

OAK TREE FOUNDATION, INC.

FINANCIAL STATEMENTS

For the Years Ended August 31, 2024 and 2023

OAK TREE FOUNDATION, INC.
FINANCIAL STATEMENTS
For the Years Ended August 31, 2024 and 2023

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statement of Activities - For the Year Ended August 31, 2024	4
Statement of Activities - For the Year Ended August 31, 2023	5
Statement of Functional Expenses - For the Year Ended August 31, 2024	6
Statement of Functional Expenses - For the Year Ended August 31, 2023	7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 18

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Oak Tree Foundation, Inc.
Forest Grove, Oregon

Opinion

We have audited the accompanying financial statements of Oak Tree Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oak Tree Foundation, Inc. as of August 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Oak Tree Foundation, Inc. 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 opinion.

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 Oak Tree Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's report that includes our opinion. 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 generally accepted 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 generally accepted 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 Oak Tree Foundation, Inc.'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 Oak Tree Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

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



Jones & Roth, P.C.
Hillsboro, Oregon
February 17, 2025

FINANCIAL STATEMENTS

OAK TREE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
August 31, 2024 and 2023

	2024	2023
Assets		
Current assets		
Cash and cash equivalents	\$ 1,932,763	\$ 1,742,428
Investments	3,420,012	2,780,136
Prepaid expenses	21,510	-
Total current assets	<u>5,374,285</u>	<u>4,522,564</u>
Land, property, and equipment , net of accumulated depreciation of \$9,873,615 in 2024 and \$9,334,933 in 2023	<u>19,423,426</u>	<u>19,889,597</u>
Operating lease right-of-use assets , net	<u>2,565,149</u>	<u>2,731,107</u>
Other noncurrent assets		
Lease receivable	1,857,081	1,947,449
Property receivable	363,036	323,738
Total other noncurrent assets	<u>2,220,117</u>	<u>2,271,187</u>
Total assets	<u>\$ 29,582,977</u>	<u>\$ 29,414,455</u>
Liabilities and Net Assets		
Current liabilities		
Accrued expenses	\$ -	\$ 31,663
Accrued interest	373,832	402,332
Current maturities of operating lease liabilities	176,853	174,870
Current maturities of long-term debt	1,205,000	1,140,000
Other current liabilities	2,335	2,335
Total current liabilities	<u>1,758,020</u>	<u>1,751,200</u>
Long-term liabilities		
Deferred rent revenue	-	548
Operating lease liabilities, net of current maturities	9,007,281	8,834,394
Long-term debt, net of current maturities and unamortized deferred financing costs	<u>18,411,689</u>	<u>19,621,181</u>
Total long-term liabilities	<u>27,418,970</u>	<u>28,456,123</u>
Total liabilities	<u>29,176,990</u>	<u>30,207,323</u>
Net assets		
Without donor restrictions, Non board-designated	(638,841)	(1,792,806)
Without donor restrictions, Board-designated	<u>1,044,828</u>	<u>999,938</u>
Total net assets	<u>405,987</u>	<u>(792,868)</u>
Total liabilities and net assets	<u>\$ 29,582,977</u>	<u>\$ 29,414,455</u>

The accompanying notes are an integral part of these statements.

OAK TREE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2024

	Without Donor Restrictions		
	Non Board- designated	Board- designated	Total
Revenue			
Lease income	\$ 2,452,654	\$ -	\$ 2,452,654
Expenses			
Program	1,811,511	-	1,811,511
Administration	22,400	-	22,400
Total expenses	1,833,911	-	1,833,911
Change in net assets from rental operations	618,743	-	618,743
Other income			
Interest earned	104,389	40,892	145,281
Other income	644	-	644
Gain on investments, net of expenses	434,187	-	434,187
Total other income	539,220	40,892	580,112
Change in net assets	1,157,963	40,892	1,198,855
Transfers			
Transfer of Board-designated funds	(1,920,162)	1,920,162	-
Net bond principal and interest payments	1,916,164	(1,916,164)	-
Transfers, net	(3,998)	3,998	-
Net assets, beginning of year	(1,792,806)	999,938	(792,868)
Net assets, end of year	\$ (638,841)	\$ 1,044,828	\$ 405,987

The accompanying notes are an integral part of these statements.

