



OFFICE OF THE BOARD OF TRUSTEES

Public Meeting Notice

September 8, 2016

TO: Southern Oregon University Board of Trustees, Finance and Administration Committee

FROM: Sabrina Prud'homme, University Board Secretary

RE: Notice of Regular Meeting of the Finance and Administration Committee

The Finance and Administration Committee of the Southern Oregon University Board of Trustees will hold a regular meeting on the date and at the location set forth below.

Topics of the meeting will include a vice president's report with a review of the financial dashboard as well as enrollment information. Topics also will include the review of year-end financials and an external audit update; the review of a new budget forecasting model; and an endowment investment policy update. A discussion regarding future meetings also is planned.

The meeting will occur as follows:

Thursday, September 15, 2016
4:00 p.m. to 6:00 p.m. (or until business concludes)
Hannon Library, DeBoer Room, 3rd Floor, Room #303

The Hannon Library is located at 1290 Ashland Street, on the Ashland campus of Southern Oregon University. **If special accommodations are required or to sign-up in advance for public comment, please contact Kathy Park at (541) 552-8055 at least 72 hours in advance.**



Board of Trustees
Finance and Administration Committee Meeting
September 15, 2016

Call to Order and Preliminary Business



**Board of Trustees
Finance and Administration Committee Meeting**

**Thursday, September 15, 2016
4:00 p.m. – 6:00 p.m. (or until business concludes)
DeBoer Room, Hannon Library**

AGENDA

Persons wishing to participate during the public comment period shall sign up at the meeting.
Please note: times are approximate and items may be taken out of order.

- | | | | |
|-----------|----------|--|--|
| | 1 | Call to Order and Preliminary Business | Chair Nicholson |
| | 1.1 | Welcome and Opening Remarks | |
| | 1.2 | Agenda Review | |
| | 1.3 | Roll Call | Sabrina Prud'homme,
SOU, Board Secretary |
| | 1.4 | Consent Agenda: Approval of July 14, 2016 Meeting Minutes (Action) | |
| | 2 | Public Comment | |
| ~ 15 min. | 3 | Vice President's Report | Craig Morris, SOU, Vice
President for Finance and
Administration |
| | 3.1 | Review of Financial Dashboard | |
| | 3.2 | Review of Enrollment Dashboard and Completions Report | Kelly Moutsatson, SOU,
Director of Admissions and
Dr. Matt Stillman, SOU,
University Registrar: Co-
Executive Directors of
Student Enrollment |
| ~ 25 min. | 4 | Review of Year-end Financials and External Audit Update | Steve Larvick, SOU,
Director of Business
Services |
| ~ 15 min. | 5 | Review of New Budget Forecasting Model | Mark Denney, SOU,
Associate Vice President
for Budget and Planning;
Partha Chatterjee, SOU,
Senior Budget Analyst |

**Board of Trustees
Finance and Administration Committee Meeting**

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AGENDA (Cont'd)

- | | | | |
|-----------|----------|---|------------------------------|
| ~ 15 min. | 6 | Endowment Investment Policy Update | Trustee Sevcik; Craig Morris |
| ~ 5 min. | 7 | Future Meetings | Chair Nicholson |
| | 8 | Adjourn | |



**Board of Trustees
Finance and Administration Committee Meeting**

**Thursday, July 14, 2016
4:00 p.m. – 6:00 p.m. (or until business concludes)
DeBoer Room, Hannon Library**

MINUTES

Call to Order and Preliminary Business

Chair Nicholson called the meeting to order at 4:01 p.m. He welcomed SOU Foundation (SOUF) Vice President Marc Bayliss to the meeting and announced that incoming President Schott might view the live stream of the meeting but would not participate in the meeting. Chair Nicholson reviewed the agenda and noted that items would be taken out of order to accommodate presenters' schedules.

The following committee members were present: Paul Nicholson, Lyn Hennion, Jeremy Nootenboom, April Sevcik and Dennis Slattery. Trustee Les AuCoin participated by videoconference. Trustee Steve Vincent was absent. Trustee Joanna Steinman attended a portion of the meeting.

Other meeting guests included: Craig Morris, Vice President for Finance and Administration; Jason Catz, General Counsel; Dr. Susan Walsh, Provost and Vice President for Academic and Student Affairs; Liz Shelby, Government Relations; Marc Bayliss, SOU Foundation; Steve Larvick, Director of Business Services; Drew Gilliland, Director of Facilities Management and Planning; Chris Stanek, Director of Institutional Research; Gordon Carrier, Computing Coordinator; Shane Hunter, Senior Financial Management Analyst; Janet Fratella, Vice President for Development; Ryan Schnobrich, Internal Auditor; Vicki Forehand, SOU; Olena Black, League of Women Voters; Sabrina Prud'homme, Board Secretary; and Kathy Park, Executive Assistant.

Trustee Slattery moved to approve the June 16, 2016 meeting minutes as drafted. Trustee Sevcik seconded the motion and it passed unanimously.

Public Comment

There was no public comment.

HECC Update

Craig Morris introduced the item by briefing the committee on the process for building the HECC agency request budget and moving the proposed budget to the governor's office then ultimately to the legislature for the legislatively approved budget.

In their original budget submission, the seven universities increased the amount of

money requested from \$665 million to \$765 million. The HECC's recommendation to the commissioners was \$943 million. For SOU, this would be an increase of \$12.5 million over the 2015-17 biennium. If the Public University Support Fund were increased to \$943 million, SOU indicated it would continue expanding Hispanic-serving programs, work with regional high schools to implement accelerated and low cost degree programs for underrepresented populations, and engage faculty in collaborative efforts that focus on general education/gateway courses with high failure rates.

If SOU received more than the requested amount, Mr. Morris said SOU would continue to raise tuition in a conservative fashion but remit a portion of the increase back to resident students as long as the state continued to fund the universities. SOU's large WUE population would continue to pay 150 percent of the increased resident tuition rate. This would fulfill the legislature's intent of spending additional money on Oregonians, not out of state students. Also, by continuing to raise tuition even with additional state funding, SOU would benefit from the exponential growth of tuition revenue in future years.

Discussion ensued regarding the possibility that the proposed corporate tax measure was the basis for the increase in the HECC's request, possible consequences if the measure passes and the need to protect SOU and its students in that event.

Liz Shelby addressed Policy Option Packages (POPs) and how they are used to develop the legislatively approved budget. POPs, which are done every two years, are a complementary part of establishing budgets for all state agencies. The Department of Administrative Services reviews the POPs and forwards them to the governor, whose priorities determine which POPs are included in her recommended budget. The legislature can accept the governor's budget or adopt its own. Ms. Shelby added that the board does not need to get engaged in any discussions at this point. However, when the governor's budget is shaping up, trustees may be asked to have conversations on behalf of SOU's legislative priorities.

Vice President's Report

Craig Morris provided an update on the testing for lead in the water on campus, saying samples have been drawn from all buildings on campus that were built before 2000 and approximately 80 percent of the tests are back. Of those received, there were problems in the Education/Psychology building (two water fountains were over the EPA standard and a sink in the preschool was at about 75 percent of the EPA standard) and Britt Hall (a sink in a laundry facility exceeded the EPA standard). All of the issues are fixture-related, not water source-related. All the necessary fixtures are being replaced and will be retested. Facilities Maintenance continues to communicate with the campus and posts test results on its website.

Turning to the financial dashboard, Mr. Morris said SOU is at target on operating cash and all other components are in line. All three components of selected E&G expenses (Labor, OPE and S&S) are below the burn rate.

Addressing the enrollment dashboard, Chris Stanek said he updated the chart with

summer numbers, which are considerably smaller than fall, winter and spring data. The dashboard will soon be adjusted for fall. Degree applications were up over end of June last year. On the completions report, Mr. Stanek noted the large jump to 587 in the number of degree awards, saying this is the time of year when a large number of degree applications are submitted, processed and awarded. In the two weeks since the report was prepared, the number of degrees awarded increased to 800. There was a three percent increase in bachelor's degree applications compared to this time last year.

President's Residence (Action)

Chair Nicholson introduced this item, saying \$146,000 for renovations is significant, and stressed that the renovations are not cosmetic. The improvements will enhance the value of the house and increase the president's enjoyment in living and entertaining there. Some maintenance was handled after the Saigos moved in but more remains.

Chair Nicholson stressed two points: 1) the committee's responsibility is to make recommendations without reference to the incoming president. The committee does not want to give a false impression that the incoming president requested any renovations. The board and staff involved can attest this is work that really needs to be done; 2) the renovations are long overdue and it is highly desirable to have it completed before the new president moves in rather than having people work around her and her family. The president is required, by contract, to live in the house and use it to host events and meetings on a regular basis. Chair Nicholson emphasized that incoming President Schott has not yet seen the house. This issue was discussed during a presidential search committee meeting and also comes with a strong recommendation from the search firm.

