

University of Science and Arts of Oklahoma

Financial Statements
with Independent Auditor's Report

June 30, 2024



University of Science and Arts of Oklahoma

Table of Contents

June 30, 2024

Independent Auditor’s Report	1
Management’s Discussion and Analysis	i
Financial Statements	
Statements of Net Position	4
Statements of Revenues, Expenses, and Changes in Net Position	6
Statements of Cash Flows.....	8
Notes to Financial Statements.....	11
Required Supplementary Information	
Schedule of the University’s Proportionate Share of the Net Pension Liability (OTRS).....	39
Schedule of the University’s Pension Contributions (OTRS)	40
Schedule of the University’s Proportionate Share of the Net OPEB Liability (Asset) (OTRS).....	41
Schedule of the University’s OPEB Contributions (OTRS)	42
Reports Required by <i>Government Auditing Standards</i>	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	43
Reports Required by the Uniform Guidance	
Independent Auditor’s 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	45
Schedule of Expenditures of Federal Awards	48
Notes to Schedule of Expenditures of Federal Awards	49
Schedule of State Awards	50
Schedule of Findings and Questioned Costs	51
Summary Schedule of Prior Audit Findings	53



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

Independent Auditor's Report

Board of Regents
University of Science and Arts of Oklahoma
Chickasha, Oklahoma

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the University of Science and Arts of Oklahoma (the University), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2024, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the University of Science and Arts of Oklahoma Foundation, Inc. Those financial statements were audited by other auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for that entity, is based solely on the report of the other auditor.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

5028 E. 101st Street
Tulsa, OK 74137

TEL: 918.492.3388

FAX: 918.492.4443

www.hinklecpas.com

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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



Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the Schedule of State Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and Schedule of State Awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2024 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University of Science and Arts of Oklahoma's internal control over financial reporting and compliance.

Hick & Company, PC

Tulsa, Oklahoma
November 21, 2024



University of Science and Arts of Oklahoma

Management's Discussion and Analysis

June 30, 2024

Discussion and analysis of the University of Science and Arts of Oklahoma's (the "University") financial performance provides an overview of the University's financial activities for the year ended June 30, 2024. Please read it in conjunction with the University's financial statements, which begin on page 4.

Using the Annual Report

The annual report consists of a series of financial statements. The statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows (starting on page 4) provide information about the activities of the University as a whole and present a long-term view of the University's finances.

Reporting the University as a Whole

One of the most important questions asked about University finances is, "Is the University as a whole better off or worse off as a result of the year's activities?" The statements of net position and the statements of revenues, expenses, and changes in net position report information about the University as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private sector companies.

These statements report the University's net position and changes in them. You can think of the University's net position—the difference between assets, deferred outflows, liabilities, and deferred inflows—as one way to measure the University's financial health, or financial position. Over time, increases or decreases in the University's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in enrollment trends and construction projects, to assess the overall health of the University.

The University as a Whole

The University's financial position remained strong, with assets and deferred outflows of \$37,287,057 and liabilities and deferred inflows of \$24,712,949 at June 30, 2024, compared to \$37,580,020 and \$22,923,730, respectively, at June 30, 2023. Net position, which represents the residual interest in the University's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted, totaled \$12,574,110 at June 30, 2024, as compared to \$14,656,290 at June 30, 2023.

Net position for the University decreased \$2,082,180 during fiscal year 2024 as compared to a decrease of \$488,841 in fiscal year 2023.

For the year 2024, overall, operating revenues were up \$660,987 in tuition collections, auxiliary sales, and Federal and State Grants. Operating expenses were up \$3,614,952 primarily in compensation and scholarships and fellowships, including CARES Act grants disbursed to the students. Furthermore, non-operating revenues increased \$1,249,964. Restricted state appropriations for capital purposes increased \$110,662.

University of Science and Arts of Oklahoma
Management's Discussion and Analysis
June 30, 2024

Summary Statements of Net Position

	<u>2024</u>	<u>2023</u>
Assets:		
Current assets	\$ 4,914,887	\$ 5,540,964
Capital assets, net	26,078,234	28,143,783
Other assets	<u>271,963</u>	<u>236,450</u>
 Total assets	 <u>\$ 31,265,084</u>	 <u>\$ 33,921,197</u>
 Deferred outflows of resources	 <u>\$ 6,264,708</u>	 <u>\$ 3,658,823</u>
Liabilities:		
Current liabilities	\$ 2,762,494	\$ 2,845,449
Noncurrent liabilities	<u>21,533,089</u>	<u>19,359,241</u>
 Total liabilities	 <u>\$ 24,295,583</u>	 <u>\$ 22,204,690</u>
 Deferred inflows of resources	 <u>\$ 660,099</u>	 <u>\$ 645,040</u>
Net position:		
Net investment in capital assets	\$ 18,515,770	\$ 18,794,781
Restricted—expendable	390,865	1,315,742
Restricted—nonexpendable	790,392	367,550
Unrestricted deficit	<u>(7,122,917)</u>	<u>(5,821,783)</u>
 Total net position	 <u>\$ 12,574,110</u>	 <u>\$ 14,656,290</u>

University of Science and Arts of Oklahoma
Management's Discussion and Analysis
June 30, 2024

Summary Statements of Revenues, Expenses, and Changes in Net Position

	<u>2024</u>	<u>2023</u>
Operating revenues	\$ 14,122,654	\$ 13,461,668
Operating expenses	<u>29,177,191</u>	<u>25,562,240</u>
Operating loss	(15,054,537)	(12,100,572)
Nonoperating revenues and expenses	11,404,573	10,154,609
Other revenues, expenses, gains, and losses	<u>1,567,784</u>	<u>1,457,122</u>
Increase in net position	(2,082,180)	(488,841)
Net position, beginning of year	<u>14,656,290</u>	<u>15,145,131</u>
Net position, end of year	<u>\$ 12,574,110</u>	<u>\$ 14,656,290</u>

University of Science and Arts of Oklahoma
Management's Discussion and Analysis
June 30, 2024

Capital Assets

	Balance			Balance
	<u>June 30, 2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2024</u>
Nondepreciable capital assets:				
Construction in progress	\$ -	-	-	\$ -
Land	<u>258,970</u>	<u>-</u>	<u>-</u>	<u>258,970</u>
Total nondepreciable capital assets	<u>258,970</u>	<u>-</u>	<u>-</u>	<u>258,970</u>
Depreciable capital assets:				
Buildings	42,424,338	-	-	42,424,338
Infrastructure and improvements	4,130,587	8,800	-	4,139,387
Furniture, fixtures, and equipment	12,126,697	260,141	-	12,386,838
Library materials	<u>3,331,918</u>	<u>-</u>	<u>-</u>	<u>3,331,918</u>
Total depreciable capital assets	<u>62,013,540</u>	<u>268,941</u>	<u>-</u>	<u>62,282,481</u>
Accumulated depreciation:				
Buildings	21,925,094	1,722,352	-	23,647,446
Infrastructure and improvements	2,376,032	80,189	-	2,456,221
Furniture, fixtures, and equipment	8,651,544	322,938	-	8,974,482
Library materials	<u>3,163,288</u>	<u>47,681</u>	<u>-</u>	<u>3,210,969</u>
Total accumulated depreciation	<u>36,115,958</u>	<u>2,173,160</u>	<u>-</u>	<u>38,289,118</u>
Subscription (SBITA) assets & Lease assets				
Lease asset - Equipment	-	238,445	-	238,445
Intangible IT Software	<u>2,187,959</u>	<u>-</u>	<u>-</u>	<u>2,187,959</u>
Total SBITA assets	2,187,959	238,445	-	2,426,404
Less accumulated amortization				
Lease asset - Equipment	-	42,497	-	42,497
Intangible IT Software	<u>200,728</u>	<u>357,278</u>	<u>-</u>	<u>558,006</u>
Total accumulated amortization	<u>200,728</u>	<u>399,775</u>	<u>-</u>	<u>600,503</u>
Subscription (SBITA) assets, net	<u>1,987,231</u>	<u>(161,330)</u>	<u>-</u>	<u>1,825,901</u>
Capital assets, net	<u>\$ 28,143,783</u>	<u>\$ (2,065,549)</u>	<u>\$ -</u>	<u>\$ 26,078,234</u>

University of Science and Arts of Oklahoma
Management's Discussion and Analysis
June 30, 2024

Debt Service

Oklahoma Capital Improvement Authority Leases

During the year ending June 30, 1999, the Oklahoma Capital Improvement Authority (OCIA), an agency of the State of Oklahoma, entered into a lease agreement with the University to provide funding for various building and capital improvement projects. The lease agreement provides for the University to make specified monthly payments to OCIA over the respective terms of the agreements, which range from 5 to 20 years. These expenditures have been capitalized as investment in plant assets or recorded as noncapitalized expenditures, in accordance with university policy. This debt was refinanced during the year as a series 2014B bond issuance and was paid off during January 2020.

