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# Oklahoma City University

## Independent Auditor's Reports and Financial Statements

June 30, 2023 and 2022

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**Oklahoma City University**  
**June 30, 2023 and 2022**

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110 N. Elgin Avenue, Suite 400 / Tulsa, OK 74120

P 918.584.2900 / F 918.584.2931

[forvis.com](http://forvis.com)

## Independent Auditor's Report

Board of Trustees  
Oklahoma City University  
Oklahoma City, Oklahoma

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Oklahoma City University (the University), which comprise the statements of financial position as of June 30, 2023 and 2022 and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University, as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

### ***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 on and provide no assurance on it.

### ***Supplementary Information***

Our audits were 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 accompanying supplementary information is 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 November 30, 2023, 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  
November 30, 2023

**Oklahoma City University**  
**Statements of Financial Position**  
**June 30, 2023 and 2022**

**Assets**

	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 8,776,724	\$ 4,426,814
Restricted cash	5,786,094	5,622,532
Receivables		
Students, net	1,465,522	1,537,664
Contributions, net	7,855,477	3,189,893
Accrued interest and other	902,529	290,888
Student notes receivable, net	627,711	888,271
Prepaid expenses, deposits, and other assets	2,029,340	1,799,320
Right-of-use assets	214,280	296,656
Investments		
Securities	88,880,835	82,322,601
Investments held in charitable remainder annuity trusts	1,266,657	1,269,604
Beneficial interest in endowments held by others	95,553,360	58,283,545
Property, plant, and equipment, net	184,422,340	187,643,481
Total assets	\$ 397,780,869	\$ 347,571,269

**Liabilities and Net Assets**

**Liabilities**

Accounts payable and accrued liabilities		
Salaries, wages, and benefits	\$ 2,641,029	\$ 2,857,650
Other	4,750,587	3,034,789
Notes payable and lines of credit	12,500,000	4,278,807
Deferred revenue	3,986,135	4,030,002
Deposits held in custody for others	611,947	593,922
Annuities payable	674,125	835,589
Finance lease obligations	5,603,376	6,074,966
Operating lease liabilities	208,079	294,903
Bonds payable, net	91,624,504	93,808,213
Advances from federal government for student loans	1,769,000	1,664,000
Total liabilities	124,368,782	117,472,841

**Net Assets**

Without donor restrictions	91,254,891	96,033,496
With donor restrictions	182,157,196	134,064,932
Total net assets	273,412,087	230,098,428
Total liabilities and net assets	\$ 397,780,869	\$ 347,571,269

**Oklahoma City University**  
**Statement of Activities**  
**Year Ended June 30, 2023**  
**(With Summarized Financial Information for June 30, 2022)**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	
			<b>2023</b>	<b>2022</b>
<b>Revenues, Gains, and Other Support</b>				
Student tuition and fees, net of student aid of \$29,238,746	\$ 48,848,100	\$ -	\$ 48,848,100	\$ 46,844,112
Federal and state grants and contracts	-	1,010,368	1,010,368	3,717,914
Private gifts and grants, including contributions receivable	954,241	12,176,352	13,130,593	9,891,743
Contributions of nonfinancial assets	-	854,596	854,596	-
Change in value of split-interest agreements	-	43,434	43,434	73,138
Sales and services of educational departments	344,078	-	344,078	323,916
Sales and services of auxiliary, net of student aid of \$1,402,657	4,844,161	-	4,844,161	4,686,355
Investment income, net	879,352	5,781,691	6,661,043	4,932,747
Other income	1,554,398	37,390	1,591,788	1,672,672
	<u>57,424,330</u>	<u>19,903,831</u>	<u>77,328,161</u>	<u>72,142,597</u>
Net assets released from restrictions	14,507,658	(14,507,658)	-	-
	<u>71,931,988</u>	<u>5,396,173</u>	<u>77,328,161</u>	<u>72,142,597</u>
Total revenues, gains, and other support				
<b>Expenses</b>				
Program services				
Instruction	42,098,732	-	42,098,732	41,169,934
Academic support	7,382,964	-	7,382,964	7,523,850
Student services	12,047,665	-	12,047,665	11,151,027
Institutional support	9,967,284	-	9,967,284	9,604,780
	<u>71,496,645</u>	<u>-</u>	<u>71,496,645</u>	<u>69,449,591</u>
Auxiliary enterprises	5,805,267	-	5,805,267	5,284,462
	<u>77,301,912</u>	<u>-</u>	<u>77,301,912</u>	<u>74,734,053</u>
Total expenses				
<b>Operating Income (Loss)</b>	<u>(5,369,924)</u>	<u>5,396,173</u>	<u>26,249</u>	<u>(2,591,456)</u>
<b>Other Income (Expense)</b>				
Net endowment income (loss) in excess of income designated for operations	591,319	5,487,911	6,079,230	(16,714,622)
Change in value of split-interest agreements	-	73,844	73,844	(405,451)
Increase in fair value of beneficial interest in funds held by others	-	37,134,336	37,134,336	8,790,043
	<u>591,319</u>	<u>42,696,091</u>	<u>43,287,410</u>	<u>(8,330,030)</u>
Total other income (expense)				
<b>Change in Net Assets</b>	<u>(4,778,605)</u>	<u>48,092,264</u>	<u>43,313,659</u>	<u>(10,921,486)</u>
<b>Net Assets, Beginning of Year</b>	<u>96,033,496</u>	<u>134,064,932</u>	<u>230,098,428</u>	<u>241,019,914</u>
<b>Net Assets, End of Year</b>	<u>\$ 91,254,891</u>	<u>\$ 182,157,196</u>	<u>\$ 273,412,087</u>	<u>\$ 230,098,428</u>

