GaryMcGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

Southwestern Oregon Community College Foundation

Financial Statements and Other Information as of
and for the Year Ended June 30, 2017
and Report of Independent Accountants

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The Year in Review

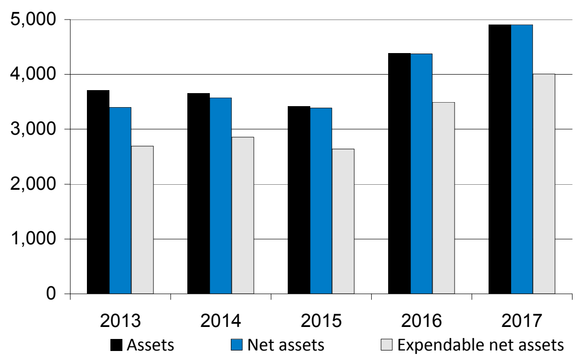
July 1, 2016 - June 30, 2017

Total Assets	$4.9 million
Total Managed Endowment	$1.7 million
Total Contributions	$2.8 million
Total Support Provided to the College	$2.6 million

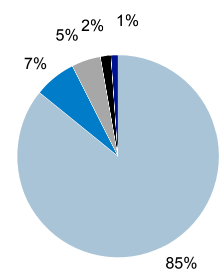
Funding Highlights

CAPITAL STRUCTURE OF THE FOUNDATION 2013-2017

(in thousands)



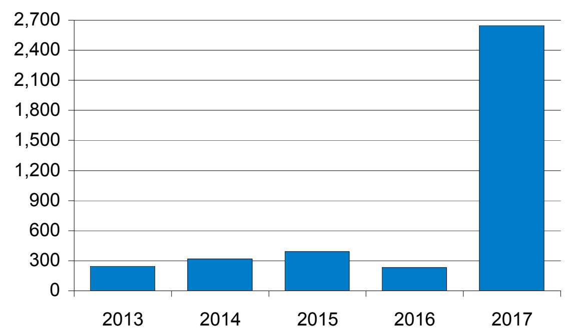
EXPENSES BY FUNCTION 2017



85% Health/Technology Building grants. $2.3 million.
7% Academic programs. $182 thousand.
5% Scholarships. $131 thousand.
2% Administration. $41 thousand.
1% Fundraising. $33 thousand.

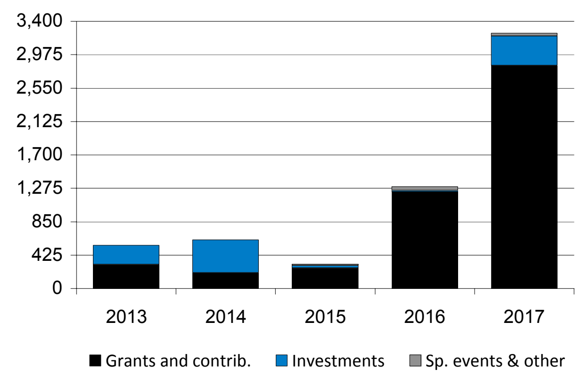
SUPPORT PROVIDED TO THE COLLEGE 2013-2017

(in thousands)



MAJOR FUNDING SOURCES 2013-2017

(in thousands)



GaryMcGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
Southwestern Oregon Community College Foundation:

We have audited the accompanying financial statements of the Southwestern Oregon Community College Foundation, which comprise the statement of financial position as of June 30, 2017, and the related statements 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 accounting principles generally accepted in the United States; 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization'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 organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southwestern Oregon Community College Foundation as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

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Summarized Comparative Information

We have previously audited the Southwestern Oregon Community College Foundation's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 6, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

October 4, 2017

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

(WITH COMPARATIVE AMOUNTS FOR 2016)

