East Central University Foundation, Inc.

Financial Statements

June 30, 2020 and 2019
(With Independent Auditors' Report Thereon)

FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

EAST CENTRAL UNIVERSITY FOUNDATION, INC.

FINANCIAL STATEMENTS

Table of Contents

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
East Central University Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of East Central University Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

(Continued)

1421 East 45th Street • Shawnee, OK 74804
P: 405.878.7300 • www.finley-cook.com • F: 405.395.3300

INDEPENDENT AUDITORS' REPORT, CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2020, on our consideration of the Foundation'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 the Foundation'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 the Foundation's internal control over financial reporting and compliance.

Finley + Cook, PLLC

Shawnee, Oklahoma
September 8, 2020

EAST CENTRAL UNIVERSITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

June 30,		*2020*	*2019*
Assets			
Current assets:			
Cash and cash equivalents	$	1,861,809	1,128,018
Pledges receivable—current		382,500	568,990
Interest receivable		32,156	59,428
Investments, at fair value		53,361	1,221,179
Total current assets		2,329,826	2,977,615
Non-current assets:			
Pledges receivable—non-current		110,035	413,335
Investments, at fair value		33,454,347	31,797,612
Real estate held as investment		12,500	12,500
Artwork		329,686	329,686
Other assets		32,101	33,153
Furniture and equipment, net		-	198
Total non-current assets		33,938,669	32,586,484
Total assets	$	36,268,495	35,564,099
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	9,514	-
Note payable		47,100	-
Total liabilities		56,614	-
Net assets:			
Without donor restrictions		939,520	1,069,776
With donor restrictions		35,272,361	34,494,323
Total net assets		36,211,881	35,564,099
Total liabilities and net assets	$	36,268,495	35,564,099

See Independent Auditors' Report.
See accompanying notes to financial statements.

EAST CENTRAL UNIVERSITY FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions:			
Private gifts and grants	$ -	2,102,784	2,102,784
Total contributions	-	2,102,784	2,102,784
Investment income:			
Interest and dividends	203,978	571,002	774,980
Net investment gains	62,880	183,484	246,364
Total investment income	266,858	754,486	1,021,344
Net assets released from restrictions	2,080,227	(2,080,227)	-
Total revenues	2,347,085	777,043	3,124,128
Expenses:			
Program activities for the University	2,080,217	-	2,080,217
Management and operating	328,416	-	328,416
Fundraising	67,713	-	67,713
Total expenses	2,476,346	-	2,476,346
Transfer (to) from other net assets	(995)	995	-
(Decrease) increase in net assets	(130,256)	778,038	647,782
Net assets at beginning of year	1,069,776	34,494,323	35,564,099
Net assets at end of year	$ 939,520	35,272,361	36,211,881

(Continued)

See Independent Auditors' Report.
See accompanying notes to financial statements.

STATEMENTS OF ACTIVITIES, CONTINUED

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions:			
Private gifts and grants	$ 144	3,386,248	3,386,392
Total contributions	144	3,386,248	3,386,392
Investment income:			
Interest and dividends	199,028	597,085	796,113
Net investment gains	244,126	735,468	979,594
Total investment income	443,154	1,332,553	1,775,707
Other revenues	-	2,074	2,074
Net assets released from restrictions	2,266,760	(2,266,760)	-
Total revenues	2,710,058	2,454,115	5,164,173
Expenses:			
Program activities for the University	2,288,411	-	2,288,411
Management and operating	348,053	-	348,053
Fundraising	40,034	-	40,034
Total expenses	2,676,498	-	2,676,498
Transfer (to) from other net assets	(1,900)	1,900	-
Increase in net assets	31,660	2,456,015	2,487,675
Net assets at beginning of year	1,038,116	32,038,308	33,076,424
Net assets at end of year	$ 1,069,776	34,494,323	35,564,099

See Independent Auditors' Report.
See accompanying notes to financial statements.

EAST CENTRAL UNIVERSITY FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30,	*2020*	*2019*
Expenses:		
Program activities for the University:		
Scholarship awards	$ 673,662	645,288
General University educational assistance	1,406,555	1,643,123
Total program activities for the University	2,080,217	2,288,411
Management and operating:		
Salaries and benefits	255,133	268,006
Accounting services	21,360	20,676
Audit fees	25,545	23,850
Credit card fees	3,505	3,289
Depreciation	198	715
Insurance	4,950	4,950
Legal fees	2,570	9,732
Software	5,500	7,816
Supplies	4,077	4,276
Other	5,578	4,743
Total management and operating	328,416	348,053
Fundraising:		
Salaries and benefits	33,480	-
Campaigns—fundraising expenses	4,519	4,600
Constituent/donor meetings	1,462	1,542
Postage	1,674	1,494
Printing	4,681	4,499
Software	5,500	8,184
Sponsorships	10,596	11,635
Travel	5,801	8,080
Total fundraising	67,713	40,034
Total expenses	$ 2,476,346	2,676,498

See Independent Auditors' Report.
See accompanying notes to financial statements.