During 2005, the University entered into another lease agreement with OCIA which provides for monthly payments to OCIA of a variable amount based on estimated needs to fulfill the related obligations for 24 years through June 10, 2030, or until the OCIA leases and related interest are paid. During 2011, OCIA partially refunded their 2005F bonds and refinanced them as 2014A bond issuances. The result of this refinance increased the debt owed on the University's leases in the amount of \$484,236. This amount will be amortized over the remaining life of the loan or \$25,486 per year. This bond was refinanced in May 2024 as Series 2024A. The refinance resulted in a decrease in debt owed on the University's leases of \$105,688. As a result the refinancing amortization will decrease from \$25,486 per year to \$6,747 per year. The purpose of the refinance was to help provide budgetary relief for OCIA. The proceeds of the bonds and subsequent leases are to provide capital improvements at the University. These expenditures have been capitalized as investment in plant assets or recorded as noncapitalized expenditures, in accordance with university policy.

In 2024, the OCIA made lease principal and interest payments totaling \$353,861 on behalf of the University. These on-behalf payments have been recorded as revenue in the University's statements of revenues, expenses, and changes in net position.

Oklahoma Development Finance Authority Master Lease Program

During the year ending June 30, 2012, the Oklahoma Development Finance Authority (ODFA), an agency of the State of Oklahoma, entered into a master lease agreement with the University to provide financing for the purchase of Lawson Court from the USAOF, LLC. Interest on the agreement varies from 3.625% to 4.200%. The University is making monthly, annually escalating payments through 2032 under the lease agreement.

University of Science and Arts of Oklahoma
Management's Discussion and Analysis
June 30, 2024

Debt Service, Continued

The scheduled principal and interest payments related to these leases are as follows:

	Principal			Interest	Total Payments
	OCIA Lease	ODFA Lease			
2025	\$ 252,438	\$ 636,000	\$ 188,384	\$ 1,076,822	
2026	239,007	638,000	178,848	1,055,855	
2027	260,222	649,583	147,198	1,057,003	
2028	273,271	657,083	124,063	1,054,417	
2029	285,176	669,917	98,723	1,053,816	
2030-2032	616,292	1,929,584	57,112	2,602,988	
	\$ 1,926,406	\$ 5,180,167	\$ 794,328	\$ 7,900,901	

Economic Factors and Subsequent Events

This financial report is designed to provide our citizens, taxpayers, customers, and investors with a general overview of the University's finances and to show the University's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the University of Science and Arts of Oklahoma's Office of Fiscal Affairs at 1727 West Alabama, Chickasha, Oklahoma 73018.

The University of Science and Arts of Oklahoma Foundation, Inc. is a component unit of the University and issues its own separate financial statements. These financial statements can be located at the Office of Fiscal Affairs at 1727 West Alabama, Chickasha, Oklahoma 73018.

UNIVERSITY OF SCIENCE AND ARTS OF OKLAHOMA

STATEMENTS OF NET POSITION

June 30, 2024

	<u>University</u>	<u>USAO Foundation</u>
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	\$ 3,468,964	\$ 273,664
Restricted cash and cash equivalents	980,787	-
Accounts and contracts receivable, net	465,136	-
Inventories	-	4,500
Total current assets	<u>4,914,887</u>	<u>278,164</u>
Noncurrent assets:		
Restricted cash and cash equivalents	177,942	-
Restricted net OPEB asset	94,021	-
Investments	-	19,874,164
Capital assets, net	26,078,234	-
Total noncurrent assets	<u>26,350,197</u>	<u>19,874,164</u>
Total assets	<u>31,265,084</u>	<u>20,152,328</u>
Deferred outflows of resources:		
Deferred outflows related to debt	289,963	-
Deferred outflows related to OPEB	60,096	-
Deferred outflows related to pensions	5,914,649	-
Total deferred outflows	<u>6,264,708</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>37,529,792</u>	<u>20,152,328</u>

(Continued)

UNIVERSITY OF SCIENCE AND ARTS OF OKLAHOMA

STATEMENTS OF NET POSITION, CONTINUED

June 30, 2024

	<u>University</u>	<u>USAO Foundation</u>
Liabilities and Deferred Inflows of Resources		
Current liabilities:		
Accounts payable	285,801	126,341
Accrued expenses	698,576	-
Fund invested for USAO Alumni Association	-	207,707
Current maturities of capital & subscription leases	1,549,726	83,554
Student deposits	74,000	-
Accrued compensated absences	154,391	-
Total current liabilities	<u>2,762,494</u>	<u>417,602</u>
Noncurrent liabilities:		
Accrued compensated absences	244,834	-
Net pension liability	14,385,051	-
Lease and subscription payable	685,069	-
OCIA capital lease obligation	1,673,968	-
ODFA capital lease	4,544,167	-
Total noncurrent liabilities	<u>21,533,089</u>	<u>-</u>
Total liabilities	<u>24,295,583</u>	<u>417,602</u>
Deferred inflows of resources:		
Deferred inflows related to OPEB	53,852	-
Deferred inflows related to pensions	606,247	-
Total deferred inflows	<u>660,099</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>24,955,682</u>	<u>417,602</u>
Net Position		
Net investment in capital assets	18,515,770	-
Restricted for:		
Nonexpendable:		
Scholarships	390,865	7,893,591
Expendable:		
Capital projects	595,118	-
Scholarships, research, instruction, and other	172,747	3,749,598
Loans	22,527	-
Unrestricted (deficit) surplus	<u>(7,122,917)</u>	<u>8,091,537</u>
Total net position	<u>\$ 12,574,110</u>	<u>\$ 19,734,726</u>

UNIVERSITY OF SCIENCE AND ARTS OF OKLAHOMA

**STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION**

Year Ended June 30, 2024

	<u>University</u>	<u>USAO Foundation</u>
Operating revenues:		
Tuition and student fees (net of scholarship allowance of \$1,060,381)	\$ 5,339,429	\$ -
Auxiliary services (net of scholarship allowance of \$546,257)	6,445,721	449,093
Federal grants and contracts	752,323	-
State grants and contracts	1,561,967	-
Other operating revenues	23,214	3,913,032
Total operating revenues	<u>14,122,654</u>	<u>4,362,125</u>
Operating expenses:		
Compensation	13,941,737	-
Supplies and materials	5,454,773	-
Depreciation	2,572,934	-
Scholarships and fellowships	7,147,561	1,025,842
Other	60,186	2,271,419
Total operating expenses	<u>29,177,191</u>	<u>3,297,261</u>
Operating loss	<u>(15,054,537)</u>	<u>1,064,864</u>

(Continued)

UNIVERSITY OF SCIENCE AND ARTS OF OKLAHOMA

STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION, CONTINUED

Year Ended June 30, 2024

	<u>University</u>	<u>USAO Foundation</u>
Non-operating revenues (expenses):		
State appropriations	7,088,974	-
Federal grant—non-operating	3,282,881	-
On-behalf contributions for OTRS	871,052	-
Gifts and contributions	-	-
Investment income	490,195	-
Oil and gas income	-	-
Interest costs	(328,529)	-
Net non-operating revenues	<u>11,404,573</u>	<u>-</u>
Loss before other revenues, expenses, gains, and losses	(3,649,964)	1,064,864
State appropriations restricted for capital purposes	1,213,302	-
OCIA on-behalf appropriations	<u>354,482</u>	<u>-</u>
Change in net position	(2,082,180)	1,064,864
Net position at beginning of year	<u>14,656,290</u>	<u>18,669,862</u>
Net position at end of year	<u>\$ 12,574,110</u>	<u>\$ 19,734,726</u>

