



CONSOLIDATED FINANCIAL STATEMENTS

APRIL 30, 2024 and 2023

WITH

INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Oral Roberts University

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Oral Roberts University and affiliate (collectively, the University), which comprise the consolidated statements of financial position as of April 30, 2024 and 2023, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of April 30, 2024 and 2023, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

A handwritten signature in black ink that reads "Hogan Taylor LLP". The signature is written in a cursive, flowing style.

Tulsa, Oklahoma
September 30, 2024

ORAL ROBERTS UNIVERSITY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

April 30, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	\$ 73,034,893	\$ 73,340,601
Accounts receivable, net	3,736,749	3,239,425
Contributions receivable, net	8,233,639	5,962,911
Investments	33,430,913	34,323,017
Prepaid expenses and other assets	5,126,486	5,483,970
Student loans receivable, net	9,426,466	12,123,341
Commercial real estate, net	27,362,344	29,614,991
Educational plant, net	142,698,414	122,074,735
Beneficial interest in assets held by others	4,940,324	3,562,190
	\$ 307,990,228	\$ 289,725,181
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 23,974,889	\$ 24,191,748
Deferred revenue	2,522,562	2,730,757
Obligations under split-interest agreements	526,907	622,550
Government advances for student loans	7,154,518	10,588,343
	34,178,876	38,133,398
Net assets:		
Without donor restrictions	113,795,743	91,753,068
With donor restrictions	160,015,609	159,838,715
	273,811,352	251,591,783
Total net assets	273,811,352	251,591,783
Total liabilities and net assets	\$ 307,990,228	\$ 289,725,181

ORAL ROBERTS UNIVERSITY

CONSOLIDATED STATEMENT OF ACTIVITIES

**Year ended April 30, 2024
(with comparative totals for the year ended April 30, 2023)**

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
Revenues, gains and other support				
Tuition and fees	\$ 102,269,448	\$ -	\$ 102,269,448	\$ 94,122,327
Room, board and other auxiliary services	25,495,332	-	25,495,332	22,981,189
Less: scholarships and fellowships	(52,229,773)	-	(52,229,773)	(47,117,374)
Net tuition, fees and auxiliary services	75,535,007	-	75,535,007	69,986,142
Contributions of cash and other financial assets	1,667,603	49,103,830	50,771,433	55,623,560
Contracts and grants	2,139,644	137,890	2,277,534	3,275,454
Net investment return	3,669,719	1,393,985	5,063,704	1,225,317
Commercial real estate operations	12,429,567	-	12,429,567	11,691,481
Other support	5,934,082	96,560	6,030,642	5,663,299
Net assets transfers - Joint Venture Agreement (Note 9)	(1,743,891)	1,743,891	-	-
Net assets released from restrictions	52,299,262	(52,299,262)	-	-
Total revenues, gains and other support	151,930,993	176,894	152,107,887	147,465,253
Expenses				
Education and general:				
Instruction	29,213,905	-	29,213,905	27,323,458
Research	510,144	-	510,144	167,814
Public service	9,814,019	-	9,814,019	9,362,366
Academic support	5,195,396	-	5,195,396	3,460,283
Student services	20,431,903	-	20,431,903	17,364,735
Institutional support	24,756,083	-	24,756,083	26,941,953
Room, board and other auxiliary services	24,854,701	-	24,854,701	21,419,064
Total education and general expenses	114,776,151	-	114,776,151	106,039,673
Commercial real estate operations	11,762,817	-	11,762,817	11,152,021
Other expenses	3,349,350	-	3,349,350	3,054,019
Total expenses	129,888,318	-	129,888,318	120,245,713
Change in net assets	22,042,675	176,894	22,219,569	27,219,540
Net assets, beginning of year	91,753,068	159,838,715	251,591,783	224,372,243
Net assets, end of year	\$ 113,795,743	\$ 160,015,609	\$ 273,811,352	\$ 251,591,783

ORAL ROBERTS UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended April 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Tuition and fees	\$ 94,122,327	\$ -	\$ 94,122,327
Room, board and other auxiliary services	22,981,189	-	22,981,189
Less: scholarships and fellowships	(47,117,374)	-	(47,117,374)
Net tuition, fees and auxiliary services	69,986,142	-	69,986,142
Contributions of cash and other financial assets	1,038,019	54,585,541	55,623,560
Contracts and grants	2,773,688	501,766	3,275,454
Net investment return	1,209,337	15,980	1,225,317
Commercial real estate operations	11,691,481	-	11,691,481
Other support	5,639,319	23,980	5,663,299
Net assets transfers - Joint Venture Agreement (Note 9)	(1,743,891)	1,743,891	-
Net assets released from restrictions	31,232,362	(31,232,362)	-
Total revenues, gains and other support	121,826,457	25,638,796	147,465,253
Expenses			
Education and general:			
Instruction	27,323,458	-	27,323,458
Research	167,814	-	167,814
Public service	9,362,366	-	9,362,366
Academic support	3,460,283	-	3,460,283
Student services	17,364,735	-	17,364,735
Institutional support	26,941,953	-	26,941,953
Room, board and other auxiliary services	21,419,064	-	21,419,064
Total education and general expenses	106,039,673	-	106,039,673
Commercial real estate operations	11,152,021	-	11,152,021
Other expenses	3,054,019	-	3,054,019
Total expenses	120,245,713	-	120,245,713
Change in net assets	1,580,744	25,638,796	27,219,540
Net assets, beginning of year	90,172,324	134,199,919	224,372,243
Net assets, end of year	\$ 91,753,068	\$ 159,838,715	\$ 251,591,783