EAST CENTRAL UNIVERSITY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents

Years Ended June 30,	*2020*	*2019*
Cash flows from operating activities:		
Cash received from contributions	$ 2,596,199	3,998,272
Cash received from interest and other income	803,035	2,290,607
Cash disbursed for program and faculty expenses	(1,402,916)	(1,643,123)
Cash disbursed for scholarship expenses	(673,663)	(645,288)
Cash disbursed for general support	(476,717)	(469,082)
Net cash provided by operating activities	845,938	3,531,386
Cash flows from investing activities:		
Investment sold	17,269,231	10,159,906
Investment purchased	(17,428,478)	(14,147,155)
Proceeds from sale of real estate	-	5,600
Net cash used in investing activities	(159,247)	(3,981,649)
Cash flows from financing activities:		
Proceeds from note payable	47,100	-
Net cash provided by financing activities	47,100	-
Net increase (decrease) in cash and cash equivalents	733,791	(450,263)
Cash and cash equivalents at beginning of year	1,128,018	1,578,281
Cash and cash equivalents at end of year	$ 1,861,809	1,128,018
Reconciliation of increase in net assets to net cash provided by operating activities:		
Increase in net assets	$ 647,782	2,487,675
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	198	715
Net unrealized and realized (gains) losses on investments	(329,670)	425,671
Realized gain on sale of real estate	-	(600)
Changes in operating assets and liabilities:		
Pledges receivable	489,790	616,550
Interest receivable	27,272	6,044
Other assets	1,052	(4,669)
Accounts payable	9,514	-
Net cash provided by operating activities	$ 845,938	3,531,386

See Independent Auditors' Report.
See accompanying notes to financial statements.

(1) NATURE OF THE ENTITY

East Central University Foundation, Inc. (the "Foundation") is a nonprofit corporation formed in 1970. The purposes for which the Foundation is organized are exclusively scientific, literary, charitable, educational, and artistic for the benefit of East Central University (the "University") in Ada, Oklahoma, its faculty, its student body, and its programs. The Foundation may also serve as trustee of charitable lead trusts, charitable remainder trusts, and other private trusts of which the Foundation and/or the University are beneficiaries, notwithstanding the facts that the donors of such trusts retain a beneficial interest therein or that other charitable organizations are designated as beneficiaries of such trusts.

As gifts are received by the Foundation, they are placed into new or existing funds, as appropriate, in accordance with the stipulations of the donors. Distributions of amounts held by the Foundation are subject to the approval of the Board of Trustees (the "Board"). The purposes for which the Foundation is organized are exclusively for the benefit of the University, its faculty, its student body, and its programs. As such, the University and the Foundation are considered financially interrelated as defined by accounting principles generally accepted in the United States.

Program Activities for the University

Scholarship awards—The Foundation raises funds annually to assist select students with their costs related to their higher education pursuit. The Foundation also assists with special one-time student needs that arise and helps keep students pursuing and finishing their degree. Additional support may be granted for special one-time projects where an educational benefit will be made available for students.

General University educational assistance—The Foundation was organized to provide scientific, literary, charitable, educational, and artistic support for the benefit of the University, its faculty, its student body, and its programs. This is done through aiding the University faculty/staff, its educational programs, its building projects, and its assistance with institutional outreach.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Foundation follows the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC). The ASC is the single source of authoritative guidance for accounting principles generally accepted in the United States. The statements have been prepared on the accrual basis of accounting. Under accounting principles generally accepted in the United States, net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the Board.

Net assets with donor restrictions —Net assets subject to restrictions imposed by donors. Some donor restrictions are temporary in nature. Those restrictions will be met by action of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donors have stipulated the funds be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investment for general or specific donor-imposed purposes.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, the net assets are reclassified from net assts with donor restrictions to net assets without donor restrictions in the statements of activities.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Contributions

Contributions, including unconditional promises to give and unconditional pledges receivable, are recognized as revenues in the period received by the Foundation. Conditional promises to give and conditional pledges receivable are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. An allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors. As of June 30, 2020 and 2019, no allowance was considered necessary.

The Foundation records unconditional promises to give and unconditional pledges receivable that are expected to be collected within one year at net realizable value. Unconditional promises to give and unconditional pledges receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Foundation determines the allowance for uncollectible promises to give and uncollectible pledges receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give and pledges receivable are written off when deemed uncollectible.

Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gifts of property and equipment are recorded as support without donor restrictions unless explicit donor stipulations specify how the assets must be used, in which case the gift is recorded as support with donor restrictions. Expirations of restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Contributions which are received and whose restrictions are met in the same period are recognized as contributions without donor restrictions.

Income and gains on investments are reported as increases in net assets with donor restrictions if the terms of the gift that gave rise to the investment or applicable law require such amounts be added to endowment principal or if the terms of the gift or applicable law impose restrictions on the use of the income and as increases in net assets without donor restrictions in all other cases.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash and Cash Equivalents

The Foundation considers all highly liquid debt instruments with an original maturity of 3 months or less when purchased to be cash equivalents.

Investments

The Foundation maintains the majority of its endowment assets in a pooled investment fund. Additional investments are maintained separately in accordance with the donor's instructions. Investments are reported at fair value calculated in accordance with ASC Topic 820, "Fair Value Measurement" (ASC 820). Investment securities with readily determinable market value information are adjusted to market value, with realized and unrealized appreciation and/or depreciation on investments to be recorded in the statements of activities. Fair value is determined based on quoted market prices, observable inputs, or unobservable inputs. Investments included in the pool are certificates of deposit, corporate bonds, mutual funds, privately-owned corporate stock, and U.S. government securities. The Foundation's investment committee monitors the performance of all investments and instructs Foundation management as to the mix of assets to be maintained in the investment pool. Investments are made in accordance with the investment policies of the Foundation.