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

	Without Donor	With Donor	Total	
	Restrictions	Restrictions	2022	2021
<b>Revenues, Gains, and Other Support</b>				
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
Change 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	13,531,212	(13,531,212)	-	-
	<u>68,918,759</u>	<u>3,223,838</u>	<u>72,142,597</u>	<u>71,005,210</u>
Total revenues, gains, and other support				
<b>Expenses</b>				
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				
<b>Operating Income (Loss)</b>	<u>(5,815,294)</u>	<u>3,223,838</u>	<u>(2,591,456)</u>	<u>(2,710,684)</u>
<b>Other Income (Expense)</b>				
Net endowment income (loss) in excess of income designated for operations	(1,089,978)	(15,624,644)	(16,714,622)	20,418,928
Change 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)				
<b>Change in Net Assets</b>	<u>(6,905,272)</u>	<u>(4,016,214)</u>	<u>(10,921,486)</u>	<u>26,779,748</u>
<b>Net Assets, Beginning of Year</b>	<u>102,938,768</u>	<u>138,081,146</u>	<u>241,019,914</u>	<u>214,240,166</u>
<b>Net Assets, End of Year</b>	<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 Functional Expenses**  
**Year Ended June 30, 2023**

**(With Summarized Financial Information for June 30, 2022)**

	<u>Program Services</u>			<b>Total Program Services</b>	<b>Institutional Support Expense</b>	<b>Auxiliary Enterprises Expense</b>	<u>Total</u>	
	<b>Instruction Expense</b>	<b>Academic Support Expense</b>	<b>Student Service Expense</b>				<b>2023</b>	<b>2022</b>
Salaries and benefits	\$ 27,871,043	\$ 3,198,272	\$ 6,446,340	\$ 37,515,655	\$ 5,503,892	\$ 914,331	\$ 43,933,878	\$ 43,029,666
Depreciation and amortization	4,239,164	1,463,120	878,274	6,580,558	289,161	1,655,220	8,524,939	7,737,183
Supplies	850,867	548,353	753,042	2,152,262	261,921	239,871	2,654,054	2,941,939
Services	1,797,983	750,458	826,441	3,374,882	725,498	1,105,963	5,206,343	5,807,892
Interest	1,824,149	446,799	380,139	2,651,087	579,795	634,044	3,864,926	4,478,890
Occupancy (leases and utilities)	1,794,649	630,606	674,740	3,099,995	1,187,084	944,167	5,231,246	3,997,097
Recruiting and advertising	853,257	4,720	523,062	1,381,039	82,418	295	1,463,752	1,253,632
Special events	298,363	23,439	182,324	504,126	187,560	13,585	705,271	721,084
Travel and training	734,718	107,602	927,678	1,769,998	175,528	18,471	1,963,997	1,394,675
Other	1,834,539	209,595	455,625	2,499,759	974,427	279,320	3,753,506	3,371,995
<b>Total</b>	<u>\$ 42,098,732</u>	<u>\$ 7,382,964</u>	<u>\$ 12,047,665</u>	<u>\$ 61,529,361</u>	<u>\$ 9,967,284</u>	<u>\$ 5,805,267</u>	<u>\$ 77,301,912</u>	<u>\$ 74,734,053</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
<b>Total</b>	<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**  
**Statements of Cash Flows**  
**Years Ended June 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 43,313,659	\$ (10,921,486)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Gifts with perpetual restrictions	(3,065,742)	(2,326,638)
Investment (income) loss for perpetually restricted purposes	(109,812)	96,621
Net realized and unrealized investment (gains) losses	(49,248,470)	4,121,682
Depreciation and amortization	8,524,939	7,737,183
Amortization of bond premium and issuance costs, net	(578,709)	-
Gain on sale of property and equipment	(39,837)	-
Bad debt expense	1,021,867	348,896
Change in discount on contributions receivable	555,264	187,814
Changes in operating assets and liabilities		
Student accounts receivable	(340,255)	(484,609)
Prepaid expenses, deposits, and other assets	(230,020)	(83,976)
Contributions receivable	(5,875,218)	(1,076,479)
Accrued interest and other receivables	(611,641)	47,460
Accounts payable and accrued liabilities	(204,757)	(1,223,743)
Annuities payable	(161,464)	(474,553)
Deferred revenue	(43,867)	(409,993)
Deposits held in custody for others	18,025	378,102
Advances from federal government for student loans	105,000	(437,000)
Net cash used in operating activities	(6,971,038)	(4,520,719)
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(2,626,864)	(2,253,192)
Proceeds from sales of investments	3,714,276	3,735,315
Distributions from endowments held by others	4,395,817	3,139,096
Contributions to endowments held by others	(59,861)	(157,755)
Capital expenditures	(3,547,240)	(3,245,868)
Proceeds from disposal of assets	39,837	62,963
Collections on student notes receivable	305,460	512,765
Net cash provided by investing activities	2,221,425	1,793,324
<b>Cash Flows from Financing Activities</b>		
Gifts collected for permanently restricted purposes	3,065,742	2,326,638
Investment income (loss) for permanently restricted purposes	109,812	(96,621)
Proceeds from notes payable and lines of credit	19,500,000	7,500,000
Payments on notes payable and lines of credit	(11,278,807)	(7,048,241)
Payments on bonds payable and finance lease obligations	(2,133,662)	(2,027,843)
Net cash provided by financing activities	9,263,085	653,933

