

Oklahoma City University

Financial Report
June 30, 2021

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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, 2021 and 2020, 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, 2021 and 2020, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2021, the University adopted Accounting Standards Update No. 2016-02, *Leases (Topic) 842*, as amended. Our opinion is not modified with respect to this matter.

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, 2021, dated November 23, 2021, 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
November 23, 2021

Oklahoma City University

Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Cash	\$ 5,412,145	\$ 5,049,686
Restricted cash	6,710,663	9,160,513
Receivables:		
Students, net	1,205,981	1,726,799
Contributions, net	2,411,199	2,828,162
Accrued interest and other	338,348	217,274
Federal loan reimbursements	-	482,357
Student notes receivable, net	1,487,036	1,979,377
Prepaid expenses, deposits and other assets	2,102,197	1,467,843
Investments:		
Securities	99,370,927	78,830,993
Investments held in charitable remainder annuity trusts	1,805,033	1,561,988
Endowments held by others	49,284,936	40,412,136
Property, plant and equipment, net	192,589,194	195,887,714
Total assets	\$ 362,717,659	\$ 339,604,842
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities:		
Salaries, wages and benefits	\$ 3,006,331	\$ 3,355,652
Other	4,313,294	2,710,328
Notes payable and line of credit	3,827,049	4,356,140
Deferred revenue	4,439,995	4,842,959
Deposits held in custody for others	215,820	538,501
Annuities payable	1,310,142	1,679,187
Finance lease obligations	6,524,895	6,972,726
Bonds payable, net	95,959,219	98,091,183
Advances from federal government for student loans	2,101,000	2,818,000
Total liabilities	121,697,745	125,364,676
Net assets:		
Without donor restrictions	104,262,948	98,262,515
With donor restrictions	136,756,966	115,977,651
Total net assets	241,019,914	214,240,166
Total liabilities and net assets	\$ 362,717,659	\$ 339,604,842

See notes to financial statements.

Oklahoma City University

Statement of Activities
Year Ended June 30, 2021 (with Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021	2020
Revenues, gains and other support:				
Student tuition and fees	\$ 81,428,415	\$ -	\$ 81,428,415	\$ 81,059,327
Less student aid	(32,591,040)	-	(32,591,040)	(32,590,108)
Net student tuition and fees	48,837,375	-	48,837,375	48,469,219
Federal and state grants and contracts	-	3,186,807	3,186,807	1,879,850
Private gifts and grants, including contributions receivable	679,183	6,153,791	6,832,974	6,659,611
Changes in value of split-interest agreements	-	210,850	210,850	(117,428)
Changes in the fair value of interest rate swap agreement	-	-	-	(1,048,741)
Sales and services of educational departments	47,689	235	47,924	270,889
Sales and services of auxiliary, net of student aid of \$1,298,478	6,357,798	-	6,357,798	5,300,794
Investment income (loss), net	4,674,057	28,870,868	33,544,925	(293,028)
Other income (loss)	1,481,238	(4,249)	1,476,989	2,090,846
Other gains	-	-	-	12,526,374
	62,077,340	38,418,302	100,495,642	75,738,386
Changes in restrictions by donors, reclassifications	4,120,806	(4,120,806)	-	-
Net assets released from restrictions	13,518,181	(13,518,181)	-	-
Total revenues, gains and other support	79,716,327	20,779,315	100,495,642	75,738,386
Expenses:				
Educational and general:				
Instruction	39,936,359	-	39,936,359	39,360,932
Academic support	6,818,394	-	6,818,394	6,551,748
Student services	10,241,613	-	10,241,613	11,092,476
Institutional support	11,252,549	-	11,252,549	9,315,218
Total educational and general	68,248,915	-	68,248,915	66,320,374
Auxiliary enterprises	5,466,979	-	5,466,979	6,608,219
Total expenses	73,715,894	-	73,715,894	72,928,593
Change in net assets	6,000,433	20,779,315	26,779,748	2,809,793
Net assets:				
Beginning	98,262,515	115,977,651	214,240,166	211,430,373
Ending	\$ 104,262,948	\$ 136,756,966	\$ 241,019,914	\$ 214,240,166

See notes to financial statements.

Oklahoma City University

Statement of Activities Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	2020
Revenues, gains and other support:			
Student tuition and fees	\$ 81,059,327	\$ -	\$ 81,059,327
Less student aid	(32,590,108)	-	(32,590,108)
Net student tuition and fees	48,469,219	-	48,469,219
Federal and state grants and contracts	-	1,879,850	1,879,850
Private gifts and grants, including contributions receivable	245,968	6,413,643	6,659,611
Changes in value of split-interest agreements	-	(117,428)	(117,428)
Changes in the fair value of interest rate swap agreement	(1,048,741)	-	(1,048,741)
Sales and services of educational departments	259,549	11,340	270,889
Sales and services of auxiliary, net of student aid of \$1,189,389	5,300,794	-	5,300,794
Investment income (loss), net	873,807	(1,166,835)	(293,028)
Other income	1,588,664	502,182	2,090,846
Other gains	12,526,374	-	12,526,374
	68,215,634	7,522,752	75,738,386
Changes in restrictions by donors, reclassifications	29,136	(29,136)	-
Net assets released from restrictions	13,744,864	(13,744,864)	-
Total revenues, gains and other support	81,989,634	(6,251,248)	75,738,386
Expenses:			
Educational and general:			
Instruction	39,360,932	-	39,360,932
Academic support	6,551,748	-	6,551,748
Student services	11,092,476	-	11,092,476
Institutional support	9,315,218	-	9,315,218
Total educational and general	66,320,274	-	66,320,274
Auxiliary enterprises	6,608,219	-	6,608,219
Total expenses	72,928,593	-	72,928,593
Change in net assets	9,061,041	(6,251,248)	2,809,793
Net assets:			
Beginning	89,201,474	122,228,899	211,430,373
Ending	\$ 98,262,515	\$ 115,977,651	\$ 214,240,166

See notes to financial statements.

