University of Central Oklahoma Foundation

Financial Report
June 30, 2019

Contents

Independent Auditor's Report

To the Board of Trustees
University of Central Oklahoma Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of University of Central Oklahoma Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2019 and 2018, the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University of Central Oklahoma Foundation as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The Foundation adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, during the current year, see Note 1. The adoption of the standard resulted in additional footnote disclosures and significant changes to the classification of net assets and disclosures related to net assets. The ASU has been applied retrospectively to the earliest year presented. Our opinion is not modified with respect to this matter.

RSM US LLP

Oklahoma City, Oklahoma
October 2, 2019

University of Central Oklahoma Foundation

Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	$ 399,621	$ 696,076
Accounts receivable due from University of Central Oklahoma	-	15,541
Investments	39,342,488	35,388,633
Contributions receivable, net	1,246,111	1,002,100
Land and other investment assets, net	560,425	598,820
Equipment and other assets, net	-	444
Beneficial interest in assets held by others	311,388	305,752
Total assets	$ 41,860,033	$ 38,007,366
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	$ 17,087	$ 29,542
Custodial funds	513,070	417,260
Note payable	426,760	484,401
Total liabilities	956,917	931,203
Net assets:		
Without donor restrictions	3,292,459	3,694,071
With donor restrictions	37,610,657	33,382,092
Total net assets	40,903,116	37,076,163
Total liabilities and net assets	$ 41,860,033	$ 38,007,366

See notes to financial statements.

University of Central Oklahoma Foundation

Statements of Activities
Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:						
Contributions and grants	**$ 1,783,621**	**$ 5,066,249**	**$ 6,849,870**	$ 1,683,857	$ 10,587,104	$ 12,270,961
Interest and dividends	**244,202**	**630,413**	**874,615**	194,201	574,480	768,681
Net realized and unrealized investment gains (losses)	**289,712**	**827,289**	**1,117,001**	(311,552)	1,078,764	767,212
Other income	**2,256**	**-**	**2,256**	(584)	-	(584)
Rental income	**60,630**	**-**	**60,630**	55,578	-	55,578
Change in beneficial interest in assets held by others	**-**	**20,835**	**20,835**	-	21,547	21,547
Net assets released from restrictions	**2,316,221**	**(2,316,221)**	**-**	8,609,148	(8,609,148)	-
Total revenues and support	**4,696,642**	**4,228,565**	**8,925,207**	10,230,648	3,652,747	13,883,395
Expenses:						
Program services	**3,347,120**	**-**	**3,347,120**	8,582,634	-	8,582,634
General and administrative	**945,371**	**-**	**945,371**	1,089,469	-	1,089,469
Fundraising	**805,763**	**-**	**805,763**	638,079	-	638,079
Total expenses	**5,098,254**	**-**	**5,098,254**	10,310,182		10,310,182
Change in net assets	**(401,612)**	**4,228,565**	**3,826,953**	(79,534)	3,652,747	3,573,213
Net assets at beginning of year	**3,694,071**	**33,382,092**	**37,076,163**	3,773,605	29,729,345	33,502,950
Net assets at end of year	**$ 3,292,459**	**$ 37,610,657**	**$ 40,903,116**	$ 3,694,071	$ 33,382,092	$ 37,076,163

See notes to financial statements.

University of Central Oklahoma Foundation

Statement of Functional Expenses
Years Ended June 30, 2019 and 2018

	2019				2018			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Interest	$ -	$ 2,990	$ -	$ 2,990	$ -	$ 10,384	$ -	10,384
Depreciation	-	38,839	-	38,839	-	39,283	-	39,283
General supplies	62,374	40,482	-	102,856	66,528	19,186	-	85,714
Library equipment and supplies	826	1,329	-	2,155	4,219	-	-	4,219
Maintenance and repairs	167,714	757	-	168,471	335,786	-	-	335,786
Miscellaneous expenses	205,474	-	-	205,474	270,533	-	-	270,533
Furniture and equipment	177,415	59,567	-	236,982	629,471	118,139	-	747,610
Personnel	-	149,955	805,763	955,718	42,055	213,705	638,079	893,839
Safety and security	19,817	-	-	19,817	30,101	1,279	-	31,380
Professional services	13,393	104,394	-	117,787	55,467	41,943	-	97,410
Rent	4,503	30,853	-	35,356	26,045	42,060	-	68,105
Scholarships, tuition and UCO advancement	2,647,290	436,326	-	3,083,616	7,031,784	576,454	-	7,608,238
Specialized supplies and materials	34,075	17,929	-	52,004	32,029	14,270	-	46,299
Taxes and fees	2,333	179	-	2,512	-	328	-	328
Travel	11,906	61,771	-	73,677	58,616	12,438	-	71,054
Total expenses	$ 3,347,120	$ 945,371	$ 805,763	$ 5,098,254	$ 8,582,634	$ 1,089,469	$ 638,079	$ 10,310,182

See notes to financial statements.

