



Northwestern Oklahoma State University

A Department of the Regional University System of Oklahoma

Independent Auditor's Report and Financial Statements

June 30, 2025



Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
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June 30, 2025

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Independent Auditor's Report

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

Opinions

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of Northwestern Oklahoma State University (the "University"), a department of the Regional University System of Oklahoma, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of Northwestern Oklahoma State University, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Northwestern Oklahoma State University Foundation, Inc., and Alumni Association, the aggregate discretely presented component units of the University. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Northwestern Oklahoma State University Foundation, Inc., and Alumni Association, is based solely on the report of the other auditors.

Basis for Opinions

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

Reporting Entity

As discussed in *Note 1*, the accompanying financial statements of the University are intended to present the financial position, changes in financial position, and cash flows of only the activities of Northwestern Oklahoma State University. They do not purport to, and do not, present fairly the financial position of the Regional University System of Oklahoma as of June 30, 2025, and the changes in its financial position or its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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 management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Forvis Mazars, LLP

**Springfield, Missouri
October 30, 2025**

Overview of Financial Statements and Financial Analysis

Northwestern Oklahoma State University is pleased to present its financial statements for fiscal year 2025, with selected comparative information for fiscal year 2024. Management's discussion and analysis is designed to focus on current activities, resulting changes, and current known facts, so it should be read in conjunction with the University's financial statements and footnotes. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. All amounts in the tables in this MD&A are presented in millions of dollars. This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year. Accounting standards require that financial statements for the Northwestern Oklahoma State University Foundation, Inc. be reported with the University's report.

Statement of Net Position

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

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

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

Northwestern Oklahoma State University
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Management's Discussion & Analysis
June 30, 2025

A Condensed Statement of Net Position is prepared from the University's Statement of Net Position and summarizes the assets, deferred outflows, liabilities, deferred inflows and net position as of June 30, 2025, compared to the year ending June 30, 2024.

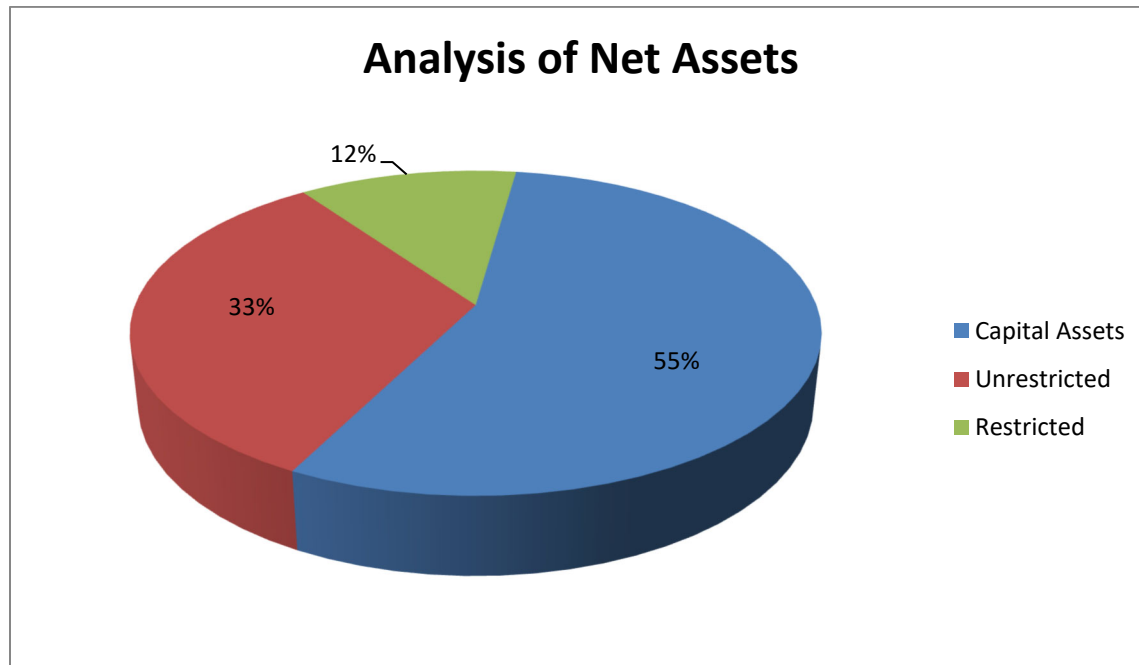
Condensed Statements of Net Position
(In Millions)

	<u>6/30/2025</u>	<u>6/30/2024</u>	<u>Increase (Decrease)</u>
Assets			
Current Assets	\$ 12.1	\$ 11.0	\$ 1.1
Noncurrent Assets			
Capital and subscription assets, net of depreciation, and amortization	26.3	26.6	(0.3)
Other assets	<u>5.4</u>	<u>2.8</u>	<u>2.6</u>
Total Assets	<u><u>\$ 43.8</u></u>	<u><u>\$ 40.4</u></u>	<u><u>\$ 3.4</u></u>
Liabilities			
Current liabilities	\$ 2.1	\$ 2.2	\$ (0.1)
Noncurrent liabilities	<u>6.7</u>	<u>7.3</u>	<u>(0.6)</u>
Total Liabilities	<u>8.8</u>	<u>9.5</u>	<u>(0.7)</u>
Deferred Inflows of Resources	<u>0.1</u>	<u>0.2</u>	<u>(0.1)</u>
Net Position			
Net investment in capital assets	19.3	18.7	0.6
Restricted	4.2	3.6	0.6
Unrestricted	<u>11.4</u>	<u>8.4</u>	<u>3.0</u>
Total Net Position	<u><u>\$ 34.9</u></u>	<u><u>\$ 30.7</u></u>	<u><u>\$ 4.2</u></u>

Assets are presented net of depreciation. Total assets increased by \$3.4 million. This was largely due to the increase in state appropriated funds. The largest change occurred in restricted cash and cash equivalents, which increased by \$2,480,876 and accounts receivable increased \$86,674. The increase in cash was expected due to the deferred maintenance appropriations and an effort to save cash for upcoming projects.

