2024 ANNUAL FINANCIAL REPORT

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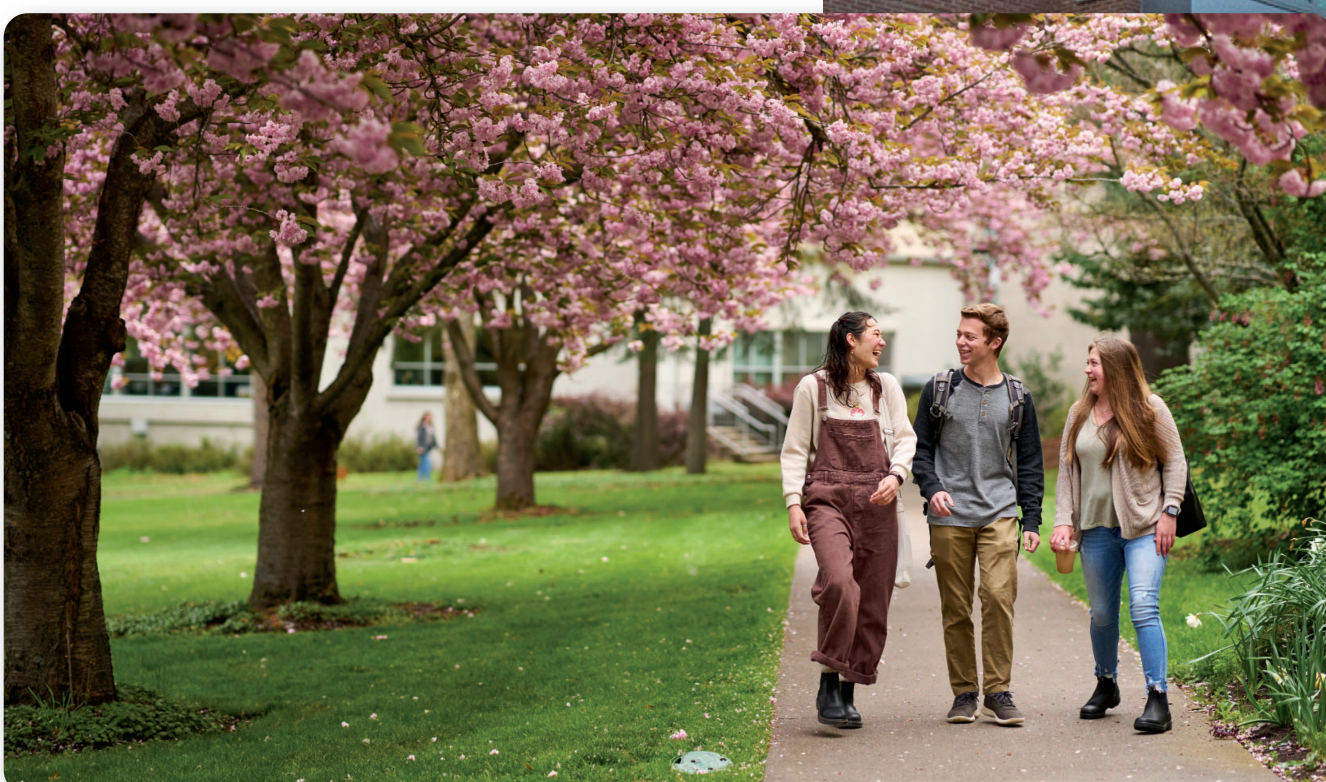


Southern Oregon University Board of Trustees

Southern Oregon University Executive Officers as of June 30, 2024

Dr. Richard Bailey, Jr.
President

Dr. Casey Shillam
Provost & Vice President for Academic and Student Affairs

Dr. Peter Angstadt
Interim Vice President of Finance and Administration

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

A new financial pathway for Southern Oregon University was established during the 2022-23 fiscal year with the adoption of the SOU Forward realignment plan, and our journey along that route began in earnest during fiscal year 2023-24.

SOU Forward was necessitated by the combination of an unsustainable revenue base and a challenging environment for enrollment. Structural flaws in SOU's financial model – an out-of-balance mix of state appropriations and tuition revenue to pay for most operations – would have resulted in a deficit projected at $13 million-plus by the 2026-27 fiscal year. That unstable income base was thrown further out of balance by enrollment challenges including the COVID-19 pandemic, improved home-state options for a 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.

The four-plank fiscal realignment plan began with a comprehensive cost management phase, and is followed by 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.

The cost management measures, which began in FY 2022-23 and were completed in FY 2023-24, reduced the SOU workforce by the equivalent of almost 82 full-time positions. About 24 jobs were lost, and the university worked closely with those employees to identify other opportunities at SOU or elsewhere. The remaining reductions were accomplished through a combination of job vacancies, retirements, voluntary departures and non-renewable contracts.

With that difficult process behind us, SOU's new budget model, outlined in the SOU Forward plan, is built on two bedrock principles: the institution's revenue must always be equal to or greater than its expenses; and the university absolutely cannot default to large tuition increases to patch budget gaps. Our path over the past year-plus has been to seek out efficiency and lead with innovation.

We tightened our organizational structure by shifting to four "schools" rather than the seven "divisions" that previously administered our 46 undergraduate and 10 graduate-level academic programs. We also listened to campus feedback and scaled back our management footprint by resizing or restructuring two vice president positions as they opened through attrition.

Student fees had become insufficient to operate SOU's Student Health & Wellness Center, and it was on a fiscal path which would have necessitated supplements from the university's general fund in future years. To ensure affordability and access to high-quality medical, behavioral health and reproductive health services for our students, SOU partnered with Medford-based community health provider La Clinica beginning in September 2024. La Clinica now operates the Student Health & Wellness Center through a partnership that provides much better long-term fiscal sustainability for the university.

Enrollment remains a key year-to-year factor in SOU's financial health, and there are reasons for both optimism and concern. The university was hit hard during the pandemic years, with an overall double-digit decline in enrollment. That was followed by small increases in headcount for the 2021-22 and 2022-23 academic years – including a first-year incoming class for fall 2023 that was the largest in five years. Federal-level delays during winter and spring 2024 in the FAFSA application process led to a small decline in enrollment for the 2024-25 academic year, but we are confident that measures we have in place will result in a slow but steady resumption of enrollment growth.

A new partnership with Ruffalo Noel Levitz to increase our prospective student pool and recruitment marketing has strengthened our enrollment efforts. SOU's groundbreaking initiative to establish intergovernmental agreements with several school districts throughout Oregon and into northern California has put our messaging into the hands of thousands of prospective students. The districts share their students' basic directory information with SOU, and we promote college attendance by providing timely enrollment guidance. Those efforts improve college access, especially among traditionally underserved students.

We have also made significant progress in our efforts to develop 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. SOU Advancement's Office of Sponsored Programs has expanded to 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. Several grants have been awarded in the past year, and several more are at various points in the pipeline. The 2023-24 fiscal year included awards from the Oregon Department of Energy for solar generation projects, from the Oregon State Historic Preservation Office and the Oregon Parks and Recreation Department for separate archaeology projects, and from the Oregon Department of Education to provide education and support for early-learning professionals in the region.

Philanthropy

SOU has achieved a series of fundraising records in recent years, and the university is in position to continue its dynamic growth. In just the last five years, fundraising revenue has increased more than 250 percent, and the SOU Foundation endowment is pushing $50 million. The number of donors engaging with the university also hit an all-time high, with more than 3,000 stepping forward during FY 2023-24.

Revenue diversification

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

- **Solar power:** SOU is making headway in its march toward becoming the first public university in the U.S. to produce all of the daytime electricity used on its campus, with more than $5 million in recent state, federal and student funding, and multiple solar projects underway. SOU completed a rooftop solar installation on Lithia Motors Pavilion in July, with the project adding a 241 kilowatt solar array to the 63 kilowatt array already located on the athletic pavilion's roof – making it the largest rooftop solar array in Ashland. A solar array and battery storage bank are underway at The Hawk Dining Commons, and will enable SOU to support community resilience by providing 24/7 power at The Hawk, if needed, in the event of an emergency. Installation is about to begin on four more rooftop arrays on the SOU Art Building, Theatre Building, Marion Ady Building and Central Hall. Projects in parking lots adjacent to Lithia Motors Pavilion and the Computer Science Building, in which solar arrays will be installed on raised "canopies" above parking spaces, are also about to begin, along with another battery storage bank in the Computer Science Building. SOU anticipates generating 100 percent of its own electricity by 2035, eliminating at least $750,000 per year in utility costs.
- **Senior living:** SOU's Cascade Complex, an obsolete cluster of nine residence halls and a cafeteria that have been largely unused since 2013, is currently being demolished to make room for the anticipated development of a senior living center on the five-acre site at the southwest corner of campus. A "request for qualifications" – an invitation for developers and operators of retirement facilities to submit proposals – was issued recently and the selection process is expected to be completed by summer. The project could be completed as soon as fall of 2027. The goal is to create a living community that creates a unique synergy between the center's residents, SOU students, the Osher Lifelong Learning Institute (OLLI) at SOU and the university. A list of senior citizens who are interested in moving into the facility has already been generated through calls to the Office of the SOU President.
- **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, and a "request for qualifications" process is expected to begin soon.

SOU's trailblazing new fiscal model is leading us toward a stable future, and may well be transformative for our students, university, community and the state of Oregon. We are aligning to address challenges and meet the changing needs of all who benefit from our services. As always, SOU's North Star is our shared 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 - $17M project

Central was funded for a seismic, mechanical, electrical, plumbing, and life safety renovation in 2017. Cost estimates revealed this to be insufficient for the entire building, so the work was phased by floor. In 2024, Central Hall main and lower level construction was completed with a $6M bond and supplemented with $5M CIR (Capital Improvement & Repair) funding. The legislature funded an additional $6M in the 2024 session to finish the top level, landscape, solar & parking lot repairs. Design for this final phase is currently underway.

Cascade Demolition - $3.5M project

SOU began decommissioning furnishings in the Cascade dormitories in 2023 and moved the final temporary occupants out of Cascade in the Summer of 2024. Hazardous material abatement began in May 2024 and the full demolition project was put out to bid. Demolition has begun and is expected to be complete by the end of March 2025.

Solar PV Systems

Installation of 242kw of rooftop solar on the Lithia Motors Pavilion was complete in mid -2024 and installation has begun on 152kw of rooftop solar on The Hawk dining hall, supplemented with a 220kwh backup battery system. Design is currently underway for rooftop solar at SOU's Theater, Marion Ady, Art & Library buildings, which are scheduled to be installed in the Summer of 2025. Funding for these projects include grants from Oregon Department Of Energy, Federal CDS grant funding and Student Green Tag Fees.

Southern Oregon University

More than 3,000 donors stepped forward this past year, committing $9.5 million, to support students—through scholarships, career development initiatives, and mentoring and coaching programs. They invested in academic programs, faculty development, and athletic facilities to ensure that SOU remains a leading comprehensive university.

