



East Central University

A Department of the Regional
University System of Oklahoma

Annual Financial Report
For the Fiscal Year Ended
June 30, 2023

East Central University
(A Department of The Regional University System of Oklahoma)
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June 30, 2023

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**HINKLE &
COMPANY**

Strategic PC
Business Advisors

Independent Auditor's Report

Board of Regents
Regional University System of Oklahoma
East Central University
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of East Central University (the University), a department of the Regional University System of Oklahoma (RUSO), which is a component unit of the State of Oklahoma, and its discretely presented component unit, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the East Central University, as of June 30, 2023, and the changes in its financial position and where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 East Central University, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note A, the financial statements of the University are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of RUSO that is attributable to the transactions of the University. They do not purport to, and do not present fairly the financial position of RUSO as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Opinion is not modified with respect to this matter.

Office Locations:

Colorado Springs, CO
Denver, CO
Frisco, CO
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Suite 400
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Responsibilities of Management for the Financial Statements

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

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 University's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the East Central 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the East Central 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.



Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Central University's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, but is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the East Central University's internal control over financial reporting and compliance.

Hick & Company, PC

Englewood, Colorado
October 31, 2023



East Central University
(A Department of the Regional University System of Oklahoma)
Management's Discussion and Analysis (Unaudited)
June 30, 2023

OVERVIEW OF FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

East Central University (the "University") presents its financial statements for fiscal year 2023. Presented separately from the University are the financial statements of East Central University Foundation, Inc. ("the Foundation"). The Foundation is a discretely presented component unit of East Central University and has trustees that are independently elected. The Foundation also issues its financial statements in a separate report. Emphasis of discussions concerning these statements will be for the 2023 fiscal year data in comparison with the 2022 fiscal year data. While the 2022 data is not a part of the financial statements, significant fluctuations between the 2023 and 2022 data will be discussed. The Foundation's statements will not be a part of this discussion and analysis. The three financial statements, prepared in accordance with Governmental Accounting Standards Board ("GASB") principles, are the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. Since changes reflected in the Statement of Cash Flows will be discussed in the analysis of the other two statements, the Statement of Cash Flows will not be presented in this discussion and analysis. Dollar amounts presented in table and graph formats are in thousands of dollars, and those presented in the discussion are rounded to thousands. This discussion and analysis of the University's financial statements is designed to assist the readers in understanding the accompanying financial statements and to summarily quantify the status, sources, and uses of resources. The University will also utilize these statements in conjunction with prior year data to focus on trends and establish benchmark comparisons.

STATEMENT OF NET POSITION

The Statement of Net Position presents the Assets (current and non-current), Deferred Outflows of Resources, Liabilities (current and non-current), Deferred Inflows or Resources and Net Position (assets plus deferred outflows minus liabilities minus deferred inflows) at the end of the fiscal year. The purpose of the Statement of Net Position is to allow readers of the financial statements to determine the assets available to continue the operations of the University. They are also able to determine how much the University owes vendors, investors, and lending institutions. Finally, the Statement of Net Position provides a picture of the net position and their availability for expenditure by the University. The change in net position is an indicator of the overall financial condition of the University.

Net position is divided into three major categories. The first category, Net Investment in Capital Assets, provides the institution's equity in property, plant, and equipment owned by the University and is recorded at historical cost less accumulated depreciation. The next category, Restricted-Expendable Net Position, measured in current value, is available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is Unrestricted Net Position, also measured in current value. Unrestricted assets are available to the institution for any lawful purpose of the institution.

East Central University
(A Department of the Regional University System of Oklahoma)
Management's Discussion and Analysis (Unaudited)
June 30, 2023

STATEMENTS OF NET POSITION--(Continued)

	June 30	
	2023	2022
	<i>(Thousands of Dollars)</i>	
ASSETS		
Current assets	\$ 30,584	\$ 29,730
Capital assets, net	81,339	84,212
Other assets	3,873	3,553
TOTAL ASSETS	<u>\$ 115,796</u>	<u>\$ 117,495</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on OCIA lease restructure	<u>\$ 528</u>	<u>\$ 563</u>
 LIABILITIES		
Current Liabilities	\$ 7,063	\$ 5,656
Noncurrent Liabilities	24,842	26,852
TOTAL LIABILITIES	<u>\$ 31,905</u>	<u>\$ 32,508</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred gain on OCIA lease restructure	<u>\$ 414</u>	<u>\$ 434</u>
 NET POSITION		
Net investment in capital assets	\$ 55,046	\$ 56,448
Restricted-expendable	6,572	6,204
Unrestricted	22,387	22,463
TOTAL NET POSITION	<u>\$ 84,005</u>	<u>\$ 85,115</u>

The decrease in capital assets of approximately \$3,500,000 was due depreciation expense.

Total current liabilities increase by approximately \$1,300,000, which is made up of an increase of \$600,000 accounts and scholarships payable, along with a \$500,000 increase in current portion of long-term obligations. Total noncurrent liabilities decreased by approximately \$2,000,000 which is mainly due to payments on our ODFA master lease obligations and the \$500,000 becoming due in the next year.

East Central University
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Management's Discussion and Analysis (Unaudited)
June 30, 2023

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Another measure of an institution's fiscal stability is how operating revenues compare to operating expenses. Operating revenues are earned in exchange for providing goods and services, and operating expenses are incurred in the normal operations of the University. While public institutions will not normally have an excess of operating revenues over operating expenses (State Appropriations, some federal and state grants, gifts, and investment income are required to be reported as non-operating Revenues by GASB principles), the excess of operating revenues and non-operating revenues over expenses is normally an indication of the University's ability to operate within its available resources.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION--
(Continued)

	Years Ended June 30,	
	2023	2022
	<i>(Thousands of Dollars)</i>	
OPERATING REVENUES		
Tuition, fees, housing, & food service	\$ 20,903	\$ 17,477
Grants and contracts	6,166	5,311
Other operating revenues	6,416	5,990
TOTAL OPERATING REVENUES	33,485	28,778
OPERATING EXPENSES		
Compensation	31,739	31,779
Contractual services	5,454	6,706
Supplies & materials	2,557	2,127
Depreciation	5,472	4,758
Other operating expenses	17,344	16,783
TOTAL OPERATING EXPENSES	62,566	62,153
NET OPERATING INCOME (LOSS)	(29,081)	(33,375)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	14,462	13,906
Grants and contracts	12,006	19,567
Other revenues	175	132
Interest expense	(996)	(1,027)
TOTAL NON-OPERATING REVENUES (EXPENSES)	25,647	32,578
OTHER REVENUES AND GAINS	2,324	2,210
CHANGE IN NET POSITION	(1,110)	1,413
NET POSITION, BEGINNING OF YEAR	85,115	83,702
NET POSITION, END OF YEAR	\$ 84,005	\$ 85,115

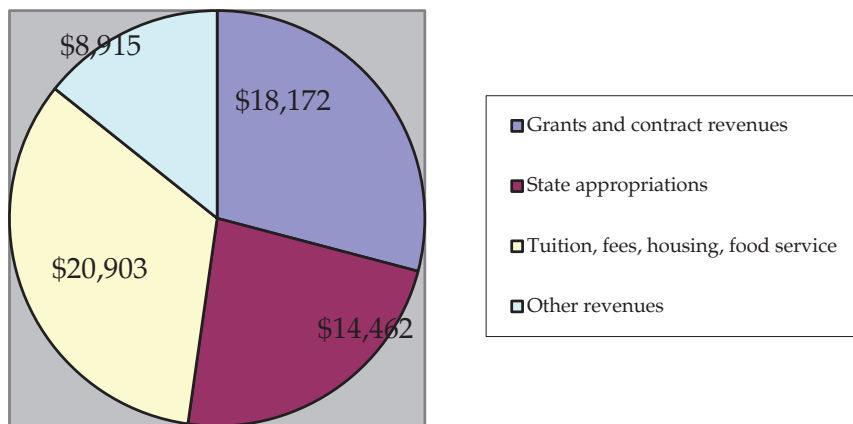
East Central University
(A Department of the Regional University System of Oklahoma)
Management's Discussion and Analysis (Unaudited)
June 30, 2023

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION--
(Continued)