University of Central Oklahoma Foundation

Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 3,826,953	$ 3,573,213
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized investment gains	(1,117,001)	(767,212)
Change in beneficial interest in assets held by others	(20,835)	(21,547)
Contributions restricted for long-term investment	(2,929,130)	(1,510,518)
Depreciation expense	38,839	39,283
Change in discount on contributions receivable	(16,931)	-
Noncash contributions of investments	(27,734)	(7,113,656)
Proceeds from sales of noncash contributions of investments	15,662	7,007,448
Change in operating assets and liabilities:		
Accounts receivable due from University of Central Oklahoma	15,541	(7,771)
Contributions receivable	(227,080)	(13,969)
Accounts payable and accrued liabilities	(12,455)	18,583
Custodial funds	95,810	21,709
Net cash provided by (used in) operating activities	(358,361)	1,225,563
Cash flows from investing activities:		
Purchases of investments	(5,769,147)	(8,677,621)
Proceeds from sales and maturities of investments	2,944,364	5,671,910
Proceeds from distribution of beneficial interest in assets held by others	15,200	14,946
Net cash used in investing activities	(2,809,583)	(2,990,765)
Cash flows from financing activities:		
Contributions restricted for long-term investment	2,929,130	1,510,518
Principal payments on note payable	(57,641)	(50,246)
Net cash provided by financing activities	2,871,489	1,460,272
Net decrease in cash and cash equivalents	(296,455)	(304,930)
Cash and cash equivalents at beginning of year	696,076	1,001,006
Cash and cash equivalents at end of year	$ 399,621	$ 696,076
Supplemental disclosure information:		
Interest paid	$ 2,990	$ 10,384
In-kind contributions	$ 1,386,219	$ 1,372,294
In-kind expenses	$ (1,382,122)	$ (1,233,292)

See notes to financial statements.

Note 1. Summary of Significant Accounting Policies

Nature of activities: The University of Central Oklahoma Foundation (the Foundation), a nonprofit organization, was incorporated on December 10, 1975, under the laws of the state of Oklahoma for charitable, benevolent, and educational purposes. The Foundation, through the contributions it receives, provides support to and funds for the University of Central Oklahoma (the University) projects and programs which cannot be funded by appropriations or grants from state and federal governments, or for which existing appropriations are inadequate.

Operations: 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.

Basis of presentation: The financial statement presentation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) and has been prepared on the accrual basis of accounting and, accordingly, reflects all significant receivables, payables, and other assets and liabilities.

Revenue recognition: 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 until the conditions are substantially met. Contributions of assets other than cash are recorded at their 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 as the original contribution. An allowance is recognized for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in net assets without donor restrictions. Absent explicit donor stipulations to the contrary, 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 support without restrictions unless explicit donor stipulations specify how the assets must be used, in which case the gift is recorded as support with donor restrictions. Expirations of 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. Contributions received from donors with general use restrictions for the University as a whole, or for specific colleges or departments within the University, are reflected as without donor restrictions to the extent that the University, colleges, or departments have expended sufficient dollars which meet these general use restrictions. Contributions which are received and whose restrictions are met in the same period are recognized as contributions without donor restrictions.

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 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 $1,382,122 and $1,233,292 for in-kind contributions and related in-kind expenses for the periods ended June 30, 2019 and 2018, respectively.

Note 1. Summary of Significant Accounting Policies (Continued)

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 permanent endowment principal. Income and gains are reported as increases in net assets with donor restrictions if the terms of the gift impose restrictions on the use of the income and/or the income is related to a donor-restricted endowment fund, and as increases in net assets without donor restrictions in all other cases.

Generally, losses on investments of endowments reduce net assets with donor restriction to the extent donor-imposed restrictions on the net appreciation of investments have not been met before the loss occurs. Subsequent investment gains are applied first to net assets without donor restrictions to the extent that losses have previously been recognized, and then to net assets with donor restrictions.

Net asset classification: The Foundation follows the ASC's guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The State of Oklahoma enacted the Uniform Prudent Management of Institutional Funds Act (OK UPMIFA) effective November 1, 2007. Net assets and revenues and gains and losses are classified based on the existence or absence of donor-imposed restrictions:

- ***Without donor restriction:*** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. Contributions received with time and/or purpose restrictions which are fully expended in the same period are classified as without donor restriction.

- ***With donor restriction:*** Net assets subject to stipulations imposed by donors, and grantors. Certain donor-imposed restrictions are temporary in nature and will be met, either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, and require the foundation to maintain the contributed resources in perpetuity. Generally, the donors of assets with perpetual restrictions permit the Foundation to use all or part of the income earned on these resources for general or specific purposes.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

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.

Investments: Marketable securities are stated at fair market value and consist primarily of cash and cash equivalent funds, mutual funds and common and preferred stock. Investments acquired by gift or bequest are recorded at fair market value at the date donated. Fair value is determined by quoted market prices, if available, or by a reasonable estimate of fair value provided by an investment manager. The Foundation has investments in various investment securities, which in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Further, due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes could materially affect the amounts reported in the Foundation's financial statements. Investments are carried at fair value, and realized gains and losses on sales of investments are calculated on the first-in, first-out basis.