**Oklahoma City University**  
**Statements of Cash Flows, continued**  
**Years Ended June 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Change in Cash, Cash Equivalents, and Restricted Cash</b>	\$ 4,513,472	\$ (2,073,462)
<b>Cash, Cash Equivalents, and Restricted Cash, Beginning of Year</b>	10,049,346	12,122,808
<b>Cash, Cash Equivalents, and Restricted Cash, End of Year</b>	\$ 14,562,818	\$ 10,049,346
<b>Reconciliation of Cash, Cash Equivalents, and Restricted Cash</b>		
Cash and cash equivalents	\$ 8,776,724	\$ 4,426,814
Restricted cash	5,786,094	5,622,532
Total cash, cash equivalents, and restricted cash	\$ 14,562,818	\$ 10,049,346
<b>Noncash Investing and Financing Activities</b>		
Gifts to endowment held by others	\$ 59,861	\$ 157,755
Property, plant, and equipment acquired through assumption of right-of-use assets and financing leases	\$ 57,072	\$ 37,914
Property, plant, and equipment acquired through accounts payable	\$ 1,893,147	\$ 193,661
Interest paid	\$ 4,058,486	\$ 4,510,179

# Oklahoma City University

## Notes to Financial Statements

### June 30, 2023 and 2022

#### **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 is readily available as cash on demand. At June 30, 2023 and 2022, the University had certain concentrations of credit risk with financial institutions in the form of uninsured cash of approximately \$8,551,000 and \$4,146,000, respectively. 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, 2023 and 2022, cash equivalents consisted primarily of money market accounts.

# Oklahoma City University

## Notes to Financial Statements

### June 30, 2023 and 2022

#### ***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, 2023 and 2022, the University had recorded an allowance of approximately \$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, 2023 and 2022, the University had recorded an allowance of approximately \$99,000 and \$144,000, 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 recorded as revenue with donor restrictions and then released from restriction. 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

**Oklahoma City University**  
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interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

***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, 2023 and 2022.

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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 the 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 the 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.

***Refund Liabilities***

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

***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:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<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



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<b>Nature of the Gift</b>	<b>Value Recognized</b>
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.

**Contributions of Nonfinancial Assets**

For the year ended June 30, 2023, contributed nonfinancial assets recognized within the accompanying statement of activities included approximately \$410,000 of computer equipment and \$445,000 of land, which is included in revenues with donor restrictions. The computer equipment will be used for education initiatives within tribal communities. The University estimated the fair value of the computer equipment based on cost. The land was received to be sold and the proceeds added to the endowment. The land was sold during 2023. The University estimated the fair value of the land based on an appraisal and the proceeds received from the sale.

There were no material contributions of nonfinancial assets for the year ended June 30, 2022.

**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 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, 2023 and 2022. With few exceptions, the University is no longer subject to examination by the U.S. federal or state tax authorities for fiscal years before

# Oklahoma City University

## Notes to Financial Statements

### June 30, 2023 and 2022

2020. 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 IRS life expectancy tables. Liabilities totaling approximately \$320,000 and \$361,000 as of June 30, 2023 and 2022, 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, 2023 and 2022. Liabilities totaling approximately \$354,000 and \$474,000 as of June 30, 2023 and 2022, 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 U.S. 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 is 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.