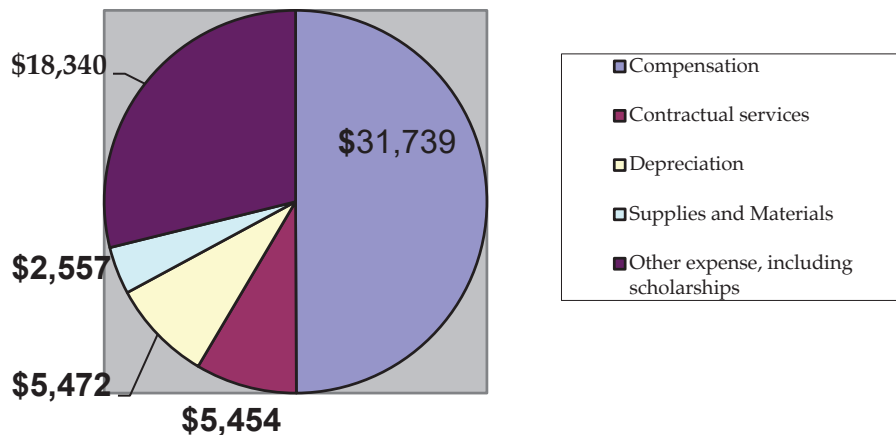
The University experienced an enrollment remained approximately the same for fiscal year 2023 and tuition and fees increased 3.6% for fiscal year 2023. This resulted in operating revenues increasing by approximately 19% or about \$3,400,000. This resulted in a decrease in tuition and fees. Nonoperating revenues decreased by approximately \$7,000,000 due to an decrease in government grants. The decrease in government grants was due to the ending of most of Higher Education Emergency Relief Funds (HEERF).

The major sources of revenues and expenditures (operating and non-operating) by the financial statement categories are summarized in the charts on the next page (in thousands of dollars).

REVENUES



EXPENSES



East Central University
(A Department of the Regional University System of Oklahoma)
Management's Discussion and Analysis (Unaudited)
June 30, 2023

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from noncapital financing activities consist primarily of revenue sources that fund operations but are considered non-operating activities by definition. Cash flows from capital activities include capital asset and related long-term debt activities. Cash flows from investing activities show the proceeds and uses of cash related to purchasing or selling investments and related investment earnings thereon. The University's Statement of Cash Flows is presented on pages 13 and 14 of the financial statements.

ECONOMIC OUTLOOK

The economic stability of the University is directly related to the state's economic stability. The State's economy continues to show optimistic signs. As recovery of the pandemic continues with pressure from increasing prices of goods and services to still existing supply chain issues. This is also impact directly as the Nation's economy continues to point towards recession the University will continue to work to meet the demands and needs of attending students.

State appropriations were approximately 29% of total revenues for fiscal year 2023. State appropriations to the University are expected to remain flat; therefore, total state appropriations are not expected to be returned to the fiscal year ending 2009 level. Therefore, the University will continue to feel a negative impact from this financial source.

East Central University
(A Department of The Regional University System of Oklahoma)
Statement of Net Position
June 30, 2023

	<u>University</u>	<u>Component Unit</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 27,117,035	\$ 411,722
Accounts receivable, net	1,745,199	1,085,000
Grants and contracts receivable	1,684,368	-
Interest receivable	15,524	-
Other receivable	8,050	-
Current portion of lease receivable	13,576	-
TOTAL CURRENT ASSETS	<u>30,583,752</u>	<u>1,496,722</u>
NONCURRENT ASSETS		
Restricted cash and cash equivalents	3,025,490	-
Restricted investments	254,396	-
Investments	-	41,666,622
Receivable from OSRHE Endowment Trust Fund	341,502	-
Accounts receivable, net	-	4,319,099
Other receivable	-	36,455
Lease Receivable	251,772	-
Capital and Lease assets, net	81,339,223	349,286
TOTAL NONCURRENT ASSETS	<u>85,212,383</u>	<u>46,371,462</u>
TOTAL ASSETS	<u>\$ 115,796,135</u>	<u>\$ 47,868,184</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on capital lease restructure	<u>\$ 528,257</u>	<u>\$ -</u>

(Continued)

East Central University
(A Department of The Regional University System of Oklahoma)
Statement of Net Position
June 30, 2023
(Continued)

	<u>University</u>	<u>Component Unit</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts and scholarships payable	\$ 1,497,766	\$ 62,884
Accrued payroll	119,841	-
Accrued interest	47,833	-
Unearned revenue	2,348,499	-
Current portion of noncurrent liabilities	<u>3,048,805</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	7,062,744	62,884
NONCURRENT LIABILITIES		
Accrued compensated absences	807,193	-
Bonds payable	2,890,564	-
Lease Liability	85,133	
SBITA Liability	425,296	
Unearned revenue	452,387	-
ODFA note obligations	16,283,748	-
Lease obligations payable to OCIA	<u>3,898,104</u>	<u>-</u>
TOTAL NONCURRENT LIABILITIES	24,842,425	-
TOTAL LIABILITIES	\$ 31,905,169	\$ 62,884
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on OCIA lease restructure	<u>\$ 414,301</u>	<u>\$ -</u>
NET POSITION		
Net investment in capital assets	\$ 55,045,833	\$ -
Restricted:		
Nonexpendable:		
Grants, bequests and contributions	3,546,333	47,178,907
Expendable:		
Loans	24,944	-
Capital projects	3,000,546	-
Unrestricted	<u>22,387,266</u>	<u>626,393</u>
TOTAL NET POSITION	\$ 84,004,922	\$ 47,805,300

East Central University
(A Department of The Regional University System of Oklahoma)
Statement of Revenues, Expenses, And Changes in Net Position
June 30, 2023

	University	Component Unit
OPERATING REVENUES		
Student tuition and fees, net of scholarship discounts and allowances of \$7,713,692	\$ 20,903,247	\$ -
Federal grants and contracts	5,476,513	-
State and local grants and contracts	689,562	-
Bookstore operations	63,676	-
Housing and food service (revenues of \$3,646,171 pledged as security on ODFA 2014 bonds).	5,455,476	-
Investment income	-	3,430,151
Contributions	-	9,458,037
Other operating revenues	896,212	3,750
TOTAL OPERATING REVENUES	33,484,686	12,891,938
OPERATING EXPENSES		
Compensation and employee benefits	31,738,805	338,213
Contractual services	5,453,698	43,752
Supplies and materials	2,556,610	1,541
Depreciation	5,472,119	-
Utilities	1,514,130	-
Communication expense	96,473	-
Scholarships and fellowships	12,791,482	-
Other operating expenses	2,942,717	3,879,031
TOTAL OPERATING EXPENSES	62,566,034	4,262,537
OPERATING INCOME (LOSS)	(29,081,348)	8,629,401
NONOPERATING REVENUES (EXPENSES)		
State appropriations	14,462,025	-
Federal Grants	6,243,042	-
State Grants	5,763,039	-
Investment income	169,448	-
Other Non-Operating Revenues	4,791	-
Interest expense	(995,795)	-
NET NONOPERATING REVENUE (EXPENSES)	25,646,550	-
Income before other revenues, expenses, gains, and losses	(3,434,798)	8,629,401
CAPITAL GIFTS AND GRANTS		
State appropriations restricted for capital purposes	1,416,632	-
Capital Contributions	131,032	-
OCIA on-behalf state appropriations	776,445	-
TOTAL CAPITAL GIFTS AND GRANTS	2,324,109	-
CHANGE IN NET POSITION	(1,110,689)	8,629,401
NET POSITION, BEGINNING OF YEAR	85,115,611	39,175,899
NET POSITION, END OF YEAR	\$ 84,004,922	\$ 47,805,300

East Central University
(A Department of The Regional University System of Oklahoma)
Statement of Cash Flows
June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 20,515,985
Grants and contracts	6,108,967
Auxiliary enterprise charges	6,425,038
Payments to employees for salaries and benefits	(31,626,703)
Payments to suppliers	<u>(24,620,462)</u>
NET CASH USED IN OPERATING ACTIVITIES	(23,197,175)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations	14,462,025
Nonoperating grants, primarily student financial assistance	12,006,081
Cash received from Non-Operating Revenues	4,791
Direct loan/FFEL receipts	(11,185,318)
Direct loan/FFEL payments	<u>11,185,318</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	26,472,897