UNIVERSITY OF SCIENCE AND ARTS OF OKLAHOMA

STATEMENT OF CASH FLOWS

Year Ended June 30, 2024

	<u>University</u>
Cash flows from operating activities:	
Tuition and student fees	\$ 5,348,178
Federal and state grants and contracts	2,314,290
Auxiliary enterprises sales and services	6,450,432
Other operating receipts	23,214
Scholarships	(7,147,561)
Payments to suppliers	(5,689,114)
Payments to employees	<u>(12,119,214)</u>
Net cash used in operating activities	<u>(10,819,775)</u>
Cash flows from noncapital financing activities:	
State appropriations	7,088,974
Non-operating federal grants	3,282,881
Other gifts and contributions	-
Direct loan receipts	2,527,542
Direct loan disbursements	<u>(2,527,542)</u>
Net cash provided by noncapital financing activities	<u>10,371,855</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(492,668)
Proceeds from Lease Assets Purchases	238,444
Principal paid on capital leases and bonds	(1,432,241)
Interest paid on capital leases and bonds	(167,012)
Capital appropriations received	<u>1,213,302</u>
Net cash used in capital and related financing activities	<u>(640,175)</u>
Cash flows from investing activities:	
Investment income	490,195
Oil and gas income	<u>-</u>
Net cash provided by investing activities	<u>490,195</u>
Net decrease in cash and cash equivalents	(597,900)
Cash and cash equivalents, at beginning of year	<u>5,225,593</u>
Cash and cash equivalents, at end of year	<u><u>\$ 4,627,693</u></u>

(Continued)

UNIVERSITY OF SCIENCE AND ARTS OF OKLAHOMA

STATEMENT OF CASH FLOWS, CONTINUED

Year Ended June 30, 2024

University

**Reconciliation of operating loss to
net cash used in operating activities:**

Operating loss	\$ (15,054,537)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	2,572,934
On-behalf payments	871,052
Changes in assets and liabilities:	
Receivables, net	13,460
Restricted net OPEB asset	(35,513)
Accounts payable and accrued expenses	(174,155)
Deferred inflows	15,059
Deferred outflows	(2,494,325)
Net pension liability	3,387,454
Accrued compensated absences	<u>78,796</u>
Net cash used in operating activities	<u>\$ (10,819,775)</u>

Noncash capital and related financing activities:

State appropriations for on-behalf payments	<u>\$ 354,482</u>
---	-------------------

**Reconciliation of cash and cash equivalents to the
statement of net position:**

Current assets:	
Cash and cash equivalents	\$ 3,468,964
Restricted cash and cash equivalents	980,787
Noncurrent assets:	
Restricted cash and cash equivalents	<u>177,942</u>
	<u>\$ 4,627,693</u>

UNIVERSITY OF SCIENCE AND ARTS OF OKLAHOMA

STATEMENT OF CASH FLOWS, CONTINUED

Year Ended June 30, 2024

	<u>USAO Foundation</u>
Cash flows from operating activities:	
Revenue collected:	
Grants and donations	\$ 1,368,270
Program revenues	449,094
Interest and dividends	1,579,621
Sale of investments	-
Payments for expenses:	
Program expenses	(2,830,387)
Administrative and fundraising	(330,581)
Net cash provided by operating activities	<u>236,017</u>
Cash flows from investing activities:	
Purchase of investments	<u>(296,768)</u>
Net cash used in investing activities	<u>(296,768)</u>
Cash flows from financing activities:	
Proceeds from capital leases	-
Principal paid on capital leases	<u>(323,135)</u>
Net cash used in financing activities	<u>(323,135)</u>
Net decrease in cash and cash equivalents	(383,886)
Cash and cash equivalents, at beginning of year	<u>657,550</u>
Cash and cash equivalents, at end of year	<u>\$ 273,664</u>
Reconciliation of change in net position to net cash provided by operating activities:	
Change in net position	\$ 1,064,864
Adjustments to reconcile change in net position to net cash provided by operating activities:	
Unrealized gains on investments	(870,501)
Increase (Decrease) in Accounts Payable	41,654
Increase (decrease) in funds invested in USAO Alumni Assoc.	<u>-</u>
Net cash provided by operating activities	<u>\$ 236,017</u>

University of Science and Arts of Oklahoma

Notes to Financial Statements

June 30, 2024

Note 1: Summary of Significant Accounting Policies

Nature of Operations

The University of Science and Arts of Oklahoma (the “University”) is a 4-year, state-supported university operating under the jurisdiction of the Board of Regents of the University of Science and Arts of Oklahoma (the “Board of Regents”) and the Oklahoma State Regents for Higher Education and is a component unit of the State of Oklahoma and is included in the general-purpose financial statements of the State of Oklahoma as part of the higher education component unit. The University is accredited by the North Central Association of University’s and Schools. Federally funded student financial aid programs in which the University participates include the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work Study, Federal Perkins Loans, and Federal Direct Student Loans.

Reporting Entity

The financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and 34*, consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete.

The University of Science and Arts of Oklahoma Foundation, Inc., (the “Foundation”) is reported as a legally separate, tax-exempt component unit of the University. The Foundation provides support for the University through donor support for scholarships, capital projects, and other activities. Scholarships awarded by the Foundation are remitted to the University after the University pays the award recipient. The Foundation’s 25-member Board of Trustees is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University’s financial statements.

University of Science and Arts of Oklahoma
Notes to Financial Statements
June 30, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

Reporting Entity, Continued

The Foundation is a private nonprofit organization that reports under the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) Topic 958, “Not-for-profit Entities.” As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial information in the University’s financial reporting entity for these differences. Additional disclosures for the Foundation are presented in Note 12.

Financial Statement Presentation

The University’s financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments* (GASB 34), and GASB Statement No. 35, *Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities* (GASB 35).

Under GASB 34 and GASB 35, the University is required to present a statement of net position classified between current and noncurrent assets and liabilities; a statement of revenues, expenses, and changes in net position with separate presentation for operating and non-operating revenues and expenses; and a statement of cash flows using the direct method.

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

University of Science and Arts of Oklahoma

Notes to Financial Statements

June 30, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

Deposits and Investments

The University accounts for its investments, outside of the State Treasurer's cash management program, at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures* (GASB 40), the University has disclosed its deposit and investment policies related to the risks identified in GASB 40. Changes in unrealized gains (losses) on the carrying values of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net position. Investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or purchase capital or other noncurrent assets are classified as restricted assets in the statements of net position.

As noted above, investments are recorded at fair value, as determined by quoted market prices. In accordance with generally accepted accounting principles (GAAP) authoritative guidance on fair value measurements and disclosures, the University's investments measured and reported at fair value are classified according to the following hierarchical input levels:

Level 1—Unadjusted quoted prices in active markets for identical assets.

Level 2—Quoted prices for similar assets, or inputs that are observable or other forms of market corroborated inputs.

Level 3—Pricing based on best available information, including primarily unobservable inputs and assumptions market participants would use in pricing the asset.

In addition to the above three levels, if an investment does not have a readily determined fair value, the investment can be measured using net asset value (NAV) per share (or its equivalent). Investments valued at NAV are categorized as NAV and not listed as Level 1, 2, or 3. At June 30, 2024, the University had no investments.

Cash Equivalents and Investment Income

The University considers all liquid investments with original maturities of 3 months or less to be cash equivalents. Investment income consists primarily of interest earned on these cash equivalents.

Restricted Cash

Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, make long-term student loans, or to purchase capital or other noncurrent assets, are classified as restricted cash in the statements of net position.

University of Science and Arts of Oklahoma

Notes to Financial Statements

June 30, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts and Contracts Receivable

The University's accounts receivable primarily relate to tuition and fee charges to students and to auxiliary enterprise services provided to students, faculty and staff. Other receivables relate to reimbursements of expenditures from various federal, state, and private sources. Receivables are carried at original amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written-off when deemed uncollectible. Recoveries of receivables previously written-off are recorded as revenue when received.

Capital, Lease, and Subscription Assets

Capital assets are recorded at cost on the date of acquisition or fair value if acquired by gift, net of accumulated depreciation. The University's capitalization policy includes all items with a unit cost of \$2,500 or more, and an estimated useful life of greater than 1 year. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the University:

Land improvements	20 years
Buildings	45 years
Furniture, fixtures and equipment	5 years
Infrastructure	30 years
Enterprise Software	10 years
Library materials	15 years

Capital, lease, and subscription assets are subject to an evaluation of possible impairment when events or circumstances indicate that the related changes in carrying amounts may not be recoverable. If required, impairment losses are reported in the accompanying statements of revenues, expenses, and changes in net position. For 2024 and 2023, there were no impairment losses.