# Oklahoma City University

## Notes to Financial Statements

### June 30, 2023 and 2022

#### **Advertising Costs**

The University expenses the costs of advertising as incurred. For the years ended June 30, 2023 and 2022, advertising expense was approximately \$1,043,000 and \$943,000, 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 income (loss) in excess of income designated for operations, changes in the fair value of beneficial interest in funds held by others, and changes in 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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**Subsequent Events**

The University has evaluated subsequent events through November 30, 2023, 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%).

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

	<b>2023</b>	<b>2022</b>
Due in less than one year	\$ 2,364,748	\$ 1,351,467
Due in one to five years	5,369,542	1,588,598
Due in more than five years	1,150,000	650,000
	8,884,290	3,590,065
Less allowance	(141,778)	(68,401)
Less discount	(887,035)	(331,771)
	<b>\$ 7,855,477</b>	<b>\$ 3,189,893</b>

Included in gross unconditional promises to give are approximately \$1,289,000 and \$1,143,000 from members of the Board of Trustees, affiliates of the Board, and officers and employees of the University as of June 30, 2023 and 2022, respectively.

**Note 3: Student Notes Receivable**

**Federal Perkins Loan Program**

Student loans under the Federal Perkins Loan Program were approximately \$627,000 and \$888,000 at June 30, 2023 and 2022, 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 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 \$99,000 and \$148,000 at June 30, 2023 and 2022, 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
<b>2023</b>							
Student loans receivable, net	\$ 103,607	\$ 361,014	\$ 21,587	\$ 39,278	\$ 63,017	\$ 39,208	\$ 627,711
As a percentage of total loan portfolio	16.51%	57.51%	3.44%	6.26%	10.04%	6.25%	100.00%
<b>2022</b>							
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%

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, 2023 and 2022 include the interest in assets held by OMF of approximately \$94,742,000 and \$57,507,000, respectively. The University receives distributions from the income earned, which is generally restricted for scholarship purposes. During the years ended June 30, 2023 and 2022, the University received approximately \$4,353,000 and \$3,139,000, 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), for 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, 2023 and 2022 include the interest in assets held by OCCF of approximately \$806,000 and \$772,000, 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 during the years ended June 30, 2023 and 2022. Distributions are presented as private gifts and grants, including 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, 2023 and 2022, the University received approximately \$261,000 and \$258,000, respectively, from the funds. At June 30, 2023 and 2022,

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the fair value of the funds was approximately \$5,021,000 and \$4,801,000, respectively. Earnings are presented as private gifts and grants, including in contributions receivable on the accompanying statements of activities.

**Note 5: Property, Plant, and Equipment**

Property, plant, and equipment is summarized as follows:

	<b>2023</b>	<b>2022</b>
Land	\$ 10,712,115	\$ 10,712,115
Buildings	192,379,147	192,379,147
Improvements	50,559,940	46,915,641
Steinway pianos	2,362,200	2,198,880
Equipment, including library books	53,689,672	54,998,977
Computers and automobiles	3,877,867	3,084,741
	313,580,941	310,289,501
Less accumulated depreciation and amortization	129,158,601	122,646,020
	<b>\$ 184,422,340</b>	<b>\$ 187,643,481</b>

For the years ended June 30, 2023 and 2022, depreciation expense was approximately \$8,525,000 and \$8,348,000, respectively. See *Note 8* for ROU assets and accumulated amortization included in property, plant, and equipment, net.

**Note 6: Notes Payable and Lines of Credit**

The University had an unsecured commercial line of credit with a financial institution. The agreement allowed for borrowing up to \$3,000,000 and bore 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 matured on April 21, 2023. The University did not renew the line of credit in 2023 and did not have any draws on the line of credit at June 30, 2022.

In April 2023, the University entered into an unsecured line of credit agreement with a financial institution. The agreement allows for borrowings up to \$9,500,000. The line of credit carries a variable interest rate of the Daily Simple Secured Overnight Financing Rate plus 2% per annum (effective rate of 7.06% at June 30, 2023). The agreement matures on April 5, 2025. The University carried a balance of \$7,000,000 at June 30, 2023.

The line of credit agreement has certain covenants requiring, among other things, maintenance of a minimum debt service coverage ratio of 1.0:1.0. The University was in compliance with those covenants for fiscal year 2023.

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

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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 rate starting at 1.82% and adjusted annually to OMF’s Short-Term Fund rate plus 1% (effective rate of 2.45% and 1.82% at June 30, 2023 and 2022, respectively). The agreement matures on June 30, 2024. The agreement is secured by certain investments held by OMF. The University carried a balance of \$5,500,000 and \$4,000,000 at June 30, 2023 and 2022, respectively.

