees	-	13,000	-	13,000
Legal fees	-	808	-	808
Supplies	81,416	1,695	-	83,111
Telephone	992	-	-	992
Postage & shipping	1,422	-	1,928	3,350
Occupancy	7,673	5,640	-	13,313
Equipment rental & maintenance	77,150	17,757	-	94,907
Printing & publications	11,731	-	6,943	18,674
Travel	181,338	681	-	182,019
Sponsored events & activities	146,474	1,193	7,228	154,895
Interest expense	2,406	-	-	2,406
Depreciation	-	89,365	-	89,365
Personnel costs	82,674	189,890	82,687	355,251
Scholarships	730,369	-	-	730,369
University support	197,891	-	-	197,891
Office expense	2,350	10,397	-	12,747
Contract labor	3,100	-	-	3,100
Fees	39,842	122,775	-	162,617
Miscellaneous	-	-	-	-
	\$ 1,573,453	\$ 453,201	\$ 98,786	\$ 2,125,440

2017

<i>Program Services</i>	<i>Management & General</i>	<i>Fundraising</i>	<i>Total</i>
\$ 4,876	\$ 274	\$ -	\$ 5,150
-	13,000	-	13,000
-	1,265	-	1,265
88,285	4,745	-	93,030
963	-	-	963
3,881	-	2,319	6,200
6,550	5,588	-	12,138
7,485	17,416	-	24,901
20,335	-	7,860	28,195
129,268	101	598	129,967
178,208	80	5,909	184,197
751	-	-	751
-	15,130	-	15,130
97,237	243,305	157,257	497,799
644,366	-	-	644,366
193,357	-	-	193,357
-	7,543	-	7,543
730	-	-	730
22,101	109,409	-	131,510
2,244	-	-	2,244
<hr/>	<hr/>	<hr/>	<hr/>
\$ 1,400,637	\$ 417,856	\$ 173,943	\$ 1,992,436
<hr/>	<hr/>	<hr/>	<hr/>

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

WESTERN OREGON UNIVERSITY DEVELOPMENT FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

CASH FLOWS FROM OPERATING ACTIVITIES	2018	2017
Change in net assets	\$ 1,209,571	\$ 1,335,682
<i>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities</i>		
Endowment contributions	(888,826)	(387,644)
Depreciation	89,365	15,130
Investment (gains) losses	(458,735)	(878,747)
Actuarial change in annuity obligations	16,477	79,925
Changes in assets and liabilities:		
Pledges receivable	6,285	30,936
Due from WOU	(68,484)	(18,950)
Accounts payable	13,424	28,053
<i>Net Cash Provided by (Used in) Operating Activities</i>	(80,923)	204,385
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(7,275)	(236,424)
Purchase of investments	(4,821,026)	(3,775,635)
Proceeds from sale of investments	3,859,378	3,589,424
<i>Net Cash Used in Investing Activities</i>	(968,923)	(422,635)
CASH FLOWS FROM FINANCING ACTIVITIES		
Debt proceeds	-	236,424
Payments on debt and annuity obligations	(166,104)	(94,800)
Proceeds from endowment gifts	888,826	387,644
<i>Net Cash Provided by Financing Activities</i>	722,722	529,268
NET CHANGE IN CASH AND CASH EQUIVALENTS	(327,124)	311,018
CASH AND CASH EQUIVALENTS, Beginning of year	779,071	468,053
CASH AND CASH EQUIVALENTS, End of year	\$ 451,947	\$ 779,071

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

WESTERN OREGON UNIVERSITY DEVELOPMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Western Oregon University Development Foundation (“The Foundation”) is a not-for-profit corporation organized under the laws of the State of Oregon and is tax exempt under Section 501(c)(3) of the Internal Revenue Code. The organization assists Western Oregon University (“the University”) with its education, cultural, scientific and charitable endeavors by improving its public relations and financial support through gifts, grants and bequests. Foundation offices are on the campus of the University, located in Monmouth, Oregon. The financial statements have been prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America.

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Resources are classified for accounting and reporting purposes according to their nature and purpose.

