

**ORAL ROBERTS UNIVERSITY**  
*2007 - 2008 Annual Report*



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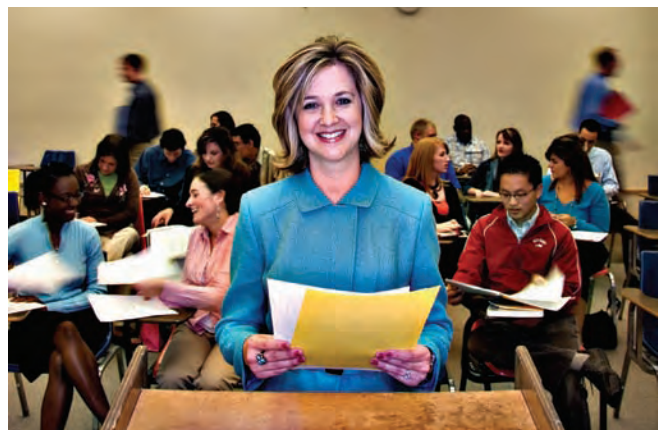
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## *Greetings from the Office of the President*

When I look back at the 2007-2008 fiscal year, all I can say is, “We’ve come a long way.” God has been faithful, and it is evident that what goes on at Oral Roberts University is of extreme importance to Him.

In the first month—May 2007—we celebrated Commencement with 712 new graduates. Summer missions teams took off for the four corners of the earth, while on campus, a hardy group of students continued their education by taking summer school courses. President Richard Roberts named a new provost and announced a realignment of academic departments, creating two new schools: Arts and Cultural Studies, and Science and Engineering. The Alumni Foundation, meanwhile, kicked off a fundraising campaign to help ORU provide more wireless access for students and staff. By the end of the campaign, alumni had pledged more than \$233,000 for this much-needed service enhancement.

Fall enrollment was 3,166, with students coming in from 49 states and more than 60 nations. In September, we announced the addition of two theology programs, with a Judaic-Christian Studies concentration added to the graduate theology department and an emphasis in Pastoral Care and Counseling added to the Doctor of Ministry program.

In October 2007, the city of Tulsa began working on a long-awaited \$15 million project: the “rehabilitation” of Fred Creek. (The creek, which runs through campus, has caused severe flooding in the past.) During this same time frame, the university weathered some serious challenges, including a leadership transition. In late November, the president resigned, and the Green family came to ORU with a gift of \$8 million and an offer of an additional \$62 million gift if ORU would accept their proposal. This proposal, recommending changes in governance and financial accountability, was ultimately accepted by Chancellor Oral Roberts and the other members of the Board of Regents in mid-January. At that time, a new Board of Trustees was installed, replacing the Board of Regents.

The last four months of the fiscal year were a whirlwind. The new trustees held their first meeting. ORU honored Chancellor Roberts at the first-ever Founder’s Day. At Homecoming, alumni astounded us with gifts and pledges totaling more than \$220,000. Students organized another successful Ignite Leadership Conference. Our men’s and women’s basketball teams captured conference championships and returned once again to the NCAA Tournament—the men, for the third year in a row. Track star Andretti Bain won ORU’s first-ever NCAA national championship, in the men’s indoor 400-meter dash. Senior Brittany Oelze was chosen Oklahoma’s Social Work Student of the Year. At their annual Spring Outreach, students assisted with projects all across Tulsa, making an impact with Habitat for Humanity, Tulsa Parks, Tulsa Police, the Tulsa Day Center for the Homeless, and women’s and children’s shelters.

We did not solve all of ORU’s problems in this past fiscal year, but we definitely turned a corner. That is due in no small part to the dedication of our faculty and staff, the talents and achievements of our students, and the support of our alumni and friends. As a community, we will continue to work to “renew the Founding Vision” and ensure that our students become “whole people” who are well-prepared to minister to others in every person’s world.



Ralph Fagin, Ph.D.

*Interim President and Provost*





## *The Founding Vision*

*“Raise up your students to hear My voice, to go where My light is seen dim, My voice is heard small, and My healing power is not known, even to the uttermost bounds of the earth. Their work will exceed yours, and in this I am well pleased.”*

## *The Mission Statement*

The mission of Oral Roberts University – in its commitment to the Christian faith – is to educate the whole person in spirit, mind, and body, thereby preparing its graduates to be professionally competent servant-leaders who are spiritually alive, intellectually alert, physically disciplined, and socially adept. The university seeks to synthesize the best practices of liberal arts, professional, and graduate education with a charismatic emphasis to enable students to go into every person's world with God's message of salvation and healing for the totality of human need.



## ORU Today

Oral Roberts University is a private, interdenominational Christian university founded in 1963 by evangelist Oral Roberts. Officially chartered as a liberal arts university, ORU accepted its first students in 1965 and is now an accredited comprehensive university.

Operating primarily as a residential campus, ORU offers 65 undergraduate majors, 14 master's degrees and two doctoral degrees. An experienced, accomplished faculty provides outstanding instruction and one-on-one interaction for a richly diverse student body. To accommodate the adult learner and non-traditional students, there is the School of LifeLong Education, which provides flexible, quality educational programs. For-credit courses are available through correspondence studies, online classes, and three-week summer sessions, while non-academic courses are offered by correspondence or at strategic locations across the United States.

