Southern OREGON UNIVERSITY

2023 ANNUAL

FINANCIAL REPORT

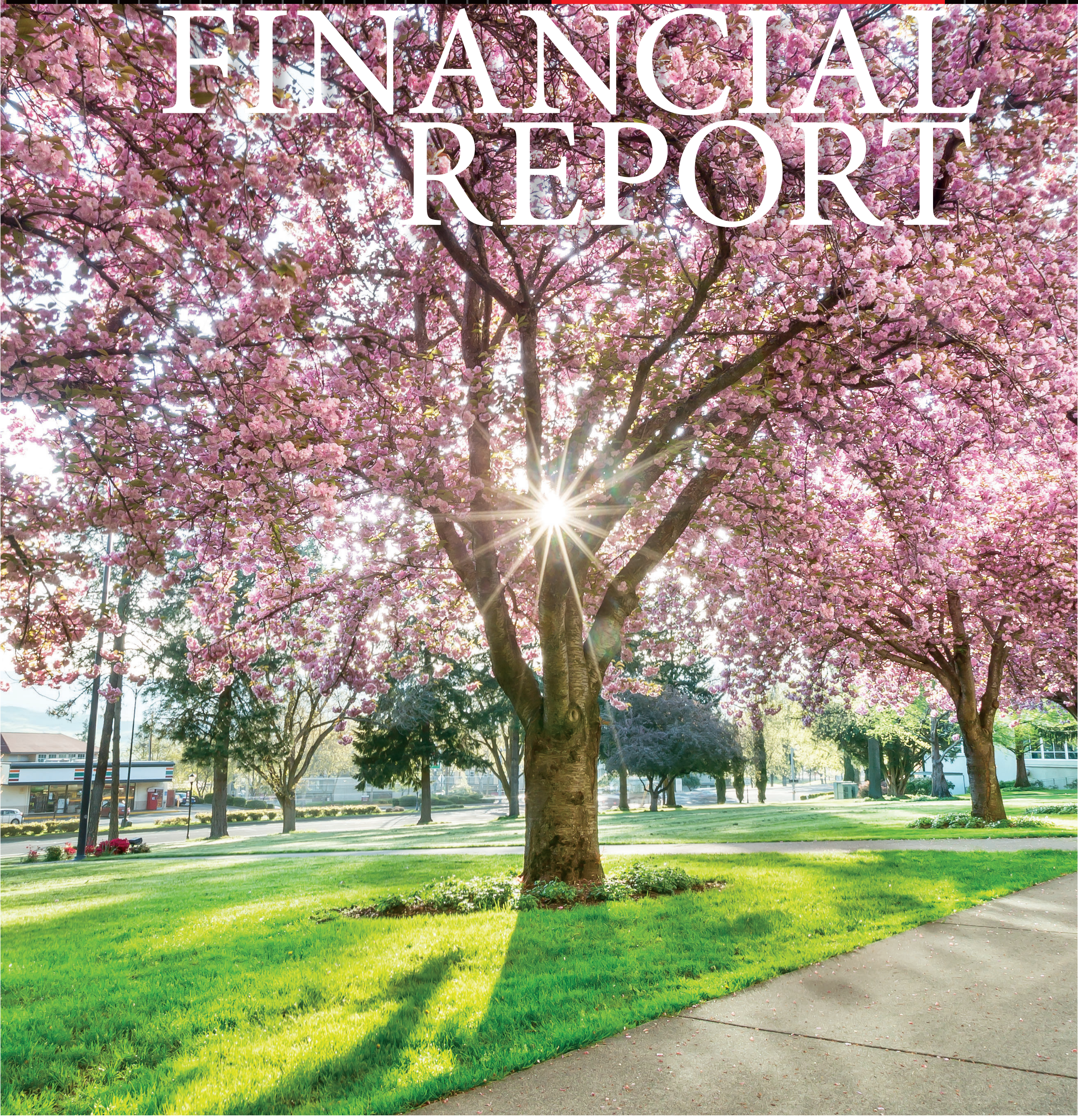


Table of Contents

Southern Oregon University Board of Trustees

Southern Oregon University Executive Officers as of June 30, 2023

Dr. Richard Bailey, Jr.
President

Greg Perkinson
Vice President for Finance and Administration

Dr. Susan Walsh
Provost & Vice President for Academic Affairs

Dr. Neil Woolf
Vice President for Enrollment Management and Student Affairs

Janet Fratella
Vice President for University Advancement and Executive Director, SOU Foundation

Toya Cooper
Vice President for Equity, Diversity, and Inclusion

Southern Oregon University has been focused over the past 12 months on managing a whirlwind of budget realization, ambitious restructuring, determined planning and collaborative accomplishment. My first several months after becoming SOU's president in January 2022 were largely spent assessing the University's challenges and identifying opportunities to stabilize operations. Beginning about this time a year ago, my leadership team and partners across campus shifted to a proactive mode that led to the SOU Board of Trustees' adoption in April of the SOU Forward fiscal realignment plan.

SOU Forward is a four-plank plan that began with a comprehensive cost management phase and also includes three revenue-generation planks: reimagining how we support faculty and programs that seek funding from external granting agencies and organizations; leveraging an ongoing surge in philanthropic support for SOU; and diversifying revenue through entrepreneurial opportunities that include (among other ideas) solar power generation and creation of a senior living facility.

Our fresh, comprehensive look at SOU's financial situation – and how best to lift and stabilize its trajectory – was prompted by the combination of an unsustainable revenue base and a challenging environment for enrollment.

SOU's traditional fiscal model – like those of most public universities across the country – had significant structural flaws. It relied almost entirely on an out-of-balance mix of state appropriations and tuition revenue to pay for most operations. The proportion of those two funding sources has flipped in recent decades for all of Oregon's seven public universities – what used to be about a two-thirds share from the state and one-third from tuition is now the exact opposite.

The flaws of that equation were exacerbated by an enrollment picture that had become skewed by factors including the COVID-19 pandemic, improved home-state options for our once-reliable pipeline of California students, changing assumptions about the value of higher education and a long-anticipated national decline in the traditional, college-age demographic.

SOU suffered a double-digit percentage decline in enrollment during the pandemic years, but saw small increases in headcount for both the 2021-22 and 2022-23 academic years. Our fall 2023 projections anticipate even more cause for optimism, in particular due to strong growth among new incoming students. Our latest report suggests a slight year-over-year increase in overall headcount, and a first-year incoming class that will be the highest in the last five years.

Much of the credit for enrollment gains among incoming students goes to SOU's reimagining of enrollment that invested in tools and services that modernized our efforts (e.g. new CR and our partnership with Ruffalo Noel Levitz to increase our prospective student pool and recruitment marketing). Additionally, SOU launched a groundbreaking initiative to establish intergovernmental agreements with several school districts across the state of Oregon. The districts share their students' basic directory information with SOU, which promotes college attendance and provides timely enrollment guidance, improving college access – especially among traditionally underserved students.

Despite the encouraging trend among new students, SOU's overall student credit hours (SCH) – the total number of course credits that our students took in 2022-23 – decreased by -0.5 percent, and net tuition and fees received was down by -1.52 percent. That net decline in tuition and fees – SOU's largest revenue source – was primarily driven by losses in high-dollar-value SCH categories coupled with increases in remissions. Unfortunately, gains in low-dollar-value tuition areas such as the Advanced Southern Credit, a dual-credit program for high school students, were not enough to make up for those losses.

Overall, SOU's flawed fiscal structure and the combination of factors affecting enrollment resulted in a $3.6 million deficit for the fiscal year that began July 1, and another $9 million in ongoing shortfalls. A review and analysis of every program on campus took place throughout fall and winter of the 2022-23 academic year, resulting in cost management measures that were adopted in April by the SOU Board of Trustees. Those measures resolved both the immediate and recurring deficits, correcting structural flaws in SOU's financial model that otherwise would have brought a projected $13 million-plus deficit by the 2026-27 fiscal year.

The cost management measures, many of which have already been implemented, will ultimately reduce the SOU workforce by the equivalent of almost 82 full-time positions – about 24 of them resulting in then-current employees losing their jobs. The remaining reductions are being accomplished through a combination of job vacancies, retirements, voluntary departures and non-renewable contracts. The University has worked closely with the 24 employees whose positions were eliminated, to help them identify other opportunities.

The staffing reductions touch SOU's three employee groups almost equally, with 27 faculty positions, 30 classified positions and 25 unclassified positions affected. The timing of reductions varies, with many already implemented and most of the remainder being achieved by June 2024 or soon thereafter.

The realignment process was built on transparency and collaboration, with input from SOU's shared governance partners – the Associated Students of SOU, Faculty Senate and Staff Assembly – and the unions representing both faculty and classified employees. With each decision, efforts were made to maintain academic excellence and student experiences.

The dual bottom lines going forward at SOU are that the institution's revenue must always be equal to or greater than its expenses – and that the University absolutely cannot default to large tuition increases to patch budget gaps. SOU's new budget model, outlined in the SOU Forward plan, is built on those bedrock principles. With the cost management portion mapped out, the plan's remaining planks emphasize a turn toward alternative revenue sources to supplement state support and tuition proceeds.

Grants and sponsored programs

Many funding opportunities are available in a variety of forms from the state and federal governments, foundations and other private entities. University Advancement's Office of Sponsored Programs is gearing up to expand and support the University's capacity to help both faculty and staff members garner funding for research, academic and student support programs, and our longer-term goals such as energy independence.

Philanthropy

SOU has achieved a series of fundraising records in recent years, and the University is now in position to continue its dynamic growth. The two single largest philanthropic gifts in the University's 150-year history were made in the past year and a half, and they cap a 125 percent increase in giving over five years. The University is in its inaugural comprehensive fundraising campaign, and donors are primed to support university goals and aspirations. The entire campus community must move forward together to help SOU achieve its fundraising priorities and bring new donors into the Raider family.

Revenue diversification

Legislative and political leaders throughout the state – and media outlets both statewide and nationally – have taken notice of SOU's efforts to diversify its revenue streams by exploring a variety of entrepreneurial projects. SOU is taking bold steps to manage its current reality and plan for the future, with several ventures already being explored, planned or implemented.

- **Solar power:** SOU is moving rapidly to assemble a coalition of individuals and organizations who will help the University to become the country's first to produce all of its own daytime electricity on its campus in Ashland. The University has received a total of $4 million in state grants and federal appropriations in just over a year to help pay for its current phase of solar expansion. A $1.56 million contract was signed in September for installation of new solar arrays and a battery storage facility, with construction scheduled for this winter. Another project that is expected to begin soon will add the first of several solar arrays planned for parking lot structures around campus. Those projects, combined with SOU's nine existing solar arrays, will bring the University's overall generating capacity to 17 percent of its current electrical usage. SOU anticipates generating 100 percent of its own electricity by 2033, eliminating at least $750,000 per year in utility costs.
- **Senior living:** SOU has already been awarded state funding to raze its outdated and largely unused Cascade Housing Complex, and university leaders have begun the process to engage potential private partners for development of a senior living facility in its place. The goal is to create a living community that creates a unique synergy between the center's residents, SOU students, OLLI at SOU and the university. A list of seniors who are interested in moving into the facility has already been generated.
- **University Business District:** The proposed University Business District, to be anchored by a mixed-use building on SOU property at the corner of Walker Avenue and Ashland Street, has the potential to ease a housing shortage in Ashland. It will also be designed to support SOU students by bringing in businesses that cater to their needs. Discussions are underway with potential partners and civic leaders.
- **Workday training center:** SOU is a year into its transition to Workday, with plans to soon begin implementation of the core information system's initial components. The change will bring students streamlined registration options, an adaptable academic planner, and an integrated and effective mobile app, while employees will juggle fewer systems and see modernized and automated workflows, improved analytics and better security. It will save the University more than $700,000 in recurring costs each year, likely for decades to come. The University's Information Technology staff are learning from vendors, with the intention of becoming proficient in the transition process and ultimately sharing their expertise with other organizations migrating to the platform. It is expected that many of Oregon's public colleges and universities will implement new core information systems in the coming years.

SOU's financial reset will be game-changing for students, the University, the community and the State of Oregon. The University is positioning itself to grow and evolve to address challenges and meet the changing needs of all who benefit from its services. It will continue to be guided by its commitment to academic access, opportunity and hope for students throughout Oregon, the West Coast and beyond.

Very Respectfully,

Richard J. Bailey, Jr., Ph.D.

President, Southern Oregon University

Capital Projects Update

Central Hall Renovation - $11M project

The Central Hall renovation will include seismic, mechanical, plumbing, electrical, life-safety, ADA and building envelope improvements to a 42,000 square foot, 3-story, 1950's building. The State allocated $6M for the project and requests for additional funding were not successful. SOU is pursuing a phased approach to the project. Phase 1 will include the infrastructure work (seismic, mechanical, electrical plumbing, life-safety) and the finishes for one of the three floors. Phase 1 Construction Documents are approximately 90% complete. Abatement and demolition work is currently scheduled to start in Sept 2022, with Phase 1 completion planned for Sept 2023. Phase 2 is expected to be completed in April 2024. Phase 3 which includes the interior finishes of 2 of the unfinished floors will be funded from SOU's capital repair funds and also expect to be completed in 2024.

Cascade Demolition - $3.5M project

The State awarded $3.5M to demolish Cascade in March 2022. PBS Environmental surveyed and completed the testing for hazardous materials. The Cascade complex is currently being vacated and remaining programs will be relocated by summer 2024. Our current estimate is for hazardous materials abatement scheduled to start in 2024 with demolition to be completed in 2025.

Solar PV System at Lithia Pavilion and Hawk Dining - $1.6M project

The design and planning work have started for a 242 kW grid- tied rooftop photovoltaic solar at Lithia Pavilion and a 152 kW grid-tied rooftop PV solar with battery storage at the Hawk Dining. The project is funded by Oregon Department of Energy (ODOE) renewable energy grant, Federal CDS funding and Student Green Tag Fee fund. The project is expected to be completed in September 2024.

Southern Oregon University

Philanthropic contributions in FY 2022-23 hit an all-time high for SOU. Gifts and pledges totaled $15.4 million and included the single largest gift in the University's history. Gifts to the University support an array of academic programs, student scholarships, faculty research and teaching, intercollegiate athletics, and cocurricular activities.

Highlights of the year in philanthropy include:

- A commitment from Lithia & Driveway will span ten years and be guided by the Lithia & GreenCars Momentum Fund, which focuses on fueling projects and programs that bolster sustainability and broaden the University's diversity efforts. The gift creates an Institute for Applied Sustainability focused on sustainability initiatives, both locally and nationally. A LAD Scholar and Leadership Program provides support to recruit and retain students from diverse backgrounds, and an innovation fund provides flexible resources to seize opportunities when they arise. The final piece is in-kind support to help SOU electrify the campus by providing electric vehicles for its fleet and installing charging stations across campus.
- More than 2,600 donors prioritized SOU in their charitable giving, adding measurably to the University's commitment to build an innovative and vital public university.
- The annual Lithia/Raider Golf Tournament raised a record $610,000 for student athletics and the athletic programs. The tournament is among the nation's largest charity golf tournaments of its kind.
- Funds invested by the SOU Foundation continue to grow and provide needed resources for the University. The market value of the endowment and other funds invested by the foundation totaled 40.5 million at the end of June 2023.
- The SOU Foundation distributed nearly $5 million to SOU, with more than $1.4 million of that total in the form of scholarship support. Donors continue to see scholarships as a critical way to help students succeed and have prioritized gifts to support them.
- All active members of the University's three volunteer leadership boards made a philanthropic contribution, demonstrating the commitment that each member has to the future of the University. Members on the SOU Governing Board of Trustees, SOU Foundation Board of Trustees, and SOU Alumni Association Board of Directors represent 75 individuals who dedicate their time and personal resources to SOU.

- The SOU School of Business received its 10-year reaccreditation in June from the Accrediting Council for Business Schools and Programs (ACBSP).
- The Early Childhood Development program at SOU was awarded a $1.75 million grant in June from the Oregon Department of Education's Early Learning Division to lead and expand a collaborative effort to provide education and support for early-learning professionals in the region.
- SOU economist Travis Campbell is the lead author of a collaborative research paper that suggests providing gender-affirming care to transgender youth reduces their risk for suicide attempts. The paper, "Hormone Therapy, Suicidal Risk and Transgender Youth in the United States," was published in the May edition of the American Economic Association's Papers and Proceedings.
- SOU criminology and criminal justice professor Alison Burke attended a United Nations conference in Vienna, Austria, in May to present her research on restorative justice to an international panel on crime prevention and criminal justice.
- SOU continued to leverage state and federal support for renewable energy projects, with the Oregon Department of Energy announcing in May that the University would be awarded a $1 million grant for the second straight year to build solar arrays on campus.
- The Native American Studies (NAS) program and the SOU Laboratory of Anthropology (SOULA) created a competitive fellowship that promotes collaboration between the two programs and recognizes the research and learning that spans both. This year's inaugural fellowship – which is funded by SOULA – was awarded to SOU undergraduates Kayla Dumore and Charlie Zimmermann, and supports their work with the Shasta Takelma Learning Garden project.
- SOU was selected by the Institute of International Education (IIE) to receive an IIE American Passport Project grant to pay for as many as 25 SOU students to obtain U.S. passports. IIE's American Passport Project is a key initiative under the institute's Center for Access and Equity, and demonstrates the organization's commitment to create more equitable access to study abroad opportunities. The program prioritizes first-year students receiving PELL grants – for whom this may be their first passport – in order to remove a barrier to future study abroad participation.
- The University surveyed members of the campus community regarding SOU's expansion of electric vehicle (EV) charging infrastructure. The University is increasing its EV charging capacity and wanted to hear from students, faculty, staff and community members about where and how they would like to see the charging stations located. The survey asked respondents about their EV ownership, charging habits and preferences for EV charging locations, and was open to everyone, regardless of whether they own an EV.
- The University hosted its fifth annual Creativity Conference at SOU in May, drawing many of the world's top scholars, researchers and practitioners in the field of creativity – including seven keynote speakers and an overall lineup of 123 presenters. The conference provides cutting-edge information and resources for those who are interested in learning more about the science and application of creativity research.
- SOU hosted two professors and nine business students in May from Universidad de Guanajuato, as the two longtime sister campuses continued their Global Innovation Scholars program – a collaboration on multicultural business development that was initiated through the U.S. Department of State. The nine Guanajuato students, along with 10 SOU students who visited Guanajuato in April, worked on development plans for three Rogue Valley businesses or organizations – Ride My Road, Mt. Ashland, and the Ashland Climate Collaborative. The 19 combined students in this year's exchange program spent the week in Ashland researching and analyzing the businesses, then offered their suggested development plans to the business owners.
- The SOU Board of Trustees voted unanimously in April to adopt the SOU Forward fiscal realignment plan – a four-plank strategy that balances expenses with revenue and then prepares the University for strategic growth by diversifying its sources of revenue. The board focused primarily on the plan's first plank – immediate cost management – while the three planks or elements that are centered on revenue generation will unfold over the next several years.
- SOU was recognized as a Tree Campus USA for the eighth consecutive year. Tree Campus USA, an Arbor Day Foundation program started in 2008, honors higher education institutions and their leaders for promoting healthy trees and engaging students and staff in the spirit of conservation.
- The City of Ashland and SOU partnered in April with Forth, a Portland-based nonprofit whose mission is to electrify transportation, to bring electric vehicle carshare to Ashland. The collaborative effort started with one electric vehicle in Ashland, to be located in an SOU parking lot next to The Hawk Dining Commons and Lithia Motors Pavilion. The electric carshare project is part of a new pilot program called GoForth.
- The Oregon Legislature recognized the 150th anniversary of Southern Oregon University, moving in April to adopt a resolution that applauds and congratulates the University for its ongoing "service, leadership and contributions to the State of Oregon." The legislation – House Concurrent Resolution 1 – was signed by Oregon Senate President Rob Wagner in an event attended by SOU President Rick Bailey and SOU Board of Trustees Chair Danny Santos.

- Nicole Waehner, who earned her bachelor's degree in business with a concentration in tourism management in June 2022 from SOU, was awarded the Rising Star Award at April's Oregon Governor's Conference on Tourism in Portland. The Rising Star Award recognizes an individual who is new to the tourism industry within the past five years and has shown leadership, commitment and a passion for Oregon tourism.
- SOU's new Institute for Applied Sustainability teamed with Travel Southern Oregon and its statewide counterpart, Travel Oregon, to host a sustainable tourism training seminar in Portland for travel industry professionals. The April session was an opportunity for SOU to build its reputation as a respected and influential resource in Oregon for those interested in sustainable tourism. Participants became the first cohort of SOU's Sustainable Tourism Practitioner Training program as they learned about the future of sustainable tourism through a day-long schedule of interactive lectures, and local and international case studies.
- SOU's Creative Arts program and Schneider Museum of Art entered into a new partnership in February with the prestigious Yale University School of Art. The agreement marks the first time the Yale School of Art has entered into a partnership with a public institution. Yale alumni and graduating master of fine arts students can apply for season-long residencies with teaching opportunities at the Schneider Museum of Art.
- SOU took a bold step toward sustainability in February by joining the Better Climate Challenge – a public-private partnership, led by the U.S. Department of Energy, to encourage organizations to decarbonize and reduce greenhouse gas emissions. The University committed to reducing its greenhouse gas emissions by 50% within the next 10 years and decreasing its energy intensity by 25%. The reductions will be measured from a 2018 baseline.
- The University began winter term in January with a new partnership to provide real-time, 24-hour-per-day access to professional counselors

who can support students through anything from mental health crises to everyday concerns. The University joined a growing list of educational institutions to work with the human resources firm LifeWorks to offer counseling and other resources through the company's My Student Support Program (My SSP).

- SOU and the Universidad Católica del Uruguay (Catholic University of Uraguay) in Montevideo launched a new student exchange partnership in January that is SOU's first such arrangement in South America and the Southern Hemisphere. Bilateral exchange programs, like the one developed between SOU and UCU, function as affordable study-abroad opportunities for participants. Exchange students pay their usual tuition and fee rates at their home university, while spending a semester or year abroad at the partner institution.
- SOU received a $2 million appropriation to support its transition to solar power and energy independence, a result of a federal appropriations bill hammered out through months of negotiations and approved by Congress in December 2022. The allocation will be used to partially fund the University's multi-year solar transition.
- The University received a one-time, $338,000 grant from the Oregon Higher Education Coordinating Commission in December to expand opportunities for students to receive academic credit for knowledge and skills gained through life experiences such as work or military service. SOU's Credit for Prior Learning program, initiated in 2015 as an option in the University's bachelor's degree program in Innovation and Leadership, was expanded campus-wide by the grant.
- SOU received the Oregon Department of Administrative Services' Gold Star Award in December for the 2021 fiscal year – at least the fifth consecutive year the University received the state's top financial reporting honor under former Director of Business Services, Steve Larvick, who retired from that position in June 2022.
- The Hawk dining commons at SOU began a new program in November to collect and compost scraps generated in the preparation of student meals. The composted "pre-consumer" waste is used to enrich soil at The Farm at SOU – and grow more produce for the dining commons.
- SOU's pathway programs that introduce local Latino/a/x students to the promise of higher education received funding in November that allows them to rebuild toward pre-pandemic numbers and achievement rates. The highly successful Pirates to Raiders program in the Phoenix-Talent School District and the Bulldogs and Hornets to Raiders programs in the Medford School District will be boosted by a $250,000 grant from the Oregon Department of Education's Latino/a/x & Indigenous Student Success program.
- SOU 's Communication, Media & Cinema program was one of 16 higher education programs accepted in November for new membership into the Green Film School Alliance – a collaboration of leading film schools that have committed to industry-level sustainable production practices in their programs. The organization's membership now includes colleges and universities in seven states, four countries and three continents – with 10 of them also appearing on the Hollywood Reporter's Top 25 Film School list for 2022.
- Retired professor and Cherokee Nation member Helen Redbird-Smith, Ph.D.; current small college president Cynthia Pemberton, Ed.D.; U.S. Air Force Col. Todd Hofford, who commands Oregon's Air National Guard fighter wing; and Master Sgt. Carl Green, an Alaskan who has gone from wrestler to civil rights leader, were honored in November 2022 as SOU's annual Distinguished Alumni Award winners.
- SOU was awarded a $1 million grant from the Oregon Department of Energy in October 2022 to expand solar power production on campus, in the next step toward its ambitious goal of becoming the first college or university in the U.S. to generate 100 percent of the electricity used on campus.
- Dragonfly's Garden, located in SOU's community garden and a project of the Native American Studies Program, was awarded a $3,000 grant from Banyan Botanicals – a product and lifestyle company that focuses on the Ayurvedic alternative medicine system that is common in India and Nepal.
- The annual Indigenous Peoples Day celebration at SOU returned as an in-person event in October 2022. Indigenous Peoples Day amplifies Indigenous voices and celebrates the historic, cultural and contemporary presence of Indigenous peoples and Tribal Nations, who have persevered in the protection of Indigenous rights and cultural sovereignty, and continue to make significant contributions to the world.
- Liz Shelby, who retired from SOU after serving as director of government relations and chief of staff, and lobbyist and government relations consultant Iris Maria Chávez were both appointed by Gov. Kate Brown and confirmed in September 2022 by the Oregon Senate to serve on the University's Board of Trustees.
- SOU – the nation's first Bee Campus USA – was recognized with that distinction for the ninth consecutive year. Bee City USA and Bee Campus USA are initiatives of the Xerces Society for Invertebrate Conservation.
- SOU and Medford-based Lithia Motors announced in September 2022 a philanthropic partnership that will serve as the bedrock of future innovations at SOU. Lithia's commitment exceeds $12 million and is the largest-ever single gift to the University. The contributions from Lithia Motors created the Lithia & GreenCars Momentum Fund, which will be used "to propel the University forward by investing in people and programs to implement the University's and the company's shared vision of sustainability and diversity."
- SOU's nationally-accredited Department of Chemistry was awarded a prestigious, $450,000 grant from the National Science Foundation. The NSF funding – part of its "Major Research Instrumentation Grant"' program – provides for the acquisition of a 400 MHz nuclear magnetic resonance spectrometer, which advances research and research training activities at SOU, and expands students' use of modern scientific equipment in undergraduate chemistry courses.

