ORAL ROBERTS UNIVERSITY

CONSOLIDATED FINANCIAL STATEMENTS

APRIL 30, 2022 and 2021

WITH

INDEPENDENT AUDITOR'S REPORT

HoganTaylor LLP
CPAs + ADVISORS

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HoganTaylor LLP
CPAs + ADVISORS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Oral Roberts University

Opinion

We have audited the consolidated financial statements of Oral Roberts University and affiliate (collectively, the University), which comprise the consolidated statements of financial position as of April 30, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of April 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Hogan Taylor LLP

Tulsa, Oklahoma
September 21, 2022

ORAL ROBERTS UNIVERSITY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

April 30, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	$ 99,526,781	$ 60,873,764
Accounts receivable, net	4,305,551	2,608,464
Contributions receivable, net	2,227,816	1,892,306
Investments	13,296,621	15,388,259
Prepaid expenses and other assets	5,320,713	4,574,231
Student loans receivable, net	15,161,035	17,927,343
Commercial real estate, net	31,454,623	33,714,648
Educational plant, net	94,700,571	79,741,291
Beneficial interest in assets held by others	2,938,582	1,611,383
Total assets	$ 268,932,293	$ 218,331,689
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 26,127,771	$ 14,057,258
Deferred revenue	3,124,000	3,070,444
Obligations under capital leases	180,737	289,096
Obligations under split-interest agreements	646,992	1,051,988
Government advances for student loans	14,480,550	16,836,008
Total liabilities	44,560,050	35,304,794
Net assets:		
Without donor restrictions	90,172,324	89,312,019
With donor restrictions	134,199,919	93,714,876
Total net assets	224,372,243	183,026,895
Total liabilities and net assets	$ 268,932,293	$ 218,331,689

ORAL ROBERTS UNIVERSITY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended April 30, 2022
(with comparative totals for the year ended April 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenues, gains and other support				
Tuition and fees	$ 93,305,713	$ -	$ 93,305,713	$ 88,350,994
Room, board and other auxiliary services	21,928,912	-	21,928,912	18,928,101
Less: scholarships and fellowships	(48,190,488)	-	(48,190,488)	(44,057,570)
Net tuition, fees and auxiliary services	67,044,137	-	67,044,137	63,221,525
Contributions of cash and other financial assets	936,340	53,385,516	54,321,856	30,420,050
Contributions of nonfinancial assets	649,883	-	649,883	5,403
Contracts and grants	1,312,536	9,124,352	10,436,888	8,117,049
Net investment return	344,578	(719,019)	(374,441)	3,904,986
Commercial real estate operations	11,789,334	-	11,789,334	11,083,155
Other support	5,144,746	377,684	5,522,430	5,198,899
Net assets transfers - Joint Venture Agreement (Note 9)	(1,743,891)	1,743,891	-	-
Net assets released from restrictions	23,427,381	(23,427,381)	-	-
Total revenues, gains and other support	108,905,044	40,485,043	149,390,087	121,951,067
Expenses				
Education and general:				
Instruction	26,644,199	-	26,644,199	26,621,933
Research	108,910	-	108,910	35,321
Public service	3,236,428	-	3,236,428	1,661,773
Academic support	3,759,947	-	3,759,947	4,121,495
Student services	14,593,682	-	14,593,682	12,923,897
Institutional support	21,015,038	-	21,015,038	20,711,392
HEERF emergency financial aid	4,877,217	-	4,877,217	2,735,286
Room, board and other auxiliary services	20,177,823	-	20,177,823	17,781,034
Total education and general expenses	94,413,244	-	94,413,244	86,592,131
Commercial real estate operations	10,535,924	-	10,535,924	9,496,972
Other expenses	3,095,571	-	3,095,571	2,782,823
Total expenses	108,044,739	-	108,044,739	98,871,926
Change in net assets	860,305	40,485,043	41,345,348	23,079,141
Net assets, beginning of year	89,312,019	93,714,876	183,026,895	159,947,754
Net assets, end of year	$ 90,172,324	$ 134,199,919	$ 224,372,243	$ 183,026,895