Trustee AuCoin was dismayed SOU let the presidential residence get to this state and said it seems it would impair the ability of a president to fully perform his or her function. Mr. Morris said President Cullinan gave a direct order that no work was to be done on the house and she did not want any possibility of accusations that she feathered her own nest. Responding to Trustee Slattery's concern, Mr. Morris said SOU receives a deferred maintenance budget from the state each biennium that can be used in the future on the presidential residence. The current list of recommended improvements takes SOU substantially down the road on the maintenance plan for the residence. Mr. Morris discussed the need for renovations with the incoming president only after she accepted the position. Jason Catz confirmed the repairs are need-based and were not part of the contract negotiations. Mr. Morris said the president and her family will temporarily reside in a furnished house and added that they have been very gracious about accepting the alternate living arrangements.

Responding to Trustee Sevcik's inquiries, Mr. Morris said the presidential residence appraised at \$650,000 three years ago. Mr. Gilliland added SOU would hire an interior designer then bid out to three contractors on retainer who often perform work on campus. Mr. Morris said deferred maintenance money, not the operating budget, would fund the improvements.

Trustee AuCoin moved that the Finance and Administration Committee approve an

estimated budget of \$140,000 to \$150,000 for deferred maintenance, repairs and related renovations on the SOU president's residence. With this motion, the committee further authorized the vice president for finance and administration to take such actions necessary to complete this project within standard university procedures and contracting guidelines. Trustee Hennion seconded the motion and it passed unanimously.

Responding to Chair Nicholson's inquiry, Mr. Catz clarified that this does not require approval by the full board and that the delegation of authority is for contracts under \$500,000. However, because of the prominence of the improvements and for transparency, Mr. Morris wanted to bring it to the committee.

Year-end Closing: Process and Timeline

Steve Larvick reviewed the timeline and process for year-end closing, highlighting the opening and soft and hard closing dates of the fiscal year, preparation of the financial statement and coordination with the external auditors. Responding to Trustee AuCoin's inquiry, Mr. Morris said he asked Mr. Larvick to present this information so the committee would understand how the process works and that the budget office does not just close its books on June 30.

Overview of SOU Foundation and Office of Development

Janet Fratella began the presentation by describing the office's organizational structure, her reporting relationships, and SOU's development philosophy that passion drives philanthropy and relationships are critical.

Ms. Fratella discussed the ten-year fundraising history and highlighted the incredible \$3.1 million raised in FY16, compared to the \$2 million goal. In FY16, the cost of a dollar raised was \$.23, which is lower than the rates in the past three years. The national average is \$.20. The more money raised in extraordinary gifts reduces the cost of a dollar raised. Trustee AuCoin praised this aspect of SOU's fundraising.

The fundraising priorities are for students, programs, faculty, and infrastructure. Historically, scholarships have been the largest. Only 8 percent of philanthropic support comes from alumni; 40 percent comes from other individuals, which shows SOU is largely supported by people in the community who care about the institution.

Marc Bayliss said SOUF is a 501(c)(3) nonprofit organization with a board of trustees but no employees and is required to have an arms-length relationship with the university. SOUF has strong affiliates, including Chamber Music Concerts, the Alumni Association, OLLI, Friends of Schneider Museum of Art, Friends of Hannon Library and Raider Club. SOUF's structure and the leadership it provides represent a diverse background and SOUF wants to increase its diversity as it moves forward. Their mission statement is: The [SOUF] exists to secure private philanthropic support to advance SOU and to invest and manage gifts responsibly to honor donors' wishes.

Mr. Bayliss said SOUF's goal is to be a \$5 million-a-year foundation by 2021. It took a big step in that direction by realizing a year-long effort that helped raise \$3.1 million

without any extraordinary gifts and with only eight full-time employees.

There's a reciprocal relationship between the Office of Development and SOUF – the former raises the money and the latter invests and manages the money. Trustee AuCoin asked how decisions are made to draw from and use the funds for different purposes for the institution. Ms. Fratella said much of that is determined by donor intent and direction; 96 percent of the money raised is for restricted purposes and 4 percent is used for operations and needs in the president's office.

Responding to Trustee AuCoin's comment about variables affecting the budget, Mr. Bayliss explained the philosophical shift in Oregon universities. For the University of Oregon and the growth in its foundation, much of the money available, especially from corporate support, is based on the university's classification as a research institution. In comparison, SOU is a teaching university. The payoff depends on the type of university at issue. Trustee AuCoin stressed the need to raise funds to cover budget-relieving expenses, such as named professorships. Ms. Fratella said a prior SOU president charged SOUF with raising scholarship funds. However, once SOU develops its strategic plan, SOUF will follow suit. Since donors support what they are passionate about, it is not likely their donations will be budget-relieving. In contrast, alumni donations are most likely to be budget-relieving; SOUF will be nurturing those relationships but it will be three to five years before efforts are realized.

The contract between SOU and SOUF addresses the use of the university's name and logo; identifies who has voting rights on the SOUF board; details gift acceptance and management; details the flow of funds between the organizations; clarifies that both organizations will comply with university and SOUF policies; and details the support each organization provides. This contract is reviewed every year.

Ms. Fratella then discussed the \$27.6 million in SOUF assets, operating revenue and the budget model. Responding to Chair Nicholson's inquiry about who decided how much money SOU would provide and how it is split, Mr. Morris said it has been the organizational structure for many years and there has never been enough in SOU's operating budget to increase number of staff in the Office of Development yet, to decrease the number of staff would decrease fundraising capabilities. Pursuing the issue further, Chair Nicholson said one could argue that a good employee would generate 2-4 times more than his or her salary in contributions. Ms. Fratella concurred and added that it takes about three years for a new portfolio to start producing.

SOU and SOUF have a combined endowment of \$26 million - \$2 million for SOU and \$24 million for SOUF. Responding to Trustee Steinman, Ms. Fratella said donors like to see a large endowment. Discussions about endowments show donors that you believe in the long-term health of the institution. On the other hand, if you ask for operating dollars, donors think the institution is in trouble. Ms. Fratella then discussed the steady growth in SOUF's endowment over the past six years, the investment management component, and endowment performance. There is steady monetary support from SOUF to SOU.

Ms. Fratella discussed the peer comparison study she conducted last fall, comparing three-year averages in private support and ten-year growth in endowment. She then discussed SOU's aspirational peer group, institutions that raise \$5-\$10 million annually, and what those institutions are doing that SOU is not. The most interesting aspect is the alumni solicitations, an area in which SOU has a lot of room for growth.

Ms. Fratella offered several observations and conclusions from the peer comparison studies. She found a direct correlation between fundraising revenue and sustained investment in external relations; the level of staffing impacts fundraising results; alumni can impact long-term fundraising success significantly; as people age, they give more often and larger amounts; and that campaigns motivate but must be funded.

To more than double the funds raised, Ms. Fratella discussed opportunities and threats. In planning the path forward, several resources are needed: solid development infrastructure; a funding model that addresses growth; a vision; a set of donor-sensitive fundraising priorities; and active and engaged boards.

In FY15-16, the focus has been on updating alumni records and other data, assigning major gift prospects and recalibrating the annual giving program with interest-area solicitations. In the gift and pledge area, the focus has been: the forecasting model to track proposals and corresponding gift revenue; pipeline development; and raising donor sights. Additional focus has been on The Raider publication sent to alumni and on reinvigorating the President's Circle recognition program. To reach the five-year fundraising goal of \$5 million, Ms. Fratella noted that the university would need to increase its investment in the development operation. She also reviewed the budget model for growth and predictable versus unpredictable sources of revenue in order to achieve a balance.

Adjourn

Chair Nicholson adjourned the meeting at 6:04 p.m.

