Oklahoma City University

Financial Report
June 30, 2020

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Independent Auditor's Report

RSM US LLP

Board of Trustees
Oklahoma City University

Report on the Financial Statements
We have audited the accompanying financial statements of Oklahoma City University (the University), which comprise the statements of financial position as of June 30, 2020 and 2019, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oklahoma City University as of June 30, 2020 and 2019, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report for the year ended June 30, 2020, dated December 10, 2020, on our consideration of Oklahoma City 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 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 Oklahoma City University's internal control over financial reporting and compliance.

RSM US LLP

Oklahoma City, Oklahoma
December 10, 2020

Oklahoma City University

Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
Assets		
Cash	**$ 5,049,686**	$ 3,219,811
Restricted cash	**9,160,513**	-
Receivables:		
Students, net	**1,726,799**	1,609,768
Contributions, net	**2,828,162**	4,341,745
Accrued interest and other	**217,274**	468,045
Federal loan reimbursements	**482,357**	563,535
Student notes receivable, net	**1,979,377**	2,770,958
Prepaid expenses, deposits and other assets	**1,467,843**	1,759,596
Investments:		
Securities	**78,830,993**	75,656,551
Investments held in charitable remainder annuity trusts	**1,561,988**	1,645,320
Endowments held by others	**40,412,136**	47,381,711
Note receivable, related party	**-**	3,640,002
Property, plant and equipment, net	**195,887,714**	158,160,276
Total assets	**$ 339,604,842**	$ 301,217,318
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities:		
Salaries, wages and benefits	**$ 3,355,652**	$ 3,231,929
Other	**2,710,328**	2,734,663
Notes payable	**4,356,140**	4,841,692
Deferred revenue	**4,842,959**	4,763,972
Deposits held in custody for others	**538,501**	476,877
Annuities payable	**1,679,187**	2,046,332
Capital lease obligations	**6,972,726**	7,008,425
Interest rate swap agreements	**-**	13,007,259
Bonds payable, net	**98,091,183**	48,458,796
Advances from federal government for student loans	**2,818,000**	3,217,000
Total liabilities	**125,364,676**	89,786,945
Net assets:		
Without donor restrictions	**98,262,515**	89,201,474
With donor restrictions	**115,977,651**	122,228,899
Total net assets	**214,240,166**	211,430,373
Total liabilities and net assets	**$ 339,604,842**	$ 301,217,318

See notes to financial statements.

Oklahoma City University

Statements of Activities
Year Ended June 30, 2020 (with Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020	2019
Revenues, gains and other support:				
Student tuition and fees	$ 81,059,327	$ -	$ 81,059,327	$ 78,766,741
Less student aid	(32,590,108)	-	(32,590,108)	(29,729,384)
Net student tuition and fees	48,469,219	-	48,469,219	49,037,357
Federal and state grants and contracts	-	1,879,850	1,879,850	488,730
Private gifts and grants, including contributions receivable	245,968	6,413,643	6,659,611	13,251,856
Changes in value of split-interest agreements	-	(117,428)	(117,428)	(71,487)
Changes in the fair value of interest rate swap agreement	(1,048,741)	-	(1,048,741)	(2,612,995)
Sales and services of educational departments	259,549	11,340	270,889	442,880
Sales and services of auxiliary, net of student aid of $1,189,389	5,300,794	-	5,300,794	6,473,158
Investment income (loss), net	873,807	(1,166,835)	(293,028)	18,516,250
Other income	1,588,664	502,182	2,090,846	2,472,459
Other gains	12,526,374	-	12,526,374	-
	68,215,634	7,522,752	75,738,386	87,998,208
Net assets released from restrictions	13,774,000	(13,774,000)	-	-
Total revenues, gains and other support	81,989,634	(6,251,248)	75,738,386	87,998,208
Expenses:				
Educational and general:				
Instruction	39,360,932	-	39,360,932	39,875,546
Academic support	6,551,748	-	6,551,748	7,021,799
Student services	11,092,476	-	11,092,476	12,083,472
Institutional support	9,315,218	-	9,315,218	9,812,836
Total educational and general	66,320,374	-	66,320,374	68,793,653
Auxiliary enterprises	6,608,219	-	6,608,219	8,007,415
Total expenses	72,928,593	-	72,928,593	76,801,068
Change in net assets	9,061,041	(6,251,248)	2,809,793	11,197,140
Net assets:				
Beginning	89,201,474	122,228,899	211,430,373	200,233,233
Ending	$ 98,262,515	$ 115,977,651	$ 214,240,166	$ 211,430,373

See notes to financial statements.

Oklahoma City University

Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2019
Revenues, gains and other support:			
Student tuition and fees	$ 78,766,741	$ -	$ 78,766,741
Less student aid	(29,729,384)	-	(29,729,384)
Net student tuition and fees	49,037,357	-	49,037,357
Federal and state grants and contracts	-	488,730	488,730
Private gifts and grants, including contributions receivable	4,518,205	8,733,651	13,251,856
Changes in value of split-interest agreements	-	(71,487)	(71,487)
Changes in the fair value of interest rate swap agreement	(2,612,995)	-	(2,612,995)
Sales and services of educational departments	442,880	-	442,880
Sales and services of auxiliary, net of student aid of $1,216,003	6,473,158	-	6,473,158
Investment income (loss), net	2,832,399	15,683,851	18,516,250
Other income	2,240,661	231,798	2,472,459
	62,931,665	25,066,543	87,998,208
Changes in restrictions by donors, reclassifications	3,745,302	(3,745,302)	-
Net assets released from restrictions	10,382,847	(10,382,847)	-
Total revenues, gains and other support	77,059,814	10,938,394	87,998,208
Expenses:			
Educational and general:			
Instruction	39,875,546	-	39,875,546
Academic support	7,021,799	-	7,021,799
Student services	12,083,472	-	12,083,472
Institutional support	9,812,836	-	9,812,836
Total educational and general	68,793,653	-	68,793,653
Auxiliary enterprises	8,007,415	-	8,007,415
Total expenses	76,801,068	-	76,801,068
Change in net assets	258,746	10,938,394	11,197,140
Net assets:			
Beginning	88,942,728	111,290,505	200,233,233
Ending	$ 89,201,474	$ 122,228,899	$ 211,430,373

See notes to financial statements.

Oklahoma City University

Statements of Functional Expenses
Years Ended June 30, 2020 (with Comparative Totals for 2019)

	Programs Expenses							
	Academic						Totals	
	Instructional Expense	Support Expense	Student Service Expense	Total Program Expenses	Institutional Expense	Auxillary Expense	June 30, 2020	June 30, 2019
Salaries and benefits	$ 28,017,026	$ 2,658,341	$ 6,576,524	$ 37,251,891	$ 4,424,871	$ 930,139	$ 42,606,901	$ 44,430,839
Depreciation and amortization	3,928,082	1,445,930	814,646	6,188,658	257,133	1,623,980	8,069,771	7,418,737
Supplies	729,645	482,644	762,671	1,974,960	443,690	220,010	2,638,660	2,870,838
Services	1,871,044	678,226	892,731	3,442,001	824,688	837,711	5,104,400	3,756,571
Interest	1,975,991	487,220	414,530	2,877,741	717,740	729,421	4,324,902	4,256,861
Occupancy (leases and utilities)	56,394	482,946	272,760	812,100	1,023,575	2,062,703	3,898,378	7,114,306
Recruiting and advertising	461,981	3,538	427,148	892,667	128,905	241	1,021,813	950,398
Special events	312,830	54,184	151,143	518,157	185,502	13,228	716,887	1,045,634
Travel and training	549,236	127,257	390,577	1,067,070	159,522	21,002	1,247,594	1,856,563
Other	1,458,703	131,462	389,746	1,979,911	1,149,592	169,784	3,299,287	3,100,321
Total	$ 39,360,932	$ 6,551,748	$ 11,092,476	$ 57,005,156	$ 9,315,218	$ 6,608,219	$ 72,928,593	$ 76,801,068

See notes to financial statements.