Total liabilities decreased \$768,170 which included the completion of payments of one ODFA master lease as well as a decrease in the University's other financing arrangements of \$670,463. Net position overall increased by \$4.2 million consisting primarily from the increase in cash as well as the decrease in liabilities.

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



Statement of Revenues, Expenses, and Changes in Net Position

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

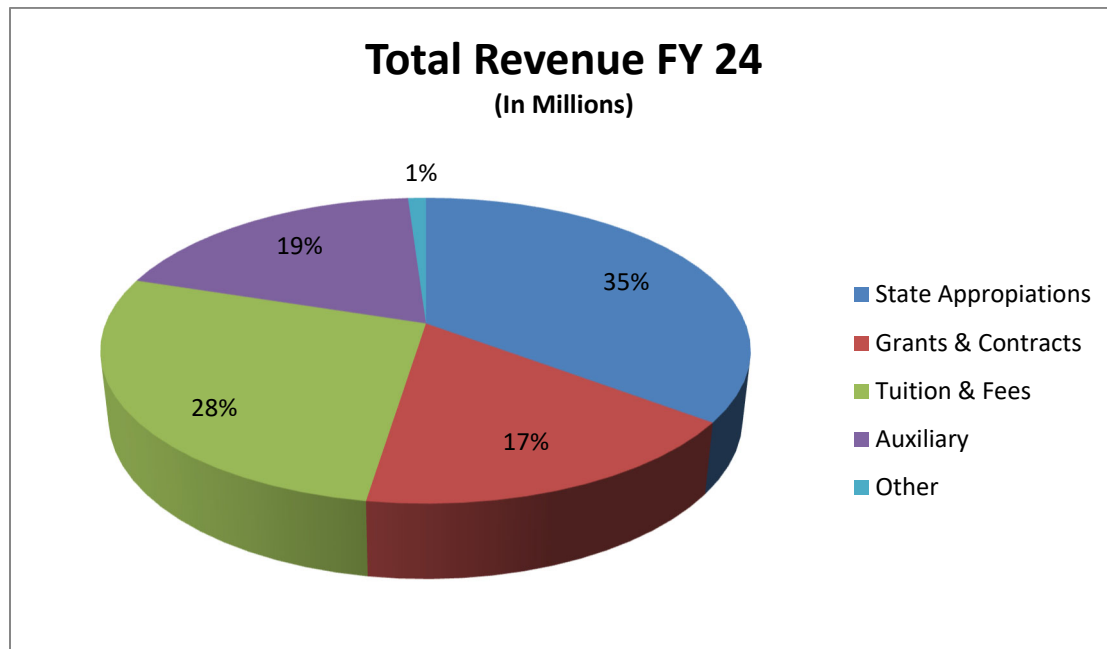
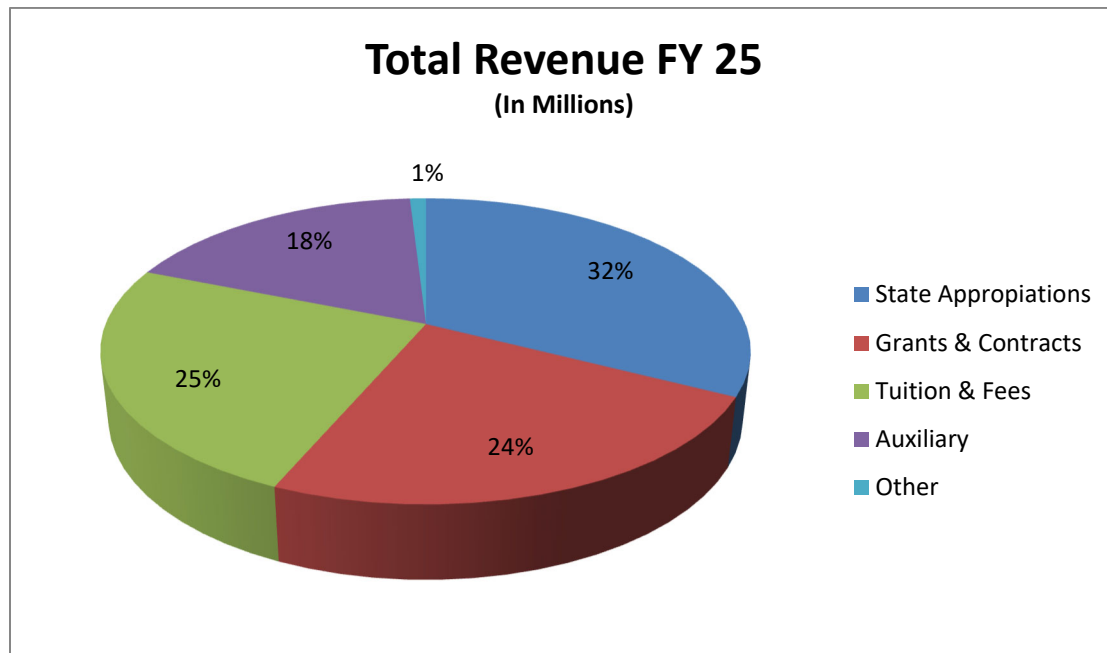
Northwestern Oklahoma State University
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Statements of Revenues, Expenses, and Changes in Net Position
(In Millions)