Highlights of the year in philanthropy include:

- Several donors stepped forward to support the university's Coaching and Mentoring Program, which provides 1:1 coaching to increase student success.
- Donors generosity established several faculty fellowships in STEM, which allow the university to leverage private dollars as a means to create more flexibility with limited state funds.
- The annual Lithia/Raider Golf Tournament raised a record $665,000 for athletic scholarships 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 48.1 million at the end of June 2024—more than double what it was just a decade ago.
- The SOU Foundation distributed $3 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 Digital Media Center at SOU addressed sustainability and improved educational resources for students in a transformative upgrade to its state-of-the-art LED film and TV lighting fixtures in June 2024.
- SOU's 98th Commencement Ceremony on June 15 centered on those receiving about 1,300 bachelor's and master's degrees – and on local businessman Sid DeBoer, the recipient of a rare, honorary doctorate in humane letters.
- SOU's School of Business celebrated the first three graduates from its 3|4 + 1 Pathway to MBA Program – also known as the Accelerated Pathway to MBA – at the university's June 15 commencement ceremony.
- SOU hosted its inaugural Business Venture Tournament in June. The groundbreaking competition – designed to nurture entrepreneurial ideas from students across all academic disciplines – was intended to transform innovative ideas into successful business ventures, with generous support from SOU alumni Jim Teece and Dena Matthews.
- Rogue Valley Television, the community- and government-access station operated by SOU's Digital Media Center, is now available as an app or channel on the five largest streaming platforms:
- Impact of the SOU Institute for Applied Sustainability's Innovation Fund was on display in May when an exhibition of the Recology Ashland-SOU Artist-in-Residency program opened at the university's Temporary Sculpture Garden. Recology Ashland partnered with SOU student artists to raise public awareness of environmental needs, such as reduction of waste.
- The university hosted its sixth annual Creativity Conference at SOU in May, drawing many of the world's top scholars, researchers and practitioners in the field of creativity – including five keynote speakers an overall lineup of more than 100 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.
- A small group of students from SOU embarked on a spring break journey to explore Bosnia & Herzegovina and Croatia as part of their Criminology and Criminal Justice study away class CCJ 389E: War, Genocide, Peace & Reconciliation.
- Chloe Fiveash, an SOU junior majoring in biochemistry, was one of 438 recipients nationwide of the 2024 Goldwater Scholarship – a prestigious U.S. award that recognizes the research work of undergraduates in math, science and engineering.
- Peter Angstadt, Ph.D. – an adjunct professor in SOU's MBA Program and retired president at Rogue Community College – agreed in April to serve as SOU's interim Vice President for Finance and Administration (VPFA), beginning in June.
- SOU announced in April it would offer an summer study-abroad opportunity in Costa Rica to explores the intersection of health, longevity, culture and the environment in the country's "Blue Zone" on the Nicoya Peninsula.
- Medford-based community health center group La Clinica partnered with SOU in an April agreement to operate the on-campus Student Health & Wellness Center starting in September. The collaboration was aimed at ensuring SOU can continue to provide students with affordable and high quality medical, behavioral health and reproductive health services.
- The SOU Laboratory of Anthropology's Oregon Chinese Diaspora Project – an ongoing, collaborative effort to research and document the lives of Oregon's early Chinese immigrants – was awarded almost $500,000 in a spending bill approved by Congress in March.
- SOU was honored by the national Arbor Day Foundation as a Tree Campus USA for the 10th consecutive year, in recognition of the university's commitment to the effective management of its urban forest.
- A close look through a regional lens suggests that SOU was among winners of the Oregon Legislature's short session, after the university was awarded funding for two of its top three priorities for the session – expansion of its graduate-level behavioral health counseling programs and completion of its Central Hall renovation project.
- A keynote address from Katherine Holden, a nationally recognized alumna and principal of Talent Middle School, highlighted the second annual Raider Educator Day, hosted in March by SOU's School of Education.
- Casey Shillam, Ph.D., R.N., F.A.A.N, who served most recently as dean and professor of the University of Portland School of Nursing & Health Innovations, was hired in February as SOU's next Provost and Vice President for Academic and Student Affairs.
- The SOU master's degree program in Clinical Mental Health Counseling was awarded a $1.8 million grant from the Oregon Health Authority, and would receive another $1 million with the approval of pending legislation, to help address a critical statewide shortage of behavioral healthcare practitioners.
- SOU successfully completed the first phase of its transition to Workday, a cutting-edge core information system, in a process that most of Oregon's colleges and universities, and many other government entities, are expected to follow.

- SOU economist Travis Campbell and a co-author from Rutgers University were recognized by the American Economic Association for writing the best research paper over the past year on LGBTQ+ economics.
- Four SOU faculty members were among 36 educators selected from higher education institutions across the country to take part in the inaugural Department Chair Leadership Institute, an initiative of the American Association of State Colleges and Universities.
- The SOU President's Medal, the highest recognition of service to the university, was awarded in January to three retired faculty members – poet Lawson Fusao Inada, artist Betty LaDuke and linguist "Señora Chela" Grace Tapp Kocks.
- A total of 19 students from SOU and the Universidad de Guanajuato in Mexico were selected in December to participate in the 2024 edition of the institutions' Global Innovation Scholars Program – a multicultural business development partnership that was initiated two years earlier through the U.S. Department of State.
- SOU Executive Vice President Neil Woolf, who served at SOU for five years, was selected to become the 19th president at New Mexico Highlands University, in Las Vegas, New Mexico.
- Students in SOU's Digital Cinema Production course (DCIN 203) presented their class projects to the campus community in December 2023 as the Fall Digital Cinema Student Showcase – a premiere event for 20 short films.
- SOU became part of a consortium of 11 colleges and universities across the country under a new, $100,000 grant from the National Science Foundation to plan and host three regional workshops intended to advance research enterprises at Primarily Undergraduate Institutions (PUIs).
- SOU's Digital Cinema program took a creative turn in seeking financial support for its work, launching an $18,000 crowdfunding campaign

to help pay for two signature projects – the annual Crew Experience immersion course for student filmmakers, and individual Capstone Production Grants for Digital Cinema students.

- SOU's Outdoor Adventure Leadership program, a one-of-a-kind opportunity for students to major in the outdoors and experience unique opportunities, culminated in the summer of 2023 in separate trips to Nepal and to Turkey and Greece for 14 undergraduate students, seven graduate students and three faculty members.
- The SOU Laboratory of Anthropology (SOULA) received an award from the National Trust for Historic Preservation (NTHP) for SOULA's collaborative work with other agencies on the Oregon Chinese Diaspora Project – a wide-ranging effort to research and document the lives of Oregon's early Chinese immigrants.
- Final fall term 2023 enrollment figures suggested the continuation of a strong rebound in enrollment at SOU, led by the institution's largest freshman class since 2018.
- Andrew Kenneth Gay, a professor and chair of Communication, Media & Cinema at SOU, was hired as director of SOU's new School of Arts & Communication – which includes the Oregon Center for the Arts at SOU.
- Two developments in October 2023 boosted hybrid and electric vehicle use at SOU: the addition of two gasoline-electric hybrid pickup trucks to the university's fleet of vehicles, and the completion of two new, dual electric vehicle charging stations to serve residents of Student and Family Housing.
- A graphic novelist, television producer and retired corporate CEO; a geriatric nurse practitioner, designer of retirement housing and nursing school founder; a retired credit union CEO and financial literacy proponent; and a partner in a Portland distillery and youngest master distiller in the U.S. were recognized in October 2023 as SOU alumni award winners.
- The annual Indigenous Peoples Day celebration at SOU returned as an in-person event in October 2023. 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.
- Jason Mendoza, an area coordinator for SOU's Housing Department, was appointed by Gov. Tina Kotek and confirmed by the Oregon Senate to serve on SOU's Board of Trustees, and then-board chair Daniel Santos was appointed to his second full, four-year term.
- SOU – the nation's first Bee Campus USA – was recognized with that distinction for the 10th consecutive year. Bee City USA and Bee Campus USA are initiatives of the Xerces Society for Invertebrate Conservation.
- SOU was accepted in October 2023 for membership in the Age-Friendly University Global Network – a collection of more than 100 universities across five continents that have committed to age diversity and intergenerational interactions on their campuses and in their communities.
- SOU's Career Connections office opened its doors in a new space – Stevenson Union 310 – in a move that increased visibility and allowed more students to be served.
- SOU took big strides in September 2023 toward becoming the first public university in the U.S. to produce all of the daytime electricity used on its campus, with a $1.56 million contract signed to install new solar arrays and a battery storage facility.
- The seven teacher preparation programs offered by SOU's School of Education, Leadership, Health & Humanities achieved accreditation from the Association for Advancing Quality in Educator Preparation, meeting the Oregon Legislature's mandate that all programs in the state that offer licenses to teachers or administrators must be nationally accredited.
- SOU's Digital Cinema program expanded to offer aspiring filmmakers three bachelor's degree options and nine stand-alone certificates that prepare graduates for careers in film and entertainment.
- SOU joined a groundbreaking trend among universities across the country when fall term began in September 2023 – the core, "general education" courses that students of all majors must take to earn their undergraduate degrees were pared down and focused on six skills or "capacities" that students need and employers seek.
- SOU was recognized for the 11th year in a row in August 2023 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 SOU Laboratory of Anthropology received a grant in July 2023 of about $16,000 from a division of the Oregon Parks and Recreation Department to complete a "faunal analysis" of artifacts unearthed during 2010-11 digs at Jacksonville's Peter Britt Gardens.
- SOU announced that its 46 undergraduate and 10 graduate-level academic programs will be distributed among four "schools" rather than the university's seven current "divisions," beginning in the 2023-24 academic year. The organizational shift eliminates the cost of three director-level positions and builds greater efficiency into SOU's administrative structure.

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, 2024 and 2023, 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, 2024 and 2023, 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 2024 and 2023. In addition, we did not audit 97%, 96%, and 60%, and 98%, 91%, and 99% for the years ended June 30, 2024 and 2023, 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*.

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.

Members of the Board
Southern Oregon University

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.

Members of the Board
Southern Oregon University

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2025, 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

Lake Oswego, Oregon
March 28, 2025

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023 (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, 2024, 2023, and 2022. 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.

	2024	2023	2022	2021	2020
SOU	**3,433**	3,489	3,516	3,650	4,089

FINANCIAL POSITION SUMMARY

The University's financial position decreased in 2024 due to decreases to Unrestricted Net Position.

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

STATEMENT OF NET POSITION

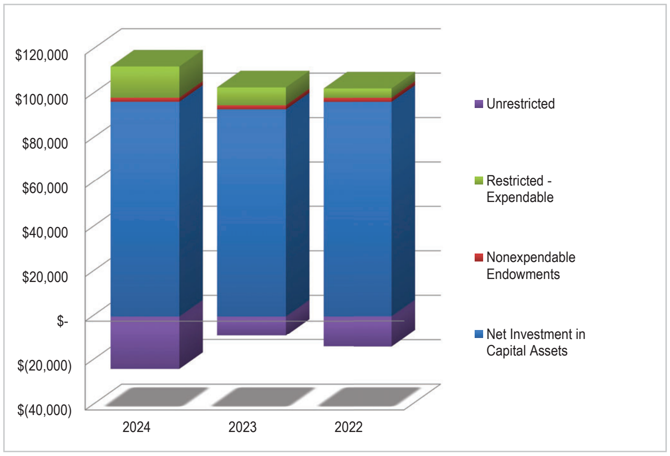
The term "Net Position" refers to the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources and is an indicator of SOU's current financial condition. Changes in Net Position that occur over time indicate improvement or deterioration in 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,	**2024**	2023	2022
Current Assets	**$ 27,029**	$ 24,339	$ 22,541
Noncurrent Assets	**16,969**	25,452	19,831
Capital Assets, Net	**173,841**	166,864	164,569
Total Assets	**$ 217,839**	$ 216,655	$ 206,941
Deferred Outflows of Resources	**$ 15,178**	$ 14,900	$ 11,330
Current Liabilities	**$ 18,585**	$ 15,470	$ 14,113
Noncurrent Liabilities	**92,579**	79,549	63,598
Total Liabilities	**$ 111,164**	$ 95,019	$ 77,711
Deferred Inflows of Resources	**$ 33,050**	$ 42,025	$ 51,436
Net Investment in Capital Assets	**$ 96,644**	$ 93,236	$ 96,590
Restricted - Nonexpendable	**1,812**	1,812	1,812
Restricted - Expendable	**8,288**	8,065	4,236
Unrestricted	**(17,941)**	(8,602)	(13,514)
Total Net Position	**$ 88,803**	$ 94,511	$ 89,124

Total Net Position

As illustrated by the following graph, the make-up of net position changed between 2024, 2023, and 2022.



Comparison of fiscal year 2024 to fiscal year 2023

Net Investment in Capital Assets increased $3,408 or 4%.

- Capital asset increases of $17,454 were mainly offset by a $6,999 increase to accumulated depreciation and amortization and by increases of $3,478 to asset retirements and prior year adjustments. In addition, long term debt associated with capital assets increased $4,588 and deferred inflows related to capital assets decreased $1,018. For additional detail on changes in capital assets, see "Capital Assets and Related Financing Activities", page 22.

Restricted Expendable Net Position increased $5,986 or 74%.

- Net position which is restricted for the funding of capital projects decreased $217 due primarily to progress made toward the completion of the Cascade Hall demolition project and capital improvement projects funded by the State.
- Net position related to gifts, grants and contracts increased $471 due primarily to state grants from the Department of Early Learning and Care and the Oregon Department of Energy .

Unrestricted Net Position decreased $9,339 due in large part to decreases in net position associated with operations and net position due to changes in year-end accruals for the PERS net pension liability. These decreases were partially offset by increases in net position due to pension and OPEB related deferrals and other post-employment liabilities. See "Note 11. Unrestricted Net Position" for additional information.

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 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 Hall.
- 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 $4,912 or 36% due in large part to an increase in net position associated with operations of $2,537 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.

Total Assets and Deferred Outflows of Resources

Total Assets increased $1,184 or less than 1% and increased $9,714 or 5% during the years ended June 30, 2024 and 2023, respectively. Deferred Outflows of Resources increased $278 or 2% and increased $3,570 or 32% in the same two years.

Comparison of fiscal year 2024 to fiscal year 2023

Current Assets increased $2,690 or 11%.