Oklahoma City University

Statement of Functional Expenses

Year Ended June 30, 2021 (with Comparative Totals for 2020)

	Programs Expenses			Total Program Expenses	Institutional Support Expense	Auxillary Enterprises Expense	Totals	
	Instruction Expense	Academic Support Expense	Student Service Expense				June 30, 2021	June 30, 2020
Salaries and benefits	\$ 27,826,042	\$ 2,991,024	\$ 6,569,427	\$ 37,386,493	\$ 4,523,362	\$ 961,381	\$ 42,871,236	\$ 42,606,901
Depreciation and amortization	3,578,588	1,341,135	741,327	5,661,050	233,990	1,494,789	7,389,829	8,069,771
Supplies	807,725	512,507	611,142	1,931,374	616,494	272,350	2,820,218	2,638,660
Services	2,104,283	981,844	394,310	3,480,437	1,434,308	1,034,225	5,948,970	5,104,400
Interest	2,163,702	533,501	453,911	3,151,114	672,060	798,712	4,621,886	4,324,902
Occupancy (leases and utilities)	1,230,136	354,612	324,312	1,909,060	1,095,402	771,329	3,775,791	3,898,378
Recruiting and advertising	668,564	5,052	367,058	1,040,674	90,338	175	1,131,187	1,021,813
Special events	186,329	13,947	136,720	336,996	93,381	10,697	441,074	716,887
Travel and training	194,536	26,740	423,832	645,108	90,854	15,172	751,134	1,247,594
Other	1,176,454	58,032	219,574	1,454,060	2,402,360	108,149	3,964,569	3,299,287
Total	\$ 39,936,359	\$ 6,818,394	\$ 10,241,613	\$ 56,996,366	\$ 11,252,549	\$ 5,466,979	\$ 73,715,894	\$ 72,928,593

See notes to financial statements.

Oklahoma City University

Statement of Functional Expenses
Year Ended June 30, 2020

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

See notes to financial statements.

Oklahoma City University

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 26,779,748	\$ 2,809,793
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gifts restricted for capital expenditures	-	(97,163)
Gifts with perpetual restrictions	(897,528)	(852,564)
Investment (income) loss for perpetually restricted purposes	(171,319)	12,657
Net realized and unrealized investment (gains) losses	(32,315,061)	1,837,098
Depreciation and amortization	7,389,829	8,069,771
Unrealized loss on interest rate swap agreement	-	1,048,741
Recognition of deferred rent	-	(1,415,594)
Other gains	-	(12,526,374)
Bad-debt expense	223,514	845,249
Change on discount on contributions receivable	(11,678)	(262,699)
Changes in operating assets and liabilities:		
Student accounts receivable	339,702	(360,020)
Prepaid expenses, deposits and other assets	(247,502)	291,753
Contributions receivable	367,243	1,174,022
Accrued interest and other receivables	361,286	331,949
Accounts payable and accrued liabilities	815,321	1,436,353
Annuities payable	(369,045)	(367,145)
Deferred revenue	(402,964)	78,987
Deposits held in custody for others	(322,681)	61,624
Advances from federal government for student loans	(717,000)	(399,000)
Net cash provided by operating activities	821,865	1,717,438
Cash flows from investing activities:		
Purchases of investments	(3,787,438)	(5,910,165)
Proceeds from sales of investments	3,659,779	16,098,186
Distributions from endowments held by others	2,786,941	4,379,720
Note receivable payments received from related party	-	3,640,002
Capital expenditures	(4,681,804)	(45,106,006)
Collections on student notes receivable	511,341	791,581
Net cash used in investing activities	(1,511,181)	(26,106,682)

(Continued)

Oklahoma City University

Statements of Cash Flows (Continued)
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from financing activities:		
Gifts collected for capital expenditures	\$ -	\$ 97,163
Gifts collected for permanently restricted purposes	897,528	852,564
Investment income for permanently restricted purposes	171,319	(12,657)
Proceeds from notes payable	-	16,252,710
Payments on notes payable	(529,091)	(16,738,262)
Proceeds from bonds issuance	-	99,346,610
Payments on bonds payable and capital lease obligations	(1,937,831)	(49,490,847)
Payment of bond issuance costs	-	(871,649)
Payments on interest rate swap agreement	-	(14,056,000)
Net cash (used in) provided by financing activities	(1,398,075)	35,379,632
Net change in cash, cash equivalents and restricted cash	(2,087,391)	10,990,388
Cash, cash equivalents and restricted cash:		
Beginning	<u>14,210,199</u>	<u>3,219,811</u>
Ending	<u><u>\$ 12,122,808</u></u>	<u><u>\$ 14,210,199</u></u>
Supplemental data:		
Noncash investing and financing activities:		
Gifts to endowments held by others	<u>\$ 14,400</u>	<u>\$ 26,876</u>
Property, plant and equipment acquired through assumption of right of use assets and financing leases	<u>\$ 386,852</u>	<u>\$ 356,529</u>
Property, plant and equipment acquired through accounts payable	<u>\$ 130,094</u>	<u>\$ 78,629</u>
Interest paid	<u>\$ 4,484,982</u>	<u>\$ 2,120,785</u>
Cash and cash equivalents	<u>\$ 5,412,145</u>	<u>\$ 5,049,686</u>
Restricted cash	<u>6,710,663</u>	<u>9,160,513</u>
Total cash, cash equivalents and restricted cash	<u><u>\$ 12,122,808</u></u>	<u><u>\$ 14,210,199</u></u>

See notes to financial statements.

Oklahoma City University

Notes to Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies

Nature of operations: Oklahoma City University (the University) is a private, nonprofit institution of higher education 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 nonprofit 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 February 2016 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 (ROU), 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 a lease commencement date. Leases are classified as either operating or finance leases (formerly referred to as capital leases). Recognition, measurement, and presentation of expenses and cash flow arising from a lease are determined by the lease's classification. The University adopted the new standard on July 1, 2020 using the alternative modified retrospective transition method that applies the standards to only the most current period under adoption as defined in Accounting Standard Codification (ASC) 842-10-65-1(C)(2). This can result in certain balance to not be comparative. See Note 8 for impact to the financial statements upon adoption.