	<u>6/30/2025</u>	<u>6/30/2024</u>	<u>Increase (Decrease)</u>
Operating Revenues			
Tuition and fees, net of scholarship discounts and allowances of \$10.0 and \$9.1	\$ 7.8	\$ 7.8	\$ -
Federal and state grants and contracts	7.6	6.1	1.5
Auxiliary	5.7	5.4	0.3
Other operating revenues	<u>0.3</u>	<u>0.3</u>	<u>-</u>
Total Operating Revenues	<u>21.4</u>	<u>19.6</u>	<u>1.8</u>
Operating Expenses			
Compensation and employee benefits	20.4	19.9	0.5
Contractual services	5.6	5.7	(0.1)
Supplies and materials	3.6	3.1	0.5
Depreciation	2.5	2.3	0.2
Amortization	0.1	0.1	-
Utilities	0.9	1.0	(0.1)
Communication expense	0.2	0.2	-
Scholarships and fellowships	6.7	5.9	0.8
Other operating expenses	<u>0.5</u>	<u>1.1</u>	<u>(0.6)</u>
Total Operating Expenses	<u>40.5</u>	<u>39.3</u>	<u>1.2</u>
Operating Loss	<u>(19.1)</u>	<u>(19.7)</u>	<u>0.6</u>
Nonoperating Revenues (Expenses)			
State appropriations	10.3	10.3	-
Federal and state grants and contracts	5.2	4.9	0.3
Gifts	0.7	0.6	0.1
Investment income	0.8	0.9	(0.1)
Interest expense on other financing arrangements	(0.3)	(0.5)	0.2
Other	<u>0.4</u>	<u>-</u>	<u>0.4</u>
Total Nonoperating Revenues (Expenses)	<u>17.1</u>	<u>16.2</u>	<u>0.9</u>
Loss Before Other Revenues, Expenses, Gains, or Losses	<u>(2.0)</u>	<u>(3.5)</u>	<u>1.5</u>
Other Revenues, Expenses, Gains, or Losses	<u>6.2</u>	<u>2.4</u>	<u>3.8</u>
Increase (Decrease) in Net Position	<u>4.2</u>	<u>(1.1)</u>	<u>5.3</u>
Net Position, Beginning of Year	<u>30.7</u>	<u>31.8</u>	<u>(1.1)</u>
Net Position, End of Year	<u>\$ 34.9</u>	<u>\$ 30.7</u>	<u>\$ 4.2</u>

Revenues 2025

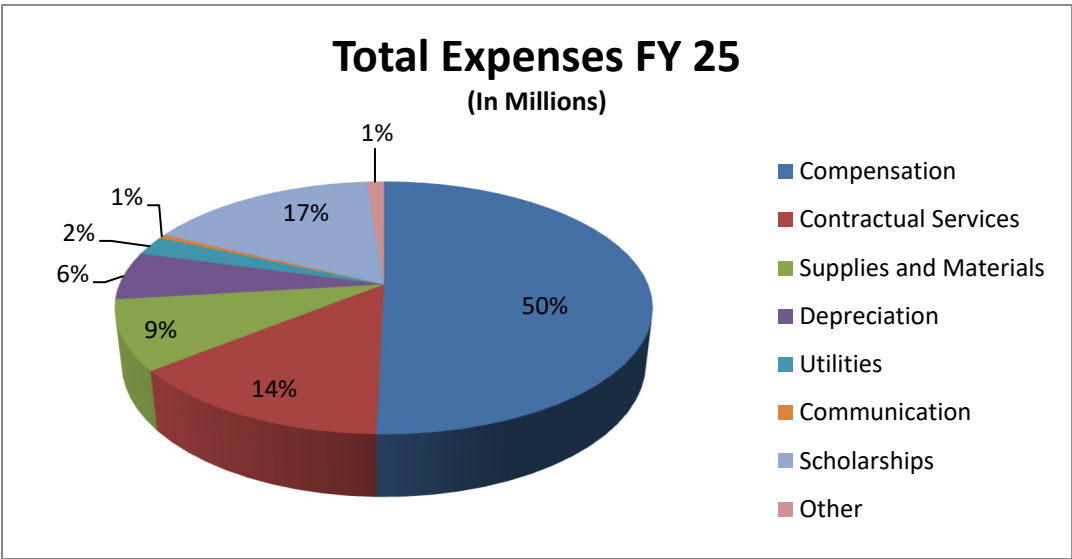
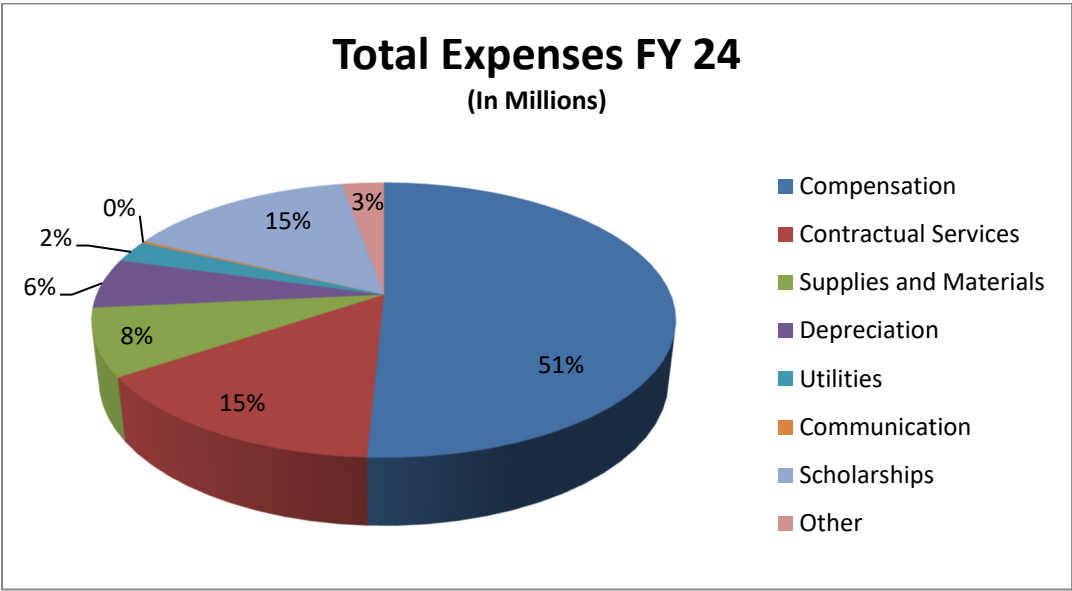
Operating revenues increased by \$1,784,096. Most of this was due to an increase in federal and state grants and contracts. This was also because of an increase in occupants in the resident halls as well as an increase in board rates, resulting in a revenue increase of \$326,678. Northwestern had a small increase in state appropriations as compared to fiscal year 2024.



