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2015 Foundation Financial Statements

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Southwestern Oklahoma State University Foundation, Inc.

Financial Statements with Independent Auditors' Reports

December 31, 2015 and 2014

Southwestern Oklahoma State University Foundation, Inc.
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December 31, 2015 and 2014

HINKLE &
COMPANY
PC
Strategic
Business Advisors

Independent Auditors' Report on Financial Statements

Board of Trustees
Southwestern Oklahoma State
University Foundation, Inc.
Weatherford, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Southwestern Oklahoma State University Foundation, Inc. (the Foundation), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statement of activities and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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.

Auditors' 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 of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of 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 reasonable basis for our audit opinion.

5028 E. 101st Street
Tulsa, OK 74137
TEL: 918.492.3388
FAX: 918.492.4443
www.SBAdvisors.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southwestern Oklahoma State University Foundation, Inc. as of December 31, 2015 and 2014, and the results of operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Hinkle & Company, PC

Tulsa, Oklahoma
June 9, 2016

Southwestern Oklahoma State University Foundation, Inc.
Statements of Financial Position
Years Ended December 31, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents	$ 342,618	$ 728,986
Contributions receivable	147,825	88,630
Prepaid State Income Tax	2,930	—
Investments	18,154,229	18,069,747
Cash value, Life insurance	108,995	103,504
Beneficial interest in perpetual trust	1,097,539	1,178,336
Capital assets, net	641,298	664,393
Total Assets	$20,495,434	$20,833,596
Liabilities		
Accounts payable and accrued expenses	—	—
Accounts payable to related party	4,684	115,280
Funds held for others	—	78,408
Total Liabilities	4,684	193,688
Net Assets		
Unrestricted		
Board-designated endowment		
Specific purposes	654,093	686,528
General	44,696	33,079
Undesignated	(478,295)	(287,401)
Temporarily restricted	3,636,512	4,014,534
Permanently restricted	16,633,744	16,193,168
Total Net Assets	20,490,750	20,639,908
Total Liabilities and Net Assets	$20,495,434	$20,833,596

See Notes to Financial Statements

Southwestern Oklahoma State University Foundation, Inc.
Statements of Activities
Years Ended December 31, 2015 and 2014

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Other Support				
Contributions	$ 132,696	$ 493,503	$ 525,377	$ 1,151,576
In-kind contributions	447,379	—	—	447,379
Sponsorship revenue	200,000	—	—	200,000
Program service revenue	368,225	—	—	368,225
Rent Income	70,000	—	—	70,000
Investment income	43,833	266,291	25,930	336,054
Net appreciation on investments	(13,143)	(474,289)	28,651	(458,781)
Net appreciation on perpetual trust	—	60,000	(80,797)	(20,797)
Other Income	13,267	2,507	204	15,978
Release of restriction by donor	—	—	—	—
Net assets released from restrictions	877,249	(877,249)	—	—
Total Revenues, Gains, and Other Support	2,139,506	(529,237)	499,365	2,109,634
Expenses				
Program services	1,667,496	—	—	1,667,496
Supporting services				
Management and general	547,380	—	—	547,380
Fundraising	43,916	—	—	43,916
Total Expenses	2,258,792	—	—	2,258,792
Change in Net Assets, before Transfers	(119,286)	(529,237)	499,365	(149,158)
Transfers	(92,426)	151,215	(58,789)	—
Change in Net Assets	(211,712)	(378,022)	440,576	(149,158)
Net Assets, Beginning of Year	432,206	4,014,534	16,193,168	20,639,908
Net Assets, End of Year	$ 220,494	$ 3,636,512	$ 16,633,744	$ 20,490,750

Southwestern Oklahoma State University Foundation, Inc.
Statements of Activities
Years Ended December 31, 2015 and 2014

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Other Support				
Contributions	$ 94,445	$ 617,712	$ 134,791	$ 846,948
Sponsorship revenue	200,000	—	—	200,000
Program service revenue	453,886	—	—	453,886
Rent Income	70,000	—	—	70,000
Investment income	33,773	160,887	15,017	209,677
Net appreciation on investments	69,702	(705,251)	1,428,325	792,776
Net appreciation on perpetual trust	—	59,616	9,256	68,872
Other Income	18,527	3,612	27	22,166
Release of restriction by donor	478,264	(478,264)	—	—
Net assets released from restrictions	690,451	(690,451)	(1,579)	(1,579)
Total Revenues, Gains, and Other Support	2,109,048	(1,032,139)	1,585,837	2,662,746
Expenses				
Program services	1,649,345	—	—	1,649,345
Supporting services				
Management and general	93,566	—	—	93,566
Fundraising	12,395	—	—	12,395
Total Expenses	1,755,306	—	—	1,755,306
Change in Net Assets, before Transfers	353,742	(1,032,139)	1,585,837	907,440
Transfers	57,937	—	(57,937)	—
Change in Net Assets	411,679	(1,032,139)	1,527,900	907,440
Net Assets, Beginning of Year	20,527	5,046,673	14,665,268	19,732,468
Net Assets, End of Year	$ 432,206	$ 4,014,534	$ 16,193,168	$ 20,639,908