- SOU began a phased launch in August 2022 of a new operational software platform that is expected to eventually save the University more than $750,000 in recurring costs each year. It will improve user experiences and modernize processes for both students and employees. SOU's shift to the Workday platform will take three years to fully accomplish.
- Vance Durrington, previously a program coordinator at the University of North Carolina, Wilmington, accepted an offer in August 2022 to become director of SOU's Division of Education, Health and Leadership. He began work at SOU in September.
- SOU extended in-state tuition benefits to members of all federally recognized Native American tribes beginning fall 2022, regardless of where they live. Annual savings under the policy change for Native American students from outside Oregon range from nearly $5,000 to more than $18,000, depending on where they live.
- SOU was recognized for the 10th year in a row in August 2022 as one of the nation's top 30, "Best of the Best" LGBTQ-friendly colleges and universities by Campus Pride, a nonprofit that supports and improves campus life for LGBTQ people on campuses nationwide.
- The U.S. Department of Education in August awarded SOU its fifth Ronald E. McNair Post-baccalaureate Achievement grant. The award of $274,983 annually will total $1,374,915 over the five-year grant cycle, from 2022 through 2027. The grant helps underrepresented and first-generation undergraduate students from low-income backgrounds to prepare for research-intensive doctoral programs.
- SOU was awarded a three-year grant totaling nearly $1 million from the National Science Foundation to help K-5 teachers develop "computational thinking" skills in the Ashland and Phoenix-Talent school districts. The work builds upon a $299,000 grant SOU was awarded in September 2019 to launch the collaborative research project.
- A contingent from SOU visited sister institution Universidad de Guanajuato in August 2022 to present SOU's highest service award to prominent Mexican politician and SOU alumnus Juan Carlos Romero Hicks and his wife, Frances "Faffie" Siekman Romero. SOU President Rick Bailey presented the couple with the SOU President's Medal.

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Members of the Board
Southern Oregon University
Ashland, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of Southern Oregon University, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Southern Oregon University's basic financial statements as listed in the table of contents.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of Southern Oregon University, as of June 30, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the discretely presented component unit, Southern Oregon University Foundation, which statements represent 100% of the assets, net position, and revenues of the discretely presented component unit in 2023 and 2022. In addition, we did not audit 98%, 91%, and 99%, and 98%, 91%, and 99% for the years ended June 30, 2023 and 2022, respectively, of the assets, fiduciary net position, and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Southern Oregon University Foundation and the aggregate remaining fund, is based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southern Oregon University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Southern Oregon University Foundation and the aggregate remaining fund were not audited in accordance with *Government Auditing Standards*.

Emphasis of a Matters

Change in Accounting Principal

As discussed in Note 1 to the financial statements, effective July 1, 2021, the University implemented the provisions of Governmental Accounting Standards Board (GASB) Statements No. 94, *Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements (APA)* and No. 96, *Subscription-Based Information Technology Arrangements (SBITA).* GASB Statement No. 94 requires the University to recognize to recognize an asset and a deferred inflow of resources where the University contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. GASB Statement No. 96 requires the University to recognize a right-to-use subscription asset and corresponding subscription liability for all SBITA agreements with terms greater than twelve months. Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Southern Oregon University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Southern Oregon University's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southern Oregon University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of university's Public Employees Retirement System (PERS) contributions, schedule of university's proportionate share of the net pension asset/liability, the schedule of university's proportionate share of the total PEBB OPEB liability, the schedule of university PERS RHIA OPEB employer contribution, the schedule of university's proportionate share of the net PERS RHIA OPEB asset/liability, the schedule of university PERS RHIPA OPEB employer contribution, and the schedule of university's proportionate share of the net PERS RHIPA OPEB asset/liability be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the SOU Board of Trustees & Executive Officers and the Message from the President but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2024, on our consideration of Southern Oregon University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Southern Oregon University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southern Oregon University's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Denver, Colorado
March 6, 2024

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

INTRODUCTION

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Southern Oregon University (SOU)/(University) for the years ended June 30, 2023, 2022, and 2021. SOU is comprised of the main campus in Ashland and a second campus in Medford.

UNDERSTANDING FINANCIAL STATEMENTS

The MD&A focuses on SOU as a whole and is intended to foster a greater understanding of SOU's financial activities. Since this presentation includes summarized formats, it should be read in conjunction with the financial statements, which have the following six components:

Independent Auditors' Report presents an unmodified opinion rendered by an independent certified public accounting firm, CliftonLarsonAllen LLP, on the fairness in presentation (in all material respects) of the financial statements.

Statement of Net Position (SNP) presents a snapshot of SOU assets, deferred outflows, liabilities, and deferred inflows under the accrual basis of accounting at the end of each fiscal year presented. The SNP helps the reader understand the types and amounts of assets available to support operations, how much SOU owes to vendors and bond holders, and net position delineated based upon their availability for future expenditures.

Statement of Revenues, Expenses, and Changes in Net Position (SRE) presents SOU revenues and expenses categorized between operating, nonoperating, and other related activities. The SRE reports the SOU operating results for each fiscal year presented.

Statement of Cash Flows (SCF) provides information about SOU's sources (receipts) and uses (payments) of cash during the fiscal year. The SCF classifies sources and uses of cash into four categories, and assists in determining whether SOU has the ability to generate future net cash flows to meet its obligations as they come due.

Notes to the Financial Statements (Notes) provide additional information to clarify and expand on the financial statements.

The Component Unit, comprised of a supporting foundation, is discretely presented in the SOU financial statements and in Notes 2 and 20.

Custodial Funds, comprised of funds that the University holds on behalf of other organizations, are presented in the SOU financial statements.

The MD&A provides an objective analysis of SOU's financial activities based on currently known facts, decisions, and conditions. The MD&A discusses the current and prior year results in comparison to the current and two previous fiscal years. Unless otherwise stated, all years refer to the fiscal year ended June 30.

ANNUAL FULL TIME EQUIVALENT STUDENT ENROLLMENT

SOU's student enrollment contributes to the financial position of the University. The following is a table showing the annual full time equivalent student enrollment for the past five years.

	2023	2022	2021	2020	2019
SOU	**3,489**	3,516	3,650	4,089	4,296

FINANCIAL POSITION SUMMARY

The University's financial position increased in 2023 due to increases to Unrestricted Net Position and net position restricted for Capital Projects.

The University's financial position increased in 2022 due to increases to Unrestricted Net Position and the Net OPEB Asset. The net position increase was largely affected by aid received through governmental COVID-19 relief awards.

STATEMENT OF NET POSITION

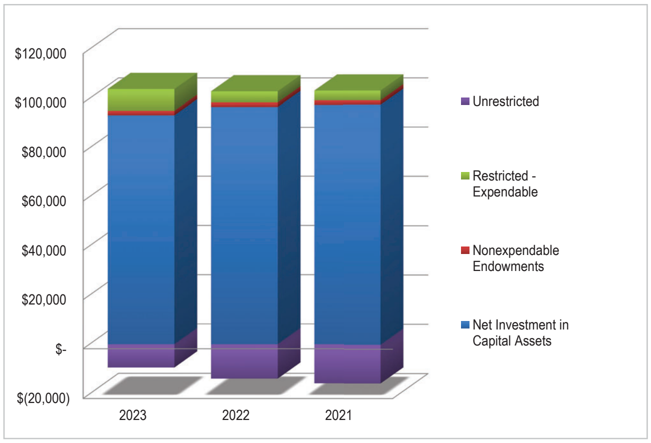
The term "Net Position" refers to the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources and is an indicator of SOU's current financial condition. Changes in Net Position that occur over time indicate improvement or deterioration in SOU's financial condition. The following summarizes SOU assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position:

Condensed Statements of Net Position

As of June 30,	**2023**	2022	2021
Current Assets	**$ 24,339**	$ 22,541	$ 19,948
Noncurrent Assets	**25,452**	19,831	18,998
Capital Assets, Net	**166,864**	164,569	139,735
Total Assets	**$ 216,655**	$ 206,941	$ 178,681
Deferred Outflows of Resources	**$ 14,900**	$ 11,330	$ 13,463
Current Liabilities	**$ 15,470**	$ 14,113	$ 12,492
Noncurrent Liabilities	**79,549**	63,598	87,405
Total Liabilities	**$ 95,019**	$ 77,711	$ 99,897
Deferred Inflows of Resources	**$ 42,025**	$ 51,436	$ 4,696
Net Investment in Capital Assets	**$ 93,236**	$ 96,590	$ 97,437
Restricted - Nonexpendable	**1,812**	1,812	1,812
Restricted - Expendable	**8,776**	4,500	3,955
Unrestricted	**(9,313)**	(13,778)	(15,653)
Total Net Position	**$ 94,511**	$ 89,124	$ 87,551

Total Net Position

As illustrated by the following graph, the make-up of net position changed between 2023, 2022, and 2021.



Comparison of fiscal year 2023 to fiscal year 2022

Net Investment in Capital Assets decreased $3,354 or 3%.

- Capital asset increases of $9,473 were mainly offset by a $7,210 increase to accumulated depreciation, while asset retirements and prior year adjustments added $32. In addition, long term debt associated with capital assets increased $6,666 and deferred inflows related to capital assets decreased $1,017. For additional detail on changes in capital assets, see "Capital Assets and Related Financing Activities", page 22.

Restricted Expendable Net Position increased $4,276 or 95%.

- Net position relating to funds reserved for debt service increased by $447. The increase is primarily due to an increase in funds reserved for debt service payments on student building fee funded projects.
- Net position which is restricted for the funding of capital projects increased $3,386 due primarily to the start of a project funded by a federal grant for the demolition of Cascade Hallt.
- Net position related to gifts, grants and contracts increased $485 due primarily to gifts for scholarships pertaining to career services/coaching support.
- Net position related to student loans decreased $122 due to decreased fund balance for loans originating from outside the University.
- Net position related to the OPEB asset increased $80. See "Note 16. Other Postemployment Benefits" for more information on the OPEB asset.

Unrestricted Net Position increased $4,465 or 32% due in large part to an increase in net position associated with operations of $2,090 and an increase in net position due to changes in year-end accruals for the PERS net pension liability and related deferrals of $1,342. See "Note 11. Unrestricted Net Position" for additional information.

Comparison of fiscal year 2022 to fiscal year 2021

Net Investment in Capital Assets decreased $847 or 1%.

- Through the implementation of GASB Statement No. 94, it was determined that an arrangement the University has with CHF-Ashland qualifies as a service concession arrangement. At the end of the arrangement, SOU will receive a building that CHF-Ashland currently owns. As such, for the fiscal year 2023 presentation of the financial statements, $34,545 of capital assets and $8,005 of accumulated depreciation were added. Also, deferred inflows related to this capital asset totaling $25,523 were added.
- Capital asset increases of $5,259 were mainly offset by a $6,888 increase to accumulated depreciation and asset retirements of $77. In addition, long term debt associated with capital assets increased $158. For additional detail on changes in capital assets, see "Capital Assets and Related Financing Activities", page 22.

Restricted Expendable Net Position increased $545 or 14%.

- Net position relating to funds reserved for debt service decreased by $47. The decrease is primarily due to a decrease in funds reserved for debt service payments on student building fee funded projects.
- Net position relating to the funding of capital projects increased $86 due primarily to the start of the new beach volleyball court project.
- Net position related to gifts, grants and contracts decreased $327 due primarily to net depreciation in fair value of investments.
- Net position related to student loans decreased $22 almost entirely due to the final closeout of the federal Perkins Loan Program.
- Net position related to the OPEB asset increased $855. See "Note 16. Other Postemployment Benefits" for more information on the OPEB asset.

Unrestricted Net Position increased $1,875 or 12%. This increase is primarily due to increases in net position due to changes in year-end accruals for the PERS net pension liability and related deferrals of $2,903. These increases were mainly offset by a decrease in net pension due to changes in year-end accruals for the net OPEB liabilities and deferrals associated with the OPEB liabilities and OPEB asset of $538 and a decrease in net position associated with operations of $961. See "Note 11. Unrestricted Net Position" for additional information.

Total Assets and Deferred Outflows of Resources

Total Assets increased $9,714 or 5% and increased $28,260 or 16% during the years ended June 30, 2023 and 2022, respectively. Deferred Outflows of Resources increased $3,570 or 32% and decreased $2,133 or 16% in the same two years.

Comparison of fiscal year 2023 to fiscal year 2022

Current Assets increased $1,798 or 8%.

- Current Cash and Cash Equivalents decreased $2,544 primarily due to decreases in cash associated with university operations of $5,723. There were also significant decreases in cash held for payment of other payroll expenses (OPE) of $479, and cash held for student loans of $125. These decreases were offset mainly by increases in cash held for debt service payments of $450 and a decrease in the amount of current cash held as investments of $3,334.
- Collateral from Securities Lending decreased $95.
- Accounts Receivable increased $3,744. The largest factors in the change to accounts receivables were an increase to receivables for student tuition and fees of $2,013 and an increase for capital construction gifts and grants of $1,239. In addition, receivables for state, other government, and private gifts, grants, and contracts increased by $797, while those due from the College Housing Foundation, a fiduciary unit of the University, increased $280. These increases were offset primarily by an increase in the allowance for doubtful accounts of $757. See "Note 3. Accounts Receivable" for additional information.
- Prepaid Expenses increased $643 mainly due to increased prepaid expenses in the general fund, auxiliary funds, and grants and contracts.

Noncurrent Assets increased $5,621 or 28%.

- Noncurrent Cash decreased $569 due to an increase in the amount of noncurrent cash held as investments as well as decreases in cash held for debt service payments. These factors were offset by an increase in the amount of cash held for construction projects.
- Investments increased $6,330. The increase is primarily due to investments held on SOU's behalf by City National Bank in support of SOU's implementation of Workday. This was primarily offset by a decrease of cash available for investment.
- Noncurrent Notes Receivable decreased $74 caused mainly by a decrease to noncurrent notes receivable stemming from a third party commitment to help fund building improvements on space utilized by the SOU Jefferson Public Radio department. This was offset by a decrease to the corresponding allowance for doubtful accounts. See "Note 4. Notes Receivable" for additional information.
- Noncurrent Lease Receivables decreased $146 due primarily to adjustments between the long term and short term portions of existing leases. See "Note 8. Leases" for additional information.
- The Net OPEB Asset increased $80. See "Note 16. Other Postemployment Benefits" for additional information.

Net Capital Assets increased $2,295. See "Capital Assets and Related Financing Activities" in this MD&A for additional information relating to these variances.

Deferred Outflows of Resources increased $3,570 or 32%. The increase to deferred outflows is attributable to changes in the Net Pension Liability, which increased deferred outflows by $3,608, and also to changes in the OPEB Liability, which decreased deferred outflows by $38. See "Note 15. Employee Retirement Plans" and "Note 16. Other Post Employment Benefits" for more information on these changes.

Comparison of fiscal year 2022 to fiscal year 2021

Current Assets increased $2,593 or 13%.

- Current Cash and Cash Equivalents increased $433 primarily due to increases in cash held for payment of other payroll expenses (OPE) of $754, offset by decreases in cash held for debt service payments of $175 and cash due to university operations of $159.
- Collateral from Securities Lending decreased $17.
- Accounts Receivable increased $3,171. The largest factor in the change to accounts receivable was an increase to receivables for student tuition and fees of $4,147 due to a change in how student receivables are classified between notes receivable and accounts receivable. In addition, there were increases to receivables due from the College Housing Foundation of $2,925; receivables for capital construction gifts and contracts of $794; and receivables due to auxiliary enterprises of $557. These increases were offset primarily by a decrease in receivables for federal grants and contracts of $4,452 largely due to payments received related to COVID-19 relief awards and an increase to the allowance for doubtful accounts related to the student receivables mentioned above. See "Note 3. Accounts Receivable" for additional information.
- Current Notes Receivable decreased $827 due primarily to the change to accounting for student receivables mentioned in the accounts receivable discussion above. There was also a decrease in notes receivable for construction reimbursements from the State of $256. See "Note 4. Notes Receivable" for additional information.
- Prepaid Expenses decreased $258.

Noncurrent Assets increased $833 or 4%.

- Noncurrent Cash increased $332 due to increases in cash held for construction projects of $195 and cash held for debt service. In addition, the amount of noncurrent cash held as investments decreased.
- Investments increased $513. The increase is due to an increase of cash available for investment of $1,964. This increase was offset by decreases to the fair value of investments and an unrealized loss in the OITP long term pool.
- The Net OPEB Asset increased $855. See "Note 16. Other Postemployment Benefits" for additional information.
- Noncurrent Notes Receivable decreased $1,795 caused mainly by the change to accounting for student receivables mentioned in the accounts receivable discussion above. See "Note 4. Notes Receivable" for additional information.

- Noncurrent Lease Receivables increased $928 due primarily to a new lease agreement entered into with Oregon Health & Science University. See "Note 8. Leases" for additional information.

Net Capital Assets increased $24,834. See "Capital Assets and Related Financing Activities" in this MD&A for additional information relating to these variances.

Deferred Outflows of Resources decreased $2,133 or 16%. The decrease to deferred outflows is attributable to changes in the Net Pension Liability, which decreased deferred outflows by $1,991, and also to changes in the OPEB Liability, which decreased deferred outflows by $142. See "Note 15. Employee Retirement Plans" and "Note 16. Other Post Employment Benefits" for more information on these changes.

Total Liabilities and Deferred Inflows of Resources

Total Liabilities increased $17,308 or 22% during the year ended June 30, 2023. Total Liabilities decreased $22,186 or 22% during the year ended June 30, 2022. Deferred Inflows of Resources decreased $9,411 or 18% during the fiscal year ended June 30, 2023 and increased $46,740 or 995% during the fiscal year ended June 30, 2022.

Comparison of fiscal year 2023 to fiscal year 2022

Current Liabilities increased $1,357 or 10%.

- Accounts Payable and Accrued Liabilities increased $582 due primarily to increased payables for services and supplies and those related to construction projects. These were mainly offset by decreases in payables for payroll related expenses and salaries and wage accruals. See "Note 7. Accounts Payable and Accrued Liabilities" for additional information.
- Obligations under Securities Lending decreased $95.
- The current portion of Long-Term Liabilities increased by $360 due primarily to an increase in the current portion of contracts payable to the State of Oregon. This was mainly offset by decreases in the current portion of compensated absences and lease liabilities. See "Debt Administration" in this MD&A and "Note 10. Long Term Liabilities" for more information on these changes.
- Unearned revenue increased by $574 due primarily to increases in prepaid tuition & fees, unearned revenues related to grants and contracts, and unearned revenue received for a lease with Oregon Health Sciences University.

Noncurrent Liabilities increased $15,951 or 25%.

- Net Pension Liability increased $10,222. For additional detail, see "Note 15. Employee Retirement Plans".
- OPEB Liability decreased $136. For additional information, see "Note 16. Other Postemployment Benefits".
- Noncurrent Long-Term Liabilities increased $5,865 due primarily to the addition of debt issued to finance the University's transition to a new enterprise resource planning (ERP) system as well as an increase in the noncurrent portion of early retirement liabilities. These increases were offset, in part, by decreases to the long term portion of contracts payable to the State, the PERS pre-SLGRP liability, liabilities for subscription based information technology arrangements (SBITA), amounts due on SELP loans, and lease liabilities. For additional detail, see "Note 10. Long-Term Liabilities" , "Note 8. Leases", and "Note 9. SBITA".

Deferred Inflows of Resources decreased $9,411. The decrease to deferred inflows is attributable to changes in the Net Pension Liability, which decreased deferred inflows by $7,956, changes due to the amortization of deferrals related to the service concession arrangement of $1,017, changes due to new leases and the amortization of existing leases of $343, and changes in the OPEB Liability of $95. See "Note 1.AC. Service Concession Arrangements", "Note 8. Leases", "Note 15. Employee Retirement Plans", and "Note 16. Other Post Employment Benefits" for more information on these changes.

Comparison of fiscal year 2022 to fiscal year 2021

Current Liabilities increased $1,621 or 13%.

- Accounts Payable and Accrued Liabilities increased $1,597 due primarily to increased payables for payroll related expenses, services and supplies, and those related to construction projects. These were mainly offset by decreases in payables for salaries and wage accruals and contract retainage. See "Note 7. Accounts Payable and Accrued Liabilities" for additional information.
- Obligations under Securities Lending decreased $17.
- The current portion of Long-Term Liabilities increased by $369 due primarily to the implementation of GASB Statement No. 96, *Subscription Based Information Technology Arrangements*. This was mainly offset by a decrease in the current portion of the compensated absences liability as well as the retirement of the installment purchase debt. See "Debt Administration" in this MD&A, "Note 10. Long Term Liabilities", and "Note 9. SBITA" for more information on these changes.
- Unearned revenue decreased by $366 due primarily to decreases in unearned revenues related to grants and contracts.

Noncurrent Liabilities decreased $23,807 or 27%.

- Net Pension Liability decreased $22,420. For additional detail, see "Note 15. Employee Retirement Plans".
- OPEB Liability decreased $392. For additional information, see "Note 16. Other Postemployment Benefits".
- Noncurrent Long-Term Liabilities decreased $995 due primarily to payments made on contracts payable to the State and the Oregon Department of Energy loans. In addition, a loan that SOU received from the Small Business Administration was forgiven during the fiscal year. There were also decreases in the long term portions of the PERS pre-SLGRP pooled liability, compensated absences liability, and the early retirement liability. Theses reductions were partially offset by the addition of new lease and SBITA agreements. For additional detail, see "Note 10. Long-Term Liabilities", "Note 8. Leases", and "Note 9. SBITA".

Deferred Inflows of Resources increased $46,740. The increase to deferred inflows is attributable to the addition of deferrals related to a service concession arrangement of $25,523, changes in the Net Pension Liability, which increased deferred inflows by $17,525, changes due to new leases and the amortization of existing leases of $2,904, and changes in the OPEB Liability of $788. See "Note

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

1.AC. Service Concession Arrangements", "Note 8. Leases", "Note 15. Employee Retirement Plans", and "Note 16. Other Post Employment Benefits" for more information on these changes.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (SRE)

Due to the classification of certain revenues as nonoperating revenue, SOU shows a loss from operations. State General Fund Appropriations, nonexchange grants, and non-capital gifts, although considered nonoperating revenue under GASB Statement No. 35 and reflected accordingly in the nonoperating section of the SRE, are used solely for operating purposes.

The following summarizes the revenue and expense activity of SOU:

Condensed Statements of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30,	2023	2022	2021
Operating Revenues	$ 49,394	$ 45,521	$ 44,169
Operating Expenses	96,733	95,878	93,666
Operating Loss	(47,339)	(50,357)	(49,497)
Nonoperating Revenues, Net of Expenses	42,572	50,772	40,925
Other Revenues	10,154	2,641	8,655
Increase in Net Position	5,387	3,056	83
Net Position, Beginning of Year	89,124	87,551	87,468
Change in Accounting Principle	-	(1,483)	-
Net Position, End of Year	$ 94,511	$ 89,124	$ 87,551

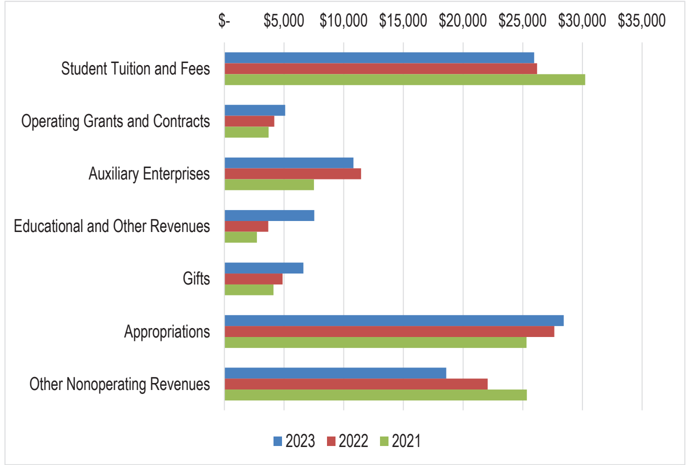
Revenues

Revenues increased $2,932 or 3%.

Total Operating and Nonoperating Revenues

For the Year Ended June 30,	2023	2022	2021
Student Tuition and Fees	$ 25,950	$ 26,205	$ 30,231
Grants and Contracts	5,094	4,180	3,705
Auxiliary Enterprises	10,817	11,457	7,509
Educational and Other	7,533	3,679	2,724
Total Operating Revenues	49,394	45,521	44,169
Appropriations	28,430	27,649	25,310
Financial Aid Grants	8,435	13,933	10,304
Gifts	6,626	4,874	4,111
Investment Activity	631	(1,321)	1,314
Gain (Loss) on Sale of Assets, Net	(448)	960	5
Capital Grants and Gifts	9,975	2,462	8,476
COVID-19 Institutional Funding	-	6,033	5,238
Total Nonoperating and Other Revenues	53,649	54,590	54,758
Total Revenues	$ 103,043	$ 100,111	$ 98,927

Total Operating and Nonoperating Revenues



Operating Revenues

Operating revenues increased 9% from $45,521 in 2022 to $49,394 in 2023 and increased by $1,352 or 3% in 2022 as compared to 2021.

Comparison of fiscal year 2023 to fiscal year 2022

Student Tuition and Fees decreased $255 or 1%.

- The decrease in student tuition of $770 was predominately caused by decreasing enrollments.
- Student fee revenues increased $400 as SOU increased student fee rates for building fees, student resource fees, and other student fees.
- Fee remissions and scholarship allowances increased $83 which caused a decrease to tuition and fees revenue.
- Bad debt expense, primarily related to the maintenance of the allowance for bad debt, decreased by $196, causing an increase to revenue.

Federal, State and Nongovernmental Grants and Contracts increased $914 or 22%.

- Federal grant and contract revenues increased $205 due primarily to increases in grants originating from the US Departments of the Interior, Health and Human Services, Department of Agriculture, and the National Science Foundation.
- State and local grant activity increased $1,593, mostly due to increases in grant revenues from the Higher Education Coordinating Commission and the Oregon Department of Education.
- Nongovernmental grant activity decreased $884 primarily due to decreases in grants and contracts from foundations, associations, and societies as well as those from commercial businesses. These were offset by increases to grants from other institutions of higher education and grants from the SOU foundation.

