



**Northwestern Oklahoma State
University**

**A Department of the Regional
University System of Oklahoma**

**Independent Auditor's Reports and
Financial Statements**

June 30, 2024



Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
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June 30, 2024

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Independent Auditor's Report

Board of Regents
Regional University System of Oklahoma
Northwestern Oklahoma State University
Oklahoma City, Oklahoma

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of Northwestern Oklahoma State University (the "University"), a department of the Regional University System 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 other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Northwestern Oklahoma State University, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof 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 Northwestern Oklahoma State University Foundation, Inc., and Alumni Association, the aggregate discretely presented component units of the University. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Northwestern Oklahoma State University Foundation, Inc. and Alumni Association, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the University, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of Northwestern Oklahoma State University Foundation, Inc. and Alumni Association, aggregate discretely presented component units, were not audited in accordance with *Government Auditing Standards*.

Reporting Entity

As discussed in *Note 1*, the accompanying financial statements of the University are intended to present the financial position, changes in financial position, and cash flows of only the activities of Northwestern Oklahoma State University. They do not purport to, and do not, present fairly the financial position of the Regional University System of Oklahoma as of June 30, 2024, and the changes in its financial position or its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. 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 October 31, 2024, on our consideration of Northwestern Oklahoma State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Northwestern Oklahoma State University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwestern Oklahoma State University's internal control over financial reporting and compliance.

Forvis Mazars, LLP

Springfield, Missouri
October 31, 2024

Overview of Financial Statements and Financial Analysis

Northwestern Oklahoma State University is pleased to present its financial statements for fiscal year 2024, with selected comparative information for fiscal year 2023. Management's discussion and analysis is designed to focus on current activities, resulting changes, and current known facts, so it should be read in conjunction with the University's financial statements and footnotes. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. All amounts in the tables in this MD&A are presented in millions of dollars. This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year. Accounting standards require that financial statements for the Northwestern Oklahoma State University Foundation, Inc. be reported with the University's report.

Statement of Net Position

The Statement of Net Position presents the assets (current and non-current), deferred outflows or resources, liabilities (current and noncurrent), deferred inflows of resources, and net position as of the end of the fiscal year. The purpose of this statement is to give readers of the financial statements a fiscal snapshot of Northwestern Oklahoma State University.

These statements include all assets and liabilities using the accrual basis of accounting, which is consistent with the accounting used by private sector institutions. Readers of the Statement of Net Position can determine the assets available to continue the operations of the institution. Amounts owed to vendors and lending institutions can also be determined. Finally, the Statement of Net Position provides a picture of the net position and its availability for expenditure by the institution.

Net position – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the University's health or position. Over time, increases or decreases in net position are an indicator of whether or not the University's financial health is improving. Non-financial factors are also important to consider, including student enrollment and condition of campus buildings. Net position is divided into three categories. The first category, Net Investment in Capital Assets, provides information on the institution's property, plant, and equipment and subscription assets. The next category, Restricted Net Position-Expendable, is divided into two categories, Scholarship and Capital Project and Debt Service. This portion of net position is available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is Unrestricted Net Position. Unrestricted assets are available to the institution for any lawful purpose of the institution.

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Management's Discussion & Analysis
June 30, 2024

A Condensed Statement of Net Position is prepared from the University's Statement of Net Position and summarizes the assets, deferred outflows, liabilities, deferred inflows and net position as of June 30, 2024, compared to the year ending June 30, 2023.

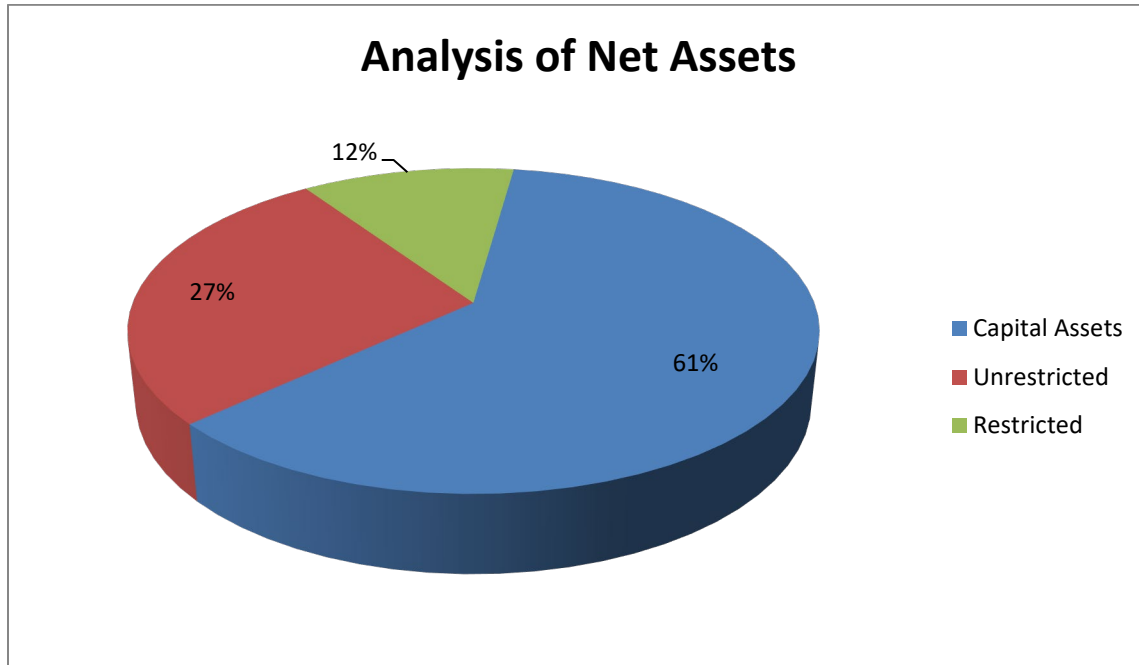
Condensed Statements of Net Position
(In Millions)

	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>Increase (Decrease)</u>
Assets			
Current Assets	\$ 11.0	\$ 11.1	\$ (0.1)
Noncurrent Assets			
Capital and subscription assets, net of depreciation, and amortization	26.5	26.9	(0.4)
Other assets	2.8	3.6	(0.8)
Total assets	<u>\$ 40.3</u>	<u>\$ 41.6</u>	<u>\$ (1.3)</u>
Liabilities			
Current liabilities	\$ 2.2	\$ 2.0	\$ 0.2
Noncurrent liabilities	7.3	7.7	(0.4)
Total liabilities	<u>9.5</u>	<u>9.7</u>	<u>(0.2)</u>
Deferred Inflows of Resources	<u>0.2</u>	<u>0.1</u>	<u>0.1</u>
Net Position			
Net investment in capital assets	18.7	18.6	0.1
Restricted	3.6	3.9	(0.3)
Unrestricted	8.3	9.3	(1.0)
Total net position	<u>\$ 30.6</u>	<u>\$ 31.8</u>	<u>\$ (1.2)</u>

Assets are presented net of depreciation. Total assets decreased by \$1.3M. This was due to the capitalization of multiple projects that were started in prior years and began depreciating in fiscal year 2024. The largest change occurred in cash and cash equivalents, decreasing by \$992,343 and Accounts Receivable increasing \$333,272. The decrease in cash was expected due to planned maintenance projects.

Total liabilities decreased \$238,121. There was also a decrease in the University's OCIA other financing arrangements payable to a state agency of \$741,936. This was due to the refinancing of debt. Net position decreased by \$1.2 million consisting primarily from the increase in the total operating expenses for the year.

The following graph represents how the University's net position is split between capital and subscription assets, unrestricted, and restricted position.



Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the University's results of operations for the year and the effect on net position. Operating revenues and expenses are generated from "exchange" transactions that arise in the course of normal activity for the organization. The comparison of operating revenues to operating expenses is an important measure of an institution's fiscal stability. Public institutions will normally not have an excess of operating revenues over operating expenses because state appropriations are considered nonoperating revenues under accounting principles generally accepted in the United States of America.