Oklahoma City University

Statement of Functional Expenses
Years Ended June 30, 2019

	June 30, 2019						
	Programs Expenses						
	Instructional Expense	Academic Support Expense	Student Service Expense	Total Program Expenses	Institutional Expense	Auxillary Expense	Total
Salaries and benefits	$ 28,127,220	$ 3,193,400	$ 6,652,830	$ 37,973,450	$ 5,355,183	$ 1,102,206	$ 44,430,839
Depreciation and amortization	2,980,689	1,541,778	876,161	5,398,628	276,549	1,743,560	7,418,737
Supplies	820,870	496,815	973,789	2,291,474	356,644	222,720	2,870,838
Services	1,410,494	287,458	733,881	2,431,833	574,346	750,392	3,756,571
Interest	1,575,266	552,546	470,110	2,597,922	831,717	827,222	4,256,861
Occupancy (leases and utilities)	2,333,236	462,788	345,952	3,141,976	840,123	3,132,207	7,114,306
Recruiting and advertising	294,488	12,562	480,340	787,390	162,593	415	950,398
Special events	442,740	79,114	281,402	803,256	218,088	24,290	1,045,634
Travel and training	736,250	266,378	666,643	1,669,271	170,158	17,134	1,856,563
Other	1,154,293	128,960	602,364	1,885,617	1,027,435	187,269	3,100,321
	$ 39,875,546	$ 7,021,799	$ 12,083,472	$ 58,980,817	$ 9,812,836	$ 8,007,415	$ 76,801,068

See notes to financial statements.

Oklahoma City University

Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	**$ 2,809,793**	$ 11,197,140
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Gifts restricted for capital expenditures	**(97,163)**	(305,935)
Gifts with perpetual restrictions	**(852,564)**	(2,196,290)
Investment income (loss) for perpetually restricted purposes	**12,657**	(15,064)
Net realized and unrealized investment gains (losses)	**1,837,098**	(16,382,823)
Depreciation and amortization	**8,069,771**	7,418,737
Unrealized loss on interest rate swap agreement	**1,048,741**	2,612,995
Recognition of deferred rent	**(1,415,594)**	-
Other gains	**(12,526,374)**	-
(Gain) on sale of property and equipment	**-**	(50,000)
Bad debt expense	**845,249**	75,270
Change on discount on contributions receivable	**(262,699)**	225,218
Changes in operating assets and liabilities:		
Student accounts receivable	**(360,020)**	170,533
Federal loan reimbursements	**-**	(563,535)
Prepaid expenses, deposits and other assets	**291,753**	(4,403)
Contributions receivable	**1,174,022**	(1,458,295)
Accrued interest and other receivables	**331,949**	44,064
Accounts payable and accrued liabilities	**1,436,353**	(212,777)
Annuities payable	**(367,145)**	(472,271)
Deferred revenue	**78,987**	(593,211)
Deposits held in custody for others	**61,624**	17,964
Advances from federal government for student loans	**(399,000)**	(298,641)
Net cash provided by (used in) operating activities	**1,717,438**	(791,324)
Cash flows from investing activities:		
Purchases of investments	**(5,910,165)**	(6,353,336)
Proceeds from sales of investments	**16,098,186**	7,938,124
Distributions from endowments held by others	**4,379,720**	3,805,286
Note receivable payments received from related party	**3,640,002**	-
Proceeds from sale of real estate held for sale	**-**	50,000
Capital expenditures	**(45,106,006)**	(3,106,003)
Collections on student notes receivable	**791,581**	975,733
Net cash provided by (used in) investing activities	**(26,106,682)**	3,309,804

(Continued)

Oklahoma City University

Statements of Cash Flows (Continued)
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from financing activities:		
Gifts collected for capital expenditures	$ 97,163	$ 305,935
Gifts collected for permanently restricted purposes	852,564	2,196,290
Investment income for permanently restricted purposes	(12,657)	15,064
Proceeds from notes payable	16,252,710	7,830,577
Payments on notes payable	(16,738,262)	(9,442,043)
Proceeds from bonds issuance	99,346,610	-
Payments on bonds payable and capital lease obligations	(49,490,847)	(1,873,552)
Payment of bond issuance costs	(871,649)	-
Payments on interest rate swap agreement	(14,056,000)	-
Net cash provided by (used in) financing activities	35,379,632	(967,729)
Net change in cash and cash equivalents	10,990,388	1,550,751
Cash and restricted cash:		
Beginning	3,219,811	1,669,060
Ending	$ 14,210,199	$ 3,219,811
Supplemental data:		
Noncash investing and financing activities:		
Gifts to endowments held by others	$ 26,876	$ 5,100
Property, plant and equipment acquired through assumption of capital lease obligations	$ 356,529	$ -
Property, plant and equipment acquired through accounts payable	$ 78,629	$ -
Interest paid	$ 2,120,785	$ 4,256,861

See notes to financial statements.

Note 1. Nature of Operations and Significant Accounting Policies

Nature of operations: Oklahoma City University (the University) is a private, not-for-profit institution of higher education with its campus 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 colleges and universities. Accordingly, net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Adopted accounting pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09 as revised by Accounting Standards Update (ASU) No. 2015-14, *Revenue from Contracts with Customers (Topic 606*), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. On July 1, 2019, the University adopted the Financial Accounting Standards Board, Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606). Prior to the adoption of ASC 606, the University recognized revenue under Accounting Standards Codification (ASC) 605, which focused on transaction specific guidance for revenue recognition. ASC 606 affects all contracts entered into with customers that result in a transfer of goods or services or a transfer of non-financial assets. The core principle of the standard is for organizations to recognize revenue in a way that depicts the transfer of goods or services to customers in amounts that reflect the consideration or payment to which the organization expects to be entitled. The University adopted ASC 606 using the modified retrospective method, whereby the cumulative effect of applying the standard is recognized in net assets on the date of adoption. *There were no significant impacts to the University's financial statements upon the adoption of the standard or* adjustments to prior period net assets.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The University adopted the provisions ASU 2018-08 on July 1, 2019, and its provisions did not have a significant impact on the University's financial statements.

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

Without donor restrictions: Net assets that are not subject to donor-imposed restrictions. Uses of certain net assets without donor restrictions are committed as matching funds under student loan programs of the federal government. Net assets without donor restriction may be designated for specific purposes by the University.

With donor restrictions: Net assets 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 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.

