

Southern Oregon University Foundation

**Independent Auditors' Report
and
Financial Statements**

**For the Years Ended
June 30, 2008 and 2007**

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INDEPENDENT AUDITORS' REPORT

September 15, 2008

To the Board of Trustees of
Southern Oregon University Foundation

We have audited the accompanying statements of financial position of the Southern Oregon University Foundation (a nonprofit organization) as of June 30, 2008 and 2007, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southern Oregon University Foundation as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Reid, Hanna & Company, LLP

Reid, Hanna & Company LLP

Southern Oregon University Foundation
 Statements of Financial Position
 June 30, 2008 and 2007

	2008	Restated 2007
Assets		
Assets		
Cash and cash equivalents	\$ 1,219,333	\$ 2,187,115
Deposit with University	17,984	5,063
Other current assets	3,763	4,292
Promises to give, net	381,901	329,719
Advances to related nonprofit organization	22,504	22,504
Other assets	609,229	601,778
Long-term investments	17,440,495	19,446,634
Land and building, net	295,393	304,293
Other real property	1,118,625	1,118,625
Total Assets	\$ 21,109,227	\$ 24,020,023
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 33,400	\$ 39,292
Accrued liabilities	4,993	4,993
Scholarships payable	419,271	312,371
Unearned income	217,693	207,748
Line of credit note payable	1,635,000	-
Obligations under split-interest agreements	481,185	511,938
Total Liabilities	2,791,542	1,076,342
Net Assets		
Unrestricted	3,349,682	3,248,843
Temporarily restricted	1,388,714	6,746,111
Permanently restricted	13,579,289	12,948,727
Total Net Assets	18,317,685	22,943,681
Total Liabilities and Net Assets	\$ 21,109,227	\$ 24,020,023

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

Southern Oregon University Foundation
Statement of Activities
For the Year Ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support, Revenue and Gains				
Contributions	\$ 137,111	\$ 1,375,261	\$ 675,288	\$ 2,187,660
Contributed services support	395,430	-	-	395,430
Interest and dividend income	151,778	93,793	-	245,571
Rental income	134,680	-	-	134,680
Net unrealized and realized gain <loss> on long-term investments	159,282	<2,481,468>	<1,947>	<2,324,133>
Change in value of split-interest agreements	-	-	<42,779>	<42,779>
Net fundraising activities and other income	<120>	607,605	-	607,485
Net assets released from restrictions				
Satisfaction of program restrictions	<u>4,952,588</u>	<u><4,952,588></u>	<u>-</u>	<u>-</u>
Total public support, revenue and gains	<u>5,930,749</u>	<u><5,357,397></u>	<u>630,562</u>	<u>1,203,914</u>
Functional Expenses				
Program services				
Medford Higher Education Center	2,550,000	-	-	2,550,000
Academic programs	593,650	-	-	593,650
Alumni Association	59,776	-	-	59,776
Deer Creek capital construction	271,597	-	-	271,597
Other capital construction projects	316,170	-	-	316,170
Schneider Museum of Art	131,863	-	-	131,863
Raider Athletics	119,712	-	-	119,712
University Library	17,591	-	-	17,591
Chamber Music Concert Series	212,677	-	-	212,677
Scholarships, grants and awards	855,253	-	-	855,253
Student activities	451	-	-	451
Total program services	<u>5,128,740</u>	<u>-</u>	<u>-</u>	<u>5,128,740</u>
Operating expenses				
Management and general	213,821	-	-	213,821
Management and general - contributed	214,602	-	-	214,602
Property management	1,766	-	-	1,766
Community affairs	9,293	-	-	9,293
Fundraising	133,408	-	-	133,408
Fundraising - contributed	<u>128,281</u>	<u>-</u>	<u>-</u>	<u>128,281</u>
Total operating expenses	<u>701,171</u>	<u>-</u>	<u>-</u>	<u>701,171</u>
Total functional expenses	<u>5,829,911</u>	<u>-</u>	<u>-</u>	<u>5,829,911</u>
Change in Net Assets	100,838	<5,357,397>	630,562	<4,625,997>
Net Assets at Beginning of Year, as restated	<u>3,248,843</u>	<u>6,746,111</u>	<u>12,948,727</u>	<u>22,943,681</u>
Net Assets at End of Year	<u>\$ 3,349,682</u>	<u>\$ 1,388,714</u>	<u>\$ 13,579,289</u>	<u>\$ 18,317,685</u>