Note 1. Summary of Significant Accounting Policies (Continued)

Land and other investment assets: Land and other investment assets are carried at cost or fair value on the contribution date, if donated, net of accumulated depreciation and consist primarily of real property and forms of real property interests donated to or purchased by the Foundation. The Foundation holds these assets until such time that they are transferred to the University for its use or they are sold. No attempt is made by the Foundation's management to revalue the real property assets at subsequent dates prior to transfer or sale due to the prohibitive cost of obtaining periodic appraisals. The Foundation evaluates these investments for impairment when events or changes in circumstances are identified that may have a significant adverse effect on the fair value of the assets. If the fair value of the asset is less than the carrying value, then the asset is considered impaired. If this occurs, the Foundation performs an evaluation to determine whether this impairment is other than temporary. If the impairment is determined to be temporary, then no impairment is recognized. If the impairment is determined to be other than temporary, the investment is written down to its estimated fair value. Once impairment is recognized, the asset will not be written back to original cost, even if the investment subsequently increases in fair value. No impairment was recognized during the years ended June 30, 2019 or 2018.

Equipment: Equipment is stated at cost upon acquisition or at fair value at the date of donation, net of accumulated depreciation (see Note 5). Depreciation is based on the estimated useful life of the asset using the straight-line method. The Foundation records impairments of its equipment when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated lives. Impairments are recorded to reduce the carrying value of the assets to their net realizable value determined by management based on facts and circumstances at the time of the determination. No property and equipment impairments were recorded during the years ended June 30, 2019 or 2018.

Beneficial interest in assets held by others: The Foundation follows the ASC Topic, Transfers of Assets to Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Others, which requires a not-for-profit organization that transfers assets to a community foundation and specifies itself as the beneficiary to recognize its beneficial interest in the assets transferred (see Note 4). The Foundation carries its beneficial interest in the assets held by the Oklahoma City Community Foundation, Inc. (the Community Foundation) at fair value.

Collections: The Foundation does not include either the cost or the value of its collections in the statement of financial position, nor does it recognize gifts of collection items as revenues in the statement of activities (see Note 6).

Custodial funds: Custodial liabilities represent assets held on behalf of the University of Central Oklahoma Alumni Association (the Alumni Association) for which the Foundation acts as a custodian. The assets held are invested, and investment income, distributions, and other revenues and expenses of these funds increase and/or decrease the carrying value of the asset and custodial funds liability. For financial reporting purposes, distributions from the custodial funds and contributions to the custodial funds are not included in the expenses and revenue of the University. The related assets are distributable to the Alumni Association upon request.

Administrative fee income: The Foundation assesses administrative fees on certain funds managed and receives an administrative fee for certain services it provides. The income from these fees is used to provide for the general and administrative expenses of the Foundation.

Functional allocation of expenses: The costs of providing various programs and other activities have been summarized in the statements of activities. Costs are allocated between program services, general and administrative and fundraising based on management's evaluation of the resources expended in the related activities. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Foundation.

Note 1. Summary of Significant Accounting Policies (Continued)

Income tax: 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.

Accounting for uncertain tax positions: The ASC provides guidance on the accounting for uncertainty in income taxes. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Foundation's tax return to determine whether the tax positions are "more-likely-than-not" of being sustained "when examined" by the applicable tax authority. Tax positions not deemed to meet the "more-likely-than-not" threshold would be recorded as a tax benefit or expense and asset/liability in the current year. Management has determined that there are no material uncertain income tax positions.

Concentration 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. During the year ended June 30, 2019, the Foundation had no concentration of contributions. The Foundation had contributions from one donor totaling 62% of total contribution revenue during the year ended June 30, 2018. At June 30, 2019 and 2018, net contributions receivable of 49% and 69%, respectively, are due from one donor.

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 quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). 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 fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All transfers between fair value hierarchy levels are recognized by the Foundation at the beginning of each reporting period. Financial assets and liabilities carried at fair value on a recurring basis include investments, beneficial interest in assets held by others, and custodial funds liability. The Foundation has no assets or liabilities carried at fair value on a nonrecurring basis at June 30, 2019 or 2018.

Note 1. Summary of Significant Accounting Policies (Continued)

Accounting pronouncements implemented: In 2018, the Foundation adopted FASB ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; recognition of underwater endowment funds as a reduction in net assets with donor restrictions and reporting investment income net of external and direct internal investment expenses. The guidance also enhances disclosures for board designated amounts, compositions of net assets with donor restrictions and how the restrictions affect the use of resources, qualitative and quantitative information about the liquidity and availability of financial assets to meet general expenditures within one year of the statement of financial position date, and expenses by both their natural and functional classification, including methods used to allocate costs among program and support functions. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively. At July 1, 2017, all net assets previously reported as unrestricted have been reclassified to net assets without donor restriction and all net assets previously reported as temporarily and/or permanently restricted have been reclassified to net assets with donor restriction.