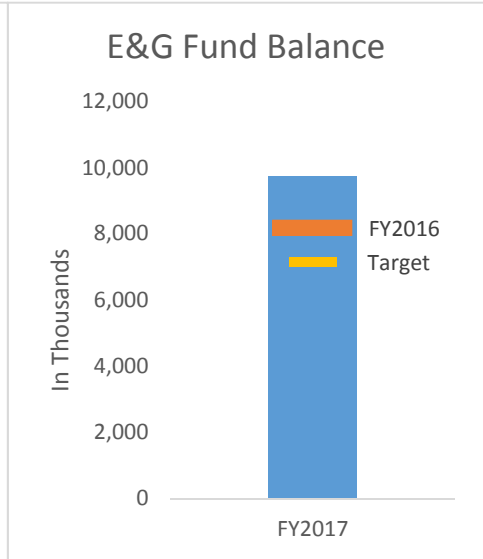
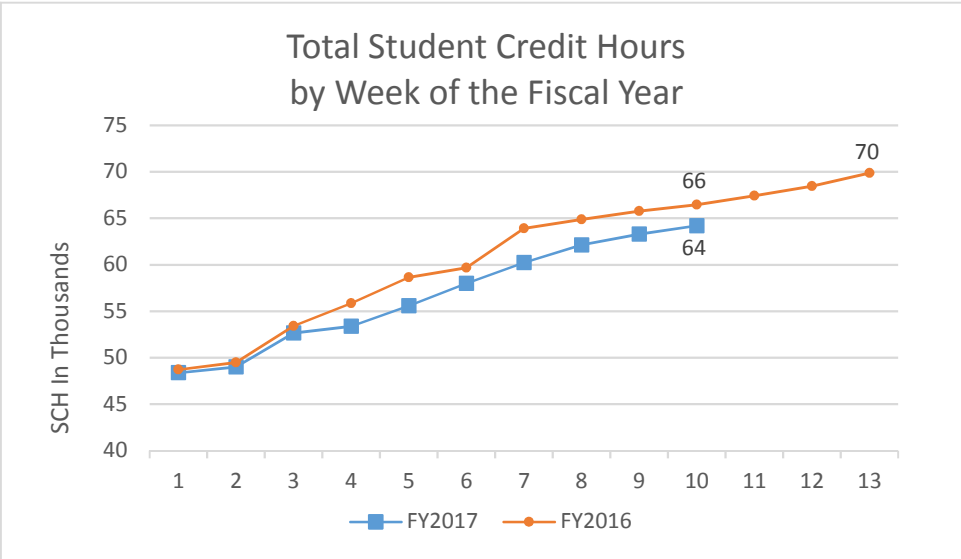
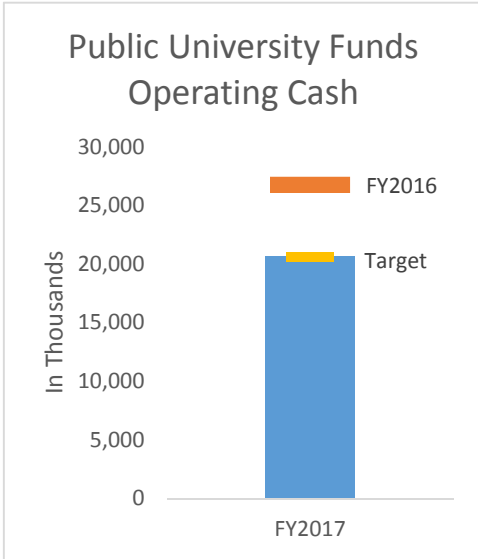
Public Comment

Vice President's Report

Financial Dashboard

For FY17, prior to close of period 2

As of August 31, 2016

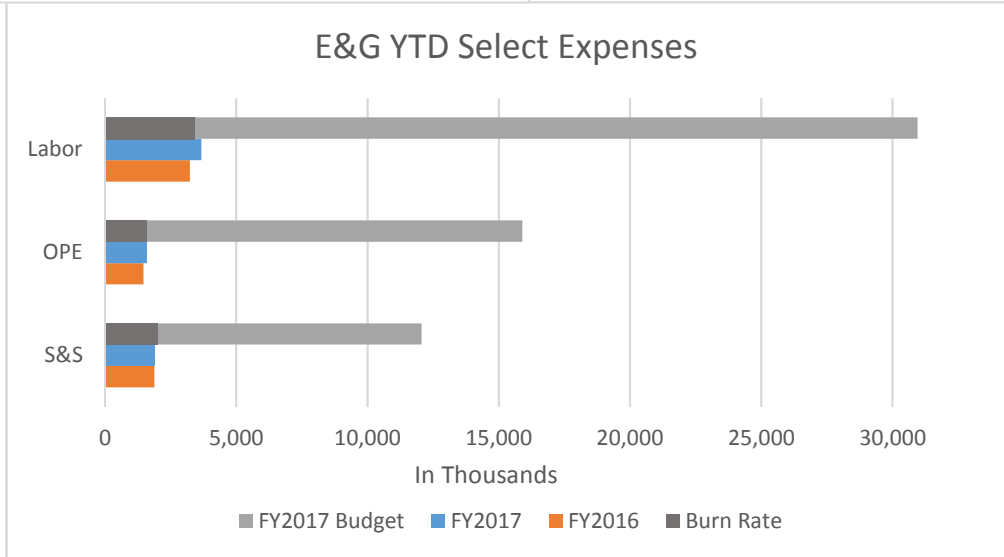
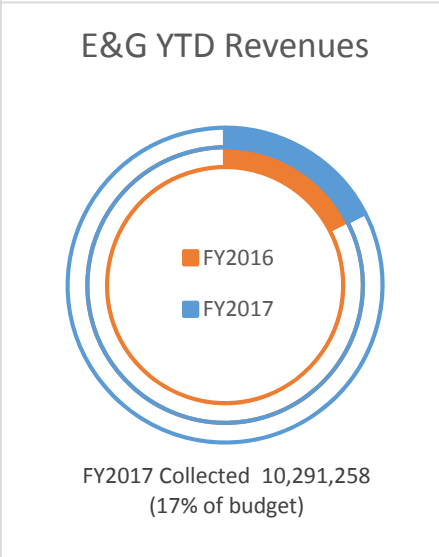