Restricted Net Assets

Restricted net assets represent resources expendable only for those purposes specified by the donor, grantor or other outside party. Resources of this fund originate from grants and gifts and are classified as temporarily restricted or permanently restricted. Endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and are classified as permanently restricted. In some instances, donors have specified that income be added to the endowment until a target balance is reached. All other earnings, as well as gains and losses, are recorded as temporarily restricted or unrestricted based on the terms of the contribution. Temporarily restricted funds are funds available upon passage of a stated period of time or the occurrence of a particular event.

Restricted assets are generally restricted to use for scholarships, University support, or are maintained under charitable gift agreements.

Unrestricted Funds

Unrestricted funds represent resources over which the Board of Trustees has discretionary control and are used to carry out the operations of the organization in accordance with its bylaws. The Gentle House revenues and expenses are included in unrestricted funds.

Quasi-endowment funds that the governing Board of Trustees has determined to be retained and invested are reported as designated, unrestricted funds. These funds are not required to be retained and invested by the donors and may be expended at the Board of Trustees’ discretion.

Pledges Receivable

Contributions are recognized when the donor makes an unconditional promise to give to the Foundation. Contributions that are restricted by the donor are reported as increases in the unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Pledges are generally collected within one year. At June 30, 2018 there was \$60,880 in pledges receivable due in more than one year.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable (Continued)

The Foundation uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. At June 30, 2018 and 2017, there was no allowance considered necessary.

Donated Materials and Services

A substantial number of volunteers have donated significant amounts of time to the organization's program services and fundraising campaigns. Also, food for program services and fundraisers is periodically donated by individuals and businesses in the community. However, no objective basis is available to measure the value of such services and materials, and no amount is reflected in the financial statements.

Investments and Investment Income

Fair Value Measurements

FASB ASC 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1

Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments which would generally be included in Level 1 are listed equities and listed derivatives. Additionally, money market funds, certificates of deposit and other highly liquid investments with maturities of 90 days or less are reported at cost which approximates fair value because of short maturities. As required by FASB ASC 820, the Foundation does not adjust the quoted price for these investments even in situations where the Foundation holds a large position and a sale could reasonably impact the quoted price.

Level 2

Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1. Fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities, and certain over-the-counter derivatives.

Level 3

Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant judgment or estimation. Investments that are included in this category generally include general and limited partnership interests in corporate private equity and real estate funds, debt funds, hedge funds, distressed debt and non-investment grade residual interests in securitizations and collateral debt obligations.

WESTERN OREGON UNIVERSITY DEVELOPMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED JUNE 30, 2018 AND 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Investment Income (Continued)

Fair Value Measurements (Continued)

An asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques must maximize the use of observable inputs and minimize the use of unobservable inputs.

Reporting

Security transactions are recorded on a trade date basis. Interest is recorded as earned and dividends are recorded as of the ex-dividend date. Investment income includes interest, dividends, unrealized and realized gains and losses. Investment management and transaction fees are included in fee expense in the statement of functional expenses. Investment income attributable to amounts held is reported in temporarily restricted net assets except for those amounts specified by donors which are to be added to endowment principal. Those earnings are reported in permanently restricted net assets. Investment income attributable to amounts held for the benefit of trust beneficiaries is reported in obligations to trust beneficiaries.

Obligations Under Split-interest Agreements

Obligations under split-interest agreements (remainder trusts and gift annuities) are recorded when incurred at the present value of the disbursements to be made to the donor designated beneficiaries. Disbursements under charitable remainder unitrusts are a specified percentage of the trust assets' fair value as determined annually, while disbursements under charitable remainder annuity trusts and gift annuities are fixed amounts. Disbursements are paid over the lives of the beneficiaries or another donor specified period. Present values are determined using discount rates established by the Internal Revenue Service and actuarially-determined expected lives of beneficiaries. Obligations under the split-interest agreement are revalued annually based on the fair value of investments on June 30. The net revaluation, together with any remaining recorded obligations after all trust or gift obligations under terminated agreements have been met, are reported as net changes in the value of split-interest agreement in temporarily or permanently restricted net assets, depending on donor stipulations.

Endowment Classification and Distributions

The Board has interpreted the Uniform Prudent Management of Institutional Funds Act, as enacted by Oregon House Bill 2905, (OR-UPMIFA) as requiring the long-term preservation of the fair value of the original gift amount as of the gift date of donor restricted endowment funds absent explicit donor stipulations to the contrary.

