GaryMcGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

The Alliance
Oregon Alliance of Independent Colleges & Universities
Working Together to Make a Difference

Financial Statements and Other Information as of and for the Year Ended June 30, 2016 and Report of Independent Accountants

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GaryMcGee & Co. LLP
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REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Trustees
Oregon Alliance of Independent Colleges & Universities:

We have audited the accompanying financial statements of the Oregon Alliance of Independent Colleges & Universities ("The Alliance"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Oregon Alliance of Independent Colleges & Universities as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

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Summarized Comparative Information

We have previously audited the Oregon Alliance of Independent Colleges & Universities' 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 1, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

September 22, 2016

THE ALLIANCE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

(WITH COMPARATIVE AMOUNTS FOR 2015)

	2016	2015
Assets:		
Cash and cash equivalents	$ 657,981	647,287
Investments *(notes 3 and 18)*	389,978	386,198
Contributions and grants receivable *(note 4)*	7,500	63,964
Prepaid expenses and other assets	85,834	100,228
Equipment and furniture *(note 5)*	7,667	12,433
Deposits held at CASA of Oregon *(note 6)*	186,050	180,752
Beneficial interest in perpetual trust *(notes 9 and 18)*	69,870	75,405
Total assets	$ 1,404,880	1,466,267
Liabilities:		
Accounts payable	2,530	8,609
Accrued payroll liabilities	29,560	54,468
Distributions payable *(note 7)*	229,150	274,100
Capital lease obligations *(note 8)*	1,675	2,475
Due to Reed College	74,293	129,648
Total liabilities	337,208	469,300
Net assets:		
Unrestricted:		
Available for general operations	485,578	381,594
Designated by Board *(note 9)*	334,426	334,426
Net investment in capital assets	5,992	9,958
Total unrestricted	825,996	725,978
Temporarily restricted *(note 9)*	171,806	195,584
Permanently restricted *(note 9)*	69,870	75,405
Total net assets	1,067,672	996,967
Commitments and contingencies *(notes 16, 17 and 18)*		
Total liabilities and net assets	$ 1,404,880	1,466,267

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	2016				
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**2015**
Operating revenues, gains, and other support:					
Member and Affiliate assessments *(note 10)*	$ 849,021	–	–	849,021	764,164
Private contributions and grants *(note 11)*	311,390	473,331	–	784,721	898,293
In-kind contributions *(note 12)*	128,290	–	–	128,290	119,234
Change in value of beneficial interest in perpetual trust *(note 18)*	–	–	(5,535)	(5,535)	(8,202)
Net appreciation in the fair value of investments	1,488	–	–	1,488	–
Interest and other income	3,326	–	–	3,326	4,276
Total operating revenues and gains	1,293,515	473,331	(5,535)	1,761,311	1,777,765
Net assets released from restrictions for operating purposes *(note 13)*	497,109	(497,109)	–	–	–
Total operating revenues, gains, and other support	1,790,624	(23,778)	(5,535)	1,761,311	1,777,765
Distributions and expenses *(notes 14 and 15)***:**					
Distributions to Members and Affiliates	927,499	–	–	927,499	1,086,005
Program services:					
Education and outreach	131,298	–	–	131,298	136,926
Public affairs and advocacy	309,219	–	–	309,219	323,722
Total distributions and program services	1,368,016	–	–	1,368,016	1,546,653
Supporting services:					
Management and general	249,279	–	–	249,279	247,053
Fundraising	73,311	–	–	73,311	73,509
Total supporting services	322,590	–	–	322,590	320,562
Total distributions and expenses	1,690,606	–	–	1,690,606	1,867,215
Increase (decrease) in net assets	100,018	(23,778)	(5,535)	70,705	(89,450)
Net assets at beginning of year	725,978	195,584	75,405	996,967	1,086,417
Net assets at end of year	$ 825,996	171,806	69,870	1,067,672	996,967

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE TOTALS FOR 2015)