- Current Cash and Cash Equivalents increased $4,076 primarily due to the University's exit from the Public University Fund (PUF). While participating in the PUF, a portion of the University's cash was held as investments. Currently, all of SOU's cash is held in cash and cash equivalents.
- Accounts Receivable decreased $1,249. Factors contributing to the change in accounts receivables were decreases to receivables for student tuition and fees, capital construction receivables, and receivables due from the College Housing Foundation, a fiduciary unit of the University. There were increases in receivables from grants, gifts, and contracts, those from the SOU Foundation, and other receivables. Allowance for doubtful accounts also increased. See "Note 3. Accounts Receivable" for additional information.
- Prepaid Expenses decreased $171 mainly due to decreased prepaid expenses in the general fund and grants and contracts.

Noncurrent Assets decreased $8,483 or 33%.

- Noncurrent Cash increased $4,263 due to the University's withdrawal from the PUF. While participating in the PUF, a portion of the University's cash was held as investments. Currently, all of SOU's cash is held in cash and cash equivalents.
- Investments decreased $12,377 due to the University's withdrawal from the PUF. Subsequent to the withdrawal, none of the University's cash is held for investments. In addition, investments that were held on SOU's behalf were sold to finance the implementation of the University's new ERP system.
- Noncurrent Notes Receivable decreased $79 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 $259 due primarily to adjustments between the long term and short term portions of existing leases. See "Note 8. Leases" for additional information.

Net Capital Assets increased $6,977. See "Capital Assets and Related Financing Activities" in this MD&A for additional information relating to these variances.

Deferred Outflows of Resources increased $278 or 2%. The increase to deferred outflows is attributable to changes in the Net Pension Liability, which increased deferred outflows by $333, and also to changes in the OPEB Liability, which decreased deferred outflows by $55. See "Note 15. Employee Retirement Plans" and "Note 16. Other Post Employment Benefits" for more information on these changes.

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.

Total Liabilities and Deferred Inflows of Resources

Total Liabilities increased $16,145 or 17% during the year ended June 30, 2024. Total Liabilities increased $17,308 or 22% during the year ended June 30, 2023. Deferred Inflows of Resources decreased $8,975 or 21% during the fiscal year ended June 30, 2024 and decreased $9,411 or 18% during the fiscal year ended June 30, 2023.

Comparison of fiscal year 2024 to fiscal year 2023

Current Liabilities increased $3,115 or 20%.

- Accounts Payable and Accrued Liabilities increased $3,896 due primarily to increased payables for services and supplies, salaries and wages, and those related to construction projects. See "Note 7. Accounts Payable and Accrued Liabilities" for additional information.
- Deposits increased $238 due primarily to funds held in agency for various programs such as international student insurance, conferences, and Barnes & Noble student purchases.
- The current portion of Long-Term Liabilities decreased by $624 due primarily to an increase in the current portion of contracts payable to the State of Oregon and the subscription-based information technology arrangements (SBITA) liability. See "Debt Administration" in this MD&A and "Note 10. Long Term Liabilities" for more information on these changes.
- Unearned revenue decreased by $370 due primarily to decreases in prepaid tuition & fees, unearned revenues related to grants and contracts, and unearned revenue received in 2023 for a lease with Oregon Health Sciences University.

Noncurrent Liabilities increased $13,030 or 16%.

- Net Pension Liability increased $8,375. For additional detail, see "Note 15. Employee Retirement Plans".
- OPEB Liability decreased $154. For additional information, see "Note 16. Other Postemployment Benefits".
- Noncurrent Long-Term Liabilities increased $4,809 due primarily to additions for new SBITA liabilities, including the subscription for the University's new new enterprise resource planning (ERP) system. In addition, debt issued to finance the ERP transition increased, as did compensated absences. These increases were offset, in part, by decreases to the long-term portion of contracts payable to the State, the PERS pre-SLGRP liability, and the change for the short-term portion of lease liabilities. For additional detail, see "Note 10. Long-Term Liabilities", "Note 8. Leases", and "Note 9. SBITA".

Deferred Inflows of Resources decreased $8,975 or 21%. The decrease to deferred inflows is attributable to changes in the Net Pension Liability, which decreased deferred inflows by $7,401,changes due to the amortization of deferrals related to the service concession arrangement of $1,018, changes due to new leases and the amortization of existing leases of $342, and changes in the OPEB Liability of $214. See "Note 1.AB. 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 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.AB. Service Concession Arrangements", "Note 8. Leases", "Note 15. Employee Retirement Plans", and "Note 16. Other Post Employment Benefits" for more information on these changes.

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023 (DOLLARS IN THOUSANDS)

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,	2024	2023	2022
Operating Revenues	$ 47,947	$ 49,394	$ 45,521
Operating Expenses	107,264	96,733	95,878
Operating Loss	(59,317)	(47,339)	(50,357)
Nonoperating Revenues, Net of Expenses	48,348	42,572	50,772
Other Revenues	5,261	10,154	2,641
Increase in Net Position	(5,708)	5,387	3,056
Net Position, Beginning of Year	94,511	89,124	87,551
Change in Accounting Principle	-	-	(1,483)
Net Position, End of Year	$ 88,803	$ 94,511	$ 89,124

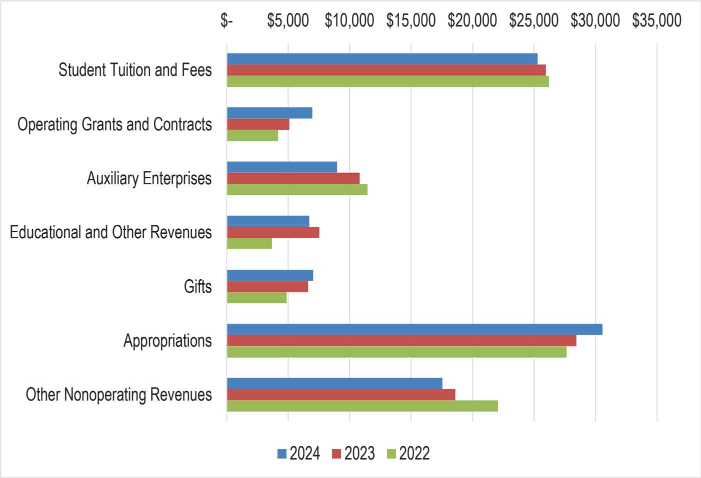
Revenues

Revenues increased $41 or less than 1% in 2024.

Total Operating and Nonoperating Revenues

For the Year Ended June 30,	2024	2023	2022
Student Tuition and Fees	$ 25,293	$ 25,950	$ 26,205
Grants and Contracts	6,962	5,094	4,180
Auxiliary Enterprises	8,972	10,817	11,457
Educational and Other	6,720	7,533	3,679
Total Operating Revenues	47,947	49,394	45,521
Appropriations	30,564	28,430	27,649
Financial Aid Grants	10,889	8,435	13,933
Gifts	7,035	6,626	4,874
Investment Activity	1,563	631	(1,321)
Gain (Loss) on Sale of Assets, Net	4	(448)	960
Capital Grants and Gifts	5,082	9,975	2,462
COVID-19 Institutional Funding	-	-	6,033
Total Nonoperating and Other Revenues	55,137	53,649	54,590
Total Revenues	$ 103,084	$ 103,043	$ 100,111

Total Operating and Nonoperating Revenues



Operating Revenues

Operating revenues decreased 3% from $49,394 in 2023 to $47,947 in 2024 and increased by $3,873 or 9% in 2023 as compared to 2022.

<u>Comparison of fiscal year 2024 to fiscal year 2023</u>

Student Tuition and Fees decreased $657 or 3%.

- The decrease in student tuition of $320 was predominately caused by decreasing enrollments.
- Student fee revenues increased $650 as SOU increased student fee rates for building fees, student resource fees, and other student fees.
- Fee remissions and scholarship allowances increased $1,000 which caused a decrease to tuition and fees revenue.
- Bad debt expense, primarily related to the maintenance of the allowance for bad debt, decreased $13, causing an increase to revenue.

Federal, State and Nongovernmental Grants and Contracts increased $1,868 or 37%.

- Federal grants and contracts increased $754 due primarily to increases in grant revenue from the U.S. Department of Agriculture and the Department of Education. These increases were offset by decreases in awards from the Department of the Interior.
- State and local grant activity increased $1,055, mostly due to increases in grant revenues from the Department of Early Learning and Care, the Oregon Department of Energy, and the Higher Education Coordinating Commission.

Auxiliary Enterprise revenues decreased $1,845 or 17% due mainly to the following:

- Housing and Dining revenues decreased $2,195. The decrease was primarily due to decreased revenue from leases, student housing, contracts with commercial businesses, and a decrease in the ground lease revenue received through the University's agreement with CHF. These decreases were partially offset by an increase in conference income.
- Student Centers and Activities income decreased by $177 due primarily to decreased incidental fees distributed to these

activities.

- Health Center revenue increased $112 due primarily to increased revenues from student health fees.
- Athletics revenue decreased $76 due mainly to decreased institutional incidental fees.
- Parking revenues decreased $61 due to decreases in parking fees and fines.
- Other Auxiliaries increased $537 primarily due to an increase in revenues from incidental, recreation center, and other fees charged to students.

Educational Department Sales and Services revenues decreased $467 or 9% due in large part to decreases in revenue from leases and rentals as well as memberships income and ticket sales.

Other Operating revenues decreased $346 or 16% due predominately to decreases in collection charges and reimbursements from outside entities.

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.

Nonoperating and Other Revenues

The increase in Nonoperating Revenues of $1,488 during 2024 is primarily due to increased financial aid grants and appropriations. This increase in nonoperating revenues was offset by a decrease in capital gifts and contracts as described below.

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.

Comparison of fiscal year 2024 to fiscal year 2023

Government Appropriations increased $2,134 or 8% due to increased funding received from the State of Oregon for general fund operations as well as greater appropriations from lottery resources. See "Note 14. Government Appropriations" for additional information relating to changes in appropriations.

Gifts increased $409 or 6% mainly due to increased gifts from the SOU Foundation. This increase was offset largely by decreases in gifts from other foundations, associations, and societies as well as gifts for private scholarships given through the State of Oregon.

Financial Aid Grants increased by $2,454 or 29% due mainly to increased grants given through the Oregon Opportunity Grant, PELL grants, and tuition assistance grants for behavioral health students .

Investment Activity revenues increased $932 or 148% largely due to combined investment earnings and interest income. Losses on the sale of investments also decreased, which caused investment activity to increase. See "Note 12. Investment Activity" for additional information relating to these changes.

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023 (DOLLARS IN THOUSANDS)

Gain (Loss) on Sales of Assets changed from a loss of $448 in 2023, due to the disposal of library materials, to a gain of $4 in 2024.

Capital Grants and Gifts decreased $4,893 or 49% mainly due to decreases in the amount of federal grant revenue used for capital expenditures and capital grants from XI-Q State bond funded construction projects. This was offset by an increase in revenue from state funded grants used for capital expenditures as well gift revenue from the SOU Foundation for capital related items.

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.

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 to 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.