Southwestern Oklahoma State University Foundation, Inc.
Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Decrease in net assets	$ (149,158)	$ 907,440
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	21,112	41,069
Net Appreciation on investments	462,289	(778,054)
Appreciation in cash surrender value of life insurance	(5,491)	201,130
Contributions restricted for endowment	(525,377)	(134,791)
Non-cash contribution	(441,510)	—
Loss on beneficial interest in perpetual trust	80,797	(9,256)
Changes in		
Pledges and accounts receivable	(59,195)	(43,341)
Interest receivable	—	—
Prepaid State Income Tax	(2,930)	—
Funds held for others	(78,408)	(99,985)
Accounts payable and accrued expenses	—	(24,034)
Accounts payable to related party	(110,596)	(252,632)
Net Cash used in Operating Activities	(808,467)	(192,454)
Cash Flows from Investing Activities		
Purchase of investments	(8,071,001)	(15,783,863)
Proceeds from sales and maturities of investments	7,965,740	15,588,490
Receipts on note receivable from related party	—	—
Proceeds from sales of assets held for sale	1,983	—
Net Cash used in Investing Activities	(103,278)	(195,373)
Cash Flows from Financing Activities		
Contributions restricted for endowment	525,377	134,791
Net Cash Provided by Investing Activities	525,377	134,791
Net Change in Cash and Cash Equivalents	(386,368)	(253,036)
Cash and Cash Equivalents at Beginning of Year	728,986	982,022
Cash and Cash Equivalents at End of Year	$ 342,618	$ 728,986

Southwestern Oklahoma State University Foundation, Inc.
Notes to Financial Statements
December 31, 2015 and 2014

Note 1: Summary of Significant Accounting Policies

Organization

Southwestern Oklahoma State University Foundation, Inc. (the "Foundation") is organized for the benefit of Southwestern Oklahoma State University (the "University"), Weatherford, Oklahoma, branch campus in Sayre, Oklahoma, its faculty, its student body, and its programs. The Foundation provides scholarships and support and enhances the further development of the University. The Foundation receives contributions from the public which are generally to be used for the benefit of the University. The Foundation also receives certain program service revenues which support the various departmental activities at the University.

The Foundation acts primarily as a fundraising organization, soliciting, receiving, managing, and disbursing contributions on behalf of the University. Distributions of amounts held in the funds of the Foundation are subject to the approval of the Foundation and the availability of monies. Accordingly, the accompanying financial statements generally reflect expenditures which have been submitted to and approved by the Foundation as of the financial reporting date.

Although the University does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the University. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

Accounting Standards Codifcation

The Foundation follows the Financial Accounting Standards Board ("FASB") Accounting Standards Codifcation ("ASC"). The ASC provides the single source of authoritative accounting principles generally accepted in the United States of America ("U.S. GAAP") for nongovernmental entities and supersedes all other previously issued non-SEC accounting and reporting guidance.

Basis of Presentation

The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with U.S. GAAP, and accordingly reflect all significant receivables, payables and other assets and liabilities. To ensure the observance of limitations and restrictions placed on the use of available resources, the Foundation maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the process by which resources for various purposes are classified for accounting purposes into funds that are maintained in accordance with the activities or objectives of the Foundation.

Note 1: Summary of Significant Accounting Policies (Continued)

Net Asset Classifications

The Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") was enacted in the state of Oklahoma effective November 1, 2007 ("OK UPMIFA"). The Foundation's Board of Trustees' (the "Trustees") interpretation of OK UPMIFA and other required endowment disclosures are included in Note 8.

