

Oklahoma City University

Independent Auditor's Reports and Financial Statements

June 30, 2022 and 2021



Oklahoma City University
June 30, 2022 and 2021

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Independent Auditor's Report

Board of Trustees
Oklahoma City University
Oklahoma City, Oklahoma

Opinion

We have audited the financial statements of Oklahoma City University (the University), which comprise the statement of financial position as of June 30, 2022 and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2022 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 of America.

Basis for Opinion

We conducted our audit 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 (*Government Auditing Standards*). 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 the University, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Year Audited by Other Auditors

The 2021 financial statements were audited by other auditors, and their report thereon, dated November 23, 2021, expressed an unmodified opinion.

Report on Summarized Comparative Information

The University's 2021 financial statements were audited by other auditors, and their report thereon, dated November 23, 2021, expressed an unmodified opinion. The accompanying summarized comparative information presented herein, as of and for the year ended June 30, 2021, was derived from those audited financial statements, which were audited by other auditors. Accordingly, we express no opinion and provide no assurance on it.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2022, the University elected to change its method of presentation for endowment return not available for use in operations as nonoperating income (loss). Our opinion is not modified with respect to this matter.

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 the University's ability to continue as a going concern for one year after the date that the financial statements are 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 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 the 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 the University's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial responsibility ratios schedule and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the financial responsibility ratios schedule and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2022 on our consideration of the 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 the 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 the University's internal control over financial reporting and compliance.

FORVIS,LLP

Tulsa, Oklahoma
December 22, 2022

Oklahoma City University
Statements of Financial Position
June 30, 2022 and 2021

Assets

	2022	2021
Cash and cash equivalents	\$ 4,426,814	\$ 5,412,145
Restricted cash	5,622,532	6,710,663
Receivables		
Students, net	1,537,664	1,205,981
Contributions, net	3,189,893	2,411,199
Accrued interest and other	290,888	338,348
Student notes receivable, net	888,271	1,487,036
Prepaid expenses, deposits, and other assets	1,799,320	1,715,344
Right-of-use assets	296,656	386,853
Investments		
Securities	82,322,601	99,370,927
Investments held in charitable remainder annuity trusts	1,269,604	1,805,033
Beneficial interest in endowments held by others	58,283,545	49,284,936
Property, plant, and equipment, net	187,643,481	192,589,194
Total assets	\$ 347,571,269	\$ 362,717,659

Liabilities and Net Assets

Liabilities

Accounts payable and accrued liabilities		
Salaries, wages, and benefits	\$ 2,857,650	\$ 3,006,331
Other	3,034,789	3,926,441
Notes payable and line of credit	4,278,807	3,827,049
Deferred revenue	4,030,002	4,439,995
Deposits held in custody for others	593,922	215,820
Annuities payable	835,589	1,310,142
Finance lease obligations	6,074,966	6,524,895
Operating lease liability	294,903	386,853
Bonds payable, net	93,808,213	95,959,219
Advances from federal government for student loans	1,664,000	2,101,000
Total liabilities	117,472,841	121,697,745

Net Assets

Without donor restrictions	96,033,496	102,938,768
With donor restrictions	134,064,932	138,081,146
Total net assets	230,098,428	241,019,914
Total liabilities and net assets	\$ 347,571,269	\$ 362,717,659

Oklahoma City University
Statement of Activities
Year Ended June 30, 2022
(With Summarized Financial Information for June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022	2021
Revenues, Gains, and Other Support				
Student tuition and fees, net of student aid of \$32,541,707	\$ 46,844,112	\$ -	\$ 46,844,112	\$ 48,837,375
Federal and state grants and contracts	-	3,717,914	3,717,914	3,186,807
Private gifts and grants, including contributions receivable	1,116,758	8,774,985	9,891,743	6,832,974
Changes in value of split interest agreements	-	73,138	73,138	(76,337)
Sales and services of educational departments	322,966	950	323,916	47,924
Sales and services of auxiliary, net of student aid of \$1,254,040	4,686,355	-	4,686,355	6,357,798
Investment income, net	762,414	4,170,333	4,932,747	4,341,680
Other income	1,654,942	17,730	1,672,672	1,476,989
	<u>55,387,547</u>	<u>16,755,050</u>	<u>72,142,597</u>	<u>71,005,210</u>
Net assets released from restrictions	<u>13,531,212</u>	<u>(13,531,212)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>68,918,759</u>	<u>3,223,838</u>	<u>72,142,597</u>	<u>71,005,210</u>
Expenses				
Program services				
Instruction	41,169,934	-	41,169,934	39,936,359
Academic support	7,523,850	-	7,523,850	6,818,394
Student services	11,151,027	-	11,151,027	10,241,613
Institutional support	9,604,780	-	9,604,780	11,252,549
	<u>69,449,591</u>	<u>-</u>	<u>69,449,591</u>	<u>68,248,915</u>
Auxiliary enterprises	5,284,462	-	5,284,462	5,466,979
	<u>74,734,053</u>	<u>-</u>	<u>74,734,053</u>	<u>73,715,894</u>
Total expenses	<u>74,734,053</u>	<u>-</u>	<u>74,734,053</u>	<u>73,715,894</u>
Operating Income (Loss)	<u>(5,815,294)</u>	<u>3,223,838</u>	<u>(2,591,456)</u>	<u>(2,710,684)</u>
Other Income (Expense)				
Net endowment income (loss) in excess of income designated for operations	(1,089,978)	(15,624,644)	(16,714,622)	20,418,928
Changes in value of split interest agreements	-	(405,451)	(405,451)	287,187
Increase in fair value of beneficial interest in funds held by others	-	8,790,043	8,790,043	8,784,317
	<u>(1,089,978)</u>	<u>(7,240,052)</u>	<u>(8,330,030)</u>	<u>29,490,432</u>
Total other income (expense)	<u>(1,089,978)</u>	<u>(7,240,052)</u>	<u>(8,330,030)</u>	<u>29,490,432</u>
Change in Net Assets	<u>(6,905,272)</u>	<u>(4,016,214)</u>	<u>(10,921,486)</u>	<u>26,779,748</u>
Net Assets, Beginning of Year	<u>102,938,768</u>	<u>138,081,146</u>	<u>241,019,914</u>	<u>214,240,166</u>
Net Assets, End of Year	<u>\$ 96,033,496</u>	<u>\$ 134,064,932</u>	<u>\$ 230,098,428</u>	<u>\$ 241,019,914</u>

Oklahoma City University
Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Student tuition and fees, net of student aid of \$32,591,040	\$ 48,837,375	\$ -	\$ 48,837,375
Federal and state grants and contracts	-	3,186,807	3,186,807
Private gifts and grants, including contributions receivable	679,183	6,153,791	6,832,974
Changes in value of split interest agreements	-	(76,337)	(76,337)
Sales and services of educational departments	47,689	235	47,924
Sales and services of auxiliary, net of student aid of \$1,298,478	6,357,798	-	6,357,798
Investment income, net	865,769	3,475,911	4,341,680
Other income (loss)	1,502,551	(25,562)	1,476,989
	<u>58,290,365</u>	<u>12,714,845</u>	<u>71,005,210</u>
Net assets released from restrictions	<u>17,638,987</u>	<u>(17,638,987)</u>	<u>-</u>
Total revenues, gains, and other support	<u>75,929,352</u>	<u>(4,924,142)</u>	<u>71,005,210</u>
Expenses			
Program services			
Instruction	39,936,359	-	39,936,359
Academic support	6,818,394	-	6,818,394
Student services	10,241,613	-	10,241,613
Institutional support	11,252,549	-	11,252,549
	<u>68,248,915</u>	<u>-</u>	<u>68,248,915</u>
Auxiliary enterprises	5,466,979	-	5,466,979
	<u>73,715,894</u>	<u>-</u>	<u>73,715,894</u>
Total expenses	<u>73,715,894</u>	<u>-</u>	<u>73,715,894</u>
Operating Income (Loss)	<u>2,213,458</u>	<u>(4,924,142)</u>	<u>(2,710,684)</u>
Other Income (Expense)			
Net endowment income in excess of income designated for operations	2,462,795	17,956,133	20,418,928
Changes in value of split interest agreements	-	287,187	287,187
Increase in fair value of beneficial interest in funds held by others	-	8,784,317	8,784,317
	<u>2,462,795</u>	<u>27,027,637</u>	<u>29,490,432</u>
Total other income (expense)	<u>2,462,795</u>	<u>27,027,637</u>	<u>29,490,432</u>
Change in Net Assets	4,676,253	22,103,495	26,779,748
Net Assets, Beginning of Year	<u>98,262,515</u>	<u>115,977,651</u>	<u>214,240,166</u>
Net Assets, End of Year	<u>\$ 102,938,768</u>	<u>\$ 138,081,146</u>	<u>\$ 241,019,914</u>

Oklahoma City University
Statement of Functional Expenses
Year Ended June 30, 2022

(With Summarized Financial Information for June 30, 2021)

