

Northwestern Oklahoma State University

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

**Annual Financial Report
FOR THE FISCAL YEAR ENDED
JUNE 30, 2023**

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
June 30, 2023
Table of Contents

Independent Auditor’s Report	1
Management’s Discussion and Analysis (Unaudited)	i
Statement of Net Position	4
Statement of Revenues, Expenses and Changes in Net Position	6
Statement of Cash Flows.....	7
Notes to Financial Statements	9

Audited Financial Statements



**HINKLE &
COMPANY**

Strategic ^{PC}
Business Advisors

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Northwestern Oklahoma State 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 position, of the University, as of and for the year ended June 30, 2023, 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.

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 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.

Emphasis of a 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. Our opinion is not modified with respect to this matter.

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Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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



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, 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of modernization costs-uncompleted, financial data schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

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

Hick & Company, PC

Tulsa, Oklahoma
October 31, 2023



Northwestern Oklahoma State 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

Northwestern Oklahoma State University is pleased to present its financial statements for fiscal year 2023, with selected comparative information for fiscal year 2022. Management's discussion and analysis is designed to focus on current activities, resulting changes, and current known facts, so it should be read in conjunction with the University's financial statements and footnotes. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. All amounts in the tables in this MD&A are presented in millions of dollars. This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year. Accounting standards require that financial statements for the Northwestern Oklahoma State University Foundation, Inc. be reported with the University's report.

STATEMENT OF NET POSITION

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

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

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

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Management's Discussion and Analysis (UNAUDITED)
June 30, 2023

STATEMENT OF NET POSITION--Continued

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, 2023, compared to the year ending June 30, 2022.

ANALYSIS OF NET POSITION 2023

CONDENSED STATEMENT OF NET POSITION

(In Millions)

	June 30		Increase (Decrease)
	<u>2023</u>	<u>2022</u>	
ASSETS			
Current assets	\$ 10.5	\$ 12.4	(1.9)
NONCURRENT ASSETS			
Capital assets, net of depreciation	26.9	25	1.9
Other assets	4.2	3.8	0.4
TOTAL ASSETS	<u>41.6</u>	<u>41.2</u>	<u>0.4</u>
LIABILITIES			
Current liabilities	2.0	2.1	(0.1)
Noncurrent liabilities	7.7	4.4	3.3
TOTAL LIABILITIES	<u>9.7</u>	<u>6.5</u>	<u>3.2</u>
DEFERRED INFLOWS OF RESOURCES	<u>0.8</u>	<u>0.9</u>	<u>(0.1)</u>
NET POSITION			
Net investment in capital assets	18.5	20.3	(1.8)
Restricted	3.9	4	(0.1)
Unrestricted	9.3	10.3	(1.0)
TOTAL NET POSITION	<u>\$ 31.7</u>	<u>\$ 34.6</u>	<u>(2.9)</u>

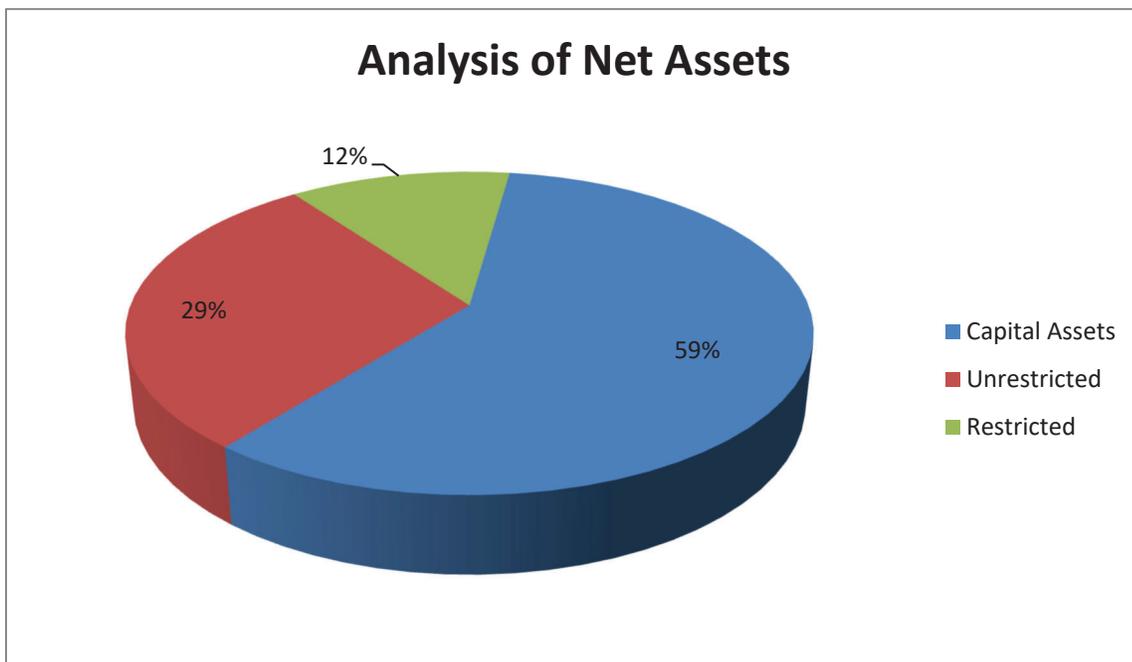
Assets are presented net of depreciation. Total assets increased by \$352,723 with the largest change occurring in capital assets, net of depreciation. Cash decreased by \$1,220,569 and Capital Assets increased \$1,866,841. The decrease in cash was planned and consisted of several factors including work on Cunningham Hall, addition of several new positions, and an increase in tuition waivers.

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Management's Discussion and Analysis (UNAUDITED)
June 30, 2023

ANALYSIS OF NET POSITION 2023--Continued

Liabilities increased \$3,208,049 driven primarily by the Cunningham Hall dorm remodel. There was an increase in the University's current portion of noncurrent liabilities of \$3,266,664 due to the new debt for Cunningham Hall. Net position decreased by \$2.8 million consisting primarily from an increase in the total noncurrent liabilities from the ODFA Master Lease Program.