For financial statement presentation purposes, the Foundation classifies as permanently restricted net assets (a) all funds and earnings explicitly stated by the donor to be retained permanently and continue to accumulate until the corpus reaches an amount designated by the donor and (b) absent such stipulation, the fair value on the date of gift for gifts donated to the permanent endowment. The remaining portion of the donor restricted endowment fund that is not classified as permanently restricted net assets represents net unappropriated endowment investment income and is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standards of prudence prescribed by OR-UPMIFA. If, as a result of investment losses or appropriations (Board authorized distributions), the fair value of endowment assets is less than the donor restricted amounts, the deficiencies are reported as reductions of unrestricted net assets.

WESTERN OREGON UNIVERSITY DEVELOPMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED JUNE 30, 2018 AND 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Classification and Distributions (Continued)

When considering appropriation for distribution or accumulation of endowment funds, absent a specifically stated requirement in the gift instrument, the Foundation makes a good faith application of the approved Foundation spending policy, considering (a) the duration and preservation of the endowment fund; (b) the purposes of the University and the endowment fund; (c) general economic conditions; (d) the possible effect of inflation or deflation; (e) the expected total return from income and the appreciation of investments; (f) other resources of the University; and (g) the investment policy of the Foundation. The good faith application of the approved Foundation spending policy may result in the fair value of endowment assets being below the level determined as permanently restricted net assets for financial statement presentation purposes.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. At times, the Foundation has deposits with institutions in excess of FDIC coverage. The Foundation believes it is not exposed to any significant credit risks on its cash balances.

Student Loans

Loans to students are treated as expenses when made, and the receivables are fully reserved. Revenue is recognized when loan payments are received. Loans receivable were \$56,761 in 2018 and \$55,441 in 2017, and were fully offset by an allowance for uncollectible accounts.

Trust Remainder Values

The Foundation has a remainder interest in several trusts. A value of \$1 has been assigned to these remainder interests as the value of the remainder interest cannot be determined.

Property and Equipment

Property and equipment purchases in excess of \$5,000 are capitalized. Property and equipment are stated at cost. Donated property and equipment are recorded at estimated fair market value on the date donated. Depreciation is recorded on property and equipment using the straight-line method. Buildings and improvements are depreciated over 28 - 30 years and furniture and equipment are depreciated over 5 - 15 years. Land, art objects, and museum displays are not depreciated.

Income Tax Status

The Foundation is exempt from federal income tax in accordance with the provisions of Internal Revenue Code Section 501(c)(3). Any unrelated business income tax, is insignificant and no tax provision has been made in the accompanying financial statements.

Contributions to the Foundation qualify for the charitable contribution tax deduction under Section 170(b)(1)(A)(vi); the Foundation has been classified as an organization that is not a private foundation.

WESTERN OREGON UNIVERSITY DEVELOPMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED JUNE 30, 2018 AND 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status (Continued)

The Foundation recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

The Foundation has no unrecognized tax benefits which would require an adjustment to the July 1, 2017 beginning balance of net assets and had no unrecognized tax benefits at June 30, 2018. The Foundation files an exempt organization tax return in the U.S. federal jurisdiction and applicable state agencies. Generally, the Foundation is no longer subject to income tax examinations by taxing authorities for years before 2015 for its federal and state filings.

Use of Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions that result in estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

INVESTMENTS

Fair value of assets measured on a nonrecurring basis at June 30, 2018 and 2017 are as follows:

	<i>June 30, 2018</i>			
	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>	<i>Total</i>
Marketable securities	\$ 12,610,989	\$ 2,358,602	\$ -	\$ 14,969,591
Cash value of life insurance policies	-	-	115,043	115,043
Money market funds and cash	523,533	-	-	523,533
Trust remainder values	-	-	1	1
Totals	<u>\$ 13,134,522</u>	<u>\$ 2,358,602</u>	<u>\$ 115,044</u>	<u>\$ 15,608,168</u>

WESTERN OREGON UNIVERSITY DEVELOPMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED JUNE 30, 2018 AND 2017

INVESTMENTS (Continued)