Lease assets are initially recorded as the sum of 1) the amount of the initial measurement of the lease liability, 2) lease payments made at or before the commencement of the lease term less any lease or subscription incentives received from the lessor at or before the commencement of the lease term, and 3) initial direct costs that are ancillary changes necessary to place the asset into services.

Lease and subscription-based information technology arrangement (SBITA) assets are amortized over the life associated contract.

University of Science and Arts of Oklahoma

Notes to Financial Statements

June 30, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

Leases

The University is a party as lessee for various noncancelable long-term leases of equipment and building space. The corresponding lease payable are recorded in an amount equal to the present value of the expected future minimum lease payments paid, respectively, discounted by an applicable interest rate.

Subscription-Based Information Arrangements

The University is a party as lessee for various noncancelable long-term subscriptions of intangible information software and arrangements. The corresponding subscriptions payable is recorded in an amount equal to the present value of the expected future minimum subscription payments discounted by an applicable interest rate.

Compensated Absences

Employees with over 5 years of employment with the University are allowed to accumulate up to 480 hours of vacation time. Employees with less than 5 years of employment are allowed to accumulate up to 240 hours of vacation time. The liability for vacation time is recorded at year-end as accrued compensated absences in the statements of net position, and as a component of compensation and benefit expense in the statements of revenues, expenses, and changes in net position.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable and capital lease obligations with contractual maturities greater than 1 year, (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year, and (3) net pension liability.

Income taxes

The University, as a component unit of the State of Oklahoma, is exempt from federal and state income taxes under Section 115(1) of the Internal Revenue Code (IRC), as amended, and a similar provision of state law.

Net Position

The University's net position is classified as follows:

Net investment in capital assets: This represents the University's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

University of Science and Arts of Oklahoma

Notes to Financial Statements

June 30, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position (Continued)

Restricted—nonexpendable: Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted—expendable: Restricted expendable net position include resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted: Unrestricted net position represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Classification of Revenues

The University has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) certain federal, state, and local grants and contracts and federal appropriations, and (4) interest on institutional student loans.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, such as state appropriations and investment income.

University of Science and Arts of Oklahoma

Notes to Financial Statements

June 30, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating revenues or non-operating revenue in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Deferred Outflows of Resources

Deferred outflows of resources are the consumption of net position by the University that are applicable to a future reporting period. As of June 30, 2024, the University's deferred outflows were comprised of \$47,228 of deferred charges on an OCIA lease restructure, \$5,914,649 related to pensions as required by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, and \$60,096 related to OPEB as required by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75).

Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the University that are applicable to a future reporting period. As of June 30, 2024, the University's deferred inflows were comprised of \$-0- of deferred credits on service contracts and \$660,099 related to pension and OPEB as required by GASB No. 68 and GASB 75.

Pensions and Other Post-Employment Benefits (OPEB)

For purposes of measuring the net pension liability, net OPEB asset, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, information about the fiduciary net position of the Oklahoma Teachers Retirement System (OTRS) and additions to/deductions from OTRS's fiduciary net position have been determined on the same basis as they are reported by OTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

New Accounting Pronouncements Issued Not Yet Adopted

GASB has also issued a new accounting pronouncement that will be effective for the University in subsequent years. A description of the new accounting pronouncement and the fiscal year in which they are effective is below:

University of Science and Arts of Oklahoma

Notes to Financial Statements

June 30, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements Issued Not Yet Adopted (Continued)

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues. The requirements of this statement are effective for fiscal years beginning after June 15, 2025 and all reporting periods thereafter.

University management is currently evaluating the impact these new standards will have on its financial statements.

Subsequent Events:

The University has evaluated subsequent events through November 21, 2024, which is the date that the financial statements were available to be issued. There are no significant subsequent events requiring disclosure through that date.

Note 2: Cash and Cash Equivalents

Custodial Credit Risk—Deposits

Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University's deposit policy for custodial credit risk is described as follows:

Oklahoma Statutes require the State Treasurer to ensure that all state funds either be insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The University's deposits with the State Treasurer are pooled with the funds of other State agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the Treasurer may determine, in the State's name.

The University requires that balances on deposit with financial institutions be insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. Government obligations, in the University's name.

The carrying amount and related bank balances of the University's deposits held by the State Treasurer was \$4,254,121 at June 30, 2024.

University of Science and Arts of Oklahoma

Notes to Financial Statements

June 30, 2024

Note 2: Cash and Cash Equivalents (Continued)

Custodial Credit Risk—Deposits (Continued)

Some deposits with the State Treasurer are placed in the State Treasurer's internal investment pool *OK INVEST*. *OK INVEST* pools the resources of all state funds and agencies and invests them in (a) U.S. treasury securities which are explicitly backed by the full faith and credit of the U.S. government; (b) U.S. agency securities which carry an implicit guarantee of the full faith and credit of the U.S. government; (c) money market mutual funds which participates in investments, either directly or indirectly, in securities issued by the U.S. treasury and/or agency and repurchase agreements relating to such securities; and (d) investments related to tri-party repurchase agreements which are collateralized at 102% and, whereby, the collateral is held by a third party in the name of the State Treasurer.

Of funds on deposit with the State Treasurer, amounts invested in *OK INVEST* totaled \$2,842,575 at June 30, 2024.

For financial reporting purposes, deposits with the State Treasurer that are invested in *OK INVEST* are classified as cash equivalents. At June 30, 2024, the distribution in *OK INVEST* was as follows:

<u>OK INVEST Portfolio</u>	<u>Cost</u>	<u>Market Value</u>
U.S. agency securities	\$ 154,144	\$ 150,977
Money market mutual fund	220,097	220,097
Certificates of deposit	6,843	6,843
Mortgage-backed securities	451,240	395,584
Municipal bonds	-	-
Foreign bonds	18,684	18,615
U.S. Treasury obligations	<u>2,079,741</u>	<u>2,050,458</u>
	<u>\$ 2,930,749</u>	<u>\$ 2,842,574</u>

University of Science and Arts of Oklahoma

Notes to Financial Statements

June 30, 2024

Note 2: Cash and Cash Equivalents (Continued)

Custodial Credit Risk—Deposits (Continued)

Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives which establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and meeting the State and its funds and agencies' daily cash flow requirements. Guidelines in the State Treasurer's Investment Policy address credit quality requirements, diversification percentages and specify the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer's website at <http://www.treasurerstate.ok.us/>. The State Treasurer, at his discretion, may further limit or restrict such investments on a day to day basis. *OK INVEST* includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to 10 years. *OK INVEST* maintains an overall weighted average maturity of no more than 4 years.

Participants in *OK INVEST* maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the State Treasurer information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk.

- *Credit/default risk* is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations.
- *Liquidity risk* is the risk that *OK INVEST* will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons.
- *U.S. governmental securities risk* is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities, or sponsored enterprises if it is not obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer's Investment Policy to mitigate those risks; however, any interest in *OK INVEST* is not insured or guaranteed by the State, the FDIC, or any other government agency.

University of Science and Arts of Oklahoma

Notes to Financial Statements

June 30, 2024

Note 2: Cash and Cash Equivalents (Continued)

Interest Rate Risk

The University does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Cash equivalents on deposit with trustees at June 30, 2024, totaled \$-0- and consisted of U.S. government securities money market mutual funds held by trustees in a reserve fund and a principal and interest fund related to capital lease payables. There are no significant differences between cost and market value. These mutual funds are not classifiable by custodial credit risk category as they are not evidenced by securities that exist in physical or book entry form.

Cash equivalents on deposit with the Oklahoma State Regents' Endowment Trust fund at June 30, 2024, totaled \$281,409. The Oklahoma State Regents for Higher Education holds for the University endowed gifts totaling \$3,574,599. Any earnings distributed are to be used for the University's activities associated with the endowment program.

At June 30, 2024, the remaining cash balances consisted of deposits of \$212,893 at investment companies and \$3,150 of petty cash funds held at the University.