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



Northwestern Oklahoma State 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

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.

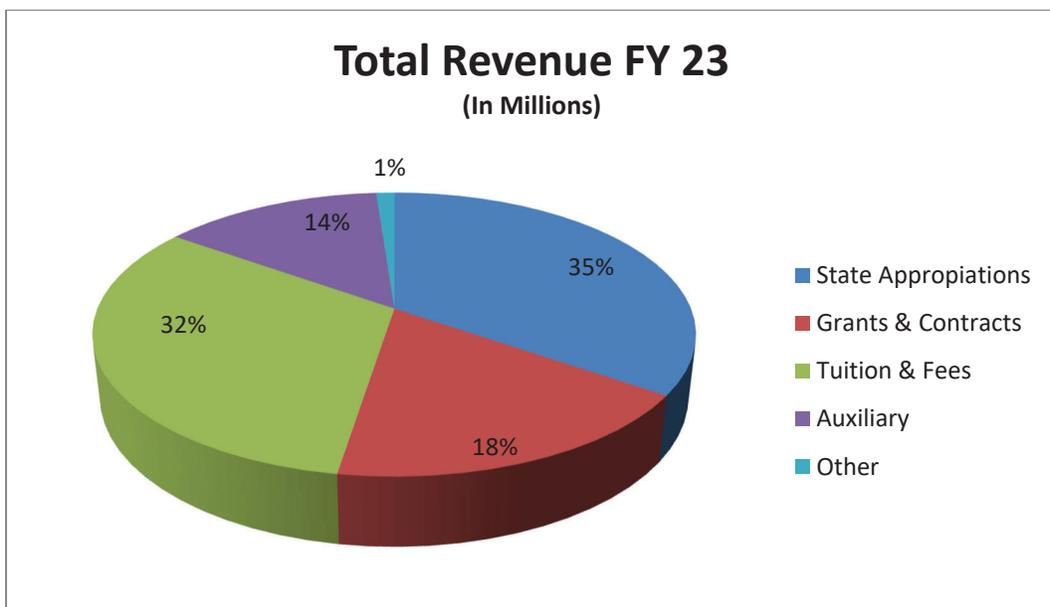
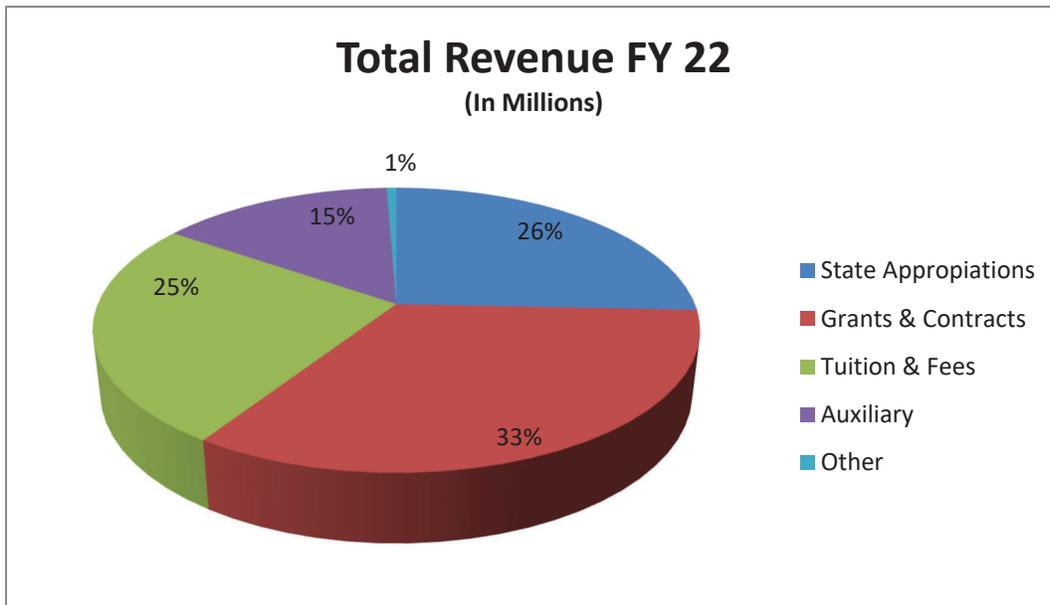
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(In Millions)

	Years Ended June 30		Increase (Decrease)
	<u>2023</u>	<u>2022</u>	
OPERATING REVENUE			
Student Tuition and Fees (net of scholarship allowance of \$8.6 and \$7.0)	\$ 8.0	\$ 8.4	\$ (0.4)
Federal, State, and Local Grants/Contracts	7.1	7.5	(0.4)
Auxiliary	3.4	4.9	(1.5)
Other	<u>0.2</u>	<u>0.2</u>	<u>-</u>
TOTAL OPERATING REVENUE	<u>18.7</u>	<u>21.0</u>	<u>(2.3)</u>
OPERATING EXPENSES			
Compensation and Employee Benefits	18.5	18.3	0.2
Contractual Services	5.1	4.3	0.8
Supplies and Materials	3.2	0.3	2.9
Depreciation	2.1	2.0	0.1
Utilities	1.3	1.0	0.3
Communication Expense	0.1	0.1	-
Scholarships and Fellowships	6.1	6.9	(0.8)
Other Operating Expense	<u>2.5</u>	<u>6.0</u>	<u>(3.5)</u>
TOTAL OPERATING EXPENSE	<u>38.9</u>	<u>38.9</u>	<u>-</u>
OPERATING INCOME (LOSS)	<u>(20.2)</u>	<u>(17.9)</u>	<u>(2.3)</u>
NONOPERATING REVENUE (LOSS)			
State Appropriations	8.9	8.5	0.4
Federal and State Grants/Contracts	4.6	11.1	(6.5)
Gifts	0.7	0.6	0.1
Investment Income	0.8	0.5	0.3
Interest Expense	<u>(0.4)</u>	<u>(0.2)</u>	<u>(0.2)</u>
NET NONOPERATING REVENUE	<u>14.6</u>	<u>20.6</u>	<u>(6.0)</u>
INCOME (LOSS) BEFORE OTHER REVENUE/EXPENSE	<u>(5.6)</u>	<u>2.7</u>	<u>(8.3)</u>
OTHER REVENUE/EXPENSE	<u>1.9</u>	<u>1.4</u>	<u>0.5</u>
CHANGE IN NET POSITION	(3.7)	4.1	(7.8)
NET POSITION AT BEGINNING OF YEAR	<u>35.4</u>	<u>30.5</u>	<u>4.9</u>
NET POSITION AT END OF YEAR	<u>\$ 31.7</u>	<u>\$ 34.6</u>	<u>\$ (2.9)</u>