	<i>June 30, 2017</i>			
	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>	<i>Total</i>
Marketable securities	\$ 11,324,425	\$ 2,352,067	\$ -	\$ 13,676,492
Cash value of life insurance policies	-	-	108,145	108,145
Money market funds and cash	403,147	-	-	403,147
Trust remainder values	-	-	1	1
Totals	<u>\$ 11,727,572</u>	<u>\$ 2,352,067</u>	<u>\$ 108,146</u>	<u>\$ 14,187,785</u>

The table below presents information about fair value measurements that use significant unobservable inputs (Level 3):

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 108,146	\$ 101,135
Realized gains	6,898	7,011
Balance, end of year	<u>\$ 115,044</u>	<u>\$ 108,146</u>

Investment management and transaction fee expense was \$122,775 and \$109,409 for the years ended June 30, 2018 and 2017, respectfully.

INTEREST IN FUNDS HELD BY OREGON COMMUNITY FOUNDATION

The Foundation is a beneficiary of funds held by the Oregon Community Foundation (“OCF”). These funds are not held in a depository account but rather are in an “endowment fund” that is legally owned by OCF. Under United States Treasury Regulations, all community foundation endowment fund agreements must include terms which grant the community foundation’s Board of Directors the authority to modify restrictions and conditions of the fund agreement under certain circumstances (often referred to as “variance power”). As a result, all component funds are considered to be part of a single public charity, in this case OCF.

OCF variance power clause reads: “Whenever, in the sole judgment of the board of directors (without the necessity of the approval of any participating trustee, custodian or agent), any restriction or condition on the distribution of funds for any specified charitable, educational, or scientific purposes or to specified organizations or governmental units becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable, educational, and scientific needs of the State of Oregon, the board of directors may, by the affirmative vote of a majority of its members, order such modification of such restriction or condition and such application of the whole or any part of the principal or income of the funds as in its judgment is then necessary to serve more effectively the charitable, educational, and scientific purposes of the Corporation.”

WESTERN OREGON UNIVERSITY DEVELOPMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED JUNE 30, 2018 AND 2017

INTEREST IN FUNDS HELD OREGON COMMUNITY FOUNDATION (Continued)

OCF accounts for these funds in accordance with FASB ASC 958, *Not-for-Profit Entities*, which states that when a community foundation accepts a contribution from an agency and agrees to transfer those assets and/or the investment return on those assets back to the agency, then those contributions are presented as both an asset and a liability on the financial statements of the community foundation (i.e., OCF), but not as an asset on the financial statements of the agency (i.e., the Foundation).

The fair value of the endowments on which the Foundation is listed as the beneficiary was \$1,572,342 and \$1,510,061 at June 30, 2018 and 2017 respectively. The value of these investments is not included in the Foundation's financial statements.

LONG-TERM INVESTMENT POOL

Endowment and other funds with long-term investment horizons are pooled in an externally managed long-term investment pool. The investment pool has the following objectives: (1) to provide an annual distribution for endowments, as determined by the Board of Trustees, to support designated University activities and (2) to achieve a long-term growth rate that maintains the purchasing power of the assets, as measured by the consumer price index.

The long-term investment pool was approximately 61% endowments and 39% other funds with long-term investment horizons at June 30, 2018, and 60% and 40% respectively at June 30, 2017.

EXTERNALLY MANAGED REMAINDER TRUSTS AND GIFT ANNUITIES

Remainder trust agreement assets are externally managed on an individual account basis. Gift annuity assets are externally managed as a pool.

WESTERN OREGON UNIVERSITY DEVELOPMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED JUNE 30, 2018 AND 2017

PROPERTY AND EQUIPMENT

Physical plant, equipment and collections are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts.

The following is a summary of changes in property and equipment:

Fiscal year ended June 30, 2018

Cost	<i>Beginning of year</i>	<i>Additions</i>	<i>Deletions</i>	<i>End of year</i>
Land	\$ 40,000	\$ -	\$ -	\$ 40,000
Art collections	17,732	-	(4)	17,728
Buildings and improvements	162,655	7,275	-	169,930
Furniture and equipment	346,560	2	-	346,562
Total	566,947	7,277	(4)	574,220
Accumulated depreciation				
Buildings and improvements	(138,514)	(1,999)	-	(140,513)
Furniture and equipment	(42,641)	(87,364)	-	(130,005)
Total	(181,155)	(89,363)	-	(270,518)
Property and Equipment, net	<u>\$ 385,792</u>	<u>\$ (82,086)</u>	<u>\$ (4)</u>	<u>\$ 303,702</u>