Expenses 2025

Operating expenses for the year were \$40.5 million. This shows an increase of \$1,163,287 compared to fiscal year 2024. Compensation increased due to the faculty year-of-experience, promotion in rank, recognition of hours or degrees earned, an adjustment of Fair Labor Standards Act salaries for staff, as well as an increase in health insurance benefits. There was an increase of \$529,922 for supplies and materials as repairs were done throughout campus. Scholarships and fellowships increased \$815,466 due to more grant funding. Northwestern also saw a decrease in other operating expenses of \$623,781.

The following graph represents the percentages of expenses for the fiscal year 2025 compared to fiscal year 2024. Again, overall percentages are very similar.



Northwestern Oklahoma State University
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Management's Discussion & Analysis
June 30, 2025

Statement of Cash Flows

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

Statements of Cash Flows
(In Millions)

	<u>6/30/2025</u>	<u>6/30/2024</u>	<u>Increase (Decrease)</u>
Operating Activities	\$ (16.2)	\$ (17.7)	\$ 1.5
Noncapital Financing Activities	16.6	15.6	1.0
Capital and Related Financing Activities	2.7	(0.6)	3.3
Investing Activities	<u>0.8</u>	<u>0.9</u>	<u>(0.1)</u>
Increase (Decrease) in Cash and Cash Equivalents	3.9	(1.8)	5.7
Cash and Cash Equivalents, Beginning of Year	<u>11.5</u>	<u>13.3</u>	<u>(1.8)</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 15.4</u></u>	<u><u>\$ 11.5</u></u>	<u><u>\$ 3.9</u></u>

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

Economic Outlook

Northwestern Oklahoma State University continues to be a leading economic engine for the northwest sector of Oklahoma. In preparing the fiscal year 2025 budget, care was given to align expenses with mandatory cost increases and budget priorities. Northwestern budgeted for a flat enrollment, but saw a slight jump in head count that resulted in an increase of 4.7% in credit hours generated. Northwestern saw a small increase in state appropriations based on an offset for property insurance rates and concurrent enrollment reimbursement.

Fiscal year 2025 saw the completion of several capital and infrastructure improvements. The outdoor classroom space was finished as well as several sidewalk replacements. Northwestern took possession of the First Presbyterian Church turning this donated space into a practice facility for the band and choir. Work will continue into fiscal year 2026 on the Fellers Family Auditorium and renovations to Herod Hall as well as upgrades to the Rodeo Complex.

During fiscal year 2025, Northwestern received \$3,579,545 in one-time deferred maintenance funds from the state of Oklahoma. Projects completed and paid with these funds included five new roofs and five new HVAC systems. Remaining funds will be used for replacement of underground electrical units by Jesse Dunn and Herod Hall as well as water drainage repairs in the tier parking at Ranger Field. Additional deferred maintenance funds were also allocated by the Oklahoma State Legislature for fiscal year 2026.

The Northwestern Oklahoma State University Foundation, Inc., plays a critical role in supporting the University and its mission. New contributions and endowments continue to be secured to provide support for the operations of Northwestern. Fiscal year 2025 saw the Foundation's assets increase over the prior year due in part to a strong investment strategy.

With the economy holding strong and fall 2025 enrollment showing a slight increase, Northwestern is optimistic about the upcoming fiscal year. The continuation of deferred maintenance funds will allow the University to upgrade facilities for future generations to enjoy.

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Statement of Net Position
June 30, 2025

	<u>University</u>	<u>Component Unit</u>
ASSETS and DEFERRED OUTFLOWS of RESOURCES		
Current Assets		
Cash and cash equivalents	\$ 10,067,775	\$ 71,415
Accounts receivable, net	1,266,913	-
Receivable from state agencies	645,005	-
Grants receivable	121,812	-
Interest and other receivables	17,066	-
Inventories	18,908	-
	<u>12,137,479</u>	<u>71,415</u>
Total Current Assets		
Noncurrent Assets		
Restricted cash and cash equivalents	5,311,519	-
Investments	-	42,804,594
Prepaid insurance	-	28,548
Other assets	-	21,389
Land and mineral rights	-	2,814,760
Subscription assets, net	130,056	-
Capital assets, net	26,204,310	140,352
	<u>31,645,885</u>	<u>45,809,643</u>
Total Noncurrent Assets		
Total Assets	<u>43,783,364</u>	<u>45,881,058</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 43,783,364</u></u>	<u><u>\$ 45,881,058</u></u>

Northwestern Oklahoma State University
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Statement of Net Position
June 30, 2025

(Continued)

	<u>University</u>	<u>Component Unit</u>
LIABILITIES, DEFERRED INFLOWS of RESOURCES, and NET POSITION		
Current Liabilities		
Accounts payable	\$ 228,242	\$ 20,544
Accrued expenses	79,253	-
Unearned revenue	666,101	-
Deposits held in custody for others	74,415	-
Current portion of noncurrent liabilities	1,022,426	-
	<u>2,070,437</u>	<u>20,544</u>
Total Current Liabilities		
Noncurrent Liabilities		
Accrued compensated absences	352,673	-
Subscription liabilities	42,607	-
ODFA other financing arrangements	4,171,798	-
OCIA other financing arrangements	1,459,598	-
Other noncurrent liabilities	655,026	-
	<u>6,681,702</u>	<u>-</u>
Total Noncurrent Liabilities		
Total Liabilities	<u>8,752,139</u>	<u>20,544</u>
Deferred Inflows of Resources		
Deferred gain on OCIA refunding	164,443	-
	<u>164,443</u>	<u>-</u>
Total Deferred Inflows of Resources		
Net Position		
Net investment in capital assets	19,255,419	140,352
Restricted - expendable for		
Scholarships, instruction, and other	1,358,291	-
Capital projects and debt service	2,867,832	-
Restricted - nonexpendable		
Grants, bequests, and contributions	-	41,158,390
Unrestricted	11,385,240	4,561,772
	<u>34,866,782</u>	<u>45,860,514</u>
Total Net Position		
Total Liabilities, Deferred Inflows of Resources, and and Net Position	<u><u>\$ 43,783,364</u></u>	<u><u>\$ 45,881,058</u></u>

