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2019 Foundation Financial Statements

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SOUTHWESTERN OKLAHOMA STATE UNIVERSITY
FOUNDATION, INC.

FINANCIAL REPORT

December 31, 2019 and 2018

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Bruce L. Van Huisen

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Southwestern Oklahoma State University Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 Southwestern Oklahoma State University Foundation, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years ended in accordance with accounting principles generally accepted in the United States of America.

Linton & Co., PLLC

Oklahoma City, Oklahoma
October 14, 2020

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

ASSETS	2019	2018
ASSETS		
Cash and cash equivalents	\$ 402,103	\$ 441,096
Contributions receivable	365,547	414,045
Investments	23,696,767	20,406,719
Cash value, life insurance	131,026	125,210
Beneficial interest in perpetual trust	1,517,528	1,189,883
Mineral interests	5,208	7,812
	26,118,179	22,584,765
Property and equipment		
Land	120,000	120,000
Building and improvements	974,896	918,629
Furniture and equipment	99,321	99,321
	1,194,217	1,137,950
Less accumulated depreciation	417,024	400,305
	777,193	737,645
	\$ 26,895,372	\$ 23,322,410
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 7,191	\$ 54,826
Accounts payable to related party	62,261	-
	69,452	54,826
NET ASSETS		
Net assets without donor restrictions		
Board-designated endowment		
Specific purposes	696,594	718,285
General	142,877	12,854
Undesignated	383,196	26,425
	1,222,667	757,564
Net assets with donor restrictions	25,603,253	22,510,020
	26,825,920	23,267,584
	\$ 26,895,372	\$ 23,322,410

The Notes to Financial Statements are an integral part of these statements.

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY FOUNDATION, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues						
Contributions and grants	\$ 307,051	\$ 911,570	\$ 1,218,621	\$ 288,036	\$ 1,244,679	\$ 1,532,715
In-kind contributions	525,395	-	525,395	557,446	-	557,446
Sponsorship revenue	200,000	-	200,000	200,000	-	200,000
Program service revenue	81,595	638	82,233	221,358	-	221,358
Rent income	62,000	-	62,000	70,250	-	70,250
Investment income	118,977	542,184	661,161	49,638	368,671	418,309
Unrealized gain (loss) on investments	604,887	2,856,033	3,460,920	(209,763)	(1,510,256)	(1,720,019)
Unrealized gain (loss) on perpetual trust	-	327,645	327,645	-	(49,650)	(49,650)
Other income	11,822	1,355	13,177	20,263	1,980	22,243
Foundation fund management fee	441,145	(441,145)	-	130,166	(130,166)	-
Net assets released from restriction	1,152,625	(1,152,625)	-	693,726	(693,726)	-
Total revenue and support	3,505,497	3,045,655	6,551,152	2,021,120	(768,468)	1,252,652
Expenses						
Program services	2,024,019	-	2,024,019	1,595,627	-	1,595,627
Management and administration	579,376	-	579,376	459,945	-	459,945
Fundraising	389,421	-	389,421	378,199	-	378,199
Total expenses	2,992,816	-	2,992,816	2,433,771	-	2,433,771
Change in net assets, before transfers	512,681	3,045,655	3,558,336	(412,651)	(768,468)	(1,181,119)
Transfers	(47,578)	47,578	-	48,209	(48,209)	-
Change in net assets	465,103	3,093,233	3,558,336	(364,442)	(816,677)	(1,181,119)
Net assets, beginning of year	757,564	22,510,020	23,267,584	1,122,006	23,326,697	24,448,703
Net assets, end of year	<u>\$ 1,222,667</u>	<u>\$ 25,603,253</u>	<u>\$26,825,920</u>	<u>\$ 757,564</u>	<u>\$ 22,510,020</u>	<u>\$23,267,584</u>

The Notes to Financial Statements are an integral part of these statements.