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
 Management's Discussion and Analysis (UNAUDITED)
 June 30, 2023

REVENUES 2023

Operating revenues decreases by \$2,332,632 primarily due to fewer CARES funds being available to spend and a slight increase in tuition waivers resulting in less tuition being collected. Credit hours generated was up slightly in FY23 (2.5%) and there was no increase to tuition or mandatory fees for FY23.

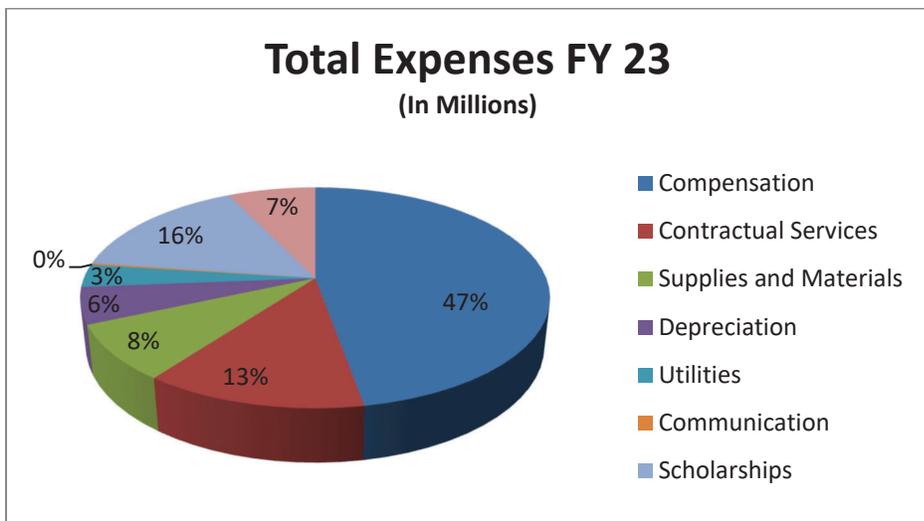
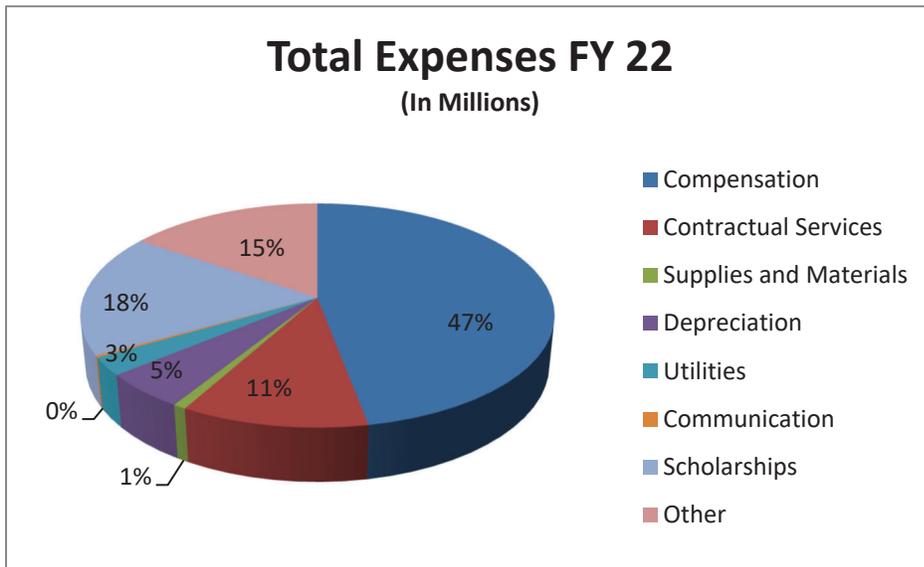


Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
 Management's Discussion and Analysis (UNAUDITED)
 June 30, 2023

EXPENSES 2023

Operating expenses for the year were \$38.9 million. This is remaining consistent from FY22. Compensation increased slightly as there were raises campus wide for FY23 averaging overall 3.3%. There was an increase of \$3.7 million for supplies and materials and contractual services as work began on the remodel of Cunningham Hall. Northwestern also saw an increase in utilities and risk management expense in FY23. Overall net position for the University decreased \$2.8 million for FY23.

The following graph represents the percentages of expenses for the fiscal year 2023 compared to fiscal year 2022. Again, overall percentages are very similar.



Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
 Management's Discussion and Analysis (UNAUDITED)
 June 30, 2023

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.

STATEMENT OF CASH FLOWS
 (In Millions)

	Years Ended June 30		Increase
	2023	2022	(Decrease)
CASH PROVIDED BY (USED IN):			
Operating activities	\$ (18.4)	\$ (4.4)	\$ (14.0)
Noncapital financing activities	14.2	9.0	5.2
Investing activities	0.8	0.5	0.3
Capital and related financing activities	1.2	(1.9)	3.1
NET INCREASE (DECREASE) IN CASH	(2.2)	3.2	(5.4)
CASH AT BEGINNING OF YEAR	15.5	12.3	3.2
CASH AT END OF YEAR	<u>\$ 13.3</u>	<u>\$ 15.5</u>	<u>\$ (2.2)</u>

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

ECONOMIC OUTLOOK

Northwestern Oklahoma State University continues to be a leading economic engine for the northwest sector of Oklahoma. In preparing the FY23 budget, great care was given to align expenses and mandatory cost increases like health insurance. Northwestern budgeted for flat enrollment, but saw a slight increase in head count that resulted in a 2.5% increase in credit hours.