Preliminary Financial Ratios for FY16

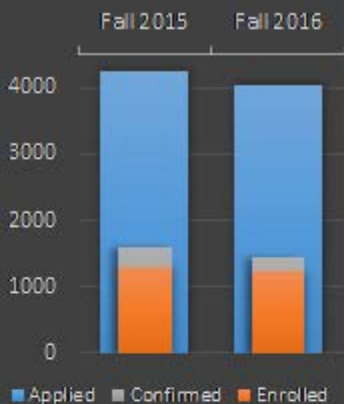
Primary Reserve Ratio:
12.5% ✓

Current Ratio:
0.8:1 🚩

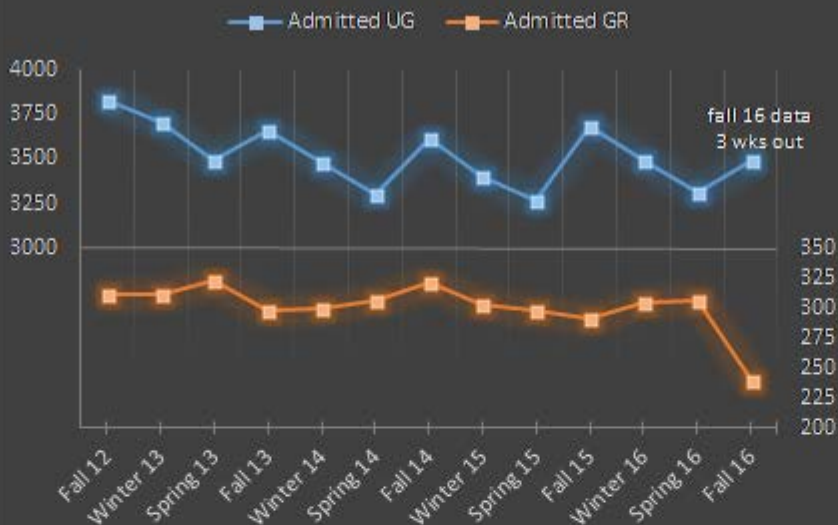
Debt Burden Ratio:
3.6% ✓



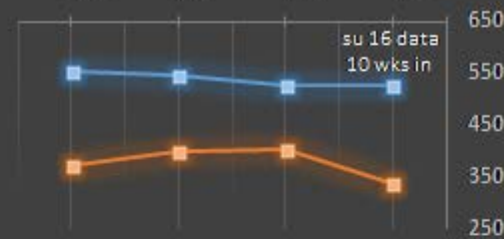
Admission Apps



FTE Enrollment Trends

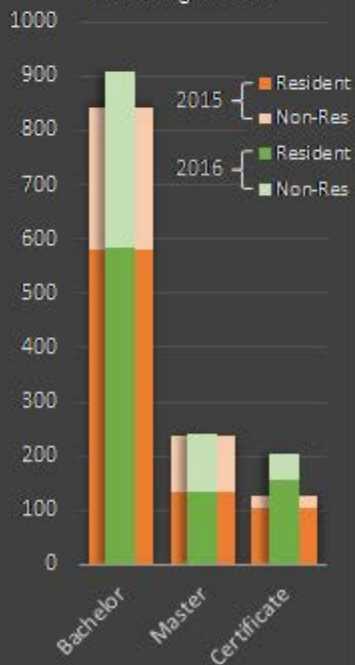


Summer 13 Summer 14 Summer 15 Summer 16

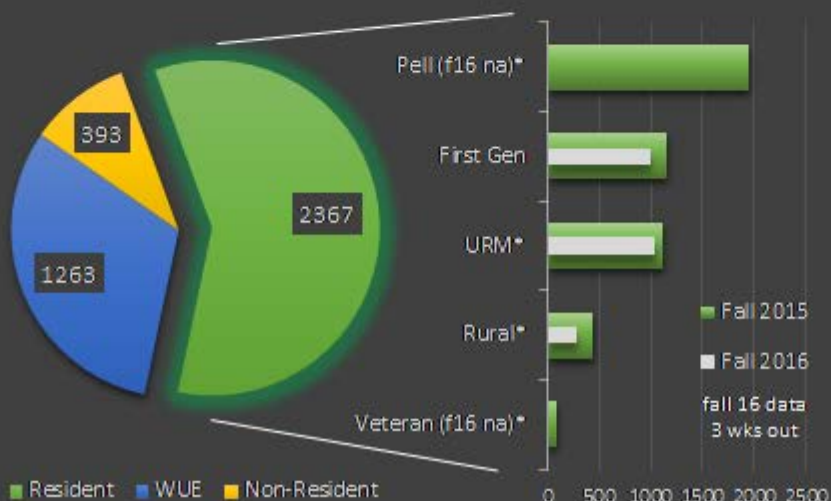


Degree Apps

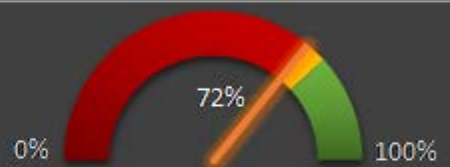
End of August 2016



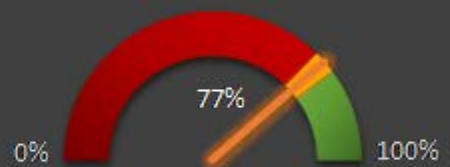
Fall 2016 UG Student Populations



*as counted by HECC for funding



First Year Retention



UG Retention



First Year Grad Rate



Transfer Grad Rate

Last Updated: 9/06/2016

Undergraduate Course SCH by Department
Fall 2015 Week Ending 9/13/15 vs. Fall 2016 Week Ending 9/11/16
2 Weeks From Start of Term

Department	Fall 2015	Fall 2016	Change	% Change
Art	1,460	1,296	-164	-11.2%
Creative Writing	476	434	-42	-8.8%
Emerging Media & Digital Art	1,288	1,080	-208	-16.1%
Music	1,373	1,111	-262	-19.1%
Theatre	2,314	2,424	110	4.8%
Subtotal - Oregon Center for the Arts	6,911	6,345	-566	-8.2%

Education	2,326	2,505	179	7.7%
Health and Physical Education	1,805	1,854	49	2.7%
Outdoor Adventure Leadership	675	800	125	18.5%
Military Science	109	73	-36	-33.0%
Subtotal - Education, Health and Leadership	4,915	5,232	317	6.4%

Criminology and Criminal Justice	2,468	2,635	167	6.8%
Economics	860	1,096	236	27.4%
Geography	376	332	-44	-11.7%
History	940	832	-108	-11.5%
Political Science	548	512	-36	-6.6%
Psychology	3,900	4,096	196	5.0%
Sociology/Anthropology	1,630	1,608	-22	-1.3%
Subtotal - Social Sciences	10,722	11,111	389	3.6%

University Studies (100 level)	3,253	2,656	-597	-18.4%
University Studies (200, 300, & 400 level)	263	6	-257	-97.7%
Honors College	379	456	77	20.3%
Success at Southern	9	14	5	55.6%
Other UG Studies (WR 122 & Study Abroad)	728	908	180	24.7%
Subtotal - Undergraduate Studies	4,632	4,040	-592	-12.8%

Department	Fall 2015	Fall 2016	Change	% Change
Biology	3,326	3,847	521	15.7%
Chemistry	1,653	1,551	-102	-6.2%
Computer Science	1,268	1,408	140	11.0%
Mathematics	3,627	3,322	-305	-8.4%
Physics	1,077	436	-641	-59.5%
STEM - General	-	176	176	
Subtotal - STEM Division	10,951	10,740	-211	-1.9%

Business	6,379	5,959	-420	-6.6%
Communication	2,751	2,854	103	3.7%
Environmental Studies	1,489	1,940	451	30.3%
Innovation & Leadership	-	112	112	
Subtotal - Division of BCE	10,619	10,865	246	2.3%

English	1,264	1,040	-224	-17.7%
Gender, Sexuality, & Women's Studies	154	228	74	48.1%
International Studies	232	208	-24	-10.3%
Native American Studies	148	144	-4	-2.7%
Philosophy	988	816	-172	-17.4%
Foreign Languages & Literatures	2,120	2,030	-90	-4.2%
Subtotal - Humanities and Culture	4,906	4,466	-440	-9.0%

Physical Education Activities	645	591	-54	-8.4%
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Total Undergraduate	54,301	53,390	-911	-1.7%
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Total Undergraduate + Graduate	57,208	56,253	-955	-1.7%
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Graduate Course SCH by Department
Fall 2015 Week Ending 9/13/15 vs. Fall 2016 Week Ending 9/11/16
2 Weeks From Start of Term

Department	Fall 2015	Fall 2016	Change	% Change
Art	-	-	-	
Creative Writing	-	-	-	
Emerging Media & Digital Art	-	-	-	
Music	76	76	-	0.0%
Theatre	-	-	-	
Subtotal - Oregon Center for the Arts	76	76	-	0.0%

Education	1,746	1,565	-181	-10.4%
Health and Physical Education	-	-	-	
Outdoor Adventure Leadership	3	-	-3	-100.0%
Military Science	-	-	-	
Subtotal - Education, Health and Leadership	1,749	1,565	-184	-10.5%

Criminology and Criminal Justice	-	-	-	
Economics	-	-	-	
Geography	-	-	-	
History	-	-	-	
Political Science	-	4	4	
Psychology	483	474	-9	-1.9%
Sociology/Anthropology	32	-	-32	-100.0%
Subtotal - Social Sciences	515	478	-37	-7.2%

Master in Interdisciplinary Studies	2	14	12	600.0%
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Department	Fall 2015	Fall 2016	Change	% Change
Biology	118	221	103	87.3%
Chemistry	-	-	-	
Computer Science	-	8	8	
Mathematics	33	14	-19	-57.6%
Physics	-	-	-	
Subtotal - STEM Division	151	243	92	60.9%

Business	98	208	110	112.2%
Master in Business Administration	205	263	58	28.3%
Master in Management	99	-	-99	-100.0%
Subtotal - Graduate SCH in Business	402	471	69	17.2%
Communication	12	12	-	0.0%
Environmental Studies	-	-	-	
Subtotal - Division of BCE	414	483	69	16.7%

English	-	4	4	
Gender, Sexuality, and Women's Studies	-	-	-	
International Studies	-	-	-	
Native American Studies	-	-	-	
Philosophy	-	-	-	
World Languages & Literatures	-	-	-	
Subtotal - Humanities and Culture	-	4	4	

Total Graduate	2,907	2,863	-44	-1.5%
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Total Undergraduate + Graduate	57,208	56,253	-955	-1.7%
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Student Headcounts
Fall 2015 Week Ending 9/13/15 vs. Fall 2016 Week Ending 9/11/16
2 Weeks From Start of Term

	Fall 2015	Fall 2016	Change	% Change	Fall 2015 End of Term	Change	% Change	
New Freshmen	789	684	-105	-13.3%	834	-150	-18.0%	
New Transfers	488	488	-	0.0%	548	-60	-10.9%	
New PostBacs/Graduates	81	106	25	30.9%	121	-15	-12.4%	
Subtotal - New Students	1,358	1,278	-80	-5.9%	1,503	-225	-15.0%	
Continuing Students	3,005	2,921	-84	-2.8%	3,188	-267	-8.4%	
Returning Students	134	181	47	35.1%	160	21	13.1%	
Non-Admitted Students	111	105	-6	-5.4%	1,391	-1,286	-92.5%	vs. target
Grand Total - Headcount	4,608	4,485	-123	-2.7%	6,242	-1,757	-28.1%	-24.8%
Grand Total - FTE	3,857	3,801	-56	-1.5%	4,414	-613	-13.9%	-10.0%
Resident	2,873	2,719	-154	-5.4%	4,330	-1,611	-37.2%	
Non-Resident	1,735	1,766	31	1.8%	1,912	-146	-7.6%	
International	123	127	4	3.3%	157	-30	-19.1%	
American Indian/Alaskan Native	47	51	4	8.5%	58	-7	-12.1%	
Asian	88	83	-5	-5.7%	99	-16	-16.2%	
Black/African American	107	99	-8	-7.5%	126	-27	-21.4%	
Hispanic/Latino	470	497	27	5.7%	525	-28	-5.3%	
Pacific Islander	24	25	1	4.2%	26	-1	-3.8%	
North African, Middle Eastern, Other	27	33	6	22.2%	31	2	6.5%	
Two or More Races	409	419	10	2.4%	431	-12	-2.8%	
Subtotal - Students of Color (race & ethnicity)	1,172	1,207	35	3.0%	1,296	-89	-6.9%	
White	2,795	2,609	-186	-6.7%	3,079	-470	-15.3%	
Unknown	518	542	24	4.6%	1,710	-1,168	-68.3%	
Alaska	71	64	-7	-9.9%	80	-16	-20.0%	
California	1,039	1,137	98	9.4%	1,137	-	0.0%	
Hawaii	108	111	3	2.8%	117	-6	-5.1%	
Idaho	29	33	4	13.8%	32	1	3.1%	
Washington	147	144	-3	-2.0%	156	-12	-7.7%	
All Other States	235	200	-35	-14.9%	263	-63	-24.0%	