Expenses

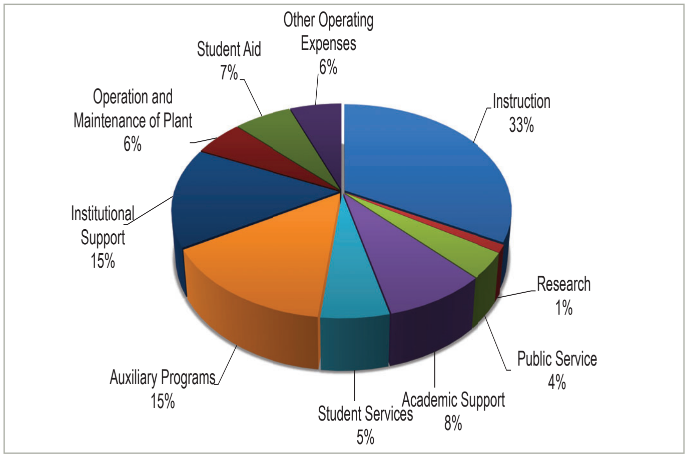
Operating Expenses

Operating expenses increased $10,531 or 11% in 2024 over 2023, to $107,264. Operating expenses increased $855 or 1% in 2023 over 2022, to $96,733. The following summarizes operating expenses by functional classification:

Operating Expense by Function

For the Year Ended June 30,		2024		2023		2022
Instruction	$	**35,161**	$	33,850	$	33,027
Research		**1,247**		792		475
Public Service		**4,182**		3,807		3,441
Academic Support		**8,955**		9,402		8,422
Student Services		**5,952**		5,938		5,688
Auxiliary Programs		**15,962**		16,006		14,078
Institutional Support		**16,393**		12,502		12,204
Operation and Maintenance of Plant		**5,987**		6,195		5,696
Student Aid		**7,119**		4,226		8,867
Other Operating Expenses		**6,306**		4,015		3,980
Total Operating Expenses	$	**107,264**	$	96,733	$	95,878

2024 Operating Expense by Function



FOR THE YEARS ENDED JUNE 30, 2024 AND 2023 (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 increased operating expenses by $640 while the changes associated with recording the components of the OPEB Asset/Liability required by GASB No. 75 decreased them by $281. 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, 2024	with adjustments	without adjustments	difference
Instruction	$ 35,161	$ 34,998	$ 163
Research	1,247	1,243	4
Public Service	4,182	4,168	14
Academic Support	8,955	8,917	38
Student Services	5,952	5,928	24
Auxiliary Programs	15,962	15,927	35
Institutional Support	16,393	16,337	56
Operation and Maintenance of Plant	5,987	5,962	25
Student Aid	7,119	7,119	-
Other Operating Expenses	6,306	6,306	-
Total Operating Expenses	$ 107,264	$ 106,905	$ 359

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)

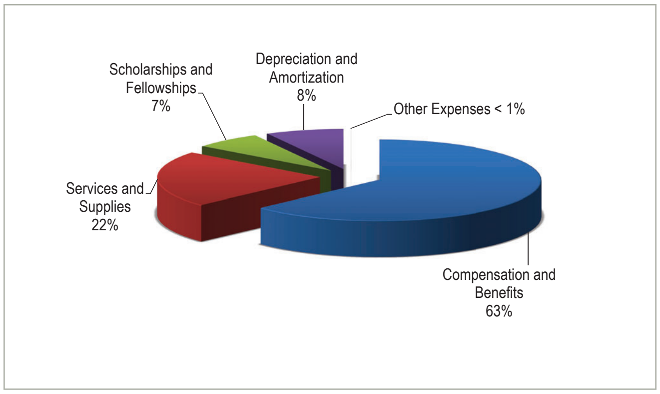
Due to the way in which expenses are incurred by SOU, variances are presented and explained by analyzing changes in the natural classification of expenses. Each natural classification analysis can be applied to many of the functional expense caption items.

The following summarizes operating expenses by natural classification:

Operating Expenses by Natural Classification

For the Year Ended June 30,	2024	2023	2022
Compensation and Benefits	$ 67,544	$ 62,711	$ 61,241
Services and Supplies	24,104	22,225	18,754
Scholarships and Fellowships	7,254	4,587	8,969
Depreciation and Amortization	8,357	7,210	6,888
Other Expenses	5	-	26
Total Operating Expenses	$ 107,264	$ 96,733	$ 95,878

2024 Operating Expenses by Natural Classification



Comparison of fiscal year 2024 to fiscal year 2023

Compensation and Benefits costs increased $4,833 or 8% in 2024 compared to 2023 primarily due to:

- Salary and wage costs increased $1,111 due to increases in unclassified pay of $227, classified pay of $446 and student and graduate assistant pay of $438. These increases are largely attributable to cost of living increases.
- Other personnel expenses (OPE) costs, not including costs associated with OPEB, SLGRP, and Pension Expense adjustments, increased $676.
- OPE costs associated with net Pension Expense increased $1,983. See "Note 15. Employee Retirement Plans" for further information.

Services and Supplies increased $1,879 or 8%, during 2024. Increases in services and supplies expenses were mainly driven by increases in rental and lease costs as well as fees and services. In addition, there were new subaward costs attributable to a consortium grant awarded to the University through the state Department of Early Learning and Care.

Scholarships and Fellowships increased $2,667 or 58%, when comparing 2024 to 2023. The increase is predominately due to increases in scholarships through state funded grants, including the Oregon Opportunity Grant and the Oregon Tribal Grant.

Depreciation and Amortization expense increased $1,147 or 16%. 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 $41 or 3%.

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%.

Other Nonoperating Items

Comparison of fiscal year 2024 to fiscal year 2023

Other Nonoperating Items decreased $564, primarily due to adjustments made to capital asset expenditures that were not capitalized.

Comparison of fiscal year 2023 to fiscal year 2022

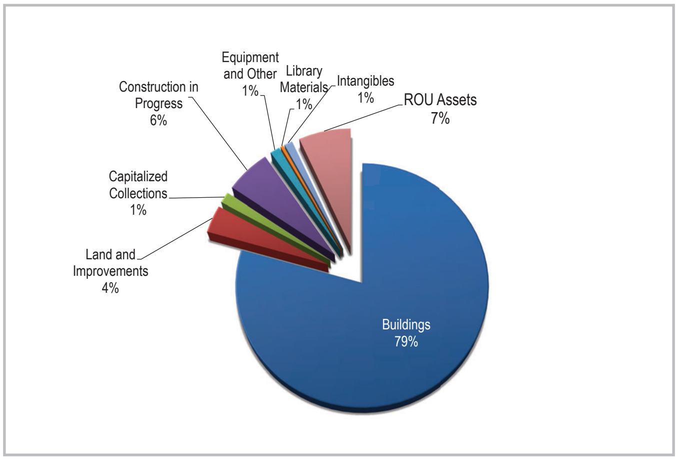
Other Nonoperating Items increased $310, primarily due to adjustments made to capital asset expenditures that are not capitalized.

CAPITAL ASSETS AND RELATED FINANCING ACTIVITIES

Capital Assets

At June 30, 2024, SOU had $319,663 in capital assets, less accumulated depreciation of $145,822, for net capital assets of $173,841. At June 30, 2023, SOU had $305,687 in capital assets, less accumulated depreciation of $138,823, for net capital assets of $166,864.

2024 Capital Assets, Net - $173,841 thousand



FOR THE YEARS ENDED JUNE 30, 2024 AND 2023 (DOLLARS IN THOUSANDS)

Changes to Capital Assets

	2024	2023	2022
Capital Assets, Beginning of Year	$ 305,687	$ 296,635	$ 257,309
Add: Purchases/Construction	17,454	9,473	5,259
Less: Retirements/ Disposals/Adjustments	(3,478)	(421)	34,067
Total Capital Assets, End of Year	319,663	305,687	296,635
Accum. Depreciation, Beginning of Year	(138,823)	(132,066)	(117,574)
Add: Depreciation Expense	(8,357)	(7,210)	(6,888)
Less: Retirements/ Disposals/Adjustments	1,358	453	(7,604)
Total Accum. Depreciation, End of Year	(145,822)	(138,823)	(132,066)
Total Capital Assets, Net, End of Year	$ 173,841	$ 166,864	$ 164,569

During fiscal year 2024:

- Equipment additions of $515, transfers from construction in progress (CIP) of $293, and retirements and adjustments of $104 net for a change in equipment of $704.
- Library materials were added in the amount of $95, with adjustments of $34, for a net addition of $61.
- Construction in progress (CIP) had additions of $5,090, offset by transfers of completed projects of $293 and adjustments of $2,108. This led to a net increase in CIP of $2,689. CIP additions consisted of costs for the Central Hall, Cascade Hall demolition, Solar projects, the softball complex, and Farm Shed projects.
- There were additions to right of use (ROU) leased equipment of $371 and retirements of $940. This caused a net decrease due to new and terminated equipment leases of $569.
- Additions to subscription based technology arrangement (SBITA) assets totaled $11,351, while there were retirements of $292 for a net increase of $11,059. The largest SBITA asset added was the subscription to Workday, the University's new ERP system.
- Accumulated depreciation and amortization increased $6,999 due to monthly depreciation as well as retirements and adjustments.

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.

Debt Administration

During 2024, long-term debt held by SOU increased by $4,589 or 9%, from $49,121 to $53,710.

Contracts payable to the State of Oregon decreased $1,812 due to principal and accreted interest payments.

No new loans were added to the State Energy Loan Program (SELP), while principal payments of $152 were paid during the year.

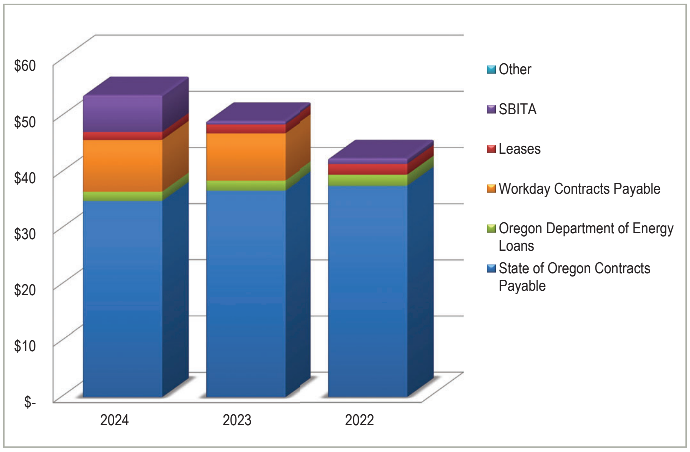
Lease additions of $371 were offset by lease payments of $553, for a net decrease to lease liabilities of $182.

There were SBITA additions of $6,551 in 2024, while payments resulted in reductions of $607 for a net increase to debt associated with SBITAs of $5,944 in 2024. This increase was largely attributable to the addition of the subscription for Workday, and ERP system.

Changes to the principal owed on the financing agreements for the purchase and implementation of Workday included additions of $791.

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

Long-term Debt



ECONOMIC OUTLOOK

Southern Oregon University remains steadfast in its commitment to student success, aligning every initiative with our mission and vision. Through collaboration with regional business leaders, politicians, and the broader community, SOU not only meets regional educational needs but also extends its 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 psychology—anchored in a revitalized liberal arts foundation. In 2025, efforts to revitalize our Strategic Plan will serve as a roadmap for fostering economic growth and institutional stability with a focus on student vitality as part of Technical & Regional University (TRU) in Oregon.

Guided by our long-term vision (Strategic Direction 5: https://sou.edu/president/the-sou-plan/), our Board of Trustees and executive leadership continuously explore program enhancements, partnerships, and new opportunities that maximize resources while ensuring financial sustainability. SOU's funding model is diversified, drawing from tuition and fees, philanthropic contributions, state appropriations, and financial aid programs. Our ability to leverage federal grants and contract activities further reinforces our financial resilience, enabling us to balance administrative and infrastructure costs where allowable.

SOU's financial landscape has historically relied on state funding, a dependency that poses challenges in light of declining formula-based allocations from the State's Student Success and Completion Model (SSCM) due to enrollment trends. In response, we have implemented rigorous budgeting and cost-reduction measures over the past several years. Like many institutions, SOU remains committed to cost-effective strategies that ensure higher education remains accessible—particularly for underrepresented and BIPOC students, whom we proudly serve. Navigating ongoing economic uncertainties will require continued efforts to optimize personnel and operational expenses while fostering a culture of efficiency and innovation.

Several factors have driven an 8.3% increase in costs for supplies and services since FY23, including inflationary pressures, market volatility, and short-term adjustments such as transitioning away from the Public University Fund (PUF). However, we anticipate that inflation has moderated since the pandemic, and one-time expenses will be minimized moving forward.

While broader economic conditions have stabilized, certain areas—notably IT service contracts and subscriptions—continue to experience cost growth exceeding general inflation trends.

SOU's leadership remains proactive in managing these financial pressures.

Despite these challenges, SOU launched "SOU Forward" in Fiscal Year 2023—a transformative cost-reduction initiative designed to streamline expenditures in labor, supplies, and services.

While significant progress has been made in Fiscal Year 2024, management continues to refine efficiencies to fully realize projected savings.

Looking ahead, shifting social policies and demographic trends may impact both state and federal funding for higher education. While these risks are most pronounced at the federal level, SOU remains vigilant in assessing potential fiscal implications. Through strategic planning and disciplined financial management, we are proactively pursuing institutional sustainability while maintaining a focus on student success.

For the 2024-25 academic year, the Board of Trustees has approved the following rate adjustments for tuition rates (exclusive of enrollment fees):

- 5.12% increase for base resident undergraduate tuition.
- 5.01% increase for base resident graduate tuition.

Spearheaded by the Tuition Advisory Committee, SOU continues to evaluate tuition and fee structures to ensure a balance between market competitiveness and student affordability. A major advancement in Academic Year 2024 was the introduction of the Single Enrollment Fee—the first of its kind in Oregon and a model adopted by only a few universities nationwide. This innovative approach consolidates all mandatory enrollment and incidental fees into a single, per- credit-hour charge, streamlining billing and eliminating inequities between face-to-face and online students. By making costs more predictable and transparent, this structure empowers students to plan their educational expenses with greater confidence. While its initial rollout resulted in an unanticipated financial benefit for many students compared to previous billing models, SOU remains committed to refining and optimizing this approach to ensure long-term sustainability for both students and the institution.