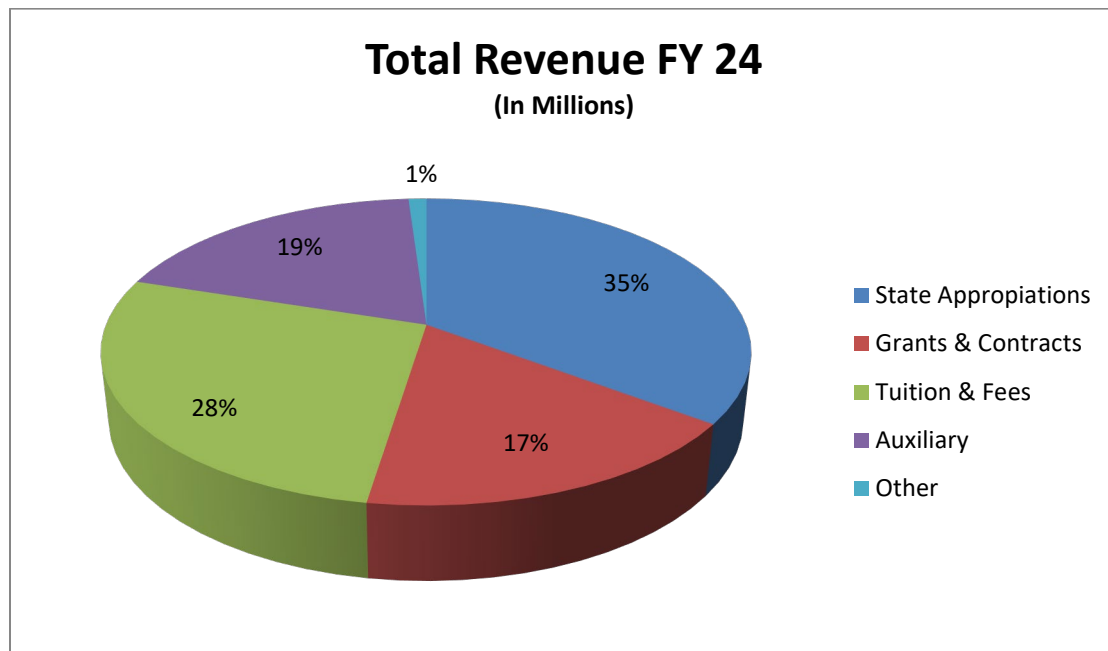
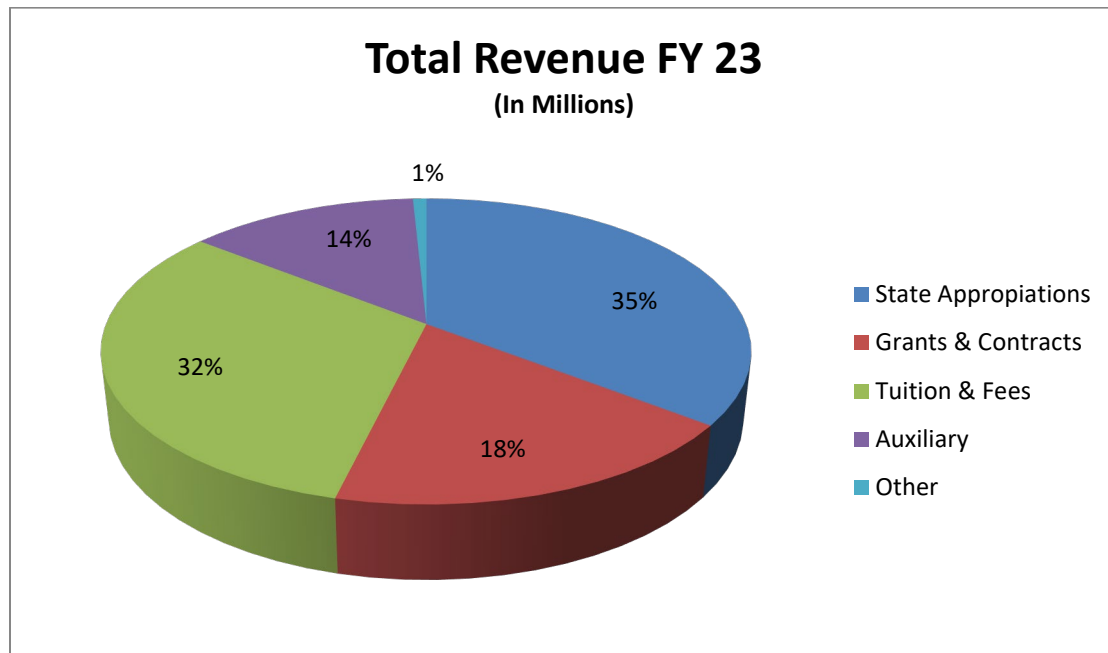
Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Management's Discussion & Analysis
June 30, 2024

Statements of Revenues, Expenses, and Changes in Net Position
(In Millions)

	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>Increase (Decrease)</u>
Operating Revenues			
Tuition and fees, net of scholarship discounts and allowances of \$9.1 and \$8.6	\$ 7.8	\$ 8.0	\$ (0.2)
Federal and state grants and contracts	6.1	7.1	(1.0)
Auxiliary	5.4	3.4	2.0
Other operating revenues	0.3	0.2	0.1
Total operating revenues	<u>19.6</u>	<u>18.7</u>	<u>0.9</u>
Operating Expenses			
Compensation and employee benefits	19.9	18.5	1.4
Contractual services	5.7	5.1	0.6
Supplies and materials	3.1	3.2	(0.1)
Depreciation	2.3	2.1	0.2
Amortization	0.1	-	0.1
Utilities	1.0	1.3	(0.3)
Communication expense	0.2	0.1	0.1
Scholarships and fellowships	5.9	6.1	(0.2)
Other operating expenses	1.1	2.5	(1.4)
Total operating expenses	<u>39.3</u>	<u>38.9</u>	<u>0.4</u>
Operating Income (Loss)	<u>(19.7)</u>	<u>(20.2)</u>	<u>0.5</u>
Nonoperating Revenues (Expenses)			
State appropriations	10.3	8.9	1.4
Federal and state grants and contracts	4.9	4.6	0.3
Gifts	0.6	0.7	(0.1)
Investment income	0.9	0.8	0.1
Interest expense on other financing arrangements	(0.5)	(0.4)	(0.1)
Total nonoperating revenues (expenses)	<u>16.2</u>	<u>14.6</u>	<u>1.6</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	<u>(3.5)</u>	<u>(5.6)</u>	<u>2.1</u>
Other Revenues, Expenses, Gains, or Losses	<u>2.4</u>	<u>1.9</u>	<u>0.5</u>
Increase (Decrease) in Net Position	<u>(1.1)</u>	<u>(3.7)</u>	<u>2.6</u>
Net Position, Beginning of Year	<u>31.8</u>	<u>35.5</u>	<u>(3.7)</u>
Net Position, End of Year	<u>\$ 30.7</u>	<u>\$ 31.8</u>	<u>\$ (1.1)</u>

Revenues 2024

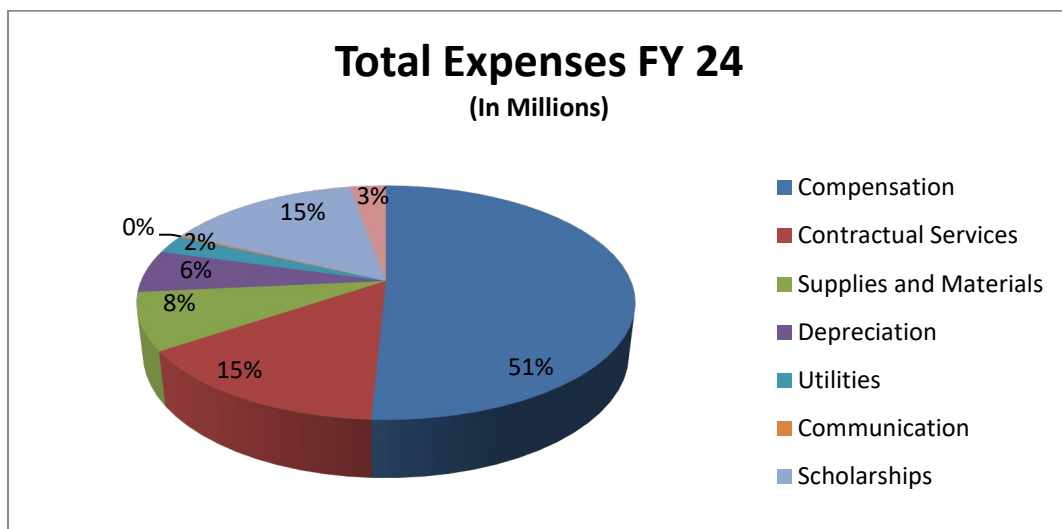
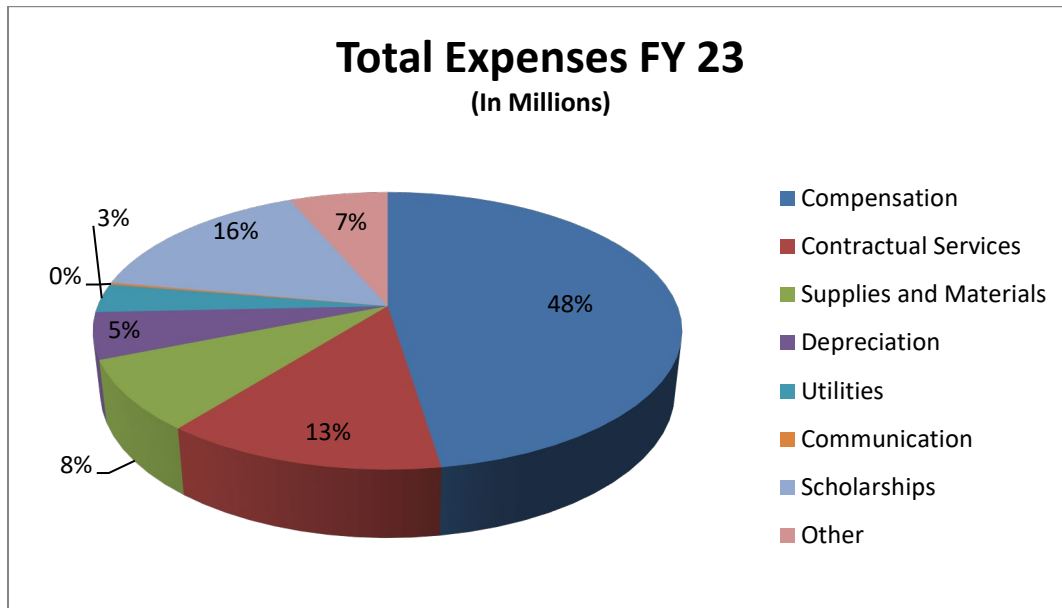
Operating revenues increased by \$945,833 due to an increase in enrollment. This led to increases in housing and cafeteria revenue. The number of credit hours generated were up compared to fiscal year 2023 and there was no increase to tuition or mandatory fees for fiscal year 2024. Northwestern also had an increase in state appropriations from fiscal year 2023.