SCH by Student Level Within Tuition Category
Fall 2015 Week Ending 9/13/15 vs. Fall 2016 Week Ending 9/11/16
2 Weeks From Start of Term

Tuition Category	Fall 2015	Fall 2016	Change	% Change
UG WUE	15,537	16,217	680	4.4%
UG Resident	29,089	27,670	-1,419	-4.9%
UG Non-resident	1,523	1,553	30	2.0%
UG Online	6,342	6,901	559	8.8%
Subtotal - Undergraduates	52,491	52,341	-150	-0.3%
GR Resident	538	1,876	1,338	248.7%
GR Non-resident	404	819	415	102.7%
GR Online	216	109	-107	-49.5%
GR Education Differential	1,385	-	-1,385	-100.0%
Subtotal - Graduates	2,543	2,804	261	10.3%
Staff Rates	775	255	-520	-67.1%
Waived Tuition	805	535	-270	-33.5%
Course Based Tuition	590	318	-272	-46.1%
Advanced Southern Credit	-	-	-	
Early Entry HS	4	-	-4	-100.0%
Grand Total - SCH	57,208	56,253	-955	-1.7%

Southern Oregon University

Degree Completions by **Discipline Level** Categories Academic Year 2014-15 vs. Academic Year 2015-16 August Applications and YTD Awards

	Degree Applications				Degree Awards (as of YTD)	
	2014-15 Apps	2015-16 Apps	Change	% Change	2014-15 Degrees	2015-16 Degrees
Bachelor Degrees (2.0 base pts)	843	908	65	7.7%	827	645
Resident: Entered as First Year	256	234	-22	-8.6%	251	158
Discipline Level 1 (base pts x 1.00)	74	68	-6	-8.1%	74	42
Discipline Level 2 (base pts x 1.25)	114	112	-2	-1.8%	110	78
Discipline Level 3 (base pts x 1.85)	68	54	-14	-20.6%	67	38
Resident: Entered as Transfer (base pts x 0.675)	326	350	24	7.4%	322	250
Discipline Level 1 (base pts x 1.00)	89	110	21	23.6%	87	76
Discipline Level 2 (base pts x 1.25)	191	193	2	1.0%	188	142
Discipline Level 3 (base pts x 1.85)	46	47	1	2.2%	47	32
Non-Resident (no state funding)	261	324	63	24.1%	254	237
Master Degrees (1.0 base pts)	239	240	1	0.4%	238	179
Resident	136	136	-	0.0%	132	115
Discipline Level 1 (base pts x 1.27)	3	7	4	133.3%	3	4
Discipline Level 2 (base pts x 1.72)	123	115	-8	-6.5%	119	98
Discipline Level 3 (base pts x 2.46)	10	14	4	40.0%	10	13
Non-Resident (no state funding)	103	104	1	1.0%	106	64
Graduate Certifications (0.2 base pts)	128	205	77	60.2%	251	184
Resident	104	155	51	49.0%	201	144
Discipline Level 1 (base pts x 1.27)	8	3	-5	-62.5%	8	2
Discipline Level 2 (base pts x 1.72)	96	152	56	58.3%	193	142
Discipline Level 3 (base pts x 2.46)	-	-	-	0.0%	-	-
Non-Resident (no state funding)	24	50	26	108.3%	50	40
Total Awards					1,316	1,008

Notes: \$1137.43 allocated per pt for degrees in FY 2016 appropriation and represented 20% of the total non-base PUSF, 80% was allocated from SCH production.

Southern Oregon University

Degree Completions by Sub-population Categories
Academic Year 2014-15 vs. Academic Year 2015-16
August Applications and YTD Awards

	Degree Applications				Degree Awards (as of YTD)	
	2014-15 Apps	2015-16 Apps	Change	% Change	2014-15 Degrees	2015-16 Degrees
Bachelor Degrees (2.0 base pts)	843	908	65	7.7%	827	645
Resident: Entered as First Year	256	234	-22	-8.6%	251	158
Area of Study Premium†	17	19	2	11.8%	17	17
Underrepresented Minority*	39	43	4	10.3%	38	26
Pell Grant Recipient*	164	141	-23	-14.0%	162	92
Veteran Status*	3	1	-2	-66.7%	3	-
Rural High School Graduate*	99	66	-33	-33.3%	100	44
Resident: Entered as Transfer (base pts x 0.675)	326	350	24	7.4%	322	250
Area of Study Premium†	36	36	-	0.0%	37	32
Underrepresented Minority*	52	60	8	15.4%	52	37
Pell Grant Recipient*	244	285	41	16.8%	242	208
Veteran Status*	5	8	3	60.0%	5	5
Non-Resident (no state funding)	261	324	63	24.1%	254	237
Master Degrees (1.0 base pts)	239	240	1	0.4%	238	179
Resident	-	-	-	0.0%	132	115
Area of Study Premium†	8	17	9	112.5%	8	15
Non-Resident (no state funding)	103	104	1	1.0%	106	64
Graduate Certifications (0.2 base pts)	128	205	77	60.2%	251	184
Resident	104	155	51	49.0%	201	144
Area of Study Premium†	1	-	-1	-100.0%	1	-
Non-Resident (no state funding)	24	50	26	108.3%	50	40
Total Awards					1,316	1,008

† Area of Study Premium increases point value by a factor of 120% for degrees in STEM and Health and a factor of 220% for degrees in Bi-lingual Education.

* pts for sub-pops are additive and applied after all other adjustments: if recipient exists in one sub-pop 0.8 pts added, if two 1.0 pts, if three 1.1 pts, if four 1.2 pts.

Notes: \$1137.43 allocated per pt for degrees in the FY 2016 appropriation and represented 20% of the total non-base PUSF, 80% was allocated from SCH production.

Total points for FY 2016 = 1821.6 representing the three year trailing average of degree completions from Ay 2012-13 through 2014-15.

Review of Year-end Financials and External Audit Update

Periodic Management Report

Budget Forecast

(in thousands except enrollment)	FY2015 Final Results	FY2016 Initial Budget	% Change	FY2016 Final	100.0%	Variance from Initial Budget	% Variance from Initial Budget	Notes
EDUCATION & GENERAL								
State General Fund	\$ 17,065	\$ 20,393	20%	\$ 20,697		\$ 305	1%	(1)
Tuition & Resource Fees, net of Remissions	33,043	33,672	2%	34,736		1,065	3%	(2)
Other	1,915	1,863	-3%	2,632		769	41%	(3)
Total Revenues	<u>\$ 52,023</u>	<u>\$ 55,927</u>	8%	\$ 58,066	69.0%	\$ 2,139	4%	
Personnel Services	\$ 42,953	\$ 45,447	6%	\$ 44,562		\$ (885)	-2%	(4)
Supplies & Services & Capital Outlay	8,054	8,472	5%	9,271		799	9%	(5)
Total Expenditures	<u>\$ 51,007</u>	<u>\$ 53,919</u>	6%	<u>\$ 53,833</u>		<u>\$ (86)</u>	0%	
Net from Operations	<u>\$ 1,016</u>	<u>\$ 2,008</u>		<u>\$ 4,233</u>		<u>\$ 2,224</u>		
Net Transfers In (Out)	1,942	(652)	-134%	(2,103)		(1,451)	223%	(6)
Fund Additions/(Deductions)	56	-		0		0		
Change in Fund Balance	\$ 3,013	\$ 1,357		\$ 2,130		\$ 773		
Beginning Fund Balance	<u>1,745</u>	<u>4,758</u>		<u>4,758</u>		<u>0</u>		
Ending Fund Balance	<u>\$ 4,758</u>	<u>\$ 6,115</u>		<u>\$ 6,888</u>		<u>\$ 773</u>		
Ending FB as a % Operating Revenues	9.1%	10.9%		11.9%				
Student FTE Enrollment	4,398	4,354	-1.0%	4,478			2.9%	
AUXILIARY ENTERPRISES (Including North Campus Village)								
Enrollment Fees	\$ 5,219	\$ 5,043	-3%	\$ 5,745		\$ 702	14%	(7)
Sales & Services	10,605	10,883	3%	12,797		1,914	18%	(8)
Other	1,679	1,914	14%	2,715		801	42%	(9)
Total Revenues	<u>\$ 17,503</u>	<u>\$ 17,840</u>	2%	\$ 21,258	25.3%	\$ 3,417	19%	
Personnel Services	\$ 6,249	\$ 6,602	6%	\$ 7,035		\$ 434	7%	(10)
Supplies & Services & Capital Outlay	11,801	12,446	5%	14,919		2,473	20%	(11)
Total Expenditures	<u>\$ 18,050</u>	<u>\$ 19,048</u>	6%	<u>\$ 21,954</u>		<u>\$ 2,906</u>	15%	
Net from Operations	<u>\$ (547)</u>	<u>\$ (1,207)</u>		<u>\$ (696)</u>		<u>\$ 511</u>		
Net Transfers In (Out)	(2,462)	1,120	-145%	1,668		\$ 549	49%	(12)
Additions/(Deductions) to Unrestricted Net Assets	568	8		(6,172)		(6,180)		(13)
Change in Unrestricted Net Assets	\$ (2,441)	\$ (80)		\$ (5,200)		\$ (5,121)		
Beginning Fund Balance Available for Operations	<u>3,811</u>	<u>(882)</u>		<u>(882)</u>		<u>0</u>		
Beginning Fund Balance Adjustment: Net BOLI Settlement	<u>(2,252)</u>					<u>0</u>		
Beginning Fund Balance Associated with Fixed Assets	<u>5,901</u>	<u>5,535</u>		<u>5,535</u>				
Ending Fund Balance	<u>4,653</u>	<u>4,573</u>		<u>(548)</u>		<u>(5,121)</u>		
Ending Fund Balance Associated with Fixed Assets	<u>5,535</u>	<u>5,542</u>		<u>208</u>		<u>(5,334)</u>		
Ending Fund Balance Available for Operations	<u>\$ (882)</u>	<u>\$ (969)</u>		<u>\$ (756)</u>		<u>213</u>		(14)
Ending FB as a % Operating Revenues	-5.0%	-5.4%		-3.6%				