Our unwavering commitment to affordability, innovation, and academic excellence underpins our strategy to reverse enrollment declines. A comprehensive Strategic Enrollment Management Plan, alongside the forthcoming Institutional Strategic Plan, positions SOU for growth in student success, enrollment, and degree completion rates. Despite a policy environment that has become increasingly complex for higher education, we remain confident in our path forward.

Southern Oregon University embraces both immediate challenges and long-term opportunities with determination. We recognize the financial constraints posed by state funding and demographic shifts, yet we proactively develop strategies to navigate these realities. Our dedication to serving underrepresented students remains resolute, as does our focus on optimizing resources and fostering institutional innovation. By working collaboratively with our stakeholders, we are poised not only to sustain but to strengthen SOU's impact, ensuring an unparalleled educational experience for future generations.

As of June 30,	2024	2023
	(In thousands)	
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 2)	**$ 7,289**	$ 3,213
Collateral from Securities Lending (Note 2)	**26**	51
Accounts Receivable, Net (Note 3)	**18,201**	19,450
Notes Receivable, Net (Note 4)	**89**	86
Lease Receivable (Note 8)	**168**	146
Inventories	**517**	483
Prepaid Expenses	**739**	910
Total Current Assets	**27,029**	24,339
Noncurrent Assets		
Cash and Cash Equivalents (Note 2)	**6,308**	2,045
Investments (Note 2)	**7,292**	19,669
Notes Receivable, Net (Note 4)	**1,181**	1,260
Lease Receivable (Note 8)	**1,123**	1,382
Net OPEB Asset (Note 16)	**1,065**	1,096
Capital Assets, Net of Accumulated Depreciation and Amortization (Note 5)	**173,841**	166,864
Total Noncurrent Assets	**190,810**	192,316
Total Assets	**$ 217,839**	$ 216,655
DEFERRED OUTFLOWS OF RESOURCES (Note 6)	**$ 15,178**	$ 14,900
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities (Note 7)	**$ 9,674**	$ 5,778
Deposits	**369**	131
Obligations Under Securities Lending (Note 2)	**26**	51
Current Portion of Long-Term Liabilities (Note 10)	**4,877**	5,501
Unearned Revenues	**3,639**	4,009
Total Current Liabilites	**18,585**	15,470
Noncurrent Liabilities		
Long-Term Liabilities (Note 10)	**53,755**	48,946
Net Pension Liability (Note 15)	**37,910**	29,535
OPEB Liability (Note 16)	**914**	1,068
Total Noncurrent Liabilities	**92,579**	79,549
Total Liabilities	**$ 111,164**	$ 95,019
DEFERRED INFLOWS OF RESOURCES (Note 6)	**$ 33,050**	$ 42,025
NET POSITION		
Net Investment in Capital Assets	**$ 96,644**	$ 93,236
Restricted For:		
Nonexpendable Endowments	**1,812**	1,812
Expendable:		
Gifts, Grants and Contracts	**3,592**	3,121
Student Loans	**68**	68
Capital Projects	**3,563**	3,780
OPEB Asset	**1,065**	1,096
Unrestricted (Note 11)	**(17,941)**	(8,602)
Total Net Position	**$ 88,803**	$ 94,511

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,	2024	2023
	(In thousands)	
OPERATING REVENUES		
Student Tuition and Fees (Net of Allowances of $13,765 and $12,778, Note 1.V)	**$ 25,293**	$ 25,950
Federal Grants and Contracts	**2,426**	1,672
State and Local Grants and Contracts	**3,549**	2,494
Nongovernmental Grants and Contracts	**987**	928
Educational Department Sales and Services	**4,848**	5,315
Auxiliary Enterprises Revenues (Net of Allowances of 1,565 and $1,556, Note 1.V)	**8,972**	10,817
Other Operating Revenues	**1,872**	2,218
Total Operating Revenues	**47,947**	49,394
OPERATING EXPENSES		
Instruction	**35,161**	33,850
Research	**1,247**	792
Public Service	**4,182**	3,807
Academic Support	**8,955**	9,402
Student Services	**5,952**	5,938
Auxiliary Programs	**15,962**	16,006
Institutional Support	**16,393**	12,502
Operation and Maintenance of Plant	**5,987**	6,195
Student Aid	**7,119**	4,226
Other Operating Expenses	**6,306**	4,015
Total Operating Expenses (Note 13)	**107,264**	96,733
Operating Loss	**(59,317)**	(47,339)
NONOPERATING REVENUES (EXPENSES)		
Government Appropriations (Note 14)	**30,385**	28,251
Financial Aid Grants	**10,889**	8,435
Gifts	**7,035**	6,626
Investment Activity (Note 12)	**1,563**	631
Gain (Loss) on Sale of Assets, Net	**4**	(448)
Interest Expense	**(1,477)**	(1,436)
Other Nonoperating Items	**(51)**	513
Net Nonoperating Revenues	**48,348**	42,572
Income (Loss) Before Other Nonoperating Revenues	**(10,969)**	(4,767)
Debt Service Appropriations (Note 14)	**179**	179
Capital Grants and Gifts	**5,082**	9,975
Total Other Nonoperating Revenues	**5,261**	10,154
Increase In Net Position	**(5,708)**	5,387
NET POSITION		
Beginning Balance	**94,511**	89,124
Ending Balance	**$ 88,803**	$ 94,511

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

For the Years Ended June 30,	2024	2023
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	**$ 25,380**	$ 24,945
Grants and Contracts	**4,147**	4,635
Educational Department Sales and Services	**4,848**	5,315
Auxiliary Enterprises Operations	**11,498**	9,488
Payments to Employees for Compensation and Benefits	**(66,329)**	(65,454)
Payments to Suppliers	**(21,603)**	(21,934)
Student Financial Aid	**(7,254)**	(4,587)
Other Operating Receipts	**1,661**	2,206
Fiduciary Activities - Direct Student Loan Receipts	**18,481**	16,102
Fiduciary Activities - Direct Student Loan Disbursements	**(18,343)**	(16,102)
Fiduciary Activities - Other Custodial Fund Receipts	**108**	222
Fiduciary Activities - Other Custodial Fund Disbursements	**(159)**	(241)
Net Cash Used by Operating Activities	**(47,565)**	(45,405)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Government Appropriations	**30,385**	28,251
Financial Aid Grants	**10,889**	8,435
Gifts	**5,911**	6,556
Other Noncapital Financing Receipts (Disbursements)	**289**	(45)
Net Cash Provided by Noncapital Financing Activities	**47,474**	43,197
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt Service Appropriations	**179**	179
Capital Grants and Gifts	**6,416**	8,639
Proceeds from Sale of Capital Assets	**2,124**	-
Purchases of Capital Assets	**(9,503)**	(119)
Other Capital Disbursements	**(105)**	(207)
Interest Payments on Capital Debt	**(1,497)**	(1,453)
Principal Payments on Capital Debt	**(3,124)**	(2,245)
Net Cash Provided (Used) by Capital and Related Financing Activities	**(5,510)**	4,794
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Sales (Purchases) of Investments	**12,629**	(6,553)
Income on Investments and Cash Balances	**1,311**	854
Net Cash Provided (Used) by Investing Activities	**13,940**	(5,699)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**8,339**	(3,113)
CASH AND CASH EQUIVALENTS		
Beginning Balance	**5,258**	8,371
Ending Balance	**$ 13,597**	$ 5,258

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

For the Years Ended June 30,		2024		2023
		(In thousands)		
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES				
Operating Loss	$	(59,317)	$	(47,339)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:				
Depreciation/Amortization Expense		8,357		7,210
Fiduciary Student Loans		138		-
Other Fiduciary Activities		(51)		(19)
Changes in Assets and Liabilities:				
Accounts Receivable		899		(2,435)
Notes Receivable		76		73
Inventories		(34)		(39)
Prepaid Expenses		171		(643)
Accounts Payable and Accrued Liabilities		3,629		286
Long-Term Liabilities		(404)		(441)
Unearned Revenue		(370)		574
Service Concession Arrangement Related Deferrals		(1,018)		(1,017)
OPEB Asset/Liability and Related Deferrals		(282)		(273)
Net Pension Liability and Related Deferrals		641		(1,342)
NET CASH USED BY OPERATING ACTIVITIES	$	(47,565)	$	(45,405)
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS				
Contributed Capital Assets Acquired	$	2	$	97
Capital Assets Acquired by Accounts Payable		1,099		813
Increase in Fair Value of Investments Recognized as a Component of Investment Activity		775		702
Loss on Sale of Investments Recognized as a Component of Investment Activity		(523)		(925)

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,	2024	2023
	(in thousands)	
ASSETS		
Current Assets		
Cash and Cash Equivalents	**$ 1,576**	$ 1,700
Unconditional Promises to Give, Net	**2,191**	1,305
Total Current Assets	**3,767**	3,005
Noncurrent Assets		
Investments	**47,406**	40,588
LongTerm Unconditional Promises to Give, Net	**7,174**	6,734
Assets Held Under Split-Interest Agreements	**663**	536
Other Assets	**759**	773
Total Other Assets	**56,002**	48,631
Total Assets	**$ 59,769**	$ 51,636
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable and Accrued Liabilities	**$ 61**	$ 3
Deferred Revenue	**419**	55
Payments Due to Related Entity	**1,436**	400
Total Current Liabilities	**1,916**	458
Obligations Under Split-Interest Agreements	**241**	196
Total Liabilities	**2,157**	654
Net Assets		
Without Donor Restrictions	**4,156**	4,123
With Donor Restrictions	**53,456**	46,859
Total Net Assets	**57,612**	50,982
Total Liabilities and Net Assets	**$ 59,769**	$ 51,636

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

For the Years Ended June 30,		2024		2023
		(In thousands)		
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
Revenue and Other Support				
Donations	$	200	$	385
Contributed Services Support		1,088		966
Net Investment Income		493		784
Net Assets Released From Restrictions		5,767		5,390
Total Revenue and Other Support		7,548		7,525
Functional Expenses				
Program Services		4,987		4,780
Management and Fundraising		2,528		1,972
Total Expenses		7,515		6,752
Increase In Unrestricted Net Assets		33		773
Beginning Balance, Unrestricted Net Assets		4,123		3,350
Ending Balance, Unrestricted Net Assets	$	4,156	$	4,123
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS				
Revenue and Other Support				
Donations		7,758		13,532
Change in Split-Interest Agreements		(26)		(10)
Net Investment Income		1,297		824
Net Realized and Unrealized Gains		3,307		1,123
Fundraising Activities and Other Income		28		14
Net Assets Released From Restrictions		(5,767)		(5,390)
Increase (Decrease) In Net Assets With Donor Restrictions		6,597		10,093
Beginning Balance, Net Assets With Donor Restrictions		46,859		36,766
Ending Balance, Net Assets With Donor Restrictions	$	53,456	$	46,859
Increase (Decrease) In Total Net Assets		6,630		10,866
Beginning Balance, Total Net Assets		50,982		40,116
Ending Balance, Total Net Assets	$	57,612	$	50,982

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

	Custodial Funds			
As of June 30,		2024		2023
		(In thousands)		
ASSETS				
Cash Deposits - Student Housing Program	$	2,692	$	366
Cash Reserves - Student Housing Capital		1,351		15
Cash Deposits - Other		143		123
Deposits Held By Others		-		4,737
Accounts Receivable, Net		839		745
Prepaid Expenses		187		160
Total Assets	$	5,212	$	6,146
LIABILITIES				
Payments Due to University	$	1,219	$	4,737
Accounts Payable and Accrued Liabilities		10		20
Total Liabilities	$	1,229	$	4,757
FIDUCIARY NET POSITION				
Restricted For:				
CHF-Ashland, L.L.C.	$	3,835	$	1,265
Student and Campus Organizations		148		124
Total Fiduciary Net Position	$	3,983	$	1,389

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

	Custodial Funds	
For the Years Ended June 30,	**2024**	2023
	(In thousands)	
ADDITIONS		
Student Housing Rentals	$ 6,863	$ 6,608
Conference and Miscellaneous Rentals	284	354
Other Additions	4,770	42
Total Additions	**$ 11,917**	$ 7,004
DEDUCTIONS		
Student Housing Operations	$ 9,148	$ 6,575
Student Housing Administrative and General	125	141
Other Deductions	50	18
Total Deductions	**$ 9,323**	$ 6,734
Increase In Fiduciary Net Position	**$ 2,594**	$ 270
Fiduciary Net Position - Beginning	**1,389**	1,119
Fiduciary Net Position - Ending	**$ 3,983**	$ 1,389

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, 2024 and 2023 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, 2024 and 2023 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.