Expenses 2024

Operating expenses for the year were \$39.3 million. This remains consistent from fiscal year 2023. Compensation increased as there were raises campus wide for fiscal year 2024 averaging overall 6.6%. There was an increase of \$579,375 for contractual services as work was done on two HVAC chillers as well as the gymnasium roof being updated. There was also tuck pointing done on Herod Hall and the President's House. Northwestern also saw a decrease in utilities of \$262,188 in fiscal year 2024.

The following graph represents the percentages of expenses for the fiscal year 2024 compared to fiscal year 2023. Again, overall percentages are very similar.



Northwestern Oklahoma State University
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Statement of Cash Flows

The final statement presented by Northwestern Oklahoma State University is the Statement of Cash Flows. The primary purpose of the Statement of Cash Flows is to provide information about the cash receipts and disbursements of an entity during a period. This statement also aids in the assessment of an entity's ability to generate future net cash flows, ability to meet obligations as they come due, and needs for external financing. The statement is divided into five parts.

Statements of Cash Flows
(In Millions)

	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>Increase (Decrease)</u>
Operating Activities	\$ (17.7)	\$ (18.4)	\$ 0.7
Noncapital Financing Activities	15.6	14.2	1.4
Capital and Related Financing Activities	(0.6)	1.2	(1.8)
Investing Activities	<u>0.9</u>	<u>0.8</u>	<u>0.1</u>
Increase (Decrease) in Cash and Cash Equivalents	(1.8)	(2.2)	0.4
Cash and Cash Equivalents, Beginning of Year	<u>13.3</u>	<u>15.5</u>	<u>(2.2)</u>
Cash and Cash Equivalents, End of Year	<u>\$ 11.5</u>	<u>\$ 13.3</u>	<u>\$ (1.8)</u>

The first section presents operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section shows the cash flows from investing activities and shows the purchase, proceeds, and interest received from investing activities. The fourth section presents cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Change in Net Position.

Economic Outlook

Northwestern Oklahoma State University continues to be a leading economic engine for the northwest sector of Oklahoma. In preparing the fiscal year 2024 budget, care was given to align expenses with mandatory cost increases and budget priorities. Northwestern budgeted for a flat enrollment, but saw a slight jump in head count that resulted in an increase of 3.1% in credit hours generated. Northwestern saw an increase in state appropriations of 12.32% with a majority of this increase being designated towards teacher salary raises. Salary increases were also budgeted for both exempt and non-exempt personnel.

Fiscal year 2024 saw the completion of several capital and infra-structure improvements. These included capitalizing the remodel of Cunningham Hall, a three-story female dormitory built in the 1960's, tuck pointing of the historic President's House and Herod Hall administrative building, and the replacement of HVAC chillers for both Cunningham Hall and the Education Center. Percefull Fieldhouse saw the replacement of its flat roof. These projects were all funded with school land dollars.

During January of 2024 Northwestern hosted its ten-year accreditation visit with the Higher Learning Commission. The visiting team recommended to HLC that Northwestern's reaffirmation of accreditation be approved until 2033-34. The final report also had no follow-up reports or focused visits required as part of the accreditation process.

The Northwestern Oklahoma State University Foundation, Inc., plays a critical role in supporting the University and its mission. New contributions and endowments continue to be secured to provide support for the operations of Northwestern. Fiscal year 2024 saw the Foundation's assets increase over the prior year due in part to a strong investment strategy.

The fiscal year 2025 budget saw a one-time allocation by the Oklahoma State Legislature of \$3,579,545 earmarked for deferred maintenance projects. The four projects identified to be upgraded with these funds include roofs, HVAC units, underground electrical transformers, and parking lots. Northwestern was also approved to offer a Masters of Business Administration degree starting in the fall of 2024. This new academic offering will allow for an emphasis area in management or health care administration.

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Statement of Net Position
June 30, 2024

Assets and Deferred Outflows of Resources

	<u>University</u>	<u>Component Unit</u>
Current Assets		
Cash and cash equivalents	\$ 8,673,091	\$ 38,542
Accounts receivable, net	1,180,239	-
Receivable from state agencies	649,002	-
Grants receivable	434,739	-
Interest and other receivables	12,063	-
Inventories	15,302	-
	<u>10,964,436</u>	<u>38,542</u>
Noncurrent Assets		
Restricted cash and cash equivalents	2,830,643	-
Investments	-	38,260,410
Prepaid insurance	-	75,211
Other assets	-	21,389
Land and mineral rights	-	2,814,760
Subscription assets, net	172,769	-
Capital assets, net	26,377,339	107,913
	<u>29,380,751</u>	<u>41,279,683</u>
Total noncurrent assets	<u>29,380,751</u>	<u>41,279,683</u>
Total assets	<u>40,345,187</u>	<u>41,318,225</u>
Total assets and deferred outflows of resources	<u>\$ 40,345,187</u>	<u>\$ 41,318,225</u>

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Statement of Net Position
June 30, 2024

Liabilities, Deferred Inflows of Resources, and Net Position

	<u>University</u>	<u>Component Unit</u>
Current Liabilities		
Accounts payable	\$ 250,556	\$ 93,111
Accrued expenses	92,894	-
Unearned revenue	653,269	-
Deposits held in custody for others	70,675	-
Current portion of noncurrent liabilities	1,122,556	-
	<u>2,189,950</u>	<u>93,111</u>
Total current liabilities		
Noncurrent Liabilities		
Accrued compensated absences	308,188	-
Subscription liabilities	67,837	-
ODFA other financing arrangements	4,450,882	-
OCIA other financing arrangements	1,782,920	-
Other noncurrent liabilities	720,532	-
	<u>7,330,359</u>	<u>-</u>
Total noncurrent liabilities		
Total liabilities	<u>9,520,309</u>	<u>93,111</u>
Deferred Inflows of Resources		
Deferred gain on OCIA refunding	196,861	-
	<u>196,861</u>	<u>-</u>
Total deferred inflows of resources		
Net Position		
Net investment in capital assets	18,647,291	107,913
Restricted - expendable for		
Scholarships, instruction, and other	1,419,909	1,685,409
Capital projects and debt service	2,205,782	-
Restricted - nonexpendable		
Grants, bequests, and contributions	-	38,684,890
Unrestricted	8,355,035	746,902
	<u>30,628,017</u>	<u>41,225,114</u>
Total net position		
Total liabilities, deferred inflows of resources, and net position	<u>\$ 40,345,187</u>	<u>\$ 41,318,225</u>

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Statement of Revenues, Expenses, and Changes in Net Position
June 30, 2024

	<u>University</u>	<u>Component Unit</u>
Operating Revenues		
Tuition and fees, net of scholarship discounts and allowances of \$9,123,397	\$ 7,822,053	\$ -
Federal and state grants and contracts	6,122,067	-
Housing and food service, net of scholarship discounts and allowances of \$250,458	5,413,374	-
Contributions	-	3,311,623
Other operating revenues	310,298	145,538
	<u>19,667,792</u>	<u>3,457,161</u>
Operating Expenses		
Compensation and employee benefits	19,890,754	-
Contractual services	5,681,291	-
Supplies and materials	3,077,139	-
Depreciation	2,342,896	-
Amortization	147,301	-
Utilities	1,003,100	-
Communication expense	149,765	-
Scholarships and fellowships	5,925,612	1,063,754
Other operating expenses	1,118,080	2,916,384
	<u>39,335,938</u>	<u>3,980,138</u>
Operating Loss	<u>(19,668,146)</u>	<u>(522,977)</u>
Nonoperating Revenues (Expenses)		
State appropriations	10,037,720	-
Federal and state grants and contracts	4,939,928	-
Gifts	650,508	-
Investment income	946,990	3,546,134
Interest expense on subscription liabilities	(5,098)	-
Interest expense on other financing arrangements	(485,786)	-
	<u>16,084,262</u>	<u>3,546,134</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	<u>(3,583,884)</u>	<u>3,023,157</u>
Other Revenues, Expenses, Gains, or Losses		
State appropriations restricted for capital purposes	1,526,672	-
OCIA on-behalf state appropriations	873,591	-
Capital assets earned	29,683	-
	<u>2,430,946</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>(1,153,938)</u>	<u>3,023,157</u>
Net Position, Beginning of Year	<u>31,781,955</u>	<u>38,201,957</u>
Net Position, End of Year	<u>\$ 30,628,017</u>	<u>\$ 41,225,114</u>