Auxiliary Enterprise revenues decreased $640 or 6% due mainly to the following:

- Housing and Dining revenues decreased $852. The decrease was primarily due to decreased revenue from leases and an increase in fee remissions and other financial aid which decrease revenue. These decreases were offset by an increase in family housing rentals and utilities.

- Athletics revenues decreased $389 mainly due to decreased institutional incidental fees.
- Health Center revenue increased $125 due primarily to increased revenues from student health fees.
- Other Auxiliaries increased $476 primarily due to an increase in revenues from incidental fees charged to students.

Educational Department Sales and Services revenues increased $2,615 or 97% due in large part to increases in revenue from leases and rentals as well as memberships income and ticket sales.

Other Operating revenues increased $1,239 or 127% due predominately to increases in interest income, collection charges, and reimbursements from outside entities. In light of the financial hardships SOU's students faced due to the pandemic, SOU halted interest on student loans and waived late fees during fiscal year 2021, however, the University has returned to its pre-pandemic practices and is starting to see a significant increase in collection fees.

Comparison of fiscal year 2022 to fiscal year 2021

Student Tuition and Fees decreased $4,026 or 13%.

- The decrease in student tuition of $2,195 was predominately caused by decreasing enrollments.
- Student fee revenues increased $267 as SOU restored various student fees which were decreased in the prior fiscal year to assist the students financially following the difficulties of the pandemic.
- Fee remissions and scholarship allowances increased $1,548 which caused a decrease to tuition and fees revenue.
- Bad debt expense, primarily related to the maintenance of the allowance for bad debt, increased by $550, causing a decrease to revenue.

Federal, State and Nongovernmental Grants and Contracts increased $475 or 13%.

- Federal grant and contract revenues increased $64.
- State and local grant activity decreased $114, mostly due to decreases in grant revenues from the Oregon Department of Education, both direct grants and contracts and subdirect awards.
- Nongovernmental grant activity increased $525 primarily due to increases in grants and contracts from foundations, associations, and societies as well as those from commercial businesses.

Auxiliary Enterprise revenues increased $3,948 or 53% due mainly to the following:

- Housing and Dining revenues increased $3,819. The increase was primarily due to increased revenue from leases, housing, and conference income as more students were returning to campus and campus activities began to return to normal levels.
- Athletics revenues increased $127 mainly due to the return of athletic and other events and also increased institutional incidental fees.
- Health Center revenue decreased $60 due primarily to decreased revenues from student health fees. There were also decreases in reimbursements for services provided to students from a local government contract. Enrollment decreases affected the amount of fees collected.
- Parking increased $222 primarily due to increases in student parking fees, meter parking, and parking fines and fees. This can be attributed of the return to campus of many students and staff.
- Other Auxiliaries decreased $160 primarily due to a decrease in revenues from incidental fees charged to students.

Educational Department Sales and Services revenues increased $553 or 26% due in large part to increases in membership as well as lease income.

Other Operating revenues increased $402 or 70% due predominately to increases in interest income and reimbursements from outside entities. In light of the financial hardships SOU's students faced due to the pandemic, SOU halted interest on student loans and waived late fees during fiscal year 2021, however, the University has returned to its pre-pandemic practices. These increases were primarily offset by increases to insurance recoveries and miscellaneous other revenues.

Nonoperating and Other Revenues

The decrease in Nonoperating Revenues of $941 during 2023 is primarily due to decreased financial aid grants, the end of COVID-19 related funding, and increased losses on the sale of assets. This decrease in nonoperating revenues was offset by increases in capital gifts and contracts as described below.

The decrease in Nonoperating Revenues of $168 during 2022 is primarily due to decreased capital grants and gifts the depreciation of the market value of investments.

Comparison of fiscal year 2023 to fiscal year 2022

Government Appropriations increased $781 or 3% due to increased funding received from the State of Oregon for general fund operations. See "Note 14. Government Appropriations" for additional information relating to changes in appropriations.

Gifts increased $1,752 or 36% mainly due to increased gifts from the SOU Foundation and other foundations, associations, and societies. These increases were offset largely by decreases in gifts from other institutions of higher education.

Financial Aid Grants decreased by $5,498 or 39% due mainly to the completion of grants given through federal COVID relief funding in 2022. This was primarily offset by grants awarded through the Oregon Higher Education Coordinating Commission.

Investment Activity revenues increased $1,952 or 148% largely due to net appreciation and increased investment earnings. Losses on the sale of investments also increased, which caused investment activity to decrease. See "Note 12. Investment Activity" for additional information relating to these changes.

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

Gain (Loss) on Sales of Assets changed from a gain of $960 in 2022, when SOU sold three properties, to a loss of $448 in 2023 due to the disposal of library materials.

Capital Grants and Gifts increased $7,513 or 305% mainly due capital grants from XI-Q State bond funded construction projects, which increased $4,307 from the prior year and $3,770 of grants from the federal government used for capital expenditure. This was offset by decreased gifts from commercial businesses and the SOU Foundation for capital related items.

COVID-19 Institutional Funding decreased $6,033 as SOU completed spending from the COVID-19 related federal grants in fiscal year 2022. See "Note 1.Z. COVID-19 Relief Funding" for additional information regarding this change.

Comparison of fiscal year 2022 to fiscal year 2021

Government Appropriations increased $2,339 or 9% due to increased funding received from the State of Oregon. See "Note 14. Government Appropriations" for additional information relating to changes in appropriations.

Gifts increased $763 or 19% mainly due to increased gifts from the SOU Foundation, the State, and other foundations, associations, and societies. These increases were offset largely by decreases in gifts from other institutions of higher education.

Financial Aid Grants increased by $3,629 or 35% due mainly to grants given through federal COVID relief funding.

Investment Activity revenues decreased $2,635 or 201% largely due to net depreciation of investments, losses on the sale of investments, and decreased interest income. See "Note 12. Investment Activity" for additional information relating to these changes.

Gains on Sales of Assets increased $955 due to the sale of three pieces of property.

Capital Grants and Gifts decreased $6,014 or 71% mainly due capital grants from XI-Q State bond funded construction projects, which decreased $6,308 from the prior year. This was offset by increased gifts from commercial businesses for capital related items.

COVID-19 Institutional Funding increased $795, due to additional funding associated with the COVID-19 which was accessed by SOU. See "Note 1.AA. COVID-19 Relief Funding" for additional information regarding this change.

Expenses

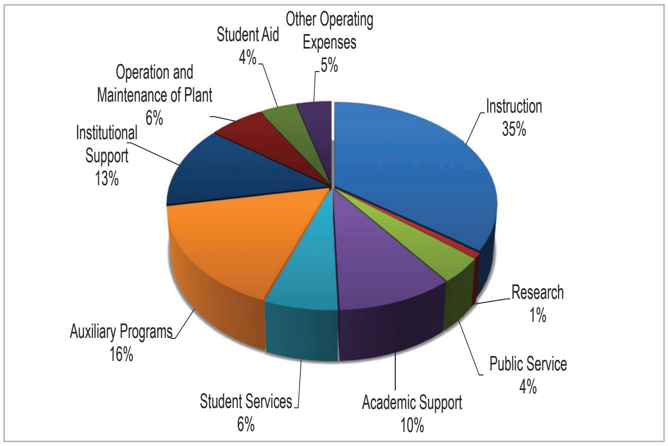
Operating Expenses

Operating expenses increased $855, or 1% in 2023 over 2022, to $96,733. Operating expenses increased $2,212, or 2% in 2022 over 2021, to $95,878. The following summarizes operating expenses by functional classification:

Operating Expense by Function

For the Year Ended June 30,		2023		2022		2021
Instruction	$	**33,850**	$	33,027	$	33,555
Research		**792**		475		579
Public Service		**3,807**		3,441		3,400
Academic Support		**9,402**		8,422		8,547
Student Services		**5,938**		5,688		5,402
Auxiliary Programs		**16,006**		14,078		11,144
Institutional Support		**12,502**		12,204		11,693
Operation and Maintenance of Plant		**6,195**		5,696		5,017
Student Aid		**4,226**		8,867		6,810
Other Operating Expenses		**4,015**		3,980		7,519
Total Operating Expenses	$	**96,733**	$	95,878	$	93,666

2023 Operating Expense by Function



FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

The implementation of GASB No. 68 in 2015 and the implementation of GASB No. 75 in 2018 have had a profound impact on the operating expenses of SOU. The following tables show the effect of these GASB Statements across the functional classifications. The changes associated with recording the components of Net Pension Liability required by GASB No. 68 decreased operating expenses by $1,342 while the changes associated with recording the components of the OPEB Asset/Liability required by GASB No. 75 decreased them by $274. See "Note 15. Employee Retirement Plans" and "Note 16. Other Postemployment Benefits" for additional details.

The effect of GASB No. 68 and 75 on Expense by Functional Classification

For the Year Ended June 30, 2023	with adjustments	without adjustments	difference
Instruction	**$ 33,850**	**$ 34,748**	**$ (898)**
Research	**792**	**811**	**(19)**
Public Service	**3,807**	**3,859**	**(52)**
Academic Support	**9,402**	**9,527**	**(125)**
Student Services	**5,938**	**6,029**	**(91)**
Auxiliary Programs	**16,006**	**16,172**	**(166)**
Institutional Support	**12,502**	**12,582**	**(80)**
Operation and Maintenance of Plant	**6,195**	**6,378**	**(183)**
Student Aid	**4,226**	**4,226**	**-**
Other Operating Expenses	**4,015**	**4,017**	**(2)**
Total Operating Expenses	**$ 96,733**	**$ 98,349**	**$ (1,616)**

For the Year Ended June 30, 2022	with adjustments	without adjustments	difference
Instruction	$ 33,027	$ 34,476	$ (1,449)
Research	475	491	(16)
Public Service	3,441	3,547	(106)
Academic Support	8,422	8,704	(282)
Student Services	5,688	5,920	(232)
Auxiliary Programs	14,078	14,419	(341)
Institutional Support	12,204	12,458	(254)
Operation and Maintenance of Plant	5,696	6,229	(533)
Student Aid	8,867	8,867	-
Other Operating Expenses	3,980	3,987	(7)
Total Operating Expenses	$ 95,878	$ 99,098	$ (3,220)

For the Year Ended June 30, 2021	with adjustments	without adjustments	difference
Instruction	$ 33,555	$ 30,889	$ 2,666
Research	579	547	32
Public Service	3,400	3,198	202
Academic Support	8,547	8,030	517
Student Services	5,402	5,017	385
Auxiliary Programs	11,144	10,601	543
Institutional Support	11,693	10,860	833
Operation and Maintenance of Plant	5,017	4,633	384
Student Aid	6,810	6,810	-
Other Operating Expenses	7,519	7,503	16
Total Operating Expenses	$ 93,666	$ 88,088	$ 5,578

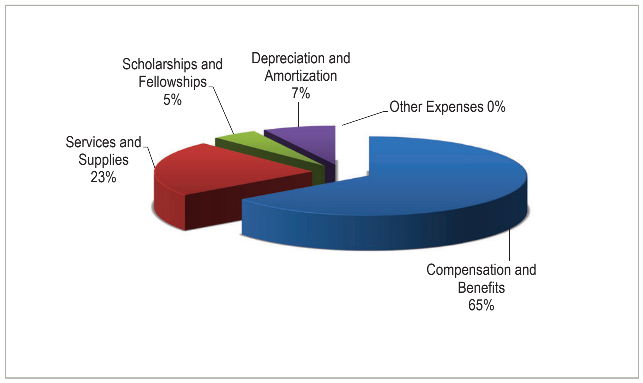
Due to the way in which expenses are incurred by SOU, variances are presented and explained by analyzing changes in the natural classification of expenses. Each natural classification analysis can be applied to many of the functional expense caption items.

The following summarizes operating expenses by natural classification:

Operating Expenses by Natural Classification

For the Year Ended June 30,	2023	2022	2021
Compensation and Benefits	**$ 62,711**	$ 61,241	$ 61,528
Services and Supplies	**22,225**	18,754	19,696
Scholarships and Fellowships	**4,587**	8,969	7,028
Depreciation and Amortization	**7,210**	6,888	5,414
Other Expenses	**-**	26	-
Total Operating Expenses	**$ 96,733**	$ 95,878	$ 93,666

2023 Operating Expenses by Natural Classification



Comparison of fiscal year 2023 to fiscal year 2022

Compensation and Benefits costs increased $1,470 or 2% in 2023 compared to 2022 primarily due to:

- Salary and wage costs increased $1,272 due to increases in unclassified pay of $593, classified pay of $76 and student and graduate assistant pay of $603. These increases can be largely attributed to FTE changes. Unclassified FTE increased 4.4 and student and graduate assistant FTE increased by 12.4, while classified FTE decreased by 5.4. Cost of living increases also raised salary and wage costs.
- Other personnel expenses (OPE) costs, not including costs associated with OPEB, SLGRP, and Pension Expense adjustments, decreased $1,168. This can mainly be attributed to an adjustment made to correct OPE expenses in 2022.
- OPE costs associated with net Pension Expense increased $1,560; costs associated with changes in the OPEB liability and asset decreased $43; and costs associated with changes in SLGRP decreased $83. See "Note 10. Long-Term Liabilities, "Note 15. Employee Retirement Plans", and "Note 16. Other Postemployment Benefits"

Services and Supplies increased $3,471 or 19%, during 2023. Increases in services and supplies expenses were mainly driven by general increases in prices due to inflationary changes across the board. Further, as SOU operations settled to post pandemic activities, there were increases in expenditure for general and athletics travel, early retirement health care expenses, and utilities. These price increases were offset by decreases in rental and lease costs.

Scholarships and Fellowships decreased $4,382 or 49%, when comparing 2023 to 2022. The decrease is predominately due to the cessation of scholarship funded by COVID relief funds. This void was largely offset by increases in scholarship made through grants from the Higher Education Coordinating Commission, the Oregon Opportunity Grant, and state lottery scholarship awards.

Depreciation and Amortization expense increased $322. See "Capital Assets and Related Financing" in this MD&A and "Note 5. Capital Assets" for additional details on this change.

Nonoperating Expenses

- Interest Expense decreased $56 or 4%.

Comparison of fiscal year 2022 to fiscal year 2021

Compensation and Benefits costs decreased $287 or less than 1% in 2022 compared to 2021 primarily due to:

- Salary and wage costs increased $5,259 due to increases in unclassified pay of $3,289, classified pay of $1,595, and student and graduate assistant pay of $375. These increases can be attributed to the return to more normal staffing levels following decreased levels caused by the pandemic. During the pandemic, SOU made an intentional effort to minimize the number of employees who were laid off. Most employees transitioned to remote working arrangements in order to limit the number of employees on campus to just those employees who could not perform their functions remotely. SOU also participated in federal/state workshare programs in order to limit job loss by placing employees on furloughs that ranged anywhere from 20% to 40%, depending on how much the work unit was being impacted by the pandemic. The pandemic also led to hiring fewer part-time faculty as a result of lower enrollment. In addition, fewer student employees applied for or were needed for jobs as many students migrated off campus to attend their courses remotely.
- Other personnel expenses (OPE) costs, not including costs associated with OPEB, SLGRP, and Pension Expense adjustments, increased $3,375. This can mainly be attributed to the increased staffing levels in 2022 as well as an increase in the rate charged for OPE expenses.
- OPE costs associated with net Pension Expense decreased $8,483; costs associated with changes in OPEB liability decreased $314; and costs associated with changes in SLGRP increased $37. See "Note 10. Long-Term Liabilities, "Note 15. Employee Retirement Plans", and "Note 16. Other Postemployment Benefits"

Services and Supplies decreased $942 or 5%, during 2022. Decreases in services and supplies expense were mainly driven by decreased spending for maintenance and repairs. In 2021, SOU made a concerted effort to embark on increased maintenance efforts while there was lessened traffic on campus due to the pandemic. During 2022, the maintenance expenses decreased to pre-pandemic levels. These decreases were mitigated by increases in travel expenses for athletics as well as for general operational staff, fees & services, and other services and supplies.

Scholarships and Fellowships increased $1,941 or 28%, when comparing 2022 to 2021. The increase is predominately due to increased financial aid disbursed from COVID relief funds. These increases were largely offset by decreases in PELL grants.

Depreciation and Amortization expense increased $1,474. See "Capital Assets and Related Financing" in this MD&A and "Note 5. Capital Assets" for additional details on this change.

Nonoperating Expenses

- Interest Expense increased $308 or 29% due predominately to interest payments made on bond debt.

Other Nonoperating Items

Comparison of fiscal year 2023 to fiscal year 2022

Other Nonoperating Items increased $310, primarily due to adjustments made to capital asset expenditures that are not capitalized.

Comparison of fiscal year 2022 to fiscal year 2021

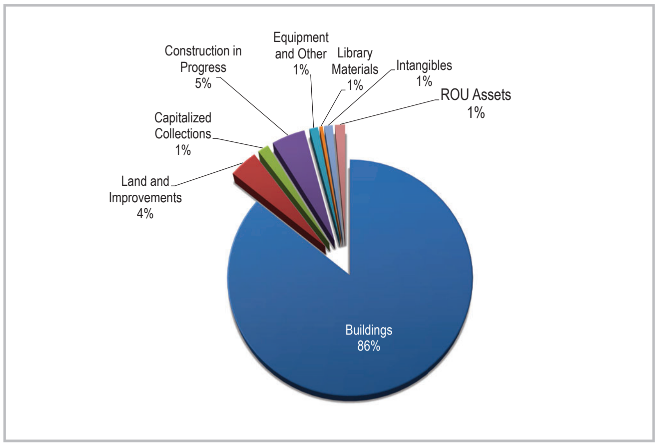
Other Nonoperating Items increased $4,309, primarily due to losses in the previous fiscal year associated with the refunding of state bonds used for construction.

CAPITAL ASSETS AND RELATED FINANCING ACTIVITIES

Capital Assets

At June 30, 2023, SOU had $305,687 in capital assets, less accumulated depreciation of $138,823, for net capital assets of $166,864. At June 30, 2022, SOU had $296,635 in capital assets, less accumulated depreciation of $132,066, for net capital assets of $164,569.

2023 Capital Assets, Net - $166,864 thousand



FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

Changes to Capital Assets

	2023	2022	2021
Capital Assets, Beginning of Year	$ 296,635	$ 257,309	$ 250,079
Add: Purchases/Construction	9,473	5,259	7,448
Adjust: Retirements/ Disposals/Adjustments	(421)	34,067	(218)
Total Capital Assets, End of Year	305,687	296,635	257,309
Accum. Depreciation, Beginning of Year	(132,066)	(117,574)	(112,356)
Add: Depreciation Expense	(7,210)	(6,888)	(5,414)
Adjust: Retirements/ Disposals/Adjustments	453	(7,604)	196
Total Accum. Depreciation, End of Year	(138,823)	(132,066)	(117,574)
Total Capital Assets, Net, End of Year	$ 166,864	$ 164,569	$ 139,735

During fiscal year 2023:

- Equipment additions of $278 and retirements and adjustments of $22 net for a change in equipment of $256.
- Library materials were added in the amount of $104, with adjustments of $13, for a net addition of $91.
- Construction in progress (CIP) had additions of $7,086, offset by transfers of completed projects of $5,977. This led to a net increase in CIP of $1,109. CIP additions consisted of costs for the Central Hall, Cascade Hall demolition, and Farm Shed projects. In addition, there was added CIP for equipment and the implementation phase of the University's enterprise resource planning (ERP) system transition. The Britt Hall renovation project was completed as were the beach volleyball courts.
- Building additions of $1,189 were increased by transfers from CIP for the Britt Hall renovation of $5,862 for a net increase to buildings of $7,051.
- Additions to improvements other than buildings (IOTB) totaled $112, while there transfers from CIP of $109, for a net change to IOTB of $221.
- Capitalized collections were increased by $18.
- There were additions to perpetual intangible assets of $144 for radio station licenses.
- Infrastructure increased $16.
- There were additions to right of use (ROU) leased equipment of $380 and retirements of $246. This caused a net increase due to new and terminated equipment leases of $134.
- There were retirements to ROU lease land additions totaling $29.
- Additions to subscription based technology arrangement (SBITA) assets totaled $152, while there were retirements of $111 for a net increase of $41.
- Accumulated depreciation and amortization increased $6,757 due to monthly depreciation as well as retirements and adjustments.

During fiscal year 2022:

- Equipment additions of $464 and retirements and adjustments of $15 net for a change in equipment of $449.
- Library materials were added in the amount of $172, with adjustments of $21, for a net addition of $151.
- Construction in progress (CIP) had additions of $1,759, offset by adjustments of $7. This led to a net increase in CIP of $1,752.
- Building additions of $43 were offset by retirements of $61 for a net decrease to buildings of $18.
- Due to the implementation of GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, SOU added building assets associated with the service concession arrangement of the North Campus Village (NCV). This caused an increase to building assets of $34,702, an increase in deferred inflows of $24,523, and an increase in depreciable land improvements of $473. NCV is owned and operated by CHF - Ashland. See additional information as described in "Note 1.AC Service Concession Arrangements".
- Additions to improvements other than buildings (IOTB) totaled $237, while there were retirements of $85, for a net change to IOTB of $152.
- Capitalized collections were increased by $9.
- There were additions to right of use (ROU) leased equipment of $655 and retirements of $213. This caused a net increase due to new and terminated equipment leases of $442.
- ROU lease land additions totaled $343.
- The implementation of GASB Statement No. 96 lead to $1,577 of SBITA assets being added to capital assets. See "Note 9. SBITAS" for more information.
- Accumulated depreciation increased $14,492 due to monthly depreciation, the SBITA implementation, retirements and adjustments, and the addition of NCV mentioned above.

Debt Administration

During 2023, long-term debt held by SOU increased by $6,666 or 16%, from $42,455 to $49,121.

Contracts payable to the State of Oregon decreased $864 due to principal and accreted interest payments.

No new loans were added to the State Energy Loan Program (SELP), while principal payments of $158 were paid during the year.

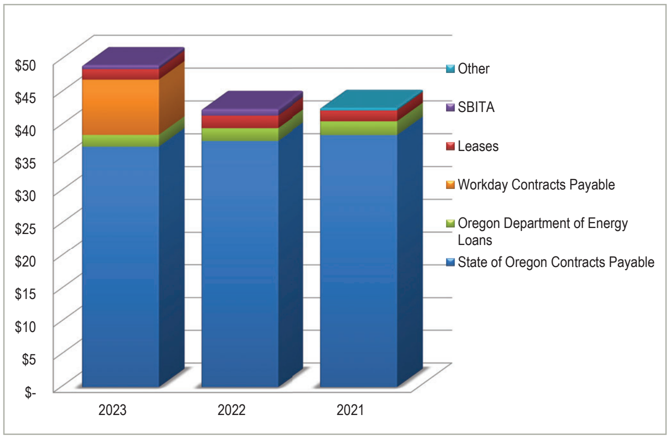
Lease additions of $334 were offset by lease payments of $647, for a net decrease to lease liabilities of $313.

SOU implemented GASB 96 which added $1,569, less payments of $575 to long term debt in 2022. There were also new SBITA additions of $152 in 2023, while payments resulted in reductions of $562 for a net decrease to debt associated with SBITAs of $410 in 2023.

In 2023, SOU entered into debt agreements to finance the purchase and implementation of a new ERP system. Consequently, $8,425 was added to long term debt, while payments of $14 caused a net increase to long term debt of $8,411.

Also see "Note 10. Long-Term Liabilities" for additional information.

Long-term Debt



ECONOMIC OUTLOOK

Southern Oregon University's core is defined by our unwavering commitment to student success, aligning every operation with our vibrant vision and mission. SOU has been a beacon of collaboration, consistently partnering with local industries, businesses, and the community, not only to cater to the region's educational aspirations but also to amplify our national presence through innovative online programs. As a pivotal mid-sized regional university, we take pride in offering a diverse array of degree programs, particularly in business, education, and science. These programs are seamlessly integrated into a rejuvenated liberal arts foundation, underlining our indispensable role in the region's academic landscape. The SOU Strategic Plan, a testament to our forward-thinking approach, charts our vision while nurturing economic growth and stability.

Under our long-term vision (refer to Strategic Direction 5: https://sou.edu/president/the-sou-plan/), our proactive Board of Trustees, alongside the Executive management team, ceaselessly explores avenues for program enhancements, partnerships, and novel areas. This approach not only maximizes our resources but also ensures cost-effectiveness. The robust financial ecosystem at SOU is fueled by diverse revenue streams such as tuition and fees, generous donor contributions, state appropriations, and financial aid programs. Furthermore, our proficiency in leveraging federal grants and contract activities underscores our commitment to a harmonious financial ecosystem, consistently channeling these resources to adeptly counterbalance the related administrative and infrastructural expenditures.

Over the years, SOU's financial outlook has emphasized its significant reliance on state funding. As we gaze into the future, the immediate realities and enduring uncertainties surrounding diminished state SSCM formula-driven funding, rooted in sustained enrollment deficits, warrant our attention. Such fiscal setbacks have necessitated meticulous budgeting and significant cost-cutting measures to navigate a fluctuating economic landscape. In tandem with other institutions, SOU is committed to pioneering cost-efficient strategies, ensuring education remains accessible, especially for our underrepresented minority and BIPOC students, who we proudly champion. Adapting to continued volatility in revenue forecasts will be paramount, compelling us to streamline both personnel and non-personnel expenses while fostering a culture of continuous efficiency enhancements.

Several factors significantly impacted our costs in supplies and services including: continued inflationary pressures, investment market volatility, early-retirement obligations and other short-term cost drivers. Projecting forward however, there's a silver lining in the form of an increase in state funding for the 2023-2025 biennium. This boost will be instrumental in helping us navigate the prolonged aftermath of the COVID-19 pandemic and its effects on local, state, and national economies. While the initial waves of inflation and the rise in interest rates that emerged in 2022 appear to have found some equilibrium, certain sectors, notably information technology service contracts and subscriptions, persist in showcasing elevated costs. SOU's management teams anticipate that these specific areas will sustain a trajectory of expense growth that surpasses general inflation trends in the upcoming fiscal years.