OAK TREE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2023

	Without Donor Restrictions		
	Non Board- designated	Board- designated	Total
Revenue			
Lease income	\$ 2,452,142	\$ -	\$ 2,452,142
Expenses			
Program	1,866,137	-	1,866,137
Administration	17,300	-	17,300
Total expenses	1,883,437	-	1,883,437
Change in net assets from rental operations	568,705	-	568,705
Other income			
Interest earned	62,268	26,446	88,714
Other income	558	-	558
Gain on investments, net of expenses	105,189	-	105,189
Total other income	168,015	26,446	194,461
Change in net assets	736,720	26,446	763,166
Transfers			
Transfer of Board-designated funds	(1,917,163)	1,917,163	-
Net bond principal and interest payments	1,916,788	(1,916,788)	-
Transfers, net	(375)	375	-
Net assets, beginning of year	(2,529,151)	973,117	(1,556,034)
Net assets, end of year	<u>\$ (1,792,806)</u>	<u>\$ 999,938</u>	<u>\$ (792,868)</u>

The accompanying notes are an integral part of these statements.

OAK TREE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2024

	<u>Program</u>	<u>Administration</u>	<u>Total</u>
Professional services	\$ -	\$ 22,400	\$ 22,400
Interest expense	771,672	-	771,672
Insurance	22,364	-	22,364
Depreciation	538,681	-	538,681
Land lease expense	471,882	-	471,882
Trustee fees	5,500	-	5,500
Other expenses	<u>1,412</u>	<u>-</u>	<u>1,412</u>
 Total expenses	 <u>\$ 1,811,511</u>	 <u>\$ 22,400</u>	 <u>\$ 1,833,911</u>

The accompanying notes are an integral part of these statements.

OAK TREE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2023

	<u>Program</u>	<u>Administration</u>	<u>Total</u>
Professional services	\$ -	\$ 17,300	\$ 17,300
Interest expense	827,297	-	827,297
Insurance	18,677	-	18,677
Depreciation	534,653	-	534,653
Land lease expense	471,886	-	471,886
Contract services	7,450	-	7,450
Trustee fees	5,500	-	5,500
Other expenses	<u>674</u>	<u>-</u>	<u>674</u>
 Total expenses	 <u>\$ 1,866,137</u>	 <u>\$ 17,300</u>	 <u>\$ 1,883,437</u>

The accompanying notes are an integral part of these statements.

OAK TREE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ 1,198,855	\$ 763,166
Reconciliation of change in net assets to cash flows provided by operating activities:		
Depreciation	538,681	534,653
Amortization of deferred financing costs	5,614	5,614
Amortization of bond premium	(10,105)	(10,105)
Gain on investments, net of expenses	(434,187)	(105,189)
Amortization of operating lease right-of-use assets	165,958	171,804
(Increase) decrease in:		
Lease receivable	90,368	84,759
Property receivable	(39,298)	(39,250)
Prepaid expenses	(21,510)	-
Increase (decrease) in:		
Accrued expenses	(31,663)	21,420
Accrued interest	(28,500)	(27,125)
Deferred rent revenue	(548)	-
Operating lease liabilities	<u>174,870</u>	<u>172,847</u>
Net cash provided by operating activities	<u>1,608,535</u>	<u>1,572,594</u>
Cash flows from investing activities		
Purchases of land, property and equipment	(72,511)	-
Purchases of investments	(1,384,760)	(1,368,485)
Proceeds from maturity of investments	<u>1,179,071</u>	<u>1,096,973</u>
Net cash used by investing activities	<u>(278,200)</u>	<u>(271,512)</u>
Cash flows from financing activities		
Principal payments on long-term debt	<u>(1,140,000)</u>	<u>(1,085,000)</u>
Net increase in cash and cash equivalents	190,335	216,082
Cash and cash equivalents, beginning of year	<u>1,742,428</u>	<u>1,526,346</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,932,763</u></u>	<u><u>\$ 1,742,428</u></u>
Supplemental disclosures		
Cash paid for interest	<u>\$ 804,863</u>	<u>\$ 858,913</u>
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	<u>\$ -</u>	<u>\$ 2,902,912</u>

The accompanying notes are an integral part of these statements.

OAK TREE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

Oak Tree Foundation, Inc. (the Foundation) is a nonprofit corporation formed to benefit and support Pacific University (the University) by furnishing services and facilities to assist the University in providing appropriate on-campus and off-campus housing for undergraduate and graduate students.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all cash and other short-term highly liquid investments to be cash equivalents provided that they are both readily convertible to cash and had an original maturity of three months or less when purchased. Cash and cash equivalents consist of unrestricted checking accounts, money market mutual fund accounts and a Board-designated money market bond fund account. The Board-designated cash balances are set aside for payments on new student housing development and related bond financing and amounted to \$1,044,828 and \$999,938 as of August 31, 2024 and 2023, respectively.

Investments

Investments, consisting of US Treasury bill, equity securities, and fixed income funds, are stated at fair value as determined by quoted prices in active markets. Interest, realized and unrealized gains, and losses on investments, net of investment management fees, are recognized and recorded on a monthly basis.