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Statement of Cash Flows
June 30, 2024

Operating Activities	
Tuition and fees	\$ 7,577,922
Federal grants and contracts	5,620,428
Payments to suppliers	(11,101,642)
Payments to employees	(25,670,051)
Auxiliary enterprise charges	5,413,374
Other receipts	<u>426,710</u>
Net cash used in operating activities	<u>(17,733,259)</u>
Noncapital Financing Activities	
State appropriations	10,037,720
Federal grants and contracts	4,939,928
Gifts and grants received for other than capital purposes	<u>650,508</u>
Net cash provided by noncapital financing activities	<u>15,628,156</u>
Capital and Related Financing Activities	
Purchase of capital assets	(1,306,909)
Gifts and grants received for capital purposes	1,526,672
Principal paid on capital debt and leases	(500,655)
Principal paid on subscription liabilities	(144,380)
Interest paid on capital debt and leases	(231,627)
Interest paid on subscription liabilities	<u>(5,098)</u>
Net cash used in capital and related financing activities	<u>(661,997)</u>
Investing Activities	
Interest on investments	<u>946,874</u>
Net cash provided by investing activities	<u>946,874</u>
Decrease in Cash and Cash Equivalents	(1,820,226)
Cash and Cash Equivalents, Beginning of Year	<u>13,323,960</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 11,503,734</u></u>

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Statement of Cash Flows
June 30, 2024

Statement of Net Position

Cash and cash equivalents	\$ 8,673,091
Restricted cash and cash equivalents	<u>2,830,643</u>
Total cash and cash equivalents	<u><u>\$ 11,503,734</u></u>

**Reconciliation of Operating Loss to
Net Cash Used in Operating Activities**

Operating loss	\$ (19,668,146)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation and amortization expense	2,490,197
Changes in operating assets and liabilities	
Accounts receivable	(266,372)
Receivables from state agencies	(116,130)
Federal and state grants receivable	(501,639)
Inventories	2,676
Accounts payable and accrued expenses	169,378
Accrued compensated absences	18,124
Unearned revenue	17,966
Deposits	4,275
Deferred inflows of resources	<u>116,412</u>

Net Cash Used in Operating Activities \$ (17,733,259)

Supplemental Cash Information

Noncash Investing, Capital, and Financing Activities

Unearned capital assets recognized for capital assets received	\$ 526,216
Unearned capital assets forgiven by vendor	\$ 29,683
Principal on capital debt paid by state agency on behalf of the University	\$ 619,432
Subscription liabilities incurred for subscription assets	\$ 354,676
Interest on capital debt paid by state agency on behalf of the University	\$ 254,159

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Northwestern Oklahoma State University (the “University”) is a regional University operating under the jurisdiction of the Regional University System of Oklahoma (RUSO or “the System”) and the Oklahoma State Regents for Higher Education.

The University is one of six institutions of higher education in Oklahoma that comprise part of the System, which in turn is part of the Higher Education component unit of the State of Oklahoma.

The Board of Regents has constitutional authority to govern, control and manage the System, which consists of six institutions and an administrative office. This authority includes but is not limited to the power to designate management, the ability to significantly influence operations, acquire and take title to real and personal property in its name, appoint or hire all necessary officers, supervisors, instructors, and employees for member institutions.

The University is considered a department of the System for financial reporting purposes and is included in the System’s financial reporting entity.

Major federally funded student financial aid programs in which the University participates include the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work Study, and Federal Direct Loan Programs. The University extends unsecured credit to students.

Discretely Presented Component Unit

Northwestern Oklahoma State University Foundation, Inc. (the “Foundation”) and Alumni Association (the “Association”) are component units of the University. The Foundation is organized for the benefit of the University, and its faculty, student body, and programs. The purposes for which the Foundation is organized are exclusively scientific, literary, charitable, educational, and artistic for the benefit of the University.

The Foundation is a private nonprofit organization that reports under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). 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.

The Association is an unincorporated association formed for the benefit of the Alumni of the University as a whole. Its specific purpose is to provide alumni with information about University related organizations and activities. Its activities are guided by a Board of Directors who receive no compensation for their activities. In September 1986, the two organizations adopted an operating agreement for their mutual benefit.

Its purpose was to avoid repetition of projects and to pool the resources of the two organizations. The two organizations remain separate entities, each governed by its own board. The president of the Association will be appointed as a trustee of the Foundation. Accounting for the funds and fund transactions is accomplished by the Foundation. The University Foundation provides financial support as needed to the Association. Each year the Association Board presents a budget to the Foundation Board to finance its operations. Financial information included in the financial statements includes financial information of both the Foundation and Association.

Basis of Accounting and Presentation

The financial statements of the University have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, liabilities, and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used internally. Operating revenues and expenses include exchange transactions and program-specific, government-mandated or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific (such as state appropriations), investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. The University first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources 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.

Cash Equivalents

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. Funds invested through the State Treasurer's Cash Management Program are considered cash equivalents.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and charges for auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from the federal government, state, and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable is recorded net of estimated uncollectible amounts.

Inventories

Supply inventories are stated at the lower of cost or market. Costs are determined using the first-in, first-out (FIFO) method.

Restricted Cash and Equivalents

Cash and investments that are externally restricted to make long-term student loans, or to purchase capital or other noncurrent assets, are classified as restricted assets in the statement of net position.

Capital Assets (Including Intangible Assets)

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Land improvements that significantly increase the value or extend the useful life of the structure and that have a cost of \$5,000 or more are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

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Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 20 years for infrastructure and land improvements, and 5 years for library materials and equipment.

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Subscription Assets

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at and certain payments made before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Capital, Lease, and Subscription Asset Impairment

The University evaluates capital, lease, and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital and subscription assets have occurred. If a capital or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, an impairment loss is recorded.

No asset impairment was recognized during the year ended June 30, 2024.

Compensated Absences

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded as accrued compensated absences in the statement of net position and as a component of compensation and employee benefit expense in the statement of revenues, expenses, and changes in net position.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and other financing obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

Unearned Revenue

Unearned revenue represents unearned student fees and advances on grants and contract awards for which the University has not met all of the applicable eligibility requirements.

Deferred Inflows of Resources

The University reports an acquisition of net assets that is applicable to a future reporting period as deferred inflows of resources in a separate section of its statements of net position.

Net Position

Net position of the University is classified as follows:

- Net investment in capital assets component of net position consists of capital and subscription assets net of accumulated depreciation and amortization, reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. 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.
- Restricted expendable net position is made up of assets which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.
- Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the University, such as the federal portion of loan funds. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted.
- Unrestricted net position represents 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.

Classification of Revenues

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria.

Operating revenues include activities that have the characteristics of exchange transactions, such as

- (1) student tuition and fees, net of scholarship allowances
- (2) sales and services of auxiliary enterprises
- (3) certain federal, state, and local grants and contracts

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as

- (1) gifts and contributions
- (2) other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*
- (3) GASB No. 34, such as state appropriations and investment income.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statement of revenues, expenses, and changes in net position. Scholarship 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, are recorded as nonoperating revenues and other governmental grants are recorded as operating revenues 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 allowance. The scholarship allowances on tuition and fees and housing for the year ended June 30, 2024, were \$9,123,397 and \$250,458, respectively.

Income Taxes

As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income.

Note 2. Deposits and Investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the University's deposits may not be returned, or the University will not be able to recover collateral securities in the possession of an outside party. The University deposits its funds with the Office of the State Treasurer (OST). Oklahoma statutes require OST to ensure that all state funds are either 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 OST's responsibilities include receiving and collateralizing the deposit of State funds, investing State funds in compliance with statutory requirements, and maintaining adequate liquidity to meet the cash flow needs of the State and all its funds and agencies. If the University deposits funds directly with financial institutions, those funds must be insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank in the University's name.