In 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. On July 1, 2020, the University adopted the FASB, ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The adoption of this ASU reduced certain fair value disclosures in Note 14.

In March 2019, the FASB issued ASU 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*. This ASU modifies the definition of the term collections and requires that a collection-holding entity disclose its policy for the use of proceeds when collection items are deaccessioned (that is, removed from a collection). If a collection-holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care, it should disclose its definition of direct care. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2019. The adoption of the new standard did not have a material impact on the financial statements.

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

Without donor restrictions: These net assets are not subject to donor-imposed restrictions. 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: These net assets are subject to donor-imposed restrictions that may or will be met either by actions of the University and/or the passage of time. In addition, net assets with donor restrictions include donor-imposed restrictions, which are perpetual in nature, and require the University to maintain the contributed resources in perpetuity. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for specific or general purposes.

Oklahoma City University

Notes to Financial Statements

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

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.

Net assets are composed of the following as of June 30, 2021 and 2020:

	2021	2020
Without donor restrictions:		
Board-designated	\$ 4,790,713	\$ 3,445,219
Undesignated	99,472,235	94,817,296
	<u>\$ 104,262,948</u>	<u>\$ 98,262,515</u>
With donor restrictions:		
Time or purpose	\$ 60,854,655	\$ 47,414,742
Perpetual	76,157,413	72,051,684
Underwater endowments	(255,102)	(3,488,775)
	<u>\$ 136,756,966</u>	<u>\$ 115,977,651</u>

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, 2021 and 2020, 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, 2021 and 2020, the University had recorded an allowance of \$350,000.

Student notes receivable: Student notes receivable consist primarily of loans made to students under U.S. government loan programs. The loans are stated at net realizable value in the accompanying statements of financial position. At June 30, 2021 and 2020, the University had recorded an allowance of \$58,000 and \$75,000, 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 and present value techniques.

Oklahoma City University

Notes to Financial Statements

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

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.

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

Property, plant and equipment: Land, buildings and improvements, equipment, computers, and automobiles are stated at cost when purchased by the University or at fair value at 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:

	<u>Years</u>
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.

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

Oklahoma City University

Notes to Financial Statements

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

Operating leases as a lessee are included in prepaid expenses, deposits and other assets and accounts payable and accrued other liabilities on the statement of financial position. The assets and liabilities associated with finance leases as a lessee are included property, plant and equipment, net, and finance lease obligations, respectively, on the statements of financial position.

Revenue recognition: The University recognizes revenue in accordance with ASC 606, Revenue from Contracts with Customers, which provides a five step model for recognizing revenue from contracts with customers as follows:

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

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

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

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

Auxiliary services: Auxiliary services revenue is derived primarily from room, board, and meal plans to students enrolled in academic programs. Auxiliary services revenue is recognized over time as the lodging services and meal plans are delivered, as the students receive and consume benefits provided by the University as it satisfies the performance obligation. At the beginning of each academic term, there is a period in which the students may withdraw completely. Payments for auxiliary services that extend past June 30, 2021 and 2020, are recorded as deferred revenue in the statements 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 nonrefundable 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 have been met.

Oklahoma City University

Notes to Financial Statements

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

The University measures performance obligation from the start of the school year because all of its performance obligations relate to contracts with a duration of less than one year. The University has elected to apply the optional exemption provided in ASC Section 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to deferred revenue. The performance obligations for these contracts are generally completed within one academic year and 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. There was no conditional contribution as of June 30, 2021 and 2020.

Income tax status: The University is an organization exempt from federal income tax pursuant to section 501(a) of the Internal Revenue Code (the Code) as an organization described in section 501(c)(3) of the Code. Provision has been made, where material, for any taxes due on unrelated business income.

The University recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities. Management has evaluated the University's tax positions and concluded that the University had no material uncertainties in income taxes as of June 30, 2021 and 2020. With few exceptions, the University is no longer subject to examination by the U.S. federal, or state tax authorities for fiscal years before 2018. The University will account for interest and penalties related to uncertain tax positions, if any, as part of tax expense.

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

Assets are valued at fair value, and liabilities are stated at present value, using an appropriate discount rate commensurate with the risks involved and Internal Revenue Service life expectancy tables. Liabilities totaling approximately \$372,000 and \$383,000 as of June 30, 2021 and 2020, respectively, are included in the statements of financial position.

Oklahoma City University

Notes to Financial Statements

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

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, 2021 and 2020. Liabilities totaling approximately \$938,000 and \$1,297,000, as of June 30, 2021 and 2020, 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. 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 revaluations 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.

Advertising costs: The University expenses the costs of advertising as incurred. For the years ended June 30, 2021 and 2020, advertising expense was approximately \$949,000 and \$690,000, 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

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.

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

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 June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The University is currently evaluating the impact of adopting this new guidance on its consolidated financial statements and does not expect the impact to be significant.

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.

Subsequent events: The University has evaluated subsequent events through November 23, 2021, which is the date of issuance. Through that date there were no events requiring disclosure in the financial statements, other than disclosed in Note 8.

Oklahoma City University

Notes to Financial Statements

Note 2. Contributions Receivable

Contributions receivable are discounted commensurate with the risks involved to state amounts at estimated present value (5%). Net contributions receivable along with the period of expected collection are as follows at June 30:

	2021	2020
Due in less than one year	\$ 1,030,767	\$ 1,604,157
Due in one to five years	1,555,500	1,204,485
Due in more than five years	-	233,333
	<u>2,586,267</u>	<u>3,041,975</u>
Less allowance	(144,112)	(171,179)
Less discount	(30,956)	(42,634)
	<u>\$ 2,411,199</u>	<u>\$ 2,828,162</u>

Included in gross unconditional promises to give are approximately \$30,000 and \$19,000 from members of the Board of Trustees, affiliates of the Board and officers and employees of the University as of June 30, 2021 and 2020, respectively.