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2019 and 2018

	2019			2018				
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Advertising and promotion	\$ 17,076	\$ -	\$ 7,646	\$ 24,722	\$ 7,492	\$ -	\$ 7,563	\$ 15,055
Amortization	-	2,604	-	2,604	-	11,334	-	11,334
Audit and tax return preparation	-	15,150	-	15,150	-	17,025	-	17,025
Conferences and meetings	5,539	3,833	4,552	13,924	2,156	5,032	8,440	15,628
Depreciation	-	16,719	-	16,719	-	19,499	-	19,499
Donor recognition	-	-	12,873	12,873	-	-	8,513	8,513
Insurance	-	11,249	-	11,249	-	11,245	-	11,245
Legal fees	-	3,054	-	3,054	-	3,565	-	3,565
Occupancy	-	246,500	-	246,500	-	246,500	-	246,500
Office expenses	11,996	20,105	16,313	48,414	4,191	23,835	21,921	49,947
Other expenses and events	4,025	-	24,159	28,184	10,751	-	4,975	15,726
Program services	793,845	-	-	793,845	668,259	-	-	668,259
Salary, wages and benefits	153,975	153,975	175,925	483,875	124,013	121,411	121,412	366,836
Scholarships	760,315	-	-	760,315	577,990	-	-	577,990
Software and fees	74,558	105,032	146,360	325,950	-	120	197,407	197,527
Sponsorship	202,000	-	-	202,000	200,000	-	-	200,000
Travel	690	1,155	1,593	3,438	775	379	7,968	9,122
	<u>\$ 2,024,019</u>	<u>\$ 579,376</u>	<u>\$ 389,421</u>	<u>\$ 2,992,816</u>	<u>\$ 1,595,627</u>	<u>\$ 459,945</u>	<u>\$ 378,199</u>	<u>\$ 2,433,771</u>

The Notes to Financial Statements are an integral part of these statements.

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 3,558,336	\$(1,181,119)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	16,719	19,499
Amortization	2,604	2,604
Unrealized (gain) loss on investments	(3,460,920)	1,720,019
Appreciation in cash surrender value of life insurance	(5,815)	(5,284)
(Gain) loss on disposal of gifted property held for sale	-	(8,096)
Contributions restricted for endowment	(157,380)	(504,764)
Unrealized (gain) loss on perpetual trust	(327,645)	119,650
Changes in		
Contributions receivable	48,498	(340,740)
Accounts payable and accrued expenses	(47,635)	51,664
Accounts payable to related party	62,261	(134,183)
Net cash provided (used) by operating activities	<u>(310,977)</u>	<u>(260,750)</u>
Cash flows from investing activities		
Purchase of investments	(1,374,891)	(5,465,417)
Proceeds from sales and maturities of investments	1,545,762	5,409,461
Purchase of capital assets	(56,267)	(156,360)
Proceeds from assets sold	-	8,096
Net cash provided (used) by investing activities	<u>114,604</u>	<u>(204,220)</u>
Cash flows from financing activities		
Contributions restricted for endowment	<u>157,380</u>	<u>504,764</u>
Net cash provided (used) by financing activities	<u>157,380</u>	<u>504,764</u>
Net increase (decrease) in cash and cash equivalents	(38,993)	39,794
Cash and cash equivalents, beginning of year	<u>441,096</u>	<u>401,302</u>
Cash and cash equivalents, end of year	<u>\$ 402,103</u>	<u>\$ 441,096</u>

The Notes to Financial Statements are an integral part of these statements.

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

Note 1. Organization and 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.

Basis of presentation

The Foundation's financial statements are 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.

Net asset classification

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions.

Net Assets without Donor Restrictions – Net assets available for use and not subject to donor or certain grantor restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

Note 1. Organization and Summary of Significant Accounting Policies, continued

Investments and investment return

Investments in equity securities having a readily determinable fair value and debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income, realized gains and losses on investments carried at fair value, and realized gains and losses on other investments. Investment income reported in the statements of activities and changes in net assets is reported net of investment management and custodial fees.

Income and gains on investments are reported as increases in net assets with donor restrictions 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 net assets with donor restrictions 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.

Generally, losses on investments of endowments reduce net assets with donor restriction 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 net assets with donor restrictions.

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 100% of the annual income to the beneficiaries. The beneficial interest is classified as net assets with donor restrictions and distributions are classified as investment income with donor restrictions from perpetual trust in accordance with the donor's purpose restriction. Changes in the fair market value of the beneficial interest are recorded as restricted gain or loss on beneficial interest in perpetual trust in the statement of activities and changes in net assets.