There is \$9,970,837 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2024. Of the \$9,970,837 on deposit with the State Treasurer, \$4,239,584 represents amounts held within *OK INVEST*, an internal investment pool. State Agencies and funds that are considered to be part of the State's reporting entity in the State's Annual Comprehensive 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 that establish the framework for the day-to-day *OK INVEST* management of funds with an emphasis on safety of the capital and the probable income to be derived while also meeting the State's daily cash flow requirements. Guidelines in the State Treasurer's Investment Policy address credit quality requirements, diversification percentages, and the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer's website at <http://www.ok.gov/treasurer/>. An evaluation of the use and purpose of the various State Agencies and funds participation in the internal investment pool has determined that the amount on deposit with *OK INVEST* are treated as demand accounts and reported as cash equivalents. For financial reporting purposes, deposits with the OST that are invested in *OK INVEST* are classified as cash equivalents.

At June 30, 2024, the distribution of deposits in *OK INVEST* is as follows:

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	<u>Cost</u>	<u>Market Value</u>
<i>OK INVEST Portfolio</i>		
U.S. agency bonds	\$ 222,983	\$ 218,402
Money market mutual funds	318,390	318,390
Certificates of deposit	9,899	9,899
Mortgage backed securities	652,758	572,247
Foreign bonds	27,028	26,929
U.S. Treasury bonds	3,008,526	2,966,165
	<u>\$ 4,239,584</u>	<u>\$ 4,112,032</u>

Interest rate risk is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher.

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. government 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 of Oklahoma, the Federal Deposit Insurance Corporation, or any other government agency.

Note 3. Accounts Receivable

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

Student tuition and fees	\$ 3,966,409
Auxiliary enterprises and other operating activities	415,587
	<u>4,381,996</u>
Less allowance for doubtful accounts	<u>3,201,757</u>
	<u>\$ 1,180,239</u>

Note 4. Capital and Subscription Assets

Capital, lease, and subscription assets activity for the year ended June 30, 2024, was:

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	Beginning Balance 6/30/2023	Additions	Disposals	Transfers	Ending Balance 6/30/2024
Capital assets not being depreciated					
Land	\$ 1,149,042	\$ -	\$ -	\$ -	\$ 1,149,042
Art	133,333	-	-	-	133,333
Construction in progress	4,626,269	194,727	-	(4,563,248)	257,748
Total capital assets not being depreciated	5,908,644	194,727	-	(4,563,248)	1,540,123
Capital assets being depreciated					
Land improvements	4,979,231	74,213	-	223,335	5,276,779
Leasehold improvements	223,598	1,036,122	-	-	1,259,720
Buildings	50,224,653	63,893	-	4,339,913	54,628,459
Furniture, fixtures, and equipment	8,020,720	429,173	-	-	8,449,893
Library materials	905,715	34,997	(13,207)	-	927,505
Total capital assets being depreciated	64,353,917	1,638,398	(13,207)	4,563,248	70,542,356
Less accumulated depreciation/					
Land improvements	4,372,427	188,684	-	-	4,561,111
Leasehold improvements	105,070	64,416	-	-	169,486
Buildings	33,061,176	1,334,428	-	-	34,395,604
Furniture, fixtures, and equipment	4,971,397	737,164	-	-	5,708,561
Library materials	865,381	18,204	(13,207)	-	870,378
Total accumulated depreciation	43,375,451	2,342,896	(13,207)	-	45,705,140
Capital assets being depreciated, net	20,978,466	(704,498)	-	4,563,248	24,837,216
Capital assets, net	<u>\$ 26,887,110</u>	<u>\$ (509,771)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,377,339</u>

Subscription assets activity for the year ended June 30, 2024, was:

	Balance 6/30/2023	Additions	Disposals	Transfers	Balance June 30, 2024
Subscription IT asset	\$ -	\$ 320,070	\$ -	\$ -	\$ 320,070
Less accumulated amortization Subscription IT asset	-	147,301	-	-	147,301
Subscription Assets, Net	<u>\$ -</u>	<u>\$ 172,769</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 172,769</u>

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Note 5. Long-Term Obligations

The following is a summary of long-term obligation transactions for the University for the year ended June 30, 2024:

	Beginning Balance 6/30/2023	Additions	Deductions	Ending Balance 6/30/2024	Current Portion
Bonds and other financing arrangements					
OCIA other financing arrangements	\$ 2,830,638	\$ 2,079,884	\$ (2,830,638)	\$ 2,079,884	\$ 296,964
ODFA other financing arrangements	5,191,548	-	(369,333)	4,822,215	371,333
Total bonds and other financing arrangements	8,022,186	2,079,884	(3,199,971)	6,902,099	668,297
Other liabilities					
Accrued compensated absences	536,364	264,424	(246,300)	554,488	246,300
Unearned capital assets	289,499	526,216	(29,683)	786,032	65,500
Subscription liability	-	354,676	(144,380)	210,296	142,459
Total other noncurrent liabilities	825,863	1,145,316	(420,363)	1,550,816	454,259
Total long-term liabilities	\$ 8,848,049	\$ 3,225,200	\$ (3,620,334)	\$ 8,452,915	\$ 1,122,556

Note 6. Oklahoma Capital Improvement Authority (OCIA) Other Financing Arrangements

OCIA periodically issues bonds, which are allocated to the State Regents, to be used for specific projects at Oklahoma higher education institutions. The University has participated in these projects as discussed below. In each of the transactions, OCIA and the University have entered into a financing arrangement. As a result, the University recognizes its share of the liability and the related assets in connection with the projects being constructed or acquired in its financial statements. Annually, the State Legislature appropriates funds to the State Regents to make the monthly principal and interest payments on behalf of the University.

In November 2005, the OCIA issued its OCIA Bond Issues, 2005 Series F and G. Of the total bond indebtedness, the State Regents allocated \$6,813,432 to the University. Concurrently with the allocation, the University entered into a financing arrangement with OCIA, which includes three projects being funded by the OCIA bonds. The agreement provides for the University to make specified monthly payments to OCIA over the term of the agreement. The projects have terms of 5 to 30 years. The proceeds of the bonds and the subsequent financing arrangement are to provide for capital improvements at the University.

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In 2014, the OCIA restructured the 2005F Series Bond Debt by issuing new 2014A Series Bonds. This restructuring was a partial refunding and resulted in a gain of \$186,313 between the remaining liability of the 2005F series and the new liability of the 2014A series. This gain on restructuring was recorded as a deferred inflow of resources and is being amortized over a period of 18 years. The restructured obligation with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The University's aforementioned obligation with OCIA was automatically restructured to secure the new bond issue. This refinancing resulted in an aggregate difference in principal and interest between the original obligation and the refinanced obligation of \$439,668, which approximates the economic savings of the transaction. The University has recorded a financing arrangement payable to OCIA for the total amount of the allotment, less payments made on the University's behalf.

In 2024, the OCIA restructured the 2014A Series Bond Debt by issuing new 2024A Series Bonds. This restructuring was a partial refunding and resulted in a gain of \$202,616 between the remaining liability of the 2014A Series and the new liability of the 2024A Series. This gain on restructuring was recorded as a deferred inflow of resources and is being amortized over a period of 6 years. The restructured obligation with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The University's aforementioned obligation with OCIA was automatically restructured to secure the new bond issue. This refinancing resulted in an aggregate difference in principal and interest between the original obligation and the refinanced obligation of \$131,321, which approximates the economic savings of the transaction. The University has recorded a financing arrangement payable to OCIA for the total amount of the allotment, less payments made on the University's behalf.

During the year ended June 30, 2024, the State Regents made interest and principal payments totaling \$873,591 on behalf of the University. These on-behalf payments have been recorded as restricted state appropriations in the statement of revenues, expenses, and changes in net position. As stated above, the on-behalf payments are subject to annual appropriations by the State Legislature.

Future minimum payments under the University's obligation to OCIA are as follows:

Year Ending				
June 30	Principal	Interest	Total	
2025	\$ 296,964	\$ 116,993	\$ 413,957	
2026	323,323	89,146	412,469	
2027	339,536	72,980	412,516	
2028	354,327	56,003	410,330	
2029	372,153	38,287	410,440	
2030 - 2034	393,581	19,679	413,260	
	<u>\$ 2,079,884</u>	<u>\$ 393,088</u>	<u>\$ 2,472,972</u>	

Oklahoma Development Finance Authority Other Financing Arrangements

In September 2015, the ODFA issued its ODFA Master Real Property Lease Revenue Bonds, Tax-Exempt Series 2015D. Of the total bond indebtedness, the State Regents allocated \$843,000 to the University. Concurrently with the allocation, the University entered into a financing arrangement with ODFA for the project being funded by the ODFA bonds. The agreement provides for the University to make specified monthly payments ranging from \$4,000 to \$5,833 plus interest ranging from 2.31% to 3.25%, which approximates interest on the bonds, to ODFA over the term of the agreement, which is through May 15, 2030. At June 30, 2024, the University owed principal of \$381,998 on the Series 2015D ODFA bonds. The proceeds of the bonds and subsequent financing obligations are to provide for capital improvements to the University.