ORAL ROBERTS UNIVERSITY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended April 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	\$ 22,219,569	\$ 27,219,540
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	11,583,917	11,124,656
Net realized and unrealized (gain) loss on investments	(998,744)	244,173
Loss on disposal of educational plant	97,997	46,414
Student loans cancelled	1,735,467	2,115,014
Provision for credit losses	2,627,549	5,028,660
Contributed securities	(572,291)	(1,164,610)
Change in beneficial interest in assets held by others	(1,378,134)	(623,608)
Contributions restricted for long-term purposes	(32,479,112)	(31,805,345)
Change in:		
Accounts receivable	(1,680,903)	(131,513)
Contributions receivable	(2,724,061)	(6,742,090)
Prepaid expenses and other assets	357,484	(163,257)
Accounts payable and accrued expenses	(175,772)	(2,073,401)
Deferred revenue	(147,115)	(357,632)
Government advances for student loans	(3,433,825)	(3,892,207)
Net cash used in operating activities	(4,967,974)	(1,175,206)
Cash Flows from Investing Activities		
Purchases of educational plant assets	(29,302,474)	(35,594,848)
Purchases of commercial real estate assets	(750,471)	(1,110,754)
Purchases of investments	(56,505,529)	(30,600,101)
Proceeds from sale of investments	58,968,668	10,494,142
Student loans collected	2,090,621	2,582,072
Student loans granted	(2,119,851)	(2,483,418)
Net cash used in investing activities	(27,619,036)	(56,712,907)
Cash Flows from Financing Activities		
Proceeds from contributions restricted for long-term purposes	32,479,112	31,805,345
Other	(197,810)	(103,412)
Net cash provided by financing activities	32,281,302	31,701,933
Net change in cash and cash equivalents	(305,708)	(26,186,180)
Cash and cash equivalents, beginning of year	73,340,601	99,526,781
Cash and cash equivalents, end of year	\$ 73,034,893	\$ 73,340,601
Noncash Investing Activities		
Purchases of educational plant assets in accounts payable	\$ 2,745,261	\$ 5,555,164

ORAL ROBERTS UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2024 and 2023

Note 1 – Basis of Presentation and Summary of Significant Accounting Policies

Nature of operations

Oral Roberts University (ORU) was founded to educate the whole person – mind, body and spirit. ORU promises a world-class academic experience in the context of a vibrant Christ-centered community.

ORU is a comprehensive university dedicated to strong student outcomes and offers 67 undergraduate majors, as well as 16 master-level programs, one specialist and five doctoral degrees. The most popular majors include: Ministry and Leadership, Nursing, Psychology, Business Administration, and Engineering. Faculty members educated at the nation's top graduate schools serve as academic, professional and spiritual mentors to students who come to ORU from every corner of the globe.

The student population consists of over 5,300 for-credit students from all 50 states and 129 nations. The alumni population consists of approximately 65,000 individuals. The ORU Golden Eagles Athletics Department participates in 16 NCAA Division I men's and women's varsity sports.

The consolidated financial statements include the accounts of University Broadcasting, Inc. (UBI), which is under the financial control of ORU. Significant intercompany balances and transactions of UBI were eliminated in consolidation. Oral Roberts University and UBI are collectively referred to as ORU or the University.

Basis of presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The consolidated financial statements reflect the activities of the University as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions.

Accordingly, net assets and changes herein are classified as follows:

Net Assets Without Donor Restrictions – Net assets not subject to donor-imposed restrictions and available for purposes consistent with the University's mission. Revenues are generally reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Investment returns generated by funds without donor restrictions are classified as changes in net assets without donor restriction. Certain net assets classified as without donor restrictions are board-designated for specific purposes. Expenses are reported as decreases in net assets without donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions that must be met by actions of the University and/or the passage of time. Contributed assets normally fund specific expenditures of an operating or capital nature. Items that affect this net asset category are gifts with donor-imposed restrictions, including gifts and grants for buildings and equipment not yet placed in service; endowment gifts with donor-imposed restrictions requiring that they be maintained permanently by the University; unconditional promises to give; and investment returns on split-interest agreements and endowment funds. Expirations of restrictions on net assets with

donor restrictions, including reclassification of restricted gifts and grants for buildings and equipment when the associated long-lived asset is placed in service, are reported as net assets released from restrictions.

Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Funds on deposit with financial institutions and short-term investments with an original maturity date of three months or less are classified as cash equivalents.

Accounts receivable

Accounts receivable primarily consists of student accounts receivable for tuition and fees. Student accounts receivable are stated at the amount of consideration from students of which the University has an unconditional right to receive. Tuition, fees and auxiliary services, such as room and board, are generally due at the beginning of the semester unless the student has signed a payment plan. The University provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions to forecast future estimated receipts.