The "Enrollment Champions Committee" (formed in FY21) continues to meet regularly to review ongoing recruitment and retention efforts, policies, and events that promote the university's academic programs. Part of the success of the increased enrollment can be attributed to this active committee. Their work will continue in FY24.

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Management's Discussion and Analysis (UNAUDITED)
June 30, 2023

ECONOMIC OUTLOOK--Continued

During FY23, work continued on upgrading and replacing much of the dated concrete on the main campus and around the Student Center and Ryerson Hall. The most significant capital improvement continued to be the renovation of Cunningham Hall, a three-story female dormitory built in the 1960's. This project provided new paint, carpet, ceiling tiles, HVAC, bathroom upgrades, and new portable furniture. A majority of the work was completed by October of 2022 for students to move back into the facility. Supply chain challenges prevented the replacement of all interior doors in the building until late summer 2023. This project remains in construction-in-progress for FY23, however the debt service started in July of 2022.

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. FY23 saw a slight uptick in the market investments.

During FY23, Northwestern spent the remaining institutional CARES funding that was awarded during the COVID-19 pandemic. This brought to close a three-year strategy to invest the institutional funds in technology and infrastructure for Northwestern. Students and employees will see the benefit of these investments for many years.

Leadership at Northwestern Oklahoma State University continues to be optimistic about the future. FY23 saw the transition of a new president as Dr. Hannaford assumed this role. The first week in office he released the revised strategic plan which will help lead university budgeting decisions for the next five years. Enrollment for FY24 appears strong and the Oklahoma State Legislature provided higher education with an increase in appropriations. These two factors will help start the FY24 fiscal year on a positive note.

Basic Financial Statements

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Statement of Net Position
June 30, 2023

	University	Component Unit
Assets		
Current Assets		
Cash and cash equivalents	\$ 9,665,434	\$ 363,631
Accounts Receivable, net	846,967	-
Receivable from state agencies	532,872	-
Interest and other receivables	11,947	-
Inventories	17,978	-
	11,075,198	363,631
Noncurrent Assets		
Restricted cash and cash equivalents	3,658,526	-
Investments	-	34,779,337
Prepaid Insurance	-	25,535
Other assets	-	116,658
Land and mineral rights	-	2,851,124
Capital assets, net	26,887,110	127,858
	30,545,636	37,900,512
Total Noncurrent Assets		
	\$ 41,620,834	\$ 38,264,143
Deferred Outflows Of Resources		
Deferred charge on ODFA lease restructure	-	-
	-	-
Total Deferred Outflows Of Resources	\$ -	\$ -

(Continued)

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Statement of Net Position
June 30, 2023
(Continued)

	University	Component Unit
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 112,014	\$ 62,186
Accrued payroll	96,664	-
Unearned revenue	635,303	-
Deposits held in custody for others	66,400	-
Current portion of noncurrent liabilities	1,143,006	-
Total Current Liabilities	2,053,387	62,186
Noncurrent Liabilities		
Accrued compensated absences	139,455	-
ODFA Master Lease Program	4,824,381	-
Lease obligation payable to a state agency	2,524,856	-
Other noncurrent liabilities	216,351	-
Total Noncurrent Liabilities	7,705,043	-
Total Liabilities	\$ 9,758,430	\$ 62,186
Deferred Inflows of Resources		
Deferred Inflow	80,449	-
Deferred Inflows of Resources	\$ 80,449	\$ -
Net Position		
Net Investment in Capital Assets	18,575,425	-
Restricted:		
Nonexpendable:	-	-
Grants, bequests and contributions	-	37,926,611
Expendable:		
Scholarships, instruction and other	891,402	-
Capital projects and debt service	3,032,885	-
Board-designated endowment	-	-
Unrestricted	9,282,243	275,346
Total Net Position	\$ 31,781,955	\$ 38,201,957

See Notes to the Financial Statements.

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Statement of Revenues, Expenses, And Changes In Net Position
For the Year Ended June 30, 2023

	University	Component Unit
Operating Revenues		
Student tuition and fees, net of scholarship discounts and allowances of \$8,668,718	\$ 7,982,635	\$ -
Federal and state grants and contracts	7,080,231	-
Housing and food service, net of scholarship discounts and allowances of \$243,282	3,398,959	-
Contributions	-	2,001,864
Other operating revenues	260,134	207,228
Total Operating Revenues	18,721,959	2,209,092
Operating Expenses		
Compensation and employee benefits	18,535,384	-
Contractual services	5,101,916	-
Supplies and materials	3,164,456	-
Depreciation	2,138,563	-
Utilities	1,265,288	-
Communication expense	142,872	-
Scholarships and fellowships	6,117,565	1,110,893
Other operating expenses	2,460,404	2,436,876
Total Operating Expenses	38,926,448	3,547,769
Operating Income (Loss)	(20,204,489)	(1,338,677)
Nonoperating Revenues (Expenses)		
State appropriations	8,932,303	-
Federal and state grants and contracts	4,577,656	-
Gifts	707,220	-
Investment income	762,324	2,583,072
Interest expense	(415,805)	-
Net Nonoperating Revenue	14,563,698	2,583,072
Income (Loss) Before Other Revenues, Expenses, Gains And Losses	(5,640,791)	1,244,395
Private gifts for capital assets	-	-
State appropriations restricted for capital purposes	1,416,632	-
OCIA on-behalf state appropriations	439,668	-
Capital assets earned	73,148	-
Change In Net Position	(3,711,343)	1,244,395
Net Position, <i>Beginning of Year</i>	35,493,298	36,957,562
Net Position, <i>End of Year</i>	\$ 31,781,955	\$ 38,201,957

See Notes to the Financial Statements.