	2016	2015
Cash flows from operating activities:		
Cash received from contributors, grantors, and Member and Affiliate schools	$ 1,691,798	1,739,167
Interest income received	2,870	2,490
Cash paid to Member and Affiliate schools	(852,449)	(786,501)
Cash paid to employees and suppliers	(819,201)	(777,701)
Net (deposits to) receipts from the Matched College Savings Program *(note 6)*	(5,298)	67,101
Net cash provided by operating activities	17,720	244,556
Cash flows from investing activities:		
Capital expenditures	(3,934)	–
Reinvested interest income	(2,292)	(2,129)
Net cash used in investing activities	(6,226)	(2,129)
Cash flows from financing activities:		
Principal payments made on capital lease obligations	(800)	–
Net cash used in financing activities	(800)	–
Net increase in cash and cash equivalents	10,694	242,427
Cash and cash equivalents at beginning of year	647,287	404,860
Cash and cash equivalents at end of year	$ 657,981	647,287

Supplemental schedule of noncash investing and financing activities		
Capital assets financed through capital lease obligations *(note 8)*	$ –	2,475

See accompanying notes to financial statements.

1. Organization

The Oregon Alliance of Independent Colleges & Universities ("The Alliance") is a nonprofit organization, tax-exempt under Section 501(c)(3) of the Internal Revenue Code, representing Oregon's regionally-accredited independent, nonprofit colleges and universities.

The Alliance was founded in 2011 through the merger of two long-standing organizations, the Oregon Independent College Foundation (formed in 1950) and the Oregon Independent College Association (formed in 1969). Each of these organizations brings their expertise and commitment to The Alliance, finding new strength and passion in their formalized collaboration.

The mission of The Alliance is to represent and serve Oregon's regionally-accredited, nonprofit, independent colleges and universities through public advocacy, institutional cooperation, and strategic collaboration with the public sector, including business, philanthropic organizations, and government. The Alliance strengthens Oregon's intellectual, creative, and economic resources.

Currently, The Alliance supports the following 18 institutions:

Members:

- Concordia University – Portland, Oregon
- Corban University – Salem, Oregon
- George Fox University – Newberg, Oregon
- Lewis & Clark College – Portland, Oregon
- Linfield College – McMinnville, Oregon
- Marylhurst University – Marylhurst, Oregon
- Northwest Christian University – Eugene, Oregon
- Pacific University – Forest Grove, Oregon
- Reed College – Portland, Oregon
- University of Portland – Portland, Oregon
- Warner Pacific College – Portland, Oregon
- Willamette University – Salem, Oregon

Affiliates:

- Multnomah University – Portland, Oregon
- National University of Natural Medicine – Portland, Oregon
- Oregon College of Art & Craft – Portland, Oregon
- Pacific Northwest College of Art – Portland, Oregon
- University of Western States – Portland, Oregon
- Western Seminary – Portland, Oregon

Each of The Alliance's Members and Affiliates is a nonprofit, private college or university accredited by, and holding membership in, the Northwest Commission on Colleges and Universities. Through The Alliance, they collaborate as a unified sector to strengthen Oregon's intellectual, creative, and economic resources through public advocacy, institutional cooperation, and strategic collaboration with the public sector, including business, philanthropy, and government. Current Alliance strategic priorities include developing serial collaborations among stakeholders, increasing student access and success on the campuses, enhancing workforce and professional development opportunities, and showcasing Member and Affiliate institutions' focus on ethics and leadership development.

Members – Members represent selected nonprofit, private colleges and universities drawn together by their ability and mutual interests to secure financial support for, and generate interest in, their respective institutions and educational endeavors. Each Member offers baccalaureate degrees as its primary degree in each of the generally recognized areas of liberal learning, known as the humanities, the social sciences, and the sciences.

Affiliates – Affiliates represent other nonprofit, private colleges and universities selected by the Board and satisfying The Alliance's other eligibility requirements.

The Alliance solicits contributions on behalf of its Members, focusing its fundraising efforts primarily on corporations and other businesses located within the State of Oregon, and their related charitable foundations. Through its services, The Alliance seeks to provide Members and Affiliates with a coordinated and managed approach to financial development designed to maximize each institution's fundraising potential. The Alliance maintains donor records, issues reports to donors, performs prospective donor research, and provides other counsel and support to its Members.