The above cash and cash equivalents are included in the June 30, 2024, statement of net position as follows:

Current assets:	
Cash and cash equivalents	\$ 3,468,964
Restricted cash and cash equivalents	980,787
Noncurrent assets:	
Restricted cash and cash equivalents	<u>177,942</u>
	<u>\$ 4,627,693</u>

University of Science and Arts of Oklahoma
Notes to Financial Statements
June 30, 2024

Note 3: Accounts and Contracts Receivable

Accounts and contracts receivable consisted of the following at June 30, 2024:

Student tuition and fees	\$ 1,511,691
Auxiliary enterprises and other operating activities	<u>813,987</u>
	2,325,678
Less: allowance for doubtful accounts	<u>(1,860,542)</u>
	<u>\$ 465,136</u>

Note 4: Loans Receivable

Student loans made through the Federal Perkins Loans Program (the "Program") comprise all of the loans receivable at June 30, 2024.

The Program provides for cancellation of a note at rates of 15% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The federal government reimburses the University's loan funds for amounts cancelled under these provisions.

As the University determines loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education.

The University had a \$22,527 loan balance outstanding at June 30, 2024. The University provided an allowance for uncollectible loans which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. The allowance for uncollectible loans was \$22,527 at June 30, 2024.

University of Science and Arts of Oklahoma

Notes to Financial Statements

June 30, 2024

Note 5: Funds Held in Trust by Others

Beneficial Interest in State School Land Funds

The University has a beneficial interest in the “Section Thirteen Fund State Educational Institutions” and the “New University Fund,” administered by the Commissioners of the Land Office, as trustees for the various educational institutions entitled thereto. The University has the right to receive annually approximately 3.75% of the distributions of income produced by “Section Thirteen Fund State Educational Institutions” assets and 100% of the distributions of income produced by the University’s “New University Fund.” The University received \$1,213,302 during the year ended June 30, 2024, which is restricted to the construction or acquisition of buildings, equipment, or other capital items. These amounts are recorded as state appropriations restricted for capital purposes in the statements of revenues, expenses, and changes in net position. State law prohibits the distribution of any corpus of these funds to the beneficiaries. The total trust reserve for the University held in trust by the Commissioners of the Land Office, on the market value basis, was \$23,999,224 at June 30, 2024.

Oklahoma State Regents Endowment Trust Fund

In connection with the Oklahoma State Regents’ Endowment Program (the “Endowment Program”), the State of Oklahoma has matched contributions received under the Endowment Program. The State match amounts, plus any retained accumulated earnings, totaled \$3,463,864 and is invested by the Oklahoma State Regents on behalf of the University. The University is entitled to receive an annual distribution of 5% of the market value at year end on these funds. As legal title of the State Regents matching endowment funds is retained by the Oklahoma State Regents, only the funds available for distribution of \$157,529 have been reflected as assets in the statement of net position as of June 30, 2024.

University of Science and Arts of Oklahoma
Notes to Financial Statements
June 30, 2024

Note 6: Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2024, was as follows:

	Balance <u>June 30, 2023</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2024</u>
Nondepreciable capital assets:				
Construction in progress	\$ -	-	-	\$ -
Land	<u>258,970</u>	<u>-</u>	<u>-</u>	<u>258,970</u>
Total nondepreciable capital assets	<u>258,970</u>	<u>-</u>	<u>-</u>	<u>258,970</u>
Depreciable capital assets:				
Buildings	42,424,338	-	-	42,424,338
Infrastructure and improvements	4,130,587	8,800	-	4,139,387
Furniture, fixtures, and equipment	12,126,697	260,141	-	12,386,838
Library materials	<u>3,331,918</u>	<u>-</u>	<u>-</u>	<u>3,331,918</u>
Total depreciable capital assets	<u>62,013,540</u>	<u>268,941</u>	<u>-</u>	<u>62,282,481</u>
Accumulated depreciation:				
Buildings	21,925,094	1,722,352	-	23,647,446
Infrastructure and improvements	2,376,032	80,189	-	2,456,221
Furniture, fixtures, and equipment	8,651,544	322,938	-	8,974,482
Library materials	<u>3,163,288</u>	<u>47,681</u>	<u>-</u>	<u>3,210,969</u>
Total accumulated depreciation	<u>36,115,958</u>	<u>2,173,160</u>	<u>-</u>	<u>38,289,118</u>
Subscription (SBITA) assets & Lease assets				
Lease asset - Equipment	-	238,445	-	238,445
Intangible IT Software	<u>2,187,959</u>	<u>-</u>	<u>-</u>	<u>2,187,959</u>
Total SBITA assets	2,187,959	238,445	-	2,426,404
Less accumulated amortization				
Lease asset - Equipment	-	42,497	-	42,497
Intangible IT Software	<u>200,728</u>	<u>357,278</u>	<u>-</u>	<u>558,006</u>
Total accumulated amortization	<u>200,728</u>	<u>399,775</u>	<u>-</u>	<u>600,503</u>
Subscription (SBITA) assets, net	<u>1,987,231</u>	<u>(161,330)</u>	<u>-</u>	<u>1,825,901</u>
Capital assets, net	<u>\$ 28,143,783</u>	<u>\$ (2,065,549)</u>	<u>\$ -</u>	<u>\$ 26,078,234</u>

University of Science and Arts of Oklahoma
Notes to Financial Statements
June 30, 2024

Note 6: Capital Assets (Continued)

At June 30, 2024, the cost and related accumulated depreciation of assets held under capital lease obligations was as follows:

	Buildings	Infrastructure	Equipment	Total
Cost	\$ 16,205,318	\$ 1,269,950	\$ 3,977,079	\$ 21,452,347
Less: Accumulated Depreciation	(8,963,427)	(1,269,950)	(3,977,079)	(14,210,456)
	<u>\$ 7,241,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,241,891</u>

Note 7: Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2024, was as follows:

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Amounts Due Within One Year
Capital Leases					
ODFA	\$ 5,806,167	-	\$ (626,000)	\$ 5,180,167	\$ 636,000
OCIA	2,278,202	-	(351,796)	1,926,406	252,438
ROU Lease Asset	-	238,445	(39,764)	198,681	45,657
SBITA Assets	<u>1,916,840</u>	-	<u>(769,164)</u>	<u>1,147,676</u>	<u>615,631</u>
Total Leases	10,001,209	238,445	(1,786,724)	8,452,930	1,549,726
Accrued					
Compensated Absences	<u>448,056</u>	<u>173,275</u>	<u>(222,106)</u>	<u>399,225</u>	<u>154,391</u>
Total long-term liabilities	<u>\$ 10,449,265</u>	<u>\$ 411,720</u>	<u>\$ (2,008,830)</u>	<u>\$ 8,852,155</u>	<u>\$ 1,704,117</u>

University of Science and Arts of Oklahoma
Notes to Financial Statements
June 30, 2024

Note 7: Long-Term Liabilities (Continued)

Oklahoma Capital Improvement Authority Leases

During the 2005, the University entered into lease agreement with the Oklahoma Capital Improvement Authority (OCIA), a series 2005F, which provides for monthly payments to OCIA of a variable amount based on estimated needs to fulfill the related obligations for 24 years through June 10, 2030, or until the OCIA leases and related interest are paid. During 2011, OCIA partially refunded their 2005F bonds and refinanced them as 2010A/B bond issuances. The result of this refinance increased the debt owed on the University's leases in the amount of \$484,236. This amount will be amortized over the remaining life of the loan or \$25,486 per year. The purpose of the refinance was to help provide budgetary relief for OCIA. During 2014, OCIA partially refunded their 2005F bonds and refinanced them as 2014A bond issuances. The proceeds of the bonds and subsequent leases are to provide capital improvements at the University. These expenditures have been capitalized as investment in plant assets or recorded as noncapitalized expenditures, in accordance with the University's policy.

During fiscal year 2024, the University's remaining 2014 agreement with OCIA was restructured through a partial refunding of the Series 2014AF bonds. OCIA issued new bonds, Series 2024A, to accomplish the refunding. The restructured agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The University's aforementioned agreement with OCIA was automatically restructured to secure the new bond issues. The restructuring resulted in a reduction of principal; thus, the University has recorded a credit of \$105,688, which is the difference between the reacquisition price and the net carrying amount of the old debt that is being amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. As of June 30, 2024 and 2023, the remaining deferred outflow of resources totaled \$47,228 and \$178,403, respectively.