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

Southern Oregon University Foundation
Restated Statement of Activities
For the Year Ended June 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Restated Total</u>
Public Support, Revenue and Gains				
Contributions	\$ 146,247	\$ 2,071,549	\$ 452,908	\$ 2,670,704
Contributed services support	410,592	-	-	410,592
Interest and dividend income	139,236	163,067	-	302,303
Rental income	134,680	-	-	134,680
Net unrealized and realized gain on long-term investments	150,913	2,585,259	-	2,736,172
Change in value of split-interest agreements	-	-	<57,838>	<57,838>
Net fundraising activities and other income	<500>	496,921	-	496,421
Net assets released from restrictions				
Satisfaction of program restrictions	<u>1,551,136</u>	<u><1,551,136></u>	<u>-</u>	<u>-</u>
Total public support, revenue and gains	<u>2,532,304</u>	<u>3,765,660</u>	<u>395,070</u>	<u>6,693,034</u>
Functional Expenses				
Program services				
Academic programs	538,943	-	-	538,943
Alumni Association	40,345	-	-	40,345
Deer Creek capital construction	55,331	-	-	55,331
Schneider Museum of Art	91,458	-	-	91,458
Raider Athletics	77,090	-	-	77,090
University Library	18,749	-	-	18,749
Chamber Music Concert Series	169,647	-	-	169,647
Scholarships, grants and awards	732,294	-	-	732,294
Student activities	644	-	-	644
Total program services	<u>1,724,501</u>	<u>-</u>	<u>-</u>	<u>1,724,501</u>
Operating expenses				
Management and general	141,322	-	-	141,322
Management and general - contributed	229,878	-	-	229,878
Property management	9,175	-	-	9,175
Community affairs	9,548	-	-	9,548
Fundraising	110,989	-	-	110,989
Fundraising - contributed	<u>174,024</u>	<u>-</u>	<u>-</u>	<u>174,024</u>
Total operating expenses	<u>674,937</u>	<u>-</u>	<u>-</u>	<u>674,937</u>
Total functional expenses	<u>2,399,438</u>	<u>-</u>	<u>-</u>	<u>2,399,438</u>
Change in Net Assets	132,866	3,765,660	395,070	4,293,596
Net Assets at Beginning of Year	<u>3,115,977</u>	<u>2,980,451</u>	<u>12,553,657</u>	<u>18,650,085</u>
Net Assets at End of Year	<u>\$ 3,248,843</u>	<u>\$ 6,746,111</u>	<u>\$ 12,948,727</u>	<u>\$ 22,943,681</u>

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

Southern Oregon University Foundation
 Statements of Cash Flows
 For the Years Ended June 30, 2008 and 2007

	2008	Restated 2007
Cash Flows from Operating Activities		
Change in net assets	\$ <4,625,997>	\$ 4,293,596
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Change in value of split-interest agreements	42,779	57,838
Depreciation	8,900	8,900
Non-cash contributions	<553,263>	<1,156,559>
Non-cash expenses and support	395,430	410,592
Pledge written off	-	100,000
Net unrealized and realized <gain> loss	2,324,133	<2,736,172>
<Increase> decrease in operating assets		
Other current assets	529	<436>
Promises to give	<52,182>	<189,661>
Deposit with University	<12,921>	11,148
Other assets	1,045	-
Increase <decrease> in operating liabilities		
Accounts payable	<5,890>	<59,158>
Unearned income	9,945	43,409
Scholarships payable	106,900	141,863
Contributions restricted for long-term investments	<675,288>	<452,908>
Net cash provided <used> by operating activities	<3,035,880>	472,452
Cash Flows from Investing Activities		
Cash used to improve property held for use	-	<793>
Cash advanced to related organization	-	<15,449>
Proceeds from sale of investments	3,356,931	4,556,194
Purchase of investments	<3,525,589>	<6,348,386>
Collection of note receivable	-	936,600
Proceeds from sale of other assets	-	4,000
Net cash used by investing activities	<168,658>	<867,834>
Cash Flows from Financing Activities		
Proceeds from contributions restricted for		
Investment in endowment	675,288	452,908
Other financing activities		
Proceeds from note payable	1,635,000	-
Payment of split-interest obligations	<73,532>	<73,532>
Net cash provided by financing activities	2,236,756	379,376
Net Decrease in Cash and Cash Equivalents	<967,782>	<16,006>
Cash and Cash Equivalents at Beginning of Year	2,187,115	2,203,121
Cash and Cash Equivalents at End of Year	\$ 1,219,333	\$ 2,187,115

Supplemental disclosure of cash flow information:

Cash paid for interest	\$ 81,566	\$ -
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The accompanying notes are an integral part of these financial statements.