Net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Foundation is required to report information regardng its finanical position and activites according to three classes of net assets as follows:

Unrestricted net assets: Net assets for which there are no donor-imposed restrictions that the assets be used for a specific purpose or held for a certain period of time.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

Beneficial Interest in Perpetual Trust

The Foundation is the beneficiary of a perpetual trust which is not in the possession of the Foundation. The Foundation has an irrevocable right to a portion of the net income from the trust. The Foundation's interest in the trust is recorded at fair value of the estimated future cash flows which is measured using the fair value of the underlying trust assets adjusted for the Foundation's beneficial interest percentage of the total trust. Under the terms of the trust agreement the trust generally distributes 50% of the annual income to the beneficiaries and the other 50% is reinvested and added to the trust's corpus. The beneficial interest is classified as permanently restricted net assets and distributions are classified as temporarily restricted investment income from perpetual trust in accordance with the donor's purpose restriction. Changes in the fair market value of the beneficial interest are recorded as permanently restricted gain or loss on beneficial interest in perpetual trust in the statement of activies.

Note 1: Summary of Significant Accounting Policies (Continued)

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received by the Foundation. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Transfers of assets under conditional promises, which are received by the Foundation prior to fulfilling these conditions, are recorded as a liability (i.e. unearned revenue) until the conditions are substantially met. Contributions of assets other than cash are recorded at the estimated fair value on the gift date. Contributions to be received after one year are recorded at the present value of their estimated future cash flows using a discount rate which will commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in the same net asset class and fund as the original contribution. An allowance is made for uncollectible contributions based upon management's judgement and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

Contributions are reported as increases in the appropriate net asset category. Expenses are reported as decreases in unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service. Gifts of property and equipment are recorded as unrestricted support unless explicit donor stipulations specify how the assets must be used or how long the assets must be held, in which case the gift is recorded as restricted support. Expirations of temporary restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributed services are recognized when (1) they create or enhance a nonfinancial asset and/or (2) required specialized skills, are provided by individuals possessing those skills and would typically need to be purchased had they not been provided by contributions. Many individuals volunteer their time and perform a variety of tasks that assist the Foundation, but these services do not meet the criteria for recognition as contributed services. The Foundation received significant contributed services meeting the specified criteria totaling $0 in 2015 and $5,900 in 2014. In addition, according to FASB ASU no. 2016-06, $447,379 was recorded for 2015 as an in-kind contribution for the value of support received from the University.

Investments

Investments consist of cash and cash equivalent funds, certifcates of deposit, mutual funds, common and preferred stock, structured investments in unsecured notes, an annuity contract, and an investment in private equity real estate. Investments are stated at fair value as determined by the fund and/or investment manager and realized gains and losses on sales of investments are computed on the first-in, first-out basis or the average cost basis. Interest and dividend income in the statements of activities is reported net of investment management and custodial fees which totaled $146,284 in 2015 and $122,856 in 2014.

Note 1: Summary of Significant Accounting Policies (Continued)

Investment Revenue

Income and gains on investments are reported as increases in permanently restricted net assets if the terms of the gift that gave rise to the investment require such amounts be added to the permanent endowment. Income and gains are reported as increases in temporarily restricted net assets if the terms of the gift or applicable law imposed restrictions on the use of the income and as increases in unrestricted net assets in all other cases, except in the case of income earned on donor-restricted endowment funds which is classified as temporarily or permanently restricted dependent upon the donor's restriction(s).

Generally, losses on investments of endowments reduce temporarily restricted net assets to the extent donor-imposed temporary restrictions on the net appreciation of investments have not been met before the loss occurs. Any remaining losses reduce unrestricted net assets. Subsequent investment gains are applied first to unrestricted net assets to the extent that losses have previously been recognized, and then to temporarily restricted net assets.

Funds Held for Others

Funds held for others represent assets held on behalf of the Cheyenne Arapaho Tribal College ("CATC") for which the Foundation acts as custodian. These assets are invested and the revenues and expenses related to these funds increase and/or decrease the carrying value of the asset and funds held for others. Activity related to these assets is not reflected in the Foundation's statement of activities. These assets are distributable to CATC upon request. In February 2015, the remaining investment balance was withdrawn and the account was closed.

Office Facility and Staff Support

The Foundation and University operate under an agreement that the University will provide for the housing of the Foundation records, administrative and secretarial support, as well as office space and support services. According to FASB ASU no. 2016-06, for 2015, $447,379 was recorded as management and general expense for the value of support received from the University. The Foundation also provides monies for scholarship support and other program needs of the University which is in excess of the benefits provided by the University. All costs incurred for University programs are included in program expenses.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased, excluding cash and cash equivalent funds held in the Foundation's investment portfolio, to be cash equivalents.

Note 1: Summary of Significant Accounting Policies (Continued)

Marketable Securities

Marketable securities are stated at fair value. Fair values are generally determined based upon quoted market prices. Realized gains and losses on sales of marketable securities are computed on the first-in, first-out basis. The Foundation utilizes various investment instruments. Marketable securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of marketable securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position. Significant fluctuations in fair values could occur from year to year and the amounts the Foundation will ultimately realize could differ materially.

Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code") and has been determined not to be a private foundation under Section 509(a) of the Code. Generally, all revenue earned outside the purpose for which the Foundation is created is taxable as earned income.

Property and Equipment

It is the Foundation's policy to capitalize property and equipment additions with a cost basis, or fair value on the gift date if donated, which exceed $5,000. Property and equipment is depreciated using the straight-line methods as follows:

Office equipment	10 years
Buildings	44 years
Software	5 years

Administrative Fee

In October 2013, the Foundation Board of Trustees approved the assessment of an annual Fund Management Fee ("Fee'"). The Fee charged is charged to all funds – endowed or otherwise, and is used to defray general and administrative expenses of the Foundation. The Fee will be assessed annually at a rate of .625% (.00625) of the January 1st fund balances greater than or equal to $1,000. For the endowed and temporarily restricted funds, this fee is accounted for as a transfer between permanently restricted and temporarily restricted net assets to unrestricted net assets.

Note 1: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

The Foundation follows ASC Topic 820, *Fair Value Measurements*, which provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives highest priority to unadjusted quotes prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurments).

The inputs to the three levels of the fair value hierarchy under Topic 820 are described as follows:

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from, or corroborated by, observable market data by correlation to other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Unobservable and significant to the fair value measurement.

The Foundation has certain investments which are measured at net asset value per share ("NAV"). If the Foundation has the ability to redeem its investment with the investee at NAV at the measurement date or within ninety days of the measurement date, the fair value of the asset is categorized as a Level 2 fair value measurement. If the Foundation will never have the ability to redeem its investment with the investee at NAV or the Foundation cannot redeem its investment within ninety days of the measurement date, the Foundation categorizes the asset as a Level 3 measurement.

Financial assets and liabilities carried at fair value on a recurring basis include investments, beneficial interest in perpetual trust and funds held for others. The Foundation had no assets or liabilities carried at fair value on a non-recurring basis at December 31, 2015 or 2014.

Adoption of Accounting Principle

FASB Accounting Standards Update No. 2016-06 became effective for fiscal years beginning after June 15, 2014. The standard requires the financial statements to reflect the value of services received from personnel of an affiliate. During the year ended December 31, 2015 the value of services received by the Foundation was $447,379.

Note 1: Summary of Significant Accounting Policies (Continued)

Accounting for Uncertain Tax Positions

Mangement has evaluated the Foundation's tax positions and concluded that the Foundation has taken no uncertain tax positions that required adjustment to or disclosure in the financial statements to comply with the provisions of this guidance. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years ending on or before December 31, 2011.

Concentrations of Credit Risk

The Foundation maintains cash in bank deposit accounts that, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash or cash equivalents.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosed contingent 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.

Estimates that are particularly susceptible to signifcant change include the valuation of investments, beneficial interest in perpetual trust, and contributions receivable. Investments and beneficial interest in perpetual trust are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with these financial instruments, it is reasonably possible that changes in the values of these assets will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position. Significant fluctuations in fair values could occur from year to year and the amounts the Foundation will ultimately realize could differ materially. Management's estimate of contributions receivable and the related allowance for doubtful accounts is based on considerations of all relevant available information and an analysis of the collectability of individual contributions, which arise primarily from pledges at the financial statement date.

Subsequent Events

Subsequent events have been evaluated through June 9, 2016, which is the date the financial statements were issued.

Note 2: Cash and Cash Equivalents

The Foundation maintains several bank accounts. The table below is designed to disclose the level of custody credit risk assumed by the Foundation based upon how its deposits were insured at December 31, 2015 and 2014. FDIC regulations state that time and savings accounts are insured up to a $250,000 per depositor, per insured bank.

Category 1 - Insured by FDIC or collateralized with securities held by the Foundation or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Foundation's name.

Category 3 – Uninsured and uncollateralized.

			Custody Credit Risk Category		
Type of Deposits	Bank Balance	Carrying Balance	1	2	3
December 31, 2015					
Demand Deposits	$ 267,196	$ 342,618	$ 267,196	$ —	$ —
Totals	$ 267,196	$ 342,618	$ 267,196	$ —	$ —
December 31, 2014					
Demand Deposits	$ 664,525	$ 728,986	$ 252,237	$ —	$ 412,288
Totals	$ 664,525	$ 728,986	$ 252,237	$ —	$ 412,288

Note 3: Contributions Receivable

Unconditional promises to give include the following at December 31:

	2015	2014
Due in less than one year	$ 72,825	$ 50,000
Due in one to five years	75,000	88,630
	147,825	138,630
Less: Discount to net present value (%)	—	—
Less: Allowance for uncollectible contributions	—	50,000
	$ 147,825	$ 88,630

Unrestricted pledges to be received in future periods are classified as temporarily restricted until the funds are received at which time they are reclassified to unrestricted, unless specifically designated for the current period by the donor.