	<u>Program Services</u>			<u>Total Program Services</u>	<u>Institutional Support Expense</u>	<u>Auxiliary Enterprises Expense</u>	<u>Total</u>	
	<u>Instruction Expense</u>	<u>Academic Support Expense</u>	<u>Student Service Expense</u>				<u>2022</u>	<u>2021</u>
Salaries and benefits	\$ 27,369,533	\$ 3,368,928	\$ 6,335,782	\$ 37,074,243	\$ 5,111,304	\$ 844,119	\$ 43,029,666	\$ 42,871,236
Depreciation and amortization	3,768,042	1,370,533	781,100	5,919,675	246,515	1,570,993	7,737,183	7,389,829
Supplies	919,551	531,700	913,258	2,364,509	327,943	249,487	2,941,939	2,820,218
Services	2,337,488	822,492	505,479	3,665,459	1,211,229	931,204	5,807,892	5,948,970
Interest	2,167,743	531,178	451,723	3,150,644	574,434	753,812	4,478,890	4,621,886
Occupancy (leases and utilities)	1,416,683	517,928	438,535	2,373,146	895,166	728,785	3,997,097	3,775,791
Recruiting and advertising	710,528	38,488	355,033	1,104,049	149,493	90	1,253,632	1,131,187
Special events	302,288	72,960	172,324	547,572	153,957	19,555	721,084	441,074
Travel and training	472,853	72,121	701,841	1,246,815	131,964	15,896	1,394,675	751,134
Other	1,705,225	197,522	495,952	2,398,699	802,775	170,521	3,371,995	3,964,569
Total	<u>\$ 41,169,934</u>	<u>\$ 7,523,850</u>	<u>\$ 11,151,027</u>	<u>\$ 59,844,811</u>	<u>\$ 9,604,780</u>	<u>\$ 5,284,462</u>	<u>\$ 74,734,053</u>	<u>\$ 73,715,894</u>

Oklahoma City University
Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services			Total Program Services	Institutional Support Expense	Auxiliary Enterprises Expense	Total
	Instruction Expense	Academic Support Expense	Student Service Expense				
Salaries and benefits	\$ 27,826,042	\$ 2,991,024	\$ 6,569,427	\$ 37,386,493	\$ 4,523,362	\$ 961,381	\$ 42,871,236
Depreciation and amortization	3,578,588	1,341,135	741,327	5,661,050	233,990	1,494,789	7,389,829
Supplies	807,725	512,507	611,142	1,931,374	616,494	272,350	2,820,218
Services	2,104,283	981,844	394,310	3,480,437	1,434,308	1,034,225	5,948,970
Interest	2,163,702	533,501	453,911	3,151,114	672,060	798,712	4,621,886
Occupancy (leases and utilities)	1,230,136	354,612	324,312	1,909,060	1,095,402	771,329	3,775,791
Recruiting and advertising	668,564	5,052	367,058	1,040,674	90,338	175	1,131,187
Special events	186,329	13,947	136,720	336,996	93,381	10,697	441,074
Travel and training	194,536	26,740	423,832	645,108	90,854	15,172	751,134
Other	1,176,454	58,032	219,574	1,454,060	2,402,360	108,149	3,964,569
Total	\$ 39,936,359	\$ 6,818,394	\$ 10,241,613	\$ 56,996,366	\$ 11,252,549	\$ 5,466,979	\$ 73,715,894

Oklahoma City University
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ (10,921,486)	\$ 26,779,748
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Gifts with perpetual restrictions	(2,326,638)	(897,528)
Investment (income) loss for perpetually restricted purposes	96,621	(171,319)
Net realized and unrealized investments (gains) losses	4,121,682	(32,315,061)
Depreciation and amortization	7,737,183	7,389,829
Bad debt expense	348,896	223,514
Change in discount on contributions receivable	187,814	(11,678)
Changes in operating assets and liabilities		
Student accounts receivable	(484,609)	339,702
Prepaid expenses, deposits, and other assets	(83,976)	(247,502)
Contributions receivable	(1,076,479)	367,243
Accrued interest and other receivables	47,460	361,286
Accounts payable and accrued liabilities	(1,223,743)	815,321
Annuities payable	(474,553)	(369,045)
Deferred revenue	(409,993)	(402,964)
Deposits held in custody for others	378,102	(322,681)
Advances from federal government for student loans	(437,000)	(717,000)
Net cash provided by (used in) operating activities	<u>(4,520,719)</u>	<u>821,865</u>
Cash Flows from Investing Activities		
Purchases of investments	(2,253,192)	(3,787,438)
Proceeds from sales of investments	3,735,315	3,659,779
Distributions from endowments held by others	3,139,096	2,786,941
Contributions to endowments held by others	(157,755)	-
Capital expenditures	(3,245,868)	(4,681,804)
Proceeds from disposal of assets	62,963	-
Collections on student notes receivable	512,765	511,341
Net cash provided by (used in) investing activities	<u>1,793,324</u>	<u>(1,511,181)</u>
Cash Flows from Financing Activities		
Gifts collected for permanently restricted purposes	2,326,638	897,528
Investment income (loss) for permanently restricted purposes	(96,621)	171,319
Proceeds from notes payable	7,500,000	-
Payments on notes payable	(7,048,241)	(529,091)
Payments on bonds payable and finance lease obligations	(2,027,843)	(1,937,831)
Net cash provided by (used in) financing activities	<u>653,933</u>	<u>(1,398,075)</u>

Oklahoma City University
Statements of Cash Flows, continued
Years Ended June 30, 2022 and 2021

	2022	2021
Net Change in Cash, Cash Equivalents, and Restricted Cash	\$ (2,073,462)	\$ (2,087,391)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	12,122,808	14,210,199
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 10,049,346	\$ 12,122,808
Reconciliation of Cash, Cash Equivalents, and Restricted Cash		
Cash and cash equivalents	\$ 4,426,814	\$ 5,412,145
Restricted cash	5,622,532	6,710,663
Total cash, cash equivalents, and restricted cash	\$ 10,049,346	\$ 12,122,808
Noncash Investing and Financing Activities		
Gifts to endowment held by others	\$ 157,755	\$ 14,400
Property, plant, and equipment acquired through assumption of right-of-use assets and financing leases	\$ 37,914	\$ 386,852
Property, plant, and equipment acquired through accounts payable	\$ 193,661	\$ 130,094
Interest paid	\$ 4,510,179	\$ 4,484,982

Oklahoma City University

Notes to Financial Statements

June 30, 2022 and 2021

Note 1: Nature of Operations and Significant Accounting Policies

Nature of Operations

Oklahoma City University (the University) is a private, nonprofit institution of higher education located in Oklahoma City, Oklahoma. The University is accredited by the North Central Association of Colleges and Schools.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. The University follows the accounting and reporting practices for private nonprofit colleges and universities. Accordingly, net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Net assets of the University and changes therein are classified and reported as follows:

Without Donor Restrictions – These net assets are not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by the University.

With Donor Restrictions – These net assets are subject to donor-imposed restrictions that may or will be met either by actions of the University and/or the passage of time. In addition, net assets with donor restrictions include donor-imposed restrictions, which are perpetual in nature, and require the University to maintain the contributed resources in perpetuity. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for specific or general purposes.

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. The amount of net assets identified as released from donor restrictions includes any amounts released whether received in the current year or prior periods.

Cash and Concentration of Credit Risk

Cash in excess of daily requirements is invested in interest-bearing accounts of qualified financial institutions and are readily available as cash on demand. At June 30, 2022 and 2021, the University had certain concentrations of credit risk with financial institutions in the form of uninsured cash of approximately \$4,146,000. For purposes of evaluating credit risk, the stability of financial institutions conducting business with the University is periodically reviewed, and management believes that credit risk related to the balances is minimal.

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts and assets limited as to use, are not considered to be cash and cash equivalents. Deposit accounts restricted internally by the Board and/or externally by regulators are considered to be cash and cash equivalents. At June 30, 2022 and 2021, cash equivalents consisted primarily of money market accounts.

Oklahoma City University

Notes to Financial Statements

June 30, 2022 and 2021

Restricted Cash

The University has cash balances intended for future principal and interest bond payments in accordance with bond agreements and has designated these cash balances as restricted cash.

Student Accounts Receivable

Student accounts receivable consist primarily of tuition, fees, and auxiliary charges. Student accounts receivable are stated at the amount of consideration from students, of which the University has an unconditional right to receive. Management considers various factors in estimating the allowance for doubtful accounts, including the length of time from the initial billing that the receivables have been outstanding, the enrollment status of the students with outstanding receivables, and the University's collection history. Receivables are normally considered to be delinquent when they become more than 90 days outstanding from the date they were originally billed. At June 30, 2022 and 2021, the University had recorded an allowance of \$350,000.

Student Notes Receivable

Student notes receivable consist primarily of loans made to students under U.S. government loan programs. The loans are stated at net realizable value in the accompanying statements of financial position. At June 30, 2022 and 2021, the University had recorded an allowance of \$144,000 and \$58,000, respectively.

Investments

The University measures securities, other than investments that qualify for the equity method of accounting, at fair value. Investments in private equity funds and hedge funds are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments.