Periodic Management Report

Budget Forecast

(in thousands except enrollment)	FY2015 Final Results	FY2016 Initial Budget	% Change	FY2016 Final	100.0%	Variance from Initial Budget	% Variance from Initial Budget	Notes
DESIGNATED OPERATIONS, SERVICE DEPARTMENTS, CLEARING FUNDS								
Enrollment Fees	\$ 813	\$ 921	13%	\$ 893		\$ (28)	-3%	(15)
Sales & Services	1,785	2,029	14%	2,284		256	13%	(16)
Other	1,652	1,459	-12%	1,672		213	15%	(17)
Total Revenues	<u>\$ 4,250</u>	<u>\$ 4,409</u>	4%	<u>\$ 4,849</u>	5.8%	<u>\$ 441</u>	10%	
Personnel Services	\$ 2,638	\$ 3,047	15%	\$ 2,661		\$ (387)	-13%	(18)
Supplies & Services & Capital Outlay	1,671	1,748	5%	2,067		319	18%	(19)
Total Expenditures	<u>\$ 4,309</u>	<u>\$ 4,795</u>	11%	<u>\$ 4,728</u>		<u>\$ (68)</u>	-1%	
Net from Operations	<u>\$ (59)</u>	<u>\$ (387)</u>		<u>\$ 122</u>		<u>\$ 508</u>		
Net Transfers In (Out)	296	330	11%	294		(36)	-11%	
Additions/(Deductions) to Unrestricted Net Assets	135	76		88		12		
Change in Unrestricted Net Assets	\$ 372	\$ 19		\$ 503		\$ 484		
Beginning Fund Balance Available for Operations	526	898		898		0		
Beginning Fund Balance Associated with Fixed Assets	358	372		372				
Ending Fund Balance	1,270	1,289		1,773		484		
Ending Fund Balance Associated with Fixed Assets	372	372		463		91		
Ending Fund Balance Available for Operations	<u>\$ 898</u>	<u>\$ 917</u>		<u>\$ 1,310</u>		<u>\$ 484</u>		
Ending FB as a % Operating Revenues	21.1%	20.8%		27.0%				
ALL CURRENT UNRESTRICTED FUNDS:								
Beginning Fund Balance Available for Daily Operations	\$ 6,082	\$ 4,775		\$ 4,775		\$ -		
Revenues	73,776	78,176	6%	84,173		5,997	8%	
Expenditures	73,366	77,762	6%	80,515		2,753	4%	
Transfers	(224)	798		(141)		(939)		
GL Additions & Deductions	759	84		(6,085)		(6,169)		
Ending Fund Balance Available for Daily Operations	<u>\$ 4,775</u>	<u>\$ 6,063</u>		<u>\$ 7,442</u>		<u>\$ 1,379</u>		
Ending FB as a % Operating Revenues	6.5%	7.8%		8.8%				

Notes

- (1) Increases in the funding base plus changes in the funding model. All institutions received increases.
- (2) Budgeted an average price increase of a little under a 5%, and a 1% enrollment decrease. Enrollment increased by about 2.9%. Some changes in the enrollment mix, offset some by increased levels of Fee Remission Awards.
- (3) Increases tied to unbudgeted insurance claim reimbursements, plus two accounting changes being recorded retroactive for the year (Change 1: Bad-Debt allowance, and Change 2: NCV Lease income).
- (4) Labor savings due to increased use in adjunct instructors, open positions taking longer to be filled, and lower growth in OPE than initially budgeted.

Periodic Management Report

Budget Forecast

	FY2015 Final Results	FY2016 Initial Budget	% Change	FY2016 Final	100.0%	Variance from Initial Budget	% Variance from Initial Budget	
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(in thousands except enrollment)

Notes (continued)

- (5) Additional funds received to support Student Success initiatives (\$582k). Modest general increase in campus S&S spending.
- (6) Accounting change to reclassify the NCV proceeds from "transfer-in" to "revenue". Increased Athletic support (\$500k), plus increased Athletic Course net activities to be transferred to Athletic auxiliary fund (\$250k).
- (7) Additional \$429k in Rec Center fees realized in current fiscal year, plus an additional \$219k savings with Housing issuing fewer Fee Remission awards in
- (8) Overall growth in housing occupancy (12%, or \$893k). Additional increase tied to NCV land lease revenue (\$936k in FY16 compared to \$300k in FY15 which was recorded as a transfer-in).

- (9) Increase in Dining operations (\$313k) associated with increases in Housing occupancy. \$550k due to accounting change associated with recording NCV labor reimbursements.
- (10) General budgeted pay increases plus increased spending in athletics programs. Additional increases in student labor for Housing maintenance activities.
- (11) Increase for post-season athletic travel (\$200k). Balance of the changes largely associated with accounting changes (\$2.1m). Because the auxiliaries includes the NCV, the offset to the revenues for the land lease, and the labor reimbursements, are recorded as S&S expenses within the NCV, rather than as a transfer.
- (12) Accounting change to reclassify the NCV proceeds from "transfer-in" to "revenue".
- (13) Change in accounting associated with fixed assets.
- (14) Contributing factors to the auxiliary deficit operating Fund Balance position include:
 - Athletic program ongoing projected deficit of \$(1,667)
 - Internal Loan from the General Fund to cover the costs of the BOLI Settlement \$(2,252), to be paid back to the GF over the next 10 years
- (15) Largely tied to Non-credit program activity which is up from the prior year, but not quite to the levels budgeted.
- (16) Increase in JPR activity.
- (17) Up compared to prior year. Largely tied to Service Departments activities.
- (18) Increase from last year, just not to the extent as budgeted. Largely due to increased activity in JPR.
- (19) Increase in JPR activities up (\$139k), and RVTV (\$136).

Audit Update

Update on Status of Audit, and Completion Date

Some big changes:

- \$90m in Bond obligations being removed from the SOU financial statements (G-bonds, Lottery bond).
- \$14.9m increase in the Pension Liability.

A-133 Audit:

- Each year, the Federal Government provides grants to State, local and tribal governments, colleges, universities and other non-profit organizations. The Single Audit Act of 1984 (with amendment in 1996) and OMB Circular A-133 ("Audits of State, Local Governments, and Non-Profit Organizations") provide audit requirements for ensuring that these funds are expended properly.
- SOU receives federal funding to support financial aid programs, as well as funds to support other research and instructional grants. This is an annual audit where external auditors perform an in-depth review of these programs to insure SOU remains in compliance with federal requirements.
- The audit is approaching completion. There may be a few potential findings as they relates to some of the financial aid programs, but most are somewhat minor in nature and will aid the institution with strengthening policies and procedures going forward.

Growth in Banner Accounts Receivable

- During FY2016, total charges posted to Banner accounts grew by 9%.
- Total Accounts Receivable remaining outstanding at the end of the year grew by 2.4%.

Growth in Charges compared to Growth in Total Accounts Receivable

Fiscal Year	Total Charges	Growth from Prior Year	Accounts Receivable	Growth from Prior Year
2016	\$ 66,305,067	9.0%	\$ 8,041,324	2.4%
2015	\$ 60,815,996	1.6%	\$ 7,852,150	2.0%

Collection History

Collection of Banner-Student accounts.

Write off of student accounts will begin to occur after the end of the 4th year.