Real Estate Held as Investment

Real estate held as investment consists primarily of real property and forms of real property interests donated to and/or purchased by the Foundation and are carried at the lower of cost or market. The Foundation holds these assets until such time as they are transferred to the University or sold. No attempt is made by management to revalue other property investments at subsequent dates prior to transfer or sale due to the prohibitive cost of obtaining periodic appraisals; however, the Foundation's management is of the opinion that any subsequent revaluation would not have a significant impact on the Foundation's statements of financial position or changes in net assets. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances at the time of determination. The Foundation sold one piece of real property for $5,600 in 2019. No property investment impairments were recorded in 2020 or 2019.

Other Assets

Included in other assets was approximately $20,000 of cash surrender value assets related to insurance policies owned by the Foundation as of both June 30, 2020 and 2019.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Non-Cash Contributions

Included in other assets was approximately $12,000 and $13,000 of donations made by donors of items given to the Foundation as of June 30, 2020 and 2019, respectively. The non-cash contributions are recorded at their fair values in the period received. The fair market value is determined using observable prices of identical or similar products.

During the year ended June 30, 2018, a related party made a stock donation of 4,125 shares of privately owned corporate stock. The corporate stock was evaluated at $26.00 and $27.25 per share at June 30, 2020 and 2019, respectively, resulting in a fair market value of $107,250 and $112,406, respectively. This corporate stock gift is included in investments on the statements of financial position.

Note Payable

On April 20, 2020, the Foundation was granted a loan (the "Loan") from Vision Bank in the amount of $47,100, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The Loan bears interest at a rate of 1.00% per annum, due on demand or, if no demand, on March 20, 2022. The Loan may be prepaid by the Foundation at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, benefits, and certain other qualifying expenses, including rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Foundation intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

Investment Income

Investment earnings are allocated to the individual sub-funds of the Foundation on a quarterly basis. These earnings are allocated based upon the individual sub-fund's percentage of participation in the investment pool. Realized and unrealized gains and losses are determined using the specific identification method; however, these transactions are included in the pool's income for allocation purposes. Investment earnings were netted with related external and direct internal investment expenses.

A portion of investment earnings is allocated to support the operations of the Foundation. The Foundation historically has allocated 25% of investment earnings to operations. The amounts allocated are recorded as interest and dividends in the net asset without donor restrictions in the accompanying statements of activities. Amounts so transferred in excess of the current operations requirements remain in the net asset without donor restrictions for future use as deemed necessary by the Foundation's management and the Board and to support the Foundation's scholarship program.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Furniture and Equipment

Furniture and equipment are recorded at cost if purchased or at appraised value if received by donation. Furniture and equipment are being depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 10 years. The Foundation records impairments of its property and equipment when it becomes probable that the carrying value of the assets will not be fully recovered over the estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances at the time of the determination. No property or equipment impairments were recorded for the year ended June 30, 2020 or 2019.

Artwork

Artwork is recorded at the appraised value at the time of donation.

Income Tax

The income earned by the Foundation has been determined to be exempt from income taxes by the Internal Revenue Service in accordance with Internal Revenue Code (IRC) Section 501(c)(3). However, unrelated business income earned by the Foundation is subject to tax. Additionally, the Foundation has been determined not to be a private foundation within the meaning of IRC Section 509(a).

The Foundation evaluates and accounts for its uncertain tax positions, if any, in accordance with ASC Topic 740, "Income Taxes," including the Foundation's tax position as a tax-exempt, not-for-profit entity. Through the Foundation's evaluation of its uncertain tax positions, management has determined no uncertain tax positions existed as of June 30, 2020 or 2019, which would require the Foundation to record a liability for the uncertain tax positions in its financial statements. Interest and penalties, if any, resulting from any uncertain tax position required to be recorded by the Foundation would be presented in operating expenses in the statements of activities. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years ended on or before June 30, 2017.

Use of Estimates

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

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Use of Estimates, Continued

Estimates that are particularly susceptible to significant change include the valuation of investments and pledges receivable. The Foundation's various investment instruments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with these financial instruments, it is reasonably possible that changes in the values of the investments and beneficial interest will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position. Significant fluctuations in fair values could occur from year to year, and the amounts the Foundation will ultimately realize could differ materially. Management's estimates of investments, pledges receivable, and the evaluation for allowance are based on consideration of all relevant available information and an analysis of the collectibility of individual contributions, which arise primarily from pledges at the financial statement date.

Net Asset Reclassifications

The Foundation reclassifies net assets from one net asset category to another as follows:

a. Net asset reclassifications which result from fulfillment of the purposes for which the net assets were restricted and/or restrictions which expired with the passage of time.

b. Net asset reclassifications which occur when a donor withdraws or court action removes previously imposed restrictions, when a donor imposes restrictions on otherwise net assets without donor restrictions, when a donor changes or modifies their existing restriction, and/or when an existing donor restriction requires certain amounts to be reclassified.

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Foundation are reported as expenses of those functional areas. Expenses that are attributable to more than one program or supporting function are allocated on the basis of time and effort; there were no such allocated expenses for the year ended June 30, 2020 or 2019.