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales of investments	323,712
Purchase of investments	(333,832)
Investment income received	<u>45,339</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	35,219

**CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES**

Cash paid for capital assets	(2,348,788)
Capital appropriations received	1,859,650
Drawdown of ODFA receivable	(5,639)
Proceeds from capital debt and leases	273,241
Repayments of capital debt and leases	(1,757,696)
Interest paid on capital debt and leases	<u>(908,256)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,887,488)</u>

NET INCREASE (DECREASE) IN CASH EQUIVALENTS	423,453
CASH AND CASH EQUIVALENTS, <i>BEGINNING OF YEAR</i>	<u>29,719,072</u>
CASH AND CASH EQUIVALENTS, <i>END OF YEAR</i>	<u>\$ 30,142,525</u>

(Continued)

East Central University
(A Department of The Regional University System of Oklahoma)
Statement of Cash Flows
June 30, 2023
(Continued)

RECONCILIATION OF OPERATING LOSS TO
NET CASH USED IN OPERATING ACTIVITIES

Operating loss	\$ (29,081,348)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	5,472,119
Changes in assets and liabilities:	
Student accounts receivable	(563,973)
Grants and Other receivables	(47,434)
Accounts payable and accrued liabilities	734,648
Accrued payroll	2,875
Unearned revenue	176,711
Compensated absences	<u>109,227</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (23,197,175)</u>

NONCASH INVESTING, NONCAPITAL FINANCING AND
CAPITAL AND RELATED FINANCING ACTIVITIES

Interest on capital debt paid by OCIA on behalf of the University	<u>\$ 236,026</u>
Principal on capital debt paid by OCIA on behalf of the University	<u>\$ 539,059</u>
Deferred cost on OCIA lease restructure	<u>\$ -</u>
Deferred gain on OCIA lease restructure	<u>\$ -</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS
TO STATEMENTS OF NET ASSETS

Current assets:	
Cash and cash equivalents	\$ 27,117,035
Noncurrent assets:	
Restricted cash and cash equivalents	<u>3,025,490</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 30,142,525</u>

East Central University
(A Department of The Regional University System of Oklahoma)
Notes to Financial Statements
June 30, 2023

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization: East Central University (the "University") is a regional University operating under the jurisdiction of the Regional University System of Oklahoma ("RUSO" or the "System") and the Oklahoma State Regents for Higher Education.

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

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

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

Discretely Presented Component Units: East Central University Foundation, Inc. (the "Foundation") is a component unit of the University under GASB 39 that is discretely presented with the financial statements of the University. The University is the beneficiary of the Foundation, a separate legal entity with their own Boards of Trustees. The Foundation is organized for the benefit of the University, and its faculty, student body, and programs. The purposes for which the Foundation is organized are exclusively scientific, literary, charitable, educational, and artistic for the benefit the University. Additional and selected disclosures for the Foundation are located in this report beginning with Note L. A complete report of the Foundation's financial statements and footnotes can be requested form the Foundation's director.

The Foundation is a private nonprofit organization that reports under the Financial Accounting Standards Board ("FASB") standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

Financial Statement Presentation: The University's financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statement and Management's Discussion and Analysis - for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. Under GASB Statements No. 34 and 35, the University is required to present a statement of net position classified between current and noncurrent assets and liabilities and deferred outflow and inflows, a statement of revenues, expenses and changes in net position, with separate presentation for operating and nonoperating revenues and expenses, and a statement of cash flows using the direct method.

East Central University
(A Department of The Regional University System of Oklahoma)
Notes to Financial Statements
June 30, 2023

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(Continued)

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

Cash Equivalents: For purposes of the statement of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State Treasurer's Cash Management Program are considered cash equivalents.

Investments: The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net position.

Restricted Cash and Investments: Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase capital or other noncurrent assets are classified as restricted assets in the statement of net position.

Accounts and Grants Receivable: Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of Oklahoma. Grants receivable include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grant and contracts. Accounts and grants receivable are recorded net of estimated uncollectible amounts.

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of \$2,500 or more and an estimated useful life of greater than one year. Computer Equipment with a unit cost of \$500 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 60 years for buildings, 20 to 30 years for infrastructure and land improvements, and 5 to 10 years for library materials and equipment. Lease assets are amortized over the life of the associated contract and the amortization expense is included in depreciation expense.

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NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(Continued)

Unearned Revenue: Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors and vendors that have not yet been earned.

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

Leases: The University is a party as lessor and lessee for various noncancellable long-term leases of buildings, equipment, and land. The corresponding lease receivable or lease payable, are recorded in an amount equal to the present value of the expected future minimum lease payments received or received, respectively, discounted by an applicable interest rate

Subscription Based Information Technology Arrangements (SBITA): SBITAs are amortized over the shorter of the useful life or the term of the associated contract.

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

Deferred Outflows of Resources: Deferred outflows are the consumption of net position by the University that is applicable to a future reporting period. At June 30, 2023, the University's deferred outflows of resources were comprised of deferred charges on note payable restructure.

Deferred Inflows of Resources: Deferred inflows are the acquisition of net position by the University that is applicable to a future reporting period. At June 30, 2023, the University's deferred inflows of resources were comprised of deferred gain on note payable restructure and from lease-related amounts that are recognized at the inception of leases in which the University is the lessor. The lease-related amounts are recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

Net position: The University's net position is classified as follows:

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

East Central University
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Notes to Financial Statements
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NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(Continued)

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

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

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

Income Taxes: The University, as a political subdivision of the State of Oklahoma, is exempt from all federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

The University generally uses an estimate based on municipal bond rate yield curves as the discount rate for leases and SBITAs unless the rate that the lessor/vendor charges is known.

Classification of Revenues: The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; and (3) certain grants and contracts.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, student aid revenues, and other revenue sources that are defined as nonoperating revenues by GASB No. 9 *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB No. 34, such as state appropriations, governmental, and other pass through grants and investment income.

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NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(Continued)

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

Fiduciary Funds: Fiduciary Funds are used to report assets held in a trustee or agency capacity for third parties and therefore are not available to support University programs. The reporting focus is net position and changes in net position and uses accounting principles similar to proprietary funds.

Agency Funds: Agency Funds are used to report resources held by the University in a purely custodial capacity (assets equal liabilities). Agency fund assets and liabilities are recognized using the accrual basis of accounting. The University has one agency fund for the Oklahoma Higher Education Employee Interlocal Group.

NOTE B--DEPOSITS AND INVESTMENTS

Deposits: *Custodial credit risk* for deposits is the risk that in the event of a bank failure, the University's deposits may not be returned or the University will not be able to recover collateral securities in the possession of an outside party. Generally, the University deposits its funds with the Office of the State Treasurer (OST) and those funds are pooled with funds of other state agencies and then, in accordance with statutory limitations, are placed in financial institutions or invested as the OST may determine, in the State's name.

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NOTE B--DEPOSITS AND INVESTMENTS--(Continued)

There are \$30,142,525 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2023. Of the \$30,142,525 on deposit with the State Treasurer, \$6,949,224, represents amounts held within *OK INVEST*, an internal investment pool. State Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives that establish the framework for the day-to-day *OK INVEST* management of funds with an emphasis on safety of the capital and the probable income to be derived while also meeting the State's daily cash flow requirements. Guidelines in the State Treasurer's Investment Policy address credit quality requirements, diversification percentages and the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer's website at <http://www.ok.gov/treasurer/>. An evaluation of the use and purpose of the various State Agencies and funds participation in the internal investment pool has determined that the amount on deposit with *OK INVEST* are treated as demand accounts and reported as cash equivalents.

Investments: Investment *credit risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the University's investments are managed by the State Treasurer. In accordance with state statutes, the State Treasurer may only purchase and invest in (a) obligations of the United States government, its agencies, and instrumentalities; (b) prime banker's acceptances; (c) investment grade obligations of state and local governments; (d) money market funds; (e) collateralized or insured certificates of deposits; (f) negotiable certificates of deposits; (g) prime commercial paper; and (h) repurchase agreements. *Interest rate risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments that are held for longer periods of time are subject to increased risk of adverse interest changes.