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Net assets are comprised of the following as of June 30, 2020 and 2019:

	2020	2019
Without donor restrictions		
Board-designated	$ 3,445,219	$ 3,466,527
Undesignated	94,817,296	85,734,947
	$ 98,262,515	$ 89,201,474
With donor restrictions		
Time or purpose	$ 47,414,742	$ 52,888,549
Perpetual	72,051,684	72,779,302
Underwater endowments	(3,488,775)	(3,438,952)
	$115,977,651	$122,228,899

Cash and concentration of credit risk: Cash in excess of daily requirements is invested in interest-bearing accounts of qualified financial institutions and are readily available as cash on demand. At June 30, 2020 and 2019, the University had certain concentrations of credit risk with financial institutions in the form of uninsured cash. 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.

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. 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, 2020 and 2019, the University had recorded an allowance of $350,000 and $450,000, respectively.

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, 2020 and 2019, the University had recorded an allowance of $75,000 and $88,000, respectively.

Investments: All investments received by gift or bequest are recorded at fair value in the statements of financial position on the date received. If fair value is not determinable on the date received, the asset received by gift or bequest is recorded at nominal value. Investments in securities (i.e. common stocks, pooled investments, bonds, and other securities) are marked to market at year-end. Investments held in charitable remainder trusts are carried at fair value based on the underlying trust assets.

Endowments held by others: The University's interests in endowments held by others are valued in accordance with the related fund's policies for valuing the underlying assets, which may vary by endowment.

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

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 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 over 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:

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

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 or cash is used for construction in progress.

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 revenues are primarily derived from tuition and fees, auxiliary services, investment income, contributions and grants. Most revenues from investment income, contributions and grants are not derived from contracts with students and are not included in the scope of ASC 606.

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. Refunds issued reduce the amount of revenue recognized and are recorded as refunds as they become known.

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Payments for tuition and fees paid prior to the start of each classes are recorded as deferred revenue in the statement 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. Refunds issued reduce the amount of revenue recognized and are recorded as refunds as they become known. Payments for auxiliary services that extend past June 30, 2020 and 2019 are recorded as deferred revenue in the statement of financial position.

Deferred revenue: Deferred revenue consists of funds collected prior to providing service to the students, which includes tuition for partially complete and future semesters, contract revenue received in advance, and other advance payments. Deferred revenue also includes the estimated incremental costs of non-refundable tuition credits provided to individuals and businesses in connection with transactions with the University. These balances are carried as a liability on the statements of financial position until the performance obligations has 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 does not contain any financing component.

Investment revenue recognition: Investment income includes dividends, interest, realized and unrealized gains, royalties, and similar items and is recognized as revenue in the period in which it is earned. The amounts are reported as an increase or decrease in net assets without donor restrictions unless otherwise restricted by the donor. Investment income is netted with investment fees.

Contributions and promises to give: Contributions are recorded at fair value on the date of the gift. Unconditional promises to give are recorded net of an allowance for doubtful receivables estimated based on such factors for the University as prior collection history, types of contributions and the nature of the fund-raising activity. Amounts due in more than one year are recorded at net discounted cash flow using an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue. Bequests are recorded at the time they become irrevocable and the proceeds are measurable in amount. Conditional promises to give are not recorded until conditions are substantially met.

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. As of June 30, 2020 and 2019, there were no uncertain tax benefits identified and recorded as a liability.

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.

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Assets are valued at fair value, and liabilities are stated at present value, using an appropriate discount rate commensurate with the risks involved and Internal Revenue Service life expectancy tables. Liabilities totaling approximately $383,000 and $411,000 as of June 30, 2020 and 2019, respectively, are included in the 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, 2020 and 2019. Liabilities totaling approximately $1,297,000 and $1,636,000, as of June 30, 2020 and 2019, respectively, have been established for those split-interest agreements for which the University is the trustee and is included in the statements of financial position with annuities payable. These are recorded with annuities payable in the accompanying statement of financial position. During the term of these agreements, changes in the value of the split-interest agreements are recognized in the statements of activities and changes in net assets based on accretion of the discounted amount of the contribution, and reevaluations of the expected future benefits (payments) to be received (paid) by the University (beneficiaries), based on changes in life expectancy and other assumptions. A discount rate of 6% was used in these calculations at the dates of the contributions.

Advances from federal government for student loans: Funds provided by the United States government under the Federal Perkins Loan Program are loaned to qualified students and may be re-loaned 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 (SEOG) programs are not reflected in the financial statements, other than agency transactions receipts/disbursements in the statements of cash flows, as the transactions are considered to be agency transactions.

Interest rate swap agreement: The University recognizes its interest rate swap agreement, which is a derivative financial instrument, as either an asset or liability in the statements of financial position and measures the agreement at fair value. The University is party to an interest rate swap in order to manage fluctuations in cash flows resulting from variability in interest payments due to changes in interest rates. Changes in the fair value of the interest rate swap are recorded as a separate line item within total revenues, gains and other support. The swap agreement was terminated in December 2019 (see Note 8).

Advertising costs: The University expenses the costs of advertising as incurred. For the years ended June 30, 2020 and 2019, advertising expense was approximately $690,000 and $464,000, 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; and

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

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. Financial liabilities subject to fair value measurement disclosure requirements include interest rate swap agreements.

Functional allocation of expenses: Expenses which apply to more than one functional category have been allocated between program services, general and administrative, and fundraising and development 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.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Pending accounting pronouncements: In February 2016 the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Among other things, in the amendments in ASU 2016-02, lessees will be required to recognize a lease liability, which is a lessee‘s obligation to make lease payments arising from a lease, measured on a discounted basis and a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term at the lease commencement date. Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, *Revenue from Contracts with Customers*. This standard will be implemented in the period ending June 30, 2021. The University is currently evaluating the impact of this new standard on its financial statements.

*I*n August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement,* which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years, beginning after December 15, 2019 and will be implemented in the period ending June 30, 2021. The University is currently evaluating the impact of this new standard on its financial statements.

On September 17, 2020, the FASB issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The objective of the amendments in this Update is to increase transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements in presentation and disclosure requirements. NFP entities will now be required to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial contributions. NFPs will also be required to disclose various information related to contributed nonfinancial assets. ASU No. 2020-07 is effective for the University’s year ending June 30, 2022. Earlier application is permitted. The University is currently evaluating the impact of this new standard on its financial statements.

Reclassifications: Certain reclassifications have been made to prior year financial statements to conform to classifications used in the current year. These reclassifications had no impact on changes in net assets or net assets as previously reported.

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Subsequent events: The University has evaluated subsequent events through December 10, 2020, which is the date of issuance. Through that date there were no events requiring disclosure in the financial statements.

Note 2. Contributions Receivable

Contributions receivable are discounted commensurate with the risks involved to state amounts at estimated present value (5%). Total discounts are approximately $171,000 and $434,000 at June 30, 2020 and 2019, respectively. Management has provided an allowance for uncollectible contributions receivable of approximately $43,000 and $54,000 at June 30, 2020 and 2019, respectively.

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

	2020	2019
Due in less than one year	$ 1,576,094	$ 728,115
Due in one to five years	1,070,964	3,325,438
Due in more than five years	181,104	288,192
	$ 2,828,162	$ 4,341,745

Included in gross unconditional promises to give are approximately $19,000 and $136,000 from members of the Board of Trustees, affiliates of the Board and officers and employees of the University as of June 30, 2020 and 2019, respectively.