In 2018, the Foundation adopted FASB ASU No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, the long-awaited final standard on the recognition and measurement of financial instruments. The ASU applies to all entities that hold financial assets or owe financial liabilities and represent the finalization of just one component of the FASB's broader financial instruments project. Implementation of ASU No. 2016-01 reduced certain financial instrument disclosures previously included in Note 3.

Recently issued accounting pronouncements: The FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.* These amendments provide cash flow statement classification guidance for: 1) debt prepayment or debt extinguishment costs; 2) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; 3) contingent consideration payments made after a business combination; 4) proceeds from the settlement of insurance claims; 5) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; 6) distributions received from equity method investees; 7) beneficial interests in securitization transactions; and 8) separately identifiable cash flows and application of the predominance principle. This standard will be implemented in the period ending June 30, 2020. The Foundation has not yet evaluated the impact on its statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606),* requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14 which defers the effective date of ASU No. 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Foundation has not yet selected a transition method and is currently evaluating the effect that the standard will have on its financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This guidance affects any entity that enters into a lease transaction. The primary change from this guidance is that the lessee should recognize the assets and liabilities that arise from all leases over 12 months in length. If the lease is 12 months or less in length, a lessee is permitted to make an accounting policy election by class of

underlying asset not to recognize lease assets and liabilities. If this election is made, the lessee should recognize the lease expense on a straight-line basis over the lease term. This amendment is effective for the Foundation for fiscal year ending December 31, 2020. Early adoption is permitted. The Foundation is currently evaluating the effect implementation of ASU No. 2016-02 will have on its financial statements.

In 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this update modify the disclosure requirements on fair value measurements in Topic 820, *Fair Value Measurement*, based on the concepts in the Concepts Statements, including the consideration of costs and benefits. The Foundation is currently evaluating the effect implementation of ASU No. 2018-13 will have on its financial statements.

On June 21, 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. These amendments clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprises. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. This is important because such classification affects the timing of contribution revenue and expense recognition. ASU No. 2018-08 is effective for transactions in which the Foundation serves as a resource recipient for the year ending December 31, 2019 and is effective for transactions in which the Foundation serves as the resource provider for the year ending December 31, 2020. Earlier application is permitted. The Foundation is currently evaluating the effect implementation of ASU No. 2018-08 will have on its financial statements.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies 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.

Significant estimates: Estimates that are particularly susceptible to significant change include the valuation of investments, beneficial interest in assets held by others, and contributions receivable. Investments in securities and beneficial interest in assets held by others 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. Management's estimate of contributions receivable and the related allowance for doubtful accounts is based on consideration of all relevant available information and an analysis of the collectability of individual contributions, which arise primarily from pledges at the financial statement date.

Note 1. Summary of Significant Accounting Policies (Continued)

Subsequent events: Management has evaluated subsequent events through October 2, 2019, the date the financial statements were available to be issued. There are no subsequent events requiring recognition or disclosure.

Note 2. Investments

The Foundation's investments at June 30 are summarized as follows:

	2019	2018
Cash and cash equivalent funds	$ 4,417,200	$ 3,540,624
Mutual funds:		
Equity	25,926,907	21,020,534
Fixed income	7,298,417	9,696,664
Other	126,563	131,110
Other investments	1,573,401	999,701
	$ 39,342,488	$ 35,388,633

Investment performance at June 30 consists of the following:

	2019	2018
Interest and dividends:		
Interest	$ 280,342	$ 264,198
Dividends	755,145	697,738
Investment management fees	(160,872)	(193,255)
Net interest and dividends	874,615	768,681
Realized and unrealized investment gains:		
Realized gains	133,133	878,025
Unrealized gains (losses)	983,868	(110,813)
Net realized and unrealized investment gains	1,117,001	767,212
Total investment performance	$ 1,991,616	$ 1,535,893

Note 3. Fair Value Measurements

The methods and assumptions used to estimate the fair value of each financial instrument, including a description of the methodologies used for classifications within the fair value hierarchy, are as follows:

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

Investments: *Cash and cash equivalents, mutual funds* and *common stocks* are stated at fair value as provided by the investment manager or custodian. Fair values are based on quoted market prices, when available and are classified as Level 1 in the fair value hierarchy. Investment held at net asset value are carried at fair value which is based on the net asset value per share (NAV) as provided by the fund manager and/or adjusted by the Foundation. The Foundation uses management agreements, analyst notes, audited financial statements, and underlying investment holdings to evaluate the fund manager's valuation methodology (i.e., in determining whether the fund manager follows ASC 820) and considers various other factors including contributions and withdrawals to the fund and monitoring unaudited interim reporting to determine if any adjustment to the NAV is necessary.

Contributions receivable: The asset is carried at cost net of a discount to present value using a rate which is commensurate with the risks involved on the gift date and allowance for uncollectible accounts at the financial 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 when deemed necessary, the carrying value approximates fair value.