Contributions receivable

Unconditional promises to give are recorded net of an allowance for amounts uncollectible. This estimate is based on such factors as prior collection history, type of contribution and the nature of the fundraising activity. Amounts due in more than one year are discounted using a risk-adjusted rate of 4% at April 30, 2024 and 2023. Amortization of the discount is recorded as contribution revenue to the respective net asset class.

Investments

Investments are stated at fair value. Investments are exposed to certain risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, change in the value of investment securities could occur in the near term and these changes could materially affect the amounts reported in the consolidated financial statements.

Prepaid expenses and other assets

Prepaid expenses and other assets are primarily composed of prepaid commissions, collection items and other prepaid expenses.

Student loans receivable and government advances for student loans

Student loans receivable are recorded at their net realizable value and primarily represent amounts due from students under federal Perkins and institutional loan programs. A general allowance is made for uncollectible student loans after considering both long-term collection experience and current trends, such as recent default rates of cohorts entering repayment status.

In the event that the University no longer participates in the Perkins program, a portion of the amounts are generally refundable to the federal government. Perkins loans that are in default and meet certain requirements can be assigned to the U.S. Department of Education (DOE), which reduces the government

advances for student loans. The DOE has notified schools that the Perkins loan program has expired and that no Perkins loan disbursements are permitted. The University will continue to administer the remaining student loans and follow the guidelines from the DOE on the wind-down of the Perkins program.

Commercial real estate

Commercial real estate is comprised of a three-tower, 2.2 million square foot office complex known as CityPlex Towers (CityPlex). The investment in building, tenant improvements and related assets are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method based on the estimated useful lives and is reported in expenses of commercial real estate operations. Tenant improvements are amortized over the term of the related lease. Leasing commissions paid to third parties are capitalized and amortized over the term of the related lease.

Educational plant

Purchased property, plant and equipment are generally recorded at cost. Equipment under capital leases is recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Donated assets are recorded at fair value at the date of the donation. Repairs and maintenance costs are expensed as incurred. Depreciation is calculated using the straight-line method to allocate the cost of various classes of assets over their estimated useful lives, or over the lease term for capital leases. Property, plant and equipment and related accumulated depreciation are removed from the accounting records at the time of disposal.

The University records an impairment to its property, plant and equipment, including commercial real estate, if it becomes probable that the carrying values of the assets will not be fully recovered. Impairments are recorded to reduce the carrying value of the assets to their estimated fair values determined by the University based on facts and circumstances in existence at the time of the determination, estimates of probable future economic conditions and other information. No impairment adjustments were recorded during the years ended April 30, 2024 or 2023.

Beneficial interests in assets held by others

The ORU Golden Eagle Club, Inc. receives contributions and holds assets for which the University is designated the beneficiary by the donor. The net assets of this affiliated entity, determined on a fair value basis, are reported as net assets with donor restrictions. Contributions and subsequent changes in fair value are reported within net assets with donor restrictions. Beneficial interests in assets held by others also represent amounts held under irrevocable agreements and are carried at fair value.

Split-interest agreements

The University has received various irrevocable charitable gift annuities and irrevocable charitable remainder trusts under which donors have retained rights to periodic distributions. Assets received under these agreements are recorded at fair value in the appropriate net asset category and are included with investments. These investments consist primarily of gift annuity funds. Contribution revenues are recognized in net assets with donor restrictions at the date the agreements are established for the fair value of assets received less the estimated liabilities for the present value of future payments to be made to the donors or their designee. The liabilities are adjusted during the terms of the agreements for changes in the value of the assets, accretion of the discounts and other changes in estimates of future benefits.

The University also enters into revocable life loan agreements whereby lenders place funds with the University. Interest is paid to lenders at rates of 3% to 6%. Lenders may make withdrawals or convert the principal to an irrevocable contract or an outright gift of the principal to ORU over the life of the agreement. If called, the loans must be repaid, but the University's obligation to repay a loan terminates upon the death of the lender.

The fair value of assets held under split-interest agreements was approximately \$1,558,000 and \$1,614,000 at April 30, 2024 and 2023, respectively, and are included in investments in the consolidated statements of financial position. Cash paid for interest, primarily related to split-interest agreements, was approximately \$87,000 and \$78,000 for the years ended April 30, 2024 and 2023, respectively.

Revenue recognition

Revenues are generally recognized when performance obligations are satisfied, or control of the promised goods or services is transferred to customers in an amount that reflects the consideration the University expects to be entitled to receive in exchange for those goods or services.

Tuition and fees revenue and scholarships and fellowships

Student tuition and fees are due at the start of each academic term based on published rates and are recognized as revenue during the fiscal year in which the related academic services are rendered. The academic terms begin and end within the same fiscal year, except for year-long online courses. Payments received in advance of providing services are recorded as deferred revenue and recognized as revenue over time as academic services are rendered. Students who adjust their course load or withdraw near the beginning of an academic term may receive a full or partial refund in accordance with the University's refund policy. Scholarships and fellowships awarded on the basis of merit or need are reported as a reduction of tuition and fee revenue. Tuition discounts granted to employees and their dependents are recorded as compensation expense in the appropriate functional expense classification.