Note 3. Student Notes Receivable

Federal Perkins Loan Program: Student loans under the Federal Perkins Loan Program were approximately $1,979,000 and $2,771,000 at June 30, 2020 and 2019, 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 $75,000 and $88,000 at June 30, 2020 and 2019, 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. The aging of the student loan portfolio by classes of loans as of June 30, 2020 and 2019, is presented as follows:

	2020						
	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
Student loan receivables	$ 600,990	$ 788,933	$ 213,468	$ 53,501	$ 127,452	$ 195,033	$ 1,979,377
As a percentage of total loan portfolio	30.36%	39.86%	10.78%	2.70%	6.44%	9.85%	100.00%

Note 3. Student Notes Receivable (Continued)

	2019						
	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
Student loan receivables	$ 679,556	$ 1,172,766	$ 228,302	$ 194,772	$ 174,029	$ 321,533	$ 2,770,958
As a percentage of total loan portfolio	24.52%	42.32%	8.24%	7.03%	6.28%	11.60%	100.00%

For student loans, the credit quality indicator is performance 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 United Methodist Foundation (OUMF). These assets are to be held in perpetuity by OUMF for the benefit of the University. In connection with these assets, the statement of financial position as of June 30, 2020 and 2019, includes the interest in assets held by OUMF of approximately $39,643,000 and $46,592,000, respectively. The University receives distributions from the income earned, which is generally restricted for scholarship purposes. During the years ended June 30, 2020 and 2019, the University received approximately $3,064,000 and $3,125,000, respectively, related to these trusts. The endowments held by others are recorded at the fair value of the underlying assets.

The University recognizes transfers it previously made to the Oklahoma City Community Foundation, Inc. (OCCF), which the University has specified itself as the beneficiary of the funds. In connection with the University's recognition of these transfers, the statement of financial position as of June 30, 2020 and 2019, includes the interest in assets held by OCCF of approximately $763,000 and $785,000, respectively. Annually, distributions from the funds are paid to the University according to OCCF's spending policy. The University received distributions of approximately $1,315,000 and $23,000, during the years ended June 30, 2020 and 2019, respectively.

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, 2020 and 2019, the University received approximately $1,582,000 and $251,000, respectively, from the funds. At June 30, 2020 and 2019, the fair value of the funds was approximately $4,648,000 and $4,685,000, respectively.

Note 5. Property, Plant and Equipment

Property, plant and equipment are summarized as follows:

	2020	2019
Land	$ 10,712,115	$ 6,259,730
Building	192,379,147	156,484,136
Improvements	40,344,058	40,374,569
Steinway pianos	2,198,880	2,198,880
Equipment, including library books	55,618,804	54,703,227
Computers and automobiles	1,666,701	1,897,831
Construction in progress	2,997,176	182,395
	305,916,881	262,100,768
Less accumulated depreciation	110,029,167	103,940,492
Net property, plant and equipment	$ 195,887,714	$ 158,160,276

For the years ended June 30, 2020 and 2019, depreciation expense was approximately $7,669,000 and $7,224,000, respectively.

In December 2019, the University used proceeds from the 2019 Bonds issuances to purchase the law buildings from OCU Law School Building Associations, LLC (OLBA, LLC) (see Note 7 and Note 17). The purchase included land and various furniture and equipment (collectively the assets). The fair market value and purchase price of the assets was $28,685,000. The purchase price was allocated based on the assets gross book basis. The following table shows how the purchase price was allocated among the asset group:

Building	$ 23,325,801
Land	4,452,385
Furniture, fixtures and equipment	906,814
	$ 28,685,000

In December 2019, the University used proceeds from the 2019 Bonds issuances to purchase an apartment complex building located on campus ground used for student housing. The purchase price of the building was for $12,569,211. The University terminated the lease agreement in conjunction with the purchase of the building (see Note 9).

Note 6. Notes Payable

The University has an unsecured commercial line of credit with a financial institution. The agreement allows for borrowing up to $3,000,000 and bears interest at the Wall Street Journal Prime Rate, subject to an interest rate floor of 4.25% (effective rate of 4.25% at June 30, 2020). The agreement was amended in April 2020 and now matures on April 21, 2021. The University did not have any draw on the line of credit at June 30, 2020 and 2019.

In April 2012, the University entered into a line of credit agreement with The Oklahoma United Methodist Foundation (OUMF). The agreement allowed for borrowings up to $3,000,000 The University amended the agreement in June 2019 to increase the borrowing capacity to $5,000,000 and matured on June 30, 2020. The University amended the line of credit to increase the borrowing capacity to $5,500,000. The line of credit carries a fixed interest rate of 2.45% and will mature on June 30, 2021.

Note 6. Notes Payable (Continued)

The agreement is secured by certain investments held at OUMF. The University carried a balance of $3,000,000 at June 30, 2020 and 2019, respectively.

In December 2017, the University entered into an installment loan with OUMF. The agreement allows for borrowings up to $2,008,890 requiring semiannual payments of $222,000 and accrued interest at 1.0% above OUMF's Short Term Fund Rate (3.6% at June 30, 2020). The agreement matures on September 15, 2022. The agreement is secured by certain investments held at OUMF. At June 30, 2020 and 2019, the outstanding balance was $1,356,140 and $1,841,692, respectively.

In December 2019, the University entered into a short-term note payable with OUMF. The amount borrowed was $16,252,710 with a fixed rate of 3.23% maturing on December 31, 2019. The loan was used to provide short-term financing to pay for capital projects until the 2019 Bond issuance was completed. Proceeds from the 2019 Bond issuance was used to pay off the loan. The loan had no outstanding balance as of June 30, 2020.

Maturities required on notes payable at June 30, 2020 are as follows:

Years ending June 30:	
2021	$ 3,529,206
2022	547,967
2023	278,967
Total notes payable	$ 4,356,140

Note 7. Bonds Payable

In November 2010, the University entered into an agreement with the Oklahoma Industries Authority (the Authority) to issue Series 2010A Revenue Notes (the 2010 Notes), Subsequently, in November 2017, the bonds were tendered and the University entered into an agreement with the Oklahoma Industries Authority (the Authority) to issue Series 2017 Revenue Notes (the 2017 Notes), which were secured by a pledge of revenues and other income of the University and a mortgage on the University's real property and related improvements and fixtures. The 2017 Notes were issued to satisfy the Series 2010 Notes after the 2010 Notes were tendered.

Five banks hold the 2017 Notes in amounts ranging from $4,300,000 to $17,900,000. The 2017 Notes are fully amortizing with monthly principal payments through November 30, 2035. The monthly interest is a variable rate of 74% of one-month LIBOR plus a fixed spread of 1.95%. The 2017 Notes required an annual payment of 1/20th of 1% of the declining principal amount to the Authority. The five banks had an initial optional tender date in March 2021. Absent an event of tender, the 2017 Notes automatically renew under the same terms for succeeding three year periods until fully matured in 2035.

The 2017 Notes have a provision for a taxable fee if the federal corporate tax rate changes to compensate for any reduction in yield as a result. The taxable fee is the amount equal to the difference between (i) the amount of interest payable on the principal amount of the 2017 Notes calculated at a rate determined by multiplying the applicable stated interest rate on the 2017 Notes by the ratio equal to (1 minus 0.21) divided by (1 minus 0.35), minus (ii) the amount of interest payable on the principal amount of the 2017 Notes calculated at the applicable stated interest rate on the 2017 Notes. This provision was triggered as of January 1, 2018, and the University paid approximately $172,000. As of June 30, 2019, the outstanding principal balance of the 2017 Notes was approximately $49,099,000.The 2017 Notes were extinguished in December 2019.