In December 2017, the University entered into an installment loan with OMF. The agreement allowed 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 matured on September 15, 2022. The agreement was secured by certain investments held by OMF. At June 30, 2022, the outstanding balance was \$278,807. This loan was paid in full in September 2022.

Maturities required on lines of credit at June 30, 2023 were as follows:

2024		\$ 5,500,000
2025		<u>7,000,000</u>
		<u><u>\$ 12,500,000</u></u>

**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, 2023 and 2022 totaled approximately \$706,000 and \$751,000, respectively.

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

	<b>2023</b>	<b>2022</b>
Bonds payable	\$ 86,125,000	\$ 87,730,000
Bond premium	<u>6,205,773</u>	<u>6,829,561</u>
	92,330,773	94,559,561
Less debt issuance costs	<u>706,269</u>	<u>751,348</u>
	<u><u>\$ 91,624,504</u></u>	<u><u>\$ 93,808,213</u></u>

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

At June 30, 2023, annual maturities of principal of the 2019 Bonds were as follows:

2024	\$ 1,680,000
2025	1,765,000
2026	1,855,000
2027	1,950,000
2028	2,050,000
Thereafter	<u>76,825,000</u>
	<u><u>\$ 86,125,000</u></u>

**Note 8: Leases**

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 Accounting Standards Codification (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, 2023 and 2022, the University has recorded an operating lease of approximately \$214,000 and \$297,000, respectively, as ROU assets and approximately \$208,000 and \$295,000, respectively, as operating lease liabilities. For its finance leases, the University has recorded approximately \$3,192,000 and \$3,984,000, respectively, as ROU assets within property, plant, and equipment, net and approximately \$5,603,000 and \$6,075,000, respectively, as finance lease obligations.

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.



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Aggregate future minimum lease payments under noncancelable finance and operating leases as of June 30, 2023 are as follows:

	<b>Finance Leases</b>	<b>Operating Leases</b>
2024	\$ 899,006	\$ 98,998
2025	846,268	101,857
2026	805,899	3,708
2027	805,899	3,708
2028	794,800	3,708
Thereafter	<u>3,170,318</u>	<u>7,416</u>
	7,322,190	219,395
Less amount representing interest	<u>1,718,814</u>	<u>11,316</u>
Present value of future minimum lease payments	<u>\$ 5,603,376</u>	<u>\$ 208,079</u>

The components of lease expense are as follows:

	<b>2023</b>	<b>2022</b>
Finance lease expense		
Amortization of right-of-use assets	\$ 849,164	\$ 839,453
Interest expense on lease liabilities	370,206	396,983
Operating lease expense	97,123	102,575
Short-term lease expense	<u>193,679</u>	<u>92,141</u>
Total lease expense	<u>\$ 1,510,172</u>	<u>\$ 1,431,152</u>

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

	<b>Weighted Average Remaining Lease Term (In Years)</b>	<b>Weighted Average Discount Rate</b>	<b>Payments Presented in Cash Flow</b>
Finance lease	7.19	6.27%	\$ 526,580
Operating lease	2.54	4.08%	\$ 97,123

**Oklahoma City University**  
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Assets leased under finance leases are included in property, plant, and equipment at June 30 as follows:

	<b>2023</b>	<b>2022</b>
Assets	\$ 8,013,958	\$ 7,956,386
Less accumulated depreciation	4,821,385	3,972,221
	<b>\$ 3,192,573</b>	<b>\$ 3,984,165</b>

**Note 9: Net Assets**

***Net Assets With Donor Restrictions***

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

	<b>2023</b>	<b>2022</b>
Net assets with donor restrictions		
Capital projects	\$ 2,446,120	\$ 1,694,909
Scholarships	92,009,921	82,393,506
Other	87,701,155	49,976,517
	<b>\$ 182,157,196</b>	<b>\$ 134,064,932</b>
Net assets with donor restrictions		
Time or purpose	\$ 85,778,350	\$ 43,112,074
Perpetual	100,876,984	97,708,021
Underwater endowments	(4,498,138)	(6,755,163)
	<b>\$ 182,157,196</b>	<b>\$ 134,064,932</b>

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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:

	<b>2023</b>	<b>2022</b>
Purpose restrictions accomplished		
Capital projects	\$ 991,454	\$ 933,891
Scholarships	7,412,592	8,653,123
Other	6,103,612	3,944,198
	<b>\$ 14,507,658</b>	<b>\$ 13,531,212</b>

**Net Assets Without Donor Restrictions**

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

	<b>2023</b>	<b>2022</b>
Net assets without donor restrictions		
Board-designated		
Endowment	\$ 11,474,378	\$ 10,993,858
Undesignated	79,780,513	85,039,638
	<b>\$ 91,254,891</b>	<b>\$ 96,033,496</b>

**Note 10: Revenue Recognition**

The University recognizes revenue in accordance with 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

# Oklahoma City University

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income, contributions, and grants are not derived from contracts with students and are not included in the scope of ASC 606.