Note 3: Contributions Receivable (Continued)

For the year ending December 31, 2015, gross unconditional contributions receivable of $72,825 are temporarily restricted for the purchase of equipment for the SWOSU Fitness Center and $75,000 are temporarily restricted for the construction of a golf training facility. For the year ended December 31, 2014, gross unconditional contributions receivable of $88,630 are temporarily restricted for the purchase of equipment for the SWOSU Fitness Center and unconditional contributions receivable of $50,000 are permanently restricted for endowment chairs, professorships, and/or lectureships within the various departments of the University.

The Foundation deems the allowance for doubtful accounts as sufficient since the 2015 increase in contribution receivable is expected to be fully collectible within two years.

Note 4: Fair Value Measurement

The methods and assumptions used to estimate the fair value of assets and liabilities in the financial statements, including a description of the methodologies used for the classifications within the fair value hierarchy for financial instruments carried at fair value, are as follows:

Cash and cash equivalents, accounts receivable, interest receivable: The assets' carrying amounts approximate fair value due to their short maturities.

Cash surrender value of life insurance: The Foundation is the beneficiary of a number of life insurance policies. The carrying value of the life insurance policies is the cash surrender value on the policies and as such approximates fair value.

Accounts receivable: Accounts receivable are carried at cost due to its short maturity (less than one year).

Note 4: Fair Value Measurement (Continued)

Investments: Investments are carried at fair value and are based on quoted market prices, when available, or the best estimate of fair value as determined by the investment and/or fund manager. Generally, quoted market prices are available for cash and cash equivalents funds, common and preferred stocks, and exchange traded index and mutual funds and as such are classified as Level 1 in the fair value hierarchy. The fair values of certificates of deposit are determined using the income approach. The key inputs include interest rates, maturity dates, and yield curves and as such are classified as Level 1 or Level 2 depending on the maturity date. The fair value of the annuity contract is determined using the income approach and is based on the current cash surrender value as determined by the investment manager and is classified as Level 3. The Foundation's interest in the limited liability company and the pooled funds are based on net asset value ("NAV") per share as provided by the fund manager; however, in certain circumstances, such as when the fund is in liquidation, fair values are determined using the income approach (i.e. estimated future cash flows). If the fair value of the underlying assets are transparent and have readily determinable fair values and the Foundation can redeem the investment at NAV within ninety days of the measurement date, the funds are classified as Level 2 and in all other cases are classified as Level 3.

Structured investments in unsecured notes are valued using the market approach or the income approach and are provided to the Foundation by the investment manager. Whenever possible, fair values are determined using the market approach and the key inputs are based on an underlying index and maturity or by analysis of documented trade history in the exact security and as such are classified as Level 2. In all other cases, fair values are determined using the income approach and are valued using fundamental analysis of investments based on information provided by fund manager and are classsified as Level 3.

Contributions receivable: The asset is carried at cost net of a discount to net present value using a rate which is commensurate with the risk involved on the gift date and an allowance for uncollectible accounts at the finanical reporting date. Fair value is the price a market participant would pay to acquire the right to receive the cash flows inherent in the promise to pay the Foundation and due to inclusion of a discount to net present value and allowance for uncollectible accounts the carrying value approximates fair value.

Note 4: Fair Value Investments (Continued)

Beneficial interest in perpetual trust: The beneficial interest is carried at fair value which is based on the fair value of the underlying trust assets. The fair value of the underlying trust assets are based on the quoted market prices when available, qualified appraisals on a periodic basis, or the best estimate of fair value as determined by the trustee and/or the Foundation's management. The fair value of the beneficial interest in perpetual trust is the fair value of the underlying assets adjusted for the Foundation's respective beneficial percentage of the trust. Due to the significant unobservable inputs required to estimate the expected future cash receipts from the trust, the Foundation's beneficial interest is classified as Level 3 in the hierarchy.

Accounts payable and accrued liabilities: The carrrying amount of current liabilities approximates fair value due to its short maturity.