Both The Alliance's Members and Affiliates benefit from programs that coordinate advocacy on matters related to public interest and public policy; support and expand strategic partnerships with businesses, foundations and public sector agencies and institutions; provide and create structures to encourage inter-institutional collaboration; and coordinate services to Member and Affiliate institutions that achieve economies of scale and enhancements of programs.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by The Alliance are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Basis of Presentation – The Alliance has adopted the provisions of Financial Accounting Standards Board ("FASB') Accounting Standards Codification ("ASC") No. 958-605, *Revenue Recognition* and FASB ASC No. 958-205, *Presentation of Financial Statements*. Under these provisions, net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of The Alliance and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets not subject to donor-imposed stipulations.

- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of The Alliance and/or the passage of time.

- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by The Alliance. Generally, the donors of these assets permit The Alliance to use all or part of the income earned on related investments for general or specific purposes.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the opinion of management, such differences, if any, would not be significant.

Cash Equivalents – For purposes of the financial statements, The Alliance considers all liquid investments having initial maturities of three months or less to be cash equivalents. At June 30, 2016, cash equivalents consist of funds invested in money market funds.

Investments – Investments are carried at fair value. Appreciation (decline) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (decline) of those investments, is reported in the statement of changes in net assets. Interest income is accrued as earned. Security transactions are recorded on a trade date basis.

The Alliance's interest in Dupont Circle Investments, LLC, a private investment fund established by The Alliance together with other regional and national nonprofit organizations active in and supportive of the independent college sector in America, are managed by Teachers Insurance and Annuity Association of America and have been valued by the general member of the LLC and reported to The Alliance. This fund generally represents investments in non-marketable securities, for which there are no readily obtainable market values. Instead, values for the investments, which are generally subject to various withdrawal limitations, have been provided by the Fund's general partner and have been based on historical cost, appraisals, obtainable prices for similar assets, and other estimates. The Alliance believes that the stated value of its overall interest in the Fund represents a reasonable estimate of fair value as of June 30, 2016. However, because of the inherent uncertainty of valuations for such investments, the value may differ significantly from the value that would have been used had a readily available market for the interest existed.

The carrying value of all other investments, including those held in externally managed funds, is based on quoted market prices and published unit values.

The Alliance has some exposure to investment risks, including interest rate, market and credit risks, for marketable securities. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities may occur to an extent that could materially affect the amounts reported in the accompanying financial statements.

Capital Assets and Depreciation – Property and equipment are carried at cost, and, when acquired by gift, initially measured at fair value. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which is generally five years.

Contributions – Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

In-Kind Contributions – Consistent with the requirements of FASB ASC No. 958-605, *Revenue Recognition*, The Alliance reports as revenue the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing these skills, and represent services that would have been purchased had they not been donated.

In-kind contributions of materials and supplies are recorded where there is an objective basis upon which to value these gifts and where the contributions are an integral part of The Alliance's activities.

Contributions of Long-Lived Assets – Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire property and equipment with such donor stipulations are reported as revenues of the temporarily restricted net assets class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Revenue Recognition – All contributions and grants are considered available for the unrestricted general operations of The Alliance unless specifically restricted by a donor. Revenues for services are recognized at the time services are provided and the revenues are earned.

Distributions – Distributions to Member and Affiliate schools are accrued when contributed revenues are collected by The Alliance and awarded by the Board of Trustees.

Concentrations of Credit Risk – The Alliance's financial instruments consist primarily of cash equivalents and certificates of deposit, which may subject the organization to concentrations of credit risk as, from time to time, for example, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation ("FDIC").

All checking and savings accounts, money market deposit accounts, and certificates of deposit are insured by the FDIC for up to $250,000 for each depositor, for each insured bank, for each account ownership category. At June 30, 2016, The Alliance held $278,475 in excess of FDIC insurance.

Concentrations of credit risk with respect to receivables are considered to be limited due to the large number of donors and grantors, and their geographic dispersion.

Advertising Expenses – Advertising costs are charged to expense as they are incurred.

Income Taxes – The Alliance is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. The Alliance derives its public charity status as an organization described in Sections 170(b)(1)(A)(vi) and 509(a)(1) of the Internal Revenue Code.

Subsequent Events – As required by FASB ASC No. 855-10, *Subsequent Events*, subsequent events have been evaluated by management through September 22, 2016, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2015 – The accompanying financial information as of and for the year ended June 30, 2015 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

Other Significant Accounting Policies – Other significant accounting policies are set forth in the financial statements and the following notes.