UPCOMING ACCOUNTING STANDARDS

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.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires that the University assess concentrations or constraints which could cause the University to be vulnerable to substantial impact. Should such concentrations or constraints exist, the University must disclose the concentration or constraint if an event (or events) have occurred, have begun to occur, or will most likely occur within 12 months of the financial statement issuance. In addition, the University must disclose any mitigating actions taken prior to the issuance of the financial statements. This statement will impact the University should any of these concentrations or constraints arise. This statement will be effective for the fiscal year ended June 30, 2025.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement touches on the requirements of (1) management's discussion and analysis, (2) unusual and infrequent items, (3) presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, (4) major component unit information, and (5) budgetary comparison information. This statement is currently being reviewed for applicability and impact to the University's financial statements.

This statement will be effective for the fiscal year ended June 30, 2026.

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 two 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 2025 is estimated to be $110. 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, 2024, the net amount of appreciation available for authorization for expenditure was $106. 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, 2024 and 2023 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, 2024 or June 30, 2023, 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 $5,033 and $4,161 for the fiscal years ended June 30, 2024 and 2023, 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 $9,044 and $8,935 for the fiscal years ended June 30, 2024 and 2023, respectively. Bad debt expense is included as an allowance to operating revenues and is estimated to be $1,253 and $1,238 for the fiscal years ended June 30, 2024 and 2023, 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 $18,343 and $16,102 for the fiscal years ended June 30, 2024 and 2023, 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

Certain amounts within the June 30, 2023 financial statement presentation have been reclassified to conform to the June 30, 2024 presentation. The reclassifications had no effect on previously reported net position.

AA. 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 2024 and 2023, respectively, the ground-lease receivable to the University was $1,217 and $4,737. 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, 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 was 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.

AB. 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. AA. 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 $250 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 $11,057 and $10,040 as of June 30, 2024 and June 30, 2023, respectively. In addition, deferred inflows associated with this arrangement totaled $23,488, and $24,506 as of June 30, 2024 and June 30, 2023, respectively.

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023 (DOLLARS IN THOUSANDS)

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, 2024 and 2023. The State Treasury manages these invested assets through commingled investment pools. Through December of 2023, SOU joined with five other Oregon public universities and the Public Universities Risk Management and Insurance Trust, to 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. SOU withdrew from the PUF in January 2024.

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, 2024 and 2023 as follows:

	June 30, 2024	June 30, 2023
Current		
Unrestricted	**$ 3,578**	$ 1,003
Restricted For:		
Gifts, Grants, and Contracts	**907**	308
Debt Service	**795**	180
Student Aid	**42**	10
Payroll Vendor Payments	**1,956**	1,703
Petty Cash	**9**	9
Total Current Cash	**7,289**	3,213
Noncurrent		
Unrestricted	**4,473**	1,262
Restricted For Capital	**1,835**	783
Total Noncurrent Cash	**6,308**	2,045
Total	**$ 13,597**	$ 5,258

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 2025 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, 2024 and 2023, SOU cash and cash equivalents on deposit at the State Treasury was $13,588 and $5,249, respectively. At the fiscal year ended June 30, 2024 and 2023, 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 $4,186 and $504, 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, 2024 and 2023, SOU had vault and petty cash balances of $9.

B. Investments

During fiscal year 2024, SOU liquidated investments previously held in the PUF Core Bond Fund (CBF), managed by the State Treasury, and invested in the OSTF. Prior to that, SOU's operating funds were invested in the CBF. 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. The University entered into a financing agreement that resulted in investments held on SOU's behalf by City National Bank. At June 30, 2024, these separately held investments totaled $4,239 while at June 30, 2023 they 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.

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023 (DOLLARS IN THOUSANDS)

Investments are all classified as noncurrent and include both restricted and unrestricted funds. At June 30, 2024, of the total $7,292 in investments, $3,053 are restricted for endowments, which include both true and quasi-endowments.

At June 30, 2023, of the total $19,669 in investments, $2,778 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.

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

Investments of the SOU discretely presented component units are summarized at June 30, 2024 and 2023 as follows:

COMPONENT UNIT

Fair Value at June 30,	2024	2023
Investment Type:		
Mutual Funds:		
Equities	$ 32,145	$ 24,000
Fixed Income	13,944	13,108
Cash and Cash Equivalents	7	8
Treasury Bills	1,310	3,472
Total Investments	$ 47,406	$ 40,588

CREDIT RISK

Credit risk is the risk that the issuer of an investment fails to fulfill its obligations. As of June 30, 2023, approximately 99.2 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 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 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. As of both June 30, 2024 and June 30, 2023, 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, 2024, 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 $3,277 while the remainder was invested in cash equivalents. 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, 2024 and 2023, 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 fewer issuers. For fixed income investments held by the endowment fund, 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.

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, 2024, $857 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, 2023, $970 of the SOU endowments, which are invested in mutual funds and managed by the State Treasury, were subject to foreign currency risk. No investments in the PUF had reportable foreign currency risk at June 30, 2023. As of June 30, 2024 and June 30, 2023, none of the investments held on SOU's behalf were subject to foreign currency risk.

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023 (DOLLARS IN THOUSANDS)

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, 2024, SOU endowments managed through the State Treasury held subject to interest rate risk totaling $3,051 had an average duration of 6.63 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. 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 totaled $10,594.

At June 30, 2024, 100% percent, or $3,051, of the SOU endowment managed by the State Treasury was valued using level 2 inputs.

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, 2024 and 2023, 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, 2024 and 2023.

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, 2024 and 2023, is effectively one day. As of June 30, 2024 and 2023, 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, 2024 and 2023 comprised the following:

Investment Type	**June 30, 2024**	June 30, 2023
U.S. Treasury and Agency Securities	**$ 177**	$ 26
Domestic Fixed Income Securities	**25**	50
Total	**$ 202**	$ 76

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023 (DOLLARS IN THOUSANDS)

The fair value of the University's share of total cash and securities collateral received as of June 30, 2024 and 2023 was $207 and $77, respectively. The fair value of the University's share of investments purchased with cash collateral as of June 30, 2024 and 2023 was $26 and $51, respectively.

3. ACCOUNTS RECEIVABLE

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

	June 30, 2024	June 30, 2023
Student Tuition and Fees	$ 12,262	$ 13,368
Auxiliary Enterprises and Other Operating Activities	2,570	2,690
Capital Construction Gifts and Grants	697	2,033
State, Other Government, and Private Gifts, Grants and Contracts	2,902	1,247
Component Units	1,436	312
Fiduciary Units	1,217	4,737
Federal Grants and Contracts	1,307	334
Other	333	122
	22,724	24,843
Less: Allowance for Doubtful Accounts	(4,523)	(5,393)
Accounts Receivable, Net	$ 18,201	$ 19,450

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, 2024		
	Current	Noncurrent	Total
Institutional and Other Student Loans	$ -	$ 27	$ 27
Third Party Commitment	102	1,310	1,412
	102	1,337	1,439
Less: Allowance for Doubtful Accounts	(13)	(156)	(169)
Notes Receivable, Net	$ 89	$ 1,181	$ 1,270

	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

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023 (DOLLARS IN THOUSANDS)

5. CAPITAL ASSETS

The following schedule reflects the changes in capital assets:

	Balance June 30, 2022	Additions	Transfer Completed Assets	Retire. And Adjust.	Balance July 1, 2023	**Additions**	**Transfer Completed Assets**	**Retire. And Adjust.**	**Balance June 30, 2024**
Capital Assets, Non-depreciable/Non-amortizable:									
Land	$ 4,389	$ -	$ -	$ -	$ 4,389	**$ -**	**$ -**	**$ -**	**$ 4,389**
Capitalized Collections	2,484	18	-	-	2,502	**32**	**-**	**-**	**2,534**
Construction in Progress	6,512	7,086	(5,977)	-	7,621	**5,090**	**(293)**	**(2,108)**	**10,310**
Perpetual Intangible Assets	1,735	144	-	-	1,879	**-**	**-**	**-**	**1,879**
Total Capital Assets, Non-depreciable/Non-amortizable	15,120	7,248	(5,977)	-	16,391	**5,122**	**(293)**	**(2,108)**	**19,112**
Capital Assets, Depreciable/ Amortizable:									
Equipment	13,786	278	-	(22)	14,042	**515**	**293**	**(104)**	**14,746**
Library Materials	15,353	104	-	(13)	15,444	**95**	**-**	**(34)**	**15,505**
Buildings	236,984	1,189	5,862	-	244,035	**-**	**-**	**-**	**244,035**
Land Improvements	3,502	-	-	-	3,502	**-**	**-**	**-**	**3,502**
Improvements Other Than Buildings	2,126	112	109	-	2,347	**-**	**-**	**-**	**2,347**
Infrastructure	3,039	10	6	-	3,055	**-**	**-**	**-**	**3,055**
Intangible Assets	2,091	-	-	-	2,091	**-**	**-**	**-**	**2,091**
ROU Leased Equipment	2,404	380	-	(246)	2,538	**371**	**-**	**(940)**	**1,969**
ROU Leased Land	653	-	-	(29)	624	**-**	**-**	**-**	**624**
ROU SBITA Assets	1,577	152	-	(111)	1,618	**11,351**	**-**	**(292)**	**12,677**
Total Capital Assets, Depreciable/Amortizable	281,515	2,225	5,977	(421)	289,296	**12,332**	**293**	**(1,370)**	**300,551**
Less Accumulated Depreciation/ Amortization for:									
Equipment	(11,730)	(450)	-	22	(12,158)	**(531)**	**-**	**92**	**(12,597)**
Library Materials	(14,507)	(212)	-	36	(14,683)	**(171)**	**-**	**34**	**(14,820)**
Buildings	(95,643)	(5,023)	-	-	(100,666)	**(5,366)**	**-**	**-**	**(106,032)**
Land Improvements	(2,431)	(97)	-	-	(2,528)	**(92)**	**-**	**-**	**(2,620)**
Improvements Other Than Buildings	(1,061)	(152)	-	-	(1,213)	**(77)**	**-**	**-**	**(1,290)**
Infrastructure	(2,991)	(1)	-	-	(2,992)	**(2)**	**-**	**-**	**(2,994)**
Intangible Assets	(2,090)	-	-	-	(2,090)	**-**	**-**	**-**	**(2,090)**
ROU Leased Equipment	(1,065)	(653)	-	254	(1,464)	**(509)**	**-**	**940**	**(1,033)**
ROU Leased Land	(104)	(60)	-	30	(134)	**(53)**	**-**	**-**	**(187)**
ROU SBITA Assets	(444)	(562)	-	111	(895)	**(1,556)**	**-**	**292**	**(2,159)**
Total Accumulated Depreciation/ Amortization	(132,066)	(7,210)	-	453	(138,823)	**(8,357)**	**-**	**1,358**	**(145,822)**
Total Capital Assets, Net	$ 164,569	$ 2,263	$ -	$ 32	$ 166,864	**$ 9,097**	**$ -**	**$ (2,120)**	**$ 173,841**
Capital Assets Summary									
Capital Assets, Non-depreciable/ Non-amortizable	$ 15,120	$ 7,248	$ (5,977)	$ -	$ 16,391	**$ 5,122**	**$ (293)**	**$ (2,108)**	**$ 19,112**
Capital Assets, Depreciable/ Amortizable	281,515	2,225	5,977	(421)	289,296	**12,332**	**293**	**(1,370)**	**300,551**
Total Cost of Capital Assets	296,635	9,473	-	(421)	305,687	**17,454**	**-**	**(3,478)**	**319,663**
Less Accumulated Depreciation/ Amortization	(132,066)	(7,210)	-	453	(138,823)	**(8,357)**	**-**	**1,358**	**(145,822)**
Total Capital Assets, Net	$ 164,569	$ 2,263	$ -	$ 32	$ 166,864	**$ 9,097**	**$ -**	**$ (2,120)**	**$ 173,841**

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023 (DOLLARS IN THOUSANDS)

6. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

Deferred Inflows and Outflows of Resources comprised the following:

	June 30, 2024	June 30, 2023
Deferred Outflows of Resources due to:		
Pension Obligations (Note 15)	**$ 15,035**	$ 14,702
Other Postemployment Benefit Obligations (Note 16)	**143**	198
Total Deferred Outflows of Resources:	**$ 15,178**	$ 14,900
Deferred Inflows of Resources		
Leases (Note 8)	**$ 2,872**	$ 3,214
Service Concession Arrangements (Note 1.AB)	**23,488**	24,506
Pension Obligations (Note 15)	**5,776**	13,177
Other Postemployment Benefit Obligations (Note 16)	**914**	1,128
Total Deferred Inflows of Resources:	**$ 33,050**	$ 42,025

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts Payable and Accrued Liabilities comprised the following:

	June 30, 2024	June 30, 2023
Payroll Related	$ 1,862	$ 1,701
Salaries and Wages	1,705	606
Services & Supplies	4,554	2,185
Accrued Interest	454	473
Contract Retainage Payable	190	181
Construction Payables	909	632
Total	$ 9,674	$ 5,778