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Statement of Cash Flows
For the Year Ended June 30, 2023

Cash Flows from Operating Activities	
Tuition and fees	\$ 8,265,407
Grants and contracts	6,996,644
Auxiliary enterprise charges and other operating receipts	3,659,093
Payments to employees for salaries and benefits	(18,726,006)
Payment to suppliers	(18,628,030)
Net Cash Used in Operating Activities	<u>(18,432,892)</u>
Cash Flows from Noncapital Financing Activities	
State appropriations	8,932,303
Nonoperating grants	4,577,656
Direct student loans received	5,552,202
Direct student loan payments	(5,552,202)
Gifts for other than capital purposes	707,220
Net Cash Provided By Noncapital Investing Activities	<u>14,217,179</u>
Cash Flows from Investing Activities	
Interest income received	762,324
Net Cash Provided by Investing Activities	<u>762,324</u>
Cash Flows From Capital and Related Financing Activities	
Cash paid for capital assets	(3,662,754)
Gift for capital assets	97,966
Capital appropriations received	1,416,632
Capital assets earned	-
Interest paid on capital debt and leases	(285,004)
Proceeds from issuance of debt	4,047,000
Repayment of capital debt and leases	(417,333)
Net Cash Used in Capital and Related Financing Activities	<u>1,196,507</u>
Net Change in Cash and Cash Equivalents	(2,256,883)
Cash and Cash Equivalents, <i>Beginning of Year</i>	<u>15,580,843</u>
Cash and Cash Equivalents, <i>End of Year</i>	<u>\$ 13,323,960</u>

(Continued)

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Statement of Cash Flows
For the Year Ended June 30, 2023
(Continued)

Reconciliation of Operating Loss to	
Net Cash Used in Operating Activities	
Operating Loss	\$ (20,204,489)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation expense	1,795,913
Changes in assets and liabilities:	
Accounts receivable	138,101
Inventories	(6,971)
Accounts payable and accrued expenses	(241,278)
Unearned revenue	49,809
Student and other deposits	11,275
Compensated absences	24,748
Net Cash Used in Operating Activities	<u>\$ (18,432,892)</u>
Noncash Investing, Noncapital Financial and Capital and Related Financing Activities	
Interest on capital debt paid by state agency on behalf of the University	148,678
Principal on capital debt paid by state agency on behalf of the University	290,990
Donated Capital assets reported as unearned capital assets	73,148
Total Noncash Investing, Noncapital Financing	<u>\$ 512,816</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Position	
Current assets:	
Cash and cash equivalents	\$ 9,665,434
Restricted cash and cash equivalents	3,658,526
Total Cash And Cash Equivalents	<u>\$ 13,323,960</u>

Northwestern Oklahoma State 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

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.

Reporting Entity

Northwestern Oklahoma State 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 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 Unit

Northwestern Oklahoma State University Foundation, Inc. (the University Foundation) and Alumni Association (the Association) is a component unit of the University under Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39 *Determining Whether Certain Organizations Are Component Units-An Amendment of GASB Statement No. 14* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an Amendment of GASB Statements No. 14 and No. 34*, and their financial statements are discretely presented with the financial statements 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 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 from 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.

Northwestern Oklahoma State 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)

Discretely Presented Component Unit (Continued)

The 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 alumni with information about University related organizations and activities. Its activities are guided by a Board of Directors who receives 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 remained separate entities, each governed by its own board. The president of the Association will be appointed as a trustee of the University Foundation. Accounting for the funds and fund transactions is accomplished by the University Foundation. The University Foundation provides financial support as needed to the Alumni Association. Each year the Alumni Association Board presents a budget to the University Foundation Board to finance its operations.

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 outflows 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.

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.

Northwestern Oklahoma State 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)

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. At June 30, 2023, all of the University's investments were considered cash equivalents.

Accounts 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. 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 are recorded net of estimated uncollectible amounts.

Inventories

Inventories consist of maintenance supplies and are carried at the lower of cost or market on the first-in, first-out (FIFO) basis.

Restricted Cash and Investments

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

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 5 years for library materials and equipment.

Northwestern Oklahoma State 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)

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 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 employee benefit expense in the statement of revenues, expenses, and changes in net position.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and 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.

Net investment in capital assets the University's net position is classified as follows:

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, 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 Net Position - Expendable

Restricted expendable net position includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted Net Position

Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises.

Northwestern Oklahoma State 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)

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, a department of RUSO, 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. However, the University may be subject to income taxes on unrelated business income under the Internal Revenue Code Section 511 (a)(2)(B).

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.

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 federal, state, and local grants and contracts.

Nonoperating Revenues

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, 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.

Northwestern Oklahoma State 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)

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.

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.

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.

Northwestern Oklahoma State 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)

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 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.

Subsequent Events

The University has evaluated subsequent events through October 31, 2023, the date the financial statements were available to be issued.

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. State statutes require the 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 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.

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Notes to Financial Statements
June 30, 2023

Note B--Deposits and Investments (Continued)

Deposits (Continued)

There is \$11,776,465 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2023, of which approximately \$66,400 represents amounts held in agency funds. Of the \$11,776,465 on deposit with the State Treasurer, \$5,726,117 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. For financial reporting purposes, deposits with the OST that are invested in *OK INVEST* are classified as cash equivalents.

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.