Accounts Receivable collected by the end of each year:

Fiscal Year	Through 1st Year	Through 2nd Year	Through 3rd Year	Through 4th Year
2016	94.0%	98.2%	98.4%	99.0%
2015	93.6%	97.9%	98.7%	99.1%
2014	93.2%	98.2%	98.8%	98.9%
2013	93.8%	98.4%	98.7%	99.1%
2012	93.5%	98.3%	98.9%	98.8%
2011	93.9%	98.6%	98.7%	99.0%
2010	94.1%	98.3%	98.8%	99.0%
2009	93.4%	98.5%	98.8%	98.9%
2008	93.3%	98.5%	98.7%	99.2%

Estimating Bad-Debt Allowance

Factors going in to estimating the Bad-Debt Allowance:

- Age of debts
- Status of payments (active vs. inactive)
- Percent of change of debts remaining at the end of Year-1
- Growth or decline of debts greater than four years old
- Recovery history on previously written-off accounts

Bad-Debt Reserve

- Prior to FY2013, the bad-debt allowances were being maintained at a level roughly equal to that needed to cover the current year's estimated worth of write offs plus an additional year. For SOU, this amounted to approximately \$1M, and was addressed by auditors as being reasonable based upon accounting standards at the time.
- By FY2013, accounting standards changed the approach to calculating bad-debt reserves, and OUS generated a generic formula to be used to be used across all OUS institutions. This resulted in an additional \$2.4M being added to the bad-debt allowance reserves during FY2013.
- By FY2015, SOU generated an alternative format for calculating what was perceived to be reflective of a more accurate representation of the estimate for uncollectible balances. This deviated from the OUS approach, but was reviewed by auditors and determined to be a reasonable representation of the bad-debt allowance.

FY2016 Bad-Debt Summary

- Reserves as of 7-1-2015 = \$3,499,004
- Additions to Bad-Debt Allowances during FY2016 = \$767,688 (65% Education & General)
- Accounts written off in FY2016 = \$673,859
- Past accounts previously written off, but reinstated and recovered in FY2016 = \$103,073
- Net actual write offs during FY2016 = \$570,786
- Reserves as of 6-30-2016 = \$3,685,933

Bad-Debt Ending Reserves

SOU formula for Bad-Debt Allowance calculation =	\$3,597,000
Currently held in SOU reserves for Bad-Debt Allowance =	\$3,685,933
Auditor “Reasonableness” Test =	\$3,500,000

Former OUS calculation, if applied to FY2016 = \$4,202,000

- Only looked at balances starting at the end of the first year, not total charges.
- Viewed all charges older than 3 years as being fully uncollectable.
- Didn't factor in the recovery of charges previously written-off.

Review of New Budget Forecasting Model

Improving the Pro Forma Model

- Current Model
 - Projects enrollment revenue based upon flat or assumed projections of enrollment and expected increases in tuition rates
 - Projects labor costs based on specific known changes or assumptions such as OPE/salary rates
 - S&S and other costs are more static with only intentional changes reflected
- All are fairly imprecise in the ability to differentiate the subtleties in cost drivers such as enrollment or labor mix which can create less accurate projections.

Improving the Pro Forma Model (cont.)

- Enhanced Model
 - Project enrollment revenue based upon enrollment by fee category (program, residency) and estimated tuition rates
 - Derive faculty and staffing needs from student enrollment projections
 - Derive personnel costs from projected faculty & staff headcount, average salary trends and anticipated changes in salary/OPE rates
 - Identify fixed and incremental S&S costs and identify appropriate basis for the latter (enrollment, staffing etc.)
 - Refine state funding contribution based upon projections of resident enrollment and outcome trends
 - An interactive tool for evaluating the fiscal impact of fundamental drivers such as enrollment mix and class sizes

Roll Out Process

- As we build the new Proforma, we will present a new element each month – outlining:
 - Data driven baseline for the model
 - Where possible, utilize one single data source, consistent throughout campus
 - “What If” drivers built into the model
 - Goal is the ability to demonstrate which drivers and at what degree of change is necessary to move the needle on the model
- Not only a deeper dive into the complexities of the University finances, but a more accurate model built upon those complexities.

Elements

- Revenue:
 - Tuition Revenue – enrollment driven, forecast based on recruitment, retention, and progression metrics, tuition rates, and enrollment mix
 - State Aid – outcome driven, forecast based on enrollment, student success, special point categories, state funding levels, and competing institution movement.
 - Other Revenue – Can appear to be disconnected to key focus areas such as enrollment, will seek to find correlations that can consistently improve projections

Elements (cont.)

- Labor
 - Not fully a fixed cost, not fully a variable cost
 - Different drivers between Faculty, Administrator, and Staff.
 - OPE (Other Personnel Expense) rates driven by rates outside our control AND how we source labor to meet Academic, Student, and Institutional support programs.

Elements (cont.)

- Supplies and Services
 - Variable vs. Fixed portions
 - When is enrollment the primary driver
 - When is staffing the primary driver
- Capital Purchases, Equipment, etc.
- Transfers
 - Relationship between Education and General and Auxiliary
 - How that relationship translates into transfers in and out.



Southern Oregon University Budgeted Operations Pro Forma

	2011-13 Biennium		2013-15 Biennium		2015-17 Biennium		2017-19 Biennium		2019-21 Biennium		
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20	2020-21
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST
(in thousands of dollars)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
Budgeted Operations											
State Appropriations	12,642	13,195	13,762	17,065	20,263	20,639	20,639	20,871	21,464	21,706	22,323
State ETIC/SELP:					434	415	415	415	415	415	415
One-time Funding						469	469				
Tuition, net of Remissions	32,837	33,526	33,278	33,043	34,736	35,614	35,614	36,683	37,783	38,917	40,084
Other	1,156	1,151	1,098	1,155	2,105	1,866	1,100	1,919	1,197	1,071	2,094
Total Revenues	47,592	48,572	48,038	51,133	57,065	58,994	58,638	59,889	61,869	62,774	64,916
Personnel Services	(42,343)	(42,500)	(43,948)	(42,953)	(44,562)	(48,211)	(46,211)	(51,586)	(53,649)	(55,795)	(58,027)
Vacancy Adj.						1,373	1,373	1,393	1,449	1,507	1,567
Net Personnel	(42,343)	(42,360)	(43,948)	(42,953)	(44,562)	(46,838)	(46,838)	(50,193)	(52,200)	(54,288)	(56,460)
Supplies & Services	(6,809)	(9,388)	(7,229)	(8,054)	(9,271)	(8,535)	(8,535)	(8,706)	(8,880)	(9,057)	(9,238)
Program Investment						(582)	(582)	(250)	(250)	(250)	(250)
Total Expenditures	(49,152)	(51,748)	(51,177)	(51,007)	(53,833)	(55,955)	(55,955)	(59,148)	(61,330)	(63,596)	(65,948)
Net from Operations	(2,016)	(3,176)	(1,129)	1,016	4,232	3,043	3,043	737	306	(525)	(1,032)
Net Transfers	(166)	328	1,855	1,998	(2,103)	(1,846)	(1,846)	(1,901)	(1,958)	(2,017)	(2,078)
Change in Fund Balance	(2,182)	(2,848)	726	3,014	2,129	1,196	1,196	(1,164)	(1,652)	(2,542)	(3,110)
Beginning Fund Balance	5,751	3,569	1,019	1,745	4,759	6,888	6,888	8,084	6,920	5,268	2,727
Ending Fund Balance	3,569	1,019	1,745	4,759	6,888	8,084	8,084	6,920	5,268	2,727	(383)
% Operating Revenues	7.6%	2.1%	3.5%	9.1%	11.9%	13.7%	13.7%	11.6%	8.5%	4.3%	-0.6%
Retrenchment Plan			1.9%	7.6%	7.8%	10.2%	10.2%	11.0%			

Desired End State

- Data driven model that can better inform strategic and big picture decision making
- Interactive tool that campus constituents can run “versions” of to see how changes in specific factors impact the projected financial stability and what it might take to make those changes
- A key element of the broader communication, engagement, and transparency of decision making strategy across the campus

Endowment Investment Policy Update

Investment Policy, SOU Endowment Fund

POLICY PROVISIONS

Policy Statements

1. Introduction

This statement governs the investment of the Southern Oregon University Endowment Fund (the "Fund").

This statement is set forth in order that the Board, the Investment Advisor, its investment managers and others entitled to such information may be made aware of the Policy of the Fund with regard to the investment of its assets.

This statement of investment policy sets forth the following:

- A. There will be a clear understanding by the Board, the Investment Advisor and staff of the investment goals and objectives of the portfolio.
- B. The Board and management have a basis for evaluation of the investment managers.
- C. The investment managers be given guidance and limitation on investing the funds.

It is intended the objectives in this policy to be sufficiently specific to be meaningful, but flexible enough to be practical. It is expected that the policy and objectives will be amended as necessary to reflect the changing needs of the endowment; however, all modifications shall be made in writing and approved by the Board.

2. Southern Oregon University Endowment Fund

The Fund is permanent and expected to operate in perpetuity, so these funds will be invested long-term. It is important to follow coordinated policies regarding spending and investments to protect the principal of the Fund and produce a reasonable total return.

3. Responsibility of the Board

The role of the Board is to recommend broad investment goals to the Investment Advisor, including spending rate information and to provide input into the asset allocation process.