The State of Oklahoma made lease principal and interest payments totaling \$354,481 on behalf of the University to OCIA. These on-behalf payments have been recorded as revenue in the University's statements of revenues, expenses, and changes in net position.

Oklahoma Development Finance Authority Master Lease Program

During the year ending June 30, 2012, the Oklahoma Development Finance Authority (ODFA), an agency of the State of Oklahoma, entered into a master lease agreement, the series 2011F, with the University to provide financing for the purchase of Lawson Court from the USAOF, LLC. Interest on the agreement varies from 3.625% to 4.200%. The University is making monthly, annually escalating payments through 2032 under the lease agreement.

University of Science and Arts of Oklahoma
Notes to Financial Statements
June 30, 2024

Note 7: Long-Term Liabilities (Continued)

Oklahoma Development Finance Authority Master Lease Program (Continued)

The scheduled principal and interest payments related to these leases at June 30, 2024, are as follows:

	Principal			Total Payments
	OCIA Lease	ODFA Lease	Interest	
2025	\$ 252,438	\$ 636,000	\$ 188,384	\$ 1,076,822
2026	239,007	638,000	178,848	1,055,855
2027	260,222	649,583	147,198	1,057,003
2028	273,271	657,083	124,063	1,054,417
2029	285,176	669,917	98,723	1,053,816
2030-2032	616,292	1,929,584	57,112	2,602,988
	<u>\$ 1,926,406</u>	<u>\$ 5,180,167</u>	<u>\$ 794,328</u>	<u>\$ 7,900,901</u>

Note 8: Employee Retirement Programs

Substantially all of the University's academic and nonacademic personnel are covered by the Oklahoma Teachers' Retirement System (OTRS), which is a State of Oklahoma public employee retirement system. Certain eligible employees also participate in a 403(b) defined contribution benefit plan. The University does not maintain the accounting records of, hold the investments for, or administer the OTRS plan.

Plan Description—The University, as the employer, participates in the Oklahoma Teachers Retirement Plan—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Teachers Retirement System (OTRS or the "System"). Title 70 O. S. Sec. 17-105 define all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature. OTRS issues a publicly available financial report that can be obtained at www.ok.gov/TRS.

Benefits Provided—OTRS provides retirement, disability, and death benefits to members of the plan. Benefit provisions include:

- Members become 100% vested in retirement benefits earned to date after 5 years of credited Oklahoma service. Members who joined the System on June 30, 1992, or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining the System after June 30, 1992, are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2% of final compensation for each year of credited service.

University of Science and Arts of Oklahoma
Notes to Financial Statements
June 30, 2024

Note 8: Employee Retirement Programs (Continued)

- Final compensation for members who joined the System prior to July 1, 1992, is defined as the average salary for the 3 highest years of compensation. Final compensation for members joining the System after June 30, 1992, is defined as the average of the highest 5 consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995, to \$40,000 or \$25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995, are calculated based on each member's final average compensation, except for certain employees of the 2 comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.
- Upon the death of a retired member, the System will pay \$5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after 10 years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.
- Upon separation from the System, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the IRC.
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Section 403(b).

Contributions—The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute, amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7.00% of their annual pay. Participating employers are required to contribute 9.50% of the employees' annual pay and an additional 7.70% for any employees' salaries covered by federal funds. A portion of the contributions received by OTRS are allocated to the supplemental health insurance plan; see Note 9. Contributions to the pension plan from the University were \$1,029,776 for the year ended June 30, 2024. The State of Oklahoma also made on-behalf contributions to OTRS, of which \$871,052 was recognized by the University; these on-behalf payments did not meet the criteria of a special funding situation.

University of Science and Arts of Oklahoma

Notes to Financial Statements

June 30, 2024

Note 8: Employee Retirement Programs (Continued)

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension—At June 30, 2024, the University reported a liability of \$14,385,051 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023. The University's proportion of the net pension liability was based on the University's contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers for the year ended June 30, 2023. Based upon this information, the University's proportion was .1867%.

For the year ended June 30, 2024, the University recognized pension expense of \$2,766,276. At June 30, 2024, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 234,687	\$ 280,071
Changes of assumptions	584,390	-
Net difference between projected and actual earnings on Pension plan investments	1,006,640	-
Changes in University's proportion share of contributions	2,891,330	272,814
College contributions during measurement date	172,851	53,362
University contributions subsequent to the measurement date	1,024,751	-
	\$ 5,914,649	\$ 606,247

University of Science and Arts of Oklahoma
Notes to Financial Statements
June 30, 2024

Note 8: Employee Retirement Programs (Continued)

The \$1,024,751 reported as deferred outflows of resources related to pension resulting from University contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (benefit) as follows:

Year Ending June 30,	
2025	\$ 1,173,397
2026	381,435
2027	1,906,623
2028	578,989
2029	243,207
	\$ 4,283,651

Actuarial Assumptions—The net pension liability as of June 30, 2024, was determined based on an actuarial valuation prepared as of June 30, 2023, using the following actuarial assumptions:

- Actuarial cost method—Entry Age Normal
- Inflation—2.25%
- Future ad hoc cost-of-living increases—None
- Salary increases—Composed of 2.25% wage inflation, including 0.75% price inflation, plus a service-related component ranging from 0.00% to 8.00% based on years of service.
- Investment rate of return—7.00%
- Retirement age—Experience-based table of rates based on age, service, and gender. Adopted by the Board in July 2021 in conjunction with the 5-year experience study for the period ending June 30, 2020
- Mortality rates after retirement—Males and Females: GRS Southwest Region Teacher Mortality Table. Generational mortality improvements in accordance with Ultimate MP scales are projected from the year 2021.
- Mortality rates for active members—Pub-2010 Teachers Active Employee Mortality table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2010.

University of Science and Arts of Oklahoma

Notes to Financial Statements

June 30, 2024

Note 8: Employee Retirement Programs (Continued)

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2023, are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	38.30%	4.60%
International equity	16.70%	5.20%
Fixed income	22.00%	1.80%
Real estate*	10.00%	4.40%
Private equity	8.00%	7.30%
Private debt	<u>5.00%</u>	5.30%
	<u>100.00%</u>	

*The real estate total expected return is a combination of U.S. Direct Real Estate (unleveraged) and U.S. Value Added Real Estate (unleveraged).

Discount Rate—A single discount rate of 7.00% was used to measure the total pension liability as of June 30, 2024. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.00%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past 5 years of actual contributions.

University of Science and Arts of Oklahoma

Notes to Financial Statements

June 30, 2024

Note 8: Employee Retirement Programs (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate—The following presents the net pension liability of the University calculated using the discount rate of 7.00%, as well as what the University’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
The University's net pension liability	\$ 20,776,992	\$ 14,385,051	\$ 9,093,492

Pension Plan Fiduciary Net Position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial report of OTRS, which can be obtained at www.ok.gov/TRS.

Note 9: Other Postemployment Benefit Plans

The University participates in one employee OPEB plan as follows:

<u>Name of Plan/System</u>	<u>Type of Plan</u>
Supplemental Health Insurance Plan (OTRS)	Cost Sharing Multiple Employer— Defined Benefit Plan

Supplemental Health Insurance Plan (OTRS)

Plan Description—The University as the employer, participates in the Supplemental Health Insurance Plan—a cost-sharing multiple-employer defined benefit OPEB plan administered OTRS. Title 74 O.S. Sec. 1316.3 defines the health insurance benefits. The authority to establish and amend benefit provisions rests with the State Legislature. OTRS issues a publicly available financial report that can be obtained at www.ok.gov/TRS.

University of Science and Arts of Oklahoma
Notes to Financial Statements
June 30, 2024

Note 9: Other Postemployment Benefit Plans (Continued)

Benefits Provided—OTRS pays a medical insurance supplement to eligible members who elect to continue their employer provided health insurance. The supplement payment is between \$100 and \$105 per month, remitted to the Oklahoma Higher Education Employee Interlocal Group (OKHEEI), provided the member has ten (10) years of Oklahoma service prior to retirement.

Contributions—Employer and employee contributions are made based upon the OTRS Plan provisions contained in Title 70, as amended. However, the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. Based on the contribution requirements of Title 70, employers and employees contribute a single amount based on a single contribution rate as described in Note 8; from this amount, OTRS allocates a portion of the contributions to the supplemental health insurance plan. The cost of the supplemental health insurance plan averages 0.15% of normal cost, as determined by an actuarial valuation for 2024. Contributions allocated to the OPEB plan from the University were \$5,025.