Neither the University nor state statutes limit investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates; however, the OST investment policy limits the average maturity on its portfolio to four (4) years, with certain individual securities having more restrictive limits as defined in the policy. *Concentration of credit risk* is the risk of loss attributed to the magnitude of the University's investment in a single issuer.

Neither the University's investment policy nor state statutes place limits on amounts that can be invested in any one issuer; however, the OST investment policy states that, with the exception of U.S. Treasury securities, no more than 50% of the State's total funds may be invested in a single security type or with a single financial institution, with diversification percentages being more restrictive on individual securities. *Custodial credit risk* for investments is the risk that, in the event of failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities in the possession of an outside party. As of June 30, 2023, none of the University's investments were subject to custody credit risk.

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Notes to Financial Statements
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NOTE B--DEPOSITS AND INVESTMENTS--(Continued)

Bond fund cash and investments: Certain non-pooled cash and investments are restricted in purpose by policies incorporated in applicable bond indentures. *Credit risk* policy generally restricts investing to cash, investments fully insured by the FDIC and U.S. government, and agency securities or mutual funds investing in these types of securities. There may be some variance among the investments authorized by the specific bond indentures of University bond issues. The OST and/or a trustee bank generally provide the management of restricted, non-pooled investments.

Custodial credit risk is not addressed by bond indentures. *Interest rate risk* in bond indentures provide that investments mature in no more than six to sixty months depending on the purpose of the funds and the requirements of the account in which the funds are deposited (i.e., construction, reserve, operations, and maintenance, etc.). *Concentration of credit risk* is not addressed.

At June 30, 2023, the University had restricted investments in bond funds amounting to \$254,396. The investment funds had a fair market value of \$254,396 at June 30, 2023. The invested bond funds are not subject to maturity dates and are due on demand.

The University, in association with various Trustees, has by law and in accordance with the trust indentures obtained various security and investment accounts to pay bond indebtedness and secure funds for said future payments. These funds are invested at the discretion of the Trustee, with no input from the University. Invested bond funds of \$254,396 had an average credit rating of Aaa-mf at June 30, 2023, according to Moody's.

The University implemented GASB Statement No. 72, *Fair Value Measurement and Application*, during the fiscal year ended June 30, 2016. The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The University has the following recurring fair value measurements as of June 30, 2023:

- Money Market Mutual Funds of \$254,396 are valued using quoted market prices (Level 1 inputs).

NOTE C--ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

Accounts Receivable: Accounts receivable consisted of the following at June 30, 2023:

Student tuition and fees	\$ 12,619,234
Less: allowance for doubtful accounts	<u>(10,874,035)</u>
Net accounts receivable	<u>\$ 1,745,199</u>

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Notes to Financial Statements
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NOTE C--ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES--(Continued)

Leases Receivable: The University as a lessor, has entered into a lease agreement involving land. The lease has annual installments totaling approximately \$7,000 to \$14,000, with interest rate of 1.58% and a due date of March 2046. The amount of lease receivable at June 30, 2023 was \$265,348.

NOTE D--CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2023:

	(Restated) Balance June 30, 2022	Additions	Transfers	Retirements/ Adjustments	Balance June 30, 2023
Capital assets not being depreciated					
Land	\$ 4,784,300	\$ -	\$ -	\$ -	\$ 4,784,300
Art	170,485	-	-	-	170,485
Construction in progress	62,620	719,310	(173,629)	-	608,301
Total assets not being depreciated	\$ 5,017,405	\$ 719,310	\$ (173,629)	\$ -	\$ 5,563,086
Other capital assets					
Non-major infrastructure networks	\$ 4,400,586	\$ 147,869	\$ -	\$ -	\$ 4,548,455
Land improvements	5,162,251	98,393	173,629	-	5,434,273
Buildings	121,181,712	42,934	-	-	121,224,646
Furniture, fixtures, and equipment	17,523,980	570,143	-	(16,400)	18,077,723
Software	1,044,870	-	-	-	1,044,870
Library materials	6,629,970	-	-	-	6,629,970
Total other capital assets	155,943,369	859,339	173,629	(16,400)	156,959,937
Less: accumulated depreciation for					
Non-major infrastructure networks	(1,051,734)	(511,102)	-	-	(1,562,836)
Land improvements	(2,733,861)	(289,641)	-	-	(3,023,502)
Buildings	(51,612,805)	(3,166,549)	-	-	(54,779,354)
Furniture, fixtures, and equipment	(13,973,135)	(1,121,509)	-	16,400	(15,078,244)
Software	(1,015,935)	(19,507)	-	-	(1,035,442)
Library materials	(6,511,745)	(43,567)	-	-	(6,555,312)
Total accumulated depreciation	(76,899,215)	(5,151,875)	-	16,400	(82,034,690)
Other capital assets, net	\$ 79,044,154	\$ (4,292,536)	\$ 173,629	\$ -	\$ 74,925,247
Capital asset summary:					
Capital assets not being depreciated	\$ 5,017,405	\$ 719,310	\$ (173,629)	\$ -	\$ 5,563,086
Other capital assets, at cost	155,943,369	859,339	173,629	(16,400)	156,959,937
Total cost of capital assets	160,960,774	1,578,649	-	(16,400)	162,523,023
Less: accumulated depreciation	(76,899,215)	(5,151,875)	-	16,400	(82,034,690)
Capital assets, net	\$ 84,061,559	\$ (3,573,226)	\$ -	\$ -	\$ 80,488,333
Reconciliation to Financial Statements					
Lease assets, net	\$ 150,654	\$ 6,236	\$ -	\$ -	\$ 156,890
SBITA intangible, net	934,536	(240,536)	-	-	694,000
Capital and Lease assets, net	\$ 85,146,749	\$ (3,807,526)	\$ -	\$ -	\$ 81,339,223

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Notes to Financial Statements
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NOTE D--CAPITAL ASSETS--(Continued)

	(Restated) Balance June 30, 2022	Additions	Transfers	Retirements/ Adjustments	Balance June 30, 2023
Lease assets					
Equipment	\$ 212,855	\$ 85,944	\$ -	\$ -	\$ 298,799
Less: accumulated amortization	(62,201)	(79,708)	-	-	(141,909)
Lease assets, net	<u>\$ 150,654</u>	<u>\$ 6,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,890</u>
SBITA					
Intangible SBITAs	\$ 934,536	\$ -	\$ -	\$ -	\$ 934,536
Less: accumulated amortization	-	(240,536)	-	-	(240,536)
SBITA intangible, net	<u>\$ 934,536</u>	<u>\$ (240,536)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 694,000</u>

NOTE E--LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2023, was as follows:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Amounts due within one year
Bonds payable and capital lease obligations					
Revenue Bonds Payable	\$ 3,075,000	\$ -	\$ (205,000)	\$ 2,870,000	\$ 215,000
Revenue Bonds Premium	253,012	-	(8,724)	244,288	8,724
	<u>3,328,012</u>	-	(213,724)	3,114,288	223,724
ODFA Master Note Payables	18,090,500	-	(1,245,667)	16,844,833	1,289,583
Note Payable Premiums	864,980	-	(68,241)	796,739	68,241
OCIA Note obligations	4,990,095	-	(539,059)	4,451,036	552,932
Total bonds and capital lease	<u>23,945,575</u>	-	(1,852,967)	22,092,608	1,910,756
Other liabilities					
Unearned Revenue	714,451	-	(131,032)	583,419	131,032
Lease Liabilities	151,709	85,945	(82,775)	154,879	69,746
SBITA Liabilities	934,536	-	(300,813)	633,723	208,427
Accrued compensated absences	1,203,086	572,305	(463,078)	1,312,313	505,120
Total long-term liabilities	<u>\$ 30,277,369</u>	<u>\$ 658,250</u>	<u>\$ (3,044,389)</u>	<u>\$ 27,891,230</u>	<u>\$ 3,048,805</u>

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NOTE E--LONG-TERM LIABILITIES--(Continued)

Revenue Bonds Payable:

Board of Regents of Oklahoma Colleges Student Housing Revenue Bonds,

During 2015, the University refinanced the Board of Regents of Oklahoma Colleges Student Housing Revenue Bonds, Series 2003 with Oklahoma Development Finance Authority ("ODFA") 2014 Revenue bonds. The original bond purpose was for construction and renovating certain Student Housing Facilities. The new bonds are due in annual installments varying from \$160,000 to \$315,000 plus semiannual interest ranging from 2% to 4.55%, with the final installment being due in the year 2034. The Bonds are secured by the revenues to be derived from the Student Housing and Food Services Department and all monies in funds and accounts held by the trustee bank and available for debt service payments. The refinancing resulted in a deferred outflow of resources that will be amortized over a period of twenty years, beginning in fiscal year 2015. As of June 30, 2023, the unamortized cost totaled \$269,433.