ORAL ROBERTS UNIVERSITY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended April 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Tuition and fees	$ 88,350,994	$ -	$ 88,350,994
Room, board and other auxiliary services	18,928,101	-	18,928,101
Less: scholarships and fellowships	(44,057,570)	-	(44,057,570)
Net tuition, fees and auxiliary services	63,221,525	-	63,221,525
Contributions of cash and other financial assets	791,663	29,628,387	30,420,050
Contributions of nonfinancial assets	5,403	-	5,403
Contracts and grants	845,112	7,271,937	8,117,049
Net investment return	331,139	3,573,847	3,904,986
Commercial real estate operations	11,083,155	-	11,083,155
Other support	5,140,478	58,421	5,198,899
Net assets transfers - Joint Venture Agreement (Note 9)	(1,743,891)	1,743,891	-
Net assets released from restrictions	16,857,459	(16,857,459)	-
Change in donor restriction	(1,199,992)	1,199,992	-
Total revenues, gains and other support	95,332,051	26,619,016	121,951,067
Expenses			
Education and general:			
Instruction	26,621,933	-	26,621,933
Research	35,321	-	35,321
Public service	1,661,773	-	1,661,773
Academic support	4,121,495	-	4,121,495
Student services	12,923,897	-	12,923,897
Institutional support	20,711,392	-	20,711,392
HEERF emergency financial aid	2,735,286	-	2,735,286
Room, board and other auxiliary services	17,781,034	-	17,781,034
Total education and general expenses	86,592,131	-	86,592,131
Commercial real estate operations	9,496,972	-	9,496,972
Other expenses	2,782,823	-	2,782,823
Total expenses	98,871,926	-	98,871,926
Change in net assets	(3,539,875)	26,619,016	23,079,141
Net assets, beginning of year	92,851,894	67,095,860	159,947,754
Net assets, end of year	$ 89,312,019	$ 93,714,876	$ 183,026,895

ORAL ROBERTS UNIVERSITY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended April 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	$ 41,345,348	$ 23,079,141
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	10,728,459	10,859,412
Net realized and unrealized (gain) loss on investments	866,252	(3,281,572)
(Gain) loss on disposal of educational plant	(32,434)	57,430
Student loans cancelled	611,863	207,976
Provision for bad debts	339,174	1,602,318
Contributed securities	(1,186,336)	(1,229,144)
Contributions of educational plant and other nonfinancial assets	(649,883)	(5,403)
Change in beneficial interest in assets held by others	(1,327,199)	88,165
Contributions restricted for long-term purposes	(43,093,028)	(23,486,624)
Change in:		
Accounts receivable	(1,866,676)	483,021
Contributions receivable	429,979	(141,803)
Prepaid expenses and other assets	(746,482)	283,577
Accounts payable and accrued expenses	6,051,188	2,041,525
Deferred revenue	(136,370)	(330,540)
Government advances for student loans	(2,355,458)	(2,471,854)
Net cash provided by operating activities	8,978,397	7,755,625
Cash Flows from Investing Activities		
Purchases of educational plant assets	(15,996,644)	(1,937,660)
Purchases of commercial real estate assets	(732,676)	(1,272,725)
Purchases of investments	(17,108,454)	(4,051,016)
Proceeds from sale of investments	19,523,424	6,366,896
Student loans collected	2,933,467	2,806,740
Student loans granted	(1,714,096)	(1,218,786)
Net cash provided by (used in) investing activities	(13,094,979)	693,449
Cash Flows from Financing Activities		
Proceeds from contributions restricted for long-term purposes	43,093,028	23,486,624
Payments on capital lease obligations	(108,359)	(218,793)
Other	(215,070)	(60,872)
Net cash provided by financing activities	42,769,599	23,206,959
Net change in cash and cash equivalents	38,653,017	31,656,033
Cash and cash equivalents, beginning of year	60,873,764	29,217,731
Cash and cash equivalents, end of year	$ 99,526,781	$ 60,873,764
Noncash Investing Activities		
Purchases of educational plant assets in accounts payable	$ 6,019,325	$ -
Equipment acquired under capital leases	$ -	$ 219,724

See notes to consolidated financial statements.

ORAL ROBERTS UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2022 and 2021

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

Nature of operations

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

ORU is a comprehensive university dedicated to strong student outcomes and offers 70 undergraduate majors, as well as 14 master-level programs, one specialist and four doctoral degrees. The most popular majors include: Ministry and Leadership, Nursing, Psychology, Business Administration, and Engineering. Faculty members educated at the nation's top graduate schools serve as academic, professional and spiritual mentors to students who come to ORU from every corner of the globe.