Concentrations of Credit Risk

The Foundation had certain concentrations of credit risk with financial institutions in the form of uninsured cash and time deposits. For purposes of evaluating credit risk, the stability of financial institutions conducting business with the Foundation is periodically reviewed, and management believes that credit risk related to the balances is minimal.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Scholarship Awards

Scholarships are accrued when the disbursements are made to the students, which is when all of the conditions would have been met and the scholarship would have been effectively earned by the students.

Advertising Costs

All costs associated with advertising are expensed as incurred.

Reclassifications

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

Recent Accounting Pronouncements

In May 2014, FASB issued Accounting Standards Update No. 2014-09, *"Revenue from Contracts with Customers" (Topic 606)* (ASU 2014-09). ASU 2014-09 implements a comprehensive new revenue recognition standard that will supersede substantially all existing revenue recognition guidance. The new standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in a manner that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 does not apply to revenue associated with contributions which is accounted for under other generally accepted accounting principles. ASU 2014-09 was effective for financial statements issued for fiscal years beginning after December 15, 2018. The Foundation adopted ASU 2014-09 on July 1, 2019, which did not have a significant impact on the Foundation's financial statements. The most significant impact of ASU 2014-09 to the Foundation's financial statements was in the area of additional disclosures.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements. Continued

In January 2016, FASB issued ASU No. 2016-01, *"Financial Instruments—Overall" (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01), which requires all equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value, with changes in the fair value recognized through net income. An entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. ASU 2016-01 simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. When a qualitative assessment indicates that impairment exists, an entity is required to measure the investment at fair value. ASU 2016-01 eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities. ASU 2016-01 is effective for financial statements issued for fiscal years beginning after December 15, 2018. In February 2018, FASB issued ASU No. 2018-03, *Technical Corrections and Improvements to "Financial Instruments—Overall" (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which clarifies certain aspects of the guidance issued in ASU 2016-01. The Foundation adopted ASU 2016-01 on July 1, 2019, which did not have a significant impact on the Foundation's financial statements.

In June 2016, FASB issued ASU No. 2016-13, "*Financial Instruments—Credit Losses" (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), in order to provide more timely recording of credit losses on loans and other financial instruments. ASU 2016-13 adds an impairment model (known as the current expected credit loss (CECL) model) that is based on expected credit losses rather than incurred credit losses. It requires an organization to measure all expected credit losses for financial assets carried at amortized cost at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. ASU 2016-13 was initially effective for financial statements issued for fiscal years beginning after December 15, 2020. In November 2018, FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326, "Financial Instruments—Credit Losses,"* which amends the effective date of ASU 2016-13 for nonpublic business entities to fiscal years beginning after December 15, 2021, and clarifies that receivables arising from operating leases are not within the scope of ASC Topic 326, but are instead within the scope of ASC Topic 842, "Leases." In November 2019, FASB issued ASU No. 2019-10, "*Financial Instruments—Credit Losses" (Topic 326), "Derivatives and Hedging" (Topic 815), and "Leases" (Topic 842): Effective Dates*, which amends the effective date of ASU 2016-13 for nonpublic business entities to fiscal years beginning after December 15, 2022. The Foundation is currently evaluating the impact on the financial statements of adopting ASU 2016-13.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements. Continued

In August 2016, FASB issued ASU No. 2016-15, "*Statement of Cash Flows" (Topic 230): Classification of Certain Cash Receipts and Cash Payments* (ASU 2016-15), which clarifies the classification of certain cash receipts and payments in the statement of cash flows. ASU 2016-15 addresses eight cash flow issues, including debt repayment and extinguishment costs, settlement of zero-coupon debt instruments, contingent consideration payments following a business combination, proceeds from the settlement of insurance claims and corporate-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows. ASU 2016-15 is effective for financial statements issued for fiscal years beginning after December 15, 2018. The Foundation adopted ASU 2016-15 on July 1, 2019, which did not have a significant impact on the Foundation's financial statements.

In November 2016, FASB issued ASU No. 2016-18, "*Statement of Cash Flows" (Topic 230): Restricted Cash* (ASU 2016-18), which requires restricted cash or restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for financial statements issued for fiscal years beginning after December 15, 2018. The Foundation adopted ASU 2016-18 on July 1, 2019, which did not have a significant impact on the Foundation's financial statements.

In June 2018, FASB issued ASU No. 2018-08, "*Not-for-Profit Entities" (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08), which clarifies and improves current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. ASU 2018-08 clarifies how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. ASU 2018-08 clarifies that, consistent with current GAAP, in instances in which a resource provider is not itself receiving commensurate value for the resources provided, an entity must determine whether a transfer of assets represents a payment from a third-party payer on behalf of an existing exchange transaction between the recipient and an identified customer. If so, other guidance (for example, ASC Topic 606) applies. The amendments in ASU 2018-08 apply to both resources received by a recipient and resources given by a resource provider, except for transfers of assets from government entities to business entities. ASU 2018-08 is effective for transactions in which an entity serves as the resource recipient for periods beginning after December 15, 2018. ASU 2018-08 is effective for transactions in which an entity serves as the resource provider for periods beginning after December 15, 2019. The Foundation adopted ASU 2018-08 on July 1, 2019, which did not have a significant impact on the Foundation's financial statements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements. Continued

In August 2018, FASB issued ASU No. 2018-13, "*Fair Value Measurement" (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* (ASU 2018-13), which removes, modifies, and adds disclosure requirements on fair value measurements. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. In addition, early adoption of any removed or modified disclosures and delayed adoption of the additional disclosures until the effective date is also permitted. The Foundation is currently evaluating the impact on the financial statements of adopting ASU 2018-13.