Despite these challenges, SOU proactively embarked on a transformative cost-cutting initiative in 2023, dubbed "SOU Forward." This program resulted in substantial expenditure budget reductions in two critical categories of labor (3.2%) and supplies and services (11.15%), demonstrating management's commitment to financial prudence while prioritizing our mission. As we move ahead, it's essential to recognize the potential risks posed by evolving social policies and shifting state demographics, which might affect state and federal resources earmarked for higher education. With our strategic measures and the support of the state, we are geared to ensure the continued success and sustainability of SOU amidst these dynamic economic conditions.

For the upcoming academic year, 2023-24, the Board of Trustees approved the following rate increases:

- 2.87% increase for base resident undergraduate tuition.
- 2.67% increase for base resident graduate tuition.

Working in concert with the Tuition Advisory Committee, management remains vigilant in assessing these rates, ensuring they are competitive in the market while striking a balance between demand and student affordability.

Yet our commitment to affordability, along with our vision of shaping the future of education, positions us to reverse enrollment dips. SOU's ongoing endeavors in innovation and strategic enrollment management aim to amplify student success, overall enrollment, and degree completions. A notable initiative in this direction is the allocation of funds for the Core Information System Replacement (CISR) project, set to overhaul our legacy software systems, paving the way for enhanced student experiences. Regrettably, overarching factors like the decline of high school graduates during and after the pandemic have exerted pressure on our enrollment numbers.

Looking ahead, Southern Oregon University confidently embraces both the immediate challenges and future possibilities. We not only recognize the hurdles tied to state funding and enrollment trends but also proactively strategize to address them. Our commitment to affordable education, especially for our cherished students from underrepresented backgrounds, remains undeterred. Navigating this dynamic landscape, our unwavering focus is on resource optimization and innovation, ensuring not only our institution's sustainability but also its flourishing success. Collaboration is our strength. Together with our stakeholders, we're poised to craft and execute strategies that not only ensure our institution's sustainability but also its flourishing success, all while delivering unparalleled educational experiences.

STATEMENTS OF NET POSITION

SOUTHERN OREGON UNIVERSITY

As of June 30,	2023	As Restated 2022
	(In thousands)	
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 2)	**$ 3,213**	$ 5,757
Collateral from Securities Lending (Note 2)	**51**	146
Accounts Receivable, Net (Note 3)	**19,450**	15,706
Notes Receivable, Net (Note 4)	**86**	85
Lease Receivable (Note 8)	**146**	136
Inventories	**483**	444
Prepaid Expenses	**910**	267
Total Current Assets	**24,339**	22,541
Noncurrent Assets		
Cash and Cash Equivalents (Note 2)	**2,045**	2,614
Investments (Note 2)	**19,669**	13,339
Notes Receivable, Net (Note 4)	**1,260**	1,334
Lease Receivable (Note 8)	**1,382**	1,528
Net OPEB Asset (Note 16)	**1,096**	1,016
Capital Assets, Net of Accumulated Depreciation and Amortization (Note 5)	**166,864**	164,569
Total Noncurrent Assets	**192,316**	184,400
Total Assets	**$ 216,655**	$ 206,941
DEFERRED OUTFLOWS OF RESOURCES (Note 6)	**$ 14,900**	$ 11,330
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities (Note 7)	**$ 5,778**	$ 5,196
Deposits	**131**	195
Obligations Under Securities Lending (Note 2)	**51**	146
Current Portion of Long-Term Liabilities (Note 10)	**5,501**	5,141
Unearned Revenues	**4,009**	3,435
Total Current Liabilites	**15,470**	14,113
Noncurrent Liabilities		
Long-Term Liabilities (Note 10)	**48,946**	43,081
Net Pension Liability (Note 15)	**29,535**	19,313
OPEB Liability (Note 16)	**1,068**	1,204
Total Noncurrent Liabilities	**79,549**	63,598
Total Liabilities	**$ 95,019**	$ 77,711
DEFERRED INFLOWS OF RESOURCES (Note 6)	**$ 42,025**	$ 51,436
NET POSITION		
Net Investment in Capital Assets	**$ 93,236**	$ 96,590
Restricted For:		
Nonexpendable Endowments	**1,812**	1,812
Expendable:		
Gifts, Grants and Contracts	**3,121**	2,636
Student Loans	**68**	190
Capital Projects	**3,780**	394
Debt Service	**711**	264
OPEB Asset	**1,096**	1,016
Unrestricted (Note 11)	**(9,313)**	(13,778)
Total Net Position	**$ 94,511**	$ 89,124

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

SOUTHERN OREGON UNIVERSITY

For the Years Ended June 30,		2023		As Restated 2022
		(In thousands)		
OPERATING REVENUES				
Student Tuition and Fees (Net of Allowances of $12,778 and $12,892, Note 1.V)	**$**	**25,950**	$	26,205
Federal Grants and Contracts		**1,672**		1,467
State and Local Grants and Contracts		**2,494**		901
Nongovernmental Grants and Contracts		**928**		1,812
Educational Department Sales and Services		**5,315**		2,700
Auxiliary Enterprises Revenues (Net of Allowances of 1,556 and $1,354, Note 1.V)		**10,817**		11,457
Other Operating Revenues		**2,218**		979
Total Operating Revenues		**49,394**		45,521
OPERATING EXPENSES				
Instruction		**33,850**		33,027
Research		**792**		475
Public Service		**3,807**		3,441
Academic Support		**9,402**		8,422
Student Services		**5,938**		5,688
Auxiliary Programs		**16,006**		14,078
Institutional Support		**12,502**		12,204
Operation and Maintenance of Plant		**6,195**		5,696
Student Aid		**4,226**		8,867
Other Operating Expenses		**4,015**		3,980
Total Operating Expenses (Note 13)		**96,733**		95,878
Operating Loss		**(47,339)**		(50,357)
NONOPERATING REVENUES (EXPENSES)				
Government Appropriations (Note 14)		**28,251**		27,470
Financial Aid Grants		**8,435**		13,933
Gifts		**6,626**		4,874
Investment Activity (Note 12)		**631**		(1,321)
Gain (Loss) on Sale of Assets, Net		**(448)**		960
Interest Expense		**(1,436)**		(1,380)
COVID-19 Institutional Funding (Note 1.AA)		**-**		6,033
Other Nonoperating Items		**513**		203
Net Nonoperating Revenues		**42,572**		50,772
Income (Loss) Before Other Nonoperating Revenues		**(4,767)**		415
Debt Service Appropriations (Note 14)		**179**		179
Capital Grants and Gifts		**9,975**		2,462
Total Other Nonoperating Revenues		**10,154**		2,641
Increase In Net Position		**5,387**		3,056
NET POSITION				
Beginning Balance		**89,124**		87,551
Change in Accounting Principle (Note 1.Z.)		**-**		(1,483)
Beginning Balance, Restated		**89,124**		86,068
Ending Balance	**$**	**94,511**	$	89,124

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
SOUTHERN OREGON UNIVERSITY

For the Years Ended June 30,	2023	As Restated 2022
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	**$ 24,945**	$ 25,613
Grants and Contracts	**4,635**	3,674
Educational Department Sales and Services	**5,315**	2,700
Auxiliary Enterprises Operations	**9,488**	6,918
Payments to Employees for Compensation and Benefits	**(65,454)**	(64,341)
Payments to Suppliers	**(21,934)**	(17,788)
Student Financial Aid	**(4,587)**	(8,969)
Other Operating Receipts	**2,206**	874
Fiduciary Activities - Direct Student Loan Receipts	**16,102**	16,877
Fiduciary Activities - Direct Student Loan Disbursements	**(16,102)**	(16,853)
Fiduciary Activities - Other Custodial Fund Receipts	**222**	63
Fiduciary Activities - Other Custodial Fund Disbursements	**(241)**	(69)
Net Cash Used by Operating Activities	**(45,405)**	(51,301)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Government Appropriations	**28,251**	27,470
Financial Aid Grants	**8,435**	13,933
Gifts	**6,556**	4,700
Other Noncapital Financing Receipts (Disbursements)	**(45)**	(235)
COVID-19 Institutional Funding	**-**	10,530
Net Cash Provided by Noncapital Financing Activities	**43,197**	56,398
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt Service Appropriations	**179**	179
Capital Grants and Gifts	**8,639**	1,660
Proceeds from Sale of Capital Assets	**-**	1,036
Purchases of Capital Assets	**(119)**	(2,055)
Other Capital Receipts	**(207)**	430
Interest Payments on Capital Debt	**(1,453)**	(1,324)
Principal Payments on Capital Debt	**(2,245)**	(2,424)
Net Cash Provided (Used) by Capital and Related Financing Activities	**4,794**	(2,498)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Purchases of Investments	**(6,553)**	(2,287)
Income on Investments and Cash Balances	**854**	453
Net Cash Used by Investing Activities	**(5,699)**	(1,834)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(3,113)**	765
CASH AND CASH EQUIVALENTS		
Beginning Balance	**8,371**	7,606
Ending Balance	**$ 5,258**	$ 8,371

The accompanying notes are an integral part of these financial statements.

For the Years Ended June 30,		2023		As Restated 2022
		(In thousands)		
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES				
Operating Loss	$	(47,339)	$	(50,357)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:				
Depreciation/Amortization Expense		7,210		6,888
Fiduciary Student Loans		-		24
Other Fiduciary Activities		(19)		(6)
Changes in Assets and Liabilities:				
Accounts Receivable		(2,435)		(6,724)
Notes Receivable		73		2,366
Inventories		(39)		(28)
Prepaid Expenses		(643)		258
Accounts Payable and Accrued Liabilities		286		1,365
Long-Term Liabilities		(441)		(482)
Unearned Revenue		574		(366)
Service Concession Arrangement Related Deferrals		(1,017)		(1,018)
OPEB Asset/Liability and Related Deferrals		(273)		(317)
Net Pension Liability and Related Deferrals		(1,342)		(2,904)
NET CASH USED BY OPERATING ACTIVITIES	$	(45,405)	$	(51,301)
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS				
Contributed Capital Assets Acquired	$	97	$	264
Capital Assets Acquired by Accounts Payable		813		501
Capital Assets Acquired through Service Concession Arrangements		-		26,541
Increase (Decrease) in Fair Value of Investments Recognized as a Component of Investment Activity		702		(1,425)
Loss on Sale of Investments Recognized as a Component of Investment Activity		(925)		(349)

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

SOUTHERN OREGON UNIVERSITY FOUNDATION - COMPONENT UNIT

As of June 30,		2023		2022
		(in thousands)		
ASSETS				
Current Assets				
Cash and Cash Equivalents	**$**	**1,700**	$	1,409
Unconditional Promises to Give, Net		**1,305**		612
Total Current Assets		**3,005**		2,021
Noncurrent Assets				
Investments		**40,588**		36,845
LongTerm Unconditional Promises to Give, Net		**6,734**		377
Assets Held Under Split-Interest Agreements		**536**		538
Other Assets		**773**		773
Total Other Assets		**48,631**		38,533
Total Assets	**$**	**51,636**	$	40,554
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts Payable and Accrued Liabilities	**$**	**3**	$	160
Deferred Revenue		**55**		-
Payments Due to Related Entity		**400**		61
Total Current Liabilities		**458**		221
Obligations Under Split-Interest Agreements		**196**		217
Total Liabilities		**654**		438
Net Assets				
Without Donor Restrictions		**4,123**		3,350
With Donor Restrictions		**46,859**		36,766
Total Net Assets		**50,982**		40,116
Total Liabilities and Net Assets	**$**	**51,636**	$	40,554

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF ACTIVITIES

SOUTHERN OREGON UNIVERSITY FOUNDATION - COMPONENT UNIT

For the Years Ended June 30,	2023	2022
	(In thousands)	
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and Other Support		
Donations	**$ 385**	$ 145
Contributed Services Support	**966**	974
Net Investment Income	**784**	126
Net Realized and Unrealized Gains (Losses)	**-**	(290)
Net Assets Released From Restrictions	**5,390**	4,252
Total Revenue and Other Support	**7,525**	5,207
Functional Expenses		
Program Services	**4,780**	3,184
Management and Fundraising	**1,972**	1,730
Total Expenses	**6,752**	4,914
Increase In Unrestricted Net Assets	**773**	293
Beginning Balance, Unrestricted Net Assets	**3,350**	3,057
Ending Balance, Unrestricted Net Assets	**$ 4,123**	$ 3,350
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Revenue and Other Support		
Donations	**13,532**	7,397
Change in Split-Interest Agreements	**(10)**	67
Net Investment Income	**824**	1,626
Net Realized and Unrealized Gains	**1,123**	(6,905)
Fundraising Activities and Other Income	**14**	200
Net Assets Released From Restrictions	**(5,390)**	(4,252)
Increase (Decrease) In Net Assets With Donor Restrictions	**10,093**	(1,867)
Beginning Balance, Net Assets With Donor Restrictions	**36,766**	38,633
Ending Balance, Net Assets With Donor Restrictions	**$ 46,859**	$ 36,766
Increase (Decrease) In Total Net Assets	**10,866**	(1,574)
Beginning Balance, Total Net Assets	**40,116**	41,690
Ending Balance, Total Net Assets	**$ 50,982**	$ 40,116

The accompanying notes are an integral part of these financial statements.

As of June 30,	Custodial Funds 2023	2022
	(In thousands)	
ASSETS		
Cash Deposits - Student Housing Program	**$ 366**	$ 474
Cash Reserves - Student Housing Capital	**15**	-
Cash Deposits - Other	**123**	105
Deposits Held By Others	**4,737**	4,457
Accounts Receivable, Net	**745**	515
Prepaid Expenses	**160**	121
Total Assets	**$ 6,146**	$ 5,672
LIABILITIES		
Payments Due to University	**$ 4,737**	$ 4,457
Accounts Payable and Accrued Liabilities	**20**	96
Total Liabilities	**$ 4,757**	$ 4,553
FIDUCIARY NET POSITION		
Restricted For:		
CHF-Ashland, L.L.C.	**$ 1,265**	$ 1,014
Student and Campus Organizations	**124**	105
Total Fiduciary Net Position	**$ 1,389**	$ 1,119

The accompanying notes are an integral part of these financial statements.

	Custodial Funds			
For the Years Ended June 30,		**2023**		2022
	(In thousands)			
ADDITIONS				
Student Housing Rentals	**$**	**6,608**	$	6,608
Conference and Miscellaneous Rentals		**354**		108
Other Additions		**42**		12
Total Additions	**$**	**7,004**	$	6,728
DEDUCTIONS				
Student Housing Operations	**$**	**6,575**	$	5,932
Student Housing Administrative and General		**141**		166
Other Deductions		**18**		27
Total Deductions	**$**	**6,734**	$	6,125
Increase In Fiduciary Net Position	**$**	**270**	$	603
Fiduciary Net Position - Beginning		**1,119**		516
Fiduciary Net Position - Ending	**$**	**1,389**	$	1,119

The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Southern Oregon University (SOU)/(University), located in Ashland, Oregon, is governed by the Southern Oregon University Board of Trustees (Board), a citizen board appointed by the Governor and confirmed by the State Senate.

The financial reporting entity includes SOU, the SOU Foundation (Foundation), and fiduciary funds for which SOU is the custodian.

The Foundation statements are displayed as a discretely presented component unit under the guidelines established by Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units.* Discretely presented means that the statements are included separately in the financial report. See "Note 20. University Foundation" for additional information relating to this component unit.

The fiduciary funds are presented under the guidelines established by GASB Statement No. 84, *Fiduciary Activities*.

The Governor of the State of Oregon (State) appoints the SOU Board and, because SOU receives some financial support from the State, the State determined that SOU is a discretely presented component unit and is included in the State's Annual Comprehensive Financial Report (ACFR).

B. Financial Statement Presentation

SOU financial accounting records are maintained in accordance with U.S. generally accepted accounting principles as prescribed in applicable pronouncements of the GASB. The financial statement presentation required by GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities-an amendment of GASB Statement No 34, modified by GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*, provides a comprehensive, entity-wide perspective of SOU assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position, and cash flows.

In preparing the financial statements, interfund transfers between university funds and internal revenues and expenses associated with self-supporting auxiliary and service center operations have been eliminated. Unless otherwise stated, dollars are presented in thousands.

Financial statements of the SOU Foundation for fiscal years ended June 30, 2023 and 2022 are discretely presented. The Foundation's financial statements are prepared in accordance with the pronouncements of the Financial Accounting Standards Board (FASB). As such, certain revenue recognition criteria and presentation features are different from GASB revenue criteria and presentation. Accordingly, those financial statements have been reported on separate pages following the respective counterpart financial statements of the University. No modifications have been made to the Foundation's financial information included in the University's financial report.

Financial statements of fiduciary funds for fiscal years ended June 30, 2023 and 2022 are presented and are prepared in accordance with the requirements of GASB Statement No. 84. SOU holds funds for external entities and individuals including funds for CHF-Ashland, L.L.C. (CHF). CHF owns North Campus Village, a 702-bed student housing facility. SOU manages North Campus Village on behalf of CHF through a contractual management agreement. The property and all housing revenue generated by North Campus Village is owned by CHF, and these amounts are not included in the University's financial statements. Additionally, SOU holds funds for various campus and student organizations that operate on SOU's campus.

C. Basis of Accounting

For financial reporting purposes, SOU is considered a special-purpose government engaged in business-type activities, as well as fiduciary custodial funds. Accordingly, the SOU financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when incurred.

NEWLY IMPLEMENTED ACCOUNTING STANDARDS

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. GASB Statement No. 94 provides guidance on the accounting and financial reporting for Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements (APA) for government end users and is effective for the fiscal year ended June 30, 2023. This Statement (1) defines PPPs as well as APAs and distinguishes between arrangements that should be accounted for as leases, service concession arrangements, PPPs or APAs (2) establishes the receivables, capital assets, liabilities, deferred inflows, and/or deferred outflows which should be recorded in the event of a PPP or APA (3) and (4) requires note disclosures regarding a PPP or APA. This statement will change how the University accounts for and reports PPPs. Through this review, it was determined that the housing facility arrangement with the Collegiate Housing Foundation is a service concession arrangement. Please see section "AC. Service Concession Arrangements" for further discussion of this arrangement.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements.* GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangement (SBITAs) for government end users and is effective for the fiscal year ended June 30, 2023. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. This statement will change how the University accounts for and reports SBITAs. See Note 1, Section Z for further details regarding the impacts to fiscal year 2022 financial statements due to the implementation of this standard.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. GASB Statement No. 99 aims to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments, as amended*, related to the focus of the government-wide financial statements
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal year ended June 30, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal year ended June 30, 2024. Not all sections of the Statement will be applicable to the University. The Statement is being reviewed for applicability and impact on the University's financial statements. The elements of the Statement which are effective for June 30, 2023 have been incorporated into the search for GASB 87 leases and the implementations of GASBs 94 and 96.

UPCOMING ACCOUNTING STANDARDS

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement defines four categories of accounting changes and error corrections and related accounting and financial reporting requirements: (1) Changes in accounting principle must be reported retroactively by restating prior periods. (2) Changes in accounting estimate must be reported prospectively by recognizing the change in the current period. (3) Changes to and within the financial reporting entity must be reported by adjusting beginning balances of the current period. (4) Error corrections resulting from mathematical mistakes, misuse of information, or misapplication of accounting principle should be reported retroactively by restating prior periods. This Statement will apply to the University if any of the above fact patterns exist. This Statement will be effective for the fiscal year ended June 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This statement will impact the University's calculation of the compensated absences liability and is currently being reviewed. This statement will be effective for the fiscal year ended June 30, 2025.

D. Cash and Cash Equivalents

Cash and cash equivalents may include highly liquid investments with original maturities of three months or less. Cash and cash equivalents of the University consist of: cash on hand and cash and investments held by the State of Oregon in the Oregon Short-Term Fund (OSTF). See "Note 2.A. Cash and Cash Equivalents" for disclosure of restricted portions of cash and cash equivalents.

E. Investments

Investments are reported at fair value as determined by market prices. Unrealized gains or losses on investments are reported as investment activity in the Statement of Revenues, Expenses, and Changes in Net Position. See "Note 12. Investment Activity" for additional information.

Investments are classified as noncurrent assets in the Statement of Net Position.

F. Receivables

Accounts receivable consists primarily of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable for tuition and fee charges are recorded net of estimated uncollectible amounts in accordance with generally accepted accounting principles.

Grants and contracts receivable include amounts due from federal, state, and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Component Unit receivables include amounts due from the SOU Foundation in connection with reimbursement of allowable expenditures on gift funds. Fiduciary Unit receivables are comprised of amounts due to the University related to the North Campus Village. Capital Construction receivables include amounts due from the State of Oregon in connection with reimbursement of allowable expenditures made pursuant to the grant agreements between the University and the State for facilities projects funded by the State. See "Note 3. Accounts Receivable" for further information.

Notes Receivable has a few main components. Student Loans receivable consists of amounts due from students for loans administered by the University and other small loan programs. Receivable for Third Party Commitments represent a commitment from the Jefferson Public Radio Foundation. See "Note 4. Notes Receivable" for additional information.

G. Inventories

Inventories are recorded at cost with cost being generally determined on a first-in, first-out or average basis. Inventories consist primarily of supplies in storerooms and physical plant stores.

H. Capital Assets

Capital assets are recorded at cost on the date acquired or at acquisition value on the date donated. SOU capitalizes equipment with unit costs of $5 or more and an estimated useful life of greater than one year. SOU capitalizes real property expenditures that increase the functionality and/or extend the useful life of the real property if total expenditures exceed the capitalization thresholds of $50 to $100, depending on the type of real property. Intangible assets valued in excess of $100 are capitalized. Expenditures below the capitalization threshold and repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings, 10 to 20 years for infrastructure and land improvements, 10 years for library books, and 5 to 11 years for equipment. Amortization terms of intangible assets vary depending on the factors relating to the specific asset. Depreciation is not applied to museum collections, works of art and historical treasures, or library special collections.

I. Leases

The University determines if an arrangement is a lease at inception. Lessee arrangements are included in capital assets, as right of use (ROU) assets, and long-term liabilities, current and noncurrent, in the statements of net position. ROU assets represent the University's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. ROU assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. ROU assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. Lease liabilities represent the University's obligation to make lease payments arising from the lessee arrangement. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the University will exercise that option. Per SOU policy, the University has elected to recognize payments for short-term leases with a lease term of 12 months or less and leases with a present value of less than five thousand dollars as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position.

Lessor arrangements are included in lease receivables and deferred inflows of resources in the statements of net position. Lease receivables represent the University's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term. Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term. SOU recognizes payments received for short-term leases with a lease term of 12 months or less as revenue as the payments are received. Per University policy, SOU also recognizes payments received on leases with an initial calculated net present value of five thousand dollars or less as revenue as the payments are received. These leases are not included as lease receivables or deferred inflows on the statements of net position.

J. Subscription Based Information Technology Arrangements

The University determines if an arrangement is a subscription based information technology arrangement (SBITA) at inception. SBITAs are included in Right-of-Use (ROU) SBITA assets and SBITA liabilities in the statement of net position. ROU SBITA assets represent the University's right to use another party's IT software, alone or in combination with tangible capital assets, as specified in the contract, in an exchange or exchange-like transaction. ROU SBITA assets are recognized at the commencement of the subscription term based on the initial measurement of the SBITA liability, plus any payments made to the vendor at the commencement of the subscription term and initial implementation costs. ROU SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT asset. SBITA liabilities represent the University's obligation to make subscription payments arising from the SBITA. SBITA liabilities are recognized at the commencement date based on the present value of expected payments over the subscription term. Interest expense is recognized ratably over the subscription term. The SBITA term may include options to extend or terminate the subscription when it is reasonably certain that the University will exercise that option.

K. Unearned Revenues

Unearned revenues include amounts received for tuition and fees, grants and contracts, lease income, and auxiliary enterprises activities in which cash has been received, but revenues will be earned in subsequent fiscal year(s).

L. Compensated Absences

SOU accrues a liability for vacation leave and other compensated absences that were earned but not used during the current or prior fiscal year for which employees can receive compensation in a future period. An estimate is made to allocate this liability between its current and noncurrent components. Sick leave is recorded as an expense when paid. There is no payout provision for unused sick leave and no liability exists for terminated employees.

M. Net Pension Liability

The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense are actuarially determined at the system-wide Plan level and are allocated to employers based on their proportionate share. SOU is included in the proportionate share for all state agencies. The SOU proportionate share is allocated to SOU by the Oregon State Department of Administrative Services.

N. Other Postemployment Benefits (OPEB) Asset/ Liability

The University reports their proportionate share of the net PERS RHIA OPEB asset, net PERS RHIPA OPEB asset, and the total PEBB OPEB liability, along with the associated deferred outflows of resources and deferred inflows of resources. See "Note 16. Other Post-Employment Benefits (OPEB)" for a detailed description of each plan and the proportionate share methodology for each.

O. Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent the use of resources in one period that is applicable to, and will be recognized in, a period which is more than a year in the future. These deferred outflows have a positive effect on net position that is similar to assets but are not assets. Deferred inflows of resources represent the acquisition of resources that is applicable to, and will be recognized in, a period which is more than a year in the future. These deferred inflows have a negative effect on net position that is similar to liabilities, but are not considered liabilities. SOU's deferred outflows and deferred inflows are related to lessor arrangements, service concession arrangements, defined benefit pension plans, and other postemployment benefits.

P. Net Position

SOU's net position is classified as follows:

NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets represents the total investment in capital assets, net of accumulated depreciation and amortization, and outstanding debt obligations related to those capital assets.

RESTRICTED – NONEXPENDABLE

Restricted nonexpendable consists of endowment funds in which donors have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income. The income may either be expended or, depending on the terms of the gift instrument, added to principal.

RESTRICTED – EXPENDABLE

Restricted expendable includes resources which SOU is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

UNRESTRICTED

Unrestricted are resources that may be used at the discretion of the Board.

Q. Restricted/Unrestricted Resources

The University has no formal policy addressing which resources to use when both restricted and unrestricted net position are available for the same purpose. University personnel decide which resources to use at the time expenses are incurred. Factors used to determine which resources to use include relative priorities of the University in accordance with the University's strategic initiatives and externally imposed matching requirements of certain restricted funds. Major capital purchases are many times split funded from multiple restricted and unrestricted funding sources.