Note 3. Student Notes Receivable

Federal Perkins Loan Program: Student loans under the Federal Perkins Loan Program were approximately \$1,487,000 and \$1,979,000 at June 30, 2021 and 2020, respectively. Perkins stipulates that the federal government provide two-thirds of the total funds available with the University providing the remaining one-third. The total portion funded by the federal government, which includes cash balances maintained by the University as well as outstanding student loans, is shown as advances from the federal government for student loans in the accompanying statements of financial position. Student loans under the Federal Perkins Loan Program are reduced by an allowance for uncollectible notes of approximately \$58,000 and \$75,000 at June 30, 2021 and 2020, 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, 2021 and 2020, is presented as follows:

	2021						Total
	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	
Student loan receivables, net	\$ 339,881	\$ 627,812	\$ 146,163	\$ 70,835	\$ 126,912	\$ 175,433	\$ 1,487,036
As a percentage of total loan portfolio	22.86%	42.22%	9.83%	4.76%	8.53%	11.80%	100.00%

Oklahoma City University

Notes to Financial Statements

Note 3. Student Notes Receivable (Continued)

	2020						Total
	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	
Student loan receivables, net	\$ 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%	9.75%	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 Methodist Foundation (OMF). These assets are to be held in perpetuity by OMF for the benefit of the University. In connection with these assets, the statements of financial position as of June 30, 2021 and 2020, includes the interest in assets held by OMF of approximately \$48,347,000 and \$39,643,000, respectively. The University receives distributions from the income earned, which is generally restricted for scholarship purposes. During the years ended June 30, 2021 and 2020, the University received approximately \$2,748,000 and \$3,064,000, 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 statements of financial position as of June 30, 2021 and 2020, include the interest in assets held by OCCF of approximately \$933,000 and \$763,000, respectively. Annually, distributions from the funds are paid to the University according to OCCF's spending policy. The University received distributions of approximately \$40,000 and \$1,315,000 during the years ended June 30, 2021 and 2020, respectively. Distributions are presented as private gifts and grants, included in contributions receivable on the statement of activities.

OCCF maintains other funds that have been contributed by various donors to OCCF for the benefit of the University. These funds are not included as assets of the University and they have no remainder interest in the corpus of these funds. The earnings from these funds are paid to the University each year. For the years ended June 30, 2021 and 2020, the University received approximately \$240,000 and \$1,582,000, respectively, from the funds. At June 30, 2021 and 2020, the fair value of the funds was approximately \$5,689,000 and \$4,648,000, respectively. Earnings are presented as private gifts and grants, included in contributions receivable on the statement of activities.

Oklahoma City University

Notes to Financial Statements

Note 5. Property, Plant and Equipment

Property, plant and equipment is summarized as follows:

	2021	2020
Land	\$ 10,712,115	\$ 10,712,115
Building	192,379,147	192,379,147
Improvements	41,562,696	40,344,058
Steinway pianos	2,198,880	2,198,880
Equipment, including library books	55,998,705	55,618,804
Computers and automobiles	1,981,147	1,666,701
Construction in progress	4,804,749	2,997,176
	<u>309,637,439</u>	<u>305,916,881</u>
Less accumulated depreciation	117,048,245	110,029,167
Net property, plant and equipment	<u>\$ 192,589,194</u>	<u>\$ 195,887,714</u>

For the years ended June 30, 2021 and 2020, depreciation expense was approximately \$8,032,000 and \$7,669,000, respectively. See Note 8 for ROU assets and accumulated amortization included in net property, plant and equipment.

Construction in progress consist mainly of projects related to improving and replacing the University's heating and ventilation (HVAC) units and boilers systems to more energy efficient models. Additionally, there are building improvements to renovate older buildings, installing elevators, and newer network equipment. These projects were started and paid for in prior years but were delayed or placed on hold due to the COVID-19 pandemic and campus closure. These projects have been restarted in phases and is all expected to be completed by end of 2022. Some projects are performed internally while other projects are contracted with third parties. Total remaining commitments related to these projects approximate \$829,000 and \$2,400,000 as of June 30, 2021 and 2020, respectively.

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 3.75% (effective rate of 3.75% at June 30, 2021). The agreement was amended in April 2021 and now matures on April 21, 2022. The University did not have any draw on the line of credit at June 30, 2021 and 2020.

In April 2012, the University entered into a line of credit agreement with The Oklahoma Methodist Foundation (OMF). The agreement allowed for borrowings up to \$3,000,000 The University amended the agreement in June 2019 to increase the borrowing capacity to \$5,000,000 and subsequently amended agreement in June 2021 to increase the borrowing capacity to \$5,500,000. The line of credit carries a variable interest rate starting at 1.82% and adjusted annually to the Lender's Short Term Fund rate plus 1% (effective rate of 1.82% at June 30, 2021). The agreement matures on June 30, 2024. The agreement is secured by certain investments held at OMF. The University carried a balance of \$3,000,000 and \$3,000,000 at June 30, 2021 and 2020, respectively. The line of credit is secured by certain investments held OMF.

Oklahoma City University

Notes to Financial Statements

Note 6. Notes Payable (Continued)

In December 2017, the University entered into an installment loan with OMF. The agreement allows for borrowings up to \$2,008,890 requiring semiannual payments. Accrued interest at 1.0% above OMF's Short Term Fund Rate (effective rate of 2.56% at June 30, 2021). The agreement matures on September 15, 2022. The agreement is secured by certain investments held at OMF. At June 30, 2021 and 2020, the outstanding balance was \$827,049 and \$1,356,140, respectively.