OPEB Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—At June 30, 2024, the University reported an asset of \$94,021 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2023, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2023. The University's proportion of the net OPEB asset was based on the University's contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all participating employers as of June 30, 2023. Based upon this information, the University's proportion was 0.1867%.

University of Science and Arts of Oklahoma

Notes to Financial Statements

June 30, 2024

Note 9: Other Postemployment Benefit Plans (Continued)

OPEB Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, Continued—For the year ended June 30, 2024, the University recognized OPEB expense of \$12,213. At June 30, 2024, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 23,472
Changes of assumptions	16,928	-
Net difference between projected and actual earnings on OPEB plan investments	23,079	-
Changes in University's proportion share of contributions	1,635	27,001
University contributions during measurement date	13,429	3,379
University contributions subsequent to the measurement date	5,025	-
	\$ 60,096	\$ 53,852

The \$5,025 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (benefit) as follows:

Year Ending June 30,	
2024	\$ (1,313)
2025	(10,913)
2026	26,441
2027	(5,935)
2028	(5,380)
Thereafter	(1,681)
	\$ 1,219

University of Science and Arts of Oklahoma

Notes to Financial Statements

June 30, 2024

Note 9: Other Postemployment Benefit Plans (Continued)

Actuarial Assumptions—The net OPEB asset as of June 30, 2024, was determined based on an actuarial valuation prepared as of June 30, 2023, using the following actuarial assumptions:

- Actuarial cost method—Entry Age Normal
- Inflation—2.25%
- Future ad hoc cost-of-living increases—None
- Salary increases—Composed of 2.25% inflation, including 0.75% price inflation, plus a service-related component ranging from 0.00% to 8.00% based on years of service.
- Investment rate of return—7.00%
- Retirement age—Experience-based table of rates based on age, service, and gender. Adopted by the Board in July 2021 in conjunction with the 5-year experience study for the period ending June 30, 2020.
- Mortality rates after retirement—Males and Females: GRS Southwest Region Teacher Mortality Table. Generational mortality improvements in accordance with Ultimate MP scales are projected from the year 2020.
- Mortality rates for active members—Pub-2010 Teachers Active Employee Mortality table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2010.
- Healthcare Cost Trend Rate—not applicable as the benefit provided is a set dollar amount not impacted by healthcare costs.

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2023, are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	38.30%	4.60%
International equity	16.70%	5.20%
Fixed income	22.00%	1.80%
Real estate*	10.00%	4.40%
Private equity	8.00%	7.30%
Private debt	<u>5.00%</u>	5.30%
	<u>100.00%</u>	

*The real estate total expected return is a combination of U.S. Direct Real Estate (unleveraged) and U.S. Value Added Real Estate (unleveraged).

University of Science and Arts of Oklahoma

Notes to Financial Statements

June 30, 2024

Note 9: Other Postemployment Benefit Plans (Continued)

Discount Rate—A single discount rate of 7.00% was used to measure the net OPEB asset as of June 30, 2024. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.00%. Based on the stated assumptions and the projection of cash flows, the OPEB plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the net OPEB asset. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past 5 years of actual contributions.

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate—The following presents net OPEB asset of the University calculated using the discount rate of 7.00%, as well as what the University's net OPEB asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
------------------------	----------------------------------	------------------------

The University's net pension liability \$ (9,499) \$ (94,021) \$ (165,492)

OPEB Plan Fiduciary Net Position—Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report of OTRS, which can be obtained at www.ok.gov/TRS.

Note 10: Commitments and Contingencies

Grants and Contracts

The University participates in certain federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, would not be significant.

The University participates in the Federal Direct Student Loans Program ("Direct Lending Program"). The Direct Lending Program requires the University to draw down cash from the U.S. Department of Education, as well as perform certain administrative functions. Failure to perform such functions may require the University to reimburse the U.S. Department of Education. For the year ended June 30, 2024, approximately \$2,527,542 of Direct Lending Program loans were provided to students of the University.

University of Science and Arts of Oklahoma

Notes to Financial Statements

June 30, 2024

Note 10: Commitments and Contingencies (Continued)

Others

The University has commitments for outstanding purchase orders at June 30, 2024, in the amount of approximately \$379,609.

During prior years, the University entered into certain service contracts which allowed for upfront payments to be made to the University. If the University terminates these contracts early, the payments must be refunded to the service provider on a pro rata basis.

Note 11: Risk Management

The University is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, life and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than torts, property, and workers' compensation. Settled claims have not exceeded this commercial coverage in any of the 3 preceding years.

The University, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program and the State Insurance Fund (public entity risk pools currently operating as a common risk management and insurance program for its members). The University pays an annual premium to the pools for its torts, property, and workers' compensation insurance coverage. The governing agreement for the Oklahoma Risk Management Pool specifies that the pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

The University also participates in the College Association of Liability Management (CALM) Workers' Compensation Plan for its workers' compensation coverage. CALM is an interlocal cooperative act agency that was organized to provide workers' compensation insurance coverage for participating colleges and universities through CompSource. CALM is a political subdivision of the State of Oklahoma and is governed by a board of trustees elected from members of the participating colleges and universities.

Note 12: University of Science and Arts of Oklahoma Foundation, Inc.

The Foundation was formed and incorporated on April 21, 1977, as a charitable tax-exempt corporation under IRC Section 501(c)(3). The Foundation is also publicly supported under Sections 509(a)(1) and 170(b)(A)(vi) and donors may deduct the contributions they provide under Section 170 and Sections 2055, 2106, and 2522. The purpose of the Foundation is to receive and manage gifts and gift-related income for the benefit of the University.

University of Science and Arts of Oklahoma
Notes to Financial Statements
June 30, 2024

Note 12: University of Science and Arts of Oklahoma Foundation, Inc.
(Continued)

The financial statements of the Foundation have been prepared on the accrual basis of accounting for the year ended June 30, 2024. The stand-alone financial statements of the Foundation are prepared in accordance with Financial Accounting Standards Board not-for-profit financial statement reporting standards, and the Foundation's stand-alone financial statements have been modified as required to conform their financial presentation to a governmental reporting format.

The assets of the Foundation, as presented in the accompanying financial statements, are in the form of cash of \$273,664 and investments of \$19,874,164. The cash balances are generally in the form of checking accounts and money market accounts and at June 30, 2024, were substantially covered by FDIC insurance. The investment balances are generally held in domestic and international equity investments.

The net assets of the Foundation are generally subject to donor-imposed stipulations, and \$11,643,189 of the net assets of the Foundation is restricted for specific purposes or the passage of time at June 30, 2024. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investment for general or specific purposes.

During the year ended June 30, 2024, the Foundation distributed approximately \$1,024,842 to the University for scholarships awarded.

Separately issued audited financial statements of the Foundation are available upon request.

Required Supplementary Information

UNIVERSITY OF SCIENCE AND ARTS OF OKLAHOMA

**SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY**

Oklahoma Teachers' Retirement System

Last 10 Fiscal Years*

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
The University's proportion of the net pension liability	0.1867%	0.1339%	0.1338%	0.1391%	0.1448%	0.1486%	0.1528%	0.1526%	0.1526%	0.1513%
The University's proportionate share of the net pension liability	\$ 14,385,051	\$ 10,997,597	\$ 6,833,687	\$ 13,201,680	\$ 9,579,952	\$ 8,983,507	\$ 10,116,271	\$ 12,731,509	\$ 9,265,694	\$ 8,138,725
The University's covered-employee payroll	\$ 9,590,363	\$ 9,188,624	\$ 8,505,922	\$ 7,812,148	\$ 8,040,994	\$ 7,559,620	\$ 7,444,170	\$ 7,555,897	\$ 7,444,765	\$ 6,227,764
The University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	149.99%	119.69%	80.34%	168.99%	119.14%	118.84%	135.90%	168.50%	124.46%	130.68%
Plan fiduciary net position as a percentage of the total pension liability	72.57%	70.05%	80.80%	63.47%	71.56%	72.74%	69.32%	62.24%	70.31%	72.43%

*The amounts presented for each fiscal year were determined as of June 30 of the prior year.