Southern Oregon University Foundation
Notes to Financial Statements
June 30, 2008 and 2007

Note 1 – Summary of Significant Accounting Policies

Nature of Operations

The Southern Oregon University Foundation (the Foundation) is a nonprofit corporation established by Southern Oregon University to support and promote the educational, scientific and charitable activities of 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 Southern Oregon University. The Foundation's exempt purpose includes maintaining a development program to encourage contributions to the Foundation, and maintaining scholarships, grants, and loan funds for the benefit of students and faculty at Southern Oregon University.

Basis of Accounting

The financial statements of the Foundation are presented on the accrual basis of accounting.

Basis of Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

The Foundation accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Southern Oregon University Foundation
Notes to Financial Statements
June 30, 2008 and 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Promises to Give

Unconditional promises to give are recognized as revenues in the period the promise is made and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized as contributed income when the conditions on which they depend are substantially met.

The Foundation estimates that future distributions from four trusts will total \$4.2 million, and the Foundation is aware of bequests totaling an additional \$2.786 million. These amounts are not reflected in the financial statements because the conditions necessary to recognize them have not been met.

Property and Equipment

The Foundation records purchased property and equipment at cost. The Foundation records donated property and equipment at estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Concentrations of Credit Risk

The Foundation frequently maintains cash balances greater than \$100,000 in a single financial institution. The Federal Deposit Insurance Corporation insures account balances at each institution for amounts up to \$100,000.

The Foundation maintains accounts with stock brokerage firms. The accounts contain cash and securities. The Securities Investor Protection Corporation insures account balances for amounts up to \$500,000 (with a limit of \$100,000 for cash).

Contributed Services

The Foundation receives from Southern Oregon University certain administrative services and the use of office space at no cost under the terms of an agreement revised in 1998. The Foundation offices are located in a building on campus that was remodeled using funds raised by the Foundation. No contribution from the University is recorded for use of the facility.

The Foundation records a contribution for services provided by University personnel with specialized skills that the Foundation would need to hire if the services were not contributed.

For the years ended June 30, 2008 and 2007, the Foundation recorded contributed management and general services of \$214,602 and \$229,878 and contributed fundraising services of \$128,281 and \$174,024 for a total \$342,883 and \$403,902, respectively, in contributed services support, from Southern Oregon University.

Tax Status

The Southern Oregon University Foundation is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. Therefore, no provision for income taxes is necessary. In addition, the Foundation has been determined by the Internal Revenue Service not to be a "private foundation" as defined in Code Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1).

Southern Oregon University Foundation
Notes to Financial Statements
June 30, 2008 and 2007

Note 2 – Promises to Give

Promises to give at June 30, 2008 and 2007 are summarized as follows:

	<u>2008</u>	<u>2007</u>
Promises to give expected to be collected in less than one year	\$ 300,966	\$ 269,116
Promises to give expected to be collected in one to five years	<u>140,367</u>	<u>97,434</u>
Total promises to give	441,333	366,550
Less allowance for uncollectible promises	<51,250>	<31,200>
Less present value discount of long-term promises	<u><8,182></u>	<u><5,631></u>
Net promises to give	<u>\$ 381,901</u>	<u>\$ 329,719</u>

The allowance for uncollectible promises to give at June 30, 2008 and 2007 was determined by providing for an uncollectible allowance equal to 50 percent of pledges receivable over one year past due, 100 percent of pledges receivable over two years past due, and 100 percent of the outstanding unrestricted pledges from annual phonathon campaigns. The present value discount of long-term promises to give was calculated using a 2.96 percent discount rate at June 30, 2008, and 4.89 percent at June 30, 2007.

Promises to give at June 30, 2008 and 2007 are unrestricted or have purpose restrictions as follows:

	<u>2008</u>	<u>2007</u>
Temporarily Restricted		
Academic programs	\$ 25,000	\$ -
Medford Higher Education Center	339,533	276,000
Scholarships	7,700	20,150
University Library	69,000	69,000
Other programs	100	400
Less allowance and discount	<u><59,432></u>	<u><36,831></u>
Temporarily restricted promises to give, net	<u>\$ 381,901</u>	<u>\$ 329,719</u>

Note 3 – Mary Phipps Center Building

The Foundation owns a building in Medford, Oregon that was received from the Girls Community Club of Medford, Oregon, Inc. The Foundation has leased the facility to Southern Oregon University to provide a base for the University's educational programs in Medford. The lease provides for rental at \$1 per year under the terms of a lease agreement entered into in 1984 when the building was leased by the Foundation from the donor.