Auxiliary services

The University's auxiliary enterprises exist primarily to furnish goods and services to students, faculty and staff or to the general public, and charge a fee directly related to, although not necessarily equal to, the cost of the goods or services. Managed as essentially self-supporting activities, the University's auxiliaries consist principally of residence halls, dining halls, intercollegiate athletics and college stores. Revenues are recognized at the time of sales or over the life of the contract as performance obligations are met. Amounts received in advance are recorded as deferred revenues.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the appropriate category of net assets in the period received or the promise is made by the donor. Amounts expected to be collected in future years are recorded at the present value of estimated future cash flows. Bequests are recorded at the time an unassignable right to the gift has been established and the proceeds are measurable in amount. Conditional contributions are not recognized as revenue until the donor-imposed barrier is met.

Contributions of nonfinancial assets are recorded at their estimated fair value at the date of gift. The University has adopted a gift acceptance policy for gifts of nonfinancial assets. Tangible personal property valued at \$25,000 or more must be approved by the Gift Acceptance Committee. Formal appraisals by a qualified appraiser are required for gifts of tangible personal property valued at \$5,000 or greater. Informal appraisals, such as comparisons from Kelly Blue Book or eBay, are required to substantiate items valued between \$500 and \$5,000.

Contracts and grants

Contracts and grants awarded by governmental and private entities are generally considered nonreciprocal transactions. Resources provided benefit the University, the funding entity's mission, or the general public at large. Revenue is recognized according to the conditions of the agreement; usually as qualifying expenditures are incurred, and conditions are met. Payment received in advance of conditions being met are recorded as deferred revenue.

Investment return

Investment return consists of interest and dividend income and realized and unrealized gains and losses on investments, net of fees. Investment return on endowment investments, after all donor-required additions to the endowment corpus, are reported as net assets with donor restrictions subject to expenditure for a specific purpose until appropriated for use by the University. Any difference between the total return recognized and the amount appropriated under the University's spending rate policy is reported as net assets with donor restrictions subject to expenditure for a specific purpose.

Commercial real estate operations

Rental revenue earned through CityPlex and other properties owned by ORU is recorded on a straight-line basis over the terms of each lease. Rates are stated in the lease agreement and vary based on market conditions, the tenant's credit worthiness and other factors. Billings occur monthly. Late fees may be assessed for delinquent payments. The University provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Other support

Other support primarily consists of airtime and advertising contracts through the University's broadcasting networks. Revenue is recognized for the amount the University is entitled to receive, which occurs when the broadcasting programs are delivered through the television stations. Television contracts are generally short-term in nature and the lag between billing the customers and when the payment is due is not significant.

Contributed services

The University routinely receives contributed services from volunteers. For the year ended April 30, 2024, 160 volunteers contributed time to Institutional Support, 40 to Student Services, and 13 to Auxiliary Services. For the year ended April 30, 2023, 145 volunteers contributed time to Institutional Support, 33 to Student Services, and 12 to Auxiliary Services. These services are not included as revenue in the consolidated statements of activities as they do not meet the criteria for recognition.

Student financial aid

The U.S. Government awards the University funds for student financial aid under three federal programs: Federal Pell Grant (Pell), Federal Supplemental Educational Opportunity Grant (SEOG), and Federal Work Study (FWS). Pell and SEOG provide eligible students a foundation of financial aid to assist with defraying the costs of post-secondary education. The FWS program provides part-time employment to students who need the earnings to help meet their post-secondary education costs. The program is also intended to broaden the range of worthwhile job opportunities to qualified students.

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

The University participates in the William D. Ford Federal Direct Loan Program, which includes the Direct Stafford Loan Program and the Direct PLUS Loans for parents and graduate/professional students, collectively referred to as the Direct Loan Programs. Direct Loan Programs processed through the U.S. Department of Education are made to students attending the University. Such transactions are not recorded in the consolidated financial statements. The University performs certain administrative functions under the Direct Loan Programs, which if not performed timely, could result in a liability to the University.

Fundraising expenses

Fundraising expenses were approximately \$2,371,000 and \$2,364,000 for the years ended April 30, 2024 and 2023, respectively.

Federal income taxes

ORU is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), except to the extent of unrelated business taxable income as defined by the Code. Such taxable income has not been significant to the consolidated financial statements. Continued compliance with applicable tax regulations affords ORU the opportunity to maintain its tax-exempt status.

Concentrations of credit risk

ORU has cash and cash equivalents with multiple financial institutions that generally exceed federally insured limits by significant amounts. It has not experienced any losses in such accounts.

ORU received contributions of approximately \$30,750,000 and \$32,550,000 from a single donor or entities affiliated with the donor during the years ended April 30, 2024 and 2023, respectively.

Fair value measurements

The Financial Accounting Standards Board defines fair value as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date.

The University utilizes the following fair value hierarchy, which prioritizes, into three broad levels, the inputs to valuation techniques used to measure fair value:

- Level 1 – Quoted prices in active markets for identical assets and liabilities,
- Level 2 – Significant other observable inputs,
- Level 3 – Significant unobservable inputs.

The fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3).