UNIVERSITY OF SCIENCE AND ARTS OF OKLAHOMA

SCHEDULE OF THE UNIVERSITY'S CONTRIBUTIONS

Oklahoma Teachers' Retirement System

Last 10 Fiscal Years*

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$1,040,316	\$ 727,035	\$ 658,941	\$ 676,255	\$ 671,569	\$ 870,735	\$ 817,307	\$ 818,449	\$ 680,031	\$ 636,527
Contributions in relation to the contractually required	<u>1,040,316</u>	<u>727,035</u>	<u>658,941</u>	<u>676,255</u>	<u>671,569</u>	<u>870,735</u>	<u>817,307</u>	<u>818,449</u>	<u>835,554</u>	<u>821,266</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The University's covered-employee payroll	\$9,590,363	\$9,188,624	\$8,505,922	\$7,812,148	\$7,881,473	\$8,040,994	\$7,559,620	\$7,444,170	\$7,555,897	\$7,444,765
Contributions as a percentage of covered-employee payroll	10.85%	7.91%	7.75% *	8.66% *	8.52% *	10.83% *	10.81% *	10.99%	11.06%	11.03%

*The fund implemented GASB 75 for OPEB effective July 1, 2017; therefore, this amount represents the net percentage for the GASB 68 contribution to OTRS. When combined with the supplemental health insurance plan percentage for OPEB contributions to OTRS, the total amount contributed to OTRS was approximately 11% for 2019 and 2018, approximately 9% for 2021 and 2020, and approximately 8% for 2022.

UNIVERSITY OF SCIENCE AND ARTS OF OKLAHOMA

**SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF
THE NET OPEB ASSET
Supplemental Health Insurance Plan—OTRS**

Last 7 Fiscal Years*

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
The University's proportion of the net OPEB asset	0.1867%	0.1339%	0.1338%	0.1392%	0.1448%	0.1486%	0.1528%
The University's proportionate share of the net OPEB asset	\$ 94,021	\$ 58,508	\$ 170,369	\$ 13,786	\$ 89,534	\$ 96,054	\$ 68,132
The University's covered-employee payroll	\$9,590,363	\$9,188,624	\$8,505,922	\$7,812,148	\$8,040,994	\$7,559,620	\$7,444,170
The University's proportionate share of the net OPEB asset as a percentage of its covered-employee payroll	0.98%	0.64%	2.00%	0.18%	1.11%	1.27%	0.92%
Plan fiduciary net position as a percentage of the total OPEB asset	112.01%	110.31%	129.91%	102.30%	115.07%	115.41%	110.40%

*The amounts presented for each fiscal year were determined as of June 30 of the prior year.

Only the last 7 fiscal years are presented because 10-year data is not yet available.

UNIVERSITY OF SCIENCE AND ARTS OF OKLAHOMA

SCHEDULE OF THE UNIVERSITY'S CONTRIBUTIONS

Supplemental Health Insurance Plan—OTRS

Last 7 Fiscal Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 5,025	\$ 10,543	\$ 8,143	\$ 1,273	\$ 1,265	\$ 5,873	\$ 12,977
Contributions in relation to the contractually required contribution	<u>5,025</u>	<u>10,543</u>	<u>8,143</u>	<u>1,273</u>	<u>1,265</u>	<u>5,873</u>	<u>12,977</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The University's covered-employee payroll	\$ 9,590,363	\$ 9,188,624	\$ 8,505,922	\$ 7,812,148	\$ 7,881,473	\$ 8,040,994	\$ 7,559,620
Contributions as a percentage of covered-employee payroll	0.05%	0.11%	0.10%	0.02%	0.02%	0.07%	0.17%

Only the last 7 fiscal years are presented because 10-year data is not yet available.

Information Required by *Government Auditing Standards* and the Uniform Guidance



**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of the Financial Statements Performed
in Accordance with *Government Auditing Standards***

Board of Regents
University of Science and Arts of Oklahoma
Chickasha, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of Science and Arts of Oklahoma (the University), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 21, 2024.

Our report includes a reference to other auditors who audited the financial statements of the University of Science and Arts of Oklahoma Foundation, Inc., as described in our report on the University's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items 2024-001.

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.

Hick & Company, PC

Tulsa, Oklahoma
November 21, 2024





**Independent Auditor's 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***

Board of Regents
University of Science and Arts of Oklahoma
Chickasha, Oklahoma

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the University of Science and Arts of Oklahoma's (the University's), a component unit of the State of Oklahoma, compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2024. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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



Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Hick & Company, PC

Tulsa, Oklahoma
November 21, 2024



UNIVERSITY OF SCIENCE AND ARTS OF OKLAHOMA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2024

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Grant Number/ Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients (No Subrecipients)</u>	<u>Total Federal Expenditures</u>
U.S. Department of Education:				
<i>Student Financial Assistance Cluster:</i>				
Federal Supplemental Educational Opportunity Grant	84.007	P007A223462	N/A	\$ 59,069
Federal Work Study Program	84.033	P033A223462 P033A233462	N/A	279,352
Federal Pell Grant Program	84.063	P063P222044 P063P232044	N/A	3,196,112
Federal Direct Student Loans Program	84.268	P268K232044 P268K242044	N/A	<u>2,527,542</u>
<i>Total Student Financial Assistance Cluster</i>				<u>6,062,075</u>
<i>Higher Education—Emergency Relief Program Cluster:</i>				
COVID-19—Education Stabilization Fund—Institutional Portion	84.425F	P425F201709	N/A	<u>27,700</u>
<i>CARES Student Emergency Grants Award</i>				27,700
<i>United States Department of Education—Other Programs:</i>				
NASNTI Grant	84.382	P382C210004	N/A	<u>220,042</u>
<i>Total Other Programs</i>				<u>220,042</u>
Total U.S. Department of Education				<u>6,309,817</u>
Total Expenditures of Federal Awards				<u>\$ 6,309,817</u>

University of Science and Arts of Oklahoma
Notes to Schedule of Expenditures of Federal Awards
June 30, 2024

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the University of Science and Arts of Oklahoma (the "University") under programs of the federal government for the year ended June 30, 2024. 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 position, or cash flows of the University.

Note 2: Summary of Significant Accounting Policies

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

The University elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance for the year ended June 30, 2024.

Note 3: Federal Direct Student Loans Program

Under the Federal Direct Student Loans Program ("Direct Loan Program"), 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 Program enables 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 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 4: Loans Outstanding

The University had the following loan balances outstanding at June 30, 2024. During the year ended June 30, 2024, the University did not issue any new Perkins loans.

<u>Cluster/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Amount Outstanding</u>
Federal Perkins Loan Program	84.038	<u>\$ 22,527</u>

Note 5 Subrecipients

The University provided no federal awards to subrecipients during the year ended June 30, 2024.

University of Science and Arts of Oklahoma
 Schedule of State Awards
 Year Ended June 30, 2024

<u>State Grantor/ Program Title</u>	<u>Contract Number</u>	<u>Contract Perior</u>	<u>State Expenditures</u>
Oklahoma State Regents for Higher Education			
OK Tuition Aid Grant (OTAG)	N/A		\$ 135,200
OK Higher Learning Access Program (OHLAP)	N/A		<u>1,426,767</u>
			<u>\$ 1,561,967</u>

University of Science and Arts of Oklahoma
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024
(Continued)

Findings Required to be Reported by Government Auditing Standards

Finding: 2024-001 – Employee recordkeeping

Criteria: The University should maintain employee I-9s on file while they are actively employed at the University in accordance with UCIS regulations.

Condition: During our testing of payroll, we identified 8 employees without I-9s on file.

Cause and Effect: During 2024, management underwent a significant transition to a new human resources system. Due to significant turnover of employees who were involved in the transition to the new system, there were documents that were overlooked and missed when being added to the new system.

Recommendation: We recommend that management review their policies and procedures for handling employee files to ensure HR personnel are aware of the employee files that must be maintained. We also recommend that management review their employee files to determine if any other records are missing and to obtain new documentation if necessary.

Management Response: Management agrees with the finding and will review their policies and procedures for dealing with employee files. Employee records will be reviewed to determine if there are any other files that need to be renewed.

Findings Required to be Reported by the Uniform Guidance

No matters are reportable.

University of Science and Arts of Oklahoma
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2024

Findings Required to be Reported by Government Auditing Standards

No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

No matters are reportable.