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2025

	<u>University</u>	<u>Component Unit</u>
Operating Revenues		
Tuition and fees, net of scholarship discounts and allowances of \$10,004,634	\$ 7,813,652	\$ -
Federal and state grants and contracts	7,595,916	-
Housing and food service, net of scholarship discounts and allowances of \$249,118	5,740,052	-
Contributions	-	4,163,592
Other operating revenues	302,268	154,750
	<u>21,451,888</u>	<u>4,318,342</u>
Total Operating Revenues	<u>21,451,888</u>	<u>4,318,342</u>
Operating Expenses		
Compensation and employee benefits	20,414,412	-
Contractual services	5,569,046	-
Supplies and materials	3,607,061	-
Depreciation	2,520,166	-
Amortization	110,358	-
Utilities	854,575	-
Communication expense	188,230	-
Scholarships and fellowships	6,741,078	1,176,897
Other operating expenses	494,299	3,167,171
	<u>40,499,225</u>	<u>4,344,068</u>
Total Operating Expenses	<u>40,499,225</u>	<u>4,344,068</u>
Operating Loss	<u>(19,047,337)</u>	<u>(25,726)</u>
Nonoperating Revenues (Expenses)		
State appropriations	10,273,846	-
Federal and state grants and contracts	5,212,326	-
Gifts	654,209	-
Investment income	834,512	4,661,126
Interest expense on subscription liabilities	(4,617)	-
Interest expense on other financing arrangements	(315,843)	-
Other nonoperating revenues	426,884	-
	<u>17,081,317</u>	<u>4,661,126</u>
Total Nonoperating Revenues (Expenses)	<u>17,081,317</u>	<u>4,661,126</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	<u>(1,966,020)</u>	<u>4,635,400</u>
Other Revenues, Expenses, Gains, or Losses		
State appropriations restricted for capital purposes	5,275,326	-
OCIA on-behalf state appropriations	413,956	-
Contributions of capital assets	450,000	-
Capital assets earned	65,503	-
	<u>4,238,765</u>	<u>4,635,400</u>
Increase in Net Position	<u>4,238,765</u>	<u>4,635,400</u>
Net Position, Beginning of Year	<u>30,628,017</u>	<u>41,225,114</u>
Net Position, End of Year	<u><u>\$ 34,866,782</u></u>	<u><u>\$ 45,860,514</u></u>

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Statement of Cash Flows
Year Ended June 30, 2025

Operating Activities	
Tuition and fees	\$ 7,796,676
Federal grants and contracts	7,855,717
Payments to suppliers	(17,493,850)
Payments to employees	(20,335,389)
Auxiliary enterprise charges	5,740,052
Other receipts	<u>269,850</u>
Net Cash Used in Operating Activities	<u>(16,166,944)</u>
Noncapital Financing Activities	
State appropriations	10,273,846
Federal grants and contracts	5,212,326
Other	426,884
Gifts and grants received for other than capital purposes	<u>654,209</u>
Net Cash Provided by Noncapital Financing Activities	<u>16,567,265</u>
Capital and Related Financing Activities	
Purchase of capital assets	(1,897,137)
Gifts and grants received for capital purposes	5,275,326
Principal paid on capital debt and leases	(373,500)
Principal paid on subscription liabilities	(155,492)
Interest paid on capital debt and leases	(198,850)
Interest paid on subscription liabilities	<u>(4,617)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>2,645,730</u>
Investing Activities	
Interest on investments	<u>829,509</u>
Net Cash Provided by Investing Activities	<u>829,509</u>
Increase in Cash and Cash Equivalents	3,875,560
Cash and Cash Equivalents, Beginning of Year	<u>11,503,734</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 15,379,294</u></u>

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Statement of Cash Flows
Year Ended June 30, 2025

**Reconciliation of Cash and Cash Equivalents to the
Statement of Net Position**

Cash and cash equivalents	\$ 10,067,775
Restricted cash and cash equivalents	5,311,519

Total Cash and Cash Equivalents	\$ 15,379,294
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**Reconciliation of Operating Loss to
Net Cash Used in Operating Activities**

Operating loss	\$ (19,047,337)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation and amortization expense	2,630,524
Changes in operating assets and liabilities	
Accounts receivable	(33,548)
Receivables from state agencies	3,997
Federal and state grants receivable	259,801
Inventories	(3,606)
Accounts payable and accrued expenses	(35,955)
Accrued compensated absences	75,026
Unearned revenue	12,832
Deposits	3,740
Deferred inflows of resources	(32,418)

Net Cash Used in Operating Activities	\$ (16,166,944)
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Supplemental Cash Information

Noncash Investing, Capital, and Financing Activities

Capital assets gifted to university	\$ 450,000
Unearned capital assets forgiven by vendor	\$ 65,503
Principal on capital debt paid by state agency on behalf of the University	\$ 296,963
Subscription liabilities incurred for subscription assets	\$ 67,645
Interest on capital debt paid by state agency on behalf of the University	\$ 116,993

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

Nature of Operations and Reporting Entity

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

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

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

The University is considered a department of the System for financial reporting purposes and is included in the System's financial reporting entity. The financial statements of the University present only the financial position and changes in net position and cash flows attributable to the University and do not present the financial position of the System.

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

Discretely Presented Component Unit

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

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

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

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

Basis of Accounting and Presentation

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

Use of Estimates

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

Cash Equivalents

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

Accounts Receivable

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

Inventories

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

Restricted Cash and Equivalents

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

Capital Assets (Including Intangible Assets)

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

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

Subscription Assets

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

Capital and Subscription Asset Impairment

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

No asset impairment was recognized during the year ended June 30, 2025.

Compensated Absences

University policies permit most employees to accumulate vacation, compensatory, and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. A liability is accrued for compensated absences as the benefits are earned if the leave is more likely than not to be used for time off or settled in cash.

Compensated absence liabilities are computed using the regular pay and termination pay rates, as applicable, in effect at statement of net position date plus an additional amount for salary-related payments such as social security and Medicare taxes computed using rates in effect at that date. The estimated compensated absences liability expected to be paid more than one year after the statement of net position date is included in other long-term liabilities.