	2017	2016
Assets:		
Cash and cash equivalents	$ 447,723	667,613
Contributions receivable *(note 3)*	904,723	493,500
Investments *(notes 4 and 10)*	3,393,214	3,019,123
Note receivable from Southwestern Oregon Community College *(note 5)*	151,052	194,140
Other assets	10,350	10,350
Total assets	$ 4,907,062	4,384,726
Liabilities:		
Accounts payable and accrued liabilities	188	1,012
Payable to Southwestern Oregon Community College	538	7,401
Total liabilities	726	8,413
Net assets:		
Unrestricted:		
Available for general programs and operations	1,409,271	1,329,831
Designated by the Board *(note 6)*	257,355	241,781
Cumulative endowment losses *(note 6)*	(6,305)	(10,914)
Total unrestricted	1,660,321	1,560,698
Temporarily restricted *(note 6)*	2,344,273	1,934,825
Permanently restricted for endowment *(note 6)*	901,742	880,790
Total net assets	4,906,336	4,376,313
Commitments *(notes 3 and 9)*		
Total liabilities and net assets	$ 4,907,062	4,384,726

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

(WITH COMPARATIVE TOTALS FOR 2016)

	2017				
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**2016**
Revenues, gains, and other support:					
Grants and contributions	$ 11,986	2,803,142	20,659	2,835,787	1,230,484
Special events, less direct costs of $4,816 in 2017 and $1,501 in 2016	–	36,361	–	36,361	49,822
Investment return *(note 4)*	215,815	161,344	293	377,452	14,977
Other income	50	–	–	50	–
Total revenues and gains	227,851	3,000,847	20,952	3,249,650	1,295,283
Net assets released from restrictions and other transfers *(note 7)*	2,591,399	(2,591,399)	–	–	–
Total revenues, gains, and other support	2,819,250	409,448	20,952	3,249,650	1,295,283
College support and expenses *(note 9)*:					
Program services:					
Grants to College for the Health & Science Technology building	2,331,637	–	–	2,331,637	–
Academic program support	182,338	–	–	182,338	137,142
Scholarships	130,670	–	–	130,670	96,200
Total program services	2,644,645	–	–	2,644,645	233,342
Supporting services:					
Administration	41,490	–	–	41,490	38,592
Fundraising	33,492	–	–	33,492	35,264
Total supporting services	74,982	–	–	74,982	73,856
Total college support and expenses	2,719,627	–	–	2,719,627	307,198
Increase in net assets	99,623	409,448	20,952	530,023	988,085
Net assets at the beginning of the year	1,560,698	1,934,825	880,790	4,376,313	3,388,228
Net assets at end of year	$ 1,660,321	2,344,273	901,742	4,906,336	4,376,313

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017

(WITH COMPARATIVE TOTALS FOR 2016)

	2017	2016
Cash flows from operating activities:		
Cash received from donors, grantors, and other sources	$ 2,445,132	672,933
Cash received for interest	54,085	123,717
Cash paid to suppliers, employees, and others	(44,397)	(30,707)
Cash paid for grants and scholarships to College	(2,644,645)	(218,342)
Cash paid for scholarships on behalf of students	–	(29,406)
Net cash provided by (used in) operating activities	(189,825)	518,195
Cash flows from investing activities:		
Purchases of investments	(1,112)	(174,670)
Reinvestment of interest and dividends	(49,612)	(116,532)
Proceeds from the sale of investments	–	43,865
Net cash used in investing activities	(50,724)	(247,337)
Cash flows from financing activities:		
Contributions restricted for long-term investment	20,659	146,612
Net cash provided by financing activities	20,659	146,612
Increase (decrease) in cash and cash equivalents	(219,890)	417,470
Cash and cash equivalents at beginning of year	667,613	250,143
Cash and cash equivalents at end of year	$ 447,723	667,613

Supplemental schedule of noncash investing and financing activities:		
Salaries and benefits paid by the College in lieu of making payments on notes receivable	$ 43,088	42,860

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

1. Organization

Southwestern Oregon Community College Foundation (the "Foundation") is an Oregon nonprofit corporation organized in 1962 exclusively for the purpose of supporting higher education in connection with Southwestern Oregon Community College (the "College"). The Foundation's mission is to support the College by improving people's lives socially, culturally, economically, and educationally through friend-raising and fundraising. Fundraising efforts result in the Foundation receiving gifts and pledges for the benefit of the College, including such gifts as endowment gifts to be invested in perpetuity, remainder interests in charitable remainder trusts, gift annuities, bequests, estate gifts, and other gifts. The Foundation is managed by a team of professionals and controlled by a volunteer Board of Directors.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Foundation are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Basis of Presentation – The Foundation has adopted the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") No. 958-605, *Revenue Recognition,* and FASB ASC No. 958-205, *Presentation of Financial Statements*. Under these provisions, net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets not subject to donor-imposed stipulations.

- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time. These balances represent the unexpended portion of externally restricted contributions and investment return to be used for specific programs and activities as directed by the donor.

- *Permanently restricted 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 related investments for general or specific purposes.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (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.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of 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. In the opinion of management, such differences, if any, would not be significant.

Cash Equivalents – For purposes of the financial statements, the Foundation considers all liquid investments having initial maturities of three months or less to be cash equivalents. Cash and cash equivalents held as part of the Foundation's investment portfolio, and where management's intention is to use the cash to acquire investments to be held long-term, are classified as investments.

Investments – Under the provisions of FASB ASC No. 958-320, *Investments – Debt and Equity Securities,* investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the statement of financial position.

Net appreciation (decline) in the fair value of investments, which consists of both the realized gains or losses and the unrealized appreciation (decline) of those investments, is reported in the statement of activities. Interest income is accrued as earned, and reported net of investment advisory and transaction fees. All security transactions are recorded on a trade date basis.

The Foundation has some exposure to investment risks, including interest rate, market, and credit risks, for marketable securities. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities may occur to an extent that could materially affect the amounts reported in the accompanying financial statements.

Capital Assets and Depreciation – Generally, furniture and equipment in excess of $5,000 are capitalized and reported at cost when purchased, and initially at fair market value when acquired by gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets. At June 30, 2017, the Foundation has no depreciable capital assets.

Contributions – Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions receivable (pledges) for the support of future operations, programs, and activities are recorded at the present value of the estimated future cash flows, net of an allowance for uncollectible amounts. The allowance for uncollectible contributions receivable is provided based upon management's judgement, including such factors as prior collection history, type of contribution, and nature of fundraising activity.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

In-Kind Contributions – A number of unpaid volunteers have made significant contributions of their time to develop and implement the Foundation's programs. In accordance with FASB ASC No. 958-605, significant services received which create or enhance a nonfinancial asset or require specialized skills that the Foundation would have purchased if not donated are recognized in the statement of activities. In addition, in-kind contributions of land, buildings, equipment, and other materials and supplies are recorded where there is an objective basis upon which to value these contributions and where the contributions are an essential part of the Foundation's activities. During the year ended June 30, 2017, the Foundation recorded no such contributions.

Outstanding Legacies – The Foundation is the beneficiary under various wills and trust agreements, the total realizable amounts of which are not presently determinable. The Foundation's share of such bequests is recorded when the probate court has declared the testamentary instrument valid and the proceeds are measureable.

Revenue Recognition – All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. Other revenues are recognized at the time services are provided and the revenues are earned.

College Support – College support is accrued when awarded by the Foundation and unconditional. College support is provided from available income and principal in accordance with restrictions imposed by donors.

Benefits Provided to Donors at Special Events – The Foundation conducts special fundraising events in which a portion of the gross proceeds paid by the participants represents payment for the direct cost of the benefits received by participants at the event. Unless a verifiable, objective mean exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the organization.

Endowment Funds and Interpretation of Relevant Law – Effective January 1, 2008, the State of Oregon adopted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which governs Oregon charitable institutions with respect to the management, investment, and expenditure of donor-restricted endowment funds.

The Board of Directors has interpreted Oregon's adoption of UPMIFA as requiring the Foundation to adopt investment and spending policies that preserve the fair value of the original gift as of the date of gift, absent explicit donor stipulations to the contrary. Although the Foundation has a long-term fiduciary duty to the donor (and to others) for a fund of perpetual duration, the preservation of the endowment's purchasing power is only one of several factors that are considered in managing and investing these funds. Furthermore, in accordance with UPMIFA, a portion of the endowment's original gift may be appropriated for expenditure in support of the restricted purposes of the endowment if this is consistent with a spending policy that otherwise satisfies the requisite standard of prudence under UPMIFA.