Beneficial interest in assets held by others: The fair value of the asset is determined using the income approach (expected future cash flows) and is based on the fair value of the assets held by the Community Foundation and reported to the Foundation. The Foundation's interest is in a pooled investment fund held and managed by the Community Foundation, which the Foundation does not have the ability to redeem.

Based on the methodology of determining fair value of beneficial interest in assets held by others and the non-redeemable nature of the assets, they are categorized as Level 3 within the hierarchy.

Accounts payable and accrued liabilities: The carrying amount of the liability approximates fair value due to its short maturity.

Custodial funds: The fair value of the liability is determined using the income approach (expected future cash flows) and is based on the fair value of the investment assets held by the Foundation for the benefit of the recipient 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 3 in the hierarchy because there is no market for a similar liability, and certain principal inputs are unobservable and significant to the overall fair value measurement.

Notes payable and line of credit: The fair values of the liabilities are determined by discounting the line of credit and note payable at rates that could currently be negotiated by the Foundation for borrowings of similar amounts.

Note 3. Fair Value Measurements (Continued)

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

	As of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities:				
Cash and cash equivalents	$ 4,417,200	$ -	$ -	$ 4,417,200
Mutual funds:				
Equity	25,926,907	-	-	25,926,907
Fixed income	7,298,417	-	-	7,298,417
Other	126,563	-	-	126,563
Fixed income securities	-	237,000	-	237,000
Total investments held at fair value	37,769,087	237,000	-	38,006,087
Commingled trust and pooled funds (a)	-	-	-	1,336,401
Total investments	37,769,087	237,000	-	39,342,488
Beneficial interest in assets held by others	-	-	311,388	311,388
Total assets measured at fair value on a recurring basis	$ 37,769,087	$ 237,000	$ 311,388	$ 39,653,876
Liabilities, custodial funds	$ -	$ -	$ 513,070	$ 513,070

	As of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities:				
Cash and cash equivalents	$ 3,540,624	$ -	$ -	$ 3,540,624
Mutual funds:				
Equity	21,020,534	-	-	21,020,534
Fixed income	9,696,664	-	-	9,696,664
Other	131,110	-	-	131,110
Fixed income securities	-	233,250	-	233,250
Total investments held at fair value	34,388,932	233,250	-	34,622,182
Commingled trust and pooled funds (a)	-	-	-	766,451
Total investments	34,388,932	233,250	-	35,388,633
Beneficial interest in assets held by others	-	-	305,752	305,752
Total assets measured at fair value on a recurring basis	$ 34,388,932	$ 233,250	$ 305,752	$ 35,694,385
Liabilities, custodial funds	$ -	$ -	$ 417,260	$ 417,260

(a) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Note 3. Fair Value Measurements (Continued)

The following table summarizes the changes in the fair value of the Foundation's Level 3 financial assets and liabilities:

	Assets	Liabilities
	Beneficial Interest in Assets Held by Others	Custodial funds
Balance at June 30, 2017	$ 299,151	$ 395,551
Investment income	-	9,897
Net realized and unrealized gains	-	17,583
Administrative and investment fees	-	(5,771)
Change in value of beneficial interest in assets held by others, included in change in net assets	21,547	-
Distributions	(14,946)	-
Balance at June 30, 2018	305,752	417,260
Contributions to the fund	-	80,701
Investment income	-	10,125
Net realized and unrealized gains	-	10,598
Administrative and investment fees	-	(5,614)
Change in value of beneficial interest in assets held by others, included in change in net assets	20,835	-
Distributions	(15,199)	-
Balance at June 30, 2019	$ 311,388	$ 513,070

The summary of changes in the fair value of Level 3 assets and liabilities has been prepared to reflect the same categories as those used in the statement of activities, except that all activity in the custodial funds increases and/or decreases the liability and the corresponding asset account, and as such none of the activity in these funds is reflected in the statement of activities.

The Foundation's Level 3 gains and losses included in the change in net assets are summarized as follows:

	2019	2018
Total gains for the period included in change in net assets	$ 20,835	$ 21,547
Change in unrealized gains for the period included in change in net assets for assets held at end of the reporting period	$ 20,835	$ 21,547

Note 3. Fair Value Measurements (Continued)

The following table summarizes the valuation techniques and significant unobservable inputs used for the Foundation's investments that are categorized within Level 3 of the fair value hierarchy at June 30:

Investment Type	Fair Value at 2019	Fair Value at 2018	Valuation Techniques	Unobservable Input
Beneficial interest in assets held by others	$ 311,388	$ 305,752	Discounted cash flows (a)	Market risk discount (b)
Custodial funds	513,070	417,260	Discounted cash flows (a)	Market risk discount (b)

Fair value of the asset/ liability is the expected future cash inflows/ outflows, which are based on the fair value of the underlying investment assets, and at this time management believes no discount to the fair values is appropriate.

(a) Represents amounts used when reporting entity has determined that market participants would take into account these returns when pricing the investments.

(b) Significant increases or decreases in any of the above unobservable inputs in isolation may result in a significantly lower or higher fair value measurement.