Net Investment Return

Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the accompanying statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The University maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Oklahoma City University
Notes to Financial Statements
June 30, 2022 and 2021

Collections

The University has not purchased any items of collection (fine arts). Contributions of collection items are recorded at estimated fair value on the date of the gift and are included in property, plant, and equipment and not depreciated. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

Property, Plant, and Equipment

Land, buildings and improvements, equipment, computers, and automobiles are stated at cost when purchased by the University or at fair value at the date of receipt by gift when acquired by donation. The University's capitalization policy for property, plant, and equipment includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Interest is capitalized on construction projects with construction periods more than one year. Assets are depreciated on the straight-line method over the estimated useful lives of the respective asset.

Estimated service lives for purposes of depreciation are as follows:

Buildings	40–70 years
Improvements	10–40 years
Steinway pianos	50 years
Equipment, including library books	10–20 years
Computers and automobiles	4 years

The University reports gifts of property, plant, and equipment as unrestricted support unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Long-Lived Asset Impairment

The University evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2022 and 2021.

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Lease Right-of-Use Assets and Liabilities

Right-of-use (ROU) assets represent the University's right to use an underlying asset for the lease term. Lease obligations represent the University's liability to make lease payments arising from the lease. Operating and financing lease ROU assets and related obligations are recognized at commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. The incremental borrowing rate is based on the information available at commencement date in determining the present value of lease payments. The commencement date is when the University either takes possession of the asset or, in the case of real estate leases, when the landlord makes the asset available for use. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Interest expense is recognized as a component of the lease payment for financing leases.

The assets and liabilities associated with operating leases as a lessee are presented as right-of-use assets and operating lease liabilities, respectively, on the accompanying statements of financial position. The assets and liabilities associated with finance leases as a lessee are included in property, plant, and equipment, net and finance lease obligations, respectively, on the accompanying statements of financial position.

Deferred Revenue

Deferred revenue consists of funds collected prior to providing service to the students or others, which includes tuition, room, board, and meal plans for partially complete and future semesters, contract revenue received in advance, and other advance payments. Deferred revenue also includes the estimated incremental costs of nonrefundable tuition credits provided to individuals and businesses in connection with transactions with the University. These balances are carried as a liability on the accompanying statements of financial position until the performance obligations have been met.

The University measures performance obligation from the start of the school year because all of its performance obligations relate to contracts with a duration of less than one year. The University has elected to apply the optional exemption provided in ASC Section 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to deferred revenue. The performance obligations for these contracts are generally completed within one academic year and do not contain any financing components.

Refund Liabilities

The consideration the University has received from students for which it does not expect to be entitled to is recorded as a refund liability.

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Contributions

Contributions are provided to the University either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the University overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations that are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

Income Tax Status

The University is an organization exempt from federal income tax pursuant to Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3) of the Code. Provision has been made, where material, for any taxes due on unrelated business income. The University recognizes a tax benefit from an uncertain tax position only if it is more likely than not

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that the tax position will be sustained on examination by taxing authorities. Management has evaluated the University's tax positions and concluded that the University had no material uncertainties in income taxes as of June 30, 2022 and 2021. With few exceptions, the University is no longer subject to examination by the U.S. federal or state tax authorities for fiscal years before 2019. The University will account for interest and penalties related to uncertain tax positions, if any, as part of tax expense.

Annuities Payable

Annuities payable are agreements between donors and the University whereby the donor makes a contribution to the University and the University agrees to pay an agreed upon amount for a specified period of time to the donor.

Assets are valued at fair value, and liabilities are stated at present value, using an appropriate discount rate commensurate with the risks involved and Internal Revenue Service life expectancy tables. Liabilities totaling approximately \$361,000 and \$372,000 as of June 30, 2022 and 2021, respectively, are included in the accompanying statements of financial position.

Split-Interest Agreements

The University receives gifts of future interests in certain trusts. Under the related agreements, the donors retain the rights to periodic distributions from the trusts for specified terms. At the end of the trusts' terms, the assets of the trust become the property of the University. Assets received under these agreements are recorded at fair value in the appropriate net asset category and included with investments. Related contributions per the agreements are recognized as contribution revenue and are equal to the present value of future benefits to be received by the University over the term of the agreements. No contribution revenue was recognized under split-interest agreements for the years ended June 30, 2022 and 2021. Liabilities totaling approximately \$474,000 and \$938,000 as of June 30, 2022 and 2021, respectively, have been established for those split-interest agreements for which the University is the trustee and are included in the accompanying statements of financial position with annuities payable. During the term of these agreements, changes in the value of the split-interest agreements are recognized in the accompanying statements of activities based on accretion of the discounted amount of the contribution, and re-evaluations of the expected future benefits (payments) to be received (paid) by the University (beneficiaries), based on changes in life expectancy and other assumptions. A discount rate of 6% was used in these calculations at the dates of the contributions.

Advances from Federal Government for Student Loans

Funds provided by the United States government under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned after collection. These funds are ultimately refundable to the government and are recorded as liabilities. Activity of the Federal Pell Grant and Supplemental Educational Opportunity Grant programs are not reflected in the accompanying financial statements, other than agency transactions receipts/disbursements in the accompanying statements of cash flows, as the transactions are considered to be agency transactions.

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Advertising Costs

The University expenses the costs of advertising as incurred. For the years ended June 30, 2022 and 2021, advertising expense was approximately \$943,000 and \$949,000, respectively.

Fair Value Measurements

Fair value is defined as 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 measurements accounting guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Inputs that are derived principally from or corroborated by observable market data

Level 3 Inputs that are unobservable and significant to the overall fair value measurement

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Financial assets subject to fair value measurement disclosure requirements include investments in securities, investments held in charitable remainder annuity trusts, and endowments held by others.

Functional Allocation of Expenses

Expenses that apply to more than one functional category have been allocated between program services, institutional support, and auxiliary enterprises based on evaluation of the related activities. Depreciation and amortization are allocated based on square footage, and personnel costs are based on time and effort of the individual employees in performing the various functions.

Operating Income (Loss)

The operating income (loss) reflected in the accompanying statements of activities excludes endowment gain (loss) in excess of income designated for operations, changes in the fair value of beneficial interest in funds held by others, and changes in fair value of split-interest agreements.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

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Change in Method of Applying Accounting Principle

In 2022, the University elected to change its method of classification of endowment return that is not available for operations. All endowment return was recognized as operating income in prior years. The University has elected to include the portion of endowment return, including the change in beneficial interest in trusts and change in split-interest agreements, not available for operations annually as a part of the spend policy as nonoperating and will show an operating indicator on the accompanying statements of activities. The University believes this more appropriately reflects their ability to use endowment return as compared to previously including it all in operations. The change does not affect change in net assets or the statements of financial position, functional expenses, and cash flows. The change reclassified approximately \$29,490,000 of endowment return to nonoperating income for 2021.

Revisions

Certain immaterial revisions have been made to the 2021 financial statements and disclosures surrounding the allocation of investment return between net assets with donor restrictions and net assets without donor restrictions and endowments (see *Note 9* and *Note 16*, respectively). The impact of the revisions was to:

- Increase net assets with donor restrictions and decrease net assets without donor restrictions by \$1,324,180 on the 2021 statement of activities and *Note 9*
- Increase in total endowment funds of \$21,215,003 as of June 30, 2021 and \$17,783,479 as of July 1, 2020 in *Note 16*

These revisions did not have a significant impact on the financial statement line items impacted.

Reclassifications

Certain reclassifications have been made to the 2021 financial statements to conform to the 2022 financial statement presentation. These reclassifications had no effect on the change in net assets.

Subsequent Events

The University has evaluated subsequent events through December 22, 2022, which is the date the financial statements were issued.

Note 2: Contributions Receivable

Contributions receivable are discounted commensurate with the risks involved to state amounts at estimated present value (5%).

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Net contributions receivable along with the period of expected collection are as follows at June 30:

	2022	2021
Due in less than one year	\$ 1,351,467	\$ 1,030,767
Due in one to five years	1,588,598	1,555,500
Due in more than five years	650,000	-
	3,590,065	2,586,267
Less allowance	(68,401)	(144,112)
Less discount	(331,771)	(30,956)
	\$ 3,189,893	\$ 2,411,199

Included in gross unconditional promises to give are approximately \$1,143,000 and \$30,000 from members of the Board of Trustees, affiliates of the Board, and officers and employees of the University as of June 30, 2022 and 2021, respectively.

Note 3: Student Notes Receivable

Federal Perkins Loan Program

Student loans under the Federal Perkins Loan Program were approximately \$888,000 and \$1,487,000 at June 30, 2022 and 2021, respectively. Perkins stipulates that the federal government provide two-thirds of the total funds available with the University providing the remaining one-third. The total portion funded by the federal government, which includes cash balances maintained by the University as well as outstanding student loans, is shown as advances from the federal government for student loans in the accompanying statements of financial position. Student loans under the Federal Perkins Loan Program are reduced by an allowance for uncollectible notes of approximately \$148,000 and \$58,000 at June 30, 2022 and 2021, respectively. Management considers various factors in estimating the allowance for uncollectible notes, including the amounts of past due balances, the University's collection history, and amounts that will be reimbursed by the U.S. government.