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Notes to Financial Statements
June 30, 2023

Note C--Accounts Receivable

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

Student tuition and fees	\$	3,693,410
Auxiliary enterprises and other operating activities		432,234
Federal, state, and private grants and contracts		532,872
		4,658,516
Less: allowance for doubtful accounts		-
 Total	 \$	 <u>4,658,516</u>

Note D--Capital Assets

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

	Balance 06/30/22	Additions	Transfers	Deletions	Balance 06/30/23
<i>Capital Assets, not being depreciated</i>					
Land	\$ 1,149,042	\$ -	\$ -	\$ -	\$ 1,149,042
Art	133,333	-	-	-	133,333
Construction in Progress	1,851,351	2,920,666	-	(145,748)	4,626,269
Total Capital Assets, not being depreciated	3,133,726	2,920,666	-	(145,748)	5,908,644
<i>Capital Assets, being depreciated</i>					
Land Improvements	4,979,231	-	-	-	4,979,231
Leasehold Improvements	125,631	97,967	-	-	223,598
Buildings	50,070,271	154,382	-	-	50,224,653
Furniture, Fixtures and Equipment	7,384,264	967,708	11,398	(342,650)	8,020,720
Library Materials	906,684	10,429	(11,398)	-	905,715
Total Capital Assets, being depreciated	63,466,081	1,230,486	-	(342,650)	64,353,917
Less Accumulated Depreciation:					
Land Improvements	(4,191,512)	(180,915)	-	-	(4,372,427)
Leasehold Improvements	(96,845)	(8,225)	-	-	(105,070)
Buildings	(31,745,905)	(1,315,271)	-	-	(33,061,176)
Furniture, Fixtures and Equipment	(4,694,989)	(619,058)	-	342,650	(4,971,397)
Library Materials	(850,287)	(15,094)	-	-	(865,381)
Total Accumulated Depreciation	(41,579,538)	(2,138,563)	-	342,650	(43,375,451)
Total Capital Assets, being depreciated	21,886,543	(908,077)	-	-	20,978,466
Capital Assets, Net	\$ 25,020,269	\$ 2,012,589	\$ -	\$ (145,748)	\$ 26,887,110
Capital Assets Summary					
Capital Assets, not being depreciated	\$ 3,133,726	\$ 2,920,666	\$ -	\$ (145,748)	\$ 5,908,644
Capital Assets, being depreciated	63,466,081	1,230,486	-	(342,650)	64,353,917
Total Cost of Capital Assets	66,599,807	4,151,152	-	(488,398)	70,262,561
Less: Accumulated Depreciation	(41,579,538)	(2,138,563)	-	342,650	(43,375,451)
Total	\$ 25,020,269	\$ 2,012,589	\$ -	\$ (145,748)	\$ 26,887,110

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
 Notes to Financial Statements
 June 30, 2023

Note E--Long-Term Liabilities

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

	Balance 06/30/22	Additions	Deletions	Balance 06/30/23	Due Within One Year
Capital Lease Obligations:					
ODFA Master Lease	\$ 1,561,881	\$ 4,047,000	\$ (417,333)	\$ 5,191,548	\$ 367,167
OCIA Lease Obligation	3,121,628	-	(290,990)	2,830,638	305,782
	<u>4,683,509</u>	<u>4,047,000</u>	<u>(708,323)</u>	<u>8,022,186</u>	<u>672,949</u>
Other Liabilities					
Accrued Compensated Absences	511,618	536,364	(511,618)	536,364	396,909
Unearned Capital Assets	264,681	97,966	(73,148)	289,499	73,148
	<u>776,299</u>	<u>634,330</u>	<u>(584,766)</u>	<u>825,863</u>	<u>470,057</u>
Total	<u>\$ 5,459,808</u>	<u>\$ 4,681,330</u>	<u>\$ (1,293,089)</u>	<u>\$ 8,848,049</u>	<u>\$ 1,143,006</u>

Capital Lease Obligations

Through June 30, 2023, the University has drawn down its total allotment for expenditures incurred in connection with specified projects. These expenditures have been capitalized as capital assets or recorded as non-capitalized operating expenses, in accordance with University policy. The University has recorded a lease obligation payable to OCIA for the total amount of the allotment, less repayments made during the fiscal year.

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

Through June 30, 2023, the University has drawn down the total allotment for expenditures incurred in connection with specified projects. These expenses have been capitalized as investment in capital assets in accordance with University policy. The University has recorded a lease obligation payable to OCIA for the total amount of the allotment, less repayments made on the University's behalf.

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
 Notes to Financial Statements
 June 30, 2023

Note E--Long-Term Liabilities (Continued)

Capital Lease Obligations (Continued)

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. As of June 30, 2023, the deferred gain, net of amortization, was \$82,804. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The University's aforementioned lease agreement 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 lease agreement and the refinanced lease agreement of \$439,668, which approximates the economic savings of the transaction. The University has recorded a lease obligation payable to OCIA for the total amount of the allotment, less payments made on the University's behalf.

During the year ended June 30, 2023, the State of Oklahoma made lease interest payments totaling \$148,678 to OCIA 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.

Future minimum lease payments under the University's OCIA capital lease obligations are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 305,782	\$ 134,657	\$ 440,439
2025	313,651	119,755	433,406
2026	326,926	106,507	433,433
2027	342,950	90,442	433,392
2028	358,594	74,750	433,344
2029-2033	<u>1,182,735</u>	<u>117,465</u>	<u>1,300,200</u>
Total	<u>\$ 2,830,638</u>	<u>\$ 643,576</u>	<u>\$ 3,474,214</u>

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Notes to Financial Statements
June 30, 2023

Note E--Long-Term Liabilities (Continued)

Capital Lease Obligations (Continued)

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 for Higher Education allocated \$843,000 to the University. Concurrently with the allocation, the University entered into a lease agreement with ODFA for the project being funded by the ODFA bonds. The lease agreement provides for the University to make specified monthly payments to ODFA over the respective terms of the agreement, which is through May 15, 2030. The proceeds of the bonds and subsequent leases are to provide for capital improvements to the University.

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 for Higher Education allocated \$1,033,000 and \$383,000 to the University. Concurrently with the allocation, the University entered into a lease agreement with ODFA for the project being funded by the ODFA bonds. The lease agreement provides for the University to make specified monthly payments to ODFA over the respective terms of the agreement, which is through May 15, 2031 and June 23, 2023, respectively. The proceeds of the bonds and subsequent leases 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 for Higher Education allocated \$4,047,000 to the University. Concurrently with the allocation, the University entered into a lease agreement with ODFA for the project being funded by the ODFA bonds. The lease agreement provides for the University to make specified monthly payments to ODFA over the respective terms of the agreement, which is through May 15, 2042. The proceeds of the bonds and subsequent leases are to provide for capital improvements to the University.