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In August 2016, the ODFA issued its ODFA Master Real Property Lease Revenue Bonds, Tax-Exempt Series 2016D. Of the total bond indebtedness, the State Regents allocated \$1,033,000 to the University. Concurrently with the allocation, the University entered into a financing arrangement with ODFA for the project being funded by the ODFA bonds. The agreement provides for the University to make specified monthly payments ranging from \$5,000 to \$7,417 plus interest ranging from 2.87% to 4.22%, which approximates interest on the bonds, to ODFA over the term of the agreement, which is through May 15, 2031. At June 30, 2024, the University owed principal of \$546,133 on the Series 2016D ODFA Bonds. The proceeds of the bonds and subsequent obligations are to provide for capital improvements to the University.

In June 2020, the ODFA issued its ODFA Master Real Property Lease Revenue Bonds, Tax-Exempt Series 2020A. Of the total bond indebtedness, the State Regents allocated \$536,000 to the University. Concurrently with the allocation, the University entered into a financing arrangement with ODFA for the project being funded by the ODFA bonds. The agreement provides for the University to make specified monthly payments ranging from \$8,545 to \$9,750 plus interest ranging from 4.00% to 4.02%, which approximates interest on the bonds, to ODFA over the term of the agreement, which is through May 15, 2025. At June 30, 2024 the University owed principal of \$107,250 on the Series 2020A ODFA Bonds. The proceeds of the bonds and subsequent obligations are to provide for capital improvements to the University.

In July 2022, the ODFA issued its ODFA Master Real Property Lease Revenue Bonds, Tax-Exempt Series 2022A, of the total bond indebtedness, the State Regents allocated \$4,047,000 to the University. Concurrently with the allocation, the University entered into a financing arrangement with ODFA for the project being funded by the ODFA bonds. The agreement provides for the University to make specified monthly payments ranging from \$11,000 to \$25,917 plus interest ranging from 5.00% to 5.46%, which approximates interest on the bonds, to ODFA over the respective term of the agreement, which is through May 15, 2042. At June 30, 2024, the University owed principal of \$3,786,833 on the Series 2022A ODFA bonds. The proceeds of the bonds and subsequent obligations are to provide for capital improvements to the University.

The scheduled maturities of the ODFA bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2025	\$ 371,333	\$ 231,268	\$ 602,601
2026	276,917	215,128	492,045
2027	288,000	202,739	490,739
2028	300,083	190,358	490,441
2029	313,250	177,361	490,611
2030 - 2034	1,184,083	695,739	1,879,822
2035 - 2039	1,225,167	409,825	1,634,992
2040 - 2042	863,382	86,646	950,028
	<u>\$ 4,822,215</u>	<u>\$ 2,209,064</u>	<u>\$ 7,031,279</u>

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Note 7. Subscription Liabilities

The University has various subscription-based information technology arrangements (SBITAs), the terms of which expire in various years through 2026. The subscriptions were measured based upon the University's incremental borrowing rate at commencement of the SBITA term. Variable payments based upon the use of the underlying asset are not included in the subscription liability because they are not fixed in substance.

During the year ended June 30, 2024, the University recognized \$242,741 of subscription expense for variable payments not previously included in the measurement of the subscription liability.

The following is a schedule by year of payments under the SBITAs as of June 30, 2024:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 142,459	\$ 5,442	\$ 147,901
2026	67,837	2,309	70,146
	<u>\$ 210,296</u>	<u>\$ 7,751</u>	<u>\$ 218,047</u>

Note 8. Retirement Plans

The University's academic and nonacademic personnel are covered by various retirement plans. The plans available to University personnel include the Oklahoma Teachers' Retirement System (OTRS), which is a State of Oklahoma public employee's retirement system, the Supplemental Retirement Annuity (SRA), a single employer defined benefit pension plan available to employees hired prior to July 1, 1995, and a defined contribution 403(b) plan. Personnel may also be eligible to participate in the Other Post-Employment Insurance (OPEB) plan, as described further in *Note 9*. The University does not maintain the accounting records, hold the investments for, or administer these plans.

The accounting and financial reporting for OTRS, the SRA, and the OPEB plans are recorded at the reporting entity level in the Regional University System of Oklahoma financial statements. That report may be obtained by writing to the Regional University System of Oklahoma, 3555 N.W. 58th Street, Suite 320, Oklahoma City, Oklahoma 73112, or by calling (405) 924-8817. All payments made to these plans by the University are accounted for as compensation expense in the accompanying financial statements.

The application of GAAP at the departmental level does not include certain liabilities incurred by the system as a whole. Those liabilities relate to the participation of System employees in the Oklahoma Teachers Retirement System, the Supplemental Retirement Plan, and the Postemployment Healthcare Plan. The accounting and reporting of these can be located in the financial statements of RUSO.

Oklahoma Teachers' Retirement System (OTRS)

Plan Description

The University contributes to OTRS, a costsharing multiple-employer defined benefit pension plan sponsored by the State of Oklahoma. OTRS provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. The benefit provisions are established and

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may be amended by the legislature of the State of Oklahoma. Title 70 of the Oklahoma Statutes, Sections 17-101 through 116.9, as amended, assigns the authority for management and operations of the Plan to the Board of Trustees of OTRS. OTRS is not required to provide for a cost-of-living adjustment. OTRS issues a publicly available financial report that can be obtained at www.ok.gov/TRS.

Funding Policy

The University is required by state statute to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate, as determined by state statute, was 8.55% for 2024 and was applied to annual compensation. There is also an additional 8.40% for any employee's salaries covered by federal funds.

Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2024. For compensation in excess of \$25,000, the employee's contributions are paid directly by the University to the OTRS.

The University's contributions to the OTRS for the year ended June 30, 2024, was approximately \$1,063,000. These contributions included the University's statutory contribution and the share of the employee's contribution paid directly by the University.

All payments made to these plans by the University are accounted for as compensation expense in the accompanying financial statements.

Supplemental Retirement Annuity (SRA)

Plan Description

The University's SRA plan is a single employer, defined benefit pension plan administered by the University's Board of Regents. The SRA was established by the University's Board of Regents to provide supplemental retirement and death benefits to University employees who were hired prior to July 1, 1987, or to those eligible employees' beneficiaries. Effective December 1, 2002, the SRA was amended to provide supplemental retirement and death benefits to University employees who were hired between July 1, 1987 and June 30, 1995. Effective October 1, 2003, the SRA plan was changed to eliminate the TIAA offset in the benefit calculation. The authority to amend the SRA's benefit provisions rests with the University's Board of Regents. The SRA is included in the financial report of the System, and does not issue separate, stand-alone financial statements.

Funding Policy

The authority to establish and amend eligible employees' and employer contribution obligations to the SRA rests with the University's Board of Regents. Eligible employees are not required to make contributions to the SRA. The University is required to contribute to the SRA an actuarially determined amount on an annual basis. The plan currently has adopted a funding policy to achieve a 100 percent funding level by December 1, 2030. The University's contributions to the SRA for the year ended June 30, 2024, were approximately \$297,000.

Defined Contribution Plan

The University also has a defined contribution 403(b) plan (DCP) available to full-time employees. The DCP is administered by the RUSO System, and the plan provisions are established and may be amended by the Board of Regents. Plan members may make voluntary contributions in accordance with IRS regulations. The University has no contribution requirements, and the University made no contribution during the year ended June 30, 2024.

Note 9. Other Post-Employment Insurance Benefits

Post-Employment Healthcare Plan

Plan Description

The University's postemployment healthcare plan is a single employer defined benefit plan administered by the System's Board of Regents. The plan provides medical and life insurance benefits to eligible retired employees until age 65. A retiring employee must have been employed full-time in the system for not less than ten years immediately preceding the date of retirement; been a member of the OTRS during that time; and elected to receive a vested benefit under the provision of the Oklahoma Teachers' Retirement System. The retirement insurance program was adopted by the Board of Regents in 1985. In March of 2008, the Retiree Medical Trust for Regional University System of Oklahoma was established to hold assets and pay benefits on behalf of the University's postemployment healthcare plan, and was administered by The Bank Oklahoma, N.A. Prior to the establishment of the trust, the insurance benefits were accounted for on a pay-as-you-go basis so that premiums were made from current operating funds. The plan is included in the financial report of the System. That report may be obtained by writing to the Regional University System of Oklahoma, 3555 N.W. 58th Street, Suite 320, Oklahoma City, Oklahoma 73112, or by calling (405) 924-8817.

Funding Policy

The contribution requirements of the System are established and may be amended by the Regional University System of Oklahoma Board of Regents. The University is required to contribute the *actuarially determined employer contribution*, in an amount actuarially determined by an actuary. The ADEC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. In 2024, an updated valuation was not performed for funding purposes.

Note 10. 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 College 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 3.7% 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 College Fund. The University received approximately \$1,527,000 during the year ended June 30, 2024, which is restricted to the construction or acquisition of buildings, equipment, or other capital items.

This amount is recorded as state appropriations for capital purposes in the statement of revenues, expenses, and changes in net position. State law prohibits the distribution of any corpus of these funds to the beneficiaries. The cost basis of the total trust reserve for the University, held in trust by the Commissioners of Land Office, was approximately \$22,149,000 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 approximately \$14,200,000 at June 30, 2024, and are invested by the State Regents on behalf of the University. The University is entitled to receive an annual distribution of 4.5% 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, \$649,002 at June 30, 2024, have been reflected as assets in the statement of net position.