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The aging of the student loan portfolio by classes of loans as of June 30 is presented as follows:

	Not in Repayment	Current	Less than 240 Days Past Due	Greater than 240 Days but Less than 2 Years Past Due	Greater than 2 Years but Less than 5 Years Past Due	Greater than 5 Years Past Due	Total
2022							
Student loans receivable, net	\$ 181,857	\$ 454,335	\$ 82,547	\$ 55,400	\$ 55,109	\$ 59,023	\$ 888,271
As a percentage of total loan portfolio	20.47%	51.15%	9.29%	6.24%	6.20%	6.64%	100.00%
2021							
Student loans receivable, net	\$ 339,881	\$ 627,812	\$ 146,163	\$ 70,835	\$ 126,912	\$ 175,433	\$ 1,487,036
As a percentage of total loan portfolio	22.86%	42.22%	9.83%	4.76%	8.53%	11.80%	100.00%

For student loans, the credit quality indicator is determined by delinquency status. Delinquency status is updated monthly by the University. Federal Perkins Loans that are originated and serviced properly under Department of Education regulations can be assigned to the Department of Education when deemed no longer collectible. The University is not aware of any material amount of loans not properly originated or serviced under Department of Education regulations.

Note 4: Endowments Held by Others

The University has assets held in trusts by the Oklahoma Methodist Foundation (OMF). These assets are to be held in perpetuity by OMF for the benefit of the University. In connection with these assets, the accompanying statements of financial position as of June 30, 2022 and 2021, include the interest in assets held by OMF of approximately \$57,507,000 and \$48,347,000, respectively. The University receives distributions from the income earned, which is generally restricted for scholarship purposes. During the years ended June 30, 2022 and 2021, the University received approximately \$3,139,000 and \$2,748,000, respectively, related to these trusts. The endowments held by others are recorded at the fair value of the underlying assets.

The University recognizes transfers it previously made to the Oklahoma City Community Foundation, Inc. (OCCF), which the University has specified itself as the beneficiary of the funds. In connection with the University's recognition of these transfers, the accompanying statements of financial position as of June 30, 2022 and 2021 include the interest in assets held by OCCF of approximately \$772,000 and \$933,000, respectively. Annually, distributions from the funds are paid to the University according to OCCF's spending policy. The University received distributions of approximately \$43,000 and \$40,000 during the years ended June 30, 2022 and 2021, respectively. Distributions are presented as private gifts and grants, included in contributions receivable on the accompanying statements of activities.

OCCF maintains other funds that have been contributed by various donors to OCCF for the benefit of the University. These funds are not included as assets of the University and they have no remainder interest in the corpus of these funds. The earnings from these funds are paid to the University each year. For the years ended June 30, 2022 and 2021, the University received approximately \$258,000 and \$240,000, respectively, from the funds. At June 30, 2022 and 2021,

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the fair value of the funds was approximately \$4,801,000 and \$5,689,000, respectively. Earnings are presented as private gifts and grants, included in contributions receivable on the accompanying statements of activities.

Note 5: Property, Plant, and Equipment

Property, plant, and equipment is summarized as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 10,712,115	\$ 10,712,115
Buildings	192,379,147	192,379,147
Improvements	46,915,641	41,562,696
Steinway pianos	2,198,880	2,198,880
Equipment, including library books	54,998,977	55,998,705
Computers and automobiles	3,084,741	1,981,147
Construction in progress	-	4,804,749
	<u>310,289,501</u>	<u>309,637,439</u>
Less accumulated depreciation and amortization	<u>122,646,020</u>	<u>117,048,245</u>
	<u>\$ 187,643,481</u>	<u>\$ 192,589,194</u>

For the years ended June 30, 2022 and 2021, depreciation expense was approximately \$8,348,000 and \$8,032,000, respectively. See *Note 8* for ROU assets and accumulated amortization included in property, plant, and equipment, net.

Construction in progress consists mainly of projects related to improving and replacing the University's heating and ventilation (HVAC) units and boiler systems to more energy efficient models. Additionally, there are building improvements to renovate older buildings, installing elevators, and newer network equipment. These projects were started and paid for in prior years but were delayed or placed on hold due to the COVID-19 pandemic and campus closure. These projects were completed in 2022.

Note 6: Notes Payable

The University has an unsecured commercial line of credit with a financial institution. The agreement allows for borrowing up to \$3,000,000 and bears interest at The Wall Street Journal prime rate, subject to an interest rate floor of 4.0% (effective rate of 4.0% at June 30, 2022). The agreement was amended in April 2022 and now matures on April 21, 2023. The University did not have any draws on the line of credit at June 30, 2022 and 2021.

In April 2012, the University entered into a line of credit agreement with OMF. The agreement allowed for borrowings up to \$3,000,000. The University amended the agreement in June 2019 to increase the borrowing capacity to \$5,000,000 and subsequently amended the agreement in June 2021 to increase the borrowing capacity to \$5,500,000. The line of credit carries a variable interest

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rate starting at 1.82% and adjusted annually to the Lender’s Short-Term Fund rate plus 1% (effective rate of 1.82% at June 30, 2022). The agreement matures on June 30, 2024. The agreement is secured by certain investments held by OMF. The University carried a balance of \$4,000,000 and \$3,000,000 at June 30, 2022 and 2021, respectively.

In December 2017, the University entered into an installment loan with OMF. The agreement allows for borrowings up to \$2,008,890 requiring semiannual payments with accrued interest at 1.0% above OMF’s Short-Term Fund Rate (effective rate of 1.78% at June 30, 2022). The agreement matures on September 15, 2022. The agreement is secured by certain investments held by OMF. At June 30, 2022 and 2021, the outstanding balance was \$278,807 and \$827,049, respectively. This loan was paid in full in September 2022.

Maturities required on notes payable at June 30, 2022 were as follows:

2023		\$ 278,807	
2024		4,000,000	
		\$ 4,278,807	

Note 7: Bonds Payable

In December 2019, the University entered into an agreement with the Oklahoma City Development Finance Authority (the Authority) to issue Revenue and Refunding Bonds, Series 2019 (the 2019 Bonds). The 2019 Bonds mature from August 1, 2020 to August 1, 2049. Interest rates for the 2019 Bonds range from 3% to 5%. Principal payments are due August 1 of every year. Total proceeds from the 2019 Bonds issuance was \$98,478,961, which included a premium of \$8,586,610 less total issuance costs of \$867,649. The 2019 Bonds issuance was used to pay off the 2017A Notes, swap agreement, note payable, asset acquisitions, capital improvement costs, and fund restricted cash for the debt service fund. The 2019 Bonds are secured by all of the University’s assets and receivables.

Specific incremental costs directly attributable to the various bond offerings are deferred and amortized, using the effective interest method, over the remaining life of the bonds and netted with bonds payable in the accompanying statements of financial position. Bond issuance costs at June 30, 2022 and 2021 totaled \$751,348 and \$797,623, respectively.

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Components of bonds payable on the accompanying statements of financial position at June 30 were as follows:

	2022	2021
Bonds payable	\$ 87,730,000	\$ 89,270,000
Bond premium	6,829,561	7,486,482
	94,559,561	96,756,482
Less debt issuance costs	751,348	797,263
	\$ 93,808,213	\$ 95,959,219

The 2019 Bonds agreement does not require any financial and operating covenants ratios.

At June 30, 2022, annual maturities of principal of the 2019 Bonds were as follows:

2023	\$ 1,605,000
2024	1,680,000
2025	1,765,000
2026	1,855,000
2027	1,950,000
Thereafter	78,875,000
	\$ 87,730,000

Note 8: Leases

On July 1, 2020, the University adopted ASC Topic 842, *Leases*, by applying the guidance at the adoption date. As of July 1, 2020, the University recognized operating ROU assets and lease liabilities on its statements of financial position.

The University has elected to apply various practical expedients. This included the election to use the package of practical expedients, which allow lessees to make an election to not reassess conclusions previously made under ASC 840 with regard to whether leases and contracts in place at adoption of ASC 842 (a) are or contain leases, (b) the lease classification for existing leases, and (c) the initial direct costs for any existing leases. The University also elected to use the portfolio approach to evaluate leases with multiple similar assets with similar terms as one lease contract. Another expedient includes accounting for lease and non-lease components as a single lease component.

As of June 30, 2022, the University has recorded an operating lease of approximately \$297,000 as ROU assets and approximately \$295,000 as lease obligations within other liabilities. For its finance leases, the University has recorded approximately \$4,000,000 as ROU assets within property, plant, and equipment, net and approximately \$6,075,000 as finance lease obligations.

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The University leases certain buildings, equipment, computers, and automobiles under noncancelable operating and financing leases. These lease terms range from 3 to 15 years and expire at various dates through 2032.