Future aggregate maturities of principal and interest requirements on the bonds payable at June 30, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30:			
2024	\$ 215,000	\$ 110,500	\$ 325,500
2025	220,000	101,800	321,800
2026	230,000	92,800	322,800
2027	240,000	83,400	323,400
2028	250,000	73,600	323,600
2029-2033	1,400,000	207,600	1,607,600
2034-2038	<u>315,000</u>	<u>6,300</u>	<u>321,300</u>
	<u>\$ 2,870,000</u>	<u>\$ 676,000</u>	<u>\$ 3,546,000</u>

Note Obligations:

Oklahoma Development Finance Authority

In 2014, ODFA issued the ODFA Revenue Bonds, Series 2014C. The 2014C Bonds were issued to fund capital improvements at several state colleges and universities in Oklahoma. ODFA allocated the 2014C Bond proceeds to colleges and universities in the form of financing agreements. East Central University's portion of this allocation totaled \$4,928,000. The proceeds from this agreement will be used to fund improvements to the education building. The agreement calls for monthly payments to ODFA in an amount that equal debt service requirements on the portion of the bonds used to finance the agreement, those amounts range from \$26,867 to \$29,564. The final payment on the agreement is due May 15, 2034. As of June 30 2023, the University has \$7,994 available for its intended purpose.

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Notes to Financial Statements
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NOTE E--LONG-TERM LIABILITIES--(Continued)

In 2015, ODFA issued the ODFA Revenue Bonds, Series 2015A. The 2015A Bonds were issued to fund capital improvements at several state colleges and universities in Oklahoma. ODFA allocated the 2015A Bond proceeds to colleges and universities in the form of financing agreement. East Central University's portion of this allocation totaled \$6,833,000. The proceeds from this agreement will be used to fund improvements to campus buildings. The agreement calls for monthly payments to ODFA in an amount that equal debt service requirements on the portion of the bonds used to finance the agreement, those amounts range from \$19,923 to \$39,167. The final payment on the agreement is due May 15, 2034.

In 2016, the University refinanced the Board of Regents of Oklahoma Colleges Fine Arts Center Revenue Bonds, Series 2005 (the "Bonds") with Oklahoma Development Finance Authority ("ODFA") Real Property 2015A. The original purpose was for constructing a Fine Arts Center for the amount of \$5,000,000. The new debt is due in annual installments varying from \$122,000 to \$278,000 plus interest ranging from 3.70% to 4.50%, with the final installment being due in the year 2035.

In 2016, ODFA issued the ODFA Revenue Bonds, Series 2015D. The 2015D Bonds were issued to fund capital improvements at several state colleges and universities in Oklahoma. ODFA allocated the 2016D Bond proceeds to colleges and universities in the form of financing agreement. The University's portion of this allocation totaled \$1,000,000. The proceeds from this agreement will be used to fund improvements to Norris Field. The agreement calls for monthly payments to ODFA in an amount that equal debt service requirements on the portion of the bonds used to finance the agreement, those amounts range from \$9,699 to \$11,110. The final payment on the agreement is due May 15, 2025.

In 2017, ODFA issued the ODFA Revenue Bonds, Series 2016F. The 2016F Bonds were issued to fund capital improvements at several state colleges and universities in Oklahoma. ODFA allocated the 2016F Bond proceeds to colleges and universities in the form of financing agreement. The University's portion of this allocation totaled \$10,000,000. The proceeds from this agreement will be used to build a new student dorm. The agreement calls for monthly payments to ODFA in an amount that equal debt service requirements on the portion of the bonds used to finance the agreement, those amounts range from \$55,380 to \$64,158. The final payment on the agreement is due May 15, 2036.

Oklahoma Capital Improvement Authority

The University has various OCIA obligations that it has acquired over the years to fund several different projects. These obligations have various terms do to refinancing over the years. Payments to OCIA totaling \$539,059 during the year ended June 30, 2023, were made by the State of Oklahoma on behalf of the University. These on-behalf payments have been recorded as restricted state appropriations in the statement of revenues, expenses, and changes in net position.

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Notes to Financial Statements
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NOTE E--LONG-TERM LIABILITIES--(Continued)

Future minimum payments under the University's obligations to the OCIA and ODFA are as follows:

Year Ending June 30:	Principal	Interest	Total
2024	\$ 1,842,515	\$ 828,911	\$ 2,671,426
2025	1,899,165	760,586	2,659,751
2026	1,862,831	688,860	2,551,691
2027	1,930,244	621,494	2,551,738
2028	2,010,417	545,126	2,555,543
2029-2033	8,958,611	1,531,602	10,490,213
2034-2038	2,792,086	180,329	2,972,415
	<u>\$ 21,295,869</u>	<u>\$ 5,156,908</u>	<u>\$ 26,452,777</u>

Unearned revenue: The University entered into a twenty year management agreement with the Professional Food Management, Inc. ("Chartwells") in 2008. Chartwells obtained the right to operate the cafeteria and other food services for the University and to be compensated by the University. Chartwells invested approximately \$2,150,000 on capital assets, fixtures, or improvements for the University's dining and service facilities. However, if the agreement is terminated prior to completion (2028), the University must reimburse Chartwells for the unamortized portion of the capital assets. During 2015, another \$237,000 was added for the addition of Papa Johns Pizza equipment. At June 30, 2023, the University has a liability for approximately \$583,000 in the accompanying statement of net position. The amortization for the year ended June 30, 2023 was approximately \$131,000.

Lease Liabilities: The University as a lessee, has entered into lease agreements involving equipment. The annual installments totaling approximately \$10,000 to \$70,000. Interest rates range from 0.49% to 2.36%, with due dates from March 2024 to September 2026.

Year Ending June 30:	Principal	Interest	Total
2024	\$ 69,746	\$ 1,954	\$ 71,700
2025	43,042	1,332	44,374
2026	27,437	778	28,215
2027	14,654	346	15,000
	<u>\$ 154,879</u>	<u>\$ 4,410</u>	<u>\$ 159,289</u>

Subscription Based Information Technology Arrangements (SBITA): The University has entered into SBITAs involving various operational software with terms ranging from 2 to 11 years. The annual installments totaling approximately \$1,000 to \$86,000. Interest rates range from 2.06% to 3.12%.

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Notes to Financial Statements
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NOTE E--LONG-TERM LIABILITIES--(Continued)

Year Ending June 30:	Principal	Interest	Total
2024	\$ 208,427	\$ 14,925	\$ 223,352
2025	213,898	10,135	224,033
2026	130,992	5,180	136,172
2027	8,519	2,409	10,928
2028	9,669	2,147	11,816
2029-2033	32,742	7,370	40,112
2034-2038	29,476	1,916	31,392
	<u>\$ 633,723</u>	<u>\$ 44,082</u>	<u>\$ 677,805</u>

NOTE F--RETIREMENT PLANS

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

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

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

Oklahoma Teachers' Retirement System (OTRS)

Plan Description: The University contributes to the Oklahoma Teachers' Retirement System (the "OTRS"), a cost-sharing multiple-employer defined benefit pension plan sponsored by the State of Oklahoma. The OTRS provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. The benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 70 of the Oklahoma Statutes, Sections 17-101 through 116.9, as amended, assigns the authority for management and operations of the Plan to the Board of Trustees of the OTRS. The OTRS does not provide for a cost-of-living adjustment. OTRS issues a publicly available financial report that can be obtained at www.ok.gov/OTRS.

Funding Policy: The University is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate of 8.55%, is applied to annual compensation, and is determined by state statute.