On December 6, 2007, the Foundation and the University agreed to renew the lease that had expired November 22, 2007 until August 31, 2008 with no other change in terms. For the years ended June 30, 2008 and 2007, the fair market rental value of the building of \$134,680, has been included as rental income and recorded as academic program support in the financial statements.

The building had an underground storage tank that has been removed. Any future liability for cleanup costs is dependent on several factors including the extent of contamination, assistance and cooperation from neighboring landowners, and the intended future use of the property.

Southern Oregon University Foundation
Notes to Financial Statements
June 30, 2008 and 2007

Note 4 – Land and Building

Property held for use at June 30, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
Mary Phipps Center building	\$ 356,000	\$ 356,000
Less accumulated depreciation	<u><105,400></u>	<u><96,500></u>
	250,600	259,500
Mary Phipps Center land, Medford, Oregon	<u>44,793</u>	<u>44,793</u>
Net land and building	<u>\$ 295,393</u>	<u>\$ 304,293</u>

Building depreciation charged to operating expense for the years ended June 30, 2008 and 2007 was \$8,900. Depreciation is calculated using the straight-line method over a 40-year estimated useful life.

Note 5 – Split-Interest Agreements

The Foundation has an interest in various split-interest agreements (gift annuities) which are held in a separate investment account and administered by an outside fiscal agent. These agreements provide for payments to donor-determined beneficiaries for their life, with the remaining assets reverting to the Foundation upon the death of the beneficiaries. Assets held under split-interest agreements are carried at market value. The related remainder trust obligation is calculated as the present value of the annuity due to the beneficiaries over their estimated lives, discounted at a rate determined at the date of contribution.

The assets funding the split-interest agreements at June 30, 2008 and 2007 are stated at fair value summarized as follows:

	<u>June 30, 2008</u>		
	<u>Cash</u>	<u>Long-term Investments</u>	<u>Total</u>
Gift annuities pool	\$ 35,801	\$ 909,454	\$ 945,255
Gift annuity trusts	<u>3,838</u>	<u>135,631</u>	<u>139,469</u>
Total assets held in split-interest agreements	<u>\$ 39,639</u>	<u>\$1,045,085</u>	1,084,724
Obligations under split-interest agreements			<u><481,185></u>
Net estimated value of split-interest agreements			<u>\$ 603,539</u>
	<u>June 30, 2007</u>		
	<u>Cash</u>	<u>Long-term Investments</u>	<u>Total</u>
Gift annuities pool	\$ 36,337	\$1,066,633	\$1,102,970
Gift annuity trusts	<u>8,853</u>	<u>149,803</u>	<u>158,656</u>
Total assets held in split-interest agreements	<u>\$ 45,190</u>	<u>\$1,216,436</u>	1,261,626
Obligations under split-interest agreements			<u><511,938></u>
Net estimated value of split-interest agreements			<u>\$ 749,688</u>

Southern Oregon University Foundation
Notes to Financial Statements
June 30, 2008 and 2007

Note 6 - Other Assets

Other assets are comprised of the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Schuman musical instrument collection	\$ 524,409	\$ 519,513
Antique furniture	6,600	3,000
Golf cart	4,250	4,250
Japanese bells collection	11,000	11,000
New England upright piano	1,500	1,500
Chippendale Model IV grand piano	20,000	20,000
Steinway Model L piano	27,500	27,500
Tokai Model MU-1 piano	<u>3,500</u>	<u>3,500</u>
Total contributed assets	598,759	590,263
Book inventory – History of SOU	<u>10,470</u>	<u>11,515</u>
Total other assets	<u>\$ 609,229</u>	<u>\$ 601,778</u>

Note 7 – Other Real Property

Other real property at June 30, 2008 and 2007 consisted of the following:

Fern Valley Road, Phoenix, Oregon real property	\$ 1,015,125
Guiley property, Klamath County, Oregon	90,000
Resort property timeshares	<u>13,500</u>
Total other real property	<u>\$ 1,118,625</u>

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. The City of Phoenix had been granted an easement for use of up to two acres of the parcel for a community water reservoir. The City of Phoenix and the Foundation negotiated an agreement regarding the property. The effect of the agreement on the value of the property has not been determined and no adjustment has been made in the value of the property in the financial statement.