Recently adopted accounting pronouncement

Effective May 1, 2023, the University adopted Accounting Standards Update No. 2016-03, *Financial Instruments – Credit Losses (Topic 326)* (Accounting Standards Codification (ASC) 326), which supersedes certain portions of guidance in ASC 310, *Receivables*, and ASC 450, *Contingencies*, generally requires organizations to report financial assets measured on an amortized cost basis to be presented net of the amount expected to be collected on the consolidated statements of financial position. This requires an allowance for credit losses to reflect management's current estimate of what is expected to be uncollectable over the life of a financial asset or group of similar financial assets. The University used the modified retrospective transition method to implement the standard. The adoption of this standard did not have a material impact on the consolidated financial statements or disclosures.

Reclassifications

Certain reclassifications have been made to the prior year's financial statements and footnotes to conform to the current year presentation. These reclassifications had no effect on previously reported consolidated net assets.

Subsequent events

Management has evaluated subsequent events through September 30, 2024, the date the consolidated financial statements were available to be issued.

Note 2 – Receivables

Accounts receivable consist of the following at April 30:

	<u>2024</u>	<u>2023</u>
Student tuition and fees, net of \$5,246,087 and \$4,595,890 allowance for credit losses	\$ 947,760	\$ 686,658
Contracts and grants receivable	76,917	121,069
Rental property receivables, net of \$435,290 and \$314,812 allowance for credit losses	181,481	376,020
Other receivables	2,530,591	2,055,678
	<u>\$ 3,736,749</u>	<u>\$ 3,239,425</u>

Contributions receivable are summarized as follows at April 30:

	<u>2024</u>	<u>2023</u>
Unconditional promises to give expected to be collected in:		
One year or less	\$ 9,395,141	\$ 6,405,012
One to five years	4,052,309	4,318,377
	13,447,450	10,723,389
Less:		
Unamortized discounts	(141,019)	(144,851)
Allowance for uncollectible promises to give	(5,072,792)	(4,615,627)
	<u>\$ 8,233,639</u>	<u>\$ 5,962,911</u>

Student loans receivable consist of the following at April 30:

	<u>2024</u>	<u>2023</u>
Perkins loan program	\$ 6,934,168	\$ 10,314,286
Institutional student loan programs	9,983,901	8,310,021
	16,918,069	18,624,307
Less allowance for credit losses	(7,491,603)	(6,500,966)
	<u>\$ 9,426,466</u>	<u>\$ 12,123,341</u>

Note 3 – Investments and Fair Value Disclosures

The following tables present the University's investments that are measured at fair value on a recurring basis for each hierarchy level as of April 30:

	2024			
	Level 1	Level 2	Level 3	Total
Equity mutual funds	\$ 1,002,540	\$ -	\$ -	\$ 1,002,540
Bond mutual funds	1,278,099	-	-	1,278,099
Government-backed mutual funds	391,910	-	-	391,910
Alternative investment mutual funds	1,756,562	-	-	1,756,562
Exchange traded funds	6,314,369	-	-	6,314,369
Government-backed bonds	17,801,958	148	-	17,802,106
Corporate bonds	-	660,771	-	660,771
Corporate equities	2,969,891	-	-	2,969,891
Real estate trusts and other	17,804	-	1,236,861	1,254,665
	<u>\$ 31,533,133</u>	<u>\$ 660,919</u>	<u>\$ 1,236,861</u>	<u>\$ 33,430,913</u>

	2023			
	Level 1	Level 2	Level 3	Total
Equity mutual funds	\$ 882,131	\$ -	\$ -	\$ 882,131
Bond mutual funds	1,212,239	-	-	1,212,239
Government-backed mutual funds	269,426	-	-	269,426
Alternative investment mutual funds	1,744,120	-	-	1,744,120
Exchange traded funds	5,857,026	-	-	5,857,026
Government-backed bonds	19,903,699	247	-	19,903,946
Corporate bonds	-	601,621	-	601,621
Corporate equities	2,693,919	-	-	2,693,919
Real estate trusts and other	24,926	-	1,133,663	1,158,589
	<u>\$ 32,587,486</u>	<u>\$ 601,868</u>	<u>\$ 1,133,663</u>	<u>\$ 34,323,017</u>

Investments classified as Level 2 in the fair value hierarchy include corporate bonds and certain government-backed securities. These assets do not trade at a sufficient frequency to provide market close pricing and therefore require utilization of like asset activity inputs entered into a pricing matrix.

There were no transfers into or out of Level 3 measurements for the years ended April 30, 2024 or 2023. Purchases of Level 3 investments were approximately \$25,000 and \$28,000 during the years ended April 30, 2024 and 2023, respectively.

Investments classified as Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value are based upon pricing provided by a third-party account manager. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that the value of the University's investments and total net assets balance could fluctuate materially.

Alternative investment funds include private equities, which are limited partnerships or other investment company vehicles. Private equity funds make distributions to the University based on their available fund's cash flow; the general partners of the underlying partnerships determine the timing of investments and distributions and there are no guaranteed payments. Investment securities are exposed to various risks, such as interest rate, market, and credit risks.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

- Cash equivalents, accounts and contributions receivable, and accounts payable – The carrying amounts approximate fair value because of the short maturity of those instruments.
- Student loans receivable and obligations under split-interest agreements – Determination of the fair values cannot be made without incurring excessive costs.
- Beneficial interests in assets held by others are measured at fair value using Level 2 inputs since there is no potential market for the beneficial interests or similar assets. Consequently, the valuation is determined by aggregating the valuation of the underlying assets of the beneficial interests, which consists primarily of cash, certificates of deposit and marketable securities.