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 is 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 judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

Note 1. Organization and Summary of Significant Accounting Policies, continued

Contributions, continued

Contributions are reported as increases in the appropriate net asset category. Expenses are reported as decreases in unrestricted net assets. Absent explicit donor stipulations to the contrary, 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 restriction.

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 did not receive any contributed services meeting the specified criteria during the years presented in these financial statements.

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. The Foundation recognizes all services received from personnel of the University that directly benefit the Foundation. The amount of in-kind contributions was determined based on the cost recognized for services and facilities provided by the University. In-kind expenses are allocated on a functional basis consistent with the allocation of resources expended on all other programs and activities. The Foundation recorded \$525,394 and \$557,446 for in-kind contributions and related in-kind expenses for 2019 and 2018, respectively.

Functional allocation of expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statements of activities and changes in net assets. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 method as follows:

Building and improvements	10 - 44 years
Furniture and equipment	5 - 10 years

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

Note 1. Organization and Summary of Significant Accounting Policies, continued

Fund management fee

The Foundation assesses an annual Fund Management Fee ("Fee"). The Fee is charged to all funds – endowed or otherwise – and is used to defray general and administrative expenses of the Foundation. Historically, the Fee was assessed annually at a rate of .625% (.0625) of the January 1st fund balances greater than or equal to \$1,000. For 2019, the board of directors approved an increase in the fee to 2% of (.02) of the January 1st fund balances greater than or equal to \$1,000. For the endowed and restricted funds, this fee is accounted for as a transfer between net assets with restrictions to net assets without restrictions.

Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents unless designated for investment purposes.

Allowance for uncollectible accounts

Management charges income with doubtful accounts when they are considered uncollectible. As the amount is not material, no provision for doubtful accounts has been made in these statements.

Use of estimates

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

Estimates that are particularly susceptible to significant change include the valuation of investments and beneficial interest in perpetual trust. Investments in securities and beneficial interest in perpetual trust 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 investments and beneficial interests, 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.

Income taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and has been determined not to be a private foundation under Section 509(a) of the Code. Therefore, no income tax provision has been included in the financial statements.

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

Note 2. Net Assets with Donor Restrictions

Net assets with donor restrictions comprised the following:

	<u>2019</u>	<u>2018</u>
Scholarships and grants	\$18,523,035	\$16,662,006
Foundation operations	775,668	470,533
University support	1,877,638	1,501,405
Endowed chair, professorships, and lectureships	3,791,265	3,430,404
Athletic support	<u>635,647</u>	<u>445,672</u>
	<u>\$25,603,253</u>	<u>\$22,510,020</u>

Note 3. Concentration of Credit Risk

The Organization's cash balances in its financial institution at times may exceed federally insured limits. At December 31, 2019, the Organization had approximately \$124,188 in a financial institution that exceeded federally insured limits.

Note 4. Liquidity and Availability

Cash receipts (contributions, memberships and sponsorships, rental income, royalties) are deposited into Foundation bank accounts and used to support the operating budgets of the Foundation, as well as to pay endowment distributions and non-endowed distributions. Cash is extracted from the managed investment(s) as needed, with specific recommendations from the investment manager.

Investments held in money market accounts, exchange traded funds, mutual funds, corporate bonds, or publicly traded securities are considered available for liquidation within the operating cycle. Management monitors cash on hand as part of the internal financial report to the board of directors.

The financial assets available for general expenditure, that is without donor restriction or other restrictions limiting their use, within one year of the statement of financial position, comprise the following:

	2019	2018
Total financial assets	\$26,118,179	\$22,584,765
Donor imposed restrictions	<u>(25,603,253)</u>	<u>(22,510,020)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 514,926</u>	<u>\$ 74,745</u>

Note 5. Fair Value Measurement

Investments are stated at fair value as determined by the fund and/or investment manager. Professional standards establish a three-level hierarchy for the valuation of financial instruments:

Level I – Quoted prices in active markets for identical assets or liabilities.