The student population consists of over 4,600 for-credit students from all 50 states and 115 nations. The alumni population consists of approximately 62,000 individuals. The ORU Golden Eagles Athletics Department participates in 16 NCAA Division I men's and women's varsity sports.

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

Basis of presentation

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

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

> *Net Assets Without Donor Restrictions* – Net assets not subject to donor-imposed restrictions and available for purposes consistent with the University's mission. Revenues are generally reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Investment returns generated by funds without donor restrictions are classified as changes in net assets without donor restriction. Certain net assets classified as without donor restrictions are board-designated for specific purposes. Expenses are reported as decreases in net assets without donor restrictions.
>
> *Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions that must be met by actions of the University and/or the passage of time. Contributed assets normally fund specific expenditures of an operating or capital nature. Items that affect this net asset category are gifts with donor-imposed restrictions, including gifts and grants for buildings and equipment not yet placed in service; endowment gifts with donor-imposed restrictions requiring that they be maintained permanently by the University; unconditional promises to give; and investment returns

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

Estimates

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

Cash and cash equivalents

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

Accounts receivable

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

Contributions receivable

Unconditional promises to give are recorded net of an allowance for uncollectible receivables. This estimate is based on such factors as prior collection history, type of contribution and the nature of the fundraising activity. Amounts due in more than one year are discounted using a risk-adjusted rate of 4% at April 30, 2022 and 2021. Amortization of the discount is recorded as contribution revenue to the respective net asset class.

Investments

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

Prepaid expenses and other assets

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

Student loans receivable and government advances for student loans

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

In the event that the University no longer participates in the Perkins program, a portion of the amounts are generally refundable to the federal government. Perkins loans that are in default and meet certain requirements can be assigned to the U.S. Department of Education (DOE), which reduces the government advances for student loans. The DOE has notified schools that the Perkins loan program has expired and that no Perkins loan disbursements are permitted. The University will continue to administer the remaining student loans and follow the guidelines from the DOE on the wind-down of the Perkins program.

Commercial real estate

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

Educational plant

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

The University records an impairment to its property, plant and equipment, including commercial real estate, if it becomes probable that the carrying values of the assets will not be fully recovered. Impairments are recorded to reduce the carrying value of the assets to their estimated fair values determined by the University based on facts and circumstances in existence at the time of the determination, estimates of probable future economic conditions and other information. No impairment adjustments were recorded during the years ended April 30, 2022 or 2021.

Beneficial interests in assets held by others

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

Split-interest agreements

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

The University also enters into revocable life loan agreements whereby lenders place funds with the University. Interest is paid to lenders at rates of 3% to 6%. Lenders may make withdrawals or convert the principal to an irrevocable contract or an outright gift of the principal to ORU over the life of the agreement.

If called, the loans must be repaid, but the University's obligation to repay a loan terminates upon the death of the lender.

The fair value of assets held under split-interest agreements was approximately $1,651,000 and $3,050,000 at April 30, 2022 and 2021, respectively, and are included in investments in the accompanying consolidated statements of financial position. Cash paid for interest, primarily related to split-interest agreements, was approximately $157,000 and $193,000 for the years ended April 30, 2022 and 2021, respectively.

Revenue recognition

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

Tuition and fees revenue and scholarships and fellowships

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

Auxiliary services

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

Contributions

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

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

Contracts and grants

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

Investment return

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

Commercial real estate operations

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

Other support

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

Student financial aid

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

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

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

Fundraising expenses

Fundraising expenses were approximately $2,062,000 and $2,066,000 for the years ended April 30, 2022 and 2021, respectively.

Federal income taxes

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

Concentrations

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

ORU received contributions of approximately \$38,800,000 and \$20,050,000 from a single donor or entities affiliated with the donor during the years ended April 30, 2022 and 2021, respectively.

Fair value measurements

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

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

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

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

Recently adopted accounting pronouncement

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments require presentation of contributed nonfinancial assets as a separate line item in the consolidated statement of activities (apart from cash and other financial assets). In addition, disclosure is required for each type of contributed nonfinancial asset including, uses, policies, restrictions, valuation details, and market information. The University adopted the ASU retrospectively during the year ended April 30, 2022. As such, \$649,883 and \$5,403, respectively, of contributions of nonfinancial assets during the years ended April 30, 2022 and 2021, were reclassified from contributions to contributions of nonfinancial assets on the consolidated statement of activities.