Lease Receivable

Lease receivable is derived from the lease agreements held between the Foundation and its related party, Pacific University. Lease receivable consists of lease income that is owed to the Foundation by the University. The leases are amortized on a straight-line basis over the life of the lease in accordance with U.S. GAAP. The lease receivable balance is the cumulative difference between straight-line recognition and the amounts received in accordance with the lease agreements.

OAK TREE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

1. Nature of Organization and Summary of Significant Accounting Policies, continued

Property Receivable

Property receivable is derived from a lease agreement between the Foundation and its related party, Pacific University, wherein the Foundation will receive the building constructed by the University on land owned and leased by the Foundation upon the expiration of the lease term. The property receivable income is recognized on a straight-line basis over the life of the lease (see Note 4).

Land, Property, and Equipment

Land, property, and equipment are recorded at cost when purchased or at fair market value when donated. All significant acquisitions and renovations which increase the life of an asset are capitalized. All expenditures of repairs and maintenance which do not appreciably extend the useful life or increase the value of the assets are expensed in the period in which the cost is incurred.

Depreciation

Depreciation is provided over the estimated useful lives of 5 to 15 years for equipment, furnishings and improvements and 50 years for buildings on a straight-line basis.

Net Assets

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

As of August 31, 2024 and 2023, the Foundation had \$1,044,828 and \$999,938, respectively, in Board-designated net assets without donor restrictions. The Board-designated net assets are designated by the Board to be used for payments on new student housing development and related bond financing.

The Foundation did not have any net assets with donor restrictions as of August 31, 2024 and 2023.

Contributions

Contributions are recognized when the donor makes a promise to give that is in substance unconditional. Contributions restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets are reclassified to net assets without donor restrictions.

OAK TREE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

1. Nature of Organization and Summary of Significant Accounting Policies, continued

Income Taxes

The Foundation is an exempt organization under Internal Revenue Code (IRC) Section 501(c)(3) and therefore no provision for federal or state income taxes has been included in these financial statements. Income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. The Foundation has had no such income in the current or prior years. The Foundation's information returns are generally subject to examination by taxing authorities for a period of three years after filing.

Functional Expenses

The Foundation allocates its expenses on a functional basis among its program and support services. All expenses are deemed program expenses with the exception of actual expenses incurred for accounting and related professional services.

Functional expenses of the Foundation consist of the following:

- *Program* – The Foundation's program expenses support their purpose of benefitting and supporting the University by furnishing services and facilities to assist the University in providing appropriate on-campus and off-campus housing for undergraduate and graduate students.
- *Administration* – These expenses are related to the administration and organization-wide functions necessary for the Foundation to operate.

Liquidity and Availability of Resources

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,932,763	\$ 1,742,428
Investments	<u>3,420,012</u>	<u>2,780,136</u>
	5,352,775	4,522,564
Less: Board-designated funds	<u>(1,044,828)</u>	<u>(999,938)</u>
Financial assets available for general expenditure	<u>\$ 4,307,947</u>	<u>\$ 3,522,626</u>

The Board of Directors has designated a portion of the Foundation's net assets without donor restrictions to be reserved for the purpose of paying future debt service requirements related to the long-term debt discussed in Note 3.

OAK TREE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

1. Nature of Organization and Summary of Significant Accounting Policies, continued

Leases

The Foundation has two ground lease agreements with Pacific University.

The Foundation's lease agreements have no applicable renewal/extension options. Therefore, the original lease terms as stated in the lease agreements are used in the measurement of the lease assets and liabilities. The Foundation's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As the implicit rate is not readily determinable for the Foundation's leases, management has elected to use the risk-free rate at the commencement date for all classes of underlying assets in determining the present value of lease payments.

The Foundation assesses whether an arrangement qualifies as a lease at the lease's inception. Under Accounting Standards Codification (ASC) 842, *Leases*, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the arrangement are changed.

The Foundation's leases do not include any option for the lessee to extend or terminate the lease or an option to purchase the leased assets.

In accordance with U.S. GAAP, lease income and expense for operating leases where the Foundation is the lessee or lessor are amortized on a straight-line basis over the life of the leases.

2. Land, Property, and Equipment

At August 31, land, property, and equipment consisted of the following:

	<u>2024</u>	<u>2023</u>
Land	\$ 1,259,136	\$ 1,259,136
Buildings	26,732,670	26,732,670
Equipment	354,406	281,895
Furniture	<u>950,829</u>	<u>950,829</u>
	29,297,041	29,224,530
Accumulated depreciation	<u>(9,873,615)</u>	<u>(9,334,933)</u>
Land, property, and equipment, net	<u>\$ 19,423,426</u>	<u>\$ 19,889,597</u>

Total depreciation expense was \$538,681 and \$534,653 for 2024 and 2023, respectively. The buildings were leased to the University under a lease agreement during 2024 and 2023.