As a result of this interpretation, the Foundation classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) subsequent gifts to the endowment, and (3) accumulations made pursuant to the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Net earnings (realized and unrealized) on the investment of endowment assets are classified as temporarily restricted until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA and until expended in a manner consistent with the purpose or time restrictions, if any, imposed by the donor. Any investment return classified as permanently restricted represents only those amounts required to be retained permanently as a result of explicit donor stipulations.

With regard to endowment losses or appropriations in excess of the fair value of the original gift, in accordance with FASB ASC No. 958-320, *Investments – Debt and Equity Securities*, the portion of a donor restricted endowment that is classified as permanently restricted is not reduced by losses on the investments of the fund, except to the extent required by the donor, including losses related to specific investments that the donor requires the Foundation to hold in perpetuity. Similarly, the amount of permanently restricted net assets is not reduced by the Foundation's appropriations from the fund. In the absence of donor stipulations or law to the contrary, losses or appropriations of a donor-restricted endowment reduce temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been satisfied before the loss or appropriation occurs. Any remaining loss or appropriation reduces unrestricted net assets.

In accordance with UPMIFA, the Board of Directors has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs and operations supported by its endowment, while also seeking to maintain the long-term purchasing power of the endowment assets. Therefore the Board of Directors considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the donor-restricted endowment 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;
- Other resources of the Foundation; and
- The investment policies of the Foundation.

To meet its objectives, the Foundation's policies limit spending to an amount equal to between 3% and 6% of the average fair market value of the fund investments (computed over a three-year moving average, measured at March 31 prior to the beginning of the fiscal year). Distributions are generally made annually, in July. Actual endowment return earned in excess of distributions under this policy is reinvested as part of the Foundation's management of endowment. For years when actual endowment return is less than distribution under the policy, the shortfall is intended to be covered by realized and unrealized returns from prior years.

During the year ended June 30, 2017, the Foundation's Board of Directors appropriated 4.0%, or a total of $32,532, from donor-restricted endowment funds and $16,867 from the Board-designated endowment, in accordance with this policy. See note 6.

Concentrations of Credit Risk – The Foundation's financial instruments consist primarily of cash equivalents and investments, which may subject the Foundation to concentrations of credit risk as, from time to time, for example, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). In addition, the market value of securities is dependent on the ability of the issuer to honor its contractual commitments, and the investments are subject to changes in market values.

All checking and savings accounts, money market deposit accounts, and certificates of deposit are insured by the FDIC for up to $250,000 for each depositor, for each insured bank, for each account ownership category. At June 30, 2017, the Foundation held $200,356 in excess of FDIC insurance.

Certain receivables may also, from time to time, subject the Foundation to concentrations of credit risk. To minimize its exposure to significant losses from customer or donor insolvencies, the organization's management evaluates the financial condition of its customers and donors, and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics. When necessary, receivables are reported net of an allowance for uncollectible accounts.

Advertising Expenses – Advertising costs are charged to expenses as they are incurred. Advertising expense for the year ended June 30, 2017 totaled $905.

Subsequent Events – As required by FASB ASC No. 855-10, *Subsequent Events,* subsequent events have been evaluated by management through October 4, 2017, which is the date the financial statements were available to be issued.

Income Taxes – The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law, and derives its public charity status as an organization described in Sections 170(b)(1)(A)(vi) and 509(A)(1) of the Internal Revenue Code.

Summarized Financial Information for 2016 – The accompanying financial information as of and for the year ended June 30, 2016 are presented for comparative purposes only and are not intended to represent a complete financial statement presentation.

Other Significant Accounting Policies – Other significant accounting policies are set forth in the financial statements and the following notes.

3. Contributions Receivable

Contributions receivable are summarized as follows at June 30, 2017:

Unconditional promises expected to be collected within:		
Less than one year	$	344,375
One year to five years		578,000
		922,375
Less discount [1]		(17,652)
	$	904,723

[1] Unconditional promises to give that are due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 1.55%.