Funds held for others: The liability is carried at fair value which is based on the fair value of the cash and investment assets held by the Foundation for the benefit of the agency. The specific assets held for the benefit of the agency have been classified within the hierarchy for investments (as discussed above). The related and associated liability is classified as Level 2 in the hierarchy as the principal inputs (i.e., fair value of the cash and investments) are corroborated by observable market data. (The assets related to this liability are held in a separate investment account and are not a part of the Foundation's investment pool.) These assets were withdrawn and the account closed in February 2015.

Assets and liabilities measured at fair value are classified within the fair value hierarchy as follows:

	As of December 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets				
Assets recorded at fair value on a recurring basis				
Investments:				
Cash and cash equivalents	$ 1,002,854	$ —	$ —	$ 1,002,854
Certificates of deposits	—	758	—	758
Common and preferred stock				
Domestic	7,013,278	—	—	7,013,278
International	2,723,803	—	—	2,723,803
Equity mutual funds	—	—	—	—
Fixed income (notes, bonds, mutual funds)	3,800,223	—	—	3,800,223
Index Funds	1,076,726	—	—	1,076,726
Annuity Contract	—	—	225,917	225,917
Pooled funds	—	—	—	—
Interest in limited liability company	—	—	270,415	270,415
Structured investments-unsecured notes	—	1,719,453	320,802	2,040,255
Total Investments	15,616,884	1,720,211	817,134	18,154,229
Beneficial interest in perpetual trust	—	—	1,097,539	1,097,539
Assets recorded at fair value on a non-recurring basis				
Assets held for sale	—	—	—	—
Total assets carried at fair value	$15,616,884	$ 1,720,211	$1,914,673	$19,251,768
Liabilities				
Funds held for others	$ —	$ —	$ —	$ —
	$ —	$ —	$ —	$ —

Note 4: Fair Value Investments (Continued)

Assets	As of December 31, 2014 Level 1	Level 2	Level 3	Total
Assets recorded at fair value on a recurring basis				
Investments:				
Cash and cash equivalents	$ 982,578	$ —	$ —	$ 982,578
Certificates of deposits	—	748	—	748
Common and preferred stock				
Domestic	7,293,618	—	—	7,293,618
International	2,131,057	—	—	2,131,057
Equity mutual funds	1,032,988	—	—	1,032,988
Fixed income mutual funds	2,633,823	—	—	2,633,823
Index Funds	1,098,573	—	—	1,098,573
Annuity Contract	—	—	237,273	237,273
Pooled funds	—	—	—	—
Interest in limited liability company	—	—	340,606	340,606
Structured investments-unsecured notes	—	1,909,061	409,422	2,318,483
Total investments	15,172,637	1,909,809	987,301	18,069,747
Beneficial interest in perpetual trust	—	—	1,178,336	1,178,336
Assets recorded at fair value on a non-recurring basis				
Assets held for sale	—	—	—	—
Total assets carried at fair value	$15,172,637	$1,909,809	$2,165,637	$19,248,083
Liabilities				
Funds held for others	$ —	$ 78,408	$ —	$ 78,408
	$ —	$ 78,408	$ —	$ 78,408

The following table summarizes the changes in the fair value of the Foundation's Level 3 finanical assets. The Foundation has no liabilities classified as Level 3 in 2015 or 2014.

	Beneficial Interest in Perpetual Trust	Annuity Contract	Structured Investments	Assets Held for Sale
Balance at January 1, 2014	$ 1,169,080	$ 233,596	$ 124,162	$ —
Contributions	—	—	—	—
Purchase of investments, at cost	—	—	419,763	—
Sales proceeds of investments	—	—	(180,861)	—
Loss on beneficial interest in perprtual trust -included in earnings	9,256	—	—	—
Realized (gain)/loss on investments -included in earnings	—	—	2,305	—
Unrealized gain/(loss) on investments -included in earnings	—	3,677	44,053	—
Balance at December 31, 2014	$ 1,178,336	$ 237,273	$ 409,422	$ —
Contributions	—	—	—	—
Purchase of investments, at cost	—	—	224,702	—
Sales proceeds of investments	—	—	(324,393)	—
Loss on beneficial interest in perprtual trust -included in earnings	(80,797)	—	—	—
Realized (gain)/loss on investments -included in earnings	—	—	34,159	—
Unrealized gain/(loss) on investments -included in earnings	—	(11,356)	(23,088)	—
Balance at December 31, 2015	$ 1,097,539	$ 225,917	$ 320,802	$ —

The summary of changes in fair value of Level 3 assets has been prepared to reflect the activity in the same categories as those provided in the statements of activities.