3. Investments

Investments held by the organization at June 30, 2016, are as follows:

Certificates of deposit	$	198,695
Interest in Dupont Circle Investments, LLC (at fair value)		191,283
	$	389,978

4. Contributions and Grants Receivable

Contributions and grants receivable totaled $7,500 at June 30, 2016 and are expected to be collected in less than one year.

5. Equipment and Furniture

A summary of equipment and furniture at June 30, 2016 is as follows:

Office equipment and furniture	$	39,322
Less accumulated depreciation		(31,655)
	$	7,667

6. Deposits Held at CASA of Oregon

The Alliance has entered into an agreement with the Community and Shelter Assistance Corporation ("CASA of Oregon"), an unrelated nonprofit organization, to sponsor the Matched College Savings Program ("MCSP") College Initiative, a program that supports Oregonians with limited financial resources to achieve post-secondary education by leveraging their savings and incentivizing positive financial behaviors. The program is a matched savings account (also known as an individual development account) for students attending Member schools. Under the program, every dollar a student saves in an individual development account is matched on a 5-to-1 basis, both by contributions raised by The Alliance and by other federal, state, and private resources available to CASA of Oregon.

As a part of the program, The Alliance deposits its portion of the match with CASA of Oregon – which also serves as the program's fiscal sponsor – until the additional funds have been raised by CASA of Oregon, and the total is returned to The Alliance for distribution to Members. During the year ended June 30, 2016, The Alliance transferred $129,000 to CASA of Oregon and received $401,109 ($123,702 of which had been previously deposited by The Alliance), which was then distributed to Members. At June 30, 2016, $186,050 was held on deposit by CASA of Oregon for this program.

7. Distributions Payable

Distributions payable are summarized as follows at June 30, 2016:

Airline tickets	$	83,750
Cash distribution		145,400
	$	229,150

8. Capital Lease Obligations

The organization leases office equipment under a capital lease that expires in June of 2018. The assets and related liability under this lease have been recorded at the present value of the minimum lease payments. Leased assets with a carrying value of $2,475 are amortized over the term of the lease.

As of June 30, 2016, minimum future lease payments under this capital lease for each of the next two years are as follows:

Years ending June 30,		
2017	$	2,724
2018		2,724
		5,448
Less unamortized interest and service expense		(3,773)
Present value of minimum lease payments	$	1,675

9. Restrictions and Limitations on Net Assets Balances

Designated by Board

At June 30, 2016, $334,426 of The Alliance's unrestricted net assets were designated by the Board of Trustees for the following purposes:

Operations	$	112,426
MCSP		200,000
Oregon Management Internship		22,000
	$	334,426

Temporarily Restricted Net Assets

At June 30, 2016, temporarily restricted net assets consisted of $171,806 in contributions, grants, and pledges available for future periods and specific programs, as follows:

MCSP	$	120,801
Creative Conservation Research		8,352
Career Workforce Development		9,000
Equipment		1,000
Other programs		32,653
	$	171,806

Permanently Restricted Net Assets

At June 30, 2016, The Alliance held $69,870 in perpetual trust interests. The investment income earned on the balances of these permanently restricted net assets is unrestricted. Any change in the value of The Alliance's beneficial interest is ascribed to corpus, which is permanently restricted. During the year ended June 30, 2016, The Alliance received $5,904 in distributions from the trust, reported as private contributions and grants in the statement of activities.

10. Member and Affiliate Assessments

Funds required for operating purposes are obtained through annual assessments of Member and Affiliate institutions, and are based on the operating budget approved by The Alliance's Board of Trustees. Member assessments are calculated based on a formula similar to the distribution formula described in note 14.

At the spring, 2014 Board of Trustees meeting, the Trustees approved a 20% annual adjustment of Affiliate annual assessments, beginning on July 1, 2014. This adjustment will occur over five years, toward an eventual $5,000 flat annual assessment for Affiliates.