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
 Notes to Financial Statements
 June 30, 2023

Note E--Long-Term Liabilities (Continued)

Capital Lease Obligations (Continued)

Future minimum lease payments under the University's ODFA capital lease obligations are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 367,167	\$ 246,262	\$ 613,429
2025	371,381	231,268	602,649
2026	276,916	215,129	492,045
2027	288,003	202,739	490,742
2028	300,082	190,358	490,440
2029-2033	1,286,498	755,807	2,042,305
2034-2038	1,436,000	527,053	1,963,053
2039-2042	865,501	86,646	952,147
	<u>5,191,548</u>	<u>2,455,262</u>	<u>7,646,810</u>
Total	\$ <u>5,191,548</u>	\$ <u>2,455,262</u>	\$ <u>7,646,810</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 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 G. 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.

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Notes to Financial Statements
June 30, 2023

Note F--Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (OTRS)

Plan Description

The University contributes to the Oklahoma Teachers' Retirement System (OTRS), a cost-sharing 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.

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 2023 and 9.5% for 2022, and 8.55% for 2021, and was applied to annual compensation. There is also an additional 8.4% 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 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 was approximately \$1,295,000, \$1,255,000, and \$1,269,000 respectively. 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.

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Notes to Financial Statements
June 30, 2023

Note F--Retirement Plans (Continued)

Supplemental Retirement Annuity (SRA)

Plan Description

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

Funding Policy

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

The University's contributions to the SRA for the years ended June 30, 2023, 2022 and 2021, were approximately \$295,000, \$300,000, and \$318,000, respectively.

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, the University made no contribution during the year ended June 30, 2023.

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Notes to Financial Statements
June 30, 2023

Note G--Other Post-Employment Insurance Benefits

Plan Description Post - Employment Healthcare Plan

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.

Prior to the establishment of the trust, the insurance benefits were accounted for on a pay-as-you-go basis so that premiums were paid from current operating funds.

The plan is included in the financial report of the Regional University System of Oklahoma reporting entity and does not issue separate, stand-alone financial statements.

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.

Northwestern Oklahoma State 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

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 \$1,103,261 during the year ended June 30, 2023, 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 \$21,615,000 at June 30, 2023.

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 \$14,561,000 at June 30, 2023, and are invested by the Oklahoma State Regents on behalf of the University. The University is entitled to receive an annual distribution of 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, \$567,600 at June 30, 2023, have been reflected as assets in the statements of net position.

Note I--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.

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Notes to Financial Statements
June 30, 2023

Note I--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 \$6,155,000 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 J--Risk Management

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

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

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

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Notes to Financial Statements
June 30, 2023

Note J--Risk Management (Continued)

The College also began participating, during fiscal year 2017, in the Oklahoma Higher Education Employee Interlocal Group Health Insurance Pool (OKHEEI). College 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 College 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 College 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, 2023, additional assessments did not occur.

Note K--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.

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 L--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):

Fair Value Measurements

The Foundation follows ASC Topic 820, Fair Value Measurements, which provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Notes to Financial Statements
June 30, 2023

Note L--Northwestern Oklahoma State University Foundation, Inc. and Alumni Association (Continued)

Fair Value Measurements (Continued)

The hierarchy gives highest priority to unadjusted quotes prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The inputs to the three levels of the fair value hierarchy under Topic 820 are described as follows:

- Level 1 Unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from, or corroborated by, observable market data by correlation to other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Unobservable and significant to the fair value measurement.

The Foundation has certain investments which are measured at net asset value per share (NAV). If the Foundation has the ability to redeem its investment with the investee at NAV at the measurement date or within ninety days of the measurement date, the fair value of the asset is categorized as a Level 2 fair value measurement. If the Foundation will never have the ability to redeem its investment with the investee at NAV or the Foundation cannot redeem its investment within ninety days of the measurement date, the Foundation categorizes the asset as a Level 3 measurement.

Financial assets and liabilities carried at fair value on a recurring basis include investments and cash value, life insurance. The Foundation had no assets or liabilities carried at fair value on a non-recurring basis at June 30, 2023 and 2022.

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
 Notes to Financial Statements
 June 30, 2023

Note L--Northwestern Oklahoma State University Foundation, Inc. and Alumni Association (Continued)

Fair Value Measurements (Continued)

Assets and liabilities measured at fair value are classified within the fair value hierarchy as follows as of June 30, 2023:

Investments	Level 1	Level 2	Level 3	Total
Uninvested cash	\$ 1,436,929	\$ -	\$ -	\$ 1,436,929
Certificates of deposit	-	390,000	-	390,000
Equity Securities	11,831,267	-	-	11,831,267
Exchange-traded products	12,048,327	-	-	12,048,327
Corporate and other bonds	-	85,282	-	85,282
Mutual funds	2,359,338	-	-	2,359,338
Alternative investments	-	4,895,189	1,733,005	6,628,194
Total	\$ 27,675,861	\$ 5,370,471	\$ 1,733,005	\$ 34,779,337
Cash Value Life Insurance	Level 1	Level 2	Level 3	Total
Hartford Policy	\$ -	\$ 95,269	\$ -	\$ 95,269

Endowment Disclosures

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

Interpretation of Relevant Law

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

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Notes to Financial Statements
June 30, 2023

Note L--Northwestern Oklahoma State University Foundation, Inc. and Alumni Association (Continued)

Interpretation of Relevant Law (Continued)

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.

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
 Notes to Financial Statements
 June 30, 2023

Note L--Northwestern Oklahoma State University Foundation, Inc. and Alumni Association (Continued)

Strategies for Achieving Objectives (Continued)

Spending Policy

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

Investment Return

The Foundation includes revenues and expenses associated with investments and land & mineral rights when calculating its rate of return. The rate of return was -7.08% and -7.87% for the years ended June 30, 2023 and 2022, respectively.