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, 2023 and 2022 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 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.

**Oklahoma City University**  
**Notes to Financial Statements**  
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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, 2023 or 2022.

***Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations***

During the years ended June 30, 2023 and 2022, the University recognized revenue of approximately \$4,030,000 and \$4,440,000, 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 \$3,986,000 of tuition and auxiliary services revenue in fiscal year 2024 when the summer 2023 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 lines.

***Disaggregation of Revenue***

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

	<u>2023</u>	<u>2022</u>
Student tuition and fees	\$ 78,086,846	\$ 79,385,819
Student aid	(29,238,746)	(32,541,707)
Student tuition and fees, net of student financial aid	<u>\$ 48,848,100</u>	<u>\$ 46,844,112</u>
Sales and services of auxiliary		
Student housing and dining	\$ 6,246,818	\$ 5,691,920
Student aid for student housing and dining	(1,402,657)	(1,254,040)
Other	-	248,475
	<u>\$ 4,844,161</u>	<u>\$ 4,686,355</u>

**Oklahoma City University**  
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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, 2023 and 2022. 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:

	<b>2023</b>	<b>2022</b>
Contract liabilities, beginning of year	\$ 4,030,002	\$ 4,439,995
Contract liabilities, end of year	\$ 3,986,135	\$ 4,030,002
Accounts receivable, beginning of year	\$ 1,537,664	\$ 1,205,981
Accounts receivable, end of year	\$ 1,465,522	\$ 1,537,664

**Financing Component**

The University has elected the practical expedient allowed under 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 IRS. 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 \$1,205,000 and \$1,210,000 during the years ended June 30, 2023 and 2022, respectively.

# Oklahoma City University

## Notes to Financial Statements

### June 30, 2023 and 2022

#### **Note 12: Federal Financial Awards**

The U.S. 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 per participating employee for the periods ended June 30, 2023 and 2022.

**Oklahoma City University**  
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During the years ended June 30, 2023 and 2022, the University expensed approximately \$3,610,000 and \$3,422,000, respectively, related to the Plan. The University has recorded a provision for incurred but not reported claims, which at June 30, 2023 and 2022 amounted to approximately \$404,000 and \$416,000, respectively.

The University has recorded an asset related to the funds on deposit to service claims and expenses, which at June 30, 2023 and 2022 amounted to approximately \$335,000 and \$267,000, 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 59% of all contributions were received from four donors in 2023. Approximately 44% of all contributions were received from four donors in 2022.



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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 as follows:

	<b>Fair Value</b>	<b>Fair Value Measurements Using</b>		
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>2023</b>				
Investments, at fair value				
Cash	\$ 3,116	\$ 3,116	\$ -	\$ -
Equity funds	487,288	-	-	487,288
OMF pooled investment funds	84,686,970	-	84,686,970	-
Mineral interests and other	3,703,461	-	-	3,703,461
Endowments held by others	95,553,360	-	-	95,553,360
	<u>184,434,195</u>	<u>3,116</u>	<u>84,686,970</u>	<u>99,744,109</u>
Investments in charitable remainder annuity trusts				
Cash and money market funds	97,070	97,070	-	-
Corporate and government obligations	385,402	-	385,402	-
Common stock	784,185	784,185	-	-
	<u>1,266,657</u>	<u>881,255</u>	<u>385,402</u>	<u>-</u>
Total investments in charitable remainder annuity trusts				
	<u>1,266,657</u>	<u>881,255</u>	<u>385,402</u>	<u>-</u>
Total assets carried at fair value	<u>\$ 185,700,852</u>	<u>\$ 884,371</u>	<u>\$ 85,072,372</u>	<u>\$ 99,744,109</u>

**Oklahoma City University**  
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	<b>Fair Value Measurements Using</b>			
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>2022</b>				
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>

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, 2023 and 2022.

***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.

**Oklahoma City University**  
**Notes to Financial Statements**  
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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 approximately \$84,687,000 and \$77,768,000 at June 30, 2023 and 2022, 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 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:

	<b>Investments</b>	<b>Endowments Held by Others</b>	<b>Total</b>
Balance, July 1, 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
	<hr/>	<hr/>	<hr/>
Balance, June 30, 2022	4,551,619	58,283,545	62,835,164
Investment income (loss), net	(360,870)	41,605,772	41,244,902
Distributions from trusts held by others	-	(4,395,818)	(4,395,818)
Gifts by others	-	59,861	59,861
	<hr/>	<hr/>	<hr/>
Balance, June 30, 2023	<u>\$ 4,190,749</u>	<u>\$ 95,553,360</u>	<u>\$ 99,744,109</u>

**Oklahoma City University**  
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The summary of changes in the fair value of Level 3 assets and liabilities has 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.