Noncurrent Liabilities

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

Unearned Revenue

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

Deferred Inflows of Resources

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

Net Position

Net position of the University is classified as follows:

- Net investment in capital assets component of net position consists of capital and subscription assets net of accumulated depreciation and amortization, reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
- Restricted expendable net position is made up of assets which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.
- Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the University, such as the federal portion of loan funds. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted.
- Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

Classification of Revenues

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

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

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

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

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statement of revenues, expenses, and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, are recorded as nonoperating revenues and other governmental grants are recorded as operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance. The scholarship allowances on tuition and fees and housing for the year ended June 30, 2025, were \$10,004,634 and \$249,118, respectively.

Income Taxes

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

Note 2. Deposits and Investments

Deposits

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

There is \$13,350,040 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2025. Of the \$13,350,040 on deposit with the State Treasurer, \$5,377,953 represents amounts held within *OK INVEST*, an internal investment pool. State Agencies and funds that are considered to be part of the State's reporting entity in the State's Annual Comprehensive Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives that establish the framework for the day-to-day *OK INVEST* management of funds with an emphasis on safety of the capital and the probable income to be derived while also meeting the State's daily cash flow requirements. Guidelines in the State Treasurer's Investment Policy address credit quality requirements, diversification percentages, and the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer's website at <http://www.ok.gov/treasurer/>. An evaluation of the use and purpose of the various State Agencies and funds participation in the internal investment pool has determined that the amount on deposit with *OK INVEST* are treated as demand accounts and reported as cash equivalents. For financial reporting purposes, deposits with the OST that are invested in *OK INVEST* are classified as cash equivalents.

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At June 30, 2025, the distribution of deposits in *OK INVEST* is as follows:

	Cost	Market Value
<i>OK INVEST Portfolio</i>		
U.S. agency bonds	\$ 81,894	\$ 81,345
Money market mutual funds	566,246	566,246
Certificates of deposit	15,550	15,550
Mortgage backed securities	739,009	665,414
Foreign bonds	43,456	43,399
U.S. Treasury bonds	3,931,797	3,954,132
	<u>\$ 5,377,952</u>	<u>\$ 5,326,086</u>

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

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

Note 3. Accounts Receivable

Accounts receivable consisted of the following at June 30, 2025:

Student tuition and fees	\$ 4,073,369
Auxiliary enterprises and other operating activities	347,270
	<u>4,420,639</u>
Less allowance for doubtful accounts	3,153,726
	<u>\$ 1,266,913</u>

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Note 4. Capital and Subscription Assets

Capital and subscription assets activity for the year ended June 30, 2025, was:

	Beginning Balance 6/30/2024	Additions	Disposals	Transfers	Ending Balance 6/30/2025
Capital assets not being depreciated					
Land	\$ 1,149,042	\$ 45,000	\$ -	\$ -	\$ 1,194,042
Art	133,333	-	-	-	133,333
Construction in progress	257,748	999,213	-	(97,475)	1,159,486
Total capital assets not being depreciated	1,540,123	1,044,213	-	(97,475)	2,486,861
Capital assets being depreciated					
Land improvements	5,276,779	98,505	-	97,475	5,472,759
Leasehold improvements	1,259,720	16,758	-	-	1,276,478
Buildings	54,628,459	454,500	-	-	55,082,959
Furniture, fixtures, and equipment	8,445,503	715,183	(19,657)	-	9,141,029
Library materials	927,505	22,368	(44,905)	-	904,968
Total capital assets being depreciated	70,537,966	1,307,314	(64,562)	97,475	71,878,193
Less accumulated depreciation/					
Land improvements	4,561,111	210,603	-	-	4,771,714
Leasehold improvements	169,486	110,982	-	-	280,468
Buildings	34,395,604	1,350,479	-	-	35,746,083
Furniture, fixtures, and equipment	5,708,561	827,163	(19,657)	-	6,516,067
Library materials	870,378	20,939	(44,905)	-	846,412
Total accumulated depreciation	45,705,140	2,520,166	(64,562)	-	48,160,744
Capital assets being depreciated, net	24,832,826	(1,212,852)	-	97,475	23,717,449
Capital assets, net	\$ 26,372,949	\$ (168,639)	\$ -	\$ -	\$ 26,204,310

Subscription assets activity for the year ended June 30, 2025, was:

	Balance 6/30/2024	Additions	Disposals	Transfers	Balance 6/30/2025
Subscription IT asset	\$ 320,070	\$ 67,645	\$ -	\$ -	\$ 387,715
Less accumulated amortization					
Subscription IT asset	147,301	110,358	-	-	257,659
Subscription Assets, Net	\$ 172,769	\$ (42,713)	\$ -	\$ -	\$ 130,056

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Note 5. Long-Term Obligations

The following is a summary of long-term obligation transactions for the University for the year ended June 30, 2025:

	Beginning Balance 6/30/2024	Additions	Deductions	Ending Balance 6/30/2025	Current Portion
Bonds and other financing arrangements					
OCIA other financing arrangements	\$ 2,079,884	\$ -	\$ (296,963)	\$ 1,782,921	\$ 323,323
ODFA other financing arrangements	4,822,215	-	(373,500)	4,448,715	276,917
Total bonds and other financing arrangements	6,902,099	-	(670,463)	6,231,636	600,240
Other liabilities					
Accrued compensated absences	554,488	75,026	-	629,514	276,841
Unearned capital assets	786,032	-	(65,503)	720,529	65,503
Subscription liability	210,296	67,645	(155,492)	122,449	79,842
Total other noncurrent liabilities	1,550,816	142,671	(220,995)	1,472,492	422,186
Total long-term liabilities	<u>\$ 8,452,915</u>	<u>\$ 142,671</u>	<u>\$ (891,458)</u>	<u>\$ 7,704,128</u>	<u>\$ 1,022,426</u>

¹ The change in the accrued compensated absences liability is presented as a net amount.