Conditional Gifts

At June 30, 2017, the Foundation held a pledge totaling $25,000, which is conditioned upon signed contracts for the construction of the new Health & Science Technology building for the College.

Subsequent to June 30, 2017, the Foundation received an additional $1 million pledge restricted to the Health & Science Technology building, conditioned upon raising 1:1 in matching funds.

The revenue associated with these conditional gifts have not been included in the accompanying financial statements because the conditions had not yet been satisfied as of June 30, 2017.

4. Investments and Investment Return

Investments consist of the following at June 30, 2017:

At fair value:	
Corporate stocks	$ 1,440,007
Exchange-traded, close-ended funds	952,301
Large-cap funds	408,998
International funds	142,472
Small mid-cap funds	55,854
High-yield funds	40,152
Fixed-income funds	34,985
Emerging markets funds	30,784
	3,105,553
Cash equivalents	287,661
	$ 3,393,214

Total return on investments for the year ended June 30, 2017 is as follows:

From investments:	
Interest and dividend income	$ 49,616
Net appreciation in the fair value of investments	323,367
Interest from note *(note 5)*	4,469
	$ 377,452

The Foundation's total investment return for the year ended June 30, 2017 is summarized as follows:

Operating investment return	$ 193,011
Endowment investment return	184,441
	$ 377,452

5. Transactions with the College

Note Receivable from the College

During the year ended June 30, 2008, the Foundation's Board approved a loan to the College for $300,000. The original terms of the interest-free loan required three annual payments of $100,000, with the first installment due in November of 2008. Prior to the receipt of the first installment, the Foundation renegotiated the loan with the College. The new terms postponed the first payment until November of 2009, and called for 4.0% simple interest to be paid annually on the balance outstanding. In November of 2009, the Foundation received the first $100,000 installment and the $12,000 interest payment, as negotiated and due at that time.

Payments for November of 2010, 2011, and 2012 were subsequently deferred, and interest has continued to accrue at 4.0%. In June of 2013, the Foundation and College agreed to reduce the interest rate to 3.25%, beginning November 1, 2012. In June of 2015, the Foundation renegotiated the loan with the College. In lieu of paying off the note, the College will assume 100%, rather than 50%, of the salary and benefits for the Foundation's Executive Director position, beginning July 1, 2015 and until the note, plus accrued interest, has been paid in full. The balance of unpaid principal and accrued interest was $151,052 at June 30, 2017.

6. Restrictions and Limitations on Net Asset Balances

Board-Designated Net Assets

At June 30, 2017, the Foundation's Board of Directors had designated $257,355 in unrestricted net assets for the following purposes:

Quasi-endowment	$	157,355
Health & Science Technology building for the College		100,000
	$	257,355

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2017 represent contributions, grants, and other unexpended revenues and gains restricted by donors, either as to purpose or time, as follows:

		Expendable gifts	Endow-ment	Total
Restricted as to purpose:				
Quasi-endowments [1]	$	–	463,397	463,397
Unappropriated endowment earnings		–	157,444	157,444
Scholarships		211,502	–	211,502
Health & Science Technology building for the College		1,197,773	–	1,197,773
Program support		314,157	–	314,157
	$	1,723,432	620,841	2,344,273

[1] Temporarily restricted quasi-endowment funds represent expendable funds restricted by donors for scholarships and programs that the Board of Directors has elected to treat like donor-restricted endowments. The balance includes the original gift and unappropriated earnings.

Quasi-endowment and donor-restricted endowment funds are restricted as follows at June 30, 2017:

		Scholarships	Programs	Total
Unappropriated endowment earnings	$	155,282	2,162	157,444
Quasi-endowments		197,134	266,263	463,397
	$	352,416	268,425	620,841

Permanently Restricted for Endowment

At June 30, 2017, the Foundation held $901,742 in donor-restricted endowment funds. The investment income earned on these permanently restricted net assets is generally restricted for scholarships and programs and is recorded as temporarily or permanently restricted net assets according to donor-imposed stipulations.