New accounting pronouncements

The FASB has issued ASU 2016-02, *Leases (Topic 842)*, effective for the University's fiscal year ending April 30, 2023. The leases standard aims to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the consolidated statements of financial position and disclosing key information about leasing arrangements. The University is currently evaluating the impact this standard will have on its consolidated financial statements.

The FASB has issued ASU 2016-03, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, effective for the University's fiscal year ending April 30, 2023. Among other provisions, this ASU requires the allowance for credit losses to reflect management's current estimate of credit losses that are expected to occur over the remaining life of a financial asset. The University is currently evaluating the impact this standard will have on its consolidated financial statements.

Reclassifications

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

Subsequent events

Management has evaluated subsequent events through September 21, 2022, the date the consolidated financial statements were available to be issued.

Note 2 – Receivables

Accounts receivable consist of the following at April 30:

	2022	2021
Student tuition and fees, net of $3,553,338 and $3,611,115 allowance for doubtful accounts	$ 1,385,792	$ 590,802
Contracts and grants receivable	50,666	74,344
Rental property receivables, net of $239,229 and $66,640 allowance for doubtful accounts	831,644	686,982
Other receivables	2,037,449	1,256,336
	$ 4,305,551	$ 2,608,464

Contributions receivable are summarized as follows at April 30:

	2022	2021
Unconditional promises to give expected to be collected in:		
One year or less	$ 3,096,896	$ 2,446,140
One to five years	884,403	1,865,138
More than five years	-	100,000
	3,981,299	4,411,278
Less:		
Unamortized discounts	(32,959)	(73,671)
Allowance for uncollectible promises to give	(1,720,524)	(2,445,301)
	$ 2,227,816	$ 1,892,306

Student loans receivable consist of the following at April 30:

	2022	2021
Perkins loan program	$ 14,696,220	$ 17,958,370
Institutional student loan programs	6,141,756	4,710,840
	20,837,976	22,669,210
Less allowance for doubtful accounts	(5,676,941)	(4,741,867)
	$ 15,161,035	$ 17,927,343

Note 3 – Investments and Fair Value Disclosures

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

	2022			
	Total	Level 1	Level 2	Level 3
Equity mutual funds	$ 895,745	$ 895,745	$ -	$ -
Bond mutual funds	2,377,152	2,377,152	-	-
Alternative investment mutual funds	1,321,176	1,321,176	-	-
Exchange traded funds	4,824,545	4,824,545	-	-
Government-backed securities	5,251	4,855	396	-
Corporate bonds	592,802	-	592,802	-
Corporate equities	2,145,830	2,145,830	-	-
Real estate trusts and other	1,134,120	1,134,120	-	-
	$ 13,296,621	$ 12,703,423	$ 593,198	$ -

	2021			
	Total	Level 1	Level 2	Level 3
Equity mutual funds	$ 7,937,255	$ 7,937,255	$ -	$ -
Bond mutual funds	3,975,792	3,975,792	-	-
Exchange traded funds	2,418,320	2,418,320	-	
Government-backed securities	9,867	8,945	922	-
Corporate bonds	2,363	-	2,363	-
Corporate equities	686,674	686,674	-	-
Real estate trusts and other	357,988	357,988	-	-
	$ 15,388,259	$ 15,384,974	$ 3,285	$ -

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

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

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

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

	2022	2021
Interest and dividends	$ 491,811	$ 623,414
Net realized and unrealized gain (loss) on investments	(866,252)	3,281,572
	$ (374,441)	$ 3,904,986

Note 4 – Commercial Real Estate

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

	2022	2021	Estimated Useful Lives
Land	$ 2,815,144	$ 2,815,144	-
Buildings and improvements	130,072,586	129,833,703	20-40 years
Equipment	19,416,922	19,396,547	3-10 years
Tenant improvements	10,660,338	10,149,726	various
	162,964,990	162,195,120	
Less accumulated depreciation	(131,510,367)	(128,512,442)	
	31,454,623	33,682,678	
Construction in progress	-	31,970	
	$ 31,454,623	$ 33,714,648	

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

	2022	2021
Tenant rental income	$ 11,789,334	$ 11,083,155
Operating expenses:		
Property management	360,000	360,000
Leasing commissions	424,858	421,415
Utilities	1,492,053	970,148
Operations and maintenance	5,266,312	4,790,762
	7,543,223	6,542,325
Operating income before depreciation	4,246,111	4,540,830
Depreciation	2,992,701	2,954,647
Net operating income	$ 1,253,410	$ 1,586,183