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 $18 and $16 during the fiscal years ended June 30, 2024 and 2023, 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 and Auxiliary Enterprise Revenues. 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 $1,561 and $3,675 for the fiscal years ended June 30, 2024 and 2023, respectively. Variable payments are excluded from the valuations unless they are fixed in substance. Of the total revenue recorded, $1,219 and $3,333, 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 2027 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, 2024 AND 2023 (DOLLARS IN THOUSANDS)

10. LONG-TERM LIABILITIES

Long-term liability activity was as follows:

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Amount Due Within One Year	Long-Term Portion
Long-Term Debt						
Due to the State of Oregon:						
Contracts Payable	$ 36,732	$ -	$ (1,812)	$ 34,920	$ 1,970	$ 32,950
Oregon Department of Energy Loans (SELP)	1,796	-	(152)	1,644	168	1,476
Leases	1,598	371	(553)	1,416	484	932
SBITA	584	6,551	(607)	6,528	892	5,636
Workday Contracts Payable	8,411	791	-	9,202	-	9,202
Total Long-Term Debt	49,121	7,713	(3,124)	53,710	3,514	50,196
Other Noncurrent Liabilities						
PERS pre-SLGRP pooled Liability	1,824	-	(417)	1,407	368	1,039
Compensated Absences	2,165	702	(709)	2,158	724	1,434
Early Retirement Liability	1,337	230	(210)	1,357	271	1,086
Total Other Noncurrent Liabilities	5,326	932	(1,336)	4,922	1,363	3,559
Total Long-Term Liabilities	$ 54,447	$ 8,645	$ (4,460)	$ 58,632	$ 4,877	$ 53,755

	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

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023 (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
2025	$ 2,857	$ 231	$ 369	$ 516	$ 1,090	$ 5,063	$ 3,514	$ 1,549
2026	3,031	232	1,419	364	992	6,038	4,588	1,450
2027	3,073	231	1,628	216	843	5,991	4,677	1,314
2028	2,885	231	1,628	129	857	5,730	4,542	1,188
2029	2,861	231	1,628	55	875	5,650	4,590	1,060
2030-2034	13,578	807	4,310	167	2,772	21,634	18,501	3,133
2035-2039	7,693	-	-	64	-	7,757	6,438	1,319
2040-2044	5,918	-	-	-	-	5,918	5,340	578
2045-2049	1,563	-	-	-	-	1,563	1,520	43
							$ 53,710	$ 11,634
Total Future Debt Service	**43,459**	**1,963**	**10,982**	**1,511**	**7,429**	**65,344**		
Less: Interest Component of Future Payments	(8,539)	(319)	(1,780)	(95)	(901)	(11,634)		
Principal Portion of Future Payments	**$ 34,920**	**$ 1,644**	**$ 9,202**	**$ 1,416**	**$ 6,528**	**$ 53,710**		

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 0.45 percent to 5.00 percent, are due serially through 2046.

During the fiscal year ended June 30, 2024, 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 $1,812.

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.

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. 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.

D. 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 $99 and $128 for June 30, 2024 and 2023, respectively. Principal payments of $417 and $503 were applied to the liability for June 30, 2024 and 2023, respectively.

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023 (DOLLARS IN THOUSANDS)

E. 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, 2024, 26 retirees are participating in the health and dental benefits option of this plan and a $1,357 liability will be paid out through fiscal year 2029. 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 2033.

11. UNRESTRICTED NET POSITION

Unrestricted Net Position was comprised of the following:

	June 30, 2024	June 30, 2023
University Operations	**$ 15,960**	$ 25,395
Compensated Absences Liability (Note 10)	**(2,158)**	(2,165)
Other Post-Employment Benefits Liability (Note 16)	**(914)**	(1,068)
State and Local Government Rate Pool (Note 10)	**(1,407)**	(1,824)
Net Pension Liability (Note 15)	**(37,910)**	(29,535)
Pension & OPEB Related Deferred Outflows (Note 6)	**15,178**	14,900
Pension & OPEB Related Deferred Inflows (Note 6)	**(6,690)**	(14,305)
Total Unrestricted Net Position	**$ (17,941)**	$ (8,602)

12. INVESTMENT ACTIVITY

Investment Activity detail is as follows:

	June 30, 2024	June 30, 2023
Investment Earnings	**$ 565**	$ 726
Interest Income	**641**	24
Endowment Income	**106**	105
Net Appreciation (Depreciation) of Investments	**775**	702
Other	**(1)**	(1)
Loss on Sale of Investment	**(523)**	(925)
Total Investment Activity	**$ 1,563**	$ 631

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023 (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 increased the reported compensation and benefit expenses of SOU by $359 for the fiscal year ended June 30,2024 and decreased them by $1,616 for the fiscal year ended June 30, 2023.

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

June 30, 2024	**Compensation and Benefits**	**Services and Supplies**	**Scholarships and Fellowships**	**Depreciation and Amortization**	**Other**	**Total**
Instruction	**$ 29,510**	**$ 5,344**	**$ 312**	**$ 3**	**$ (8)**	**$ 35,161**
Research	**797**	**282**	**150**	**-**	**18**	**1,247**
Public Services	**2,492**	**1,602**	**-**	**88**	**-**	**4,182**
Academic Support	**6,214**	**2,212**	**3**	**526**	**-**	**8,955**
Student Services	**4,738**	**1,182**	**11**	**21**	**-**	**5,952**
Auxiliary Services	**7,175**	**6,327**	**33**	**2,427**	**-**	**15,962**
Institutional Support	**10,588**	**4,444**	**-**	**1,360**	**1**	**16,393**
Operation & Maintenance	**4,475**	**1,512**	**-**	**-**	**-**	**5,987**
Student Aid	**215**	**159**	**6,745**	**-**	**-**	**7,119**
Other	**1,340**	**1,040**	**-**	**3,932**	**(6)**	**6,306**
Total	**$ 67,544**	**$ 24,104**	**$ 7,254**	**$ 8,357**	**$ 5**	**$ 107,264**

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

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, 2024	June 30, 2023
General Fund - Operations	**$ 28,799**	$ 26,822
General Fund - SELP Debt Service	**179**	179
Lottery Funding	**1,586**	1,429
Total Appropriations	**$ 30,564**	$ 28,430

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 Annual 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.

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, 2023 and 2022 are as follows (dollars in millions):

	June 30, 2023	June 30, 2022
Total Pension Liability	$ 102,218	$ 99,082
Plan Fiduciary Net Position	83,488	83,770
Collective Net Pension Liability	$ 18,730	$ 15,312

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, 2023.

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 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.

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Employer contribution rates for the fiscal year ended June 30, 2024 were based on the December 31, 202 valuation and those for the fiscal year ended June 30, 2023 were based on the December 31, 2020 valuation. The employer contribution rates for the PERS and OPSRP are as follows:

	2024	2023
Base PERS Tier One/Two Rate	21.43%	19.51%
SLGRP Rate	1.33%	1.52%
RHIA/RHIPA OPEB Rate	0.00%	0.33%
Total PERS Tier One/Two Rate	22.76%	21.36%
Base OPSRP Rate	16.80%	15.60%
SLGRP Rate	1.33%	1.52%
RHIA/RHIPA OPEB Rate	0.00%	0.17%
Total OPSRP Rate	18.13%	17.29%

The University's required employer contributions for PERS and OPSRP for the years ended June 30, 2024 and June 30, 2023 were $5,131 and $5,000, respectively, including amounts to fund separately financed employer specific liabilities associated with the SLGRP liability. See "Note 10.D. State and Local Government Rate Pool" for additional information.

Net Pension Liability

At June 30, 2024, the University reported a liability of $37,910 for its proportionate share of the PERS net pension liability. The net pension liability as of June 30, 2024 was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. 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. 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, 2024, SOU's proportion was 0.20 percent of the statewide pension plan, a 0.01 percent increase over 2023. At June 30, 2023, SOU's proportion was 0.19 percent of the statewide pension plan, an increase of 0.03 percent over the previous year.

For the years ended June 30, 2024 and 2023, SOU recorded total pension expense of $5,253 and $2,977, 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, 2024 and 2023, 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, 2023 – 5.4 years
Measurement period ended June 30, 2022 – 5.5 years
Measurement period ended June 30, 2021 – 5.4 years
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

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 2024 and 2023.

At June 30, 2024, 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	$ 1,854	$ 150
Changes in assumptions	3,368	26
Net difference between projected and actual earnings on pension plan investments	681	-
Changes in proportion and differences between System's contributions and proportionate share of contributions	4,518	5,600
Total	$ 10,421	$ 5,776
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)	4,645	
Contributions Subsequent to the MD	4,614	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	$ 9,259	

Of the amount reported as deferred outflows of resources, $4,614 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, 2025.

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As of June 30, 2024, 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:		
2025	$	28
2026		(1,421)
2027		4,135
2028		1,742
2029		161
	$	4,645

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 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, 2024.

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, 2024**	June 30, 2023
Valuation Date	December 31, 2021	December 31, 2020
Measurement Date	June 30, 2023	June 30, 2022
Experience Study Report	2020, published July 2021	2020, published July 2021
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, 2024 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, 2024 and 2023 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:

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023 (DOLLARS IN THOUSANDS)

As of:	June 30, 2024	June 30, 2023
1 % Decrease 5.90%	$ 62,620	$ 52,378
Current Discount Rate 6.90%	37,910	29,535
1 % Increase 7.90%	17,230	10,417

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.

Assumed Asset Allocation

Asset Class/ Strategy	Low Range	High Range	OIC Target
Debt Securities	20.00 %	30.00 %	25.00 %
Public Equity	22.50	32.50	27.50
Private Equity	17.50	27.50	20.00
Real Estate	9.00	16.50	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
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	27.50%	7.07%
Private Equity	25.50	8.83
Core Fixed Income	25.00	4.50
Real Estate	12.25	5.83
Master Limited Partnerships	0.75	6.02
Infrastructure	1.50	6.51
Hedge Funds of Funds - Multistrategy	1.25	6.27
Hedge Fund Equity - Hedge	0.63	6.48
Hedge Fund - Macro	5.62	4.83
Assumed Inflation – Mean		2.35%

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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 year 2024 was 5.60 percent through October 31, 2023 and was reduced to 4.80 percent effective November 1, 2023. The assessment rate for fiscal year 2023 was 5.60 percent. Payroll assessments for the fiscal years ended June 30, 2024 and 2023 were $1,329 and $1,518, 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:

	2024	2023
Tier One/Two	**28.69%**	26.30%
Tier Three	**9.76%**	9.63%
Tier Four	**8.00%**	8.00%

Summary of Defined Contribution Pension Payments

SOU total payroll for the year ended June 30, 2024 was $42,821, of which $11,058 was subject to defined contribution retirement plan contributions. The following schedule lists payments made by SOU for the fiscal year:

	June 30, 2024			
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
ORP	$ 872	7.89%	$ 772	6.98%

Of the employee share, SOU paid $652 of the ORP employee contribution amounts on behalf of their employees during the fiscal year ended June 30, 2024.

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.

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. 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.

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, 2023 and June 30, 2022, respectively, are as follows (in millions):

Net OPEB - RHIA (Asset)	June 30, 2023	June 30, 2022
Total OPEB - RHIA Liability	$ 360.4	$ 375.4
Plan Fiduciary Net Position	726.6	730.7
Employer's Net OPEB - RHIA (Asset)	$ (366.2)	$ (355.3)

Net OPEB - RHIPA Liability/(Asset)	June 30, 2023	June 30, 2022
Total OPEB - RHIPA Liability	$ 47.3	$ 49.1
Plan Fiduciary Net Position	91.4	83.3
Employer's Net OPEB - RHIPA Liability/(Asset)	$ (44.1)	$ (34.2)

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, 2023 measurement date.

Assumed Asset Allocation

Asset Class/ Strategy	Low Range	High Range	OIC Target
Debt Securities	20.00 %	30.00 %	25.00 %
Public Equity	22.50	32.50	27.50
Private Equity	17.50	27.50	20.00
Real Estate	9.00	16.50	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

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023 (DOLLARS IN THOUSANDS)

Long-term expected rate of return is as follows:

Asset Class	Target	Compound Annual Return (Geometric)
Global Equity	27.50%	7.07%
Private Equity	25.50	8.83
Core Fixed Income	25.00	4.50
Real Estate	12.25	5.83
Master Limited Partnerships	0.75	6.02
Infrastructure	1.50	6.51
Hedge Fund of Funds - Multistrategy	1.25	6.27
Hedge Fund Equity - Hedge	0.63	6.48
Hedge Fund - Macro	5.62	4.83
Assumed Inflation – Mean		2.35%

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.
- 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 the fiscal year ended June 30, 2024, the University contributed 0.04 percent of PERS-covered payroll for Tier One and Tier Two plan members to fund the normal cost portion of RHIA benefits and negative 0.04 percent to amortize the unfunded actuarial accrued liability for a net contribution of zero percent. For the fiscal year ended June 30, 2023, 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 $0 for the year ended June 30, 2024 and $3 for the year ended June 30, 2023. The actual contribution equaled the annual required contribution for both fiscal years.