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through September 8, 2020, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

(3) CASH AND CASH EQUIVALENTS

A summary of the cash and cash equivalents at June 30 is as follows:

	2020	2019
Cash in bank	$ 275,063	100,972
Money market account held at TIAA	1,586,746	1,027,046
	$ 1,861,809	1,128,018

See Independent Auditors' Report.

(3) CASH AND CASH EQUIVALENTS, CONTINUED

Custodial Credit Risk—Deposits

The Foundation had the following depository accounts as of June 30, 2020 and 2019. All deposits are carried at cost.

	2020		2019	
Depository Account	Reported Amount	Bank Balance	Reported Amount	Bank Balance
Insured	$ 250,000	250,000	100,972	136,606
Uninsured and uncollateralized	1,611,809	1,637,716	1,027,046	1,027,046
	$ 1,861,809	1,887,716	1,128,018	1,163,652

Custodial credit risk is the risk that in the event of a bank failure, the Foundation’s deposits may not be returned. While the Foundation’s investment policies do not address bank balances (other than money markets) that are uninsured or uncollateralized, deposits are generally required to be insured or collateralized.

(4) LIQUIDITY AND AVAILABILITY

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Foundation receives support without donor restrictions; such support has historically represented less than 5% of annual program funding needs, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

The Foundation considers investment income without donor restrictions; appropriated earnings from donor-restricted endowments; and contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include program commitments, as well as management, operating, and fundraising expenses expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation’s fiscal year.

(4) LIQUIDITY AND AVAILABILITY, CONTINUED

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability, including compliance with the Foundation's spending policy, which establishes limits on the amount of funds used for general expenditures each year.
- Maintaining adequate liquid assets.
- Maintaining sufficient reserves to provide reasonable assurance that long-term commitments and obligations under endowments with donor restrictions that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The Foundation strives to maintain financial assets at a level to adequately fund 100% of the forecasted annual program commitments and management, operating, and fundraising expenses. The table below presents financial assets available for these general expenditures within 1 year at June 30:

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	$ 1,861,809	1,128,018
Pledges receivable	492,535	982,325
Interest receivable	32,156	59,428
Investments	33,507,708	33,018,791
Total financial assets	35,894,208	35,188,562
Less amounts not available to be used within 1 year due to:		
Restricted for passage of time	492,535	982,325
Restricted for specific purpose	3,539,984	3,886,363
Restricted in perpetuity—endowment	29,731,557	27,889,936
Financial assets not available to be used within 1 year	33,764,076	32,758,624
Financial assets available to meet general expenditures within 1 year	$ 2,130,132	2,429,938

(5) PLEDGES RECEIVABLE

Pledges receivable represent commitments by donors to contribute to the Foundation. Pledges receivable consist of the following at June 30:

	2020	2019
Program activities for the University	$ 492,535	982,325

The scheduled amounts to be received as of June 30 were as follows:

	2020	2019
Amounts due in:		
Less than 1 year	$ 382,500	568,990
1–5 years	110,035	413,335
	$ 492,535	982,325

Pledges receivable that are expected to be collected in less than 1 year are recorded at net realizable value. Pledges receivable in subsequent years have not been discounted to net realizable value, the effect of which is considered to be insignificant to the financial statements. The commitments are to be paid as specified by the individual pledge agreements and, accordingly, are presented as net assets with donor restrictions in the accompanying financial statements.

An allowance for possible uncollectible pledge receivables is not considered necessary by management as the pledges are monitored and any deemed uncollectible are written off as determined.

(6) INVESTMENTS

The Foundation primarily uses an investment manager to manage the investments, which includes purchasing and sales. As of June 30, 2020 and 2019, the investment manager was the Teachers' Insurance and Annuity Association (TIAA).

As of both June 30, 2020 and 2019, the Foundation's target allocation and allocation range for assets were as follows:

Asset Class	Target Asset Allocation	Allocation Range
Cash equivalents	**1%**	1%–4%
Core fixed income	24%	
Treasury inflation protected securities (TIPS)	8%	
High yield fixed income	6%	
International fixed income	6%	
Total fixed income	**44%**	35%–55%
U.S. large cap equity	23%	
U.S. mid cap equity	7%	
U.S. small cap equity	4%	
International large/mid cap equity	12%	
International small cap equity	3%	
Emerging markets equity	3%	
Real estate (REIT)	3%	
Total equity	**55%**	45%–65%
Total	**100%**	

The investment policy also has certain specific prohibitions, such as no more than a 25% concentration of investments in one industry, nor more than a 5% ownership of any one company or more than 5% ownership of securities of a single issuer, other than the U.S. government.

The policy requires evaluation and reallocation as needed.