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

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

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

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

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

During the year ended June 30, 2025, the State Regents made interest and principal payments totaling \$413,957 on behalf of the University. These on-behalf payments have been recorded as restricted state appropriations in the statement of revenues, expenses, and changes in net position. As stated above, the on-behalf payments are subject to annual appropriations by the State Legislature.

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

Year Ended June 30	Principal	Interest	Total
2026	\$ 323,323	\$ 89,146	\$ 412,469
2027	339,536	72,980	412,516
2028	354,327	56,003	410,330
2029	372,153	38,287	410,440
2030	393,582	19,679	413,261
	<u>\$ 1,782,921</u>	<u>\$ 276,095</u>	<u>\$ 2,059,016</u>

Oklahoma Development Finance Authority Other Financing Arrangements

In September 2015, the ODFA issued its ODFA Master Real Property Lease Revenue Bonds, Tax-Exempt Series 2015D. Of the total bond indebtedness, the State Regents allocated \$843,000 to the University. Concurrently with the allocation, the University entered into a financing arrangement with ODFA for the project being funded by the ODFA bonds. The agreement provides for the University to make specified monthly payments ranging from \$4,000 to \$5,833 plus interest ranging from 2.31% to 3.25%, which approximates interest on the bonds, to ODFA over the term of the agreement, which is through May 15, 2030. At June 30, 2025, the University owed principal of \$321,831 on the Series 2015D ODFA bonds. The proceeds of the bonds and subsequent financing obligations are to provide for capital improvements to the University.

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In August 2016, the ODFA issued its ODFA Master Real Property Lease Revenue Bonds, Tax-Exempt Series 2016D. Of the total bond indebtedness, the State Regents allocated \$1,033,000 to the University. Concurrently with the allocation, the University entered into a financing arrangement with ODFA for the project being funded by the ODFA bonds. The agreement provides for the University to make specified monthly payments ranging from \$5,000 to \$7,417 plus interest ranging from 2.87% to 4.22%, which approximates interest on the bonds, to ODFA over the term of the agreement, which is through May 15, 2031. At June 30, 2025, the University owed principal of \$474,634 on the Series 2016D ODFA Bonds. The proceeds of the bonds and subsequent obligations are to provide for capital improvements to the University.

In June 2020, the ODFA issued its ODFA Master Real Property Lease Revenue Bonds, Tax-Exempt Series 2020A. Of the total bond indebtedness, the State Regents allocated \$536,000 to the University. Concurrently with the allocation, the University entered into a financing arrangement with ODFA for the project being funded by the ODFA bonds. The agreement provides for the University to make specified monthly payments ranging from \$8,545 to \$9,750 plus interest ranging from 4.00% to 4.02%, which approximates interest on the bonds, to ODFA over the term of the agreement, which is through May 15, 2025. At June 30, 2025, the University owed principal of \$0 on the Series 2020A ODFA Bonds. The proceeds of the bonds and subsequent obligations are to provide for capital improvements to the University.

In July 2022, the ODFA issued its ODFA Master Real Property Lease Revenue Bonds, Tax-Exempt Series 2022A, of the total bond indebtedness, the State Regents allocated \$4,047,000 to the University. Concurrently with the allocation, the University entered into a financing arrangement with ODFA for the project being funded by the ODFA bonds. The agreement provides for the University to make specified monthly payments ranging from \$11,000 to \$25,917 plus interest ranging from 5.00% to 5.46%, which approximates interest on the bonds, to ODFA over the respective term of the agreement, which is through May 15, 2042. At June 30, 2025, the University owed principal of \$3,652,250 on the Series 2022A ODFA bonds. The proceeds of the bonds and subsequent obligations are to provide for capital improvements to the University.

The scheduled maturities of the ODFA bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2026	\$ 276,917	\$ 215,128	\$ 492,045
2027	288,000	202,739	490,739
2028	300,083	190,358	490,441
2029	313,250	177,361	490,611
2030	322,083	163,699	485,782
2031-2035	1,082,834	638,265	1,721,099
2036-2040	1,287,500	346,875	1,634,375
2041-2042	578,048	43,371	621,419
	<u>\$ 4,448,715</u>	<u>\$ 1,977,796</u>	<u>\$ 6,426,511</u>

Note 7. Subscription Liabilities

The University has various subscription-based information technology arrangements (SBITAs), the terms of which expire in various years through 2029. The subscriptions were measured based upon the University's incremental borrowing rate at commencement of the SBITA term. Variable payments based upon the use of the underlying asset are not included in the subscription liability because they are not fixed in substance.

During the year ended June 30, 2025, the University recognized \$231,352 of subscription expense for variable payments not previously included in the measurement of the subscription liability.

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The following is a schedule by year of payments under the SBITAs as of June 30, 2025:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 79,842	\$ 3,987	\$ 83,829
2027	13,059	1,309	14,368
2028	14,179	908	15,087
2029	15,369	472	15,841
	<u>\$ 122,449</u>	<u>\$ 6,676</u>	<u>\$ 129,125</u>

Note 8. Retirement Plans

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

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

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

Oklahoma Teachers' Retirement System (OTRS)

Plan Description

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

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Funding Policy

The University is required by state statute to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate, as determined by state statute, was 8.55% for 2025 and was applied to annual compensation. There is also an additional 8.00% for any employee's salaries covered by federal funds.

Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2025. 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, 2025, was approximately \$1,102,000. These contributions included the University's statutory contribution and the share of the employee's contribution paid directly by the University.

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

Supplemental Retirement Annuity (SRA)

Plan Description

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

Funding Policy

The authority to establish and amend eligible employees' and employer contribution obligations to the SRA rests with the University's Board of Regents. Eligible employees are not required to make contributions to the SRA. The University is required to contribute to the SRA an actuarially determined amount on an annual basis. The plan currently has adopted a funding policy to achieve a 100% funding level by December 1, 2030. The University's contributions to the SRA for the year ended June 30, 2025, were approximately \$263,000.

Defined Contribution Plan

The University also has a defined contribution 403(b) plan (DCP) available to full-time employees. The DCP is administered by the RUSO System, and the plan provisions are established and may be amended by the Board of Regents. Plan members may make voluntary contributions in accordance with IRS regulations. The University has no contribution requirements, and the University made no contribution during the year ended June 30, 2025.