OAK TREE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

3. Long-Term Debt

At August 31, long-term debt consisted of the following:

	<u>2024</u>	<u>2023</u>
Student Housing Revenue Bond Series 2017, matures on March 1, 2037, principal payments payable annually, interest payable semi-annually at 3.00% to 5.00% (5.00% at August 31, 2024 and 2023, net interest cost of 3.85%) on \$26,805,000. Secured by amounts held by the Bond Trustee, property, and net lease revenue of related buildings.	\$ 19,615,000	\$ 20,755,000
Unamortized premium on long-term debt	128,001	138,107
Unamortized deferred financing costs	(126,312)	(131,926)
Current maturities	<u>(1,205,000)</u>	<u>(1,140,000)</u>
Long-term debt, net of current maturities and unamortized deferred financing costs	<u>\$ 18,411,689</u>	<u>\$ 19,621,181</u>

During the year ended August 31, 2017, the Foundation redeemed its Student Housing Revenue Bond Series 2007 in the amount of \$27,695,000 and issued Student Housing Revenue Bond Series 2017 in the amount of \$26,805,000. Upon issuance of the Student Housing Revenue Bond Series 2017, deferred financing costs of \$168,416 were recorded as a direct deduction from the carrying amount of the related long-term debt, of which \$42,104 and \$36,490 has been amortized as of August 31, 2024 and 2023, respectively. The Student Housing Revenue Bond Series 2017 was issued with an original issue premium of \$202,107, of which \$74,106 and \$64,000 has been amortized as of August 31, 2024 and 2023, respectively.

Annual maturities of long-term debt obligations in each of the next five years are as follows:

<u>Year Ending August 31,</u>	
2025	\$ 1,205,000
2026	1,255,000
2027	1,300,000
2028	1,345,000
2029	1,385,000
Thereafter	<u>13,125,000</u>
Total	<u>\$ 19,615,000</u>

Interest expense was \$771,672 and \$827,297 for the years ended August 31, 2024 and 2023, respectively.

OAK TREE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

4. Related Party Transactions

Leases with Foundation as Lessee

On September 1, 2005, the Foundation entered into an agreement with the University to lease land through August 31, 2104 with monthly lease payments ranging from \$2,833 to \$52,865 up to the end of the lease term. On June 1, 2007, the Foundation entered into a second agreement with the University to lease additional land through June 30, 2106 with monthly lease payments ranging from \$3,767 to \$68,232 up to the end of the lease term. Both agreements include a 3 percent increase in lease payments each July 1 over the amounts due during the prior year.

Additional information about the Foundation's leases are as follows:

	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ 471,897	\$ 471,886
Cash flow information:		
Cash paid for amounts included in measurement of operating cash flows from operating leases	\$ 162,729	\$ 105,828
Weighted-average remaining lease term for operating leases	81.03 years	82.03 years
Weighted-average discount rate for operating leases	3.37%	3.37%

Future minimum lease payments increase by 3 percent each July 1 and are as follows as of August 31, 2024:

<u>Year Ending August 31,</u>	
2025	\$ 134,998
2026	139,042
2027	143,224
2028	147,518
2029	151,944
Thereafter	<u>44,146,672</u>
Total lease payments	44,863,398
Less: interest	<u>(35,679,264)</u>
Present value of lease liabilities	<u>\$ 9,184,134</u>

As of August 31, 2024, the Foundation did not have any additional leases that have not yet commenced.

OAK TREE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

4. Related Party Transactions, continued

Leases with Foundation as Lessor

The Student Housing Revenue bonds were used to construct student housing on the land leased from the University. These buildings were leased back to the University under two master leases.

Under separate agreements, the Foundation is leasing the Burlingham Hall building to the University under a non-cancelable operating lease which expires June 30, 2036. The total cost of the leased building amounted to \$11,515,619 at August 31, 2024 and 2023. Accumulated depreciation at August 31, 2024 and 2023, was \$4,143,427 and \$3,913,115, respectively. Total lease amounts are specified in the contract and have been amortized on the straight-line basis in the statements of activities.

Under separate agreements, the Foundation is leasing the Gilbert Hall building to the University under a non-cancelable operating lease which expires June 30, 2037. This building was placed in service August 15, 2008. The total cost of the leased building amounted to \$14,575,193 at August 31, 2024 and 2023. Accumulated depreciation at August 31, 2024 and 2023, was \$4,405,656 and \$4,114,152, respectively. Total lease amounts are specified in the contract and have been amortized on the straight-line basis for reporting purposes.