East Central University
(A Department of The Regional University System of Oklahoma)
Notes to Financial Statements
June 30, 2023

NOTE F--RETIREMENT PLANS--(Continued)

Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2023, 2022 and 2021. For compensation in excess of \$25,000, the employee's contributions are paid directly by the University to the OTRS.

The University's contributions to the OTRS for the year ended June 30, 2023, 2022 and 2021 were approximately \$3,846,000, \$2,210,000, and \$4,527,000, respectively. These contributions included the University's statutory contribution and the share of the employees' contribution paid directly by the University.

Defined Contribution 403(b) Plan

The University also has a defined contribution 403(b) plan (DCP) available to full-time employees. The DCP is administered by the RUSO System, and the plan provisions are established and may be amended by the Board of Regents. Plan members may make voluntary contributions in accordance with IRS regulations. The University has no contribution requirements, and no contributions were made during the year ended June 30, 2023.

Supplemental Retirement Annuity (SRA)

Plan Description: The University's SRA plan is a single employer, defined benefit pension plan administered by the University's Board of Regents. The SRA was established by the University's Board of Regents to provide supplemental retirement and death benefits to University employees who were hired prior to July 1, 1995, or to those eligible employees' beneficiaries. The authority to amend the SRA's benefit provisions rests with the University's Board of Regents. The SRA is included in the financial report of the System, and does not issue separate, stand-alone financial statements.

Funding Policy: The authority to establish and amend eligible employees' and employer contribution obligations to the SRA rests with the University's Board of Regents. Eligible employees are not required to make contributions to the SRA. The University is required to contribute to the SRA an actuarially determined amount on an annual basis. The plan currently has adopted a funding policy to achieve a 100 percent funding level by December 1, 2030.

The University's contributions to the SRA for the years ended June 30, 2023, 2022, and 2021, were approximately \$-0-, \$575,566 and \$590,000, respectively.

East Central University
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Notes to Financial Statements
June 30, 2023

NOTE G--OTHER POST-EMPLOYMENT INSURANCE BENEFITS

Postemployment Healthcare Plan

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

Funding Policy

The contribution requirements of the System are established and may be amended by the Regional University System of Oklahoma Board of Regents. The University is required to contribute the *actuarially determined employer contribution*, in an amount actuarially determined by an actuary. The ADEC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. In 2023, an updated valuation was not performed for 2023 for funding purposes.

NOTE H--FUNDS HELD IN TRUST BY OTHERS--(Continued)

Beneficial Interest in State School Land Funds: The University has a beneficial interest in the "Section Thirteen Fund State Educational Institutions" and the "New College Fund" administered by the Commissioners of the Land Office as trustees for the various educational institutions entitled thereto. The University has the right to receive annually 3.7% of the distributions of income produced by "Section Thirteen Fund State Educational Institutions" assets and 100% of the distributions of income produced by East Central University's "New College Fund." The University received approximately \$1,103,000 during the year ended June 30, 2023, which is restricted to the construction or acquisition of buildings, equipment, or other capital items. These amounts are recorded as state appropriations restricted for capital purposes in the statement of revenues, expenses, and changes in net position. State law prohibits the distribution of any corpus of these funds to the beneficiaries. The cost basis of the total trust reserve for the University, held in trust by the commissioners of Land Office, was approximately \$22,181,000 at June 30, 2023.

East Central University
(A Department of The Regional University System of Oklahoma)
Notes to Financial Statements
June 30, 2023

NOTE H--FUNDS HELD IN TRUST BY OTHERS--(Continued)

Oklahoma State Regents Endowment Trust Fund: In connection with the Oklahoma State Regents' Endowment Program (the Endowment Program), the State of Oklahoma has matched contributions received under the program. The state match amounts, plus any retained accumulated earnings, totaled approximately \$5,177,000 at June 30, 2023, and is invested by the Oklahoma State Regents on behalf of the University.

The University is entitled to receive an annual distribution of 4.5% of the three-year average of the June 30th market values on these funds. As legal title of the State Regents matching endowment funds is retained by the Oklahoma State Regents, only the funds available for distribution, or approximately \$342,000 at June 30, 2023, has been reflected as assets in the statement of net position.

NOTE I--RELATED PARTY TRANSACTIONS

The Foundation is a not-for-profit corporation organized for the purpose of receiving and administering gifts for the benefit of the University. Distributions of amounts held by the Foundation are subject to the approval of the Foundation's Board of Trustees. The Foundation's primary function is to provide assistance to students of the University in the form of scholarships and awards, and during 2022, the Foundation provided approximately \$857,000 in scholarships to students. Additionally, the Foundation provides financial assistance to the faculty and staff of the University, as well as the University's programs and projects, and during 2022, the Foundation provided approximately \$1,686,000 in aid to programs, faculty, and staff. Many of the contributions received by the Foundation are designated by the donors to be used for specific purposes or by specific departments. In these instances, the Foundation serves essentially as a conduit. Contributions that are not designated are used where the need is considered the greatest, as determined by the Foundation.

The East Central University Gas Authority was created in 1963 to operate the natural gas pipeline system on campus. The authority is inactive and the University handles the gas lines as needed.

NOTE J--COMMITMENTS AND CONTINGENCIES

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

East Central University
(A Department of The Regional University System of Oklahoma)
Notes to Financial Statements
June 30, 2023

NOTE J--COMMITMENTS AND CONTINGENCIES--(Continued)

The University participates in the Federal Direct Student Loan Program (Direct Lending Program). The Direct Lending Program requires the University to draw down cash from the U.S. Department of Education, as well as perform certain administrative functions under the Direct Lending Program. For the year ended June 30, 2023, approximately \$11,185,000 of Direct Lending Program loans was provided to University students.

During the ordinary course of business, the University may be subjected to various lawsuits and civil action claims. Management believes that resolution of any such matters pending at June 30, 2023, will not have material adverse impact to the University.

NOTE K--RISK MANAGEMENT

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

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

The University also participates in the College Association of Liability Management ("CALM") Workers' Compensation Plan for its workers' compensation coverage. CALM is an Interlocal Cooperative Act Agency that was organized to provide workers' compensation insurance coverage for participating colleges and universities through the State Insurance Fund. CALM is a political subdivision of the State of Oklahoma and is governed by a Board of Trustees elected from members of the participating colleges and universities.

The University participates in the Oklahoma Higher Education Employee Interlocal Group Health Insurance Pool "OKHEEI". University employees are provided health insurance coverage through OKHEEI. OKHEEI is an Interlocal Cooperative Act Agency organized as a public entity risk pool health insurance program for participating Colleges and Universities in the State. The University pays monthly health insurance premiums to OKHEEI for employee health insurance coverage based on the health coverage elected by the employee and the maximum benefit provide by the University for health coverage. Amounts of premiums exceeding benefits are payable by the employee. The governing agreement for OKHEEI specifies that the pool will be self-sustaining through premiums received and with additional stop-loss coverages obtained. If health care claims exceed reserves and reinsurance coverages, additional assessments may be made to participating Colleges and Universities. As of June 30, 2023 additional assessments did not occur.

East Central University
(A Department of The Regional University System of Oklahoma)
Notes to Financial Statements
June 30, 2023

NOTE L--EAST CENTRAL UNIVERSITY FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT

Nature of the Entity

General: The East Central University Foundation, Inc. (the "Foundation") is a nonprofit corporation. The purposes for which the Foundation is organized are exclusively scientific, literary, charitable, educational, and artistic for the benefit of the University, 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 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 generally accepted accounting principles.

Cash and Cash Equivalents

A summary of the cash and cash equivalents at June 30, 2023, is as follows:

Cash in bank	\$ 22,379
Money market account held at Vanguard	<u>389,343</u>
	<u>\$ 411,722</u>

Custodial Credit Risks-Deposits: The Foundation had the following depository accounts as of June 30, 2023. All deposits are carried at cost.

Depository Account	Reported Amount	Bank Balance
Insured	\$ 22,379	\$ 81,221
Uninsured and uncollateralized	<u>389,343</u>	<u>389,343</u>
	<u>\$ 411,722</u>	<u>\$ 470,564</u>

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 policy does not address bank balances (other than money markets) that are uninsured or uncollateralized, deposits are generally required to be insured or collateralized.