Minimum future rentals under noncancelable lease agreements as of April 30, 2022, are as follows:

2023	$ 9,852,534
2024	8,372,930
2025	7,678,823
2026	7,374,782
2027	7,084,944
Thereafter	28,615,179
	$ 68,979,192

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

Note 5 – Educational Plant

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

	2022	2021	Estimated Useful Lives
Land and improvements	$ 18,738,767	$ 18,693,184	20 years
Buildings and improvements	159,556,712	155,217,508	20-50 years
Equipment	56,415,733	54,478,346	3-10 years
Vehicles	2,088,823	2,064,366	5 years
Library books	9,438,085	9,280,259	20 years
	246,238,120	239,733,663	
Less accumulated depreciation and amortization	(168,505,491)	(161,063,101)	
	77,732,629	78,670,562	
Construction in progress	16,967,942	1,070,729	
	$ 94,700,571	$ 79,741,291	

Depreciation expense related to educational plant was $7,691,813 and $7,681,173 for the years ended April 30, 2022 and 2021, respectively. Amortization expense on capital lease assets was $43,945 and $223,592 for the years ended April 30, 2022 and 2021, respectively.

Note 6 – Line of Credit

On November 1, 2021, the University entered into an amended agreement to extend the line-of-credit through October 25, 2023. The amended agreement includes an interest rate equal to LIBOR plus 2.250% and maximum borrowings of $15,000,000. There were no outstanding balances under the line of credit at April 30, 2022 or 2021.

Note 7 – Liquidity and Availability of Financial Assets

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

Cash in excess of daily requirements is invested in short-term investments. Occasionally, the Board of Trustees designates a portion of any operating surplus to its liquidity reserve, which was approximately $3,523,000 as of April 30, 2022 and 2021. The liquidity reserve is in a fund established by the Board of Trustees that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. To help manage unanticipated liquidity needs, the University also has an available line of credit up to $15,000,000. In addition to the available financial assets, a significant portion of the University's general annual expenditures will be funded by the current year operating revenues, including tuition and auxiliary services.

The University's financial assets available for general expenditures due within one year of April 30, 2022 and 2021, respectively, are as follows:

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	$ 99,526,781	$ 60,873,764
Accounts receivable	4,305,551	2,608,464
Contributions receivable	2,227,816	1,892,306
Investments	13,296,621	15,388,259
Total financial assets at year-end	119,356,769	80,762,793
Less amounts restricted or not available to be used within one year:		
Receivables scheduled to be collected in more than one year	(1,230,731)	(1,234,524)
Contractual or donor-imposed restrictions:		
Investments and other financial assets held for others	(3,404,858)	(2,675,270)
Perpetual endowments and accumulated earnings subject to appropriation beyond one year	(11,784,840)	(13,047,151)
Investments held in trusts and various state-required annuity reserves	(1,675,838)	(2,891,679)
Other donor-restricted financial assets	(73,954,334)	(40,735,133)
Board designated operating reserve	(3,523,069)	(3,523,069)
Financial assets available to meet general expenditures within one year	$ 23,783,099	$ 16,655,967

Note 8 – Net Assets

Net assets consist of the following at April 30:

	2022	2021
Without donor restrictions:		
Board designated reserve for operations	$ 3,523,069	$ 3,523,069
Other net assets without donor restrictions	86,649,255	85,788,950
Total without donor restrictions	90,172,324	89,312,019
With donor restrictions:		
Subject to expenditure for specific purpose:		
Capital investment	66,434,430	29,817,949
Academic programs	4,462,490	4,440,207
Scholarships	3,179,115	3,139,411
Public service	4,027,779	2,241,851
Athletics	290,431	262,862
Other purpose restrictions	4,881,628	3,752,934
Total purpose restricted	83,275,873	43,655,214
Subject to the passage of time:		
Split-interest agreements	986,524	1,800,945
Beneficial interests in assets held by others	2,938,582	1,611,383
Total time restricted	3,925,106	3,412,328
Investment in perpetuity, the income from which is expendable to support:		
College of Business	1,995,122	2,110,133
College of Theology	2,821,142	2,716,022
College of Education	602,381	602,134
College of Arts and Sciences	2,032,046	1,647,964
College of Nursing	21,361,278	21,688,079
General scholarships	11,631,133	11,204,193
General activities of the University	6,555,838	6,678,809
Total endowment funds restricted in perpetuity	46,998,940	46,647,334
Total with donor restrictions	134,199,919	93,714,876
	$ 224,372,243	$ 183,026,895