Note 4: Fair Value Investments (Continued)

The Foundation's investments in certain entities that calculate net assets value per share which are measured at fair value include the following:

	Fair Value December 31, 2015	Fair Value December 31, 2014	Frequency	Notice Period
Pooled Funds (a)	$ —	$ —	Quarterly	90 days
Interest in Limited Liability Company (b)	270,415	340,606	Illiquid until sale of assets	N/A
	$ 270,415	$ 340,606		

(a) This fund is an actively managed registered multi-strategy fund with an objective of generating capital appreciation over the long-term, with relatively low volatility and a low correlation with traditional equity and fixed income markets. The fund will invest in investment funds which are managed by experienced third-party investment advisers who invest in a variety of markets. The fund may also invest in derivative instruments, such as swap returns, and structured notes. Opportunity of redemption is generally offered quarterly, with no guarantee provided that all of the shares wished to be redeemed with be re-purchased by the fund. A full redemption of the Foundation's investment was completed in June 2014.

(b) This limited liability company was formed for the purpose of investing in and renting residential rental properties, and incidental leasing of commercial retail space and shall continue in existence until the earlier of the manager's decision to dissolve the company, or the sale of substantially all the Company's assets. There is no opportunity for redemption of funds until substantially all assets are sold which is currently anticipated to take place between 2016 and 2017. The company has no short positions or unfunded commitments.

Note 5: Land, Building, and Equipment

Property and equipment consist of the following at December 31:

	2015	2014
Land	$ 120,000	$ 120,000
Buildings	729,549	729,549
Leasehold Improvements	4,185	32,720
Office equipment	32,720	11,185
Software	95,136	95,136
	981,590	988,590
Less accumulated depreciation	(340,292)	(324,197)
	$ 641,298	$ 664,393

Note 6: Related Party Transactions

Substantially all expenditures are incurred for the benefit of the University. University management and faculty are very much involved in the operations of the Foundation and are considered related parties. Accounts payable to related party of $4,684 and $115,280 at December 31, 2015 and 2014, respectively, reflect amounts to be paid to the University.

Rental Property: The Foundation acquired property and completed construction of a building during 2003. The Foundation has a lease agreeement with the University to lease the property for a one year term expiring on June 30, 2016. The lease provides for annual rental payments of $70,000 payable in monthly installments of $5,833. The Foundation is to provide for any significant repairs and maintenance. The University is to provide for all utilities, services and other operating costs including general repair and maintenance. Terms and conditions of the lease are to be reviewed annually. At December 31, 2015, the University is committed to pay rentals, which total $35,000 through June 30, 2016.

Note 7: Net Assets

Unrestricted net assets consist of the following at December 31:

	2015	2014
Scholarship	$ (141,266)	$ 96,867
Foundation operations	(552,969)	(720,713)
General University support	125,027	138,028
Endowed Chairs	629,461	693,982
Athletic support	160,241	224,042
	$ 220,494	$ 432,206

Temporary restricted net assets consist of the following at December 31:

	2015	2014
Scholarship	$ 2,060,546	$ 2,253,204
Foundation operations	239,279	130,952
General University support	766,573	871,054
Endowed Chairs	452,489	538,203
Athletic support	117,625	221,121
	$ 3,636,512	$ 4,014,534

Note 7: Net Assets (Continued)

Permanently restricted net assets consist of the following at December 31:

	2015	2014
Scholarship	$12,948,528	$12,501,449
Foundation operations	399,297	398,218
General University support	267,281	267,592
Endowed Chairs	2,788,750	2,796,518
Athletic support	229,888	229,391
	$16,633,744	$16,193,168

Note 8: Endowment Disclosures

The Foundation's endowment consists of approximately 180+ endowment funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Trustees of the Foundation have chosen to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by OK UPMIFA. In accordance with OK UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Foundation and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- The investment policies of the Foundation.

Note 8: Endowment Disclosures (Continued)

Return Objectives and Risk Parameters

The Foundation has adopted investment policies for endowment funds that facilitate the Foundation's ability to provide funding for programs and provide adequate returns for invested funds. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specifed period as well as board-designated funds. Under this policy, the endowment assets are invested in a manner that is intended to attain a minimum return of seven percent compounded annually after deducting all expenses and advisory fees over the period of a full market cycle in order to achieve a relative rate of return of three percent over the inflation rate and to earn a real rate of return defined by the endowment spending of the fund plus the inflation rate. The Foundation has established an investment committee to monitor the rates of returns of endowment funds in order to maximize earnings. Actual returns in any given year are dependent on market conditions and other factors, and may vary from time to time.