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

The Foundation received a contribution of two timeshare units in Puerto Vallarta, Mexico and one in Orlando, Florida. As of June 30, 2008 and 2007, the resort property timeshares are carried at their net estimated realizable value of \$13,500.

Southern Oregon University Foundation
Notes to Financial Statements
June 30, 2008 and 2007

Note 8 – Long-Term Investments

Long-term investments at June 30, 2008 and 2007 are stated at fair value summarized as follows:

	June 30, 2008		
	<u>Bond Funds</u>	<u>Equity Funds</u>	<u>Total</u>
Foundation investment pool	\$ 1,304,973	\$ 15,090,436	\$ 16,395,409
Gift annuities pool	244,806	664,649	909,455
Gift annuity trusts	<u>37,820</u>	<u>97,811</u>	<u>135,631</u>
Total long-term investments	<u>\$ 1,587,599</u>	<u>\$ 15,852,896</u>	<u>\$ 17,440,495</u>
	June 30, 2007		
	<u>Bond Funds</u>	<u>Equity Funds</u>	<u>Total</u>
Foundation investment pool	\$ 1,177,434	\$ 17,052,764	\$ 18,230,198
Gift annuities pool	285,836	780,797	1,066,633
Gift annuity trusts	<u>40,066</u>	<u>109,736</u>	<u>149,802</u>
Total mutual funds	<u>\$ 1,503,336</u>	<u>\$ 17,943,297</u>	19,446,633
Donated, non-publicly traded preferred stock			<u>1</u>
Total long-term investments			<u>\$ 19,446,634</u>

For the year ended June 30, 2008, the total return on the Foundation's long-term investments was a loss of \$2,172,881 after deduction of investment fees of \$51,681. For the year ended June 30, 2007, the total return on the Foundation's long-term investments was a gain of \$2,844,384 after deduction of investment fees of \$67,994.

The Board of Trustees adopted a revised Statement of Investment Policy on November 27, 2001 which states, in part, that the primary investment objective of the Foundation is to produce a return on capital assets consistent with SOU Foundation Statement of Investment Policy while at the same time controlling the volatility of capital assets, referred to as the Foundation's Total Investment Pool. The adopted statement set the Total Return Objective as a rate of return that exceeds the All Urban Consumer Price Index (CPI) by 5.0 percent.

The Board of Trustees annually determines the part of the total return on endowment assets that can be expended based on a percentage of the value of endowment assets at the beginning of each quarter. The spendable percentage for the years ended June 30, 2008 and 2007 was set at 4.5 percent. The total return on endowment assets in excess of the agreed spendable amount, if any, is retained in the endowment funds.

For the years ended June 30, 2008 and 2007, the spendable amount calculated as a percentage of the quarterly beginning value of endowment funds was \$710,994 and \$644,371, respectively, and interest and dividends (current cash earnings) generated by endowment assets were \$169,778 and \$97,605, respectively.

Southern Oregon University Foundation
Notes to Financial Statements
June 30, 2008 and 2007

Note 9 - Restrictions on Net Assets

Temporarily restricted net assets were available for the following purposes as of June 30, 2008 and 2007:

	<u>2008</u>	Restated <u>2007</u>
Academic programs	\$ 1,482,822	\$ 1,894,580
Alumni Association	169,618	257,150
Schneider Museum of Art	104,679	406,054
Raider Athletics	221,747	182,280
University Library	19,700	33,886
Chamber Music Concert Series	222,534	205,585
Scholarships	1,140,236	3,223,880
Other program support	272,113	501,936
Capital projects	<u><2,244,735></u>	<u>40,760</u>
	<u>\$ 1,388,714</u>	<u>\$ 6,746,111</u>

Permanently restricted net assets are invested in endowment funds in perpetuity, the income from which is expendable to support the following purposes as of June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Academic programs	\$ 2,204,419	\$ 1,982,680
Alumni Association	268,512	268,512
Schneider Museum of Art	1,214,288	1,214,288
Raider Athletics	20,576	20,576
University Library	59,747	59,747
Chamber Music Concert Series	32,924	31,328
Scholarships	8,586,433	8,378,804
Other program support	<u>1,192,390</u>	<u>992,792</u>
	<u>\$13,579,289</u>	<u>\$12,948,727</u>