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

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

	2022	2021
For operations:		
Scholarships and student aid	$ 9,832,570	$ 8,150,100
Expenditures for operating purposes	9,568,981	7,850,165
	19,401,551	16,000,265
For capital investment	4,025,830	857,194
	$ 23,427,381	$ 16,857,459

Note 9 – Endowment

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

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

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

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

The guaranteed return of $1,743,891 for 2022 and 2021, is reported in the consolidated statements of activities as a transfer from net assets without donor restrictions to net assets with donor restrictions. Net assets released from restrictions in 2022 include appropriation by the board of trustees of all endowment earnings which were used for the restricted purposes as scheduled above.

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

	With Donor Restrictions	
	2022	2021
Endowment net assets, beginning of year	$ 51,305,800	$ 47,624,598
Investment return:		
Investment income	113,944	253,319
Net realized and unrealized appreciation (depreciation)	(684,826)	2,664,679
Total investment return	(570,882)	2,917,998
Joint venture agreement income	1,743,891	1,743,891
Contributions	625,533	129,999
Appropriation of endowment assets for expenditure	(2,044,250)	(1,110,686)
Endowment net assets, end of year	$ 51,060,092	$ 51,305,800

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

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. UPMIFA has been interpreted to permit spending from underwater endowments in accordance with prudent measures required under law. Deficiencies of this nature existed in 12 donor-restricted endowment funds, which together had an original gift value of approximately $2,190,000, a current fair value of approximately $2,097,000, and a deficiency of approximately $93,000 as of April 30, 2022. These deficiencies resulted from unfavorable market conditions that occurred in the latter months of the fiscal year ended April 30, 2022. There were no deficiencies of this nature as of April 30, 2021.

Note 10 – Contributed Nonfinancial Assets

For the year ended April 30, contributed nonfinancial assets recognized within the consolidated statements of activities include:

	2022 Revenue Recognized	2021 Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Computer equipment	$ 574,795	$ -	Academic support for College of Science and Engineering	No associated donor restrictions	The University valued the contributed computer equipment at the current retail price for similar items.

	2022 Revenue Recognized	2021 Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Library books and materials	71,840	-	Academic support in the Holy Spirit Research Center	No associated donor restrictions	The University valued the contributed books and materials according to an appraisal from an industry expert on such items.
Other	3,248	5,403			
	$ 649,883	$ 5,403			

The University received contributed services from volunteers. For the year ended April 30, 2022, 145 volunteers contributed time to Institutional Support, 22 to Student Services, and two to Auxiliary Services. For the year ended April 30, 2021, 100 volunteers contributed time to Institutional Support, 30 to Public Service, 16 to Student Services, and eight to Auxiliary Services. These services are not recognized as revenue in the consolidated statements of activities.

Note 11 – Employee Benefit Plans

Certain employees (except for employees who are eligible to participate in the 401(k) plan sponsored by the University), students and nonresident aliens, are eligible after specified periods of employment to participate in a contributory retirement and annuity program through TIAA-CREF. The University provides a 50% matching contribution on deferrals up to 6% of the eligible employees' compensation. The University's portion of the contribution for the years ended April 30, 2022 and 2021, was approximately $661,000 and $671,000, respectively.

The University maintains a group medical plan for its comprehensive major medical insurance which is self-insured with per individual stop-loss coverage of $125,000 in 2022 and 2021. The University paid claims and premiums of approximately $3,549,000 and $3,381,000 during the years ended April 30, 2022 and 2021, respectively. At April 30, 2022 and 2021, the University accrued approximately $1,741,000 and $1,370,000, respectively, for the estimated liability for employee benefit claims reported but not yet paid and claims incurred but not yet reported. This estimate is based on payment reporting patterns available at the time of the estimate. Although such estimates are the University's best estimates of the expected values, the actual results may vary from these values.