Investment return, net of fees and included in the consolidated statements of activities, consists of the following for the years ended April 30:

	2024	2023
Interest and dividends	\$ 4,064,960	\$ 1,469,490
Net realized and unrealized gain (loss) on investments	998,744	(244,173)
	<u>\$ 5,063,704</u>	<u>\$ 1,225,317</u>

Note 4 – Commercial Real Estate

CityPlex property and equipment consists of the following at April 30:

	2024	2023	Estimated Useful Lives
Land	\$ 2,815,144	\$ 2,815,144	-
Buildings and improvements	128,756,809	130,968,750	20-40 years
Equipment	19,426,560	19,439,392	3-10 years
Tenant improvements	9,059,277	10,841,602	various
	<u>160,057,790</u>	<u>164,064,888</u>	
Less accumulated depreciation	<u>(132,695,446)</u>	<u>(134,460,754)</u>	
	27,362,344	29,604,134	
Construction in progress	-	10,857	
	<u>\$ 27,362,344</u>	<u>\$ 29,614,991</u>	

CityPlex operations are summarized as follows for the years ended April 30:

	2024	2023
Tenant rental income	\$ 12,429,567	\$ 11,691,481
Operating expenses:		
Property management	360,000	360,000
Leasing commissions	449,533	471,592
Utilities	2,049,123	1,840,175
Operations and maintenance	6,134,337	5,535,449
Total operating expenses	8,992,993	8,207,216
Operating income before depreciation	3,436,574	3,484,265
Depreciation	2,769,824	2,944,805
Net operating income	\$ 666,750	\$ 539,460

Minimum future rentals under noncancelable lease agreements as of April 30, 2024, are as follows:

2025	\$ 10,218,664
2026	9,253,333
2027	8,355,946
2028	7,494,905
2029	4,620,301
Thereafter	17,892,653
	<u>\$ 57,835,802</u>

CityPlex operations and real estate are subject to the Joint Venture Agreement discussed further in Note 9.

Note 5 – Educational Plant

Net investment in educational plant consists of the following at April 30:

	2024	2023	Estimated Useful Lives
Land and improvements	\$ 19,557,490	\$ 18,811,951	20 years
Buildings and improvements	206,759,784	171,113,581	20-50 years
Equipment	57,442,198	57,340,270	3-10 years
Vehicles	2,394,321	2,191,613	5 years
Library books	8,941,691	9,448,122	20 years
	295,095,484	258,905,537	
Less accumulated depreciation and amortization	(183,264,195)	(175,411,672)	
	111,831,289	83,493,865	
Construction in progress	30,867,125	38,580,870	
	<u>\$ 142,698,414</u>	<u>\$ 122,074,735</u>	

Depreciation expense related to educational plant was \$8,770,148 and \$8,135,906 for the years ended April 30, 2024 and 2023, respectively.

Note 6 – Line of Credit

The University maintains a line-of-credit agreement with a bank through October 25, 2024. The amended agreement includes an interest rate equal to Daily Simple SOFR plus 2.350% and maximum borrowings of \$15,000,000. There were no outstanding balances under the line of credit at April 30, 2024 or 2023.

Note 7 – Liquidity and Availability of Financial Assets

The University's cash flows have seasonal variations during the year primarily attributable to tuition billings and timing of when contributions are received. As part of the University's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The University must maintain sufficient resources to meet responsibilities to its donors, various agencies and others. Thus, financial assets may not be available for general expenditure within one year.

Cash in excess of daily requirements is invested in short-term investments. Occasionally, the Board of Trustees designates a portion of any operating surplus to its liquidity reserve, which was approximately \$3,516,000 as of April 30, 2024 and 2023. The liquidity reserve is in a fund established by the Board of Trustees that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. To help manage unanticipated liquidity needs, the University also has an available line of credit up to \$15,000,000 (see Note 6). In addition to the available financial assets, a significant portion of the University's general annual expenditures will be funded by the current year operating revenues, including tuition and auxiliary services.

The University's financial assets available for general expenditures due within one year of April 30, 2024 and 2023, respectively, are as follows:

	2024	2023
Financial assets at year-end:		
Cash and cash equivalents	\$ 73,034,893	\$ 73,340,601
Accounts receivable	3,736,749	3,239,425
Contributions receivable	8,233,639	5,962,911
Investments	33,430,913	34,323,017
Total financial assets at year-end	118,436,194	116,865,954
Less amounts restricted or not available to be used within one year:		
Receivables scheduled to be collected in more than one year	(3,270,732)	(2,659,066)
Contractual or donor-imposed restrictions:		
Investments and other financial assets held for others	(2,837,951)	(3,271,345)
Perpetual endowments and accumulated earnings subject to appropriation beyond one year	(14,185,799)	(12,721,223)
Investments held in trusts and various state-required annuity reserves	(1,594,807)	(1,622,509)
Other donor-restricted financial assets	(75,222,739)	(74,284,968)
Board designated operating reserve	(3,515,955)	(3,515,955)
Financial assets available to meet general expenditures within one year	<u>\$ 17,808,211</u>	<u>\$ 18,790,888</u>