East Central University
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Notes to Financial Statements
June 30, 2023

NOTE L--EAST CENTRAL UNIVERSITY FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT--(Continued)

Investments

The Foundation primarily uses an investment manager to manage the investments, which includes purchasing and sales. As of June 30, 2022, the investment manager was Vanguard Institutional Advisory Services ("Vanguard").

As of June 30, 2023, the Foundation's target allocation and allocation range for assets was as follows:

<u>Asset class</u>	<u>Target Asset Allocation</u>	<u>Allocation Range</u>
Cash equivalents	01%	1%-4%
Fixed income	44%	35%-55%
Equity	55%	45%-65%
Total	<u>100%</u>	

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.

Investment securities are presented at fair value. Fair values were determined on the basis of closing prices at June 30, 2023, as quoted on major stock exchanges or over-the-counter markets.

	<u>Cost</u>	<u>Fair Value</u>	<u>Excess (Deficit) of Market Over Cost</u>
Current:			
Certificates of deposit	\$ -	\$ -	\$ -
Non-current:			
Mutual funds	\$ 41,347,886	\$ 41,538,747	\$ 190,861
Corporate stock-private	127,875	127,875	-
	<u>\$ 41,475,761</u>	<u>\$ 41,666,622</u>	<u>\$ 190,861</u>

The Foundation recognized \$13,482 during 2023 from net losses on sale of investments. These gains have been combined with other earnings on investments and allocated throughout the year through the consolidated investment pool.

East Central University
(A Department of The Regional University System of Oklahoma)
Notes to Financial Statements
June 30, 2023

NOTE L--EAST CENTRAL UNIVERSITY FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT--(Continued)

Investments--(Continued)

The following table provides information as of June 30, 2023, concerning the fair value of 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
Mutual funds(no maturity)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,538,747	\$ 41,347,886
Corporate stock-private(no maturity)	-	-	-	-	-	127,875	127,875
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,666,622</u>	<u>\$ 41,475,761</u>

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

Moody's Rating	Cost	Fair Value (FV)	FV as a % of Total FV
Not rated:			
Mutual funds	40,417,057	38,112,061	99.387%
Corporate stock-private	144,375	144,375	0.376%
Certificates of deposit	90,784	90,784	0.237%
	<u>\$ 40,652,216</u>	<u>\$ 38,347,220</u>	<u>100.000%</u>

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.

Art

During the year ended June 30, 2014, the Foundation received a donation of various pieces of art. The art 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 art was recorded at appraised value at the date the gift was given. There will be no planned depreciation of the art as it will be reviewed periodically for impairment. As of June 30 2022, the art had a value of approximately \$336,000, and is reported as capital assets in the accompanying financial statements.

East Central University
(A Department of The Regional University System of Oklahoma)
Notes to Financial Statements
June 30, 2023

NOTE L--EAST CENTRAL UNIVERSITY FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT--(Continued)

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 individuals and businesses which have not been reflected in the financial statements due to their immateriality.

During 2023, the Foundation had Board member who served as an officer of local banks where the Foundation has a certificate of deposit. As of June 30, 2023 the deposit at the local bank had a book balance of \$22,379.

Endowments

The Foundation's endowments consist of 403 individual donor-restricted funds established for a variety of scholarships and activities. As required by accounting principles generally accepted in the United States, net position associated with endowment funds are classified and reported based on donor-imposed restrictions. The endowments represent only those net position that are under the control of the Foundation.

Interpretation of Relevant Law: The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") as requiring the preservation of the purchasing power of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Therefore, the Foundation classifies as permanently restricted net position 1) the original value of endowed gifts, 2) any subsequent gifts, and 3) any accumulations to the permanent endowment made in accordance with the direction of the donor gift instrument.

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.

East Central University
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Notes to Financial Statements
June 30, 2023

NOTE L--EAST CENTRAL UNIVERSITY FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT--(Continued)

Endowments--(Continued)

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.

Underwater Endowments: The Foundation considers an endowment fund to be underwater if the fair value of the fund is less than the sum of the original value of initial and subsequent gift amounts donated to the fund and any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation complies with UPMIFA and has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under law.

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. Deficiencies resulted from unfavorable market fluctuations that occurred. Deficiencies as of June 30, 2023, were as follows:

Fair Value	\$ 538,671
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donor	<u>(562,000)</u>
Deficiencies	<u><u>\$ (23,329)</u></u>

East Central University
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Notes to Financial Statements
June 30, 2023

NOTE L--EAST CENTRAL UNIVERSITY FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT--(Continued)

Endowments--(Continued)

Net Position Composition of Endowments: The net asset composition of endowments by type of fund as of June 30, 2023, was as follows:

Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donor	\$ 37,342,413
Accumulated investment earnings	<u>1,165,540</u>
Total	<u>\$ 38,507,953</u>

Changes in Net Position of Endowments:

Changes in the net position of endowments for the year ended June 30, 2023, were as follows:

	Donor-Restricted in Perpetuity
Net position, beginning of year	\$ 35,552,616
Contributions and other revenues	2,053,037
Investment (losses) earnings, net	2,567,364
Amounts appropriated for expenditures	<u>(1,665,064)</u>
Net position, end of year, restated	<u>\$ 38,507,953</u>

Disclosure about Fair Value of Financial Instruments

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.

East Central University
(A Department of The Regional University System of Oklahoma)
 Notes to Financial Statements
 June 30, 2023

NOTE L--EAST CENTRAL UNIVERSITY FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT--(Continued)

Disclosure about Fair Value of Financial Instruments--(Continued)

- 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.

The following table presents the fair value measurement 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:

	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)
Mutual funds	\$ 41,538,747	\$ 41,538,747	\$ -	\$ -
Corporate stock-private	127,875	-	-	127,875
	<u>\$ 41,666,622</u>	<u>\$ 41,538,747</u>	<u>\$ -</u>	<u>\$ 127,875</u>

REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND 2 CFR 200



East Central University
A Department of the Regional
University System of Oklahoma
Single Audit Reports
For the Fiscal Year Ended
JUNE 30, 2023

East Central University
A Department of the Regional University System of Oklahoma
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Year Ended June 30, 2023

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

Board of Regents
Regional University System of Oklahoma
East Central University
Oklahoma City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of East Central University (the University), a department of the Regional University system of Oklahoma (RUSO), which is a component unit of the State of Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 31, 2023

Our report includes a reference to other auditors who audited the financial statements of East Central University, Inc. (the "Foundation"), the University's discretely presented component unit, as described in our report on the University's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

Office Locations:

Colorado Springs, CO
Denver, CO
Frisco, CO
Tulsa, OK

Denver Office:

750 W. Hampden Avenue,
Suite 400
Englewood,
Colorado 80110
TEL: 303.796.1000
FAX: 303.796.1001
www.HinkleCPAs.com

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

Compliance and Other Matters

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

Purpose of this Report

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

Hick & Company, PC

Englewood, Colorado
October 31, 2023





**HINKLE &
COMPANY**
Strategic PC
Business Advisors

**Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control over Compliance Required by the Uniform
Guidance, and Report on the Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Board of Regents
Regional University System of Oklahoma
East Central University
Oklahoma City, Oklahoma

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited East Central University's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the East Central University's major federal programs for the year ended June 30, 2023. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, East Central University compiled, in all material respects, with the compliance requirements referred to above that could of a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Auditor's Responsibility

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

We are required to be independent of East Central University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for East Central University's compliance with the compliance requirements referred to above.

Office Locations:

Colorado Springs, CO
Denver, CO
Frisco, CO
Tulsa, OK

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Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.