Fiscal year ended June 30, 2017

Cost	<i>Beginning of year</i>	<i>Additions</i>	<i>Deletions</i>	<i>End of year</i>
Land	\$ 40,000	\$ -	\$ -	\$ 40,000
Art collections	17,732	-	-	17,732
Buildings and improvements	162,655	-	-	162,655
Furniture and equipment	110,136	236,424	-	346,560
Total	330,523	236,424	-	566,947
Accumulated depreciation				
Buildings and improvements	(128,476)	(10,038)	-	(138,514)
Furniture and equipment	(37,549)	(5,092)	-	(42,641)
Total	(166,025)	(15,130)	-	(181,155)
Property and Equipment, net	<u>\$ 164,498</u>	<u>\$ 221,294</u>	<u>\$ -</u>	<u>\$ 385,792</u>

WESTERN OREGON UNIVERSITY DEVELOPMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED JUNE 30, 2018 AND 2017

ANNUITIES PAYABLE

Annuities payable represent the present value of life annuities. Those values were \$952,031 and \$1,023,621 at June 30, 2018 and 2017, respectively. Total annual payments were approximately \$90,000 in 2018 and \$100,000 in 2017.

Annuities payable include both charitable gift annuities and trust agreements of \$187,896 and \$764,135 for the year ended June 30, 2018, and \$266,902 and \$756,719 for the year ended June 30, 2017.

NOTES PAYABLE

	<u>2018</u>	<u>2017</u>
LEAF Captial Financing, LLC loan (original amount \$45,575), monthly payments of \$1,402 including interest at 6.76%, maturing March 13, 2020. This loan is secured by equipment.	\$ 27,698	\$ 42,119
LEAF Captial Financing, LLC loan (original amount \$190,849), monthly payments of \$5,301, 0 % interest, maturing June 20, 2020. This loan is secured by equipment.	<u>127,233</u>	<u>190,849</u>
	<u>\$ 154,931</u>	<u>\$ 232,968</u>

Annual notes payable requirements are as follows:

<u>Year</u>	<u>Principal Payments</u>
2019	\$ 79,043
2020	<u>75,888</u>
<i>Total</i>	<u>\$ 154,931</u>

UNIVERSITY SUPPORT AND EXPENSES

The costs of operating the Foundation have been allocated between Foundation administration and Foundation fundraising based on estimates of the time expended in each area. Academic program support pertains to activities initiated and conducted by affiliates, schools and departments of the University in whole or in part. Foundation administrative expenses pertain to the general operating activities of the Foundation.

WESTERN OREGON UNIVERSITY DEVELOPMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED JUNE 30, 2018 AND 2017

UNIVERSITY SUPPORT AND EXPENSES (Continued)

The Foundation and the University have entered into an agreement that sets forth the manner in which the University and Foundation provide support to each other. For example, the University provides services to the Foundation which includes the free use of administrative office facilities, telephone, utilities, and certain other operating costs attributed to the Foundation. These costs are not material and are not included in the accompanying financial statements. The University also pays personnel costs for the Foundation. Payments of \$355,251 and \$497,799 in the fiscal years ended June 30, 2018 and 2017 have been recorded as contributions and personnel costs in the financial statements.

For its part, the Foundation's support of the University includes, but is not limited to, receiving, investing and administering the funds of, or funds held for the benefit of, the University; providing various financial and related services including receiving, acknowledging, receipting and processing all gifts; investing and managing all funds received on behalf of the University; administering endowment and funds held for the benefit of the University; disbursing funds in accordance with donor wishes; providing database management support; and holding and managing real property for the benefit of the University.

For the years ended June 30, 2018 and 2017, the Foundation respectively provided \$928,260 and \$837,722 to the University to be used for scholarships and University support. For the years ended June 30, 2018 and 2017, these payments included amounts scheduled to be disbursed by the University at a later date. Because the University and the Foundation work closely together, those unspent funds totaling \$278,539 and \$210,055 have been reported as due from the University at June 30, 2018 and 2017, respectively. These funds are used for scholarships and University support in the ensuing year.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 12, 2018, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.