Maturities required on notes payable at June 30, 2021, are as follows:

Years ending June 30:	
2022	\$ 547,967
2023	279,082
2024	3,000,000
Total notes payable	<u>\$ 3,827,049</u>

Note 7. Bonds Payable

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% to 5%. Principal payments are due August 1 of every year. Total proceeds from the 2019 Bonds issuance was \$98,478,961, which included a premium of \$8,586,610 less total issuance costs of \$867,649. The 2019 Bonds issuance was used to pay off the 2017A Notes, swap agreement, note payable, asset acquisitions, capital improvement costs, and fund restricted cash for the debt service fund. The 2019 Bonds are secured by all of the University's assets and receivables.

Specific incremental costs directly attributable to the various bond offerings are deferred and amortized, using the effective interest method, over the remaining life of the bonds and netted with bonds payable in the statements of financial position. Bond issuance costs at June 30, 2021 and 2020, totaled \$797,623 and \$843,981, respectively.

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

	2021	2020
Bond payable	\$ 89,270,000	\$ 90,760,000
Bond premium	7,486,482	8,175,164
Debt issuance costs	797,263	843,981
	<u>\$ 95,959,219</u>	<u>\$ 98,091,183</u>

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

Oklahoma City University

Notes to Financial Statements

Note 7. Bonds Payable (Continued)

At June 30, 2021, annual maturities of principal of the 2019 Bonds are as follows:

Years ending June 30:	
2022	\$ 1,540,000
2023	1,605,000
2024	1,680,000
2025	1,765,000
2026	1,855,000
Thereafter	80,825,000
	<u>\$ 89,270,000</u>

Note 8. Leases

On July 1, 2020, the University adopted Topic 842 by applying the guidance at adoption date. As a result, the comparative information as of June 30, 2020 was not adjusted. As of July 1, 2020, the University recognized operating right of use assets and lease liabilities on its statement of financial position. Upon adoption, the University recognized approximately \$416,000 and \$411,000 of ROU assets and lease obligations, respectively, within the statement of financial position.

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

At June 30, 2021, the University recognized an operating lease of approximately \$387,000 as ROU assets within prepaid expenses, deposits, and other assets and approximately \$387,000 as lease obligations within other liabilities. For its finance leases, the University recognized approximately \$4,800,000 as ROU assets within property, plant and equipment, net and approximately \$6,500,000 as finance lease obligations.

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

Oklahoma City University

Notes to Financial Statements

Note 8. Leases (Continued)

Aggregate future minimum lease payments under noncancelable finance and operating leases as of June 30, 2021 are as follow:

	Financing Leases	Operating Leases
Years ending June 30:		
2022	\$ 873,201	\$ 106,807
2023	873,201	96,223
2024	873,201	98,998
2025	832,948	101,857
2026	792,579	3,708
Thereafter	4,755,476	14,832
Total minimum lease payments	9,000,606	422,425
Less amount representing interest	2,475,711	35,572
Present value of minimum lease payments	<u>\$ 6,524,895</u>	<u>\$ 386,853</u>

The table above does not reflect a lease entered into subsequent to year ended for various mailroom equipment. The lease is considered a financing lease that commenced on July 18, 2021, and matures on June 18, 2024. Monthly lease payments are approximately \$1,000 with an interest rate of 3.25%.

The components of lease expense are as follows:

	2021	2020
Lease cost:		
Finance lease expense		
Amortization of right-of-use assets (depreciation)	\$ 917,255	\$ 792,506
Interest expense on lease liabilities	425,370	442,687
Operating lease expense	50,566	1,974,035
Short-term lease expense	132,229	38,235
Total lease expense	<u>\$ 1,525,420</u>	<u>\$ 3,247,463</u>

Other information related to leases are disclosed in table below.

	Weighted average remaining lease term (in years)	Weighted-average discount rate	Payments presented in cash flow
Financing lease	9.75	6.44%	\$ 447,832
Operating lease	4.19	4.09%	\$ 58,846

Oklahoma City University

Notes to Financial Statements

Note 8. Leases (Continued)

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

	2021	2020
Assets	\$ 7,920,553	\$ 7,920,553
Less accumulated depreciation	3,132,768	2,215,513
	<u>\$ 4,787,785</u>	<u>\$ 5,705,040</u>

Note 9. Net Assets With Donor Restrictions

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

	2021	2020
Net assets with donor restrictions:		
Capital projects	\$ 2,120,583	\$ 5,050,042
Scholarships	87,826,908	74,548,414
Other	46,809,475	36,379,195
	<u>\$ 136,756,966</u>	<u>\$ 115,977,651</u>

The corpus balances of the table above at June 30, 2021 and 2020 was \$76,157,414 and \$75,058,083, respectively.

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:

	2021	2020
Purpose restrictions accomplished:		
Capital projects	\$ 2,929,459	\$ 488,706
Scholarships	6,514,102	6,737,854
Other	4,074,620	6,518,304
	<u>\$ 13,518,181</u>	<u>\$ 13,744,864</u>

Note 10. 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 \$1,097,000 and \$1,039,000 during the years ended June 30, 2021 and 2020, respectively.

Oklahoma City University

Notes to Financial Statements

Note 11. 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 12. Student Financial Aid—Contingencies

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

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

Note 13. Commitments and Contingencies

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

Self-insurance: The University offers health, dental and vision plans (the Plan) for employees who wish to participate. The Plan is facilitated and administered by Blue Cross Blue Shield of Oklahoma. The University collects premiums from participating employees and remits monthly, along with University contributions, to an account at UMB that was specifically created for paying Plan expenses. Blue Cross Blue Shield of Oklahoma is responsible for all aspects of administration including enrollment changes, issuing eligibility cards, claims payment, and claims reporting. The University maintains control over the Plan design, including changes to the Plan. The plan has a stop loss policy of \$125,000 and \$100,000 per participating employee for period ending June 30, 2021 and 2020, respectively.

During the years ended June 30, 2021 and 2020, the University expensed approximately \$3,411,000 and \$3,009,000, respectively, related to the Plan. The University has recorded a provision for incurred but not reported claims, which at June 30, 2021 and 2020, amounted to approximately \$445,000 and \$654,000, respectively.