Aggregate future minimum lease payments under noncancelable finance and operating leases as of June 30, 2022 are as follows:

	Financing Leases	Operating Leases
2023	\$ 885,686	\$ 97,123
2024	885,686	98,998
2025	832,939	101,857
2026	792,579	3,708
2027	792,579	3,708
Thereafter	4,062,177	11,124
	<u>8,251,646</u>	<u>316,518</u>
Less amount representing interest	<u>2,176,680</u>	<u>21,615</u>
Present value of future minimum lease payments	<u>\$ 6,074,966</u>	<u>\$ 294,903</u>

The components of lease expense are as follows:

	2022	2021
Finance lease expense		
Amortization of right-of-use assets	\$ 839,453	\$ 917,255
Interest expense on lease liabilities	396,983	425,370
Operating lease expense	102,575	50,566
Short-term lease expense	92,141	132,229
	<u>1,431,152</u>	<u>1,525,420</u>
Total lease expense	<u>\$ 1,431,152</u>	<u>\$ 1,525,420</u>

Other information related to leases is disclosed in the table below:

	Weighted Average Remaining Lease Term (In Years)	Weighted Average Discount Rate	Payments Presented in Cash Flow
Financing lease	8.29	6.27%	\$ 487,843
Operating lease	3.42	4.07%	\$ 101,675

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Assets leased under financing leases are included in property, plant, and equipment at June 30 as follows:

	2022	2021
Assets	\$ 7,956,386	\$ 7,920,553
Less accumulated depreciation	3,972,221	3,132,768
	\$ 3,984,165	\$ 4,787,785

Note 9: Net Assets

Net Assets With Donor Restrictions

The University's net assets with donor restrictions are as follows at June 30:

	2022	2021
Net assets with donor restrictions		
Capital projects	\$ 1,694,909	\$ 2,141,468
Scholarships	82,393,506	88,548,048
Other	49,976,517	47,391,630
	\$ 134,064,932	\$ 138,081,146
With donor restrictions		
Time or purpose	\$ 43,112,074	\$ 62,178,835
Perpetual	97,708,021	76,157,413
Underwater endowments	(6,755,163)	(255,102)
	\$ 134,064,932	\$ 138,081,146

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Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the years ended June 30:

	2022	2021
Purpose restrictions accomplished		
Capital projects	\$ 933,891	\$ 2,929,459
Scholarships	8,653,123	6,514,102
Other	3,944,198	8,195,426
	\$ 13,531,212	\$ 17,638,987

Net Assets Without Donor Restrictions

The University's net assets without donor restrictions are as follows at June 30:

	2022	2021
Net assets without donor restrictions		
Board-designated		
Endowment	\$ 10,993,858	\$ 12,344,305
Undesignated	85,039,638	90,594,463
	\$ 96,033,496	\$ 102,938,768

Note 10: Revenue Recognition

The University recognizes revenue in accordance with accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with the customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contract.
- Recognize revenue when or as performance obligations are satisfied.

The University is engaged primarily in providing academic services to students, or customers, in the higher education sector. The University's revenues are primarily derived from tuition and fees, auxiliary services, investment income, contributions, and grants. Most revenues from investment income, contributions, and grants are not derived from contracts with students and are not included in the scope of ASC 606.

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Revenue from contracts with students for tuition and fees and auxiliary are reported at the amount that reflects the consideration to which the University expects to be entitled in exchange for providing instruction and other program services.

Tuition and Fees

Tuition and fee revenue is derived from delivering academic programs to students. Tuition and fees are recognized over time as academic programs are delivered to students, as the students receive and consume benefits provided by the University as it satisfies the performance obligation. Scholarships and other aid reduce the amount of revenue recognized. During each program, there is a period in which the students may adjust their course load or withdraw completely. Payments for tuition and fees paid prior to the start of each class are recorded as deferred revenue in the accompanying statements of financial position.

Auxiliary Services

Auxiliary services revenue is derived primarily from room, board, and meal plans to students enrolled in academic programs. Auxiliary services revenue is recognized over time as the lodging services and meal plans are delivered, as the students receive and consume benefits provided by the University as it satisfies the performance obligation. At the beginning of each academic term, there is a period in which the students may withdraw completely. Payments for auxiliary services that extend past June 30, 2022 and 2021 are recorded as deferred revenue in the accompanying statements of financial position.

Deferred Revenue

Deferred revenue consists of funds collected prior to providing service to the students or others, which includes tuition, room, board, and meal plans for partially complete and future semesters, contract revenue received in advance, and other advance payments. Deferred revenue also includes the estimated incremental costs of nonrefundable tuition credits provided to individuals and businesses in connection with transactions with the University. These balances are carried as a liability on the accompanying statements of financial position until the performance obligations have been met.

The University measures performance obligation from the start of the school year because all of its performance obligations relate to contracts with a duration of less than one year. The University has elected to apply the optional exemption provided in ASC Section 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to deferred revenue. The performance obligations for these contracts are generally completed within one academic year and do not contain any financing components.

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Transaction Price and Recognition

The University determines the transaction price based on standard charges for goods and services provided, reduced by certain institutional scholarships and aid in accordance with the University's policies for granting certain merit-based aid. The University determines the estimates of explicit price concessions based on its discount policies and merit awards. The University determines its estimates of implicit price concessions based on its historical collection experience with each type of student or customer. From time to time, the University will incur student credit balances and student deposits, which represent the excess of tuition and fees and other student payments received as compared to amounts recognized as revenue. These amounts are excluded from revenue and are recorded as liabilities until they are refunded. No material liabilities existed at June 30, 2022 or 2021.

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

During the years ended June 30, 2022 and 2021, the University recognized revenue of approximately \$4,440,000 and \$4,843,000, respectively, that was recognized as a contract liability at the beginning of the year. This liability is included in deferred revenue on the accompanying statements of financial position.

The University expects to recognize revenue of approximately \$2,170,000 of tuition and auxiliary services revenue in fiscal year 2023 when the summer 2022 academic term is completed.

The University has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the various service lives.

Disaggregation of Revenue

The composition of revenue by material revenue category for the years ended June 30 is as follows:

	<u>2022</u>	<u>2021</u>
Student tuition and fees	\$ 79,385,819	\$ 81,428,415
Student aid	<u>(32,541,707)</u>	<u>(32,591,040)</u>
Student tuition and fees, net of student financial aid	<u>\$ 46,844,112</u>	<u>\$ 48,837,375</u>
Sales and services of auxiliary		
Student housing and dining	\$ 5,691,920	\$ 7,863,485
Student aid for student housing and dining	(1,254,040)	(1,298,478)
Other	<u>248,475</u>	<u>207,209</u>
	<u>\$ 4,686,355</u>	<u>\$ 6,772,216</u>

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Notes to Financial Statements
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Contract Balances

Contract assets primarily relate to the University’s rights to consideration for services provided but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. The University had no contract assets at June 30, 2022 and 2021. Contract liabilities represent the University’s obligation to transfer goods or services to a customer when consideration has already been received from the customer.

The following table provides information about the University’s contract liabilities and receivables from contracts with customers:

	2022	2021
Contract liabilities, beginning of year	\$ 4,439,995	\$ 4,842,959
Contract liabilities, end of year	\$ 4,030,002	\$ 4,439,995
Accounts receivable, beginning of year	\$ 1,205,981	\$ 1,726,799
Accounts receivable, end of year	\$ 1,537,664	\$ 1,205,981

Financing Component

The University has elected the practical expedient allowed under Financial Accounting Standards Board ASC 606-10-32-18 and does not adjust the promised amount of consideration from students and third parties for the effects of a significant financing component due to the University’s expectation that the period between the time the service is provided to a student and the time the student or a third-party payer pays for that service will be one year or less.

Note 11: Retirement Plan

The University, through the Teachers Insurance Annuity Association (TIAA) and the College Retirement Equity Fund (CREF), provides an individual retirement plan for academic and nonacademic personnel. The University’s policy is to contribute a percentage of the employee’s base salary based on the contribution level made by the employee. The University’s current contribution policy matches the employees’ contributions up to 5%. The University may cease matching contributions at its discretion.

The employer may contribute additional amounts within limits established by the Internal Revenue Service. The benefits payable by TIAA and CREF to a participant are dependent upon the sum of the contributions made by the participant and the University on their behalf and the earnings pertaining thereto. The University provides no guaranteed retirement benefits; therefore, the plan is a defined contribution plan. The University contributed approximately \$1,210,000 and \$1,097,000 during the years ended June 30, 2022 and 2021, respectively.

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Notes to Financial Statements
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Note 12: Federal Financial Awards

The United States government awards the University various monies restricted for student financial aid. The monies are awarded through three federal programs: Federal Pell Grant (Pell), Federal Supplemental Educational Opportunity Grant (SEOG), and Federal Work Study (FWS). The University considers this financial aid as an integral part of its educational and general activities.

Pell and SEOG provide eligible students a foundation of financial aid to assist with defraying the costs of post-secondary education. The FWS program provides part-time employment to students who need the earnings to help meet their post-secondary education costs. The program is also intended to broaden the range of worthwhile job opportunities to qualified students.

Note 13: Student Financial Aid – Contingencies

The University conducts certain programs pursuant to grants and contracts funded, and subject to audit, by various federal and state agencies. Amounts questioned as a result of audits, if any, may result in refunds to these governmental agencies.