For the year ended June 30, 2016, the following assessments were received:

Members:		
Concordia University	$	113,836
Corban University		51,856
George Fox University		74,650
Lewis & Clark College		75,953
Linfield College		64,838
Marylhurst University		48,230
Northwest Christian University		47,818
Pacific University		79,079
Reed College		55,763
University of Portland		83,182
Warner Pacific College		54,776
Willamette University		70,037
Affiliates:		
Multnomah University		5,000
National University of Natural Medicine		3,705
Oregon College of Art & Craft		5,000
Pacific Northwest College of Art		8,877
University of Western States		3,523
Western Seminary		2,898
	$	849,021

11. Private Contributions and Grants

During the year ended June 30, 2016, contributions and grants received by The Alliance are summarized as follows:

Gift size	Number of contributions	Total	Percentage of total
$50,000 and over	2	$ 200,031	25%
From $25,000 to $49,999	4	124,191	16%
From $10,000 to $24,999	17	226,564	29%
From $5,000 to $9,999	23	146,975	18%
From $2,500 to $4,999	14	47,182	6%
From $1,000 to $2,499	22	33,825	4%
From $500 to $999	5	2,830	1%
From $1 to $499	14	3,123	1%
		$ 784,721	100%

The Alliance has been named the partial beneficiary of five permanent funds established at the Oregon Community Foundation, and receives a proportionate share of annual distributions from each equal to either 4.5% of the average market value of these funds based on a 13-quarter trailing average, or a fixed amount as established by the original donor to the fund. During the year ended June 30, 2016, The Alliance received $59,760 from the funds, reported as contribution revenues. The balances of these funds are not included in the accompanying financial statements because The Alliance does not have financial control over these assets or the related investment return until such time as an award has been granted by the Oregon Community Foundation.

12. In-Kind Contributions

During the year ended June 30, 2016, The Alliance received in-kind contributions consisting of:

Airline tickets	$ 120,000
Food and room rental	8,290
	$ 128,290

13. Net Assets Released from Restrictions

During the year ended June 30, 2016, The Alliance incurred $497,109 in expenses in satisfaction of the restricted purposes specified by donors, or satisfied the restrictions by the occurrence of other events.

14. Distributions to Members and Affiliates

Members are drawn together by their ability and mutual interests to secure financial support for, and generate interest in, their respective institutions and educational endeavors. Contributions received by The Alliance are allocated to Members according to one of two methodologies:

- As designated by the donor, or
- If undesignated by the donor, based on a formula by which 60% of the contributions is divided equally among the Member institutions and 40% is allocated on the basis of full-time equivalent student enrollment as reported by the State of Oregon's Office of Degree Authorization.

Member and Affiliate institutions are eligible to participate in inter-institutional collaborations, which, as a result, may produce distributable enterprise income to participating institutions in the form of rebates. During the year ended June 30, 2016, $100,031 in rebates were distributed to Members and Affiliates.

During the year ended June 30, 2016, there were no limitations on undesignated contributions. Distributions to Members and Affiliates for the year ended June 30, 2016 are summarized as follows:

	Based on formula	Designated or restricted by donors	MCSP distri-butions	In-kind donations	Other distributions	Total
Concordia University	$ 14,710	14,109	–	10,000	–	38,819
Corban University	6,700	9,110	–	10,000	–	25,810
George Fox University	9,646	14,109	116,101	10,000	–	149,856
Lewis & Clark College	9,814	13,609	5,720	10,000	–	39,143
Linfield College	8,378	14,109	81,052	10,000	–	113,539
Marylhurst University	6,232	13,609	–	10,000	–	29,841
Northwest Christian University	6,179	8,200	–	10,000	8,650	33,029
Pacific University	10,219	13,609	–	10,000	–	33,828
Reed College	7,205	13,609	–	10,000	–	30,814
University of Portland	10,748	58,609	66,570	10,000	–	145,927
Warner Pacific College	7,078	14,109	84,568	10,000	–	115,755
Willamette University	9,050	13,609	47,098	10,000	72,053	151,810
Affiliate rebates	–	–	–	–	19,328	19,328
Total distributions to Members and Affiliates	$ 105,959	200,400	401,109	120,000	100,031	927,499

15. Expenses

The costs of providing the various programs and other activities of The Alliance have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses by their natural classification are summarized as follows:

Salaries and related expenses	$ 412,586
Professional services	167,256
Marketing	32,193
Postage	24,661
Occupancy	22,516
Travel	20,250
Printing and publishing	18,409
Foundation for Independent Higher Education dues	11,309
Licenses and fees	11,146
Sponsorships	10,000
Depreciation	7,564
Member services	6,177
Equipment rental and maintenance	3,907
Telephone	3,656
Other services	3,000
Insurance	2,639
Office supplies	2,013
Other	3,825
	$ 763,107

These expenses are reported on the accompanying statement of activities as follows:

Program services:	
Education and outreach	$ 131,298
Public affairs and advocacy	309,219
	440,517
Supporting services:	
Management and general	249,279
Fundraising	73,311
	322,590
	$ 763,107

The $763,107 in program and supporting service expenses shown in the preceding table, together with $927,499 in distributions to Member schools, totals $1,690,606 in distributions and expenses for the year ended June 30, 2016.

16. Operating Lease Commitments

The Alliance leases its administrative offices under an agreement expiring on December 31, 2016. The organization also leases certain office equipment under an operating lease that expires in June of 2017.

Lease expense for these leases during the year ended June 30, 2016 totaled $8,634.

17. Retirement Plan

The Alliance has a defined contribution retirement plan, established and operated through the Teachers Insurance Annuity Association. The plan covers all full- and part-time employees that meet the eligibility requirements of the plan, and primarily holds assets on behalf of former Alliance employees. No current contributions are made to this plan.

Beginning in September of 2004, The Alliance entered into a common paymaster agreement with Reed College whereby The Alliance's staff is part of the College's payroll and benefits pool, and participates as a member of the College's retirement plan. The College invoices The Alliance on a quarterly basis for full reimbursement of the associated expenses, including retirement contributions. All full-time employees of The Alliance are eligible to participate in the retirement plan. The Alliance contributes annually an amount equal to 10% of the gross wages of each qualified employee, and the funds are fully vested at the time of contribution. For the year ended June 30, 2016, The Alliance's contributions to the plan totaled $34,997.

18. Fair Value Measurements

Included in the accompanying financial statements are certain financial instruments carried at fair value. These instruments include:

- Interest in private equity
- Beneficial interest in a perpetual trust

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality.

The Alliance's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by FASB ASC No. 820, *Fair Value Measurements and Disclosures*. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities and the lowest ranking to fair values determined using methodologies and models with unobservable inputs, as follows:

- *Level 1* – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

- *Level 2* – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.

- *Level 3* – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect The Alliance's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The changes in valuation of Level 3 assets and liabilities for the year ended June 30, 2016 are as follows:

	Interest in Dupont Circle Investments, LLC [1]	Beneficial interest in perpetual trust	Total
Fair value at beginning of year	$ –	75,405	75,405
Purchase of investments	189,491	–	189,491
Reinvestment of investment income	378	–	378
Investment fees	(74)	–	(74)
Net appreciation in the fair value of investments	1,488	–	1,488
Change in the fair value of perpetual trusts	–	(5,535)	(5,535)
Net changes	191,283	(5,535)	185,748
Fair value at end of year	$ 191,283	69,870	261,153

[1] The Alliance's interest in Dupont Circle Investments, LLC requires a minimum investment balance of $50,000 at all times. The Alliance, as well as any other member of the LLC, is permitted to fully withdraw from the fund upon two months' written notice to the Fund's management committee.

19. Statement of Cash Flow Reconciliation

The following presents a reconciliation of the increase in net assets (as reported on the statement of activities) to net cash provided by operating activities (as reported on the statement of cash flows):

Increase in net assets	$ 70,705
Adjustments to reconcile increase in net assets from operations to net cash provided by operating activities:	
Depreciation	7,564
Change in value of beneficial interest in perpetual trust	5,535
Net increase in the fair value of investments	(1,488)
Loss on disposal of assets	1,136
Net changes in:	
Contributions and grants receivable	56,464
Prepaid expenses and other assets	14,394
Deposits held at CASA of Oregon	(5,298)
Accounts payable	(6,079)
Accrued payroll liabilities	(24,908)
Distributions payable	(44,950)
Due to Reed College	(55,355)
Total adjustments	(52,985)
Net cash provided by operating activities	$ 17,720

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THE ALLIANCE

GOVERNING BOARD AND MANAGEMENT

AS OF JUNE 30, 2016

INQUIRIES AND OTHER INFORMATION

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