Net OPEB Asset

At June 30, 2024, the University reported an asset of $828 for its proportionate share of the RHIA net OPEB asset. The net OPEB asset as of June 30, 2024 was measured as of June 30, 2023, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2021. 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. 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, 2024 SOU's proportion was 0.23 percent of the statewide OPEB plan, a decrease of 0.01 percent over 2023. While at June 30, 2023, it's share was 0.24 percent, a decrease of 0.03 percent over the previous year.

For the years ended June 30, 2024 and June 30, 2023, SOU recorded total OPEB expense of ($147) and ($158), respectively, due to the change in the net RHIA OPEB asset, changes to deferred outflows and deferred inflows, and amortization of deferred amounts.

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023 (DOLLARS IN THOUSANDS)

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, 2023 and 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 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, 2023 – 2.3 years
Measurement period ended June 30, 2022 – 2.5 years
Measurement period ended June 30, 2021 – 2.7 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 2024 and 2023.

At June 30, 2024, 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	$ -	$ 21
Changes in assumptions	-	9
Net difference between projected and actual earnings on pension plan investments	2	-
Change in proportionate share	40	-
Difference between contributions and proportionate share of contributions	-	1
Total	**$ 42**	**$ 31**
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	**$ 11**	

Of the amount reported as deferred outflows of resources, none 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, 2025.

As of June 30, 2024, 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:

Year Ended June 30:	Deferred Outflow/(Inflow) of Resources
2025	$ (5)
2026	(25)
2027	30
2028	11
	$ 11

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)	

Of the amount reported as deferred outflows of resources, $3 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, 2024.

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023 (DOLLARS IN THOUSANDS)

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, 2024**	June 30, 2023
Valuation Date	December 31, 2021	December 31, 2020
Measurement Date	June 30, 2023	June 30, 2022
Experience Study Report	2020, published July 2021	2020, published July 2021
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%	
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, 2024 and June 30, 2023 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.

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, 2024**	June 30, 2023
1% Decrease 5.90%	**$ (753)**	$ (775)
Current Discount Rate 6.90%	**(828)**	(860)
1% Increase 7.90%	**(893)**	(932)

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, 2024**	June 30, 2023
1% Decrease	**$ (828)**	$ (860)
Current Trend Rate	**(828)**	(860)
1% Increase	**(828)**	(860)

ii. RHIPA

Contributions

The RHIPA plan is funded through actuarially determined employer contributions.

For fiscal year ended June 30, 2024, the University contributed 0.09 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 a negative 0.09 percent for the fiscal year ended June 30, 2024 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. For the fiscal year June 30, 2023, 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 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 zero for the year ended June 30, 2024 and $46 for the year ended June 30, 2023. The actual contribution equaled the annual required contribution for the fiscal year.

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023 (DOLLARS IN THOUSANDS)

Net OPEB Asset

At June 30, 2024, 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, 2024 was measured as of June 30, 2023, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2021. 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. 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, 2024 SOU's proportion was 0.54 percent of the statewide OPEB plan, a decrease of 0.15 percent over 2023. While at June 30, 2023, it's share was 0.69 percent, a decrease of 0.03 percent over the previous year.

For the year ended June 30, 2024 and June 30, 2023, respectively, SOU recorded total OPEB expense of ($30) and ($33) 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, 2023, 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, 2023 – 5.9 years
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 2024 and 2023.

At June 30, 2024, 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	$ -	$ 50
Changes in assumptions	3	57
Net difference between projected and actual earnings on pension plan investments	5	-
Change in proportionate share	16	15
Difference between contributions and proportionate share of contributions	1	2
Total	**$ 25**	**$ 124**
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD	**$ (99)**	

Of the amount reported as deferred outflows of resources, none 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, 2025.

As of June 30, 2024, 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
2025	$ (33)
2026	(36)
2027	(16)
2028	(12)
2029	(2)
Thereafter	-
	$ (99)

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023 (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 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, 2024.

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, 2024	June 30, 2023
Valuation Date	December 31, 2021	December 31, 2020
Measurement Date	June 30, 2023	June 30, 2022
Experience Study Report	2020, published July 2021	2020, published July 2021
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: 27%	
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, increasing to 4.9% for 2046,and decreasing to an ultimate rate of 3.9% 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, 2024 and June 30, 2023 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, 2024 AND 2023 (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 30,2024	June 30,2023
1% Decrease 5.90%	$ (222)	$ (217)
Current Discount Rate 6.90%	(236)	(236)
1% Increase 7.90%	(250)	(262)

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 rate:

Health Care Cost Rate	June 30, 2024	June 30, 2023
1% Decrease	$ (256)	$ (264)
Current Trend Rate	(236)	(236)
1% Increase	(215)	(207)

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, 2024, the University reported a liability of $914 for its proportionate share of the total PEBB OPEB liability. The total PEBB OPEB liability as of June 30, 2024 was measured as of June 30, 2024, and was determined by an actuarial valuation as of July 1, 2023. 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. 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, 2024, SOU's proportion was 0.85 percent of participating employers, a decrease of 0.16 percent over 2023. At June 30, 2023, SOU's proportion was 1.01 percent, an increase of 0.03 percent over the previous year.

For the years ended June 30, 2024 and June 30, 2023, SOU recorded total OPEB expense of ($32) and $42, 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, 2024, 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, 2024 AND 2023 (DOLLARS IN THOUSANDS)

Measurement period ended June 30, 2024 – 8.2 years
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 2024 and 2023.

At June 30, 2024, 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	$ -	$ 172
Changes in assumptions	14	258
Changes in proportionate share	47	327
Differences between contributions and proportionate share of contributions	15	2
Total	$ 76	$ 759
Net Deferred Outflow/(Inflow) of Resources	$ (683)	

As of June 30, 2024, amounts reported as deferred outflows of resources and deferred inflows of resources related to PEBB OPEB will be recognized in OPEB expense as follows:

	Deferred Outflow/(Inflow) of Resources
Year Ended June 30:	
2025	(131)
2026	(126)
2027	(123)
2028	(114)
2029	(90)
Thereafter	(99)
	$ (683)

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)	

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, 2024**	June 30, 2023
Valuation Date	July 1, 2023	July 1, 2022
Actuarial Assumptions:		
Actuarial Cost Method	Entry Age Normal	
Inflation Rate	2.40 percent	2.40 percent
Discount Rate	3.93 percent	3.65 percent
Projected Salary Increases	3.40 percent	3.40 percent
Mortality Rates	Pub-2010 mortality tables, adjusted for PERS experience and generational mortality improvements	
Withdrawal and retirement rates	December 31, 2022 Oregon PERS valuation	December 31, 2021 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, 2024 and 2023 reporting date are 3.93 and 3.65 percent, respectively.

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023 (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, 2024	June 30, 2023
1% Decrease 2.93% / 2.65%	$ 978	$ 1,142
Current Discount Rate 3.93% / 3.65%	914	1,068
1% Increase 4.93% / 4.65%	854	998

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, 2024	June 30, 2023
1% Decrease	$ 801	$ 945
Current Trend Rate	914	1,068
1% Increase	1,048	1,214

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 other occasions on an as needed basis.

18. COMMITMENTS AND CONTINGENT LIABILITIES

Outstanding commitments on partially completed and planned, but not initiated, construction projects totaled approximately $12,460 and $17,538 at June 30, 2024 and 2023, 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, 2024.

Construction Commitments as of June 30, 2024

	Total Commitment	Completed to Date	Outstanding Commitment
Capital Repair	$ 10,964	$ 4,731	$ 6,233
Softball Complex Renovation	3,000	193	2,807
Community Renewable Energy Program	1,000	658	342
Cascade Hall Demolition	3,500	422	3,078
	$ 18,464	$ 6,004	$ 12,460

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, 2024.

19. SUBSEQUENT EVENTS

University management has reviewed events and transactions that occurred subsequent to the financial statement ending date of June 30, 2024 and have found none that required disclosure in the statements.

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, 2024 and 2023.

During the years ended June 30, 2024 and 2023, gifts of $5,118 and $4,563, 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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 4,613	$ 4,319	$ 4,252	$ 3,250	$ 3,745	$ 2,809	$ 2,792	$ 2,006	$ 1,988	$ 1,587
contribution	4,613	4,319	4,252	3,250	3,745	2,809	2,792	2,006	1,988	1,587
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SOU's covered payroll	$ 26,888	$ 27,185	$ 28,658	$ 24,847	$ 26,358	$ 26,476	$ 25,636	$ 24,855	$ 23,605	$ 22,474
Contributions as a percentage of covered payroll	17.2%	15.9%	14.8%	13.1%	14.2%	10.6%	10.9%	8.1%	8.4%	7.1%

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,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
SOU's proportion of the net pension asset / (liability)	0.20%	0.19%	0.16%	0.19%	0.20%	0.22%	0.22%	0.18%	0.20%	0.21%
SOU's proportionate share of the net pension asset/ (liability)	$ (37,910)	$ (29,535)	$ (19,313)	$ (41,733)	$ (34,506)	$ (32,662)	$ (30,120)	$ (27,369)	$ (11,423)	$ 4,707
SOU's covered payroll	$ 27,185	$ 28,658	$ 24,847	$ 26,358	$ 26,476	$ 25,636	$ 24,855	$ 23,605	$ 22,474	$ 22,980
SOU's proportionate share of the net pension asset/ (liability) as a percentage of its covered payroll	139.45%	103.06%	77.73%	158.33%	130.33%	127.41%	121.18%	115.95%	50.83%	20.48%
Plan fiduciary net postion as a percentage of the total pension asset/ (liability)	81.68%	84.55%	87.57%	75.79%	80.23%	82.07%	83.12%	80.53%	91.88%	103.59%

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,	2024	2023	2022	2021	2020	2019	2018	2017
SOU's allocation of the total OPEB liability	0.85%	1.01%	0.98%	1.01%	1.05%	1.05%	1.09%	1.10%
SOU's proportionate share of the total OPEB liability	$ 914	$ 1,068	$ 1,204	$ 1,524	$ 1,539	$ 1,685	$ 1,618	$ 1,593
SOU's covered payroll	35,516	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	2.57%	3.08%	3.56%	5.07%	4.48%	5.01%	4.86%	4.97%
Total OPEB Liability as a % of Total Covered Payroll	2.05%	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,	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions[1]	$ -	$ 3	$ 4	$ 5	$ 6	$ 121	$ 117	$ 121	$ 115	$ 122
Contributions in relation to the actuarially determined contributions	-	3	4	5	6	121	117	121	115	122
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 26,888	$ 27,185	$ 28,658	$ 24,847	$ 26,358	$ 26,471	$ 25,632	$ 24,850	$ 23,600	$ 22,469
Contributions as a percentage of covered payroll	0.00%	0.01%	0.01%	0.02%	0.02%	0.46%	0.46%	0.49%	0.49%	0.54%

[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,	2023	2022	2021	2020	2019	2018	2017	2016
SOU's allocation of the net OPEB liability/(asset)	0.23%	0.24%	0.27%	0.08%	0.25%	0.24%	0.25%	0.20%
SOU's proportionate share of the net OPEB liability/(asset)	$ (828)	$ (860)	$ (913)	$ (161)	$ (488)	$ (263)	$ (105)	$ 54
SOU's covered payroll	$ 27,185	$ 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	3.05%	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)	201.61%	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,	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions[1]	$ -	$ 46	$ 58	$ 76	$ 82	$ 111	$ 109	$ 97	$ 93	$ 53
Contributions in relation to the actuarially determined contributions	-	46	58	76	82	111	109	97	93	53
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 26,888	$ 27,185	$ 28,658	$ 24,847	$ 26,358	$ 26,471	$ 25,632	$ 24,850	$ 23,600	$ 22,469
Contributions as a percentage of covered payroll	0.00%	0.17%	0.20%	0.31%	0.31%	0.42%	0.43%	0.39%	0.39%	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,	2023	2022	2021	2020	2019	2018	2017	2016
SOU's allocation of the net OPEB liability/(asset)	0.54%	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)	$ (236)	$ (103)	$ 72	$ 205	$ 285	$ 381	$ 365
SOU's covered payroll	$ 27,185	$ 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	-0.87%	-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)	193.23%	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;

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