Endowment net position composition as of June 30, 2023:

	Without Donor Restriction	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 37,926,611	\$ 37,926,611
Board-designated endowment funds	-	-	-
Total	<u>\$ -</u>	<u>\$ 37,926,611</u>	<u>\$ 37,926,611</u>

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
 Notes to Financial Statements
 June 30, 2023

Note L--Northwestern Oklahoma State University Foundation, Inc. and Alumni Association (Continued)

Investment Return (Continued)

Changes in endowment net position for the year ended June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 36,957,562	\$ 36,957,562
Transfers	-	-	-
Investment Return	-	1,555,859	1,555,859
Contributions	-	828,470	828,470
Other Income	-	-	-
Rent Income	-	-	-
Appropriation of endowment assets for expenditures	-	(1,415,280)	(1,415,280)
	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ 37,926,611</u>	<u>\$ 37,926,611</u>

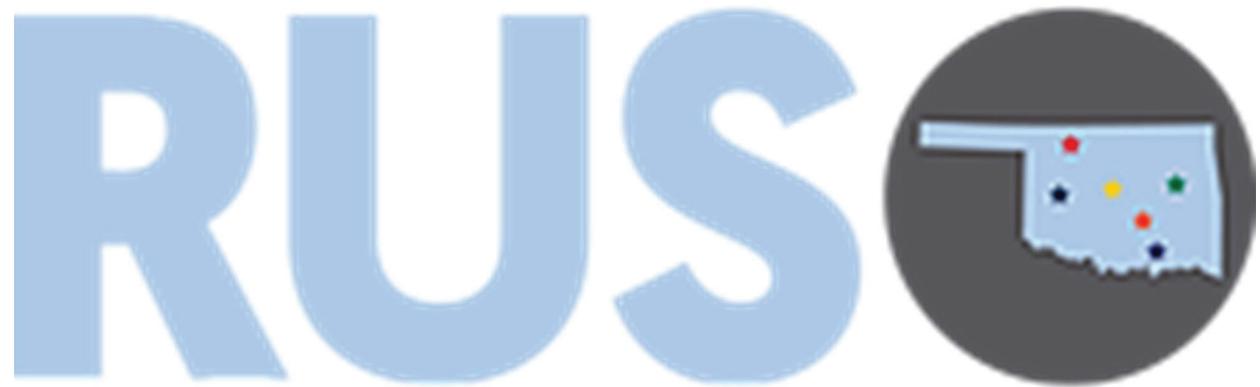
Related Party Transactions

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 & 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.

**Reports Required by Government Auditing
Standards and the Uniform Guidance**



Northwestern Oklahoma State University

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

**Single Audit Reports
For the Fiscal Year Ended
June 30, 2023**

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Table of Contents
June 30, 2023

Reports Required by *Government Auditing Standards* and Uniform Guidance

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.....	3
Schedule of Expenditures of Federal Awards	7
Notes to the Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9
Summary Schedule of Prior Audit Findings and Questioned Costs.....	11



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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
Northwestern Oklahoma State University
Oklahoma City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northwestern Oklahoma State 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.

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 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 over financial reporting.

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

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

Compliance and Other Matters

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

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

Tulsa, Oklahoma
October 31, 2023





**HINKLE &
COMPANY** PC
*Strategic
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**Independent Auditor's Report on Compliance for Each Major
Federal Program; Report on Internal Control over Compliance and
Report on Schedule of Expenditures of Federal Awards Required by
the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Northwestern Oklahoma State University's (the University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the 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, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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



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

Tulsa, Oklahoma
October 31, 2023



Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identification Number	Provided to Subrecipients	Total Federal Expenditures
U. S. Department of Education				
Student Financial Assistance Cluster:				
Federal Pell Grant Program	84.063	N/A	N/A	\$ 3,669,988
Federal Work Study Program	84.033	N/A	N/A	145,255
Federal Supplemental Educational Opportunity Grants	84.007	N/A	N/A	54,600
Federal Direct Loan Programs	84.268	N/A	N/A	6,127,260
<i>Total Student Financial Assistance Cluster</i>				<u>9,997,103</u>
TRIO Program Cluster:				
Upward Bound	84.047A	N/A	N/A	282,812
Upward Bound - Math & Science	84.047M	N/A	N/A	308,934
Student Support Services	84.042A	N/A	N/A	232,203
Title III/LASSO		N/A	N/A	368,602
<i>Total TRIO Program Cluster</i>				<u>1,192,551</u>
Higher Education Emergency Relief Funds:				
Student Aid Portion	84.425E	N/A	N/A	-
Institutional Portion	84.425F	N/A	N/A	762,144
Strengthen Institutions Programs	84.425L	N/A	N/A	65,711
Debt Relief Grant	84.425S	N/A	N/A	-
<i>Total Higher Education Emergency Relief Funds</i>				<u>827,855</u>
Total U. S. Department of Education				<u>12,017,509</u>
Total Federal Awards				\$ <u>12,017,509</u>

Northwestern Oklahoma State 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 Northwestern Oklahoma State 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 Northwestern Oklahoma State University, it is not intended to and does not present the financial position, changes in net position, or cash flows of Northwestern Oklahoma State 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.

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Summary of Auditor's Results

1. The opinion expressed in the independent auditor's report was:

Unmodified Qualified Adverse Disclaimed

2. The independent auditor's 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

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2023

Summary of Auditor's Results (Continued)

7. The University's major program were:

<u>Cluster/Program</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	
Federal Pell Grant	84.063
Federal Supplemental Education Opportunity Grants	84.007
Federal Direct Loan Program	84.268
Federal Work Study	84.033
Higher Education Emergency Relief Fund	
American Rescue Plan	84.425E
American Rescue Plan	84.425F
TRIO Cluster	
Talent Search	84.044
Upward Bound	84.047
Student Support Services	84.042

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.

Northwestern Oklahoma State University
A Department of the Regional University System of Oklahoma
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2023

No matters were reportable.