(6) INVESTMENTS, CONTINUED

Investment securities are presented at fair value. The Foundation had the following investments at June 30:

		Cost	Fair Value	Excess (Deficit) of Fair Value Over Cost
2020				
Current:				
Certificate of deposit	$	53,361	53,361	-
Non-current:				
Mutual funds		24,570,253	25,709,894	1,139,641
U.S. government securities		3,890,313	4,020,749	130,436
Corporate bonds		3,393,316	3,526,328	133,012
Corporate stock—private		107,250	107,250	-
Certificate of deposit		90,126	90,126	-
	$	32,104,619	33,507,708	1,403,089
2019				
Current:				
U.S. government securities	$	1,002,168	1,007,197	5,029
Corporate bonds		161,150	161,683	533
Certificate of deposit		52,299	52,299	-
		1,215,617	1,221,179	5,562
Non-current:				
Mutual funds		23,445,898	25,119,064	1,673,166
U.S. government securities		3,536,908	3,514,434	(22,474)
Corporate bonds		2,762,671	2,962,753	200,082
Corporate stock—private		112,406	112,406	-
Certificate of deposit		88,955	88,955	-
	$	31,162,455	33,018,791	1,856,336

The Foundation recognized $784,013 and $1,408,360 during 2020 and 2019, respectively, from net gains on the sale of investments. These gains have been combined with unrealized gains and losses and allocated throughout the year through the consolidated investment pool.

See Independent Auditors' Report.

(6) INVESTMENTS, CONTINUED

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

The following table provides information as of June 30 concerning the fair value and maturity of investments:

Type of Investment	6 Months or Less	More Than 6 Months to 1 Year	More Than 1 Year to 3 Years	More Than 3 Years to 5 Years	More Than 5 Years	Total Fair Value	Cost
2020							
U.S. government securities	$ -	-	1,718,721	1,060,436	1,241,592	4,020,749	3,890,313
Corporate bonds	-	-	758,705	835,957	1,931,666	3,526,328	3,393,316
Mutual funds (no maturity)	-	-	-	-	-	25,709,894	24,570,253
Corporate stock—private (no maturity)	-	-	-	-	-	107,250	107,250
Certificates of deposit	53,361	-	90,126	-	-	143,487	143,487
	$ 53,361	-	2,567,552	1,896,393	3,173,258	33,507,708	32,104,619
2019							
U.S. government securities	$ 353,613	653,584	1,356,406	500,826	1,657,202	4,521,631	4,539,076
Corporate bonds	-	161,683	785,506	528,119	1,649,128	3,124,436	2,923,821
Mutual funds (no maturity)	-	-	-	-	-	25,119,064	23,445,898
Corporate stock—private (no maturity)	-	-	-	-	-	112,406	112,406
Certificates of deposit	52,299	-	88,955	-	-	141,254	141,254
	$ 405,912	815,267	2,230,867	1,028,945	3,306,330	33,018,791	31,162,455

See Independent Auditors' Report.

(6) INVESTMENTS, CONTINUED

Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The following tables provide information concerning credit risk as of June 30:

S&P Rating*	Cost	Fair Value (FV)	FV as a % of Total FV
2020			
AA+	$ 879,278	888,147	2.650%
AA-	488,237	505,891	1.510%
A+	231,619	247,235	0.738%
A	879,209	925,316	2.762%
A-	334,997	348,215	1.039%
BBB+	987,462	1,008,835	3.011%
BBB	318,986	334,068	0.997%
Not rated:			
U.S. government securities	3,163,841	3,289,370	9.817%
Mutual funds	24,570,253	25,709,894	76.728%
Corporate stock—private	107,250	107,250	0.320%
Certificates of deposit	143,487	143,487	0.428%
	$ 32,104,619	33,507,708	100.000%

*The Foundation used Standard & Poor's (S&P) rating at June 30, 2020.

(6) INVESTMENTS, CONTINUED

Credit Risk, Continued

Moody's Rating	Cost	Fair Value (FV)	FV as a % of Total FV
2019			
AAA	$ 4,597,994	4,686,413	14.193%
AA2	260,961	266,251	0.806%
A1	267,137	281,214	0.852%
A2	866,700	903,616	2.737%
A3	723,089	734,353	2.224%
BAA1*	232,105	237,494	0.719%
BAA2*	353,760	375,043	1.136%
BAA3	161,151	161,683	0.490%
Not rated:			
Mutual funds	23,445,898	25,119,064	76.075%
Corporate stock—private	112,406	112,406	0.340%
Certificates of deposit	141,254	141,254	0.428%
	$ 31,162,455	33,018,791	100.000%

*Individual investments had an S&P rating of BBB or better at June 30, 2019.

As of June 30, 2020 and 2019, the Foundation's investment balance included $143,487 and $141,254, respectively, of certificates of deposit held at financial institutions. The certificates of deposit are insured by the corresponding financial institution up to $250,000, which is the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Share Insurance Fund (NCUSIF) limit. At both June 30, 2020 and 2019, there was no concentration (uninsured amount).

Custodial Risk

For investments, custodial risk is the risk that in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities in the possession of an outside party.

(7) REAL ESTATE HELD AS INVESTMENT

The Foundation owns a lot located at the corner of Arlington and Mississippi in Ada, Oklahoma, for the purpose of establishing the William Chapman Accounting Scholarship.

A summary of real estate held as investment at June 30 is as follows:

	2020	2019
Land:		
Lot, Arlington and Mississippi, Ada, Oklahoma	$ 12,500	12,500
	$ 12,500	12,500

The property has been recorded at its appraised value at the date the gift was given.

During the year ended June 30, 2019, the Foundation sold Lots 17 and 18 in Arrowhead Estates for $5,600 and recognized a gain on sale of assets in the amount of $600.