R. Endowments

The University has the authority, through SOU Board policy, to use the interest, income, dividends, or profits of endowments. SOU has entered into an agreement with the Oregon State Treasury (State Treasury) for the management of SOU endowment funds. SOU Board policy is to annually distribute, for spending purposes, four percent of the preceding 20 quarter moving average of the market value of the endowment funds and to maintain the purchasing power of the funds as nearly as prudent investing permits. In accordance with current Board policy, the amount available for distribution during fiscal year 2024 is estimated to be $106. For the year ended June 30, 2023, the net amount of appreciation available for authorization for expenditure was $105. For the year ended June 30, 2022, the net amount of appreciation available for authorization for expenditure was $104. Net appreciation of endowments are included in Expendable Gifts, Grants, and Contracts on the Statement of Net Position.

Nonexpendable Endowments on the Statement of Net Position of $1,812 at both June 30, 2023 and 2022 represent the original corpus of true endowment funds and does not include the accumulated gains of those endowments.

S. Income Taxes

SOU is treated as a governmental entity for tax purposes. As such, SOU is generally not subject to federal and state income taxes. However, SOU remains subject to income taxes on any income that is derived from a trade or business regularly carried on and not in furtherance of the purpose for which it was granted exemption from income taxes. No income tax is recorded for the years ended June 30, 2023 or June 30, 2022, because there is no amount of taxes on such unrelated business income for SOU.

T. Revenues and Expenses

SOU has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

Operating revenues and expenses generally have the characteristics of exchange transactions. These transactions can be defined as an exchange in which two or more entities both receive and sacrifice value, such as purchases and sales of goods or services. Examples of operating revenues include student tuition and fees, sales and services of auxiliary enterprises, most federal, state, and local grants and contracts, and other operating revenues. Examples of operating expenses include employee compensation and benefits, scholarships and fellowships, utilities, supplies and other services, professional fees, and depreciation expense.

Nonoperating revenues and expenses generally have the characteristics of nonexchange transactions. In a nonexchange transaction, SOU receives value without directly giving equal value in exchange. Examples of nonoperating revenues include state appropriations, nonexchange grants, gifts, and contributions. Nonoperating expenses are defined in GASB No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, *Basic Financial Statement - and Management Discussion and Analysis - for State and Local Governments*. Examples of nonoperating expenses include interest on capital asset related debt and loss on sale of assets.

U. State Support

SOU receives support from the State of Oregon in the form of General Fund and Lottery appropriations and debt service appropriations for some Oregon Department of Energy loans, see "Note 14. Government Appropriations" for details on appropriations.

In addition to appropriations, the State of Oregon provides funding for plant facilities on the University's campus. Capital projects for new facilities and capital improvements and repair are funded by philanthropy, campus paid debt and resources, and state-paid debt. The State of Oregon Legislature considers projects from all seven public universities for allocation of Oregon's bonding capacity. Funds for capital projects funded by state-paid debt are provided through grant agreements between SOU and the State of Oregon. Revenue is recorded as Capital Grants in the Statement of Revenues, Expenses and Changes in Net Position when appropriate expenditures are reimbursable per the grant agreements. Funds for capital projects funded by campus paid debt can also be funded through Oregon's bonding capacity. At the time that the bonds are sold, the State of Oregon instructs SOU to record a liability for the debt and a receivable for construction reimbursements, the receivable is reduced as expenditures on the capital project are completed and reimbursed by the State.

Facilities funded by philanthropy, state-paid debt, and campus paid debt are reflected as completed assets or construction in progress in the accompanying Statement of Net Position. The obligations for the bonds issued by the State of Oregon are not obligations of SOU. However, SOU is obligated to pay contracts payable for projects funded by campus paid debt. These contracts payable are included as current and long term liabilities in the Statement of Net Position.

V. Allowances

Student tuition and fees and campus housing revenues included in auxiliary enterprises revenues are reported net of scholarship and bad debt allowances. A scholarship allowance is the difference between the University's stated rates and charges and the amounts actually paid by students and/or third parties making payments on behalf of the students. Under this approach, scholarships awarded by the University are considered as reductions in tuition and fee revenues rather than as expenses. Additionally, certain governmental grants, such as PELL grants, and payments from other federal, state, or nongovernmental programs, are required to be recorded as either operating or nonoperating revenues in the University's financial statement. To the extent that revenues from such programs are applied to tuition, fees, and other student charges, the University has reported a corresponding scholarship allowance. SOU has three types of allowances that net into tuition and fees and auxiliary revenues. Tuition and housing waivers provided directly by SOU amounted to $4,161 and $4,117 for the fiscal years ended June 30, 2023 and 2022, respectively. Revenues from financial aid programs (e.g., PELL Grants, Supplemental Educational Opportunity Grants, and Oregon Opportunity Grants) used for paying student tuition and fees and campus housing was estimated to be $8,935 and $8,708 for the fiscal years ended June 30, 2023 and 2022, respectively. Bad debt expense is included as an allowance to operating revenues and is estimated to be $1,238 and $1,421 for the fiscal years ended June 30, 2023 and 2022, respectively.

W. Federal Student Loan Programs

SOU receives proceeds from the Federal Direct Student Loan Program (FDSLP). GASB Statement No. 84 allows business-type activities, such as SOU, to report activities that would otherwise be considered custodial funds in SOU's Statement of Net Position and Statement of Cash Flows as an operating activity if, upon receipt, the funds are normally expected to be held for three months or less. Funds associated with the FDSLP meet this exception and are reported as such. Federal student loans received by SOU students but not reported in operations was $16,102 and $16,853 for the fiscal years ended June 30, 2023 and 2022, respectively.

X. Deposit Liabilities

Deposit Liabilities primarily consist of rental and dorm deposits as well as fund balances held by SOU on behalf of student groups and organizations that account for activities in the SOU accounting system that are not required to be reported in a fiduciary fund under GASB Statement No. 84 and whose cash is part of the cash held on deposit with the State Treasury.

Y. Use of Estimates

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

Z. Reclassifications and Restatements

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

Certain amounts within the June 30, 2022 financial statement presentation have been reclassified to conform to the June 30, 2023 presentation. The reclassifications had no effect on previously reported net position.

The implementation of GASB Statements No. 94 and 96 in fiscal year 2023 required retrospective application to all financial years presented. The table below shows the impacts to the June 30, 2022 balances:

As of June 30, 2022

Statement of Net Position	As Originally Reported	GASB 94 Implementation	GASB 96 Implementation	Restated
Total Assets	$ 180,170	$ 25,523	$ 1,248	$ 206,941
Deferred Outflows of Resources	11,330	-	-	11,330
Total Liabilities	(76,717)	-	(994)	(77,711)
Deferred Inflows of Resources	(24,370)	(25,523)	(1,543)	(51,436)
Total Net Position	$ 90,413	$ -	$ (1,289)	$ 89,124
Statement of Revenues, Expenses, and Changes in Net Position				
Total Operating Revenues	$ 44,448	$ 1,018	$ 55	$ 45,521
Total Operating Expenses	(95,003)	(1,018)	143	(95,878)
Nonoperating Revenues (Expenses)	53,417		(4)	53,413
Beginning Net Position	87,551		(1,483)	86,068
Ending Net Position	$ 90,413	$ -	$ (1,289)	$ 89,124

AA. COVID-19 Relief Funding

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, passed by Congress in March 2020, provides budgetary relief to higher education institutions through numerous provisions. Of the $30.75 billion allotted to the Education Stabilization Fund through the CARES Act, Congress set aside approximately $14.25 billion for the Higher Education Emergency Relief Fund (HEERF). Due to the different formulas and discretionary allocations Congress created within the CARES Act, the HEERF is comprised of multiple programs and distribution allocations.

The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) was approved by Congress in December 2020 as part of the Consolidated Appropriations Act of 2021. The law authorized $23 billion through the Education Stabilization Fund specifically for higher education. These funds were allocated to institutions using the HEERF in the CARES Act and this portion of relief funding is commonly referred to as HEERF II. The CRRSAA Act requires institutions to provide the same amount in emergency aid to students as they received under the CARES Act, but may spend any additional funds on institutional expenses such as to reimburse themselves for expenses incurred due to continuing operations during the pandemic; defray losses due to decreased revenue; implement information technology infrastructure and distance learning capacity for current and future students; fund payroll; and faculty and staff professional development.

In March 2021, Congress passed additional COVID relief funding in the American Rescue Plan (ARP). This law authorized $39.6 billion to higher education through the Higher Education Emergency Relief Fund (known as HEERF III). Similar to the CARES Act, institutions must spend at least 50% of their allocation on emergency financial aid grants directly to students. Institutions are required to spend a "reasonable and necessary" amount of institutional funds on monitoring and controlling the spread of COVID-19 on their campus and on outreach to students alerting them of opportunities to receive a financial aid adjustment due to lost income as a result of the pandemic. Additionally, institutions may use remaining funds to replace lost revenue, fund emergency expenses, or meet payroll costs, among other expenses. Institutions who received HEERF I or HEERF II funds are automatically awarded HEERF III funds.

As of June 30, 2022, total COVID relief funding awarded to SOU under the different HEERF iterations was $20,597. SOU was awarded $8,951 for the student portion allocation, all of which was received and dispersed directly to students as emergency financial aid grants as of June 30, 2022.

SOU was awarded $11,646 for the institutional portion allocation, all of which was received and expended as of June 30, 2022. SOU recognized other nonoperating revenue for the total amount recognized. Expenditures identified as allowable relate to foregone revenues attributed to a fee which was not charged to students in the spring of 2020.

In addition to the student and institutional portions, SOU was awarded $435 through the Strengthening Institutions Program (SIP), all of which was received and expended as of June 30, 2022. SOU recognized other nonoperating revenue for the total amount recognized. Funding through this program was used to defray institutional expenses related to technology costs associated with the transition to a remote environment as well as other supplies.

SOU was also awarded $146 through the Governor's Emergency Education Relief Fund, all of which was received and expended as of June 30, 2022. This funding was used for student financial aid and for costs incurred to assist students with remote enrollment.

AB. Custodial Funds Net Position

The majority of the Custodial Funds reported in the Statements of Fiduciary Net position and the Statements of Changes in Fiduciary Net Position are associated with the CHF-Ashland, LLC Housing project. The Housing project is owned by the Collegiate Housing Foundation (CHF). SOU is managing the project on behalf of CHF, which includes collecting housing rents, paying ongoing operating expenses from the rental revenue, and forwarding funds to cover the debt service obligations on the bonds related to the project. As part of the compensation back to the University, the University receives a ground-lease payment, which varies from year to year. At the end of fiscal year 2023 and 2022, respectively, the ground-lease receivable to the University was $4,737 and $4,457. During fiscal year 2021, CHF engaged in a process to refinance the bond debt, and, as part of the process, some amendments were made to the agreement between CHF and the University. These changes were intended to give the bond holders greater assurances regarding the ability to continue to meet the payment of the ongoing debt-service obligations, particularly during this current pandemic situation which was having an impact on the housing occupancy levels. These changes impact the presentation of the Custodial Funds since only a portion of the CHF Housing project's overall activity is reflected on the University books. These changes impact the timing of the payment of the ground lease to the University. In FY2021, CHF and the University agreed to delay the payment of the ground lease to the University for a period of up to three years ending on June 30, 2023. Prior to June 30, 2023, the funds normally paid to the University for the ground lease were to be placed into a "surplus" fund (held by CHF) until the balance in the fund reached $2,800 (equal to one year's highest debt obligation for CHF). For the years prior to June 30, 2023, the surplus fund acted as a secondary debt-service reserve. Any balance in the surplus fund exceeding $2,800 was due to be paid to the University. As of June 30, 2022, the balance in the surplus fund reached $4,457 and payment was made to SOU. As of June 30, 2023, the ground lease receivable was $4,737. This agreement ended June 30, 2023, and during the fall of 2023, the remaining balance in the surplus fund was paid out to the University. The cash in the surplus fund which is being held for the ground lease has been included in the Statement of Fiduciary Net Position as Deposits Held by Others and is also reflected on the Statements of Changes in Fiduciary Net Position as a reduction to deductions for Student Housing Operations.

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

AC. Service Concession Arrangements

During the fiscal year ended June 30, 2012, the University entered into an agreement with the Collegiate Housing Foundation (CHF) in order to fund the construction of a new student housing facility, North Campus Village. Through the arrangement, CHF constructed and operates the facility, using SOU staff for property management. SOU leases the land on which the facility is located to CHF. SOU receives compensation from CHF equal to the Net Available Cash Flow which is equal to general revenues, less expenses, less any third party management fees, less required deposits to fund reserves, less scheduled bond debt service for the same annual period. (See "Note 1. AB. Custodial Funds Net Position" for further information about this arrangement.) These payments are disclosed as variable payments in "Note 8. Leases". The University has the option to terminate this agreement and would, upon termination, be obligated to pay any amounts due to satisfy the debt obligations outstanding at the time of termination. It is unlikely that the University will exercise this option. Also, as part of this arrangement, CHF is entitled to a monthly membership fee on behalf of SOU based on the student housing revenues not to exceed $25,000 annually.

At the end of the agreement term, during fiscal year 2048, the building will revert to the University's possession. As such, the University has recorded capital assets of $34,072 for buildings and $473 for land improvements. Accumulated depreciation associated with these assets totaled $10,040 and $9,022 as of June 30, 2023 and June 30, 2022, respectively. In addition, deferred inflows associated with this arrangement totaled $24,506, and $25,523 as of June 30, 2023 and June 30, 2022, respectively.

2. CASH AND INVESTMENTS

The majority of SOU's cash and investments were held in custody with the Oregon State Treasury (State Treasury) during the fiscal years ended June 30, 2023 and 2022. The State Treasury manages these invested assets through commingled investment pools. Six Oregon public universities, including SOU, as well as the Public Universities Risk Management and Insurance Trust, commingle their operating cash and investments in the Public University Fund (PUF). The investments held in the PUF are managed by the State Treasury and administered by the statutorily defined Designated University, currently Oregon State University. Each underlying investment pool has an investment policy and set of objectives identifying risk and return parameters for the respective investment pool. The State Treasury invests these deposits in high grade, dollar-denominated, short and intermediate-term fixed income securities. The Oregon Investment Council (OIC) provides oversight and counsel on the investment policies for each investment pool held in the PUF.

In general, deposits and investment securities, as described below, are exposed to various risks such as credit, concentration of credit, custodial credit, interest rate, and foreign currency. Although the objective of each investment pool is to preserve capital within defined risk parameters, it is likely that the value of the investment securities will fluctuate during short periods of time, and it is possible that such changes could materially affect the amounts reported in the financial statements. For more information on investment risk exposures, see section B of this note.

For full disclosure regarding cash and investments managed by the State Treasury, a copy of the State Treasury audited annual financial report may be obtained by writing to the Oregon State Treasury, 867 Hawthorn Avenue, SE, Salem, OR 97301-5241 or via the internet at www.oregon.gov/treasury/news-data/pages/treasury-news-reports.aspx.

A. Cash and Cash Equivalents

Cash and Cash Equivalents are classified as current and noncurrent which include both restricted and unrestricted cash and are summarized at June 30, 2023 and 2022 as follows:

	June 30, 2023	June 30, 2022
Current		
Unrestricted	**$ 1,003**	$ 2,944
Restricted For:		
Gifts, Grants, and Contracts	**308**	534
Debt Service	**180**	85
Student Aid	**10**	52
Payroll Vendor Payments	**1,703**	2,134
Petty Cash	**9**	9
Total Current Cash	**3,213**	5,757
Noncurrent		
Unrestricted	**1,262**	2,363
Restricted For Capital	**783**	251
Total Noncurrent Cash	**2,045**	2,614
Total	**$ 5,258**	$ 8,371

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

Noncurrent, unrestricted cash consists primarily of student building fee funds. The Board of Trustees has spending authority over these funds, which are no longer restricted. Currently, the Board has no plans to spend these funds in the next fiscal year, as these funds will likely be used for future debt service payments or other capital project expenses. As such, the University has classified these amounts as noncurrent. The portion of the student building fee funds that will be used for debt service payable in fiscal year 2024 is reported as current cash.

DEPOSITS WITH STATE TREASURY

SOU maintains a portion of its current cash balances on deposit with the State Treasury. These deposits are held on a pooled basis as described above in the Oregon Short-Term Fund (OSTF). The OSTF is a short-term cash and investment pool for use by all state agencies or by agreement for related agencies, such as SOU. The State Treasury invests these deposits in high-grade short-term investment securities. While the University is not required by statute to collateralize deposits, it does have a contractual obligation with the State Treasury to collateralize deposits within 24 hours of receipt. At the fiscal year ended June 30, 2023 and 2022, SOU cash and cash equivalents on deposit at the State Treasury was $5,249 and $8,362, respectively. At the fiscal year ended June 30, 2023 and 2022, cash and cash equivalents on deposit at the State Treasury held for custodial (fiduciary) funds as reported on the Statements of Fiduciary Net Position was $505 and $579, respectively.

CUSTODIAL CREDIT RISK—DEPOSITS

Custodial credit risk is the risk that, in the event of a financial institution failure, cash deposits will not be returned to a depositor. The University and State do not have formal policies regarding custodial credit risk for deposits. However, banking regulations and Oregon Revised Statute (ORS) Chapter 295 establish the insurance and collateral requirements for deposits in the OSTF. SOU cash balances held on deposit at the State Treasury are invested continuously, therefore custodial credit risk exposure to the State Treasury is low.

FOREIGN CURRENCY RISK—DEPOSITS

Deposits in foreign currency run the risk of changing value due to fluctuations in foreign exchange rates. State Treasury deposits are denominated in U.S. currency and therefore not exposed to foreign currency risk.

OTHER DEPOSITS

For both the years ended June 30, 2023 and 2022, SOU had vault and petty cash balances of $9.

B. Investments

SOU's operating funds are invested in the PUF Core Bond Fund (CBF), managed by the State Treasury. The CBF invests primarily in intermediate-term fixed income securities and is managed with an investment objective to maximize total return (i.e., principal and income) over an intermediate time horizon within stipulated risk parameters. The CBF is actively managed to maintain an average duration of four to five years, through a diversified portfolio of quality, investment grade fixed income securities as defined in the portfolio guidelines. During the fiscal year ended June 30, 2023, the University entered into a financing agreement that resulted in investments held on SOU's behalf by City National Bank. At June 30, 2023, these separately held investments totaled $6,296. The SOU endowment assets are managed separately by the State Treasury, invested in mutual funds, and directed by external investment managers who are under contract to the OIC. Per policy, the endowment assets are expected to be available in perpetuity. As such, the assets are invested with a long-term horizon while maintaining a prudent level of risk. Investments are managed as a prudent investor would do, exercising reasonable care, skill, and caution. See Note 1, Section "R. Endowments" for additional information regarding SOU endowments.

Investments are all classified as noncurrent and include both restricted and unrestricted funds. At June 30, 2023, of the total $19,669 in investments, $2,778 are restricted for endowments, which include both true and quasi-endowments.

At June 30, 2022, of the total $13,339 in investments, $2,578 are restricted for endowments, which include both true and quasi-endowments.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities could occur in the near term and such changes could materially affect the amounts reported in the Statement of Net Position. Significant events in domestic and international investment markets or aggressive action by the Federal Open Market Committee to influence both short and long-term interest rates contribute to price volatility. Consequently, the fair value of SOU's portion of PUF pooled investments is exposed to price volatility which could result in a substantial change in the fair value of certain investments from the amounts reported as of June 30, 2023.

Of SOU's total assets invested in the PUF investment pool, as of June 30, 2023, $10,594 are invested in the CBF. As of June 30, 2022, $10,791 were invested in the CBF.

Investments of the SOU discretely presented component units are summarized at June 30, 2023 and 2022 as follows:

COMPONENT UNIT

Fair Value at June 30,	2023	2022
Investment Type:		
Mutual Funds:		
Equities	$ 24,000	$ 22,442
Fixed Income	13,108	14,401
Cash and Cash Equivalents	8	2
Treasury Bills	3,472	-
Total Investments	$ 40,588	$ 36,845

CREDIT RISK

Credit risk is the risk that the issuer of an investment fails to fulfill its obligations. As of June 30, 2023 and 2022, respectively, approximately 99.2 percent and 100.0 percent of investments in the PUF pools were subject to credit risk reporting. Fixed income securities rated by the credit agencies as lower medium to high quality, indicating the issuer has a strong capacity to pay principal and interest when due, totaled $356,388 at June 30, 2023 and $311,294 at June 30, 2022 for investments in the PUF pools. Fixed income securities which have not been evaluated by the rating agencies totaled $21,120 at June 30, 2023 and $14,714 at June 30, 2022 for investments in PUF pools. The PUF Investment Pools totaled $377,508 at June 30, 2023, of which SOU owned $10,594 or 2.8 percent. The PUF Investment Pools totaled $326,008 at June 30, 2022, of which SOU owned $10,761 or 3.3 percent. As of June 30, 2023 and June 30, 2022, SOU's endowment assets managed by the State Treasury were invested in commingled funds and did not have independently published ratings. As of June 30, 2023, approximately 99.6 percent of the investments held on SOU's behalf were subject to credit risk reporting. Of these, fixed income securities rated by the credit agencies as lower medium to high quality totaled $4,377 while the remainder was invested in cash equivalents.

CUSTODIAL CREDIT RISK

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of an investment or collateral securities in the possession of an outside party. The State Treasury has no formal policy regarding the holding of securities by a custodian or counterparty. For the years ended June 30, 2023 and 2022, the University's investments were exposed to custodial credit risk indirectly through the State Treasury.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk refers to potential losses if total investments are concentrated with one or few issuers. To mitigate the concentration of credit risk in the PUF, no more than five percent of the bond portfolio, at par value, will be invested in securities of a single issuer and no more than three percent of the individual issue, unless U.S. Government and Agency issues. For all other types of fixed income investments, not more than five percent of the market value of any investment fund will be invested in any single security, unless part of an index fund. No more than 10 percent of the bond portfolio, at market value, will be invested in the securities of a single issuer, with the exception of the U.S. Government and Agency issues. Per SOU's Endowment Policy, no total investments from a single issuer comprised more than five percent of PUF investments, excluding U.S. Government and Agency issues.

The investment manager of the investments held on SOU's behalf purchases liquid, high quality, short-term U.S. Government and agency obligations. The securities must have a maturity of less than 397 days and, in the opinion of the investment manager, have minimal credit risk. At least 80 percent of the fund's assets are invested in the following money market instruments: U.S. Treasury Obligations; obligations issued or guaranteed as to principal and interest by the agencies or instruments of the U.S. government; and repurchase agreements involving these agreements.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that investments may lose value due to fluctuations in foreign exchange rates. As of June 30, 2023, $970 of the SOU endowments, which are invested in mutual funds and managed by the State Treasury, were subject to foreign currency risk. As of June 30, 2022, none of the SOU endowments managed by the State Treasury were subject to foreign currency risk. As of June 30, 2023, none of the separately held investments were subject to foreign currency risk. No investments in the PUF had reportable foreign currency risk at June 30, 2023 or 2022. As of June 30, 2023, none of the investments held on SOU's behalf were subject to foreign currency risk.

INTEREST RATE RISK

Investments in fixed income securities are subject to the risk that changes in interest rates will adversely affect the fair value of the investments. As of June 30, 2023, securities in the PUF Investment Pool held subject to interest rate risk totaling $377,508 had an average duration of 3.98 years. As of June 30, 2022, securities in the PUF Investment Pool held subject to interest rate risk totaling $326,008 had an average duration of 3.70 years. As of June 30, 2023, SOU endowments managed through the State Treasury held subject to interest rate risk totaling $2,778 had an average duration of 7.21 years. As of June 30, 2022, SOU endowments managed through the State Treasury held subject to interest rate risk totaling $2,578 had an average duration of 7.49 years. Duration measures the change in the value of a fixed income security that will result from a one percent change in interest rates. All of the investments held separately on SOU's behalf are cash and cash equivalents, thus they are not held subject to interest rate risk. The investments held separately on SOU's behalf have an average maturity of 19 days and an average effective duration of 0.00 years.

FAIR VALUE MEASUREMENT

Investments are reported at estimated fair value as determined by State Treasury, based on a fair value hierarchy which prioritizes the input techniques used to measure fair value. The hierarchy gives the highest priority to Level 1 measurements and the lowest priority to Level 3 measurements:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted market prices that are observable for the asset, either directly or indirectly, including inputs in markets that are not considered to be active; and

Level 3 – Inputs that are unobservable. These are only used if relevant Level 1 and Level 2 inputs are not available.

Inputs are used in applying valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. In addition to the underlying reported net asset values (NAV), which generally serve as the primary valuation input, other inputs may include liquidity factors and broad credit data. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The fair value of SOU's investments in the PUF are based on the investments' NAV per share provided by the State Treasury. Fair value measurements for the University's investments in the CBF at June 30, 2023 and 2022 totaled $10,594 and $10,761, respectively.

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

At June 30, 2023, 100 percent, or $2,778, of the SOU endowment managed by the State Treasury was valued using level 2 inputs.

At June 30, 2022, 100 percent, or $2,578, of the SOU endowment managed by the State Treasury was valued using level 2 inputs.

At June 30, 2023 and 2022, 100 percent of the SOU Foundation's investments were valued using level 1 inputs.

C. Securities Lending

In accordance with the State investment policies, the State participates in securities lending transactions. The Treasury has, through a Securities Lending Agreement, authorized State Street Bank and Trust Company (State Street) to lend the State's securities pursuant to a form of loan agreement. Both the State and borrowers maintain the right to terminate all securities lending transactions on demand. SOU's cash on deposit with the State Treasury is subject to securities lending. There were no significant violations of the provisions of securities lending agreements during the years ended June 30, 2023 and 2022.