Note 12 – Natural Classification of Expenses by Functional Category

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

Expenses by nature and function for the year ended April 30, 2022, consist of the following:

	Compensation and Benefits	Contractual Services	Supplies and Other	Depreciation and Amortization	Total
Instruction	$ 20,684,333	$ 3,240,882	$ 892,599	$ 1,826,385	$ 26,644,199
Research	9,762	12,085	72,420	14,643	108,910
Public service	675,447	953,311	1,408,885	198,785	3,236,428
Academic support	2,023,092	852,808	387,593	496,454	3,759,947
Student services	7,447,916	5,226,335	1,022,483	896,948	14,593,682
Institutional support	9,728,594	5,697,234	3,601,394	1,987,816	21,015,038
HEERF emergency financial aid	-	-	4,877,217	-	4,877,217
Auxiliary services	6,105,655	8,603,404	3,440,480	2,028,284	20,177,823
Commercial real estate	1,567,244	4,626,195	1,349,784	2,992,701	10,535,924
Other expenses	1,138,661	745,740	924,727	286,443	3,095,571
Total expenses	$ 49,380,704	$ 29,957,994	$ 17,977,582	$ 10,728,459	$ 108,044,739

Expenses by nature and function for the year ended April 30, 2021, consist of the following:

	Compensation and Benefits	Contractual Services	Supplies and Other	Depreciation and Amortization	Total
Instruction	$ 21,046,738	$ 2,914,287	$ 803,685	$ 1,857,223	$ 26,621,933
Research	2,718	3,528	19,391	9,684	35,321
Public service	662,929	610,324	282,689	105,831	1,661,773
Academic support	2,375,896	913,433	382,270	449,896	4,121,495
Student services	6,643,378	4,654,272	666,830	959,417	12,923,897
Institutional support	8,259,173	5,780,906	4,338,081	2,333,232	20,711,392
HEERF emergency financial aid	-	-	2,735,286	-	2,735,286
Auxiliary services	6,054,102	7,364,056	2,414,467	1,948,409	17,781,034
Commercial real estate	1,373,229	4,247,705	921,391	2,954,647	9,496,972
Other expenses	1,118,929	676,806	746,015	241,073	2,782,823
Total expenses	$ 47,537,092	$ 27,165,317	$ 13,310,105	$ 10,859,412	$ 98,871,926

Note 13 – Commitments and Contingencies

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

The University has various operating leases for vehicles and office equipment and various capital leases for network and office equipment. The leases have various expiration dates through 2027.

Future minimum lease commitments at April 30, 2022, are as follows:

	Capital Lease Payments	Operating Lease Payments
2023	$ 44,076	$ 5,852
2024	44,076	-
2025	44,076	-
2026	44,076	-
2027	14,661	-
	190,965	5,852
Less interest on capital leases	(10,228)	-
	$ 180,737	$ 5,852

Total lease expense for vehicle and office equipment was approximately $38,000 and $117,000 for the years ended April 30, 2022 and 2021, respectively.

The University has outstanding commitments on contracts to construct campus facilities of approximately $25,500,000 at April 30, 2022. The contracts have estimated completion dates through summer 2024.

Note 14 – Transactions with Related Parties

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

Note 15 – Higher Education Emergency Relief Funds

The spread of the SARS-CoV-2 virus and the incident of COVID-19 impacted the University's operations. Adhering to public safety measures and government mandates resulted in events and activities being limited or cancelled, including changes to how the University delivered educational and related auxiliary services. Given the uncertainty and the disruption caused by COVID-19, there may be continuing short and long-term implications to the University's operations, the financial effects of which cannot be reasonably estimated at this time.

Federal relief efforts were created to help offset revenue losses and expense increases that colleges and universities faced because of COVID-19. The CARES Act created a Higher Education Emergency Relief Fund (HEERF) to provide financial relief to students and institutions who were impacted by the COVID-19 pandemic. The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan (ARP) provided additional rounds of HEERF (II and III). The HEERF funds contained two components, an institutional award and a student aid award. The student aid portion must be distributed to students in the form of emergency financial aid grants to generally cover any component of the cost of attendance for the distribution of education or emergency costs that arose due to COVID-19. The institutional portion can be used for multiple items, but largely to cover lost revenue, defray and pay for expenses related to the disruption of campus operations due to COVID-19, and reimburse for costs associated with a transition to distance education environment, among other items.

Contracts and grants revenue related to the HEERF funds was $8,965,337 and $6,861,102 during the years ended April 30, 2022 and 2021, respectively. HEERF funds distributed as student aid was $4,877,217 and $2,735,286 during the years ended April 30, 2022 and 2021, respectively.