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

	Fair Value June 30 2019	Fair Value June 30 2018	Redemption Frequency	Redemption Notice Period
Commingled trust and pooled funds:				
Growth fund (a)	$ 535,604	$ 491,297	Monthly	20 days
Multi-strategy fund (b)	285,495	275,154	Quarterly	45 days
Multi-strategy fund (c)	515,302	-	Quarterly	105 days
	$ 1,336,401	$ 766,451		

(a) This class is invested in funds with the objective of achieving maximum capital appreciation by investing in equity securities of United States and foreign companies that are well positioned to benefit from demand for their services, including companies that can innovate or grow rapidly relative to their peers in the market.

(b) This class is invested in funds with the objective of providing superior capital appreciation by allocating its assets among a variety of proprietary investment strategies to capture alpha from systematic inefficiencies and idiosyncratic opportunities across asset classes and market cycles.

(c) This class is invested in funds with the objective of providing capital appreciation by identifying early signs of long-term changes in the marketplace and focusing on those companies that may benefit from opportunities created by these changes by examining technological advances, product innovation, economic plans, demographics, social attitudes, and other factors, which can lead to investments in small and medium-sized companies.

Note 4. Beneficial Interest in Assets Held by Others

The statements of financial position at June 30, 2019 and 2018 include beneficial interest in assets held by others and net assets with donor restrictions of $311,388 and $305,752, respectively. The statements of activities for the years ended June 30, 2019 and 2018 include an increase of $20,835 and $21,547, respectively, related to the change in value of the Foundation's beneficial interest in assets held by others. The Foundation received distributions of $15,199 and $14,946 related to the reciprocal transfers for the years ended June 30, 2019 and 2018, respectively. In addition to the funds discussed above, the Community Foundation maintains other assets that have been contributed by various donors to the Community Foundation for the benefit of the Foundation. Annually, distributions from the funds are paid to the Foundation according to the Community Foundation's spending policy. The Community Foundation maintains variance power over these funds. Variance power assures donors that if the charitable purpose of their contribution becomes impractical or impossible, the distributions will be directed to similar purposes in the community. The Community Foundation also maintains legal ownership of the funds. These funds are not included as assets of the Foundation. The earnings from these funds are paid to the Foundation each year in accordance with the Community Foundation's spending policy. For the years ended June 30, 2019 and 2018, the Foundation received $16,500 and $16,000, respectively, from these funds. At June 30, 2019 and 2018, the fair value of the funds is approximately $347,000 and $332,000, respectively. The Foundation has no remainder interest in the corpus of these funds.

Note 5. Equipment

Equipment as of June 30 is summarized as follows:

	Useful Life	2019	2018
Equipment	5-7 years	$ 19,235	$ 19,235
Less accumulated depreciation		(19,235)	(18,791)
Equipment, net		$ -	$ 444

The Foundation recognized depreciation expense on property and equipment of $444 and $888 during the years ended June 30, 2019 and 2018, respectively.

Note 6. Collections

The Foundation maintains various collections of African art, crystals, artifacts, memorabilia, and similar assets. These collections are maintained for public exhibition, education, research, and furtherance of public service rather than for financial gain. These assets are protected, kept unencumbered, cared for, and preserved by the University. As a matter of policy, the proceeds of items in the collections that are sold are used to acquire other items for collection.

Note 7. Note Payable

The Foundation entered into an agreement with the Edmond Economic Development Authority (the EEDA) for the financing and construction of a music building. Under this agreement, the Foundation received proceeds from the sale of a Series 2000 note in the amount of $1,135,000. The note is secured by a first mortgage lien on the land and music building (see Note 10). The Foundation makes monthly payments of principal and interest of $5,053 for 25 years with an adjustable interest rate equal to the five-year rate on U.S. Treasury obligations. The rate adjusts every five years during the term of the obligation on the anniversary date. The rate was last adjusted in February 2016 to 1.693%. In addition, the Foundation pays the EEDA an annual administration fee of 1/8th of 1% of the outstanding principal balance on the note.

Note 7. Note Payable (Continued)

Maturities of long-term debt are as follows at June 30, 2019:

2020	$	53,822
2021		54,740
2022		55,674
2023		56,624
2024		57,590
Thereafter		148,310
	$	426,760

The Foundation incurred interest expense of $3,000 and $10,384 during the years ended June 30, 2019 and 2018, respectively.

Note 8. Leases

The Foundation entered into a lease agreement with the University whereby the University agreed to lease the music facility for a period of 25 years. The lease commenced in January 2002 and will terminate at the end of the 300th month. In accordance with the agreement, the monthly rent adjusts every 5 years to mirror the change in the interest rate paid by the Foundation. Effective February 1, 2016, the rent per month was adjusted to $5,053. In addition, the University agreed to pay the Foundation an additional sum of $1,200 per year plus the EEDA's annual administrative fee which is 1/8th of 1% of the declining principal balance of the loan on the property (see Note 7). This lease may be cancelled at the end of any year should funding for the lease not be approved by the Regional University System of Oklahoma and budgeted and approved by the University's administration.