The University has recorded an asset related to the funds on deposit with UMB to service claims and expenses, which at June 30, 2021 and 2020, amounted to approximately \$261,000 and \$348,000, 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.

Oklahoma City University

Notes to Financial Statements

Note 14. 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, 2021 and 2020, are as follows:

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Investments, at fair value:				
Cash	\$ 211,143	\$ -	\$ -	\$ 211,143
Equity funds	-	-	436,502	436,502
OMF pooled investment funds	-	95,221,195	-	95,221,195
Mineral interests and other	-	-	3,502,087	3,502,087
Endowments held by others	-	-	49,284,936	49,284,936
	<u>211,143</u>	<u>95,221,195</u>	<u>53,223,525</u>	<u>148,655,863</u>
Investments in charitable remainder annuity trusts:				
Cash and money market funds	682,159	-	-	682,159
Corporate and government obligations	-	521,541	-	521,541
Common stock	601,333	-	-	601,333
Total investments in charitable remainder annuity trusts	<u>1,283,492</u>	<u>521,541</u>	<u>-</u>	<u>1,805,033</u>
Total assets carried at fair value	<u>\$ 1,494,635</u>	<u>\$ 95,742,736</u>	<u>\$ 53,223,525</u>	<u>\$ 150,460,896</u>

	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
OMF 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
	<u>3,390</u>	<u>75,406,013</u>	<u>43,833,726</u>	<u>119,243,129</u>
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	<u>1,044,564</u>	<u>517,424</u>	<u>-</u>	<u>1,561,988</u>
Total assets carried at fair value	<u>\$ 1,047,594</u>	<u>\$ 75,923,437</u>	<u>\$ 43,833,726</u>	<u>\$ 120,805,117</u>

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, 2021 and 2020.

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, nonredeemable pooled funds, and other alternative investments are classified within Level 3 of the hierarchy due to unobservable inputs.

Oklahoma City University

Notes to Financial Statements

Note 14. Fair Value Measurements (Continued)

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

OMF pooled investments: Investments in securities that calculate net asset value per share (or its equivalent, such as membership units) total \$95,221,195 and \$75,406,013 at June 30, 2021 and 2020, respectively. These investments consist of various domestic and international equity and bond funds and alternative investments. The University invests in these assets to achieve endowment returns consistent with the adopted investment policies. Investments in these funds include U.S. equities, non-U.S. equities, corporate and governmental bonds, commodities, secondary investments and other investment vehicles. Investments in the OMF pooled investment funds are redeemable upon request by the University.

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

The following table summarizes the changes in the fair value of the University's Level 3 financial assets and liabilities for the years ended June 30, 2021 and 2020:

	Investments	Endowments Held by Others	Total
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
Investment income, net	516,999	11,646,333	12,163,332
Distributions from trusts held by others	-	(2,787,933)	(2,787,933)
Gifts by others	-	14,400	14,400
Balance at June 30, 2021	<u>\$ 3,938,589</u>	<u>\$ 49,284,936</u>	<u>\$ 53,223,525</u>

Oklahoma City University

Notes to Financial Statements

Note 14. Fair Value Measurements (Continued)

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.

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, 2021 and 2020:

Investment Type	Fair Value		Valuation Techniques	Unobservable Input (b)
	June 30			
	2021	2020		
Minerals and other	\$ 3,502,087	\$ 2,988,119	Multiple of annual income	Income multiple (a)
Endowments held by others	49,284,936	40,412,136	Fair value of underlying investments	Unobservable securities
Private equity fund	436,502	433,471	Fair value of underlying investments	Unobservable securities
	<u>\$ 53,223,525</u>	<u>\$ 43,833,726</u>		

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

(b) Significant increases or decreases in any of the above unobservable inputs in isolation may result in a significantly lower or higher fair value measurement.

Note 15. 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 OMF and others (see Note 4). As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. All of the endowment funds held by the University are managed and controlled by the University in accordance with the following policies, except for the funds managed by OMF, which are subject to OMF's interpretation of the law, investment policies and spending policies.

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

Oklahoma City University

Notes to Financial Statements

Note 15. 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, 2021 and 2020:

	June 30, 2021		
	Without	With	Total
	Donor Restrictions	Donor Restrictions	
Donor-restricted endowment funds	\$ -	\$ 124,595,450	\$ 124,595,450
Board-designated endowment funds	4,790,713	-	4,790,713
Total endowment funds	<u>\$ 4,790,713</u>	<u>\$ 124,595,450</u>	<u>\$ 129,386,163</u>
	June 30, 2020		
	Without	With	
	Donor Restrictions	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	<u>\$ 3,445,219</u>	<u>\$ 101,425,743</u>	<u>\$ 104,870,962</u>

Oklahoma City University

Notes to Financial Statements

Note 15. Endowment Disclosures (Continued)

Change in endowment net assets for the years ended June 30, 2021 and 2020:

	June 30, 2021		
	Without	With	Total
	Donor Restrictions	Donor Restrictions	
Endowment net assets, beginning of year	\$ 3,445,219	\$ 101,425,743	\$ 104,870,962
Investment income, net	1,345,494	26,713,710	28,059,204
Contributions/transfers	-	1,214,172	1,214,172
Appropriation of endowment assets for expenditure	-	(4,758,175)	(4,758,175)
Endowment net assets, end of year	<u>\$ 4,790,713</u>	<u>\$ 124,595,450</u>	<u>\$ 129,386,163</u>
	June 30, 2020		
	Without	With	Total
	Donor Restrictions	Donor Restrictions	
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	<u>\$ 3,445,219</u>	<u>\$ 101,425,743</u>	<u>\$ 104,870,962</u>

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the University to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature that are reported in net assets with donor restrictions were \$255,102 and \$3,488,775 at June 30, 2021 and 2020, respectively. As of June 30, 2021 and 2020, respectively, \$1,358 and \$2,734,276 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.