During the year, State Street had the authority to lend short-term, fixed income, and equity securities and receive as collateral U.S. dollar and foreign currency cash, U.S. government and agency securities, and foreign sovereign debt of Organization of Economic Cooperation and Development countries. Borrowers were required to deliver collateral for each loan equal to not less than 102 percent of the market value of the loaned U.S. security. The custodian did not have the ability to pledge or sell collateral securities absent a borrower default, and during the year the State did impose restrictions on the amount of the loans that the custodian made on its behalf. The State Treasury is fully indemnified by the custodian against losses due to borrower default. There were no losses during the year from the failure of borrowers to return loaned securities.

State Street, as lending agent, has created a fund to reinvest cash collateral received on behalf of the OSTF and Oregon state and related agencies, including SOU. As permitted under the fund's Declaration of Trust (Declaration), participant purchases and redemptions are transacted at one dollar per unit ("constant value") based on the amortized cost of the fund's investments. Accordingly, the securities lending collateral held and the obligation to the lending agent are both stated at constant value on the statement of net position.

The fair value of investments held by the fund is based upon valuations provided by a recognized pricing service. These funds are not registered with the Securities and Exchange Commission, but the custodial agent is subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. No income from the funds was assigned to any other funds.

The maturities of investments made with the cash collateral generally do not match the maturities of the securities loaned. Since the securities loaned are callable on demand by either the lender or borrower, the life of the loans at June 30, 2023 and 2022, is effectively one day. As of June 30, 2023 and 2022, the state had no credit risk exposure to borrowers because the amounts owed to borrowers exceeded the amounts borrowers owed to the State.

The fair value of the University's share of securities lending balances on loan as of June 30, 2023 and 2022 comprised the following:

	June 30, 2023	June 30, 2022
Investment Type		
U.S. Treasury and Agency Securities	**$ 26**	$ 18
Domestic Fixed Income Securities	**50**	139
Total	**$ 76**	$ 157

The fair value of the University's share of total cash and securities collateral received as of June 30, 2023 and 2022 was $77 and $160, respectively. The fair value of the University's share of investments purchased with cash collateral as of June 30, 2023 and 2022 was $51 and $146, respectively.

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

3. ACCOUNTS RECEIVABLE

Accounts Receivable, including amounts due from component and fiduciary units, comprised the following:

	June 30, 2023	June 30, 2022
Student Tuition and Fees	**$ 13,368**	$ 11,355
Auxiliary Enterprises and Other Operating Activities	**2,690**	2,647
Capital Construction Gifts and Grants	**2,033**	794
State, Other Government, and Private Gifts, Grants and Contracts	**1,247**	450
Component Units	**312**	242
Fiduciary Units	**4,737**	4,457
Federal Grants and Contracts	**334**	287
Other	**122**	110
	24,843	20,342
Less: Allowance for Doubtful Accounts	**(5,393)**	(4,636)
Accounts Receivable, Net	**$ 19,450**	$ 15,706

The $4,737 due from a fiduciary unit is due from CHF as described in Note 1.AB. CHF has placed the monies to relieve this receivable in a reserve account, as the University has agreed to act as a guarantor of CHF's bond debt service payments through 2023. These funds were paid to the University in fiscal year 2024.

4. NOTES RECEIVABLE

SOU Notes Receivable has two main components.

Institutional and Other Student Loans include loans offered through the University itself and other various non-federal loan programs.

Receivable for Third Party Commitment represents a commitment from the JPR Foundation to provide funds for future debt service payments on a loan agreement to the state which funded building improvements to space utilized by the SOU JPR Department.

	June 30, 2023		
	Current	**Noncurrent**	**Total**
Institutional and Other Student Loans	**$ 1**	**$ 27**	**$ 28**
Third Party Commitment	**99**	**1,411**	**1,510**
	100	**1,438**	**1,538**
Less: Allowance for Doubtful Accounts	**(14)**	**(178)**	**(192)**
Notes Receivable, Net	**$ 86**	**$ 1,260**	**$ 1,346**

	June 30, 2022		
	Current	Noncurrent	Total
Institutional and Other Student Loans	$ 2	$ 27	$ 29
Third Party Commitment	101	1,510	1,611
	103	1,537	1,640
Less: Allowance for Doubtful Accounts	(18)	(203)	(221)
Notes Receivable, Net	$ 85	$ 1,334	$ 1,419

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

5. CAPITAL ASSETS

The following schedule reflects the changes in capital assets:

	Balance June 30, 2021	Restated Additions	Transfer Completed Assets	Restated Retire. And Adjust.	Restated Balance July 1, 2022	**Additions**	**Transfer Completed Assets**	**Retire. And Adjust.**	**Balance June 30, 2023**
Capital Assets, Non-depreciable/Non-amortizable:									
Land	$ 4,465	$ -	$ -	$ (76)	$ 4,389	**$ -**	**$ -**	**$ -**	**$ 4,389**
Capitalized Collections	2,475	9	-	-	2,484	**18**	**-**	**-**	**2,502**
Construction in Progress	4,760	1,759	-	(7)	6,512	**7,086**	**(5,977)**	**-**	**7,621**
Perpetual Intangible Assets	1,735	-	-	-	1,735	**144**	**-**	**-**	**1,879**
Total Capital Assets, Non-depreciable/Non-amortizable	13,435	1,768	-	(83)	15,120	**7,248**	**(5,977)**	**-**	**16,391**
Capital Assets, Depreciable/ Amortizable:									
Equipment	13,337	464	-	(15)	13,786	**278**	**-**	**(22)**	**14,042**
Library Materials	15,202	172	-	(21)	15,353	**104**	**-**	**(13)**	**15,444**
Buildings	202,930	43	-	34,011	236,984	**1,189**	**5,862**	**-**	**244,035**
Land Improvements	3,029	-	-	473	3,502	**-**	**-**	**-**	**3,502**
Improvements Other Than Buildings	1,974	237	-	(85)	2,126	**112**	**109**	**-**	**2,347**
Infrastructure	3,039	-	-	-	3,039	**10**	**6**	**-**	**3,055**
Intangible Assets	2,091	-	-	-	2,091	**-**	**-**	**-**	**2,091**
ROU Leased Equipment	1,962	655	-	(213)	2,404	**380**	**-**	**(246)**	**2,538**
ROU Leased Land	310	343	-	-	653	**-**	**-**	**(29)**	**624**
ROU SBITA Assets	-	1,577	-	-	1,577	**152**	**-**	**(111)**	**1,618**
Total Capital Assets, Depreciable/Amortizable	243,874	3,491	-	34,150	281,515	**2,225**	**5,977**	**(421)**	**289,296**
Less Accumulated Depreciation/ Amortization for:									
Equipment	(11,325)	(438)	-	33	(11,730)	**(450)**	**-**	**22**	**(12,158)**
Library Materials	(14,327)	(201)	-	21	(14,507)	**(212)**	**-**	**36**	**(14,683)**
Buildings	(82,923)	(4,844)	-	(7,876)	(95,643)	**(5,023)**	**-**	**-**	**(100,666)**
Land Improvements	(2,253)	(98)	-	(80)	(2,431)	**(97)**	**-**	**-**	**(2,528)**
Improvements Other Than Buildings	(1,024)	(122)	-	85	(1,061)	**(152)**	**-**	**-**	**(1,213)**
Infrastructure	(2,991)	-	-	-	(2,991)	**(1)**	**-**	**-**	**(2,992)**
Intangible Assets	(2,090)	-	-	-	(2,090)	**-**	**-**	**-**	**(2,090)**
ROU Leased Equipment	(602)	(676)	-	213	(1,065)	**(653)**	**-**	**254**	**(1,464)**
ROU Leased Land	(39)	(65)	-	-	(104)	**(60)**	**-**	**30**	**(134)**
ROU SBITA Assets	-	(444)	-	-	(444)	**(562)**	**-**	**111**	**(895)**
Total Accumulated Depreciation/ Amortization	(117,574)	(6,888)	-	(7,604)	(132,066)	**(7,210)**	**-**	**453**	**(138,823)**
Total Capital Assets, Net	$ 139,735	$ (1,629)	$ -	$ 26,463	$ 164,569	**$ 2,263**	**$ -**	**$ 32**	**$ 166,864**
Capital Assets Summary									
Capital Assets, Non-depreciable/ Non-amortizable	$ 13,435	$ 1,768	$ -	$ (83)	$ 15,120	**$ 7,248**	**$ (5,977)**	**$ -**	**$ 16,391**
Capital Assets, Depreciable/ Amortizable	243,874	3,491	-	34,150	281,515	**2,225**	**5,977**	**(421)**	**289,296**
Total Cost of Capital Assets	257,309	5,259	-	34,067	296,635	**9,473**	**-**	**(421)**	**305,687**
Less Accumulated Depreciation/ Amortization	(117,574)	(6,888)	-	(7,604)	(132,066)	**(7,210)**	**-**	**453**	**(138,823)**
Total Capital Assets, Net	$ 139,735	$ (1,629)	$ -	$ 26,463	$ 164,569	**$ 2,263**	**$ -**	**$ 32**	**$ 166,864**

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

6. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

Deferred Inflows and Outflows of Resources comprised the following:

	June 30, 2023	Restated June 30, 2022
Deferred Outflows of Resources due to:		
Pension Obligations (Note 15)	**$ 14,702**	$ 11,094
Other Postemployment Benefit Obligations (Note 16)	**198**	236
Total Deferred Outflows of Resources:	**$ 14,900**	$ 11,330
Deferred Inflows of Resources		
Restated Leases (Note 8)	**$ 3,214**	$ 3,557
Restated Service Concession Arrangements (Note 1.AC)	**24,506**	25,523
Pension Obligations (Note 15)	**13,177**	21,133
Other Postemployment Benefit Obligations (Note 16)	**1,128**	1,223
Total Deferred Inflows of Resources:	**$ 42,025**	$ 51,436

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts Payable and Accrued Liabilities comprised the following:

	June 30, 2023	June 30, 2022
Payroll Related	**$ 1,701**	$ 2,126
Salaries and Wages	**606**	868
Services & Supplies	**2,185**	1,212
Accrued Interest	**473**	489
Contract Retainage Payable	**181**	169
Construction Payables	**632**	332
Total	**$ 5,778**	$ 5,196

8. LEASES

A. Lessee Arrangements

SOU leases equipment, vehicles, and space from external parties for various terms under long-term non-cancelable lease agreements. The leases expire at various dates through 2036 and provide for renewal options ranging from one year to ten years. In accordance with GASB Statement No. 87, the University records right-of-use assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, or are otherwise discounted using the University's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. The University made variable payments on leases in the amount of $16 and $14 during the fiscal years ended June 30, 2023 and 2022, respectively. These payments were made based on the income the University received from various subleases in which SOU was the lessor. The University has leases featuring payments tied to the consumer price index. The University does not have any leases subject to a residual value guarantee. See "Note 5. Capital Assets" for information on right-of-use assets and associated accumulated depreciation. See "Note 10. Long-Term Liabilities" for future payments schedule.

B. Lessor Arrangements

SOU leases building space and infrastructure to external parties. The University records lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. SOU records lease revenue in Educational Department Sales and Services. The expected receipts are discounted using the interest rate charged on the lease or using the University's incremental borrowing rate. SOU booked total revenue in the amount of $3,675 and $3,066 for the fiscal years ended June 30, 2023 and 2022, respectively. Variable payments are excluded from the valuations unless they are fixed in substance. Of the total revenue recorded, $3,333 and $2,926, respectively, were variable in nature.

9. SBITAS

SOU partners with various vendors for subscription based information technology arrangements (SBITA) for various terms under long-term, non-cancelable agreements. The arrangements expire at various dates through 2026 and provide for renewal options ranging from one year to five years. In accordance with GASB Statement No. 96, the University records right-to-use assets and SBITA liabilities based on the present value of expected payments over the subscription term of the respective arrangements. The expected payments are discounted using the interest rate charged on the arrangement, if available, or are otherwise discounted using the University's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. The University does not have any SBITAs featuring payments tied to an index or market rate. See "Note 5. Capital Assets" for information on right-of-use assets and associated accumulated amortization. See "Note10. Long-Term Liabilities" for future payments schedule.

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

10. LONG-TERM LIABILITIES

Long-term liability activity was as follows:

	Restated Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Amount Due Within One Year	Long-Term Portion
Long-Term Debt						
Due to the State of Oregon:						
Contracts Payable	$ 37,596	$ -	$ (864)	$ 36,732	$ 1,812	$ 34,920
Oregon Department of Energy Loans (SELP)	1,954	-	(158)	1,796	162	1,634
Leases	1,911	334	(647)	1,598	523	1,075
SBITA	994	152	(562)	584	436	148
Workday Contracts Payable	-	8,425	(14)	8,411	-	8,411
Total Long-Term Debt	42,455	8,911	(2,245)	49,121	2,933	46,188
Other Noncurrent Liabilities						
PERS pre-SLGRP pooled Liability	2,327	-	(503)	1,824	359	1,465
Compensated Absences	2,572	618	(1,025)	2,165	1,953	212
Early Retirement Liability	868	636	(167)	1,337	256	1,081
Total Other Noncurrent Liabilities	5,767	1,254	(1,695)	5,326	2,568	2,758
Total Long-Term Liabilities	$ 48,222	$ 10,165	$ (3,940)	$ 54,447	$ 5,501	$ 48,946

	Balance June 30, 2021	Restated Additions	Restated Reductions	Restated Balance June 30, 2022	Amount Due Within One Year	Long-Term Portion
Long-Term Debt						
Due to the State of Oregon:						
Contracts Payable	$ 38,483	$ -	$ (887)	$ 37,596	$ 864	$ 36,732
Oregon Department of Energy Loans (SELP)	2,102	-	(148)	1,954	159	1,795
Small Business Administration Loan	279		(279)	-	-	-
Leases	1,642	990	(721)	1,911	649	1,262
SBITA, Restated	-	1,569	(575)	994	508	486
Installment Purchase	93	-	(93)	-	-	-
Total Long-Term Debt	42,599	2,559	(2,703)	42,455	2,180	40,275
Other Noncurrent Liabilities						
PERS pre-SLGRP pooled Liability	2,597	-	(270)	2,327	361	1,966
Compensated Absences	2,720	1,088	(1,236)	2,572	2,375	197
Early Retirement Liability	932	15	(79)	868	225	643
Total Other Noncurrent Liabilities	6,249	1,103	(1,585)	5,767	2,961	2,806
Total Long-Term Liabilities	$ 48,848	$ 3,662	$ (4,288)	$ 48,222	$ 5,141	$ 43,081

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

The schedule of principal and interest payments for SOU debt is as follows:

For the Year Ending June 30,	Contracts Payable	SELP	Workday Contracts	Leases	SBITA	Total Payments	Principal	Interest
2024	$ 2,740	$ 231	$ 332	$ 552	$ 449	$ 4,304	$ 2,932	$ 1,372
2025	2,857	232	369	416	132	4,006	2,661	1,345
2026	3,031	230	1,419	264	17	4,961	3,691	1,270
2027	3,073	231	1,628	116	-	5,048	3,885	1,163
2028	2,885	232	1,628	62	-	4,807	3,744	1,063
2029-2033	13,960	1,023	5,033	191	-	20,207	16,800	3,407
2034-2038	8,986	-	-	96	-	9,082	7,558	1,524
2039-2043	5,921	-	-	-	-	5,921	5,205	716
2044-2048	2,746	-	-	-	-	2,746	2,645	101
							$ 49,121	$ 11,961
Total Future Debt Service	**46,199**	**2,179**	**10,409**	**1,697**	**598**	**61,082**		
Less: Interest Component of Future Payments	(9,467)	(383)	(1,998)	(99)	(14)	(11,961)		
Principal Portion of Future Payments	**$ 36,732**	**$ 1,796**	**$ 8,411**	**$ 1,598**	**$ 584**	**$ 49,121**		

SOU has entered into contract agreements with the State for the repayment of debt instruments issued to fund capital projects at SOU. In addition, SOU also holds loan agreements with the Oregon Department of Energy. The State may periodically issue new debt to refund previously held debt. Per the contract and loan agreements, when this happens the State is required to pass the savings on to the University.

A. Contracts Payable

SOU has entered into loan agreements with the State for repayment of XI-F(1) bonds issued by the State on behalf of SOU for capital construction and refunding of previously issued debt. SOU makes loan payments (principal and interest) to the State in accordance with the loan agreements. In the event of default, the State may withhold further disbursements of state general fund appropriations up to the amount of the default. Loans, with coupon rates ranging from 0.24 percent to 5.00 percent, are due serially through 2046.

During the fiscal year ended June 30, 2023, the State did not issue any bonds which resulted in either an increase or decrease to SOU's contracts payable to the State. Changes to the contracts payable include debt service payments for principal of $864.

During the fiscal year ended June 30, 2022, the State did not issue any bonds which resulted in either an increase or decrease to SOU's contracts payable to the State. Changes to the contracts payable include debt service payments for principal and accreted interest of $887.

B. Oregon Department of Energy Loans (SELP)

SOU has entered into loan agreements with the State of Oregon Department of Energy (DOE) Small Scale Energy Loan Program (SELP) for energy conservation projects at SOU. SOU makes monthly loan payments (principal and interest) to the DOE in accordance with the loan agreements. Upon event of default, the lender may accelerate the due date and declare the balance due immediately. The projects funded by the loan serve as security for the debt. SELP loans, with interest rates ranging from 3.56 percent to 4.40 percent, are due through 2034.

C. Small Business Administration Loan

SOU had entered in to a loan agreement with the Small Business Administration (SBA) through the CARES Act Paycheck Protection Program. This loan had a fixed annual interest rate of 1.00 percent, with payments due through 2026. SOU applied for loan forgiveness through the SBA. The loan was forgiven in fiscal year 2022.

D. Installment Purchases

SOU had an installment purchase agreement with the Bonneville Environmental Foundation for the Watershed Project. This agreement had no interest and was fully paid as of June 30, 2022.

E. Workday Contracts Payable

SOU has entered into two financing agreements in order to fund the implementation of a new enterprise resource planning system, Workday. SOU makes loan payments (principal and interest) to the financing company in accordance with the financing agreements. The agreements have interest rates of 3.49 and 4.49 percent and are due through 2032.

F. State and Local Government Rate Pool

Prior to the formation of the PERS State and Local Government Rate Pool (SLGRP), the state and community colleges were pooled together in the State and Community College Pool (SCCP), and local government employers participated in the Local Government Rate Pool (LGRP). These two pools combined to form the SLGRP effective January 1, 2002, at which time a transitional, pre-SLGRP liability was created. The pre-SLGRP liability is essentially a debt owed to the SLGRP by the SCCP employers. The balance of the pre-SLGRP pooled liability attributable to the State is being amortized over the period ending December 31, 2027. The liability is allocated by the State of Oregon, based on salaries and wages, to all public universities, state proprietary funds, and the government-wide reporting fund in the State Annual Comprehensive Financial Report. Interest expense was paid by SOU in the amount of $128 and $278 for June 30, 2023 and 2022, respectively. Principal payments of $503 and $270 were applied to the liability for June 30, 2023 and 2022, respectively.

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

G. Early Retirement Liability

Since 1998, SOU has offered a voluntary tenure relinquishment and early retirement program to tenured faculty at least 55 years of age. Faculty electing this plan relinquish all claims to tenure and receive an annual full-time fixed term contract for up to three years. An option within the plan provides that SOU will subsidize health and dental benefits up to a specified dollar amount for up to seven years after the employee's retirement date. As of June 30, 2023, 30 retirees are participating in the health and dental benefits option of this plan and a $1,337 liability will be paid out through fiscal year 2029. As of June 30, 2022, 21 retirees were participating in the health and dental benefits option of this plan and a $868 liability will be paid out through fiscal year 2028.

11. UNRESTRICTED NET POSITION

Unrestricted Net Position was comprised of the following:

	June 30, 2023	June 30, 2022
University Operations	**$ 24,684**	$ 22,594
Compensated Absences Liability (Note 10)	**(2,165)**	(2,502)
Other Post-Employment Benefits Liability (Note 16)	**(1,068)**	(1,204)
State and Local Government Rate Pool (Note 10)	**(1,824)**	(2,327)
Net Pension Liability (Note 15)	**(29,535)**	(19,313)
Pension & OPEB Related Deferred Outflows (Note 6)	**14,900**	11,330
Pension & OPEB Related Deferred Inflows (Note 6)	**(14,305)**	(22,356)
Total Unrestricted Net Position	**$ (9,313)**	$ (13,778)

12. INVESTMENT ACTIVITY

Investment Activity detail is as follows:

	June 30, 2023	June 30, 2022
Investment Earnings	**$ 726**	$ 352
Interest Income	**24**	2
Endowment Income	**105**	100
Net Appreciation (Depreciation) of Investments	**702**	(1,425)
Other	**(1)**	(1)
Loss on Sale of Investment	**(925)**	(349)
Total Investment Activity	**$ 631**	$ (1,321)

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

13. OPERATING EXPENSES BY NATURAL CLASSIFICATION

The Statement of Revenues, Expenses and Changes in Net Position reports operating expenses by their functional classification.

The reporting of the net pension liability as per GASB Statement Nos. 68 and 71 as well as that of the OPEB liability per GASB Statement No. 75, significantly affects the recorded compensation and benefit expenses of SOU. Changes in the pension and OPEB expenses and their associated reporting requirements decreased the reported compensation and benefit expenses of SOU by $1,616 for the fiscal year ended June 30,2023 and decreased them by $3,220 for the fiscal year ended June 30, 2022.

The following displays operating expenses by both the functional and natural classifications:

June 30, 2023	Compensation and Benefits	Services and Supplies	Scholarships and Fellowships	Depreciation and Amortization	Other	Total
Instruction	$ 28,953	$ 4,587	$ 303	$ 7	$ -	$ 33,850
Research	518	250	24	-	-	792
Public Services	2,396	1,338	-	73	-	3,807
Academic Support	5,879	2,943	2	578	-	9,402
Student Services	4,717	1,208	-	13	-	5,938
Auxiliary Services	6,942	6,455	30	2,579	-	16,006
Institutional Support	9,092	3,009	-	401	-	12,502
Operation & Maintenance	4,224	1,970	-	1	-	6,195
Student Aid	-	(2)	4,228	-	-	4,226
Other	(10)	467	-	3,558	-	4,015
Total	$ 62,711	$ 22,225	$ 4,587	$ 7,210	$ -	$ 96,733

Restated June 30, 2022	Compensation and Benefits	Services and Supplies	Scholarships and Fellowships	Depreciation and Amortization	Other	Total
Instruction, Restated	$ 28,512	$ 4,415	$ 98	$ 2	$ -	$ 33,027
Research	358	112	5	-	-	475
Public Services, Restated	2,336	1,036	-	69	-	3,441
Academic Support, Restated	5,237	2,678	-	507	-	8,422
Student Services, Restated	4,852	834	-	2	-	5,688
Auxiliary Services, Restated	6,788	4,710	23	2,557	-	14,078
Institutional Support, Restated	9,001	2,924	-	279	-	12,204
Operation & Maintenance	4,028	1,667	-	1	-	5,696
Student Aid	-	(2)	8,843	-	26	8,867
Other	129	380	-	3,471	-	3,980
Total	$ 61,241	$ 18,754	$ 8,969	$ 6,888	$ 26	$ 95,878

14. GOVERNMENT APPROPRIATIONS

The University receives support from the State of Oregon in the form of General Fund and Lottery appropriations. These appropriations are in support of the operations of the University and debt service of SELP loans. Appropriations for SELP debt service are dependent upon the loan agreements between the University and the Oregon Department of Energy. Government appropriations comprised the following:

	June 30, 2023	June 30, 2022
General Fund - Operations	$ 26,822	$ 26,041
General Fund - SELP Debt Service	179	179
Lottery Funding	1,429	1,429
Total Appropriations	$ 28,430	$ 27,649

15. EMPLOYEE RETIREMENT PLANS

SOU offers various retirement plans to qualified employees as described below.

A. Public Employees Retirement System (PERS)

Organization

Southern Oregon University participates with other state agencies in the Oregon Public Employees Retirement System (System/PERS), which is a cost-sharing multiple employer defined benefit plan. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the plan. PERS is administered in accordance with Oregon Revised Statutes (ORS) Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a). The Oregon Legislature has delegated authority to the Public Employees Retirement Board (Board) to administer and manage the System.

Plan Membership

The 1995 Oregon Legislature enacted Chapter 654, Section 3, Oregon Laws 1995, which has been codified into ORS 238.435. This legislation created a second tier of benefits for those who established membership on or after January 1, 1996. Membership prior to January 1, 1996 are Tier One members. The second tier does not have the Tier One assumed earnings rate guarantee and has a higher normal retirement age of 60, compared to 58 for Tier One. Both Tier One and Tier Two are defined benefit plans.

The 2003 Legislature enacted HB 2020, codified as ORS 238A, which created the Oregon Public Service Retirement Plan (OPSRP). OPSRP consists of the Pension Program (defined benefit, DB) and the Individual Account Program (IAP). The IAP is a defined contribution plan. Membership includes public employees hired on or after August 29, 2003.

Beginning January 1, 2004, PERS active Tier One and Tier Two members became members of IAP of OPSRP. PERS members retain their existing Defined Benefit Plan accounts, but member contributions are now deposited into the member's IAP account, not into the member's Defined Benefit Plan account. Accounts are credited with earnings and losses net of administrative expenses. OPSRP is part of PERS and is administered by the Board.

Pension Plan Report

The PERS defined benefit and defined contribution retirement plans are reported as pension trust funds in the fiduciary funds combining statements and as part of the Pension and Other Employee Benefit Trust in the State of Oregon Comprehensive Financial Report. PERS issues a separate, publicly available financial report that includes an audit opinion that may be obtained by writing to the Public Employees Retirement System, Fiscal Services Division, PO Box 23700, Tigard, OR 97281-3700. The report may also be accessed online at: http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx

Summary of Significant Accounting Policies

Employers participating in the Plan are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014, in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*.

The requirements of this Statement incorporate provisions intended to reflect the effects of transactions and events related to pensions in the measurement of employer liabilities for pensions and recognition of pension expense and deferred outflows of resources and deferred inflows of resources related to pensions.

Basis of Accounting

Contributions from employers are recognized on the accrual basis of accounting. Employer contributions to PERS are calculated based on creditable compensation for active members reported by employers. Employer contributions are accrued when due pursuant to legal requirements. These are amounts normally included in the employer statements cut off as of the fifth of the following month.