A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the of the University as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements of the University. We issued our report thereon dated October 31, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Hick & Company, PC

Englewood, Colorado
October 31, 2023



East Central University
(A Department of The Regional University System of Oklahoma)
Schedule of Expenditures of Federal Awards
June 30, 2023

Federal Grantor / Pass-Through Grantor / Program Title	Assistance Listing Number	Pass-Through Entity Identification Number	Federal Expenditures
U.S. Department of Education			
<i>Student financial aid cluster</i>			
Direct programs			
Student financial aid cluster			
Federal Pell Grant Program	84.063	N/A	\$ 5,907,204
Federal Supplemental Education Opportunity Grants	84.007	N/A	136,480
Federal Work Study Program	84.033	N/A	277,774
Direct Lending	84.268	N/A	11,185,318
Total student financial aid cluster			<u>17,506,776</u>
Trio program Cluster			
Upward Bound	84.047	N/A	919,887
Veterans Upward Bound	84.047A	N/A	327,906
Upward Bound Math/Science	84.047M	N/A	337,516
secure success, TRIO-Student Support Services	84.042	N/A	536,639
McNair Post-Baccalaureate Program	84.217A	N/A	272,650
Educational Opportunity Centers	84.066A	N/A	472,929
Total Trio program cluster			<u>2,867,527</u>
Total Covid-19 direct programs			
Higher Education Emergency Relief Covid-19 - Relief Funds	84.425	N/A	49,171
Total Covid-19 direct programs			<u>49,171</u>
Other direct programs			
Child Care Access Means Parents in School	84.335A	N/A	19,630
Math Teacher's Circle	84.299A	N/A	2,742
Movements and Population of Pronghorn	15.611	N/A	17,592
Total other direct programs			<u>39,964</u>
Passed through Oklahoma State Regents for Higher Education			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.344S		63,665
Strengthening Minority-Serving Institutions/Native American Voices	84.382		505,198
Total U.S. Department of Education			<u>21,032,301</u>
Research and Development (R&D) Cluster			
<i>U.S. Environmental Protection Agency</i>			
Office of Research and Development Consolidated			
Research/Training/Fellowships (ERAP)	66.511	N/A	94,553
EdPASH20	66.445	N/A	109,018
Tech Support Summer 2022 Bioassessments	66.926	N/A	8,399
Total U.S. Environmental Protection Agency			<u>211,970</u>
<i>National Science Foundation</i>			
Sustainable Energy Engineering for Empowering	47.041	N/A	24,720
Passed through Oklahoma State University			
Education and Human Resources (OKAMP)	47.076	AA-5-29849	21,678
Total National Science Foundation			<u>46,398</u>

(Continued)

East Central University
(A Department of The Regional University System of Oklahoma)
Schedule of Expenditures of Federal Awards
June 30, 2023
(Continued)

Federal Grantor / Pass-Through Grantor / Program Title	Assistance Listing Number	Pass-Through Entity Identification Number	Federal Expenditures
<i>Department of Interior, Bureau of Reclamation</i>			
Passed through Native American and International Affairs Office			
Cooperative Watershed Management	15.554		21,757
Passed through Oklahoma State University			
Bioelectric Treatment of Nitrate Impaired	15.805	21-008	13,739
<i>Total Department of Interior, Bureau of Reclamation</i>			<u>35,496</u>
<i>National Aeronautics and Space Administration</i>			
Passed through University of Oklahoma			
Office of Stem Engagement - Education (OKNASA)	43.008	2011-42	31,344
<i>Total National Aeronautics and Space Administration</i>			<u>31,344</u>
Total Research and Development Cluster			<u>325,208</u>
U.S. Department of Health and Human Services			
Direct programs			
Opioid STR grant	83.788		70,228
Substance Abuse and Mental Health Services Projects of			
Regional and National Significance(Project Aware/Suicide Prevention)	93.243	N/A	233,492
Drug Free Communities Support Program Grants	93.276	N/A	133,507
University Centers for Excellence in Developmental Disabilities			
Education, Research, and Service(Center of Learning & Leadership)	93.632	N/A	12,913
Passed through Oklahoma State Department of Human Services			
Resource and Referral	93.575		390,826
Child Welfare Professional Enhancement	93.645		36,105
Medicaid Cluster			
Medical Assistance Program(Developmental Disabilities)	93.778	00001273	254,914
Total Medicaid Cluster			<u>254,914</u>
CARA Act - Comprehensive Addition and Recovery Act of 2016	93.799	N/A	<u>47,898</u>
Passed through Oklahoma INBRE Idea Network			
INBRE Summer Research	93.859		11,571
Total Biomedical Research and Research Training			<u>11,571</u>
Total U.S. Department of Health and Human Services			<u>1,191,454</u>
National Endowment for the Humanities			
Promotion of the Humanities	45.129		1,122
Total National Endowment for the Humanities			<u>1,122</u>
U.S. Department of Justice			
OVW Technical Assistance Initiative	16.526	N/A	209,842
Total U.S. Department of Justice			<u>209,842</u>
Institute of Museum and Library Services			
IMLS Library Media Grant	45.312	N/A	210,849
Total Institute of Museum and Library Services			<u>210,849</u>
National Park Services			
Ok Department of Wildlife Conservation	15.615	N/A	2,342
Total National Park Services			<u>2,342</u>
Total expenditures of federal awards			<u><u>\$ 22,973,118</u></u>

East Central University
(A Department of the Regional University System of Oklahoma)
Notes to Schedule of Expenditures of Federal Awards
June 30, 2023

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of East Central University under programs for the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of East Central University, it is not intended to and does not present the financial position, changes in net position, or cash flows of East Central University.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- Under CFDA number 84.268, the Federal Direct Student Loan Program ("Direct Loan Program"), the U.S. Department of Education makes loans to enable a student or parent to pay the costs of the student's attendance at a postsecondary school. The Direct Loan Program enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly from the U.S. Department of Education rather than through private lenders. The University administers the origination and disbursement of the loans to eligible students or parents. The University is not responsible for the collection of these loans.
- The University has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.
- During the year ended June 30, 2023, the University did not provide any federal awards to subrecipients.

NOTE C: FEDERAL DIRECT STUDENT LOAN PROGRAM

The University participates in the Federal Direct Loan Program (the Program), CFDA number 84,268, which includes the Federal Subsidized Direct loan, the Federal Unsubsidized Direct Loan, the Federal Graduate Student PLUS Direct Loan, and Federal Direct Loans Parents of Undergraduate Students. The Program requires the University to draw down cash; and the University is required to perform certain administrative functions under the Program. Failure to perform such functions may require the University to reimburse the loan guarantee agencies. The University is not responsible for the collection of these loans. The value of loans made during the audit period are considered Federal Awards expended for the audit period.

East Central University
(A Department of the Regional University System of Oklahoma)
Schedule of Findings and Questioned Costs
June 30, 2023

Summary of Auditor's Results

1. The opinion expressed in the independent accountants' report was:
☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimed
2. The independent accountants' report on internal control over financial reporting described:
Significant deficiencies ☐ Yes ☒ None reported
Material weaknesses? ☐ Yes ☒ No
3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No
4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:
Significant deficiencies? ☐ Yes ☒ None reported
Material weaknesses? ☐ Yes ☒ No
5. The opinion expressed in the independent auditor's report on compliance for major federal awards was:
☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimed
6. The audit disclosed findings required to be reported by the Uniform Guidance? ☐ Yes ☒ No
7. The University's major program were:

Cluster/Program	CFDA Number
Student Financial Assistance Cluster	
Federal Pell Grant	84.063
Federal Supplemental Educational Opportunity Grants	84.007
Federal Direct Student Loan Program	84.268
Federal Work Study	84.033
TRIO Cluster	
Upward Bound	84.047
Veteran's Upward Bound	84.047A
Upward Bound M/S	84.047M
Student Support Services	84.042
McNair Post-Baccalaureate Achievement	84.217A
Educational Opportunity Centers	84.066A

East Central University
(A Department of the Regional University System of Oklahoma)
Schedule of Findings and Questioned Costs
June 30, 2023
(Continued)

Summary of Auditor's Results (Continued)

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance was \$750,000.
9. The University qualified as a low-risk auditee as that term is defined in Uniform Guidance. ☒ Yes ☐ No

Section II - Findings Required to be Reported by Government Auditing Standards

None to report for the year ended June 30, 2023.

Section III - Findings Required to be Reported by the Uniform Guidance

None to report for the year ended June 30, 2023.

East Central University
(A Department of the Regional University System of Oklahoma)
Summary Schedule of Prior Year Audit Findings
June 30, 2023

Findings Required to be Reported by Government Auditing Standards

None to report for the year ended June 30, 2022.

Findings Required to be Reported by the Uniform Guidance

None to report for the year ended June 30, 2022.