Oklahoma City University

Notes to Financial Statements

Note 15. 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 OMF 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 OMF are subject to their spending policies.

Note 16. 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.

Oklahoma City University

Notes to Financial Statements

Note 16. 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.

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 was April 25, 2014 through December 31, 2024, and required annual rent payments

Due to escalation clauses included in both the original and revised lease agreements, the University recorded 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.

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.

Oklahoma City University

Notes to Financial Statements

Note 17. Trust Funds Held For Others

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

	2021	2020
Trust A (a)	\$ 348,568	\$ 676,886
Trust B (b)	501,585	528,405
Other	459,989	473,896
	<u>\$ 1,310,142</u>	<u>\$ 1,679,187</u>

- (a) In 2001, the University became the trustee of a charitable remainder annuity trust initially funded with investments totaling \$10,000,000. After establishing the trust, the original donor authorized \$4,500,000 of trust assets to be used for other projects of the University. Pursuant to the terms of the trust document, each year, the trust pays the settlor an annuity of 6% of the original fair market value of assets contributed to the trust by the settlor to the extent that there are trust assets available. Upon the death of the settlor, remaining trust assets, if any, shall be distributed to the University as remainder beneficiary, to be used for unrestricted endowment purposes. On August 31, 2016, the University entered into an agreement with the settlor that in the event that the trust assets are exhausted prior to the settlor's death the University will continue to make monthly payments of 4% ending upon the settlor's death or June 1, 2022, whichever occurs sooner.
- (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.

Oklahoma City University

Notes to Financial Statements

Note 18. Liquidity and Availability

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

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:

	2021	2020
Financial assets at year-end:		
Cash	\$ 12,122,808	\$ 14,210,199
Investments	150,460,896	120,805,117
Student receivables, net	1,205,981	1,726,799
Contributions, net	2,411,199	2,828,162
Accrued interest and other	338,348	217,274
Total financial assets	<u>166,539,232</u>	<u>139,787,551</u>
Less amounts unavailable for general expenditure within one year:		
Restricted cash	(6,710,663)	(9,160,513)
Board-designated endowment	(4,790,713)	(3,445,219)
Donor-restricted endowments not available for expenditure	(119,801,112)	(96,513,602)
Restricted by donors, net of amounts available within one year	(5,180,089)	(7,014,141)
Deposits held in custody for others	(215,820)	(538,501)
Annuities payable	(1,310,142)	(1,679,187)
Advances from federal government for student loans	(2,101,000)	(2,818,000)
Total amount unavailable for general expenditure within one year	<u>(140,109,539)</u>	<u>(121,169,163)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 26,429,693</u>	<u>\$ 18,618,388</u>

Note 19. COVID-19 and CARES Act

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, 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 adapt to future environmental and regulatory mandate.

As part of the CARES Act, funding related to the Higher Educational Emergency Relief Fund I, II, and III, was made available to help schools and universities. During the years ended June 30, 2021 and 2020, the University applied and received grants equal to approximately \$2,822,000 and \$1,537,000, respectively. These amounts are presented as federal and state grants and contracts on the statement of activities.



Independent Auditor's Report on the Supplementary Information

RSM US LLP

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, 2021 and 2020, and have issued our report thereon, dated November 23, 2021, 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 November 23, 2021.

The accompanying Financial Responsibility Ratio Supplemental Schedule, as required by Title 34 U.S. Code of Federal Regulations Part 668, *Student Assistance General Provisions*, 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
November 23, 2021

Oklahoma City University

Financial Responsibility Ratio Supplemental Schedule
June 30, 2021

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		\$ 104,262,948
Statement of Financial Position - Net assets with donor restrictions	Net assets with donor restrictions		136,756,966
Note 1 to the Financial Statements	Net assets with donor restrictions; restricted in perpetuity		76,157,413
Note 14 to the Financial Statements	Annuities with donor restrictions		1,805,033
Note 14 to the Financial Statements - Endowments held by others	Term endowments with donor restrictions		49,284,936
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	192,589,194	
Note 5 to the Financial Statements less construction in process below	Property, plant and equipment; pre-implementation, leases grandfathered		187,784,445
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		4,804,749
Note 8 to the Financial Statements	Lease right of use assets, net	387,000	
N/A	Lease right of use assets; pre-implementation, leases are grandfathered		-
Note 8 to the Financial Statements	Lease right of use assets; post-implementation		387,000
Note 7 to the financial statements - Prepaid loan costs	Intangible assets		797,263
N/A	Post-employment and pension liabilities		-
Note 6 to the financial statements plus Note 7 to the financial statements	Long-term debt; for long term purposes	107,108,426	
N/A	Long-term debt; for long term purposes pre-implementation, debt grandfathered		107,108,426
N/A	Long-term debt; for long term purposes post-implementation		-
N/A	Line of Credit for Construction in progress		-
Note 8 to the Financial Statements	Right of use asset lease obligation	387,000	
N/A	Right of use asset lease obligation; pre-implementation, leases grandfathered		-
Note 8 to the Financial Statements	Right of use asset lease obligation; post-implementation		387,000
Total Expendable Net Assets			27,494,501

Total Expenses and Losses			
Statement of Activities - Total expenses	Total expenses without donor restrictions		73,715,894
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	-	
N/A - it is income	Other losses	-	
N/A	Pension-related changes other than net periodic pension costs	-	
	Non-operating and net investment loss		-
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			73,715,894

Equity Ratio			
Modified Net Assets			
Statement of Financial Position - Net assets without donor restrictions	Net assets without donor restrictions		104,262,948
Statement of Financial Position - Net assets with donor restrictions	Net assets with donor restrictions		136,756,966
Note 7 to the financial statements - Prepaid loan costs	Intangible assets		797,263
N/A	Secured and Unsecured related party receivable	-	
N/A	Unsecured related party receivable		-
Total modified net assets			240,222,651
Modified Assets			
Statement of Financial Position - Total assets	Total assets		362,717,659
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		797,263
N/A	Secured and Unsecured related party receivable	-	
N/A	Unsecured related party receivable		-
Total modified assets			361,920,396

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)		6,000,433
Total Revenue and Gains			
Statement of Activities - Total revenues	Total revenue without donor restrictions, including net assets released from restrictions	79,716,327	
Statement of Activities - Investment income	Net investment return appropriated for spending	4,674,057	
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	-	
N/A	Pension-related changes other than net periodic pension	-	
Total revenues and gains without donor restrictions			75,042,270

Oklahoma City University

Compliance Report
June 30, 2021

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RSM US LLP

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

Independent Auditor's Report

Board of Trustees
Oklahoma City University

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, 2021, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 23, 2021.