Proportionate Share Allocation Methodology for the Plan

The basis for the employer's proportion is actuarially determined by comparing the employer's projected long-term contribution effort to the Plan with the total projected long-term contribution effort of all employers. The contribution rate for every employer has at least two major components; Normal Cost Rate and Unfunded Actuarial Liability (UAL) Rate.

Collective Pension Plan Liability

The components of the Plan's collective net pension liability as of the measurement dates of June 30, 2022 and 2021 are as follows (dollars in millions):

	June 30, 2022	June 30, 2021
Total Pension Liability	$ 99,082	$ 96,298
Plan Fiduciary Net Position	83,770	84,331
Collective Net Pension Liability	$ 15,312	$ 11,967

The Plan's fiduciary net position has been determined on the same basis used by the pension plan.

Changes Subsequent to the Measurement Date

The University is unaware of any changes made subsequent to the measurement date of June 30, 2022.

Oregon PERS Pension (Chapter 238) Program

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results. Monthly payments must be a minimum of $200 per month or the member will receive a lump-sum payment of the actuarial equivalence of benefits to which he or she is entitled. A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General Service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance provided one or more of the following conditions are met:

- The member was employed by a PERS employer at the time of death.
- The member died within 120 days after termination of PERS-covered employment.
- The member died as a result of injury sustained while employed in a PERS-covered job.
- The member was on an official leave of absence from a PERS-covered job at the time of death.

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

Benefit Changes after Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living adjustments (COLAs). The COLA is capped at 2.0 percent.

Oregon Public Service Retirement Plan (OPSRP DB) Pension Program

Pension Benefits

The OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and if the pension program is terminated, the date on which termination becomes effective.

Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes after Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through COLAs. The cap on the COLAs will vary based on 1.25 percent on the first $60 of annual benefit and 0.15 percent on annual benefits above $60.

Oregon Public Service Retirement Plan (OPSRP IAP) Pension Program

Benefit Terms

The IAP is an individual account-based program under the PERS tax-qualified governmental plan as defined under ORS 238A.400. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. The accounts fall under

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

Internal Revenue Code Section 401(a).

Upon retirement, a member of the IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Installment amounts vary with market returns as the account remains invested while in distribution. When chosen, the distribution option must result in a $200 minimum distribution amount, or the frequency of the installments will be adjusted to reach that minimum.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Pension Plan Contributions

PERS and OPSRP employee contribution requirements are established by ORS 238.200 and ORS 238A.330, respectively, and are credited to an employee's account in the Individual Account Program and may be amended by an act of the Oregon Legislature. PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Effective January 1, 2020, Senate Bill 1049 requires employers to pay contributions on re-employed PERS retirees' salaries as if they were active members, excluding IAP (6 percent) contributions.

Employer contribution rates for the fiscal year ended June 30, 2023 were based on the December 31, 2020 valuation, while the rates for the fiscal year ended June 30, 2022 were based on the December 31, 2019 actuarial valuation. The employer contribution rates for the PERS and OPSRP are as follows:

	2023	2022
Base PERS Tier One/Two Rate	**19.51%**	19.51%
SLGRP Rate	**1.52%**	1.52%
RHIA/RHIPA OPEB Rate	**0.33%**	0.33%
Total PERS Tier One/Two Rate	**21.36%**	21.36%
Base OPSRP Rate	**15.60%**	15.60%
SLGRP Rate	**1.52%**	1.52%
RHIA/RHIPA OPEB Rate	**0.17%**	0.17%
Total OPSRP Rate	**17.29%**	17.29%

The University's required employer contributions for PERS and OPSRP for the years ended June 30, 2023 and June 30, 2022 were $5,000 and $4,861, respectively, including amounts to fund separately financed employer specific liabilities associated with the SLGRP liability. See "Note 10.E. State and Local Government Rate Pool" for additional information.

Net Pension Liability

At June 30, 2023, the University reported a liability of $29,535 for its proportionate share of the PERS net pension liability. The net pension liability as of June 30, 2023 was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. At June 30, 2022, the University reported a liability of $19,313 for its proportionate share of the PERS net pension liability. The net pension liability as of June 30, 2022 was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The PERS system does not provide SOU an audited proportionate share as a separate employer; the University is allocated a proportionate share of PERS employer state agencies, which includes all state agencies. The State of Oregon Department of Administrative Services (DAS) calculated SOU's proportionate share of all state agencies internally based on actual contributions by SOU as compared to the total for employer state agencies. The Oregon Audits Division reviewed this internal calculation. At June 30, 2023, SOU's proportion was 0.19 percent of the statewide pension plan, a 0.03 percent increase over 2022. At June 30, 2022, SOU's proportion was 0.16 percent of the statewide pension plan, a decrease of 0.03 percent over the previous year.

For the years ended June 30, 2023 and 2022, SOU recorded total pension expense of $2,977 and $1,349, respectively, due to the increase in net pension liability and changes to deferred inflows and deferred outflows.

Deferred Items

Certain deferred items are calculated at the system-wide level and are allocated to employers based on their proportionate share. Other deferred items are calculated at the University level. For fiscal years ending June 30, 2023 and 2022, deferred items include:

- Difference between expected and actual experience
- Changes in assumptions
- Net difference between projected and actual earnings
- Changes in employer proportion since the prior measurement date
- Difference between employer contributions and proportionate share of contributions
- Contributions subsequent to the measurement date

Differences between expected and actual experience, changes in assumption, and changes in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize pension expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service lives determined as of the beginning of each measurement period are as follows:

Measurement period ended June 30, 2022 – 5.5 years
Measurement period ended June 30, 2021 – 5.4 years

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

Measurement period ended June 30, 2020 – 5.3 years
Measurement period ended June 30, 2019 – 5.2 years
Measurement period ended June 30, 2018 – 5.2 years
Measurement period ended June 30, 2017 – 5.3 years

The difference between projected and actual earnings attributable to each measurement period is amortized over a closed five-year period.

One year of amortization is recognized in the University's total pension expense for fiscal years 2023 and 2022.

At June 30, 2023, SOU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,434	$ 184
Changes in assumptions	4,634	42
Net difference between projected and actual earnings on pension plan investments	-	5,280
Changes in proportion and differences between System's contributions and proportionate share of contributions	4,315	7,671
Total	$ 10,383	$ 13,177
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	(2,794)	
Contributions Subsequent to the MD	4,319	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	$ 1,525	

Of the amount reported as deferred outflows of resources, $4,319 are related to pensions resulting from SOU contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

As of June 30, 2023, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Outflow/(Inflow) of Resources
Year Ended June 30:	
2024	$ (1,164)
2025	(1,493)
2026	(2,858)
2027	2,495
2028	226
	$ (2,794)

At June 30, 2022, SOU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,808	$ -
Changes in assumptions	4,835	51
Net difference between projected and actual earnings on pension plan investments	-	14,297
Changes in proportion and differences between System's contributions and proportionate share of contributions	199	6,785
Total	**$ 6,842**	**$ 21,133**
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	(14,291)	
Contributions Subsequent to the MD	4,252	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	**$ (10,039)**	

Of the amount reported as deferred outflows of resources, $4,252 were related to pensions resulting from SOU contributions subsequent to the measurement date and were recognized as a reduction of the net pension liability in the year ended June 30, 2023.

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

Actuarial Methods and Assumptions

The following methods and assumptions were used in the development of the total pension liability:

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years.

Actuarial Methods:		
As of:	**June 30, 2023**	June 30, 2022
Valuation Date	December 31, 2020	December 31, 2019
Measurement Date	June 30, 2022	June 30, 2021
Experience Study Report	2020, published July 2021	2018, published July 2019
Actuarial Cost Method	Entry Age Normal	
Actuarial Assumptions:		
Inflation Rate	2.40 percent	
Long-Term Expected Rate of Return	6.90 percent	
Discount Rate	6.90 percent	
Projected Salary Increases	3.40 percent	
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with *Moro* decision; blend based on service	
Mortality	*Healthy retirees and beneficiaries:*	
	Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.	
	Active members:	
	Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.	
	Disabled retirees:	
	Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.	

Discount Rate

The discount rate used to measure the total pension liability at both June 30, 2023 and June 30, 2022 was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The sensitivity analysis shows the sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate. The following table presents SOU's proportionate share of the net pension liability calculated using the applicable discount rates as of June 30, 2023 and 2022 as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

As of:	**June 30, 2023**	June 30, 2022
1 % Decrease 5.90%	**$ 52,378**	$ 37,927
Current Discount Rate 6.90%	**29,535**	19,313
1 % Increase 7.90%	**10,417**	3,741

Depletion Date Projection

GASB No. 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB No. 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB No. 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for Oregon PERS:

- Oregon PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100 percent funded position by the end of the amortization period if future experience follows assumption.
- GASB No. 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is the independent actuary's opinion that the detailed depletion date projections outlined in GASB No. 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

Assumed Asset Allocation

Asset Class/ Strategy	Low Range	High Range	OIC Target
Debt Securities	15.00 %	25.00 %	20.00 %
Public Equity	25.00	35.00	30.00
Private Equity	15.00	27.50	20.00
Real Estate	7.50	17.50	12.50
Real Assets	2.50	10.00	7.50
Diversifying Strategies	2.50	10.00	7.50
Opportunity Portfolio	0.00	5.00	0.00
Risk Parity	0.00	3.50	2.50
Total			100.00 %

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in May 2019 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. The following table shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation.

For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at: www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx.

Long-term expected rate of return is as follows:

Asset Class	Target	Compound Annual Return (Geometric)
Global Equity	30.62%	5.85%
Private Equity	25.50	7.71
Core Fixed Income	23.75	2.73
Real Estate	12.25	5.66
Master Limited Partnerships	0.75	5.71
Infrastructure	1.50	6.26
Commodities	0.63	3.10
Hedge Funds of Funds - Multistrategy	1.25	5.11
Hedge Fund Equity - Hedge	0.63	5.31
Hedge Fund - Macro	5.62	5.06
US Cash	-2.50	1.76
Assumed Inflation – Mean		2.40%

BOND DEBT

The Retirement Bond Debt Service Assessment was authorized by the State of Oregon Legislature in 2003 to sell general obligation bonds in the amount of $2 billion to pay a PERS unfunded actuarial liability. This action reduced the PERS contribution rate for PERS covered employers in the State actuarial pool in November 2003.

The Oregon Department of Administrative Services coordinates the debt service assessments to PERS employers to cover the bond debt service payments. PERS employers are assessed a percentage of PERS-subject payroll to fund the payments. The assessment rate is adjusted periodically over the life of the twenty-four year debt repayment schedule.

The payroll assessment for the pension obligation bond began in May 2004. The assessment rate for fiscal years 2023 and 2022 was 5.60 percent. Payroll assessments for the fiscal years ended June 30, 2023 and 2022 were $1,518 and $1,462, respectively.

B. OTHER RETIREMENT PLANS

Optional Retirement Plan

The 1995 Oregon Legislature enacted legislation that authorized SOU to offer a defined contribution retirement plan as an alternative to PERS. The Board appointed a Retirement Plan Committee to administer the Optional Retirement Plan (ORP) and named trustees to manage plan assets placed with mutual funds and insurance companies. Beginning April 1, 1996, the ORP was made available to University academic and administrative faculty. Employees choosing the ORP may invest the employee and employer contributions in one of two investment companies, either Fidelity or the Teacher's Insurance Annuity Association (TIAA).

The ORP consists of four tiers. Membership under ORP Tier One and Tier Two is determined using the same date of entry criteria as PERS. The third tier is determined by the date of entry applicable to the OPSRP. Employees hired on or after July 1, 2014 who elected the ORP are Tier Four members. The first contributions for Tier Four were payable January 2015 after six-months of qualifying service.

Tier Four is a departure from the other three tiers. The employee is entitled to an employer contribution plus a "match" contribution based on the employee's participation in the voluntary 403(b) investment plan. The employer contribution is fixed at 8 percent by plan rules and is unaffected by PERS rates, unlike the other tiers. The employer provides an ORP match contribution equal to 403(b) deferrals up to a 4 percent maximum. Under the ORP Tiers One, Two and Three, the employee's contribution rate is 6 percent and is paid by the employer. There is no employee contribution rate for Tier Four.

The employer contribution rates for the ORP are as follows:

	2023	2022
Tier One/Two	**26.30%**	26.30%
Tier Three	**9.63%**	9.63%
Tier Four	**8.00%**	8.00%

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

Summary of Defined Contribution Pension Payments

SOU total payroll for the year ended June 30, 2023 was $34,187, of which $10,885 was subject to defined contribution retirement plan contributions. The following schedule lists payments made by SOU for the fiscal year:

	June 30, 2023			
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
ORP	$ 921	8.47%	$ 755	6.94%

Of the employee share, SOU paid $646 of the ORP employee contribution amounts on behalf of their employees during the fiscal year ended June 30, 2023.

SOU total payroll for the year ended June 30, 2022 was $34,187, of which $13,790 was subject to defined contribution retirement plan contributions. The following schedule lists payments made by SOU for the fiscal year:

	June 30, 2022			
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
ORP	$ 944	6.85%	$ 667	4.84%

Of the employee share, SOU paid $579 of the ORP employee contribution amounts on behalf of their employees during the fiscal year ended June 30, 2022.

16. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Public Employees Retirement System (PERS)

Plan Descriptions

The Public Employees Retirement System (PERS) Board contracts for health insurance coverage on behalf of eligible PERS members. Eligible retirees pay their own age-adjusted premiums. To help retirees defray the cost of these premiums, PERS also administers two separate defined benefit other postemployment benefit (OPEB) plans: the Retirement Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA). Only Tier One and Tier Two PERS members are eligible to participate in the RHIA and RHIPA plans. (Refer to "Note 15. Employee Retirement Plans" for details concerning Tier One and Tier Two membership in PERS.)

The RHIA is a cost-sharing multiple-employer defined benefit OPEB plan in which the University participates. Established under Oregon Revised Statute (ORS) 238.420, the plan provides a payment of up to $60 toward the monthly cost of health insurance for eligible PERS members. To be eligible to receive the RHIA subsidy, the member must (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991. The Legislature has sole authority to amend the benefit provisions and employer obligations for the RHIA plan.

Established under ORS 238.415, the RHIPA is considered a cost-sharing multiple-employer defined benefit OPEB plan for financial reporting purposes. The plan provides payment of the average difference between the health insurance premiums paid by retired state employees under contracts entered into by the PERS Board and health insurance premiums paid by state employees who are not retired. PERS members are qualified to receive the RHIPA subsidy if they have eight or more years of qualifying service in PERS at the time of retirement or receive a disability pension calculated as if they had eight or more years of qualifying service, but are not eligible for federal Medicare coverage. A surviving spouse or dependent of a deceased retired state employee is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired on or after September 29, 1991. The Legislature has sole authority to amend the benefit provisions and employer obligations of the RHIPA plan.

Both RHIA and RHIPA are closed to employees hired on or after August 29, 2003, who had not established PERS membership prior to that date.

OPEB Plans Report

The PERS RHIA and RHIPA defined benefit OPEB plans are reported separately under Other Employee Benefit Trust Funds in the fiduciary funds combining statements and as part of the Pension and Other Employee Benefit Trust in the State's Annual Comprehensive Financial Report. PERS issues a separate, publicly available financial report that includes audited financial statements and required supplementary information. The report may be obtained by writing to the Public Employees Retirement System, Fiscal Services Division, PO Box 23700, Tigard, OR 97281-3700. The report may also be accessed online at: http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx

Summary of Significant Accounting Policies

Employers participating in PERS are required to report OPEB information in their financial statements for fiscal periods beginning on or after June 15, 2017, in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

The requirements of this Statement incorporate provisions intended to reflect the effects of transactions and events related to OPEB in the measurement of employer liabilities and recognition of OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB.

Basis of Accounting

The financial statements for the PERS OPEB plans are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Benefits are recognized in the month they are earned and withdrawals are recognized in the month they are due and payable. Plan investments are reported at fair value.

Proportionate Share Allocation Methodology

The basis for the employer's proportion is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the Plan with the total actual contributions made in the fiscal year of all employers.

OPEB Plan (Asset)/Liability

The components of the PERS Net OPEB liability (asset) for the OPEB plans as of the measurement date of June 30, 2022 and June 30, 2021, respectively, are as follows (in millions):

Net OPEB - RHIA (Asset)	June 30, 2022	June 30, 2021
Total OPEB - RHIA Liability	$ 375.4	$ 409.5
Plan Fiduciary Net Position	730.7	752.9
Employer's Net OPEB - RHIA (Asset)	**$ (355.3)**	$ (343.4)

Net OPEB - RHIPA Liability/(Asset)	June 30, 2022	June 30, 2021
Total OPEB - RHIPA Liability	$ 49.1	$ 62.9
Plan Fiduciary Net Position	83.3	78.4
Employer's Net OPEB - RHIPA Liability/(Asset)	**$ (34.2)**	$ (15.5)

The Plan's fiduciary net position has been determined on the same basis used by the pension plan.

Changes Subsequent to the Measurement Date

The University is not aware of any changes to the benefit terms subsequent to the June 30, 2022 measurement date.

Assumed Asset Allocation

Asset Class/ Strategy	Low Range	High Range	OIC Target
Debt Securities	15.00 %	25.00 %	20.00 %
Public Equity	25.00	35.00	30.00
Private Equity	15.00	27.50	20.00
Real Estate	7.50	17.50	12.50
Real Assets	2.50	10.00	7.50
Diversifying Strategies	2.50	10.00	7.50
Opportunity Portfolio	0.00	5.00	0.00

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in May 2019 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the OIC investment advisors. Each asset assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. The table below shows a summary of long-term expected rate of return by asset class. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at: www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx

Long-term expected rate of return is as follows:

Asset Class	Target	Compound Annual Return (Geometric)
Global Equity	30.62%	5.85%
Private Equity	25.50	7.71
Core Fixed Income	23.75	2.73
Real Estate	12.25	5.66
Master Limited Partnerships	0.75	5.71
Infrastructure	1.50	6.26
Commodities	0.63	3.10
Hedge Funds of Funds - Multistrategy	1.25	5.11
Hedge Fund Equity - Hedge	0.63	5.31
Hedge Fund - Macro	5.62	5.06
US Cash	-2.50	1.76
Assumed Inflation – Mean		2.40%

Depletion Date Projection

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, generally requires that a blended discount rate be used to measure the Total OPEB Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB Statement No. 75 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB Statement No. 75 (paragraph 39) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for Oregon PERS:

- Oregon PERS has a formal written policy to calculate an actuarially determined contribution (ADC), which is articulated in the actuarial valuation report.

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100 percent funded position by the end of the amortization period if future experience follows assumption.
- GASB Statement No. 75 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience that might impact the plan's funded position.

Based on these circumstances, it is the independent actuary's opinion that the detailed depletion date projections outlined in GASB Statement No. 75 would clearly indicate that the fiduciary net position is always projected to be sufficient to cover benefit payments and administrative expenses. As such, the long-term expected return was used to discount the liability.

i. RHIA

Contributions

The RHIA plan is funded through actuarially determined employer contributions.

For both the fiscal years ended June 30, 2023 and June 30, 2022, the University contributed 0.05 percent of PERS-covered payroll for Tier One and Tier Two plan members to fund the normal cost portion of RHIA benefits. The required employer contribution was approximately $3 for the year ended June 30, 2023 and $4 for the year ended June 30, 2022. The actual contribution equaled the annual required contribution for both fiscal years.

Net OPEB Asset

At June 30, 2023, the University reported an asset of $860 for its proportionate share of the RHIA net OPEB asset. The net OPEB asset as of June 30, 2023 was measured as of June 30, 2022, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2020. At June 30, 2022, the University reported an asset of $913 for its proportionate share of the RHIA net OPEB asset. The net OPEB asset as of June 30, 2022 was measured as of June 30, 2021, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019. The PERS system does not provide SOU an audited proportionate share as a separate employer; the University is allocated a proportionate share of PERS employer state agencies. The state Department of Administrative Services (DAS) calculated SOU's proportionate share of all state agencies internally based on actual contributions by SOU as compared to the total for employer state agencies. The Oregon Audits Division reviewed this internal calculation. At June 30, 2023 SOU's proportion was 0.24 percent of the statewide OPEB plan, a decrease of 0.03 percent over 2022. While at June 30, 2022 it's share was 0.27 percent, an increase of 0.19 percent over the previous year.

For the years ended June 30, 2023 and June 30, 2022, SOU recorded total OPEB expense of ($158) and ($197), respectively, due to the change in the net RHIA OPEB asset, changes to deferred outflows and deferred inflows, and amortization of deferred amounts.

Deferred Items

Certain deferred inflows of resources and deferred outflows of resources are calculated at the system-wide level and are allocated to employers based on their proportionate share. Other deferred items are calculated at the University level. For the measurement periods ended June 30, 2022 and 2021, there were:

- A difference between expected and actual experience
- A difference due to changes in assumptions
- Changes in employer proportion since the prior measurement date
- A difference between projected and actual earnings
- A difference between employer contributions and proportionate share of contributions
- Contributions subsequent to the measurement date

Differences between expected and actual experience, changes in assumption, and changes in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize OPEB expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service lives determined as of the beginning of each measurement period are as follows:

Measurement period ended June 30, 2022 – 2.5 years
Measurement period ended June 30, 2021 – 2.7 years
Measurement period ended June 30, 2020 – 2.9 years
Measurement period ended June 30, 2019 – 3.1 years

The difference between projected and actual OPEB plan investment earnings attributable to each measurement period is amortized over a closed five-year period.

One year of amortization is recognized in the University's total OPEB expense for fiscal years 2023 and 2022.

At June 30, 2023, SOU reported deferred outflows of resources and deferred inflows of resources related to RHIA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 23
Changes in assumptions	7	29
Net difference between projected and actual earnings on pension plan investments	-	66
Change in proportionate share	37	94
Difference between contributions and proportionate share of contributions	-	2
Total	$ 44	$ 214
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	(170)	
Contributions Subsequent to the MD	3	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	$ (167)	

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

Of the amount reported as deferred outflows of resources, $3 are related to contributions subsequent to the measurement date and will be recognized as an increase of the net OPEB asset in the year ended June 30, 2024.

As of June 30, 2023, other amounts reported as deferred outflows of resources and deferred inflows of resources related to RHIA OPEB will be recognized in OPEB expense as follows:

	Deferred Outflow/(Inflow) of Resources	
Year Ended June 30:		
2024	$	(122)
2025		(28)
2026		(41)
2027		21
2028		-
	$	(170)

At June 30, 2022, SOU reported deferred outflows of resources and deferred inflows of resources related to RHIA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 25
Changes in assumptions	18	14
Net difference between projected and actual earnings on pension plan investments	-	217
Change in proportionate share	84	230
Difference between contributions and proportionate share of contributions	-	2
Total	$ 102	$ 488
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	(386)	
Contributions Subsequent to the MD	4	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	$ (382)	

Of the amount reported as deferred outflows of resources, $4 were related to contributions subsequent to the measurement date and were recognized as an increase of the net OPEB asset in the year ended June 30, 2023.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years.

Actuarial Methods and Assumptions:		
	RHIA	
Fiscal Year	**June 30, 2023**	June 30, 2022
Valuation Date	December 31, 2020	December 31, 2019
Measurement Date	June 30, 2022	June 30, 2021
Experience Study Report	2020, published July 2021	2018, published July 2019
Actuarial Assumptions:		
Actuarial Cost Method	Entry Age Normal	
Inflation Rate	2.40 percent	
Long-Term Expected Rate of Return	6.90 percent	
Discount Rate	6.90 percent	
Projected Salary Increases	3.40 percent	
Retiree Healthcare Participation	Healthy retirees: 27.5%; Disabled retirees: 15%	Healthy retirees: 32%; Disabled retirees: 20%
Healthcare Cost Trend Rate	Not applicable	
Mortality	*Healthy retirees and beneficiaries:*	
	Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation	
	Active members:	
	Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation	
	Disabled retirees:	
	Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation	

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2023 and June 30, 2022 was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that contributions from contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for the OPEB Plans was applied to all periods of projected benefit payments to determine the total OPEB liability.

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

Sensitivity Analysis

The sensitivity analysis below shows the sensitivity of the University's proportionate share of the net OPEB liability (asset) calculated using the applicable discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher than the current rate:

Discount Rate	June 30, 2023	June 30, 2022
1% Decrease 5.90%	$ (775)	$ (808)
Current Discount Rate 6.90%	(860)	(913)
1% Increase 7.90%	(932)	(1,004)

The sensitivity analysis below shows the sensitivity of the University's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates, as well as what the net OPEB liability would be if it were calculated using healthcare trend rates that are one percentage point lower, or one percentage point higher than the current rates:

Health Care Cost Rate	June 30, 2023	June 30, 2022
1% Decrease	$ (860)	$ (913)
Current Trend Rate	(860)	(913)
1% Increase	(860)	(913)

ii. RHIPA

Contributions

The RHIPA plan is funded through actuarially determined employer contributions.

For both the fiscal years ended June 30, 2023 and June 30, 2022, the University contributed 0.11 percent of PERS-covered payroll for Tier One and Tier Two plan members to fund the normal cost portion of RHIPA benefits. In addition, the University contributed 0.17 percent for the fiscal years ended June 30, 2023 and 2022 of all PERS-covered payroll to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities amortized over 20 years. The required employer contribution was approximately $46 for the year ended June 30, 2023 and $58 for the year ended June 30, 2022. The actual contribution equaled the annual required contribution for the fiscal year.

Net OPEB Asset

At June 30, 2023, the University reported an asset of $236 for its proportionate share of the RHIPA net OPEB asset. The net OPEB asset as of June 30, 2023 was measured as of June 30, 2022, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2020. At June 30, 2022, the University reported an asset of $103 for its proportionate share of the RHIPA net OPEB asset. The net OPEB asset as of June 30, 2022 was measured as of June 30, 2021, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019. The PERS system does not provide SOU an audited proportionate share as a separate employer; the University is allocated a proportionate share of PERS employer state agencies. DAS calculated SOU's proportionate share of all state agencies internally based on actual contributions by SOU as compared to the total for employer state agencies. The Oregon Audits Division reviewed this internal calculation. At June 30, 2023 SOU's proportion was 0.69 percent of the statewide OPEB plan, a decrease of 0.03 percent over 2022. While at June 30, 2022, it's share was 0.66 percent, a decrease of 0.06 percent over the previous year.