Note 11. Commitments and Contingencies

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

The University participates in the Federal Direct Student Loan 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 under the Direct Lending Program. For the year ended June 30, 2024, approximately \$5,780,000 of Direct Lending Program loans were provided to University students.

During the ordinary course of business, the University may be subjected to various lawsuits and civil action claims. Management believes that resolution of any such matters pending at June 30, 2024, will not have material adverse impact to the University.

Note 12. Risk Management

The University is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omission; employee injuries and illness; 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 three preceding years.

The University, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program a public entity risk pool currently operating as a common risk management and insurance program for its members. The University pays annual premiums to the pools for tort, property, and liability insurance coverage. The Oklahoma Risk Management Pool's governing agreement 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 Interpositional Cooperative Act Agency that was organized to provide workers' compensation insurance coverage for participating colleges and universities through Comp Source Mutual. 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.

Northwestern Oklahoma State University
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The University also participates in the Oklahoma Higher Education Employee Interlocal Group Health Insurance Pool (OKHEEI). University employees are provided health insurance coverage through OKHEEI. OKHEEI is an Interlocal Cooperative Act Agency organized as a public entity risk pool health insurance program for participating Colleges and Universities in the State. The University pays monthly health insurance premiums to OKHEEI for employee health insurance coverage based on the health coverage elected by the employee and the maximum benefit provided by the University for health coverage. Amount of premiums exceeding benefits are payable by the employee. The governing agreement for OKHEEI specifies that the pool will be self-sustaining through premiums received and with additional stop-loss coverages obtained. If health care claims exceed reserves and reinsurance coverages, additional assessments may be made to participating Colleges and Universities. As of June 30, 2024, additional assessments did not occur.

Note 13. Related Party Transactions

The Foundation is a not-for-profit corporation organized for the purpose of receiving and administering gifts for the benefit of the University. Distributions of amounts held by the Foundation are subject to the approval of the Foundation's Board of Trustees. The Foundation's primary function is to provide assistance to students of the University in the form of scholarships and awards, and during 2024, the Foundation provided approximately \$1,063,000 in scholarships to students. Additionally, the Foundation provides financial assistance to the faculty and staff of the University, as well as the University's programs and projects, and during 2024, the Foundation provided approximately \$2,105,000 in aid to programs, faculty, and staff.

Based upon an exchange of service agreement, the University provides the Foundation with facilities and services at no cost to the Foundation. In exchange, the University receives scholarships, funds for capital improvements and other services from the Foundation. The value of such services has been determined by management to be insignificant and is, therefore, not recorded on the financial statements as donated facilities and services.

Note 14. Northwestern Oklahoma State University Foundation, Inc. and Alumni Association

The following are significant disclosures of Northwestern Oklahoma State University Foundation, Inc. and Alumni Association (collectively the "Foundation"):

Nature of the Entity

Northwestern Oklahoma State University Foundation, Inc. (the "Foundation") is organized for the benefit of Northwestern Oklahoma State University (the "University"), Alva, Oklahoma, its faculty, its student body, and its programs. The Foundation provides scholarships and support and enhances the further development of the University. The Foundation receives contributions from the public which are generally to be used for the benefit of the University. The Foundation also receives certain program service revenues which support the various departmental activities at the University.

Although the University does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the University. Because these restricted resources held by the Foundation can only be used by, or 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.

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June 30, 2024

The Alumni Association is an unincorporated association formed for the benefit of the Alumni of Northwestern Oklahoma State University as a whole. Its specific purpose is to provide the alumni with information about the University related organizations and activities. In September 1986, the Foundation and the Alumni Association adopted an operating agreement for the mutual benefit. Its purpose was to avoid repetition of projects and to pool the resources of the two organizations. The two organizations remained separate entities, each governed by its own Board of Trustees. The president of the Alumni Association is appointed as a trustee of the Foundation.

Financial Statements

The financial statements of the Foundation are presented in accordance with the provisions of the FASB ASC. The FASB ASC requires the Foundation to distinguish between contributions that increase net assets with donor restrictions net assets without donor restrictions. It also requires recognition of contributions, including contributed services meeting certain criteria, at fair values. The FASB ASC establishes standards for external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities, and a statement of cash flows. As permitted by GASB Statement No. 34, the University has elected not to present a statement of cash flows for the Foundation in the basic financial statements of the University's reporting entity.

Fair Value Measurements

The methods and assumptions used to estimate the fair value of assets and liabilities in the financial statements, including the description of the methodologies used for the classifications within the fair value hierarchy for financial instruments carried at fair value as follows:

Cash and cash equivalents – The assets' carrying amounts approximate fair value due to their short maturities.

Investments – Investments are carried at fair value and are based on quoted market prices, when available, or the best estimate of fair value as determined by the investment and/or fund manager. Generally, quoted market prices are available for cash and cash equivalents funds, common and preferred stocks, exchange traded index and mutual funds, and as such, are classified as Level 1 in the fair value hierarchy. The fair values of certificates of deposit are determined using the income approach. The key inputs include interest rates, maturity dates, and yield curves and as such are classified as Level 1 or Level 2, depending on the maturity date. The fair value of the annuity contract is determined using the income approach and based on the current cash surrender value as determined by the investment manager, and is classified as Level 3. If the fair value of the underlying assets are transparent, have readily determinable fair values, and the Foundation can redeem the investment at NAV within ninety days of the measurement date, the funds are classified as Level 2 and in all other cases are classified as Level 3.

Structured investments in unsecured notes are valued using the market approach or the income approach and are provided to the Foundation by the investment manager. Whenever possible, fair values are determined using the market approach, the key inputs are based on an underlying index and maturity or by analysis of documented trade history in the exact security and as such, are classified as Level 2. In all other cases, fair values are determined using the income approach and are valued using fundamental analysis of investments based on information provided by fund manager, and are classified as Level 3.

Northwestern Oklahoma State University
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Notes to Financial Statements
June 30, 2024

Assets at fair value are classified within the fair value hierarchy as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Uninvested cash	\$ 800,999	\$ -	\$ -	\$ 800,999
Certificates of deposit	-	390,000	-	390,000
Equity securities	11,795,685	-	-	11,795,685
Exchange-traded products	12,827,694	-	-	12,827,694
Corporate and other bonds	-	85,263	-	85,263
Mutual funds	4,619,690	-	-	4,619,690
Alternative investments	-	5,747,067	1,994,012	7,741,079
	<u>-\$ 30,044,068</u>	<u>\$ 6,222,330</u>	<u>\$ 1,994,012</u>	<u>\$ 38,260,410</u>
Total investments	<u>\$ 30,044,068</u>	<u>\$ 6,222,330</u>	<u>\$ 1,994,012</u>	<u>\$ 38,260,410</u>

Endowment Disclosures

The Foundation's endowment consists of approximately 400 endowment funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Trustees of the Foundation have chosen to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment and (b) the original value of subsequent gifts to the endowment.

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

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

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results which generate a dependable, increasing source of income and appreciation while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount.

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Notes to Financial Statements
June 30, 2024

Strategies for Achieving Objectives

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives while reducing risk to acceptable levels.

Spending Policy

The Foundation has a policy of appropriating for distribution each year the equivalent of up to 5.25% of its endowment fund's fair value as of the immediately preceding July 1. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 1.46% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Investment Return

The Foundation includes revenues and expenses associated with investments and land and mineral rights when calculating its rate of return. The rate of return was 9.37% and 7.08% for the years ended June 30, 2024 and 2023, respectively.

Endowment net assets composition as of June 30, 2024, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 40,190,839	\$ 40,190,839
Total endowment funds	<u>\$ -</u>	<u>\$ 40,190,839</u>	<u>\$ 40,190,839</u>

Change in endowment net assets for the years ended June 30, 2024, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 38,247,018	\$ 38,247,018
Investment return	-	2,137,762	2,137,762
Contributions	-	756,029	756,029
Appropriations	-	(949,970)	(949,970)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 40,190,839</u>	<u>\$ 40,190,839</u>

Northwestern Oklahoma State University
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June 30, 2024

The governing body of the Foundation has interpreted OK UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of:

- a) the original value of initial and subsequent gift amounts donated to the fund and
- b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The Organization has interpreted OK UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

At June 30, 2024, no funds included in net assets with donor restrictions were underwater.

Related Party Transactions

Based upon an exchange of service agreement, the University provides the Foundation with facilities and services at no cost to the Foundation. In exchange, the University receives scholarships, funds for capital improvements, and other services from the Foundation. The value of such services has been determined by management to be insignificant and is, therefore, not recorded on the financial statements as donated facilities and services.