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

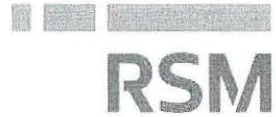
As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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
November 23, 2021



**Report on Compliance for Each 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

Board of Trustees
Oklahoma City University

Report on Compliance for Each 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, 2021. 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 each major federal program. 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, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-001. The University's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Our opinion on the major federal program is not modified with respect to this matter.

The University's response to the noncompliance finding identified in our audit is described in the accompany corrective action plan. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, we did identify a deficiency in internal control, described in the accompanying schedule of findings and scheduled costs, that we consider to be a significant deficiency (2021-001).

The University's response to the findings identified in our audit are described in the accompanying corrective action plan. The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

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, 2021, and have issued our report thereon dated November 23, 2021, 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 the 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
March 31, 2022

Oklahoma City University

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor	Federal Assistance Listing Number	Pass-Through Entity's Identifying Number	Total Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster:			
Cash assistance:			
Federal Pell Grant	84.063	N/A	\$ 1,571,242
Federal Supplemental Educational Opportunity Grant (SEOG)	84.007	N/A	151,500
Federal Perkins Loan Program, beginning loan balance	84.038	N/A	2,055,279
Federal Work Study	84.033	N/A	376,223
Cash assistance not provided by the University:			
Federal Direct Loan Programs:	84.268	N/A	39,655,389
Total U.S. Student Financial Assistance Cluster			<u>43,809,633</u>
Other Grant Programs:			
Higher Education Emergency Relief Funds (HEERF) (Direct):			
COVID-19 HEERF Student Aid Portion	84.425E		768,334
COVID-19 HEERF Institutional Aid Portion	84.425F		2,791,325
Total HEERF			<u>3,559,659</u>
			<u>\$ 47,369,292</u>

See notes to schedule of expenditures of federal awards

Oklahoma City University

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2021

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, 2021. 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 the 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. 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 5. 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 no administrative cost allowances in the current year. The loan balance outstanding at June 30, 2021, was approximately \$1,487,000. During the year ended June 30, 2021, 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 6. Subrecipients

During the year ended June 30, 2021, the University did not provide any federal awards to subrecipients.

Oklahoma City University

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

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? X Yes _____ 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)? X Yes _____ 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
	Higher Education Emergency Relief Funds (HEERF)
84.425E	COVID-19 HEERF Student Aid Portion
84.425F	COVID-19 HEERF Institutional Aid Portion

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

Auditee qualified as low-risk auditee? X Yes _____ No

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

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

See finding 2021-001 below.

B. Compliance Finding

Finding 2021-001

Federal Program: HEERF Student Aid Portion– CFDA 84.425E – Reporting

Federal Agency: U.S. Department of Education

Criteria

The Coronavirus Aid, Relief, and Economic Security (CARES) Act requires public reporting of specific information pertaining to the Student Aid Portion of funds received pursuant to the Higher Education Emergency Relief Fund (HEERF) provisions of the CARES Act. The HEERF provisions identified as a critical element of that reporting requirement the estimated total number of students at the District eligible to participate in programs under Section 484 I Title IV of the Higher Education Act of 1965 and thus eligible to receive Emergency Financial Aid Grants to Students under Section 18004(a)(1) of the CARES Act.

Condition

The University's required public report for HEERF II student portion dollars disbursed during the Spring 2021 term was not publicly posted.

Cause

This was a new Federal program with new and evolving compliance requirements and there was significant employee turnover in the Financial Accounting Services department.

Effect or Potential Effect

The potential effect of excluding the required element from the report is loss of funding.

Questioned Costs

None.

Recommendation

We suggest management review and update processes and controls to review for changes and updates to compliance requirements. Ensure proper reviews are in place to ensure proper disclosures and reporting are made for each compliance requirement.

Management View

Management agrees with the finding.

Oklahoma City University

Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2021

No matters reported.



Oklahoma City University
Auditee identification number: 06-554-1842
Corrective Action Plan
Year Ended June 30, 2021

Name of Program(s): _Higher Education Emergency Relief Fund – Student Awards
Audit Firm: RSM
CAP prepared by
Name: Anna Davis
Position: Controller
Telephone number: 405-208-5542

A. Current Findings on the Schedule of Findings, Questioned Costs and Recommendations

1. Finding 2021-001: HEERF II Report not publicly published

a. Comments on Finding and Each Recommendation

The University agrees with this finding. Due in part to turnover in the Financial Accounting Services Department, communications regarding reporting requirements for the student portion of the Higher Education Emergency Relief Funds were not reviewed in a timely manner and public reports were not posted timely.

b. Action(s) Taken or Planned on the Finding

The University will be implementing an internal control whereby the Financial Accounting Services Office will post the public reporting as prescribed by the sponsoring agency. Following a review by the Assistant Controller, the Controller will confirm the posted information is documented as prescribed by the sponsoring agency. This internal control will be implemented for the March 31, 2022 quarter public reporting period and completed by April 10, 2022. Past reports will be uploaded to the webpage for public reporting by February 7, 2022. Additionally, the University will update our Department of Education contacts to include the Controller and CFO to prevent future turnover from contributing to non-compliance.

For inquiries regarding this finding, please contact Anna Davis at (405) 208-5542 who is responsible for the corrective action.