Lease payments received from these lease agreements were \$2,503,724 and \$2,498,116 for the years ended August 31, 2024 and 2023, respectively. Total lease receivable from the University related to the lease agreements was \$1,857,081 and \$1,947,449 as of August 31, 2024 and 2023, respectively.

During the year ended August 31, 2015, the Foundation purchased land upon which the University constructed athletic locker rooms at a cost of \$1,177,142. The Foundation is leasing the land to the University at a cost of \$1 per month through May 2045. Upon the expiration of the lease, ownership of the building will transfer to the Foundation. The Foundation is recognizing the value of the property receivable on a straight-line basis over the life of the lease. Total income recognized under this agreement was \$39,238 as of August 31, 2024 and 2023, of which \$363,036 and \$323,738 is receivable as of August 31, 2024 and 2023, respectively.

During the year ended August 31, 2015, the Foundation purchased two properties that are each being leased to the University at a cost of \$1 per month from June 1, 2015 to May 31, 2045. Total income recognized under these agreements was \$24 for August 31, 2024 and 2023.

During the year ended August 31, 2016, the Foundation purchased two properties that are each being leased to the University at a cost of \$1 per month from June 1, 2016 to June 1, 2046. Total income recognized under these agreements was \$24 for the years ended August 31, 2024 and 2023.

During the year ended August 31, 2017, the Foundation purchased one property that is being leased to the University at a cost of \$1 per month from June 1, 2017 to June 1, 2047. Total income recognized under this agreement was \$12 for the years ended August 31, 2024 and 2023.

OAK TREE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

4. Related Party Transactions, continued

Leases with Foundation as Lessor, continued

During the year ended August 31, 2020, the Foundation purchased two properties that are each being leased to the University at a cost of \$1 per month from August 3, 2020 to July 31, 2050. One of the two properties was subsequently sold in February 2021. Total income recognized under these agreements was \$12 for the years ended August 31, 2024 and 2023.

Future receipts on these leases are as follows:

<u>Year Ending August 31,</u>	
2025	\$ 2,508,710
2026	2,510,922
2027	2,518,794
2028	2,521,144
2029	2,521,598
Thereafter	<u>19,126,634</u>
Total	<u>\$ 31,707,802</u>

5. Concentration of Credit Risk

The Foundation maintains its cash balances in three financial institutions in Oregon. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC). At various times, cash held in depository bank accounts exceeded the federally insured limit of \$250,000 per institution, which represents a credit risk to the Foundation as any portion of deposits in excess of this amount is not subject to federal insurance. The Foundation's uninsured cash balances totaled \$592,795 and \$484,167 as of August 31, 2024 and 2023, respectively.

As of August 31, 2024 and 2023, all the Foundation's receivables were from the University. Total receivables were \$2,220,117 and \$2,271,187 at August 31, 2024 and 2023, respectively.

At August 31, 2024 and 2023, all the Foundation's lease revenue was from the University. Total lease revenue was \$2,452,654 and \$2,452,142 for the years ended August 31, 2024 and 2023, respectively.

6. Fair Value Measurements

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with Financial Accounting Standards Board (FASB) ASC 820, *Fair Value Measurements and Disclosures*, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair value is based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

OAK TREE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

6. Fair Value Measurements, continued

FASB ASC 820 provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment.

The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

In accordance with FASB ASC 820, the Foundation groups its financial assets and financial liabilities generally measured at fair value based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 - Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market.

Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Fair value of assets measured on a recurring basis at August 31, 2024, was as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income funds	\$ 1,499,701	\$ -	\$ -	\$ 1,499,701
Equity securities	<u>1,920,311</u>	<u>-</u>	<u>-</u>	<u>1,920,311</u>
Total assets at fair value	<u>\$ 3,420,012</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,420,012</u>

OAK TREE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

6. Fair Value Measurements, continued

Fair value of assets measured on a recurring basis at August 31, 2023, was as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
US Treasury bill	\$ 194,600	\$ -	\$ -	\$ 194,600
Fixed income funds	964,600	-	-	964,600
Equity securities	<u>1,620,936</u>	<u>-</u>	<u>-</u>	<u>1,620,936</u>
 Total assets at fair value	 <u>\$ 2,780,136</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 2,780,136</u>

7. Subsequent Events

Management evaluates events and transactions that occur after the statement of financial position date as potential subsequent events. Management has performed this evaluation through the date of the independent auditor's report.