Note 10 - Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows as of June 30, 2008 and 2007:

	<u>2008</u>	Restated <u>2007</u>
Academic programs	\$ 163,096	\$ 121,812
Alumni Association	47,064	30,292
Schneider Museum of Art	185,240	143,444
Raider Athletics	313,215	254,925
University Library	17,749	16,904
Chamber Music Concert Series	215,711	171,630
Scholarships	667,633	560,229
Other program support	97,904	114,821
Capital projects	<u>3,244,976</u>	<u>137,079</u>
	<u>\$ 4,952,588</u>	<u>\$ 1,551,136</u>

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Note 11 – Line of Credit Note Payable

The Foundation has a line of credit from Bank of the Cascades. The promissory note is dated October 9, 2007 in the approved amount of \$2,500,000. Terms of the promissory note provide for variable interest at the lender's prime lending rate less .5 percent. The note requires monthly payment of interest, and the entire balance including accrued interest is due at maturity of the note October 10, 2008. At June 30, 2008, the interest rate was 4.5 percent per annum, and the outstanding balance on the line of credit was \$1,650,000.

The line of credit was approved by the Foundation Board to provide temporary funding for various projects approved by the Board. The current balance provided bridge funding for completion of the Medford Higher Education Center.

It was the intent of the Foundation to repay a major portion of the balance with proceeds from the sale of the Mary Phipps Center. As disclosed in Note 14, the sale agreement was terminated on July 16, 2008. The Foundation intends to use the proceeds of a new five-year term loan from the same lender to repay the balance on the line. Terms of the new term loan had not been finalized as of the date of the audit report.

Note 12 – Related Party Transaction

The Foundation is one of two members of Deer Creek Center for Field Research and Education, an Oregon nonprofit organization formed to own, operate and manage, for educational and scientific purposes, an 840-acre site near Selma, Oregon. The Foundation advanced funds to Deer Creek Center in 2006 and 2007 for various out of pocket costs and legal expense incurred in the formation of the new organization. As of June 30, 2008 and 2007, the advances totaled \$22,504. The advanced amount is reflected in the Statements of Financial Position as an asset to be reimbursed by Deer Creek.

Additionally, the Foundation received a \$340,000 contribution restricted for capital expenditures of Deer Creek Center and expended funds in accord with the restricted purpose in 2008 and 2007. The amounts expended were \$271,597 and \$55,331 for the years ended June 30, 2008 and 2007, respectively. The revenue in 2007 was reported on the Statement of Activities as temporarily restricted contributed income. The expenditures are reported as program service expenses on the Statement of Activities.

Note 13 – Restatement of Prior Year Financial Statements

The Foundation accounted for its membership in Deer Creek Center for Field Research and Education (Deer Creek) for the year ended June 30, 2007 using the equity method. It has been determined that it was not correct to use the equity method.

The Foundation is one of two members of Deer Creek, and the bylaws of Deer Creek provide that assets of the organization would be transferred to the two members in the event of dissolution of Deer Creek. However, the members do not have an ownership interest in Deer Creek Center.

The June 30, 2007 financial statements have been restated to correct the reporting of the Foundation's interest in Deer Creek and to account for disbursements related to Deer Creek as program service expenses.

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Note 13 – Restatement of Prior Year Financial Statements (continued)

The June 30, 2007 statements have been corrected as follows:

Statement of Financial Position – removed the equity amount of \$182,791 and reduced the unrestricted net asset balance accordingly.

Statement of Activities – deleted the \$127,460 “Increase in equity in related nonprofit organization” from Public Support, Revenue and Gains; added \$55,331 to Program services as “Capital construction projects” and reduced the change in net assets by the \$182,791 sum of the decrease in revenue and increase in expense.

Statement of Cash Flows – reduced the “Change in net assets” by \$182,791; removed the \$127,460 “Increase in equity in related nonprofit organization” and the \$55,331 “Equity contributed to related nonprofit organization”. There was no net affect on the increase or decrease in cash due to the changes.

Note 14 - Subsequent Event

The real estate purchase and sale agreement entered into on March 22, 2007 for sale of the Mary Phipps Center Building in Medford was terminated by the buyer on July 16, 2008. The termination of the agreement was in accord with the terms and provisions of the agreement. The \$37,500 earnest money deposit was refunded pursuant to a resolution of the Executive Committee passed July 28, 2008. The intended purchaser of the property was an entity controlled by one of the Foundation’s Board members.