Note 8 – Net Assets

Net assets consist of the following at April 30:

	2024	2023
Without donor restrictions:		
Board designated reserve for operations	\$ 3,515,955	\$ 3,515,955
Other net assets without donor restrictions	110,279,788	88,237,113
Total without donor restrictions	113,795,743	91,753,068
With donor restrictions:		
Subject to expenditure for specific purpose:		
Capital investment	86,201,451	88,329,718
Academic programs	5,931,898	4,721,716
Scholarships	2,298,685	3,730,218
Public service	6,055,759	6,250,311
Athletics	157,511	186,921
Other purpose restrictions	4,948,930	4,485,214
Total purpose restricted	105,594,234	107,704,098
Subject to the passage of time:		
Split-interest agreements	940,445	936,807
Beneficial interests in assets held by others	4,940,324	3,562,190
Total time restricted	5,880,769	4,498,997
Investment in perpetuity, the income from which is expendable to support:		
College of Business	2,053,738	1,981,085
College of Theology and Ministry	2,862,524	2,841,317
College of Education	603,983	603,008
College of Arts and Cultural Studies	1,092,492	1,014,781
College of Science and Engineering	1,056,361	1,040,845
College of Health Sciences	21,516,647	21,362,967
General scholarships	12,329,268	12,124,405
General activities of the University	7,025,593	6,667,212
Total endowment funds restricted in perpetuity	48,540,606	47,635,620
Total with donor restrictions	160,015,609	159,838,715
	<u>\$ 273,811,352</u>	<u>\$ 251,591,783</u>

Net assets restricted by donors for capital investment consist primarily of contributions designated for on-campus construction projects.

Net assets released from restrictions represent the satisfaction of time or purpose restrictions and are summarized below for the years ended April 30:

	2024	2023
For operations:		
Scholarships and student aid	\$ 3,631,403	\$ 4,463,223
Expenditures for operating purposes	12,936,741	15,309,607
	16,568,144	19,772,830
For capital investment	35,731,118	11,459,532
	<u>\$ 52,299,262</u>	<u>\$ 31,232,362</u>

Note 9 – Endowment

The University's endowment trust consists of approximately 260 individual funds established for a variety of purposes. The Board of Trustees of the University has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the state of Oklahoma, as requiring the preservation of the fair value of the original gifts as of the gift dates of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as net assets with donor restrictions (a) the original value of assets contributed to permanent endowment funds, (b) subsequent contributions to such funds valued at the date of contribution, and (c) reinvested earnings on permanent endowment when specified by the donor.

The endowment trust was established in 1973. After a period of inactivity, it was reactivated in 1988 by creation of the Anna Vaughn Benz Fund for the School of Nursing. During the 1990s, the University experienced periods of financial need which were met, in part, by borrowings from the endowment trust.

In recognition of the University's obligations for borrowing from the endowment trust, effective May 1, 2008, and amended on April 28, 2010, the endowment trust and the University entered into an agreement (the Joint Venture Agreement) whereby, among other things, they made the following agreements:

- CityPlex ownership and operations will remain vested in and the responsibility of the University.
- The endowment fund's interest in certain promissory notes receivable from the University were contributed to the joint venture.
- All annual operating income of CityPlex (as defined) is split between the University and the Endowment Trust. According to the agreement, the University guarantees the endowment fund will receive the greater of \$1,743,891 or 53.66% of the annual operating income of CityPlex.
- In the event of a sale of CityPlex, proceeds will be allocated as follows:
 - ♦ First \$34,877,825 of net proceeds to the endowment fund
 - ♦ Proceeds in excess of \$34,877,825 to \$65 million: first to temporarily restricted fund accounts from which the University had borrowed funds, if any, then to the University's net assets without donor restrictions
 - ♦ Proceeds in excess of \$65 million, if any: 53.66% to the endowment fund and the remainder to the University's net assets without donor restrictions

The guaranteed return of \$1,743,891 for 2024 and 2023, is reported in the consolidated statements of activities as a transfer from net assets without donor restrictions to net assets with donor restrictions. Net assets released from restrictions in 2024 include appropriation by the board of trustees of all endowment earnings which were used for the restricted purposes as scheduled above.

Endowment trust assets consist of cash and cash equivalents and marketable securities, and the endowment trust's interest in the Joint Venture Agreement. Changes in endowment funds are summarized as follows for the years ended April 30:

	With Donor Restrictions	
	2024	2023
Endowment net assets, beginning of year	\$ 51,487,386	\$ 51,060,092
Investment return:		
Investment income	306,859	200,352
Net realized and unrealized appreciation	818,401	83,136
Investment return, net	1,125,260	283,488
Joint venture agreement income	1,743,891	1,743,891
Contributions	360,714	524,188
Appropriation of endowment assets for expenditure	(2,487,883)	(2,124,273)
Endowment net assets, end of year	<u>\$ 52,229,368</u>	<u>\$ 51,487,386</u>

The University's spending policy for endowment trust assets consisting of cash and cash equivalents and marketable securities has the objective of providing income for the intended purpose of the funds while preserving the principal of the funds invested in these assets. Asset allocation ranges will reflect a moderately aggressive approach to income and growth and an acceptance of greater variability of return. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the endowment investments. Net investment return of these assets is disbursed annually for expenditure according to the donors' intent or retained to principal when designated by the donor. If the net investment return should be a loss for the fiscal year, no disbursement for expenditure is made until such time as the loss is recovered.