(8) ARTWORK

During 2014, the Foundation received a donation of various pieces of artwork. The artwork is not being held as an investment. Each item is cataloged for educational, research, scientific, or curatorial purposes, and activities verifying the existence and assessing the condition of the items are performed continuously. The artwork was recorded at appraised value at the date the gift was given. There will be no planned depreciation of the artwork as it will be reviewed periodically for impairment. During 2016, the Foundation received another donation of various pieces of artwork appraised at approximately $24,000. This artwork also is not being held as an investment and is respectively catalogued and assessed in the same manner as the existing artwork. At both June 30, 2020 and 2019, the combined artwork had a total value of approximately $330,000.

(9) FURNITURE AND EQUIPMENT

As of June 30, furniture and equipment consisted of the following:

		2020	2019
Furniture and equipment	$	33,347	33,347
Less accumulated depreciation		(33,347)	(33,149)
Net furniture and equipment	$	-	198

Depreciation expense was $198 and $715 for 2020 and 2019, respectively.

(10) DEPOSITS HELD FOR OTHERS

The Foundation occasionally receives money on behalf of other entities and acts as a custodian of the funds. These amounts received were not considered to be significant to the Foundation's financial statements at June 30, 2020 or 2019.

(11) NET ASSET COMPOSITION

Net assets with donor restrictions were as follows for the years ended June 30:

		2020	2019
Endowments subject to the Foundation's spending policy and appropriation	$	31,239,842	29,625,635
Specific purpose		3,539,984	3,886,363
Passage of time:			
Pledge receivable		492,535	982,325
	$	35,272,361	34,494,323

(11) NET ASSET COMPOSITION, CONTINUED

Net assets without donor restrictions were as follows for the years ended June 30:

	2020	2019
Undesignated	$ 939,520	1,069,776

Net assets released from net assets with donor restrictions during the years ended June 30 were as follows:

	2020	2019
Satisfaction of purpose restrictions:		
Programs for the University	$ 1,406,555	1,616,611
Scholarships	673,662	645,288
Management and operating	10	261
Fundraising	-	4,600
	$ 2,080,227	2,266,760

(12) RETIREMENT PLANS

The Foundation has two employees who participate in the retirement plans and benefit programs of the University. The plans available include the Oklahoma Teachers' Retirement System (OTRS), which is a State of Oklahoma public employees' retirement system and a defined contribution plan, and the Supplemental Retirement Annuity, a single-employer defined benefit pension plan available to employees hired prior to July 1, 1987. During the years ended June 30, 2020 and 2019, the Foundation paid approximately $17,000 and $19,000, respectively, to OTRS.

The Foundation has not disclosed any amounts or items required by the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As the Foundation employees are considered employees of the University, all such disclosures will be made by the University.

(13) RELATED-PARTY TRANSACTIONS

The Foundation occupies, without charge, certain premises located on the campus of the University.

The Foundation benefits from voluntary services donated by related individuals and businesses which have not been reflected in the financial statements due to their immateriality.

At June 30, 2020 and 2019, the Foundation had $275,063 and $100,972, respectively, on deposit at a local bank for which a Board member of the Foundation also serves as an officer.

(14) COMMITMENT

During August 2019, the Board and donors approved a 5-year commitment of $350,000 to assist with the University football program. The Foundation made the first payment of $70,000 for the year ended on June 30, 2020. Future payments on the 5-year commitment are as follows:

Year Ending June 30:	
2021	$ 70,000
2022	70,000
2023	70,000
2024	70,000
	$ 280,000

(15) ENDOWMENTS

The Foundation’s endowments consisted of 334 and 321 individual donor-restricted funds as of June 30, 2020 and 2019, respectively, established for a variety of scholarships and activities. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on donor-imposed restrictions. The endowments represent only those net assets that are under the control of the Foundation.

See Independent Auditors’ Report.

(15) ENDOWMENTS, CONTINUED

Interpretation of Relevant Law

The Foundation is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies as net assets with donor restrictions (a time restriction in perpetuity) the original value of endowed gifts, and any subsequent gifts to the donor-restricted endowment. Investment earnings from the donor-restricted endowment are classified as net assets with donor restrictions (a purpose restriction) until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the donor-stipulated purpose within the standard of prudence prescribed by UPMIFA.

Spending Policy

The Foundation has established a spending policy whereby the total amount available to be disbursed (i.e., the “Distributable Cash Income”) from the Foundation’s endowment fund and operating fund is determined annually.

The Distributable Cash Income is determined using the most recent 5-year average return on investments (ROI). The purpose of the spending policy is to establish an overall spending limit for the amount of money that can be disbursed from the Foundation’s endowment fund and operating fund each fiscal year. The spending policy limit is determined by March 31 of each year and is used for budgeting purposes for the following fiscal year that starts on July 1.

The primary goal of the spending policy is to position the endowment fund and the unrestricted fund so that there is a balance between long-term growth and accumulation versus annual distributions.

The spending policy utilizes the most recent 5-year average ROI percentage, which allows for long-term ROI trends to be built into the spending policy. The spending policy calculation will have an annual floor and ceiling which will enable the Foundation to spend a base amount from the endowment fund in low ROI periods and have extra savings in high ROI periods.

Funds with Deficit Balances

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. No deficit balances of this nature were reported in net assets with donor restrictions at June 30, 2020 or 2019.