The University participates in the Federal Direct Loan Program (the Program), which includes the Federal Stafford Loan Program, and Federal Plus Loans for Undergraduate and Graduate Students. Program loans are made by various lenders to students attending the University. Such transactions are not recorded in the financial statements of the University. The University performs certain administrative functions under the Program, which if not performed timely, could result in a liability to the University.

Note 14: Commitments and Contingencies

Litigation

The University is involved in various claims and lawsuits arising in the normal course of business but does not believe that the outcome of any of these matters will have a material adverse effect on the University's financial position. The University has included appropriate contingencies in the financial statements for such lawsuits.

Self-Insurance

The University offers health, dental, and vision plans (the Plan) for employees who wish to participate. The Plan is facilitated and administered by Blue Cross Blue Shield of Oklahoma. The University collects premiums from participating employees and remits monthly, along with University contributions, to an account that was specifically created for paying plan expenses. Blue Cross Blue Shield of Oklahoma is responsible for all aspects of administration, including enrollment changes, issuing eligibility cards, claims payment, and claims reporting. The University maintains control over the plan design, including changes to the Plan. The Plan has a stop loss policy of \$135,000 and \$125,000 per participating employee for the periods ending June 30, 2022 and 2021, respectively.

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During the years ended June 30, 2022 and 2021, the University expensed approximately \$3,422,000 and \$3,411,000, respectively, related to the Plan. The University has recorded a provision for incurred but not reported claims, which at June 30, 2022 and 2021 amounted to approximately \$416,000 and \$445,000, respectively.

The University has recorded an asset related to the funds on deposit to service claims and expenses, which at June 30, 2022 and 2021 amounted to approximately \$267,000 and \$261,000, respectively. The University replenishes its deposits on a monthly basis based on premiums collected from employees and the University's match on premiums for the prior month.

Contributions

Approximately 44% of all contributions were received from four donors in 2022.

Oklahoma City University
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Note 15: Fair Value Measurements

Assets and liabilities measured at fair value on a recurring basis are classified within the fair value hierarchy as of June 30 are as follows:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2022				
Investments, at fair value				
Cash	\$ 3,280	\$ 3,280	\$ -	\$ -
Equity funds	481,963	-	-	481,963
OMF pooled investment funds	77,767,702	-	77,767,702	-
Mineral interests and other	4,069,656	-	-	4,069,656
Endowments held by others	58,283,545	-	-	58,283,545
	<u>140,606,146</u>	<u>3,280</u>	<u>77,767,702</u>	<u>62,835,164</u>
Investments in charitable remainder annuity trusts				
Cash and money market funds	43,805	43,805	-	-
Corporate and government obligations	451,109	-	451,109	-
Common stock	774,690	774,690	-	-
	<u>1,269,604</u>	<u>818,495</u>	<u>451,109</u>	<u>-</u>
Total investments in charitable remainder annuity trusts	<u>1,269,604</u>	<u>818,495</u>	<u>451,109</u>	<u>-</u>
Total assets carried at fair value	<u>\$ 141,875,750</u>	<u>\$ 821,775</u>	<u>\$ 78,218,811</u>	<u>\$ 62,835,164</u>

Oklahoma City University
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	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2021				
Investments, at fair value				
Cash	\$ 211,143	\$ 211,143	\$ -	\$ -
Equity funds	436,502	-	-	436,502
OMF pooled investment funds	95,221,195	-	95,221,195	-
Mineral interests and other	3,502,087	-	-	3,502,087
Endowments held by others	49,284,936	-	-	49,284,936
	<u>148,655,863</u>	<u>211,143</u>	<u>95,221,195</u>	<u>53,223,525</u>
Investments in charitable remainder annuity trusts				
Cash and money market funds	682,159	682,159	-	-
Corporate and government obligations	521,541	-	521,541	-
Common stock	601,333	601,333	-	-
	<u>1,805,033</u>	<u>1,283,492</u>	<u>521,541</u>	<u>-</u>
Total investments in charitable remainder annuity trusts	<u>1,805,033</u>	<u>1,283,492</u>	<u>521,541</u>	<u>-</u>
Total assets carried at fair value	<u>\$ 150,460,896</u>	<u>\$ 1,494,635</u>	<u>\$ 95,742,736</u>	<u>\$ 53,223,525</u>

Following is a description of methodologies used for investments measured at fair value on a recurring basis. There have been no changes in the valuation methodologies used at June 30, 2022 and 2021.

Investment Securities and Investments Held in Charitable Remainder Annuity Trusts

When quoted prices are available in an active market, securities are classified within Level 1 of the hierarchy. Investments classified as Level 1 include cash and money market funds and common stock. OMF pooled investment funds and corporate and government obligations are classified within Level 2 of the hierarchy due to inputs in the valuation methodology that are observable in secondary markets. Assets held in equity funds, mineral interests and other, and endowments held by others are classified within Level 3 of the hierarchy due to unobservable inputs.

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Endowments Held by Others

Endowments held by others are primarily pooled investment funds held and managed by OMF, which the University does not have the ability to redeem and are classified as Level 3 financial assets. These investments are directed by OMF and others and are designed to achieve endowment returns consistent with their adopted investment policies. The balances held and invested by OMF are reported based on an allocation of pooled investment balances at OMF.

OMF Pooled Investments

Investments in securities that calculate NAV per share (or its equivalent, such as membership units) total \$77,767,702 and \$95,221,195 at June 30, 2022 and 2021, respectively. These investments consist of various domestic and international equity and bond funds and alternative investments. The University invests in these assets to achieve endowment returns consistent with the adopted investment policies. Investments in these funds include U.S. equities, non-U.S. equities, corporate and governmental bonds, commodities, secondary investments, and other investment vehicles. Investments in the OMF pooled investment funds are redeemable upon request by the University.

The University's valuation process for fair value measurements is determined by University management and monitored by the investment committee. The investment committee reports directly to the Board of Trustees. The University relies on the fair values provided by the custodians throughout the year and reviewed at least annually by the investment committee. The frequency and methods for calibration, back testing, and other procedures, including analysis of changes in fair value measurements, are determined based on management's evaluation of the relevant facts and circumstances, and reported to and monitored by the investment committee.

The following table summarizes the changes in the fair value of the University's Level 3 financial assets and liabilities for the years ended June 30:

	Investments	Endowments Held by Others	Total
Balance, July 1, 2020	\$ 3,421,590	\$ 40,412,136	\$ 43,833,726
Investment income, net	516,999	11,646,333	12,163,332
Distributions from trusts held by others	-	(2,787,933)	(2,787,933)
Gifts by others	-	14,400	14,400
Balance, June 30, 2021	3,938,589	49,284,936	53,223,525
Investment income, net	613,030	12,022,592	12,635,622
Distributions from trusts held by others	-	(3,181,739)	(3,181,739)
Gifts by others	-	157,756	157,756
Balance, June 30, 2022	<u>\$ 4,551,619</u>	<u>\$ 58,283,545</u>	<u>\$ 62,835,164</u>

The summary of changes in the fair value of Level 3 assets and liabilities have been prepared to reflect the same categories as those used in the accompanying statements of activities. Investment income (loss) represents unrealized gains (losses) for those Level 3 assets.

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The following table summarizes the valuation techniques and significant unobservable inputs used for the University’s investments that are categorized within Level 3 of the fair value hierarchy at June 30:

Investment Type	Fair Value		Valuation Technique	Unobservable Input (b)
	2022	2021		
Minerals and other	\$ 4,069,656	\$ 3,502,087	Multiple of annual income Fair value of underlying investments	Income multiple (a)
Endowments held by others	58,283,545	49,284,936		Unobservable securities
Private equity fund	<u>481,963</u>	<u>436,502</u>	Fair value of underlying investments	Unobservable securities
	<u>\$ 62,835,164</u>	<u>\$ 53,223,525</u>		

- (a) Represents amounts used when the University has determined that market participants would use such multiples when pricing the investments.
- (b) Significant increases or decreases in any of the above unobservable inputs in isolation may result in a significantly lower or higher fair value measurement.

Note 16: Endowment Disclosures

The University’s endowments consist of individual donor-restricted funds that are managed and controlled by the University. The University also has endowment funds that are held and managed by OMF and others (see *Note 4*). As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. All of the endowment funds held by the University are managed and controlled by the University in accordance with the following policies, except for the funds managed by OMF, which are subject to OMF’s interpretation of the law, investment policies, and spending policies.

Interpretation of Relevant Law

The Board of Trustees of the University has interpreted the *State Prudent Management of Institutional Funds Act* (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is restricted until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Oklahoma City University
Notes to Financial Statements
June 30, 2022 and 2021

- The duration and preservation of the fund;
- The purposes of the organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the organization; and
- The investment policies of the University.