Note 7. Bonds Payable (Continued)

In December 2019, the University entered into an agreement with the Authority to issue Revenue and Refunding Bonds, Series 2019 (the 2019 Bonds). The series of bonds mature from August 1, 2020 to August 1, 2049. Interest rates for the series of bonds ranged from 3.0% to 5%. Principal payments are due August 1 of every year. Total proceeds from the 2019 Bonds issuance was $98,478,961, which included 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 restricted cash for debt service fund.

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 statements of financial position. Bond issuance costs at June 30, 2020 and 2019, totaled $843,981 and $639,823, respectively. All $639,823 remaining unamortized issuance costs from the 2017A Notes were written off as amortization expense in the statement of activities.

Components of bonds payable on the statements of financial position are as follows.

	2020	2019
Bond payable	$ 90,760,000	$ 49,098,619
Bond premium	8,175,164	-
Debt issuance costs	843,981	639,823
	$ 98,091,183	$ 48,458,796

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

The University had entered into an interest rate swap agreement related to the 2010 Notes which survives their tender and the issuance of the 2017 Notes. The agreement was terminated as part of the 2019 Bond issuance (see Note 8).

At June 30, 2020, annual maturities of principal of the 2019 Bonds, are as follows:

Years ending June 30:	
2021	$ 1,490,000
2022	1,540,000
2023	1,605,000
2024	1,680,000
2025	1,765,000
Thereafter	82,680,000
	$ 90,760,000

Note 8. Interest Rate Swap Agreement

In November 2010, the University entered into an interest rate swap agreement that effectively converted the 2010 Notes variable interest rate into a fixed rate. The University did not enter into this agreement for any purpose other than interest cash flow purposes and does not speculate for investment purposes using interest rate swap agreements.

The terms of the interest rate swap agreement require the University to settle with the counterparty on a net basis for the difference between 74% of one-month LIBOR and a fixed rate of 4.332%. The swap expires November 2035. At June 30, 2019, this interest rate swap agreement had a fair value of approximately $13,007,000 to the benefit of the counterparty. In December 2019, the University used portion of the 2019 Bonds proceeds to settle the entire swap agreement for $14,056,000.

Note 9. Leases

The University leases certain buildings, equipment, computers, and automobiles under noncancelable operating leases. In December 2019, the University terminated lease agreements due to acquisition of land and buildings (see Note 5 and Note 17) and recognized a reduction of lease expense of approximately $1,416,000 as the result of the release of deferred rent expense for the year ending June 30, 2020.

Payments made on operating leases during fiscal years 2020 and 2019, were approximately $2,013,000 and $4,130,000, respectively.

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

	2020	2019
Assets	$ 7,920,553	$ 7,564,024
Less accumulated depreciation	2,215,513	1,423,457
	$ 5,705,040	$ 6,140,567

At June 30, 2020, approximate annual future minimum lease payments under these leases together with the present value of the future net minimum lease payments under the capital lease obligations are as follows:

	Capital Leases
Years ending June 30:	
2021	$ 873,201
2022	873,201
2023	873,201
2024	873,201
2025	832,948
Thereafter	5,548,056
Total minimum lease payments	9,873,808
Less amount representing interest	2,901,082
Present value of minimum lease payments	$ 6,972,726

Note 10. Net Assets With Donor Restrictions

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

	2020	2019
Net assest with donor restrictions:		
Capital projects	$ 5,050,042	$ 5,538,748
Scholarships	74,548,414	72,981,435
Other	36,379,195	43,708,716
	$ 115,977,651	$ 122,228,899

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:

	2020	2019
Purpose restrictions accomplished:		
Capital projects	$ 488,706	$ 502,405
Scholarships	6,737,854	5,289,305
Other	6,547,440	8,336,439
	$ 13,774,000	$ 14,128,149

Note 11. Retirement Plan

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

The employer may contribute additional amounts within limits established by the Internal Revenue Service. The benefits payable by TIAA and CREF to a participant are dependent upon the sum of the contributions made by the participant and the University on their behalf and the earnings pertaining thereto. The University provides no guaranteed retirement benefits; therefore, the Plan is a defined contribution plan. The University contributed approximately $1,039,000 and $1,110,000 during the years ended June 30, 2020 and 2019, respectively.

Note 12. Federal Financial Awards

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

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

Note 13. Student Financial Aid—Off-Balance Sheet Risk

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 Aetna. The University collects premiums from participating employees and remits monthly, along with University contributions, to an account at UMB that was specifically created for paying Plan expenses. Aetna 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.

During the years ended June 30, 2020 and 2019, the University expensed approximately $3,009,000 and $3,437,000, respectively, related to the Plan. The University has recorded a provision for incurred but not reported claims, which at June 30, 2020 and 2019, amounted to approximately $654,000 and $682,000, respectively.

The University has recorded an asset related to the funds on deposit with UMB to service claims and expenses, which at June 30, 2020 and 2019, amounted to approximately $348,000 and $283,000, respectively. The University replenishes their deposits with UMB on a monthly basis based on premiums collected from employees and the University match on premiums for the prior month.

Loan commitment: As further discussed in Note 17, the University had committed to loan up to $5,200,000 to OLBA, LLC for continued renovation of the facility that the University has leased for the future site of its law school. As of 2019, $3,640,002, of this commitment was funded. The balance of the loan at June 30, 2019, was $3,640,002. The loan carried a fixed interest rate of 1.0% and required interest only payments through December 31, 2019. Beginning January 1, 2020, the loan required principal and interest payments for full amortization of the loan balance as of December 31, 2049. The loan was paid off and terminated as of December 31, 2019 in conjunction with the acquisition of the law building (see Note 5) and the dissolution and liquidation of OLBA, LLC (see Note 17).

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, 2020 and 2019, are as follows:

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Investments, at fair value:				
Cash	$ 3,390	$ -	$ -	$ 3,390
Private equity fund	-	-	433,471	433,471
OUMF pooled investment funds	-	75,406,013	-	75,406,013
Mineral interests and other	-	-	2,988,119	2,988,119
Endowments held by others	-	-	40,412,136	40,412,136
	3,390	75,406,013	43,833,726	119,243,129
Investments in charitable remainder annuity trusts:				
Cash and money market funds	612,625	-	-	612,625
Corporate and government obligations	-	517,424	-	517,424
Common stock	431,939	-	-	431,939
Total investments in charitable remainder annuity trusts	1,044,564	517,424	-	1,561,988
Total assets carried at fair value	$ 1,047,954	$ 75,923,437	$ 43,833,726	$ 120,805,117

	June 30, 2019			
	Level 1	Level 2	Level 3	Total
Investments, at fair value:				
Cash	$ 3,045	$ -	$ -	$ 3,045
Private equity fund	-	-	478,332	478,332
Limited liability investments	-	-	2,910,000	2,910,000
OUMF pooled investment funds	-	69,323,216	-	69,323,216
Mineral interests and other	-	-	2,941,958	2,941,958
Endowments held by others	-	-	47,381,711	47,381,711
	3,045	69,323,216	53,712,001	123,038,262
Investments in charitable remainder annuity trusts:				
Cash and money market funds	794,832	-	-	794,832
Corporate and government obligations	-	386,810	-	386,810
Common stock	463,678	-	-	463,678
Total investments in charitable remainder annuity trusts	1,258,510	386,810	-	1,645,320
Total assets carried at fair value	$ 1,261,555	$ 69,710,026	$ 53,712,001	$ 124,683,582
Interest rate swap agreement liabilities	$ -	$ 13,007,259	$ -	$ 13,007,259

Note 15. Fair Value Measurements (Continued)

Following is a description of methodologies used for instruments measured at fair value on a recurring basis. There have been no changes in the valuation methodologies used at June 30, 2020 and 2019.