Level II – Observable inputs other than Level I prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level III – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

Note 5. Fair Value Measurement, continued

Financial assets and liabilities carried at fair value on a recurring basis include investments and beneficial interest in perpetual trust. The Foundation had no asset or liabilities carried at fair value on a non-recurring basis at December 31, 2019 or 2018.

The limited liability company investment held by the Foundation is a private company 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. The Foundation has two separate investments with this company.

The real estate investment trust (REIT) held by the Foundation is a private investment formed for the purpose of acquiring freestanding, single-tenant, net-leased properties. It is focused on generating predictable, tax-sheltered cash flow and attractive total return for shareholders. The REIT is managed by a limited liability company and has no direct employees. Shares are offered via private placement, and new investors are accepted on a monthly basis. Shares when issued are "restricted securities" as such term is defined in Rule 144 and are therefore subject to substantial restrictions on transfer both under the securities laws and to comply with REIT requirements. There is no trading market for the shares, nor is one expected to develop.

Investments at December 31, 2019, consisted of the following:

	Level I	Level II	Level III	Total
Investments:				
Cash/cash equivalents	\$ 903,506	\$ -	\$ -	\$ 903,506
Equities	15,583,958	-	-	15,583,958
Fixed income	4,510,280	-	-	4,510,280
Annuity contract	-	-	293,065	293,065
Interest in limited liability company (illiquid until assets are sold)	-	-	988,634	988,634
Alternative investments	-	358,441	-	358,441
Real estate investment trusts (REIT) (illiquid restricted security with time & written consent constraints)	-	-	<u>1,058,883</u>	<u>1,058,883</u>
Total investments	<u>\$20,997,744</u>	<u>\$358,441</u>	<u>\$2,340,582</u>	<u>\$23,696,767</u>
Beneficial interest in perpetual trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,517,528</u>	<u>\$ 1,517,528</u>

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

Note 5. Fair Value Measurement, continued

Investments at December 31, 2018, consisted of the following:

	Level I	Level II	Level III	Total
Investments:				
Cash/cash equivalents	\$ 1,055,506	\$ -	\$ -	\$ 1,055,506
Equities	12,754,587	-	-	12,754,587
Fixed income	4,442,609	-	-	4,442,609
Annuity contract	-	-	242,946	242,946
Interest in limited liability company (illiquid until assets are sold)	-	-	617,334	617,334
Alternative investments	-	535,239	-	535,239
Real estate investment trusts (REIT) (illiquid restricted security with time & written consent constraints)	-	-	758,498	758,498
Total investments	<u>\$18,252,702</u>	<u>\$535,239</u>	<u>\$1,618,778</u>	<u>\$20,406,719</u>
Beneficial interest in perpetual trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,189,883</u>	<u>\$ 1,189,883</u>

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying Statement of Financial Position using significant unobservable (Level III) inputs:

	Annuity Contract	Interest in Limited Liability Company	Real Estate Investment Trust	Total
Balance at January 1, 2018	\$274,900	\$441,926	\$ 383,108	\$1,099,934
Purchases and contributions	-	300,000	300,000	600,000
Return of capital investment, reinvestment	-	(98,630)	31,678	(66,952)
Unrealized gain(loss) on investments included in earnings	<u>(31,954)</u>	<u>(25,962)</u>	<u>43,712</u>	<u>(14,204)</u>
Balance at December 31, 2018	242,946	617,334	758,498	1,618,778
Purchases and contributions	-	300,000	250,000	550,000
Return of capital investment, reinvestments	-	(47,403)	58,295	10,892
Unrealized gain(loss) on investments included in earnings	<u>50,119</u>	<u>118,703</u>	<u>(7,910)</u>	<u>160,912</u>
Balance at December 31, 2019	<u>\$293,065</u>	<u>\$988,634</u>	<u>\$1,058,883</u>	<u>\$2,340,582</u>

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

Note 5. Fair Value Measurement, continued

	Beneficial Interest in Perpetual Trust
Balance at January 1, 2018	\$1,309,533
Unrealized gain(loss) on beneficial interest in trust-included in earnings	<u>(119,650)</u>
Balance at December 31, 2018	1,189,883
Unrealized gain(loss) on beneficial interest in trust-included in earnings	<u>327,645</u>
Balance at December 31, 2019	<u>\$1,517,528</u>