Endowment net asset composition by type of fund as of June 30:

	Without Donor Restrictions	With Donor Restrictions	Total
2022			
Donor-restricted endowment funds	\$ -	\$ 125,544,488	\$ 125,544,488
Board-designated endowment funds	10,993,858	6,100,636	17,094,494
Total endowment funds	\$ 10,993,858	\$ 131,645,124	\$ 142,638,982
2021			
Donor-restricted endowment funds	\$ -	\$ 131,426,827	\$ 131,426,827
Board-designated endowment funds	12,344,305	6,830,034	19,174,340
Total endowment funds	\$ 12,344,305	\$ 138,256,861	\$ 150,601,166

Oklahoma City University
Notes to Financial Statements
June 30, 2022 and 2021

Change in endowment net assets for the years ended June 30:

	Without Donor Restrictions	With Donor Restrictions	Total
2022			
Endowment net assets, beginning of year	\$ 12,344,305	\$ 138,256,861	\$ 150,601,166
Investment loss, net	(1,355,397)	(2,929,727)	(4,285,124)
Contributions/transfers	4,950	2,803,187	2,808,137
Appropriation of endowment assets for expenditure	-	(6,485,197)	(6,485,197)
Endowment net assets, end of year	<u>\$ 10,993,858</u>	<u>\$ 131,645,124</u>	<u>\$ 142,638,982</u>
2021			
Endowment net assets, beginning of year	\$ 10,715,270	\$ 111,939,171	\$ 122,654,441
Investment income, net	1,623,685	30,890,752	32,514,438
Contributions/transfers	5,350	1,402,340	1,407,690
Appropriation of endowment assets for expenditure	-	(5,975,402)	(5,975,402)
Endowment net assets, end of year	<u>\$ 12,344,305</u>	<u>\$ 138,256,861</u>	<u>\$ 150,601,166</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the University to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature that are reported in net assets with donor restrictions were \$6,755,163 and \$1,124,639 at June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, \$5,851,136 and \$870,895, respectively, of the deficiencies are related to the endowment funds managed by the University. These deficiencies resulted from unfavorable market fluctuations. As a result, appropriations were limited to appropriations that were deemed prudent and necessary for the programs of the University.

Return Objectives and Risk Parameters

For endowment assets the University manages, the University has adopted investment and spending policies for these assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested for the dual purpose of maximizing total return and meeting income needs while managing the level of risk associated with these objectives by effectively diversifying the investments among different asset classes and securities. The asset allocation policies reflect and are consistent with

Oklahoma City University
Notes to Financial Statements
June 30, 2022 and 2021

the investment objectives and risk tolerances expressed through the investment policy. These policies, developed after examining the historical relationships of risk and return among asset classes, are designed to provide the highest probability of meeting or exceeding the return objectives at the lowest level of risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. Investments managed by OMF are subject to their investment strategies.

Spending Policy and How Investment Objectives Relate to the Spending Policy

The University’s spending policy is to appropriate for distribution each year 5% (on an annualized basis) of the ending market value for each month in the quarter. The University applies this spending policy to endowments in net surplus or net deficit positions. Net deficit position endowments are funded through the University’s net assets without donor restrictions, always maintaining the corpus of the endowment net assets with donor restrictions, as appropriate. The University periodically evaluates the spending policy to ensure it remains in accordance with the long-term objectives of the University. Investments managed by OMF are subject to their spending policies.

Note 17: Trust Funds Held for Others

Trust funds held for others are recorded as annuities payable in the accompanying statements of financial position and consist of the following as of June 30:

	2022	2021
Trust A (a)	\$ -	\$ 348,568
Trust B (b)	474,279	501,585
Other	361,310	459,989
	\$ 835,589	\$ 1,310,142

(a) In 2001, the University became the trustee of a charitable remainder annuity trust initially funded with investments totaling \$10,000,000. After establishing the trust, the original donor authorized \$4,500,000 of trust assets to be used for other projects of the University. Pursuant to the terms of the trust document, each year, the trust pays the settlor an annuity of 6% of the original fair market value of assets contributed to the trust by the settlor to the extent that there are trust assets available. Upon the death of the settlor, remaining trust assets, if any, shall be distributed to the University as the remainder beneficiary, to be used for unrestricted endowment purposes. On August 31, 2016, the University entered into an agreement with the

Oklahoma City University
Notes to Financial Statements
June 30, 2022 and 2021

settlor that in the event that the trust assets are exhausted prior to the settlor's death, the University will continue to make monthly payments of 4% ending upon the settlor's death or June 1, 2022, whichever occurs sooner. In 2022, this trust fully matured based on the terms of that agreement.

- (b) In 2011, the University became the trustee of a charitable remainder unitrust initially funded with investments totaling \$1,500,000. Each year, the trust pays 8.015% of the original fair market value of assets contributed to the trust to the beneficiary to the extent that there are trust assets available. Upon the death of the beneficiary, remaining trust assets, if any, shall be distributed to the University to be used to fund an endowed chair in the school of dance.

Note 18: Liquidity and Availability

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures. Student notes receivable are not considered to be available to meet general expenditures because principal and interest on these loans are used solely to make new loans. In addition to financial assets available to meet general expenditures over the next 12 months, the University operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

Oklahoma City University
Notes to Financial Statements
June 30, 2022 and 2021

As of June 30, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 10,049,346	\$ 12,122,808
Investments	141,875,750	150,460,896
Student receivables, net	1,537,664	1,205,981
Contributions, net	3,189,893	2,411,199
Accrued interest and other	<u>290,888</u>	<u>338,348</u>
Total financial assets at year-end	<u>156,943,541</u>	<u>166,539,232</u>
Less amounts available for general expenditure within one year		
Restricted cash	(5,622,532)	(6,710,663)
Board-designated endowment	(10,993,858)	(4,790,713)
Donor-restricted endowments not available for expenditure	(126,046,157)	(119,801,112)
Restricted by donors, net of amounts available within one year	-	(5,180,089)
Deposits held in custody for others	(593,922)	(215,820)
Annuities payable	(835,589)	(1,310,142)
Advances from federal government for student loans	<u>(1,664,000)</u>	<u>(2,101,000)</u>
Total amount unavailable for general expenditure within one year	<u>(145,756,058)</u>	<u>(140,109,539)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 11,187,483</u>	<u>\$ 26,429,693</u>

Note 19: COVID-19 and CARES Act

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020 declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus included restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries. On March 27, 2020, the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families, and businesses affected by the coronavirus pandemic.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the University. To date, the University has adopted more virtual classroom settings to combat the spread of the pandemic and has not seen a significant impact to its financial statements. The University believes it will be able to continue the virtual classroom program and adapt to future environmental and regulatory mandates.

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Notes to Financial Statements
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As part of the CARES Act, funding related to the Higher Educational Emergency Relief Fund I, II, and III was made available to help schools and universities. During the years ended June 30, 2022 and 2021, the University received grants equal to approximately \$3,126,000 and \$2,822,000, respectively. These amounts are presented as federal and state grants and contracts on the accompanying statements of activities.

Note 20: Related-Party Transactions

A member of the Board is an officer of OMF. The University has pooled investments totaling \$77,767,702 and \$95,221,195 and endowments held in trusts by OMF totaling \$57,507,000 and \$48,347,000 at June 30, 2022 and 2021, respectively.

Supplementary Information

Oklahoma City University
Financial Responsibility Ratios
June 30, 2022

Ratio Element	Reference to Financial Statements and/or Notes	Amount
Primary Reserve Ratio		
Expendable Net Assets		
Net assets without donor restrictions	Statement of Financial Position	\$ 96,033,496
Net assets with donor restrictions	Statement of Financial Position	\$ 134,064,932
Net assets with donor restrictions – restricted in perpetuity	<i>Note 9</i>	\$ 97,708,021
Annuities with donor restrictions	<i>Note 15</i>	\$ 1,269,604
Property, plant, and equipment, net, including construction in progress	Statement of Financial Position	\$ 187,643,481
Property, plant, and equipment, net – pre-implementation, leases grandfathered	<i>Note 5</i>	\$ 187,643,481
Lease right-of-use assets, net	<i>Note 8</i>	\$ 4,279,068
Lease right-of-use assets, net – post-implementation	<i>Note 8</i>	\$ 4,279,068
Long-term debt for long-term purposes	<i>Note 6 and Note 7</i>	\$ 94,838,368
Right-of-use asset lease obligation	<i>Note 8</i>	\$ 6,369,869
Right-of-use asset lease obligation – post-implementation	<i>Note 8</i>	\$ 6,369,869
Total Expenses and Losses		
Total expenses without donor restrictions	Statement of Activities	\$ 74,734,053
Change in value of split-interest agreements	Statement of Activities	\$ (332,313)
Equity Ratio		
Modified Net Assets		
Net assets without donor restrictions	Statement of Activities	\$ 96,033,496
Net assets with donor restrictions	Statement of Activities	\$ 134,064,932
Modified Assets		
Total assets	Statement of Financial Position	\$ 347,571,269
Intangible assets	<i>Note 7</i>	\$ 751,348
Net Income Ratio		
Change in net assets without donor restrictions	Statement of Activities	\$ (6,905,272)
Total revenues without donor restrictions, including net assets released from restrictions	Statement of Activities	\$ 68,918,759
Net investment return appropriated for spending	Statement of Activities	\$ 762,414