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 cash equivalents, mutual funds and common stock. Government and corporate bonds, and cash surrender values are classified within Level 2 of the hierarchy due to inputs in the valuation methodology that are observable in secondary markets. Assets held in limited liability investments, notes receivable, mineral interests, non-redeemable pooled funds, and other alternative investments are classified within Level 3 of the hierarchy due to unobservable inputs.

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

Interest rate swap agreements: Interest rate swap agreements are valued using a discounted cash flow models that uses verifiable yield curve inputs to calculate the fair value and is classified within Level 2 of the valuation hierarchy.

OUMF pooled investments: Investments in securities that calculate net asset value per share (or its equivalent, such as membership units) total $75,406,013 and $69,369,812 at June 30, 2020 and 2019, 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 OUMF pooled investment funds are redeemable upon request by the University.

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

Note 15. Fair Value Measurements (Continued)

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, 2020 and 2019:

	Investments	Endowments Held by Others	Total
Balance at June 30, 2018	$ 6,111,859	$ 37,465,878	$ 43,577,737
Investment income, net	218,431	13,711,919	13,930,350
Distributions from trusts held by others	-	(3,805,286)	(3,805,286)
Gifts by others	-	5,100	5,100
Purchases	-	4,100	4,100
Balance at June 30, 2019	6,330,290	47,381,711	53,712,001
Investment income (loss), net	1,300	(3,866,731)	(3,865,431)
Distributions from trusts held by others	-	(4,379,720)	(4,379,720)
Sales of investments	(2,910,000)	-	(2,910,000)
Gifts by others	-	26,876	26,876
Purchases	-	1,250,000	1,250,000
Balance at June 30, 2020	$ 3,421,590	$ 40,412,136	$ 43,833,726
Change in unrealized gains or (losses) for the year included in change in net assets for assets held at the end of the year:			
June 30, 2020	$ 1,300	$ (3,866,731)	$ (3,865,431)
June 30, 2019	$ 218,431	$ 13,711,919	$ 13,930,350

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

Note 15. Fair Value Measurements (Continued)

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, 2020 and 2019:

	Fair Value June 30,			
Investment Type	2020	2019	Valuation Techniques	Unobservable Input[c]
Minerals and other	$ 2,988,119	$ 2,941,958	Multiple of annual income	Income multiple[a]
Limited liability investments	-	2,910,000	Discounted cash flows	Discount rate[b]
Endowments held by others	40,412,136	47,381,711	Fair value of underlying investments	Unobservable securities
Private equity fund	433,471	478,332	Fair value of underlying investments	Unobservable securities
	$ 43,833,726	$ 53,712,001		

(a) Represents amounts used when the University has determined that market participants would use such multiples when pricing the investments.

(b) Represents the rate that market participants would take into account when determining fair value of estimated future cash flows.

(c) 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 which are managed and controlled by the University. The University also has endowment funds which are held and managed by OUMF 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 OUMF which are subject to OUMF'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.

Note 16. Endowment Disclosures (Continued)

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, 2020 and 2019:

	June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 101,425,743	$ 101,425,743
Board-designated endowment funds	3,445,219	-	3,445,219
Total endowment funds	$ 3,445,219	$ 101,425,743	$ 104,870,962

	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 108,157,675	$ 108,157,675
Board-designated endowment funds	3,466,527	-	3,466,527
Total endowment funds	$ 3,466,527	$ 108,157,675	$ 111,624,202

Note 16. Endowment Disclosures (Continued)

Change in endowment net assets for the years ended June 30, 2020 and 2019:

	June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 3,466,527	$ 108,157,675	$ 111,624,202
Investment income, net	(21,308)	(2,169,126)	(2,190,434)
Contributions/transfers	-	666,582	666,582
Appropriation of endowment assets for expenditure	-	(5,229,388)	(5,229,388)
Endowment net assets, end of year	$ 3,445,219	$ 101,425,743	$ 104,870,962

	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 3,021,298	$ 97,196,553	$ 100,217,851
Investment income, net	445,229	14,677,887	15,123,116
Contributions/transfers	-	2,716,138	2,716,138
Appropriation of endowment assets for expenditure	-	(6,432,903)	(6,432,903)
Endowment net assets, end of year	$ 3,466,527	$ 108,157,675	$ 111,624,202

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 $3,488,775 and $3,438,952 at June 30, 2020 and 2019, respectively. As of June 30, 2020 and 2019, respectively, $2,734,276 and $2,719,920 of the deficiencies are related to the endowment funds managed by the University. These deficiencies resulted from unfavorable market fluctuations. As a result, appropriations were limited to appropriations that were deemed prudent and necessary for the programs of the University.

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

Note 16. Endowment Disclosures (Continued)

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 OUMF are subject to their investment strategies.

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

Note 17. Law School Building

During fiscal year 2013, the University participated in a structured transaction involving new markets tax credits. This transaction resulted in the University entering into equity investment, loan, and leasing transactions with entities formed to facilitate transactions involving new markets tax credits. The purpose of the transactions is to facilitate the acquisition of a building to be leased, and potentially acquired in the future, by the University as its Law School. These transactions are summarized below.

During fiscal year 2013, the University made an equity investment of $700,000 into OCU Law Building Associations, LLC (OLBA, LLC), which was formed to acquire and lease a facility to be used as the University's Law School. OLBA LLC also raised an additional $1,300,000 in equity investments from other sources. The University's investment represents a 35% ownership interest in OLBA LLC.

In connection with the above investment, the University loaned $1,780,000 to OCU NMTC Investment Fund LLC (the Investment Fund, LLC), which was formed to raise funds for investment in a qualified equity investment vehicle. The Investment Fund LLC also raised an additional $10,341,120 from other sources for a total of $12,121,200. The Investment Fund LLC invested $12,000,000 of these funds into MF OCU Law Building, LLC (MF Building, LLC) as a qualified equity investment.

MF Building LLC loaned the investment proceeds of $12,000,000 to OLBA, LLC. In December 2012, OLBA, LLC utilized $10,000,000 of the loan proceeds to acquire a building located at 800 N. Harvey Avenue, Oklahoma City, Oklahoma, and $521,023 for title work, attorney, and consulting fees. The balance of the funds is to be used for renovation and other operating expenses.

During fiscal year 2014, the University participated in another structured transaction involving historical tax credits. This transaction resulted in the University entering into another loan, revised the previous lease agreement entered into with OLBA, LLC, and increased the University's equity investment in OLBA, LLC from 35% to 36.84%. The purpose of this transaction is to raise additional funds for continued renovation of the facility purchased in the first structured transaction noted above. This transaction is summarized below.