(15) ENDOWMENTS, CONTINUED

Endowment Net Asset Composition

The endowment net asset composition by type of fund as of June 30 was as follows:

	Donor-Restricted in Perpetuity	
	2020	2019
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donor	$ 29,731,557	27,889,936
Accumulated investment earnings	1,508,285	1,735,699
	$ 31,239,842	29,625,635

Changes in Endowment Net Assets

Changes in the endowment net assets for the years ended June 30 were as follows:

	Donor-Restricted in Perpetuity	
	2020	2019
Net assets, beginning of year	$ 29,625,635	26,698,865
Contributions and other revenues	1,841,622	2,583,679
Investment earnings, net	754,486	1,329,460
Amounts appropriated for expenditures	(981,901)	(986,369)
Net assets, end of year	$ 31,239,842	29,625,635

(16) FAIR VALUE MEASUREMENTS

Fair Value Measurements

The Foundation reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

> Level 1—Quoted prices (unadjusted) in active markets for identical assets that the Foundation can access at the measurement date.
>
> Level 2—Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.
>
> Level 3—Unobservable inputs for the asset. In these situations, the Foundation develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk, or liquidity profile of the asset.

The Foundation uses appropriate valuation methods based on the available inputs to measure the fair value of its assets.

(16) FAIR VALUE MEASUREMENTS, CONTINUED

Fair Value Measured on a Recurring Basis

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy.

Investments

A significant portion of the Foundation's investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values. The Foundation invests in certificates of deposit held at other financial institutions. Those certificates of deposit and U.S. government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 2. Fair value for the privately-owned corporate stock is determined by an annual independent appraisal using a combination of the market values and the investment value methods, which are considered Level 3 inputs. The fair value measurements considered to be observable inputs may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and the security's terms and conditions, among other things.

(16) FAIR VALUE MEASUREMENTS, CONTINUED

Fair Value Measured on a Recurring Basis, Continued

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30:

		Fair Value Measurements at Reporting Date Using		
	Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2020				
Mutual funds	$ 25,709,894	25,709,894	-	-
U.S. government securities	4,020,749	-	4,020,749	-
Corporate bonds	3,526,328	-	3,526,328	-
Certificates of deposit	143,487	-	143,487	-
Corporate stock—private	107,250	-	-	107,250
	$ 33,507,708	25,709,894	7,690,564	107,250
2019				
Mutual funds	$ 25,119,064	25,119,064	-	-
U.S. government securities	4,521,631	-	4,521,631	-
Corporate bonds	3,124,436	-	3,124,436	-
Certificates of deposit	141,254	-	141,254	-
Corporate stock—private	112,406	-	-	112,406
	$ 33,018,791	25,119,064	7,787,321	112,406

See Independent Auditors' Report.

(16) FAIR VALUE MEASUREMENTS, CONTINUED

Fair Value Measured on a Recurring Basis, Continued

The following is a reconciliation of the beginning and ending balances of the fair value of assets measured on a recurring basis using unobservable inputs (Level 3) for the years ended June 30:

	Privately Owned Corporate Stock
2020	
Balance at beginning of year	$ 112,406
Investment losses	(5,156)
Balance at end of year	$ 107,250
2019	
Balance at beginning of year	$ 109,313
Investment earnings	3,093
Balance at end of year	$ 112,406

Fair Value Measured on a Nonrecurring Basis

The following is a description of the valuation methodologies used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. The valuation methodologies are consistently applied from year to year.

Real Estate Held as Investment

The fair values of real estate held as investment are based on management's estimated fair values using unobservable Level 3 inputs.

The Foundation had real estate held as investment carried at fair value on a nonrecurring basis at both June 30, 2020 and 2019. The investment had a fair market value of $12,500 as of both June 30, 2020 and 2019.

(17) RISKS AND UNCERTAINTIES

The novel coronavirus ("COVID-19"), which was declared a global health emergency in January 2020 and a pandemic in March 2020, has caused significant changes in political and economic conditions around the world, including disruptions and volatility in the global capital markets. In response, the State of Oklahoma and local municipalities, including the City of Ada, Oklahoma, have taken various preventative or protective actions, such as imposing restrictions on business operations and advising or requiring individuals to limit or forgo their time outside of their homes. These issues impacted the operations of both the Foundation and University during the year ended June 30, 2020, including instituting remote work requirements for some employees and remote classroom learning for the University's students. The Foundation also obtained a PPP loan in April 2020 of approximately $47,000. The Foundation's management has considered the economic implications of the COVID-19 pandemic in making critical and significant accounting estimates included in the June 30, 2020, financial statements.

The extent to which the COVID-19 pandemic may impact the Foundation will depend on future developments which are uncertain, such as the duration of the outbreak, additional governmental mandates issued to mitigate the spread of the disease, business closures, economic disruptions, and the effectiveness of actions taken to contain and treat the virus. Accordingly, the COVID-19 pandemic may have a negative impact on the Foundation's future operations, the size and duration of which is difficult to predict. The Foundation's management will continue to actively monitor the situation and may take further actions altering operations that the Foundation's management determines are in the best interests of its employees and stakeholders, or as required by federal, state, or local authorities.

INDEPENDENT AUDITORS' 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*

To the Board of Trustees
East Central University Foundation, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of East Central University Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 8, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

1421 East 45th Street • Shawnee, OK 74804
P: 405.878.7300 • www.finley-cook.com • F: 405.395.3300

INDEPENDENT AUDITORS' 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*, CONTINUED

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation'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*.

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 Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Finley + Cook, PLLC

Shawnee, Oklahoma
September 8, 2020