The Foundation utilizes certain property and equipment of the University for no charge. The Foundation had rent expense of approximately $33,000 and $33,000 in 2019 and 2018.

Note 9. Contributions Receivable

Unconditional contributions receivable, including amounts due under pledge agreements with donors at June 30, are summarized as follows:

	2019	2018
Less than one year	$ 489,628	$ 347,598
One year to five years	718,750	588,700
More than five years	155,000	200,000
	1,363,378	1,136,298
Less unamortized discount (0.25% to 5.25%)	(117,267)	(134,198)
	$ 1,246,111	$ 1,002,100

Gross unconditional contributions receivable at June 30 are comprised of the following:

	2019	2018
Contributions receivable with donor restrictions:		
Scholarships and awards	$ 1,001,278	$ 892,998
University support	135,050	132,500
University facilities	218,400	103,400
Implied time restriction	4,700	1,000
Endowed chairs	3,950	6,400
Total contributions receivable with donor restrictions	$ 1,363,378	$ 1,136,298

No provision has been made to establish an allowance for doubtful accounts as the Foundation believes all contributions to be fully collectible.

Conditional promises to give totaling approximately $7,171,000 and $7,424,000 at June 30, 2019 and 2018, respectively, have been estimated based on information provided to the Foundation and primarily result from the Foundation being named in wills and contingent gifts and are not recorded in the financial statements. Additional conditional promises to give cannot be estimated due to the insufficiency of information available to the Foundation.

Note 10. Land and Other Investment Assets

The carrying value of the Foundation's land and other investment assets as of June 30 is as follows:

	2019	2018
Land	$ 60,000	$ 60,000
Buildings	1,151,861	1,151,861
Cash surrender value on life insurance	1,681	1,681
Mineral interests	1,600	1,600
Other	16,230	16,230
	1,231,372	1,231,372
Less accumulated depreciation	(670,947)	(632,552)
	$ 560,425	$ 598,820

Depreciation is based on the estimated useful life of the assets using the straight-line method. Depreciable other investment assets consist of three buildings, and the useful lives are estimated at 30 years.

Depreciation expense of approximately $39,000 was recognized on other investment assets during each of the years ended June 30, 2019 and 2018.

Note 11. Related Parties

Substantially all expenses are for the benefit of the students, faculty or activities of the University. Transactions between the Foundation and the University are covered under a written agreement between the Foundation and the University. Under this agreement, the University agrees to provide certain administrative services and office space to the Foundation in exchange for scholarships, endowments, grants, and payment of services for the benefit of the University (see Note 1).

The Foundation has entered into a lease agreement with the University (see Note 8) resulting in rental income of $60,630 and $55,578 during the years ended June 30, 2019 and 2018, respectively, which is included in rental income in the statement of activities.

During 2011, the Foundation approved a policy to loan funds to the University. Under the policy, all loans would be made with an original maturity of one year and an interest rate equal to the rate incurred by the Foundation plus an additional fifty basis points. The policy limits the borrowing amount to half of the Foundation's available line of credit. As of June 30, 2019 the Foundation does not have an available line of credit. At both June 30, 2019 and 2018, the Foundation has not entered into any loan agreements with the University.

From time to time the Foundation will advance funds to the University and/or pay expenses which are later reimbursed by the University. These advances and payments totaled $-0- and $15,541 at June 30, 2019 and 2018, respectively.

Note 12. Net Asset Composition

Net assets are available for the following programs and purposes at June 30, 2019:

	2019	2018
Net assets with donor restrictions:		
Perpetual in nature		
Original donor-restricted endowment gift amount and amounts required to be retained by donor:		
Scholarships and awards	$ 19,837,468	$ 18,218,782
Foundation operations and university support	1,748,720	1,540,692
Endowed chairs	4,670,266	3,493,135
Total perpetual net assets	$ 26,256,454	$ 23,252,609
Purpose or time restrictions:		
Scholarships and awards	$ 5,609,218	$ 5,385,480
Foundation operations and university support	4,634,135	3,788,461
Endowed chairs	1,110,850	955,542
Total purpose or time restrictions	11,354,203	10,129,483
Total net assets with donor restrictions	$ 37,610,657	$ 33,382,092

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.

During the year ended June 30, 2019 and 2018, the Foundation released restrictions of net assets with donor restrictions for the following purposes (approximately):

	2019	2018
University advancement/special projects	$ 1,058,000	$ 7,333,000
Scholarships, awards and endowed chairs	1,131,521	951,000
Foundation operations and other	123,000	324,000
Time restrictions	3,700	1,148
	$ 2,316,221	$ 8,609,148

Note 13. Endowment Disclosures

The Foundation's endowment consists of approximately 400 individual donor-restricted endowment funds and 14 other donor-restricted funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Other endowment funds consist of contributions which were restricted by the donor for scholarships but have been designated as an endowment to provide scholarships for future periods rather than fully expending such amounts in the current year. All of the endowment funds held by the Foundation are managed and controlled by the Foundation in accordance with the following policies.