For the year ended June 30, 2023 and June 30, 2022, respectively, SOU recorded total OPEB expense of ($33) and ($13) due to the increase in the net RHIPA OPEB asset, changes to deferred outflows and deferred inflows, and amortization of deferred amounts.

Deferred Items

Certain deferred inflows of resources and deferred outflows of resources are calculated at the system-wide level and are allocated to employers based on their proportionate share. Other deferred items are calculated at the University level. For the measurement period ended June 30, 2022, there were:

- A difference between expected and actual experience
- A difference due to changes in assumptions
- Changes in employer proportion since the prior measurement date
- A net difference between projected and actual earnings
- A difference between employer contributions and proportionate share of contributions

Differences between expected and actual experience, changes in assumption, and changes in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize OPEB expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service lives determined as of the beginning of each measurement period are as follows:

Measurement period ended June 30, 2022 – 6.1 years
Measurement period ended June 30, 2021 – 6.2 years
Measurement period ended June 30, 2020 – 6.4 years
Measurement period ended June 30, 2019 – 6.7 years
Measurement period ended June 30, 2018 – 6.9 years
Measurement period ended June 30, 2017 – 7.2 years

The difference between projected and actual OPEB plan investment earnings attributable to each measurement period is amortized over a closed five-year period.

One year of amortization is recognized in the University's total OPEB expense for fiscal years 2023 and 2022.

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

At June 30, 2023, SOU reported deferred outflows of resources and deferred inflows of resources related to RHIPA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 62
Changes in assumptions	6	95
Net difference between projected and actual earnings on pension plan investments	-	16
Change in proportionate share	14	21
Difference between contributions and proportionate share of contributions	1	2
Total	$ 21	$ 196
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	(175)	
Contributions Subsequent to the MD	46	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	$ (129)	

Of the amount reported as deferred outflows of resources, $46 are related to contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024.

As of June 30, 2023, other amounts reported as deferred outflows of resources and deferred inflows of resources related to RHIPA OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	Deferred Outflow/(Inflow) of Resources
2024	$ (37)
2025	(46)
2026	(49)
2027	(23)
2028	(19)
Thereafter	(1)
	$ (175)

At June 30, 2022, SOU reported deferred outflows of resources and deferred inflows of resources related to RHIPA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 45
Changes in assumptions	7	36
Net difference between projected and actual earnings on pension plan investments	-	52
Change in proportionate share	23	28
Difference between contributions and proportionate share of contributions	1	2
Total	**$ 31**	**$ 163**
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	(132)	
Contributions Subsequent to the MD	58	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	**$ (74)**	

Of the amount reported as deferred outflows of resources, $58 were related to contributions subsequent to the measurement date and were recognized as a reduction of the net OPEB liability in the year ended June 30, 2023.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years.

Actuarial Methods and Assumptions:		
	RHIPA	
	June 30, 2023	June 30, 2022
Valuation Date	December 31, 2020	December 31, 2019
Measurement Date	June 30, 2022	June 30, 2021
Experience Study Report	2020, published July 2021	2018, published July 2019
Actuarial Assumptions:		
Actuarial Cost Method	Entry Age Normal	
Inflation Rate	2.40 percent	
Long-Term Expected Rate of Return	6.90 percent	
Discount Rate	6.90 percent	
Projected Salary Increases	3.40 percent	
Retiree Healthcare Participation	8-14 Years of Service: 10% 15-19 Years of Service: 11% 20-24 Years of Service: 14% 25-29 Years of Service: 22% 30+ Years of Service: 30%	8-14 Years of Service: 10% 15-19 Years of Service: 15% 20-24 Years of Service: 19% 25-29 Years of Service: 26% 30+ Years of Service: 34%
Healthcare Cost Trend Rate	Applied at beginning of plan year, starting with 5.9% for 2021, decreasing to 4.7% for 2028, increasing to 4.8% for 2037, and decreasing to an ultimate rate of 3.9% for 2074 and beyond.	Applied at beginning of plan year, starting with 7.1% for 2019, decreasing to 4.9% for 2025, increasing to 5.0% for 2036, and decreasing to an ultimate rate of 4.0% for 2074 and beyond.
Mortality	*Healthy retirees and beneficiaries:* Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation *Active members:* Pub-2010 Employee, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation *Disabled retirees:* Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation	

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2023 and June 30, 2022 was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that contributions from contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for the OPEB Plans was applied to all periods of projected benefit payments to determine the total OPEB liability.

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

Sensitivity Analysis

The sensitivity analysis below shows the sensitivity of the University's proportionate share of the net OPEB liability (asset) calculated using the applicable discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher than the current rate:

Discount Rate	June 30,2023	June 30,2022
1% Decrease 5.90%	$ (217)	$ (77)
Current Discount Rate 6.90%	(236)	(103)
1% Increase 7.90%	(262)	(127)

The sensitivity analysis below shows the sensitivity of the University's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates, as well as what the net OPEB liability would be if it were calculated using healthcare trend rates that are one percentage point lower, or one percentage point higher than the current rates:

Health Care Cost Rate	June 30, 2023	June 30, 2022
1% Decrease	$ (264)	$ (137)
Current Trend Rate	(236)	(103)
1% Increase	(207)	(64)

B. Public Employees' Benefit Board (PEBB)

Plan Description

SOU participates in a defined benefit postemployment healthcare plan administered by the Public Employees Benefit Board (PEBB). This plan offers healthcare assistance to eligible retired employees and their beneficiaries. Chapter 243 of the Oregon Revised Statutes (ORS) gives PEBB the authority to establish and amend the benefit provisions of the PEBB Plan. The PEBB Plan is considered a cost-sharing multiple-employer plan for financial reporting purposes and has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. PEBB does not issue a separate, publicly available financial report.

The PEBB Plan allows qualifying retired employees to continue their "active" health insurance coverage on a self-pay basis until they are eligible for Medicare. Participating retirees pay their own monthly premiums. However, the premium amount is based on a blended rate that is determined by pooling the qualifying retirees with active employees, thus, creating an "implicit rate subsidy".

Summary of Significant Accounting Policies

Employers participating in PEBB are required to report OPEB information in their financial statements for fiscal periods beginning on or after June 15, 2017, in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The requirements of this Statement incorporate provisions intended to reflect the effects of transactions and events related to OPEB in the measurement of employer liabilities and recognition of OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB.

Proportionate Share Allocation Methodology

The basis for the employer's proportion is determined by comparing the employer's actual contributions made during the fiscal year with the total actual contributions made in the fiscal year of all employers.

Total OPEB Liability

At June 30, 2023, the University reported a liability of $1,068 for its proportionate share of the total PEBB OPEB liability. The total PEBB OPEB liability as of June 30, 2023 was measured as of June 30, 2023, and was determined by an actuarial valuation as of July 1, 2022. At June 30, 2022, the University reported a liability of $1,204 for its proportionate share of the total PEBB OPEB liability. The total PEBB OPEB liability as of June 30, 2022 was measured as of June 30, 2022, and was determined by an actuarial valuation as of July 1, 2021. PEBB does not provide SOU an audited proportionate share as a separate employer; the University is allocated a proportionate share of PEBB participating employers. DAS calculated SOU's proportionate share of all participating employers internally based on actual contributions by SOU as compared to the total for participating employers. The Oregon Audits Division reviewed this internal calculation. At June 30, 2023, SOU's proportion was 1.01 percent of participating employers, an increase of 0.03 percent over 2022. At June 30, 2022, SOU's proportion was 0.98 percent, a decrease of 0.03 percent over the previous year.

For the years ended June 30, 2023 and June 30, 2022, SOU recorded total OPEB expense of $42 and $49, respectively, due to the change in the total PEBB OPEB liability, changes to deferred outflows and deferred inflows, and amortization of deferred amounts.

Deferred Items

Deferred inflows of resources and deferred outflows of resources are either calculated at the system-wide level, and allocated to employers based on their proportionate share. For the measurement period ended June 30, 2023, there were:

- Difference between expected and actual experience
- Difference due to changes in assumptions
- Difference between employer contributions and the proportionate share of contributions.
- Changes in employer proportion since the prior measurement date

Changes in assumption and changes in proportion are amortized over the closed period equal to the average expected remaining service lives of all covered active and inactive participants. Employers are required to recognize OPEB expense based on the balance of the closed period "layers" attributable to each measurement period. The weighted average expected remaining service lives, assuming zero years for all retirees, determined as of the beginning of each measurement periods are as follows:

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

Measurement period ended June 30, 2023 – 8.2 years
Measurement period ended June 30, 2022 – 7.8 years
Measurement period ended June 30, 2021 – 8.6 years
Measurement period ended June 30, 2020 – 8.6 years
Measurement period ended June 30, 2019 – 8.2 years
Measurement period ended June 30, 2018 – 8.2 years

One year of amortization is recognized in the University's total OPEB expense for fiscal years 2023 and 2022.

At June 30, 2023, SOU reported deferred outflows of resources and deferred inflows of resources related to PEBB OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 245
Changes in assumptions	23	356
Change in proportionate share	55	114
Difference between contributions and proportionate share of contributions	6	3
Total	$ 84	$ 718
Net Deferred Outflow/(Inflow) of Resources	$ (634)	

As of June 30, 2023, amounts reported as deferred outflows of resources and deferred inflows of resources related to PEBB OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	Deferred Outflow/(Inflow) of Resources
2024	(114)
2025	(114)
2026	(108)
2027	(106)
2028	(95)
Thereafter	(97)
	$ (634)

At June 30, 2022, SOU reported deferred outflows of resources and deferred inflows of resources related to PEBB OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 150
Changes in assumptions	29	283
Changes in proportionate share	4	139
Differences between contributions and proportionate share of contributions	8	-
Total	$ 41	$ 572
Net Deferred Outflow/(Inflow) of Resources	$ (531)	

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions:		
Measurement Date	June 30, 2023	June 30, 2022
Valuation Date	July 1, 2022	July 1, 2021
Actuarial Assumptions:		
Actuarial Cost Method	Entry Age Normal	
Inflation Rate	2.40 percent	2.00 percent
Discount Rate	3.65 percent	3.54 percent
Projected Salary Increases	3.40 percent	3.00 percent
Mortality Rates	Pub-2010 mortality tables, adjusted for PERS experience and generational mortality improvements	
Withdrawal and retirement rates	December 31, 2021 Oregon PERS valuation	December 31, 2020 Oregon PERS valuation
Healthcare Cost Trend Rate	Pursuant to ORS 243.135(8), growth in per-member expenditures under self-insured plans and premium amounts is assumed to be 3.40% per year.	
Election and lapse rates	30% of eligible employees	
	60% spouse coverage for males, 35% for females	
	7% annual lapse rate	

Discount Rate

Unfunded plans must use a discount rate that reflects a 20-year tax-exempt municipal bond yield or index rate. The Bond Buyer 20-Year General Obligation Bond Index was used to determine the discount rate for the OPEB liability. The discount rates in effect for the June 30, 2023 and 2022 reporting date are 3.65 and 3.54 percent, respectively.

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

Sensitivity Analysis

The sensitivity analysis below shows the sensitivity of the University's proportionate share of the total OPEB liability calculated using the applicable discount rate, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher than the current rate:

Discount Rate	June 30, 2023	June 30, 2022
1% Decrease 2.65% / 2.54%	$ 1,142	$ 1,291
Current Discount Rate 3.65% / 3.54%	1,068	1,204
1% Increase 4.65% / 4.54%	998	1,123

The sensitivity analysis below shows the sensitivity of the University's proportionate share of the total OPEB liability calculated using the current healthcare cost trend rates, as well as what the net OPEB liability would be if it were calculated using healthcare trend rates that are one percentage point lower, or one percentage point higher than the current rates:

Healthcare Cost Rate	June 30, 2023	June 30, 2022
1% Decrease	$ 945	$ 1,070
Current Trend Rate	1,068	1,204
1% Increase	1,214	1,362

17. RISK FINANCING

SOU developed and utilizes an Enterprise Risk Management model and is a member of the Public Universities Risk Management and Insurance Trust (Trust). The Trust is a separate legal entity which operates for the benefit of the member universities (Member). The Trust is governed by a Board of Trustees comprised of a representative of each Member of the Trust. The Trustees administer insurance programs wherein the Members share risk by pooling their losses and claims and jointly purchasing insurance and administrative services through the Trust. In exchange, Members pay annual assessments and provide the Trustees with information or assistance as necessary for the Trustees to determine annual assessments and to purchase insurance or reinsurance. By participating, SOU manages risk using the following insurance areas:

- Property. Real property loss for a university owned building, equipment, automobiles, and other types of property.
- Tort Liability claims brought against a university, its officers, employees, or agents.
- Workers' compensation and employers liability.
- Cyber
- Crime and Fiduciary.
- Specialty lines of business including: marine, medical practicums, international travel, fine art, aircraft, camps, clinics, and other items as applicable.

SOU is self insured (retains risk) for losses under $5k, which is the deductible per claim not covered by insurance purchased through the Trust.

SOU is charged an assessment to cover the Trust's cost of servicing claims and payments based on the Risk Allocation Model and actuarial estimates of the amounts needed to pay prior and current-year claims. The amount of settlements has not exceeded insurance coverage for the past three years.

In addition, the University purchases various commercial insurance policies to cover the deductible amounts of intercollegiate athletics insurance provided through the National Association of Intercollegiate Athletics, and to provide coverage for special events and student liability.

18. COMMITMENTS AND CONTINGENT LIABILITIES

Outstanding commitments on partially completed and planned, but not initiated, construction projects totaled approximately $17,538 and $12,794 at June 30, 2023 and 2022, respectively. These commitments will be primarily funded from gifts and grants, bond proceeds, and other SOU funds. Refer to the table accompanying this note for projects relating to construction commitments as of June 30, 2023.

Construction Commitments as of June 30, 2023

	Total Commitment	Completed to Date	Outstanding Commitment
Capital Repair	$ 7,152	$ 1,509	$ 5,643
Central Hall	6,000	5,106	894
Community Renewable Energy Program	1,000	1	999
Cascade Hall Demolition	3,500	32	3,468
Information Technology	7,500	966	6,534
	$ 25,152	$ 7,614	$ 17,538

SOU is contingently liable in connection with certain other claims and contracts, including those currently in litigation, arising in the normal course of its activities. Management is of the opinion that the outcome of such matters will not have a material effect on the financial statements.

SOU participates in certain federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor for expenditures disallowed under terms of the grant. Management believes that disallowances, if any, will not have a material effect on the financial statements.

Unemployment compensation claims are administered by the Oregon Employment Division pursuant to ORS Chapter 657. SOU reimburses the Oregon Employment Division on a quarterly basis for actual benefits paid. Each year resources are budgeted to pay current charges. The amount of future benefit payments to claimants and the resulting liability to SOU cannot be reasonably determined at June 30, 2023.

19. SUBSEQUENT EVENTS

During fiscal year 2021, CHF-Ashland, LLC (CHF) amended its agreement with the University in regard to the payment of the ground lease. (See “Note 1.AB. Custodial Funds Net Position” for information regarding the nature of the agreement with CHF.) In an effort to give bond holders greater assurances regarding the ability of CHF to meet debt-service obligations during the pandemic, it was agreed upon that the ground lease payment would be delayed and the funds placed in a “surplus” fund held by CHF until the balance of said fund reached $2,800. This threshold was met in fiscal year 2022 and the ground lease payable to the University exceeding this amount was transferred to SOU in fiscal year 2023. The term of this agreement expired June 30, 2023. In July of 2023, CHF transferred the amount of the surplus fund, along with the amount of the ground lease due to SOU for fiscal year 2023, to the University.

20. UNIVERSITY FOUNDATION

Under policies approved by the Board, individual university foundations may be established to provide assistance in fund raising, public outreach and other support for the mission of SOU. The SOU Foundation (Foundation) is a legally separate, tax-exempt entity with an independent governing board. Although SOU does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of SOU and is discretely presented in the financial statements. The financial activity is reported for the years ended June 30, 2023 and 2022.

During the years ended June 30, 2023 and 2022, gifts of $4,563 and $3,001, respectively, were transferred from the Foundation to SOU. The Foundation is audited annually and received an unmodified audit opinion.

Please see the financial statements for the SOU component unit on pages 30-31 of this document.

Complete financial statements for the foundation may be obtained by writing to the following:

- *Southern Oregon University Foundation, 1250 Siskiyou Blvd., Ashland, OR 97520*

REQUIRED SUPPLEMENTARY INFORMATION (DOLLARS IN THOUSANDS)

SCHEDULE OF SOUTHERN OREGON UNIVERSITY'S CONTRIBUTIONS
Public Employees Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 4,319	$ 4,252	$ 3,250	$ 3,745	$ 2,809	$ 2,792	$ 2,006	$ 1,988	$ 1,587	$ 1,705
contribution	4,319	4,252	3,250	3,745	2,809	2,792	2,006	1,988	1,587	1,705
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SOU's covered payroll	$ 27,185	$ 28,658	$ 24,847	$ 26,358	$ 26,476	$ 25,636	$ 24,855	$ 23,605	$ 22,474	$ 22,980
Contributions as a percentage of covered payroll	15.9%	14.8%	13.1%	14.2%	10.6%	10.9%	8.1%	8.4%	7.1%	7.4%

SCHEDULE OF SOUTHERN OREGON UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/ LIABILITY
Public Employees Retirement System

As of the Measurement Date June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
SOU's proportion of the net pension asset / (liability)	0.19%	0.16%	0.19%	0.20%	0.22%	0.22%	0.18%	0.20%	0.21%	0.21%
SOU's proportionate share of the net pension asset/ (liability)	$ (29,535)	$ (19,313)	$ (41,733)	$ (34,506)	$ (32,662)	$ (30,120)	$ (27,369)	$ (11,423)	$ 4,707	$ (10,597)
SOU's covered payroll	$ 28,658	$ 24,847	$ 26,358	$ 26,476	$ 25,636	$ 24,855	$ 23,605	$ 22,474	$ 22,980	$ 23,029
SOU's proportionate share of the net pension asset/ (liability) as a percentage of its covered payroll	103.06%	77.73%	158.33%	130.33%	127.41%	121.18%	115.95%	50.83%	20.48%	46.02%
Plan fiduciary net postion as a percentage of the total pension asset/ (liability)	84.55%	87.57%	75.79%	80.23%	82.07%	83.12%	80.53%	91.88%	103.59%	91.97%

Changes in Benefit Terms and Assumptions

Benefit Terms: The 2013 Oregon Legislature made a series of changes to PERS that lowered projected future benefit payments from the System. These changes included reductions to future Cost of Living Adjustments (COLA) made through Senate Bills 822 and 861. Senate Bill 822 also required the contribution rates scheduled to be in effect from July 2013 to June 2015 to be reduced. The Oregon Supreme Court decision in Moro v. State of Oregon, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future System Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the total pension liability as of June 30, 2015 compared to June 30, 2014 total pension liability.

Assumptions: The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability and June 30, 2018 total pension liability. For June 30, 2016, the changes included the lowering of the long-term expected rate of return to 7.50 percent and lowering of the assumed inflation to 2.50 percent. For June 30, 2018, the long-term expected rate of return was changed to 7.20 percent. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay were updated. For June 30, 2021, the long-term expected rate of return was lowered to 6.90 percent, while the assumed inflation rate was lowered to 2.40 percent and the projected salary increases were lowered to 3.40 percent.

SCHEDULE OF SOUTHERN OREGON UNIVERSITY'S PROPORTIONATE SHARE
TOTAL PEBB OPEB LIABILITY*

As of June 30,	2023	2022	2021	2020	2019	2018	2017
SOU's allocation of the total OPEB liability	1.01%	0.98%	1.01%	1.05%	1.05%	1.09%	1.10%
SOU's proportionate share of the total OPEB liability	$ 1,068	$ 1,204	$ 1,524	$ 1,539	$ 1,685	$ 1,618	$ 1,593
SOU's covered payroll	34,655	33,858	30,074	34,326	33,666	33,266	32,056
SOU's proportionate share of the total OPEB liability as a percentage of its covered payroll	3.08%	3.56%	5.07%	4.48%	5.01%	4.86%	4.97%
Total OPEB Liability as a % of Total Covered Payroll	2.19%	2.76%	3.72%	3.77%	4.31%	4.42%	4.45%

*Eventually, these tables will include data for 10 years. Only the data shown above is available at this time.

REQUIRED SUPPLEMENTARY INFORMATION (DOLLARS IN THOUSANDS)

SCHEDULE OF SOUTHERN OREGON UNIVERSITY PERS RHIA OPEB EMPLOYER CONTRIBUTION

For Fiscal Years Ended June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contributions[1]	$ 3	$ 4	$ 5	$ 6	$ 121	$ 117	$ 121	$ 115	$ 122	$ 126
Contributions in relation to the actuarially determined contributions	3	4	5	6	121	117	121	115	122	126
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 27,185	$ 28,658	$ 24,847	$ 26,358	$ 26,471	$ 25,632	$ 24,850	$ 23,600	$ 22,469	$ 22,987
Contributions as a percentage of covered payroll	0.01%	0.01%	0.02%	0.02%	0.46%	0.46%	0.49%	0.49%	0.54%	0.55%

[1]For Actuarial Assumptions and Methods, see table in Note 16

SCHEDULE OF SOUTHERN OREGON UNIVERSITY'S PROPORTIONATE SHARE NET PERS RHIA OPEB LIABILITY/(ASSET)*

As of the Measurement Date of June 30,	2022	2021	2020	2019	2018	2017	2016
SOU's allocation of the net OPEB liability/(asset)	0.24%	0.27%	0.08%	0.25%	0.24%	0.25%	0.20%
SOU's proportionate share of the net OPEB liability/(asset)	$ (860)	$ (913)	$ (161)	$ (488)	$ (263)	$ (105)	$ 54
SOU's covered payroll	$ 28,658	$ 24,847	$ 26,358	$ 26,471	$ 25,632	$ 24,850	$ 23,600
SOU's proportionate share of the net OPEB liability/(asset) as a percentage of covered payroll	3.00%	3.67%	0.61%	1.84%	1.03%	0.42%	0.23%
Plan fiduciary net position as a percentage of the total OPEB liability/(asset)	194.65%	183.86%	150.09%	144.38%	123.99%	108.88%	94.15%

Changes in Benefit Terms and Assumptions

Assumptions: The PERS Board adopted assumption changes that were used to measure the June 30, 2018 and 2019 total OPEB liability. The changes include the lowering of the long-term expected rate of return from 7.50 to 7.20 percent. In addition, healthy retiree participation and healthy mortality assumptions were changed to reflect an updated trends and mortality improvement scale for all groups. For the June 30, 2021 measurement date, the assumed inflation rate was lowered to 2.40 percent, the long-term, expected rate of return was lowered to 6.90 percent, and the projected salary increases were lowered to 3.40 percent.

*Eventually, these tables will include data for 10 years. Only the data shown above is available at this time.

REQUIRED SUPPLEMENTARY INFORMATION (DOLLARS IN THOUSANDS)

SCHEDULE OF SOUTHERN OREGON UNIVERSITY PERS RHIPA OPEB EMPLOYER CONTRIBUTION

For Fiscal Years Ended June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contributions[1]	$ 46	$ 58	$ 76	$ 82	$ 111	$ 109	$ 97	$ 93	$ 53	$ 55
Contributions in relation to the actuarially determined contributions	46	58	76	82	111	109	97	93	53	55
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 27,185	$ 28,658	$ 24,847	$ 26,358	$ 26,471	$ 25,632	$ 24,850	$ 23,600	$ 22,469	$ 22,987
Contributions as a percentage of covered payroll	0.17%	0.20%	0.31%	0.31%	0.42%	0.43%	0.39%	0.39%	0.24%	0.24%

[1]For Actuarial Assumptions and Methods, see table in Note 16

SCHEDULE OF SOUTHERN OREGON UNIVERSITY'S PROPORTIONATE SHARE NET PERS RHIPA OPEB LIABILITY/(ASSET)*

As of the Measurement Date June 30,	2022	2021	2020	2019	2018	2017	2016
SOU's allocation of the net OPEB liability/(asset)	0.69%	0.66%	0.72%	0.81%	0.81%	0.82%	0.68%
SOU's proportionate share of the net OPEB liability/(asset)	$ (236)	$ (103)	$ 72	$ 205	$ 285	$ 381	$ 365
SOU's covered payroll	$ 28,658	$ 24,847	$ 26,358	$ 26,471	$ 25,632	$ 24,850	$ 23,600
SOU's proportionate share of the net OPEB liability/(asset) as a percentage of covered payroll	-0.82%	-0.41%	0.27%	0.77%	1.11%	1.53%	1.55%
Plan fiduciary net position as a percentage of the total OPEB liability/(asset)	169.65%	124.64%	84.45%	64.86%	49.79%	34.25%	21.87%

*These tables will eventually contain 10 years of data. Only the data presented above is available at this time.

Changes in Benefit Terms and Assumptions

Assumptions: The PERS Board adopted assumption changes that were used to measure the June 30, 2018 and 2019 total OPEB liability. The changes include the lowering of the long-term expected rate of return from 7.50 to 7.20 percent. In addition, the healthy healthcare participation and cost trend rates, and healthy mortality assumptions were changed to reflect an updated trends and mortality improvement scale for all groups. For the June 30, 2021 measurement date, the assumed inflation rate was lowered to 2.40 percent, the long-term, expected rate of return was lowered to 6.90 percent, and the projected salary increases were lowered to 3.40 percent. In addition, the healthcare cost trend rates were changed to reflect updated trends.

*Eventually, these tables will include data for 10 years. Only the data shown above is available at this time.

For information about the financial data included in this report, contact;

Vice President for Finance and Administration
Southern Oregon University
1250 Siskiyou Blvd.
Ashland, OR 97520
541-552-7672

Southern OREGON UNIVERSITY

Office of the President
1250 Siskiyou Boulevard
Ashland, Oregon 97520
541-552-7672
www.sou.edu