Oklahoma City University
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Education				
<i>Student Financial Assistance Cluster</i>				
Federal Pell Grant	84.063	N/A	\$ -	\$ 1,549,222
Federal Supplemental Educational Opportunity Grant (SEOG)	84.007	N/A	-	136,017
Federal Perkins Loan Program, Beginning Loan Balance	84.038	N/A	-	1,543,995
Federal Work Study	84.033	N/A	-	244,325
Federal Direct Loan Programs	84.268	N/A	-	41,641,456
<i>Total Student Financial Assistance Cluster</i>			-	45,115,015
<i>Other Grant Programs</i>				
Higher Education Emergency Relief Fund (HEERF) (Direct)				
COVID-19 HEERF Student Aid Portion	84.425E	N/A	-	2,065,429
COVID-19 HEERF Institutional Aid Portion	84.425F	N/A	-	1,060,699
<i>Total Other Grant Programs</i>			-	3,126,128
Total U.S. Department of Education			-	48,241,143
U.S. Department of Defense				
Language Grant Program	12.900	N/A	-	2,647
Total U.S. Department of Defense			-	2,647
U.S. Department of Justice				
Capital Case Litigation Initiative	16.746	N/A	-	151,195
Total U.S. Department of Justice			-	151,195
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 48,394,985

Oklahoma City University
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Oklahoma City University (the University) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the University.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: Indirect Cost Rate

The University has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Federal Loan Program

The federal loan program listed subsequently is administered directly by the University, and balances and transactions relating to this program are included in the University's basic financial statements. Loans outstanding at the beginning of the year are included in the federal expenditures presented in the Schedule. There were no loans made during the year. The balance of loans outstanding at June 30, 2022 consists of:

Assistance Listing Number	Program Name	Outstanding Balance at June 30, 2022
84.038	Federal Perkins Loan Program	\$888,271

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Independent Auditor's Report

Board of Trustees
Oklahoma City University
Oklahoma City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Oklahoma City University (the University), which comprise the University's statement of financial position as of June 30, 2022 and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated December 22, 2022, which contained paragraphs regarding the prior year being audited by other auditors, report on summarized comparative information, and a change in accounting principles.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Board of Trustees
Oklahoma City University

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS,LLP

Tulsa, Oklahoma
December 22, 2022

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance

Independent Auditor's Report

Board of Trustees
Oklahoma City University
Oklahoma City, Oklahoma

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Oklahoma City University's (the University) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2022. The University's major federal programs are identified in the "Summary of Auditor's Results" section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the University's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and that are described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002, and 2022-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards require the auditor to perform limited procedures on the University's responses to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses. The University is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The University's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002, and 2022-003, to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the University’s responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The University’s responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses. The University is responsible for preparing a corrective action plan to address each audit finding included in our auditor’s report. The University’s corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

FORVIS, LLP

Tulsa, Oklahoma
February 17, 2023

Oklahoma City University
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I – Summary of Auditor’s Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:
 Unmodified Qualified Adverse Disclaimer
2. Internal control over financial reporting:
Significant deficiency(ies) identified? Yes None reported
Material weakness(es) identified? Yes No
3. Noncompliance material to the financial statements noted? Yes No

Federal Awards

4. Internal control over major federal awards programs:
Significant deficiency(ies) identified? Yes None reported
Material weakness(es) identified? Yes No
5. Type of auditor’s report issued on compliance for major federal program(s):
 Unmodified Qualified Adverse Disclaimer
6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)?
 Yes No
7. Identification of major federal programs:

**Assistance
Listing
Number(s)**

Name of Federal Program or Cluster

-
- | | |
|---------|--|
| * | Student Financial Assistance Cluster |
| | COVID-19 – Education Stabilization Fund |
| 84.425E | Higher Education Emergency Relief Fund – Student Aid Portion |
| 84.425F | Higher Education Emergency Relief Fund – Institutional Aid Portion |
8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
 9. Auditee qualified as a low-risk auditee? Yes No

Oklahoma City University
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2022

Section II – Financial Statement Findings

Reference Number	Finding
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No matters are reportable.

Oklahoma City University
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2022

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
2022-001	<p style="text-align: center;">Student Financial Assistant Cluster ALN 84.268 Federal Direct Student Loan Programs U.S. Department of Education Program Year 2021 – 2022</p> <p>Criteria or Specific Requirement – Special Tests and Provisions: Disbursements to or on Behalf of Students, 34 CFR 668.165</p> <p>Condition – Eleven students with direct loans were not notified of the date and amount of disbursement and that they have the right to cancel all or a portion of the disbursement.</p> <p>Questioned Costs – None</p> <p>Context – Out of the population of 1,527 students who received federal direct student loans, a sample of 27 students was selected for testing. Eleven of the tested students were not correctly notified of the date and disbursement of their direct loans or of the fact that they have the right to cancel all or a portion of the disbursement. Our sample was not and was not intended to be a statically valid sample.</p> <p>Effect – Eleven students did not receive notifications regarding their direct loans, as required.</p> <p>Cause – An algorithm in the University’s system was not updated, causing direct loan notifications not to occur for any student not receiving any aid other than direct loans.</p> <p>Identification as a Repeat Finding – N/A</p> <p>Recommendation – The University should review its procedures for ensuring that algorithms established in the system are reviewed and updated to ensure all notifications are occurring in compliance with Department of Education guidelines.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management agrees with the finding and will ensure that all algorithms are reviewed and updated in the future.</p>

Oklahoma City University
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2022

Reference Number	Finding
2022-002	<p style="text-align: center;">COVID-19 Education Stabilization Fund, Higher Education Emergency Relief Fund – Student Aid Portion, ALN 84.425E Higher Education Emergency Relief Fund – Institutional Aid Portion, ALN 84.425F U.S. Department of Education, Award Year 2022</p> <p>Criteria or Specific Requirement – Reporting – Section 18004(a)(1) Student Aid Portion Quarterly Public Reporting and Institutional Aid Portion Quarterly Public Reporting – 85 FR 53082</p> <p>Condition – One of the University’s required public reports for Higher Education Emergency Relief Fund (HEERF) III student aid portion dollars disbursed during the Fall 2021 term and one of the University’s required public reports for HEERF II institutional aid portion dollars were not publicly posted in a timely manner.</p> <p>Questioned Costs – None</p> <p>Context – Out of the population of five required quarterly public reports for HEERF I, II, and III student aid portion dollars, one was selected for testing. Out of four required quarterly reports for HEERF I, II, and III institutional aid portion dollars, one was selected for testing. Neither report tested was publicly posted by the stated Department of Education deadline. Our sample was not and was not intended to be a statically valid sample.</p> <p>Effect – Information required to be made publicly available was not done so in a timely manner, which could result in a loss of funding.</p> <p>Cause – This was a newer federal program with evolving compliance requirements and, due to turnover in the financial accounting services department in the prior year, current employees were not aware of the requirement.</p> <p>Identification as a Repeat Finding – 2021-001</p> <p>Recommendation – The University should review its processes and controls to ensure awareness of compliance requirements.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management agrees with the finding and, once made aware, timely filed all required reports.</p>

Oklahoma City University
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2022

Reference Number	Finding
2022-003	<p style="text-align: center;">COVID-19 Education Stabilization Fund, Higher Education Emergency Relief Fund – Institutional Aid Portion, ALN 84.425F U.S. Department of Education, Award Year 2022</p> <p>Criteria or Specific Requirement – Procurement and Suspension and Debarment – Section 18004(a)(1) Institutional Aid Portion – 2 CFR 200.318-326</p> <p>Condition – The University does not have a procurement policy as required under federal guidelines. No support exists to show that vendors are reviewed for suspension or debarment. No support is maintained for sole source purchases.</p> <p>Questioned Costs – None</p> <p>Context – The University does not have a procurement policy in place to meet the Uniform Guidance procurement requirements. No errors were specifically found in testing of purchases against federal procurement requirements, but support could not be provided to show University procedures to check suspension or debarment. While none were selected for testing, it was additionally noted that no support was maintained for sole source purchases.</p> <p>Effect – It is possible that purchases may be made that are not in accordance with federal procurement requirements that could lead to material noncompliance with federal grant agreements.</p> <p>Cause – The University does not have a procurement policy in accordance with Uniform Guidance in place as is required under federal guidelines.</p> <p>Identification as a Repeat Finding – N/A</p> <p>Recommendation – The University should draft and approve a procurement policy that covers all aspects of federal procurement requirements.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management agrees with the finding and is working to implement a procurement policy after year-end.</p>

Oklahoma City University
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022

Reference Number	Summary of Finding	Status
2021-001	<p style="text-align: center;">COVID-19 Education Stabilization Fund, Higher Education Emergency Relief Fund – Student Aid Portion, ALN 84.425E</p> <p>Reporting – Section 18004(a)(1) Student Aid Portion Quarterly Public Reporting 85 FR 53082</p> <p>The CARES Act requires public reporting of specific information pertaining to the student aid portion of the funds received pursuant to the Higher Education Emergency Relief Fund (HEERF) provisions of the CARES Act.</p> <p>Questioned Costs – None</p> <p>The University’s required public report for HEERF II student aid portion dollars disbursed during the Spring 2021 term was not publicly posted.</p>	Not Resolved – 2022-002