Strategies for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation formally adopted a revised investment policy statement on October 25, 2013. The revised investment policy statement includes allocation guidelines for assets diversification ranges of (1) a minimum of 47% up to a maximum of 77% in equities, (2) a minimum of 10% up to a maximum of 40% in fixed income, (3) a minimum of 0% up to a maximum of 10% in cash and cash equivalents, and (4) a minimum of 0% up to a maximum of 26% of alternative investments.

Spending Policy

For years 2015 and 2014, the Foundation has a policy of appropriating for distribution each year, eighty-five percent of the earnings from each endowment fund for the donor-restricted purpose, if any. The remaining fifteen percent of the earnings plus all of the realized gains or losses are held in the endowment fund in order to provide for inflation and future growth. The Foundation honors the specific requests of each donor, recognizes all investment income, realized and unrealized gains and/or losses as temporarily or permanently restricted based on donor-restrictions, and makes distributions accordingly. In the absence of donor-restrictions on investment income all earnings from donor-restricted endowment funds are classified as temporarily restricted until appropriated for expenditure. All earnings on board-designated endowment funds are classified as unrestricted.

Endowment net assets composition as of December 31, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (502,378)	$ 2,266,184	$ 15,536,205	$ 17,300,011
Board-designated endowment funds	698,789	6,310	—	705,099
Total endowment funds	$ 196,411	$ 2,272,494	$ 15,536,205	$ 18,005,110

Note 8: Endowment Disclosures (Continued)

Changes in endowment net assets during 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 401,996	$ 2,655,013	$ 15,014,832	$ 18,071,841
Investment return:				
Interest and dividends	12,084	266,282	25,930	304,296
Net realized and unrealized gains (losses)	(18,634)	(474,289)	28,651	(464,272)
Total investment returns	(6,550)	(208,007)	54,581	(159,976)
Contributions	—	66,152	525,377	591,529
Provision for losses on uncollectible pledge	—	—	—	—
Program Service Revenue	2,460	—	—	2,460
Other Income	12,450	2,507	204	15,161
Reclassification – donor directed	—	—	—	—
Appropriation of endowment assets for expenditure	(213,945)	(243,171)	(58,789)	(515,905)
Endowment net assets, end of year	$ 196,411	$ 2,272,494	$ 15,536,205	$ 18,005,110

Endowment net assets composition as of December 31, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (317,611)	$ 2,655,013	$ 15,014,832	$ 17,352,234
Board-designated endowment funds	719,607	—	—	719,607
Total endowment funds	$ 401,996	$ 2,655,013	$ 15,014,832	$ 18,071,841

Changes in endowment net assets during 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 1,022,901	$ 3,747,308	$ 13,496,188	$ 18,266,397
Investment return:				
Interest and dividends	12,446	160,855	15,016	188,317
Net realized and unrealized gains (losses)	54,980	(705,251)	1,428,325	778,054
Total investment returns	67,426	(544,396)	1,443,341	966,371
Contributions	—	19,091	134,791	153,882
Provision for losses on uncollectible pledge	—	—	—	—
Program Service Revenues	12,863	—	—	12,863
Other Income	18,526	3,612	27	22,165
Reclassification – donor directed	15,001	(2,210)	(1,579)	11,212
Appropriation of endowment assets for expenditure	(734,721)	(568,392)	(57,936)	(1,361,049)
Endowment net assets, end of year	$ 401,996	$ 2,655,013	$ 15,014,832	$ 18,071,841

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 OK UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature that are reported in unrestricted net assets were $502,378 and $317,611 at December 31, 2015 and 2014, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation that was deemed prudent by the Trustees.

Note 9: Subsequent Event

On July 1, 2015, the Foundation renewed the lease agreement with the University. The lease was renewed under the same terms (see Note 6) with a revised maturity date of June 30, 2017.

Note 10: Recent Accounting Pronouncements

Beginning with the year ended December 31, 2012, the Foundation implemented *ASU 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs.* The amendments in this update result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs and are to be applied prospectively. Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements with no intention for the amendments to result in a change in the application of the requirements of Topic 820. The adoption of this guidance did not have a material impact on the Foundation's financial statements.

In October 2012, the FASB issued *ASU 2012-05, Statement of Cash Flows (Topic 230): Not-for-Profit ("NFP") Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows* which is effective prospectively for fiscal years beginning after June 15, 2013. This ASU requires a NFP to classify cash receipts from the sale of donated financial assets consistently with cash donations received if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any NFP-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash flows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes in which case, those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities. Retrospective application is permitted but not required and early implementation is also permitted. Implementation of the ASU 2012-05 had no impact on the presentation of the statements of cash flows in 2014.