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)
	2023	2022		
Minerals and other	\$ 3,703,462	\$ 4,069,656	Multiple of annual income Fair value of underlying investments	Income multiple (a)
Endowments held by others	95,553,359	58,283,545		Fair value of underlying investments
Private equity fund	<u>487,288</u>	<u>481,963</u>	investments	Unobservable securities
	<u>\$ 99,744,109</u>	<u>\$ 62,835,164</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.

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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:

- 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:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>2023</b>			
Donor-restricted endowment funds	\$ -	\$ 169,053,145	\$ 169,053,145
Board-designated endowment funds	<u>11,474,378</u>	<u>6,708,254</u>	<u>18,182,632</u>
Total endowment funds	<u>\$ 11,474,378</u>	<u>\$ 175,761,399</u>	<u>\$ 187,235,777</u>
<b>2022</b>			
Donor-restricted endowment funds	\$ -	\$ 125,544,488	\$ 125,544,488
Board-designated endowment funds	<u>10,993,858</u>	<u>6,100,636</u>	<u>17,094,494</u>
Total endowment funds	<u>\$ 10,993,858</u>	<u>\$ 131,645,124</u>	<u>\$ 142,638,982</u>

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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>2023</b>			
Endowment net assets, beginning of year	\$ 10,993,858	\$ 131,645,124	\$ 142,638,982
Investment income, net	475,670	48,611,753	49,087,423
Contributions/transfers	4,850	3,366,742	3,371,592
Appropriation of endowment assets for expenditure	-	(7,862,220)	(7,862,220)
Endowment net assets, end of year	<u>\$ 11,474,378</u>	<u>\$ 175,761,399</u>	<u>\$ 187,235,777</u>
<b>2022</b>			
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>

**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 \$4,498,138 and \$6,755,163 at June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, \$3,718,000 and \$5,851,000, 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

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different asset classes and securities. The asset allocation policies reflect and are consistent with 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 OMF’s 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. 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 OMF’s 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 consisted of the following as of June 30:

	<b>2023</b>	<b>2022</b>
Trust A (a)	\$ -	\$ -
Trust B (b)	354,054	474,279
Other	320,071	361,310
	\$ 674,125	\$ 835,589

- (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 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

**Oklahoma City University**  
**Notes to Financial Statements**  
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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.



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**Notes to Financial Statements**  
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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>2023</u>	<u>2022</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 14,562,818	\$ 10,049,346
Investments	185,700,852	141,875,750
Student receivables, net	1,465,522	1,537,664
Contributions, net	7,855,477	3,189,893
Accrued interest and other	<u>902,529</u>	<u>290,888</u>
Total financial assets at year-end	<u>210,487,198</u>	<u>156,943,541</u>
Less amounts available for general expenditure within one year		
Restricted cash	(5,786,094)	(5,622,532)
Board-designated endowment	(11,474,378)	(10,993,858)
Donor-restricted endowments not available for expenditure	(169,677,654)	(126,046,157)
Deposits held in custody for others	(611,947)	(593,922)
Annuities payable	(674,125)	(835,589)
Advances from federal government for student loans	<u>(1,769,000)</u>	<u>(1,664,000)</u>
Total amount unavailable for general expenditure within one year	<u>(189,993,198)</u>	<u>(145,756,058)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 20,494,000</u>	<u>\$ 11,187,483</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.

As part of the CARES Act, funding related to the Higher Education Emergency Relief Fund I, II, and III was made available to help schools and universities. During the years ended June 30, 2023 and 2022, the University received grants equal to approximately \$487,000 and \$3,126,000, respectively. These amounts are presented as federal and state grants and contracts on the accompanying statements of activities.

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**Note 20: Related-Party Transactions**

A member of the Board is an officer of OMF. The University has pooled investments totaling approximately \$84,687,000 and \$77,768,000 and endowments held in trusts by OMF totaling approximately \$94,742,000 and \$57,507,000 at June 30, 2023 and 2022, respectively.