Cumulative Endowment Adjustment

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. As of June 30, 2017, the Foundation had incurred cumulative investment losses on its endowment funds totaling $6,305 in excess of unappropriated accumulated endowment earnings. Accordingly, in order to report the losses as required by FASB ASC No. 958-320, *Investments – Debt and Equity Securities*, the excess losses and appropriations have been classified as transactions of the unrestricted net asset class and will be reinstated out of future endowment earnings.

The following summarizes the Foundation's Board-designated and donor-restricted, endowment-related activities for the year ended June 30, 2017:

	Donor-restricted endowment				Quasi-endowment	Board-designated	
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Temporarily restricted	Unrestricted	Total
Endowment net assets at beginning of year	$ (10,914)	88,289	880,790	958,165	432,056	141,781	1,532,002
Contributions and grants	–	–	20,659	20,659	–	–	20,659
Investment return	6,650	108,459	293	115,402	51,640	17,399	184,441
Endowment management fee	(398)	(8,415)	–	(8,813)	(3,928)	(1,329)	(14,070)
Appropriation of endowment assets for expenditure	(1,643)	(30,889)	–	(32,532)	(16,371)	(496)	(49,399)
Endowment net assets at end of year	$ (6,305)	157,444	901,742	1,052,881	463,397	157,355	1,673,633

7. Net Assets Released from Restrictions and Other Transfers

During the year ended June 30, 2017, the Foundation incurred various expenses in satisfaction of the restricted purposes specified by donors, or otherwise satisfied the restrictions by the occurrence of other events. Accordingly, a corresponding amount is reported as a reclassification from temporarily restricted net assets to unrestricted net assets in the accompanying financial statements, as described in the following table:

Satisfaction of donor restrictions as to purpose and/or time	$ 2,579,056
Endowment management fee *(note 8)*	12,343
	$ 2,591,399

8. Administrative Assessment

The Foundation makes an administrative assessment of 1.0% annually based on a three-year rolling average of the fair value of endowment assets at March 31. This assessment for the year ended June 30, 2017 totaled $14,070.

9. College Support and Expenses

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

The Foundation and the College have entered into an agreement that sets forth the manner in which the College and Foundation provide support to each other. For example, the College provides services to the Foundation that include the free use of administrative office facilities, telephone, utilities, and certain other operating costs attributed to the Foundation. These costs are not included in the accompanying financial statements due to the difficulty of accurately determining their value.

Continued

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

Expenses by their natural classification for the year ended June 30, 2017 are summarized as follows:

Grants to the College for the Health & Science Technology building	$ 2,331,637
Other grants to the College	128,461
Scholarships	130,670
Salaries and related expenses	81,900
Professional services	22,850
Fundraising costs	10,180
Software	5,264
Insurance	2,204
Printing	2,118
Credit card fees	1,321
Supplies	1,152
Advertising	905
Postage	593
Travel	207
Other	165
	$ 2,719,627

10. Fair Value Measurements

Included in the accompanying financial statements are certain financial instruments carried at fair value. The fair value is the amount that would be received to sell an asset or paid to transfer a liability in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality.

The accompanying financial statements report the Foundation's investments at fair value. These assets have been classified, for disclosure purposes, based on a hierarchy defined by FASB ASC No. 820, *Fair Value Measurements and Disclosures*. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3).

At June 30, 2017, the Foundation's financial assets that are reported at fair value on a recurring basis consist of investments totaling $3,105,553 (see note 4), which are measured at fair value on a recurring basis using quoted prices for identical assets (i.e., Level 1).

11. Reconciliation of Statement of Cash Flows

The following presents a reconciliation of the increase in net assets (as reported on the statement of activities) to net cash used in operating activities (as reported on the statement of cash flows):

Increase in net assets	$ 530,023
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Net appreciation in the fair value of investments	(323,367)
Contributions restricted to long-term investment	(20,659)
Net changes in:	
Contributions receivable	(411,223)
Note receivable	43,088
Accounts payable and accrued liabilities	(824)
Payable to Southwestern Oregon Community College	(6,863)
Total adjustments	(719,848)
Net cash used in operating activities	$ (189,825)

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INQUIRIES AND OTHER INFORMATION

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