This transaction created a new entity, OCULBA Master Tenant, LLC (Master Tenant, LLC) which raised $971,074 of equity investments from other sources, which were then loaned to OLBA, LLC. The University also agreed to loan OLBA, LLC up to $5,200,000 under this transaction of which $3,640,002 was funded as of June 30, 2019.

Note 17. Law School Building (Continued)

Finally, OLBA, LLC sold the historical tax credits that will be generated as a result of qualifying rehabilitation expenditures that OLBA, LLC expects to incur in the renovation of the facility for an initial purchase price of $1,767,211 which will be subsequently adjusted in accordance with the related purchase and sale agreement and $319,250 of the proceeds raised in this transaction were used for attorney and consulting fees with the balance of the funds to be used for renovation and other operating expenses.

As of June 30, 2019, OLBA, LLC's summarized unaudited balance sheet information is as follows:

Current assets	$ 24,210
Noncurrent assets	20,562,689
Total assets	$ 20,586,899
Current liabilities	$ 78,782
Noncurrent liabilities	19,038,789
	19,117,571
Equity	1,469,328
Total liabilities and equity	$ 20,586,899

For the year ended June 30, 2019, OLBA, LLC had net loss of approximately ($207,213) and paid distributions to members of approximately $143,000.

In December 2012, the University entered into a lease agreement with OLBA, LLC to lease the acquired building which was terminated in April 2014. In April 2014, OLBA, LLC entered into a lease agreement with Master Tenant, LLC to lease the acquired building who simultaneously entered into an agreement with the University to sublease the acquired building to the University. The lease term is April 25, 2014 through December 31, 2024, and requires annual rent payments

Due to escalation clauses included in both the original and revised lease agreements, the University records annual rents using a straight-line allocation approach. The monthly rental rate under the sublease agreement entered in April 2014 was $92,094 (annual rate of $1,105,128) through December 31, 2015, when it was modified to be $93,073 (annual rate of $1,116,881). For the year ended June 30 2019, respectively, the University paid $976,950 of rentals under the lease agreements.

The University had an option to purchase the leased premises, which became effective on the latter of (i) the fifth anniversary of the leased premises being placed in service and (ii) December 5, 2019. The optional purchase price of the leased premises is the greater of (i) the fair market value of the premises at the time of the exercise of the purchase option and (ii) the sum of (a) an amount calculated to provide the Owner with a guaranteed positive return over the term of the Master Lease and (b) the termination payment (as defined in the Master Lease). The termination payment is $950,000 if the University exercises its option to purchase the leased premises on the initial exercise option date and such payment shall be reduced proportionately each month through the lease term that the purchase option is not exercised.

Note 17. Law School Building (Continued)

In December 2019, the University purchased the law building from OLBA, LLC for $28,685,000. This resulted in the termination of the lease agreement between the University and Master Tenant, LLC. The University paid $950,000 fee for early termination of the lease. Additionally, all related entities were dissolved. OLBA, LLC paid off the $3,640,002 loan and the related interest to the University and the Investment Fund, LLC paid off the $1,780,000 loan. The University received liquidating distributions of approximately $12,526,000 upon dissolution of all entities and is recorded as other gains in the statement of activities.

Note 18. Trust Funds Held For Others

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

	2020	2019
Trust A (a)	$ 676,886	$ 986,131
Trust B (b)	528,405	554,748
Other	473,896	505,453
	$ 1,679,187	$ 2,046,332

(a) 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.

(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 19. 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.

Note 19. Liquidity and Availability (Continued)

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:

	2020	2019
Financial assets at year end:		
Cash	$ 14,210,199	$ 3,219,811
Investments	120,805,117	124,683,582
Student receivables, net	1,726,799	1,609,768
Contributions, net	2,828,162	4,341,745
Accrued interest and other	217,274	468,045
Total financial assets	139,787,551	136,082,547
Less amounts unavailable for general expenditure within one year:		
Restricted cash	(9,160,513)	-
Board designated endowment	(3,445,219)	(3,466,527)
Donor restricted endowments not available for expenditure	(96,513,602)	(103,552,320)
Restricted by donors, net of amounts available within one year	(7,014,141)	(7,214,847)
Deposits held in custody for others	(538,501)	(476,877)
Annuities payable	(1,679,187)	(2,046,332)
Advances from federal government for student loans	(2,818,000)	(3,418,799)
Total amount unavailable for general expenditure within one year	(121,169,163)	(120,175,702)
Financial assets available to meet general expenditures within one year	$ 18,618,388	$ 15,906,845

Note 20. 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 include restrictions on travel, and 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, including the geographical area in which the Company operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

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

As part of the CARES Act, funding related to the Higher Educational Emergency Relief Fund was made available to help schools and universities. The University applied and received grants equal to approximately $1,537,000. No less than 50% of HEERF funds must be used for emergency financial aid grants to students.

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Independent Auditor's Report on the Supplementary Information

Board of Trustees
Oklahoma City University

We have audited the financial statements of Oklahoma City University (the University) as of and for the year ended June 30, 2020 and 2019, and have issued our report thereon, dated December 10, 2020, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to December 10, 2020.

The accompanying supplementary information is presented for purposes of additional analysis and is 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 audits 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Oklahoma City, Oklahoma
June 29, 2021

Oklahoma City University

Financial Responsibility Ratio Supplemental Schedule
June 30, 2020

Financial Statement & Financial Statement Line Item or Footnote Disclosure		Financial Statement Line Item Amount	Amount Used for Ratio
Primary Reserve Ratio			
Expendable Net Assets			
Statement of Financial Position - Net assets without donor restrictions	Net assets without donor restrictions		$ 98,262,515
Statement of Financial Position - Net assets with donor restrictions	Net assets with donor restrictions		115,977,651
Note 1 to the Financial Statements	Net assets with donor restrictions; restricted in perpetuity		72,051,684
Note 16 to the Financial Statements	Annuities with donor restrictions		1,561,988
Note 16 less two above.	Term endowments with donor restrictions		27,812,071
N/A	Life income funds with donor restrictions		-
N/A	Secured and unsecured related party receivable	-	
N/A	Unsecured related party receivable		-
Statement of Financial Position - Property, plant and equipment, net	Property, plant and equipment, net, including construction in progress	195,887,714	
Note 5 to the Financial Statements	Property, plant and equipment; pre-implementation, leases grandfathered		192,890,538
N/A	Property, plant and equipment; post-implementation - with outstanding debt for acquisition		-
N/A	Property, plant and equipment: post-implementation - without outstanding debt for acquisition		-
Note 5 to the Financial Statements	Construction in progress		2,997,176
N/A	Lease right of use assets, net	-	
N/A	Lease right of use assets; pre-implementation, leases are grandfathered		-
N/A	Lease right of use assets; post-implementation		-
Note 7 to the financial statements - Prepaid loan costs	Intangible assets		843,981
N/A	Post-employment and pension liabilities		-
Note I to the financial statements	Long-term debt; for long term purposes	104,970,491	
N/A	Long-term debt; for long term purposes pre-implementation, debt grandfathered		104,970,491
N/A	Long-term debt; for long term purposes post-implementation		-
N/A	Line of Credit for Construction in progress		-
N/A	Right of use asset lease obligation	-	
N/A	Right of use asset lease obligation; pre-implementation, leases grandfathered		-
N/A	Right of use asset lease obligation; post-implementation		-
	Total Expendable Net Assets		21,053,219