## **Supplementary Information**

**Oklahoma City University**  
**Financial Responsibility Ratios**  
**June 30, 2023**

Ratio Element	Reference to Financial Statements and/or Notes	Amount
<b>Primary Reserve Ratio</b>		
<b>Expendable Net Assets</b>		
Net assets without donor restrictions	Statement of Financial Position	\$ 91,254,891
Net assets with donor restrictions	Statement of Financial Position	\$ 182,157,196
Net assets with donor restrictions – restricted in perpetuity	<i>Note 9</i>	\$ 100,876,984
Annuities with donor restrictions	<i>Note 15</i>	\$ 1,266,657
Property, plant, and equipment, net	Statement of Financial Position	\$ 184,422,340
Property, plant, and equipment, net – pre-implementation, leases grandfathered	<i>Note 5</i>	\$ 184,422,340
Operating lease right-of-use assets, net	Statement of Financial Position	\$ 214,280
Operating lease right-of-use assets, net – post-implementation	Statement of Financial Position	\$ 214,280
Long-term debt for long-term purposes	<i>Note 7</i>	\$ 92,330,773
Right-of-use asset lease obligation	<i>Note 8</i>	\$ 5,811,455
Right-of-use asset lease obligation – post-implementation	<i>Note 8</i>	\$ 5,811,455
<b>Total Expenses and Losses</b>		
Total expenses without donor restrictions	Statement of Activities	\$ 77,301,912
Change in value of split-interest agreements	Statement of Activities	\$ 117,278
<b>Equity Ratio</b>		
<b>Modified Net Assets</b>		
Net assets without donor restrictions	Statement of Activities	\$ 91,254,891
Net assets with donor restrictions	Statement of Activities	\$ 182,157,196
<b>Modified Assets</b>		
Total assets	Statement of Financial Position	\$ 397,780,869
<b>Net Income Ratio</b>		
Change in net assets without donor restrictions	Statement of Activities	\$ (4,778,605)
Total revenues without donor restrictions, including net assets released from restrictions	Statement of Activities	\$ 71,931,988
Net investment return appropriated for spending	Statement of Activities	\$ 879,352

**Oklahoma City University**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

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
<b>U.S. Department of Education</b>				
<i>Student Financial Assistance Cluster</i>				
Cash Assistance				
Federal Pell Grant	84.063	N/A	\$ -	\$ 1,705,865
Federal Supplemental Educational Opportunity Grant (SEOG)	84.007	N/A	-	110,630
Federal Perkins Loan Program, Beginning Loan Balance	84.038	N/A	-	1,035,947
Federal Work Study	84.033	N/A	-	286,807
			-	-
Cash Assistance Not Provided by the University				
Federal Direct Loan Programs	84.268	N/A	-	41,415,286
<i>Total Student Financial Assistance Cluster</i>			<u>-</u>	<u>44,554,535</u>
<i>Other Grant Programs</i>				
Higher Education Emergency Relief Funds (HEERF) (Direct)				
COVID-19 HEERF Institutional Aid Portion	84.425F	None	-	486,583
<i>Total Other Grant Programs</i>			<u>-</u>	<u>486,583</u>
<b>Total U.S. Department of Education</b>			<b>-</b>	<b>45,041,118</b>
<b>U.S. Department of Defense</b>				
Language Grant Program	12.900	N/A	-	148,923
<b>Total U.S. Department of Defense</b>			<b>-</b>	<b>148,923</b>
<b>U.S. Department of Justice</b>				
Capital Case Litigation Initiative	16.746	N/A	-	139,865
<b>Total U.S. Department of Justice</b>			<b>-</b>	<b>139,865</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ -</b>	<b>\$ 45,329,906</b>

**Oklahoma City University**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

**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, 2023. 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: 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: 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, 2023 consists of:

<b>Assistance Listing Number</b>	<b>Program Name</b>	<b>Outstanding Balance at June 30, 2023</b>
84.038	Federal Perkins Loan Program	\$627,711

## **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, 2023 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 November 30, 2023, which contained an "Other Matter" paragraph regarding prior year summarized information.

#### ***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  
November 30, 2023



## 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, 2023. 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, 2023.

##### *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.

### **Report on Internal Control over Compliance**

*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.

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. Given these limitations, during our audit we did not

Board of Trustees  
Oklahoma City University

identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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  
November 30, 2023

**Oklahoma City University**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2023**

**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

84.425F COVID-19 – Education Stabilization Fund – 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, 2023**

**Section II – Financial Statement Findings**

<b>Reference Number</b>	<b>Finding</b>
No matters are reportable.	

**Section III – Federal Award Findings and Questioned Costs**

<b>Reference Number</b>	<b>Finding</b>
No matters are reportable.	

**Oklahoma City University**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2023**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
2022-001	<p style="text-align: center;">Student Financial Assistance Cluster  ALN 84.268 Federal Direct Student Loan Programs  U.S. Department of Education Program Year 2021–2022</p> <p>Special Tests and Provisions: Disbursements to or on Behalf of Students, 34 CFR 668.165</p> <p>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>	Resolved

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
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>Reporting – Section 18004(a)(1) Student Aid Portion Quarterly Public Reporting and Institutional Aid Portion Quarterly Public Reporting – 85 FR 53082</p> <p>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>	Resolved

**Oklahoma City University**  
**Summary Schedule of Prior Audit Findings, continued**  
**Year Ended June 30, 2023**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
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>Procurement and Suspension and Debarment – Section 18004(a)(1)  Institutional Aid Portion – 2 CFR 200.318-326</p> <p>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>	Resolved