Interpretation of relevant law

The Board of Trustees (the Trustees) of the Foundation has interpreted OK UPMIFA as requiring the preservation of the original gift amount as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

Note 13. Endowment Disclosures (Continued)

As a result of this interpretation, the Foundation classifies as net assets with donor restrictions in perpetuity (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 imposed restrictions in perpetuity is classified as net assets with donor imposed restrictions 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.

1) The duration and preservation of the fund
2) The purposes of the Foundation and the donor-restricted endowment fund
3) General economic conditions
4) The possible effects of inflation and deflation
5) The expected total return from income and the appreciation of investments
6) Other resources of the Foundation
7) The investment policies of the Foundation

Endowment net asset composition by type of fund at June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 29,599,045	$ 29,599,045
Other endowment funds	-	1,806,374	1,806,374
Total endowment funds	$ -	$ 31,405,419	$ 31,405,419

Endowment net asset composition by type of fund at June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 26,585,604	$ 26,585,604
Other endowment funds	-	791,877	791,877
Total endowment funds	$ -	$ 27,377,481	$ 27,377,481

Note 13. Endowment Disclosures (Continued)

Change in endowment net assets for the years ended June 30, 2019 and 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at June 30, 2017	$ -	$ 25,742,192	$ 25,742,192
Investment return:			
Interest and dividends	-	698,412	698,412
Investment fees	-	(123,932)	(123,932)
Net realized and unrealized investment gains	-	1,193,332	1,193,332
Total investment return	-	1,767,812	1,767,812
Contributions	-	1,077,415	1,077,415
Appropriations	-	(1,209,938)	(1,209,938)
Endowment net assets at June 30, 2018	-	27,377,481	27,377,481
Investment return:			
Interest and dividends	-	755,145	755,145
Investment fees	-	(124,732)	(124,732)
Net realized and unrealized investment gains	-	827,199	827,199
Total investment return	-	1,457,612	1,457,612
Contributions	-	3,908,152	3,908,152
Appropriations	-	(1,337,826)	(1,337,826)
Endowment net assets at June 30, 2019	$ -	$ 31,405,419	$ 31,405,419

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 requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in net assets with donor restrictions and totaled $317 and $1,680, at June 30, 2019 and 2018, respectively. These deficiencies resulted from unfavorable market fluctuations. As a result, appropriations were limited to appropriations that were deemed prudent and necessary for the programs of the Foundation.

Return objectives and risk parameters

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. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity as well as other endowment funds with a donor restricted purpose (i.e., scholarships) that are board-designated for endowment. Under this policy, as approved by the Trustees, the endowment assets are invested with the primary objective of realizing appreciation on investment values and the secondary goal of providing current income to support University programs. The asset allocation policies (see below) reflect and are consistent with the investment objectives and risk tolerances expressed through the investment policy. These policies, developed after examining the historical relationships of risk and return among asset classes, are designed to provide the highest probability of meeting or exceeding the return objectives at the lowest level of risk. Actual returns in any given year may vary from this amount.

Note 13. Endowment Disclosures (Continued)

Strategies employed for achieving objectives
To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments (target ranges between 40% - 70%) than fixed income investments (target ranges between 25% - 45%) to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy
Generally, the Foundation has a policy of appropriating for distribution semiannually based on a 4.25% annualized rate (2.125% each semiannual period). The distribution rate is applied to the value of the endowment fund assets, including certain income producing real estate holdings, over an average of three years (i.e., using the average of the last six semiannual values of endowment assets). In the event that any endowment account has a fair value which is less than the historic gift value, the Trustees meet and specifically evaluate and approve the spending policy amount prior to distribution. The spending policy is evaluated annually (and/or semiannually), based on market fluctuations and historical trends to ensure that it remains in accordance with the long-term objectives of the Foundation. For both of the years ended June 30, 2019 and 2018, the Trustees approved a spending policy distribution of 2.75% for each semiannual distribution period.

Note 14. Liquidity and Availability

The following reflects the Foundation's financial assets as of June 30, 2019, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when liquid or not convertible to cash within one year, donor restricted for endowment, including accumulated and unappropriated earnings, designated by the Board for endowment and/or other purposes, or include donor purpose or time restrictions which are not anticipated to be fulfilled within one year.

Financial assets at year end:	
Cash and cash equivalents	$ 399,621
Investments	39,342,488
Contributions receivable, net	1,246,111
Total financial assets	40,988,220
Less amounts unavailable for general expenditure within one year:	
Endowments with donor restrictions not available for expenditure	(26,256,454)
Purpose restricted funds, net of amounts available for spending within one year	(9,823,697)
Financial assets available to meet general expenditures within one year	$ 4,908,069

The Foundation invests its excess cash funds with a goal of maintaining liquidity sufficient to cover one year of general expenditures. The Foundation's management monitors the budget and cash needs throughout the year and will recommend to the Board additional designations for endowment or other purposes, when deemed appropriate and approved by the Board.