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. UPMIFA has been interpreted to permit spending from underwater endowments in accordance with prudent measures required under law. There were no deficiencies of this nature as of April 30, 2024. Deficiencies of this nature existed in ten donor-restricted endowment funds, which together had an original gift value of approximately \$885,000 and a current fair value of approximately \$852,000, resulting in a deficiency of approximately \$33,000 as of April 30, 2023. These deficiencies resulted from unfavorable market conditions that occurred in the latter months of the fiscal year ended April 30, 2023.

Note 10 – Employee Benefit Plans

Certain employees (except for employees who are eligible to participate in the 401(k) plan sponsored by the University), students and nonresident aliens, are eligible after specified periods of employment to participate in a contributory retirement and annuity program through TIAA-CREF. The University provides a 50% matching contribution on deferrals up to 6% of the eligible employees' compensation. The University's portion of the contribution for the years ended April 30, 2024 and 2023, was approximately \$657,000 and \$646,000, respectively.

The University maintains a group medical plan for its comprehensive major medical insurance which is self-insured with per individual stop-loss coverage of \$125,000 in 2024 and 2023. The University paid claims and premiums of approximately \$3,649,000 and \$3,393,000 during the years ended April 30, 2024 and 2023, respectively. At April 30, 2024 and 2023, the University accrued approximately \$2,301,000 and \$2,212,000, respectively, for the estimated liability for employee benefit claims reported but not yet paid

and claims incurred but not yet reported. This estimate is based on payment reporting patterns available at the time of the estimate. Although such estimates are the University's best estimates of the expected values, the actual results may vary from these values.

Note 11 – Natural Classification of Expenses by Functional Category

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, amortization and maintenance of plant, which are allocated on a percentage basis of total expenses.

Expenses by nature and function for the year ended April 30, 2024, consist of the following:

	Compensation and Benefits	Contractual Services	Supplies and Other	Depreciation and Amortization	Total
Instruction	\$ 22,016,726	\$ 3,540,072	\$ 1,815,601	\$ 1,841,506	\$ 29,213,905
Research	199,454	63,696	203,451	43,543	510,144
Public service	947,564	3,410,301	4,949,557	506,597	9,814,019
Academic support	2,066,637	1,184,159	1,012,685	931,915	5,195,396
Student services	9,015,698	6,733,815	3,696,193	986,197	20,431,903
Institutional support	10,769,897	6,784,934	5,276,328	1,924,924	24,756,083
Auxiliary services	6,656,377	10,403,133	5,463,552	2,331,639	24,854,701
Commercial real estate	1,807,544	5,809,006	1,376,443	2,769,824	11,762,817
Other expenses	1,364,356	784,145	953,077	247,772	3,349,350
Total expenses	\$ 54,844,253	\$ 38,713,261	\$ 24,746,887	\$ 11,583,917	\$ 129,888,318

Expenses by nature and function for the year ended April 30, 2023, consist of the following:

	Compensation and Benefits	Contractual Services	Supplies and Other	Depreciation and Amortization	Total
Instruction	\$ 21,140,028	\$ 3,117,852	\$ 1,342,646	\$ 1,722,932	\$ 27,323,458
Research	10,082	16,653	119,394	21,685	167,814
Public service	915,232	5,134,541	2,806,088	506,505	9,362,366
Academic support	1,638,843	899,507	333,734	588,199	3,460,283
Student services	8,139,317	6,908,122	1,342,868	974,428	17,364,735
Institutional support	10,313,016	6,746,407	7,653,443	2,229,087	26,941,953
Auxiliary services	6,122,680	8,935,895	4,445,571	1,914,918	21,419,064
Commercial real estate	1,610,678	5,310,152	1,286,386	2,944,805	11,152,021
Other expenses	1,227,011	769,084	835,827	222,097	3,054,019
Total expenses	\$ 51,116,887	\$ 37,838,213	\$ 20,165,957	\$ 11,124,656	\$ 120,245,713

Note 12 – Commitments and Contingencies

ORU is involved in various litigation arising in the ordinary course of business. After reviewing these actions with counsel, management does not believe that any resulting liability will be material to the consolidated financial statements taken as a whole.

The University has outstanding commitments on contracts to construct campus facilities of approximately \$8,352,000 at April 30, 2024. The contracts have estimated completion dates through summer 2026.

Note 13 – Transactions with Related Parties

The University has adopted a Conflict of Interest Policy by which a proposed transaction with a related party is required to be reviewed by the Audit Committee of the Board of Trustees to confirm that a more advantageous transaction is not reasonably possible; the transaction is in the University's best interest; for the University's benefit; and fair and reasonable. The University entered into a limited number of transactions with related parties which are individually and in the aggregate immaterial to the consolidated financial statements.