Note 9. Other Post-Employment Insurance Benefits

Post-Employment Healthcare Plan

Plan Description

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

Funding Policy

The contribution requirements of the System are established and may be amended by the Regional University System of Oklahoma Board of Regents. The University is required to contribute the *actuarially determined employer contribution*, in an amount actuarially determined by an actuary. The ADEC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. In 2025, an updated valuation was not performed for funding purposes.

Note 10. Funds Held In Trust by Others

Beneficial Interest in State School Land Funds

The University has a beneficial interest in the Section Thirteen Fund State Educational Institutions and the New College Fund administered by the Commissioners of the Land Office as trustees for the various educational institutions entitled thereto. The University has the right to receive annually 3.7% of the distributions of income produced by Section Thirteen Fund State Educational Institutions assets and 100% of the distributions of income produced by the University's New College Fund. The University received approximately \$1,696,000 during the year ended June 30, 2025, which is restricted to the construction or acquisition of buildings, equipment, or other capital items.

This amount is recorded as state appropriations for capital purposes in the statement of revenues, expenses, and changes in net position. State law prohibits the distribution of any corpus of these funds to the beneficiaries. The cost basis of the total trust reserve for the University, held in trust by the Commissioners of Land Office, was approximately \$22,779,000 at June 30, 2025.

Oklahoma State Regents Endowment Trust Fund

In connection with the Oklahoma State Regents' Endowment Program (the "Endowment Program"), the State of Oklahoma has matched contributions received under the Endowment Program. The state match amounts, plus any retained accumulated earnings, totaled approximately \$14,700,000 at June 30, 2025, and are invested by the State Regents on behalf of the University. The University is entitled to receive an annual distribution of 4.5% of the market value at year end on these funds. As legal title of the State Regents matching endowment funds is retained by the Oklahoma State Regents, only the funds available for distribution, \$645,005 at June 30, 2025, have been reflected as assets in the statement of net position.

Note 11. Commitments and Contingencies

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

The University participates in the Federal Direct Student Loan Program (Direct Lending Program). The Direct Lending Program requires the University to draw down cash from the U.S. Department of Education, as well as perform certain administrative functions under the Direct Lending Program. For the year ended June 30, 2025, approximately \$5,891,000 of Direct Lending Program loans were provided to University students.

During the ordinary course of business, the University may be subjected to various lawsuits and civil action claims. Management believes that resolution of any such matters pending at June 30, 2025, will not have material adverse impact to the University.

Note 12. Risk Management

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

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

The University also participates in the College Association of Liability Management (CALM) Workers' Compensation Plan for its workers' compensation coverage. CALM is an Interpositional Cooperative Act Agency that was organized to provide workers' compensation insurance coverage for participating colleges and universities through Comp Source Mutual. CALM is a political subdivision of the State of Oklahoma and is governed by a board of trustees elected from members of the participating Colleges and Universities.

The University also participates in the Oklahoma Higher Education Employee Interlocal Group Health Insurance Pool (OKHEEI). University employees are provided health insurance coverage through OKHEEI. OKHEEI is an Interlocal Cooperative Act Agency organized as a public entity risk pool health insurance program for participating Colleges and Universities in the State. The University pays monthly health insurance premiums to OKHEEI for employee health insurance coverage based on the health coverage elected by the employee and the maximum benefit provide by the University for health coverage. Amount of premiums exceeding benefits are payable by the employee. The governing agreement for OKHEEI specifies that the pool will be self-sustaining through premiums received and with additional stop-loss coverages obtained. If health care claims exceed reserves and reinsurance coverages, additional assessments may be made to participating Colleges and Universities. As of June 30, 2025, additional assessments did not occur.

Note 13. Related Party Transactions

The Foundation is a not-for-profit corporation organized for the purpose of receiving and administering gifts for the benefit of the University. Distributions of amounts held by the Foundation are subject to the approval of the Foundation's Board of Trustees. The Foundation's primary function is to provide assistance to students of the University in the form of scholarships and awards, and during 2025, the Foundation provided approximately \$1,177,000 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 2025, the Foundation provided approximately \$2,421,000 in aid to programs, faculty, and staff.

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

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

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

Nature of the Entity

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

Although the University does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the University. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

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

Financial Statements

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

Fair Value Measurements

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

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

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

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Certificates of deposit	\$ 390,000	\$ -	\$ -	\$ 390,000
Equity securities	12,013,634	-	-	12,013,634
Exchange-traded products	15,781,679	-	-	15,781,679
Corporate and other bonds	-	85,272	-	85,272
Mutual funds	4,940,795	-	-	4,940,795
Alternative investments	-	8,924,812	-	8,924,812
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total investments	<u>\$ 33,126,108</u>	<u>\$ 9,010,084</u>	<u>\$ -</u>	<u>\$ 42,136,192</u>

Endowment Disclosures

The Foundation's endowment consists of approximately 430 endowment funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

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

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

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

Return Objectives and Risk Parameters

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

Strategies for Achieving Objectives

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

Spending Policy

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

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Notes to Financial Statements
June 30, 2025

Investment Return

The Foundation includes revenues and expenses associated with investments and land and mineral rights when calculating its rate of return. The rate of return was 11.07% and 9.37% for the years ended June 30, 2025 and 2024, respectively.

Endowment net assets composition as of June 30, 2025, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 41,158,390	\$ 41,158,390
Total endowment funds	<u>\$ -</u>	<u>\$ 41,158,390</u>	<u>\$ 41,158,390</u>

Change in endowment net assets for the years ended June 30, 2025, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 40,190,839	\$ 40,190,839
Contributions	-	2,475,751	2,475,751
Rental income, net	-	48,537	48,537
Appropriations	-	(1,556,737)	(1,556,737)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 41,158,390</u>	<u>\$ 41,158,390</u>

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

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

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

At June 30, 2025, no funds included in net assets with donor restrictions were underwater.

Related Party Transactions

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

Land and Mineral Rights

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