Total Expenses and Losses			
Statement of Activities - Total expenses	Total expenses without donor restrictions		72,928,593
N/A - it is income	Investment loss, net investment return appropriated for spending	-	
N/A	Other components of net periodic pension costs	-	
Statement of Activities - Change in value of split-interest agreements	Change in value of split interest agreements	117,428	
N/A - it is income	Other losses	-	
N/A	Pension-related changes other than net periodic pension costs	-	
	Non-operating and net investment loss		117,428
N/A - it is income	Investment loss, net investment return appropriated for spending		-
N/A	Pension-related changes other than net periodic costs		-
	Total expenses and losses		73,046,021

Equity Ratio			
Modified Net Assets			
Statement of Financial Position - Net assets without donor restrictions	Net assets without donor restrictions		98,262,515
Statement of Financial Position - Net assets with donor restrictions	Net assets with donor restrictions		115,977,651
Note 7 to the financial statements - Prepaid loan costs	Intangible assets		843,981
N/A	Secured and Unsecured related party receivable	-	
N/A	Unsecured related party receivable		-
	Total modified net assets		213,396,185
Modified Assets			
Statement of Financial Position - Total assets	Total assets		297,085,241
N/A	Lease right-of-use asset; pre-implementation, leases grandfathered		-
N/A	Lease right-of-use liability; pre-implementation, leases grandfathered		-
Note 7 to the financial statements - Prepaid loan costs	Intangible assets		843,981
N/A	Secured and Unsecured related party receivable	-	
N/A	Unsecured related party receivable		-
	Total modified assets		296,241,260

Net Income Ratio			
Change in Net Assets Without Donor Restrictions			
Statement of Activities - Total changes in net assets without donor restriction	Change in Net Assets Without Donor Restrictions; increase (decrease)		2,809,793
Total Revenue and Gains			
Statement of Activities - Total revenues	Total revenue without donor restrictions, including net assets released from restrictions	81,989,634	
Statement of Activities - Investment income	Net investment return appropriated for spending	873,807	
N/A	Total net investment return, including investment return appropriated for spending	-	
N/A - loss	Change in value of split-interest agreements	-	
Statement of Activities - other gains	Other gains	12,526,374	
N/A	Pension-related changes other than net periodic pension	-	
Total revenues and gains without donor restrictions			93,642,201

Oklahoma City University

Compliance Report
June 30, 2020

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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

To the Board of Trustees
Oklahoma City University

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, the financial statements of Oklahoma City University (the University), which comprise the statement of financial position as of June 30, 2020, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2020.

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) to determine the 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 may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatements, 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 determination of financial statement amounts. 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.

RSM US LLP

Oklahoma City, Oklahoma
December 10, 2020

**Report on Compliance for the Major Federal Program;
Report on Internal Control over Compliance; and
Report on Schedule of Expenditures of
Federal Awards Required by the Uniform Guidance**

Independent Auditor's Report

To the Board of Trustees
Oklahoma City University

Report on Compliance for the Major Federal Program
We have audited Oklahoma City University's (the University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the University's major federal program for the year ended June 30, 2020. 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.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Major Federal Program
In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance
Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance
We have audited the financial statements of the University as of and for the year ended June 30, 2020, and have issued our report thereon dated December 10, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Uniform Guidance and is 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 auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Oklahoma City, Oklahoma
June 29, 2021, except for our report on the Schedule of Federal Awards, for which the date is December 10, 2020

Oklahoma City University

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor	Federal Assistance Listing Number	Pass-Through Entity's Identifying Number	Grant Expenditures	Loan Disbursements
U.S. Department of Education				
Student Financial Aid Cluster:				
Cash assistance:				
Federal Pell Grant	84.063	N/A	$ 1,681,858	$ -
Federal Supplemental Educational Opportunity Grant (SEOG)	84.007	N/A	95,466	-
Federal Perkins Loan Program, beginning loan balance	84.038	N/A	-	2,858,308
Federal Work Study	84.033	N/A	309,805	-
Cash assistance not provided by the University:				
Federal Direct Loan Programs:				
Federal Stafford Loan Program	84.268	N/A	-	17,969,919
Federal Parents' Loans for Undergraduate Students Programs (PLUS)	84.268	N/A	-	7,062,137
Federal Parents' Loans for Graduate Students Programs	84.268	N/A	-	9,904,239
Total U.S. Student Financial Assistance Cluster			2,087,129	37,794,603
COVID-19 Higher Education Emergency Relief Funds	84.425	N/A	798,745	-
			2,885,874	37,794,603
Total expenditures of federal awards			$ 2,885,874	$ 37,794,603

See notes to schedule of expenditures of federal awards.

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Oklahoma City University (the University) under programs of the federal government for the year ended June 30, 2020. 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. Basis of Accounting

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

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

Note 4. Relationship to University Financial Statements

Expenditures on the schedule are recorded in the functional expenses in the University's statement of activities (the statement) with the exception of Pell expenditures, which are treated as agency transactions. The expenditures may not equal the amount of federal revenues reported in the statement, if any of the said revenues were not expended.

Note 5. Federal Direct Loan Programs

Under the Federal Direct Loan Programs (Direct Loan Programs), the U.S. Department of Education makes loans to enable a student or parent to pay the costs of the student's attendance at a postsecondary school. The Direct Loan Programs enable an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly from the U.S. Department of Education rather than through private lenders. The University began participation in the Direct Loan Programs on July 1, 2010. The University administers the origination and disbursement of the loans to eligible students or parents. The University is not responsible for the collection of these loans.

Note 6. Federal Perkins Loan Program

The University administers the Federal Perkins Loan Program. Disbursements presented in the accompanying schedule include no new loans to students and approximately no administrative cost allowances in the current year. The loan balance outstanding at June 30, 2020, was approximately $1,981,000. During the year ended June 30, 2020, the University did not receive federal contributions for the Federal Perkins Loan Program. Accordingly, the University did not transfer contributions to the program for its share of the current year matching grant.

Note 7. Subrecipients

During the year ended June 30, 2020, the University did not provide any federal awards to subrecipients.

Oklahoma City University

Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

I. Summary of Auditor's Results:

Financial Statements:

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ____ Yes _X_ No
- Significant deficiency(ies) identified? ____ Yes _X_ None reported
- Noncompliance material to financial statements noted? ____ Yes _X_ No

Federal Awards:

Internal control over major program:

- Material weakness(es) identified? ____ Yes _X_ No
- Significant deficiency(ies) identified? ____ Yes _X_ None reported

Type of auditors' report issued on compliance for major program: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? ____ Yes _X_ No

Identification of major program:

Federal Assistance Listing #	Name of Federal Program
	U.S. Department of Education, Student Financial Aid Cluster:
84.063	Federal Pell Grant
84.007	Federal Supplemental Educational Opportunity Grant (SEOG)
84.038	Federal Perkins Loan Program
84.033	Federal Work Study
84.268	Federal Direct Student Loan Programs
84.425	COVID-19 Higher Education Emergency Relief Funds

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? _X_ Yes ____ No

II. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with *Government Auditing Standards*

A. Internal Control

No matters were reported.

B. Compliance Findings

No matters were reported.

III. Findings and Questioned Costs for Federal Awards

A. Internal Control

No matters were reported.

B. Compliance Finding

No matters were reported.

Oklahoma City University

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2020

No matters were reported.