Land and Mineral Rights

Land and mineral rights consist primarily of oil and gas property and farm property donated to the Foundation. Management has made attempts to revalue portions of the real property assets at subsequent dates. The Foundation's management is of the opinion that revaluation of all real property would not have a significant impact on the Foundation's statements of financial position or changes in net assets.

Supplementary Information

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Student Financial Assistance Cluster				
U.S. Department of Education				
Federal Supplement Educational Opportunity Grants	84.007	NA	\$ -	\$ 63,100
Federal Work Study Program	84.033	NA	-	141,937
Federal Pell Grant Program	84.063	NA	-	4,190,565
Federal Direct Student Loans	84.268	NA	-	<u>5,842,844</u>
Total Student Financial Assistance Cluster			<u>-</u>	<u>10,238,446</u>
TRIO Cluster				
U.S. Department of Education				
Upward Bound	84.047A	NA	-	289,899
Upward Bound - Math & Science	84.047M	NA	-	263,886
Student Support Services	84.042A	NA	-	<u>234,814</u>
Total TRIO Cluster			<u>-</u>	<u>788,599</u>
U.S. Department of Education Higher Education Institutional Aid	84.031A	NA	-	<u>401,844</u>
U.S. Department of Treasury/Health Care Workforce Training Commission Coronavirus State and Local Recovery Funds	21.027	SLFRP4646	-	<u>671,390</u>
U.S. Department of Health and Human Services/Oklahoma Department of Mental Health and Substance Abuse Services State Opioid Response Grant	93.788	N/A	-	<u>102,659</u>
			<u>\$ -</u>	<u>\$ 12,202,938</u>

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Northwestern Oklahoma State 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 Northwestern Oklahoma State University, it is not intended to and does not present the financial position, changes in financial position, or cash flows of Northwestern Oklahoma State University.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

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

Note 4: Federal Loan Programs

Federal Direct Student Loan balances are not included in Northwestern Oklahoma State University's financial statements. Loans disbursed during the year are included in federal expenditures presented in the Schedule.

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

Independent Auditor's Report

Board of Regents
Regional University System of Oklahoma
Northwestern Oklahoma State University
Oklahoma City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities and the aggregate discretely presented component units of Northwestern Oklahoma State University (the "University"), a department of the Regional University System 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 final financial statements, and have issued our report thereon dated October 31, 2024. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units as described in our report on the University's financial statements. The financial statements of the aggregate discretely presented component units, were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the aggregate discretely presented component units. Our report contained an Emphasis of Matter paragraph regarding the reporting entity.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

Northwestern Oklahoma State University's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the findings identified in our audit and 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 the financial statements, and accordingly, we express no opinion on the response.

Purpose of This Report

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

Forvis Mazars, LLP

**Springfield, Missouri
October 31, 2024**

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

Independent Auditor's Report

Board of Regents
Regional University System of Oklahoma
Northwestern Oklahoma State University
Oklahoma City, Oklahoma

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Northwestern Oklahoma State University's (the "University") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 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, Northwestern Oklahoma State 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2024-002, and 2024-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the noncompliance 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 University is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The University's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-002 and 2024-003, to be significant deficiencies.

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

Government Auditing Standards 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 University is responsible for preparing a corrective action plan to address each audit finding included in our auditor’s report. The University’s corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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

Forvis Mazars, LLP

Springfield, Missouri
February 7, 2025

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Section I – Summary of Auditor’s Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified Qualified Adverse Disclaimer

2. Internal control over financial reporting:

Significant deficiency(ies) identified? Yes None reported

Material weakness(es) identified? Yes No

3. Noncompliance material to the financial statements noted? Yes No

Federal Awards

4. Internal control over major federal awards programs:

Significant deficiency(ies)? Yes None reported

Material weakness(es)? Yes No

5. Type of auditor’s report issued on compliance for major federal program(s):

Unmodified Qualified Adverse Disclaimer

6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)?

Yes No

Northwestern Oklahoma State University
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Year Ended June 30, 2024

7. Identification of major programs:

<u>Cluster/Program</u>	<u>Assistance Listing Number</u>
Student Financial Assistance Cluster	
Federal Supplemental Educational Opportunity Grants	84.007
Federal Work-Study Program	84.033
Federal Pell Grant Program	84.063
Federal Direct Student Loans	84.268
Coronavirus State and Local Fiscal Recovery Funds	21.027

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

9. The University qualified as a low-risk auditee? Yes No

Northwestern Oklahoma State University
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Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Section II – Financial Statement Findings

Reference Number	Finding
2024-001	<p>Criteria - Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition - The University has not formally defined review of journal entries by an individual other than the preparer or formalized an interim financial reporting process. As a result of lack of formal review and interim reporting the University's financial statements required adjustments to be in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).</p> <p>Cause - The University's policies and procedures in effect did not identify certain necessary adjustments required to present the financial statements in accordance with U.S. GAAP or identify the needed adjustments on a timely basis.</p> <p>Effect or Potential Effect - Adjusting journal entries were proposed during the financial statement audit. Potentially material misstatements in the financial statements or misappropriations of assets due to error or fraud could occur and not be prevented or detected in a timely manner.</p> <p>Recommendation - Management should evaluate its review and monitoring procedures in its financial reporting structure, including timely reconciliations throughout the year to identify and prevent errors in financial information presented in accordance with U.S. GAAP. To the extent that the personnel necessary to create additional review processes are not available, management should consider alternative documented compensating controls to lessen the impact of potential errors in financial reporting.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Northwestern Oklahoma State agrees with the auditor's findings and recommendations. The University will develop a policy to provide additional levels of review and approval for reconciliations and adjusting journal entries. Management will also review on a regular basis documents that could help eliminate oversight of end-of-year journal entries.</p>

Northwestern Oklahoma State University
 A Department of the Regional University System of Oklahoma
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2024

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
2024-002	<p>Student Financial Assistance Cluster, CFDA Number 84.268 Federal Direct Student Loans, CFDA Number 84.063 Federal Pell Grant Program, U.S. Department of Education Program Year 2023-2024</p> <p>Criteria or Specific Requirement - Special Tests: Return of Title IV Funds 34 CFR Section 668.22</p> <p>Cause - The University's Office of Financial Aid incorrectly calculated the return of Title IV funds.</p> <p>Effect or Potential Effect - Incorrect balance of funds were returned and funds were not returned within the required time frame.</p> <p>Condition - Return of Title IV funds were not calculated correctly and funds were not completed within the required time frame.</p> <p>Questioned Costs - \$633</p> <p>Context - Out of a population of 73 official and unofficial withdrawals of students who received Student Financial Assistance. A sample of 9 student withdrawals were selected for testing. Our sample was not and was not intended to be statistically valid. For 2 of the student withdrawals tested, the calculation of funds to be returned was calculated incorrectly, funds were not made back to the lender within the required time frame and the credits to accounts were not made within the required timeframe.</p> <p>Identification as a Repeat Finding - N/A</p> <p>Recommendation - The University's Office of Financial Aid should complete Return of Title IV calculations for all students who officially and unofficially withdrew during the semester using the proper days in the semester and the proper amount of aid disbursed.</p> <p>Views of Responsible Officials and Planned Corrective Actions -Northwestern Oklahoma State University agrees with the auditor's findings and recommendations. The University corrected the software perimeters to correctly reflect the number of days for breaks and to also reflect calculations involving institutionally match FSEOG funds that were not required for FY25. Management will continue to monitor adherence to Title IV rules and regulations.</p>

Northwestern Oklahoma State University
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Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Reference Number	Finding
2024-003	<p>Student Financial Assistance Cluster, CFDA Number 84.268 Federal Direct Student Loans, CFDA Number 84.063 Federal Pell Grant Program, U.S. Department of Education Program Year 2023-2024</p> <p>Criteria or Specific Requirement - Special Tests: Enrollment Reporting 34 CFR Section 690.83 (b)(2) and 685.309</p> <p>Condition - Student enrollment changes during the year were not properly communicated to the National Student Loan Data System (NSLDS).</p> <p>Questions Costs - None</p> <p>Context - Out of a population of 846 student enrollment status changes requiring notification transmitted to NSLDS, a sample of 25 student enrollment status changes were selected for testing. Our sample was not and was not intended to be statistically valid. 2 students had enrollment changes that were not properly reported. Errors include not reporting within the 60-day requirement.</p> <p>Effect - NSLDS was not properly notified of student enrollment status changes.</p> <p>Cause - The University does not have adequate processes and controls around enrollment reporting to ensure reporting is accurate and timely.</p> <p>Identification as a repeat finding - N/A</p> <p>Recommendation - The University should review processes and controls around enrollment reporting and consider changes to address this finding.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Northwestern Oklahoma State University agrees with the auditor's findings and recommendations. Upon review, the status changes were submitted to the Clearinghouse within the mandatory time frame; however, the Clearinghouse database did not reflect the updates. University management will communicate with the Clearinghouse to try and resolve any conflicts with data uploads causing the errors.</p>

**Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2024**

Reference Number	Summary of Finding	Status
No matters are reportable.		