4. Investment Advisor Responsibility

The Investment Advisor, and/or a designee, serves as consultant to the Board and will have the responsibility and authority to establish the asset allocation for the Fund and approve the retention and termination of all investment managers. The Investment Advisor, and/or a designee, will recommend to the Board a specific asset mix reflecting judgments of the investment environment as well as the specific needs of the Fund. Other duties assigned to the Investment Advisor, and/or a designee, include:

- A. Recommending professional investment managers;
- B. Negotiating and/or monitoring Fund investment expenses;
- C. Monitoring investment managers, on an ongoing basis;
- D. Assuring proper custody of the investments; and
- E. Reporting to the Board, on a quarterly basis, the Fund's investment results, its composition and any other information the Board may request.

5. Spending Policy

The amount of endowment return available for spending (distribution) is based on a percentage of the average unit market value of the 20 quarters preceding the current fiscal year. The distribution per unit (under Exhibit A) is determined by the Board. The distribution amount per unit is multiplied by the current number of units and any additional units added during the current year as new endowment money comes into the Fund. This shall be exclusive of investment management fees.

6. Investment Policy Guidelines

A. Asset Allocation

The most important component of an investment strategy is the allocation among the various classes of securities available to the Fund. The Investment Advisor, in consultation with the Board, will establish the target asset allocation for the investments that will mostly likely achieve the investment goals of the Fund, taking into consideration the appropriate level of portfolio risk.

The risk/return profile shall be maintained by establishing the following long-term "target" strategic asset allocations:

<u>Asset Class</u>	<u>Policy</u>	<u>Target</u>	<u>Benchmark</u>
Global Equities	70-80%	75%	MSCI ACWI IMI Net
Fixed Income	20-30%	25%	Barclays Aggregate
Cash	0-3%	0%	91 Day T-Bill

B. Investment Time Horizon

In making investment strategy decisions for the Fund, the focus shall be on a long-term investment time horizon that encompasses a complete business cycle (usually three to five years). An interim evaluation will be performed by the Investment Advisor, and/or a designee, if a significant change in fees, manager personnel, investment strategy or manager ownership occurs.

While the quantitative assessment of managerial competence will be measured over a complete market cycle, the Board anticipates that the Investment Advisor will make period qualitative assessments as well. Specific qualitative factors considered by the Investment Advisor may include, but are not limited to, fundamental changes in the manager's investment philosophy, changes in the manager's organizational structure, financial condition and personnel, and any changes, relative to peers, in a manager's fee structure.

7. Prudence and Ethical Standards

A. Prudence

All participants in the investment process shall act responsibly. The standard of prudence to be applied by the Board, the Investment Advisor, selected designees, SOU staff and external service providers shall be the "prudent investor" rule, which states: "Investments shall be invested and the investments managed as a prudent investor would do, under the circumstances then prevailing and in light of the purposes, terms, distribution requirements and laws governing each investment fund."

B. Ethics and Conflicts of Interest

Board members, Investment Advisory staff, selected designees, SOU staff and external service providers involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions. These parties are required to reveal all relationships that could create or appear to create a conflict of interest in their unbiased involvement in the investment process.

8. Investment Objectives

The investment objective of the Fund is to seek consistency of investment return with emphasis on capital appreciation over long periods of time, since the Fund will operate in perpetuity. In keeping with the performance goals included in the Policy, achievement of this objective shall be done in a manner that, over a long-term planning horizon, will meet the spending rate established by the Board (under Exhibit A) and maintain the purchasing power of the principal.

9. Manager(s) Responsibilities

- A. Legal Compliance - The investment manager(s) is (are) responsible for strict compliance with the provisions of their investment management agreement.
- B. Authority of Investment Manager(s) in the Managed Accounts - Subject to the terms and conditions of this Policy and the investment management agreement, manager(s) shall have full discretionary authority to direct investments of assets in the managed accounts. The Investment Advisor, and/or a designee, will recommend changes to this Policy when the advisor(s) views any part of this Policy to be inconsistent with overall market, economic conditions, or investment policies.

The Investment Advisor directs all managers to vote proxies and to vote them in the best economic interest of the Fund. When requested, managers will report to the Investment Advisor regarding how proxies were voted.

Meetings between Fund managers and the Investment Advisor will occur consistent with the policies established for the Investment Advisor's other managers, to discuss items including, but not limited to, the manager's performance, outlook, and investment decision process.

10. Reporting Requirements

Investment results will be regularly monitored by the Investment Advisor, selected designees and Board staff.

A representative of the Investment Advisor, and/or a designee, shall report investment results, or other information, to the Board no less frequently than annually, if requested. Any material non-compliance with the Investment Policy, Guidelines and Objectives of the Fund or with the investment management agreement will be reported to the Board immediately.

11. Investment Guidelines

- A. Cash: The Fund shall maintain minimal cash, consistent with short-term requirements. Short term cash will be invested in a liquid cash equivalent investment.
- B. Fixed Income: Fixed-income securities, for purposes of these guidelines, shall mean mortgage-backed securities, U.S. government securities, investment-grade domestic or global corporate bonds, and other fixed income securities, such as certificates of deposit and commercial paper. The objective of this component of the Fund is to preserve capital in keeping with prudent levels of risk, through a combination of income and capital appreciation. Realization of income will be subordinate to safety, liquidity, and marketability (i.e., securities should be readily marketable). This component of the Fund shall adhere to the following criteria:
 - 1. Average portfolio credit quality shall be A or better;

2. With the exception of U.S. Government and Agency issues, no more than 10 percent of the bond portfolio, at market value, will be invested in the securities of a single issuer or 5 percent of the individual issue;
3. Below investment grade bonds shall not exceed 15 percent of the bond portfolio; and
4. Non-U.S. bonds shall not exceed 20 percent of the bond portfolio.

Fixed-income managers have full discretion over the allocation between long-term, intermediate, and cash equivalent investments.

C. Equities

1. **Objective:** The objective of the equity portfolio is to enhance total return by investing in a broadly diversified portfolio of domestic and international stocks.
2. **Strategy:** Hold a fully invested, diversified portfolio of global equity securities, including emerging markets.
3. **Permitted Holdings:** Publicly traded domestic and international common stock, and other financial instruments consistent with the guidelines of the investment management agreements.
4. **Diversification:** The Investment Advisor shall recognize the need for diversification to minimize the risk of significant losses to the Fund. Diversification by capitalization, style, and sector distribution shall be obtained through the selection of complementary investment managers, or index strategies. Not more than 5 percent of the market value of any investment fund will be invested in any single issuer or security, unless part of an index fund.
5. **Portfolio Restrictions:** There will be no engagement in short sales, purchases on margin, or investments in options, futures, or private placements unless consistent with the underlying investment management agreements.

D. Performance

Performance expectations for each of the asset classes are described in Exhibit A.

12. Asset Custody and Securities Lending

Custodial responsibility for all securities is to be determined by the Board or its designee(s).

13. Conclusion

Implementation of this Policy, including investment manager selection, shall be the

responsibility of the Investment Advisor, subject to the necessary approvals from the Board.

This Policy shall be reviewed by the Board at least every two years.

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EXHIBIT A

Spending Policy

The distribution rate for the Fund is up to 4 percent of the five-year moving average unit market value.

Performance Monitoring

Global equities are expected to match the performance of the passive benchmark assigned.

Fixed income accounts are expected to exceed the return of the Barclays Capital Aggregate Bond Index by 0.5 percent (after fees) over a market cycle for core bond investments.

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**SOU ENDOWMENT FUND
ANNUAL EARN RATE FY16**

1.2297

ANNUAL EARN RATE FY16

1.2684

CHT	NAME	FY15 DISTRIBUTION	ENDING FY15 UNITS	EQUITY FUND EQTY FND	Jun Unit Value		SEPARATELY INVESTED ENDOWMENTS	ANNUAL EARNINGS DISTRIBUTION
					BOOK VALUE	MARKET VALUE		
F	Mills, Victor Trust Fund	751.53	648.090	607101	5,053.94	21,951.37		822.04
F	Dr Reuben Fogelson Endowment	5,951.45	5,132.330	607102	150,000.00	173,836.49		6,509.85
F	Bartlett Memorial Scholarship Endowment	4,671.20	4,028.286	607103	100,000.00	136,441.56		5,109.48
F	Leon C Mulling Scholarship Endowment	20,392.70	17,585.982	607104	519,030.25	595,652.50		22,306.06
F	Leon C Mulling Scholarship Endowment	20,392.70	17,585.982	607104	519,030.25	595,652.50		22,306.06
	TOTAL TRUE ENDOWMENTS	72,552.28	62,566.651		1,812,144.69	2,119,186.92		79,359.55
F	Birge Trust Fund	575.26	510.748	617010	8,170.00	17,299.47		647.83
	TOTAL QUASI-ENDOWMENTS	575.26	510.748		8,170.00	17,299.47		647.83
	TOTAL COMBINED ENDOWMENTS SOU	73,127.54	63,077.399		1,820,314.69	2,136,486.39		80,007.38

Future Meetings

Adjourn