Note 6. Contributions Receivable

Unconditional promises to give, including amounts due under pledge agreement with donors, include the following at December 31:

	2019	2018
Due in less than one year	\$ 98,010	\$ 81,775
Due in one to five years	265,537	341,000
Due in more than five years	<u>2,000</u>	<u>-</u>
	365,547	422,775
Less: Discount to net present value (%)	<u>-</u>	<u>(8,730)</u>
	<u>\$365,547</u>	<u>\$414,045</u>

Gross unconditional contributions receivable is comprised of the following at December 31:

	2019	2018
Without donor restrictions		
Foundation support	\$ 2,865	\$ -
Total without donor restrictions	2,865	-
With donor restrictions		
Business enterprise center	240,000	300,000
Scholarships	28,265	42,775
Programs support	<u>94,417</u>	<u>80,000</u>
Total with donor restrictions	<u>362,682</u>	<u>422,775</u>
Total contributions receivable	<u>\$365,547</u>	<u>\$422,775</u>

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

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

Note 7. Endowments

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.

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 net assets with donor restrictions not subject to appropriation (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 net assets with donor restrictions not subject to appropriation or expenditures is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Oklahoma Uniform Prudent Management of Institutional Funds Act ("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; and
- The investment policies of the Foundation.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner intended to produce results which generate a dependable, increasing source of income and appreciation while assuming a moderate level of investment risk. The stated return objective of this policy is the Consumer Price Index plus three percent net of fees. Actual returns in any given year may vary from this amount.

In general, the Foundation has a policy of appropriating for distribution each year, eighty-five percent of the net earnings from each endowment fund for the donor-restricted purpose, if any. The remaining fifteen percent of the net earnings 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 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 restricted until appropriated for expenditure. All earnings on board-designated endowment funds are classified as unrestricted.

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

Note 7. Endowments, continued

For 2019, the Foundation has a spending policy of appropriating for expenditure each year the equivalent of up to 5% of the rolling 60-month average balance of the endowment fund's fair value as of the immediately preceding year ended December 31.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level the donor or OK UPMIFA requires the Foundation to retain as a fund of perpetual duration. These deficiencies may result from unfavorable market fluctuations, a prior year significant change of securities in the investment portfolio, and continued appropriation that was deemed prudent and necessary for the programs of the Foundation. There were no deficiencies of this nature that are reported in unrestricted net assets at December 31, 2019 or 2018.

Note 8. 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. Payables to related party of \$62,261 and \$0 at December 31, 2019 and 2018 respectively, reflect amounts to be paid to the University.

The Foundation acquired property and completed construction of a building during 2003. The Foundation has a lease agreement with the Oklahoma Family Counseling Services ("OFCS") to lease the property. The lease provides for annual rental payments of \$54,000 payable in monthly installments of \$4,500 and is renewed annually. The Foundation is to provide any significant repairs and maintenance. OFCS is to provide for all utilities, services, and other operating costs including general repair and maintenance. At December 31, 2019, OFCS's future rental payments to the Foundation are \$54,000 for the year ended December 31, 2020 and \$27,000 through June 30, 2020.

Note 9. Split Interest Agreement

In 2019, the Foundation recorded \$25,000 in contribution revenue from a donor, and entered into a deferred charitable annuity agreement with the donor. The terms of the agreement require the Foundation to pay the donor an annuity of \$2,200 commencing November 5, 2035, with all obligations under the agreement to cease upon the death of the donor and all remaining funds donor-restricted for use by the Foundation.

Note 10. Subsequent Events

Management has evaluated subsequent events, if any, through the report date of October 14, 2020, which is the date the report was available to be issued and has determined that no events requiring disclosure occurred which require disclosure in the financial statements, except as noted below.

The Coronavirus pandemic has had a significant impact on the economy locally, across the nation and globally. The situation is rapidly evolving so the magnitude and duration of the economic disruption is not known at this date. This pandemic could have a material impact on the Foundation's financial condition and future operations.