The university's strong academic emphasis is enhanced by the institution-wide service learning program as well as by community outreach projects, missions opportunities and strategic initiatives such as the honors program, Writing Across the Curriculum program, Christian Worldview program and a strengths-based advisement system. Spiritual life activities include twice-weekly chapel services, dormitory wing devotions led by student chaplains, and retreats. The "physically disciplined" aspect of the mission statement plays out through required HPE courses and aerobics, and a voluntary intramurals program. For social interaction, students participate in a variety of clubs and organizations, enjoy drama and music department productions, and cheer on ORU's NCAA Division I athletes, who compete in eight men's and eight women's sports.

ORU has about 23,000 graduates worldwide and a total alumni population of nearly 37,000. A number of these alumni have become best-selling authors, produced movies, won Emmy awards, been nominated for Pulitzer Prizes, won public office, hosted television programs, and started their own companies. That's in addition to those who are serving God quietly and faithfully in more traditional professions, including medicine, dentistry, nursing, business, law, education, athletics, and the ministry.

Accredited by the Higher Learning Commission and a member of the North Central Association of Colleges and Schools, ORU has an affiliation agreement with Livets Ord University in Uppsala, Sweden. ORU is a member of the Council for Christian Colleges and Universities (CCCCU), the Council of Independent Colleges (CIC), and Oklahoma Independent Colleges and Universities (OICU). The university is listed in *The Templeton Guide: Colleges that Encourage Character Development*.



# Academics

## SCHOOL OF ARTS AND CULTURAL STUDIES

*Bachelor's degrees are offered through these departments:*

- Communication, Arts, and Media
- English and Modern Languages
- History, Humanities and Government
- Music

## SCHOOL OF SCIENCE AND ENGINEERING

*Bachelor's degrees are offered through these departments:*

- Behavioral Sciences
- Biology and Chemistry
- Engineering, Computer Science, Physics and Mathematics
- Physical Education and Recreation

## SCHOOL OF THEOLOGY AND MISSIONS

*Bachelor's degrees are offered on the undergraduate level. The following degrees are offered on the graduate and professional levels:*

- Master of Divinity
- Master of Arts
  - Biblical Literature (Academic) (Advanced Languages; Judaic-Christian Studies concentrations)
  - Theological and Historical Studies (Academic)
  - Christian Counseling (Professional) (Marital and Family Therapy concentration)
  - Christian Education (Professional)
  - Missions (Professional)
  - Practical Theology (Professional)
- Doctor of Ministry

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## SCHOOL OF BUSINESS

*Bachelor's degrees are offered on the undergraduate level. The following master's degrees are offered on the graduate level:*

- Master of Business Administration
- Master of Management

## SCHOOL OF EDUCATION

*Bachelor's degrees are offered on the undergraduate level. The following degrees are offered on the graduate level:*

- Master of Arts
  - Teaching (for certification)
  - Curriculum Development
  - School Administration
  - College and Higher Education Administration
  - Teaching English as a Second Language
- Doctor of Education

## ANNA VAUGHN SCHOOL OF NURSING

*The bachelor of science in nursing (B.S.N.) is offered.*

*Financial Statements and  
Independent Auditors' Report*

*April 30, 2008 and 2007*





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## Independent Auditors' Report

To the Board of Trustees  
Oral Roberts University

We have audited the accompanying consolidated statement of financial position of Oral Roberts University ("University") as of April 30, 2008, and the related consolidated statement of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of the University for the year ended April 30, 2007, were audited by other auditors whose report, dated January 30, 2008 (except for Note V, as to which the date is July 1, 2008), expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principals used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Oral Roberts University at April 30, 2008, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Cole & Reed P.C.*

Oklahoma City, Oklahoma  
October 15, 2008



Oral Roberts University

**Consolidated Statements of Financial Position**

For the Years Ended April 30

	2008	2007
<b>Assets</b>		
Cash and cash equivalents	\$ 34,797,002	\$ 2,950,589
Short-term investments - at cost, which approximate market	1,483,602	544,671
Accounts receivable - net of allowance for doubtful accounts of \$1,232,752 in 2008 and \$1,307,002 in 2007	1,748,593	1,789,104
Prepaid expenses	1,611,700	1,039,242
Pledges receivable, net of discounts and allowance for uncollectible pledges	474,356	2,808,675
Beneficial interest in assets of Alumni Foundation	1,888,896	1,540,308
Beneficial interest in assets of Golden Eagle Club	970,396	739,882
Loans to students, net of reserve for loan losses of \$2,531,900 in 2008 and \$2,602,037 in 2007	24,724,128	23,234,985
Long-term investments:		
Securities	4,015,995	4,573,886
Endowment trust, net of notes receivable from the Endowment Fund of \$13,588,720 in 2008 and \$12,648,719 in 2007	2,740,962	3,679,200
Real estate and buildings, net of accumulated depreciation \$44,548,951 in 2008 and \$40,798,039 in 2007	35,400,676	37,342,260
Educational plant, net of accumulated depreciation of \$77,610,149 in 2008 and \$74,179,804 in 2007	78,901,338	79,246,561
Rock, mineral and artifact collection	1,403,166	1,403,166
Total assets	<u>\$ 190,160,810</u>	<u>\$ 160,892,529</u>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 12,781,763	\$ 10,846,658
Deferred revenue	5,205,315	2,274,374
Life loans	876,404	1,052,360
Reserves for gift annuities	1,755,684	1,580,738
Notes payable	23,583,863	55,058,452
Obligations under capital leases	145,288	215,212
Refundable federal student loans	20,117,401	19,784,574
Total liabilities	<u>64,465,718</u>	<u>90,812,368</u>
Net assets		
Unrestricted	74,882,449	20,147,660
Temporarily restricted	16,037,884	15,920,563
Permanently restricted	34,774,759	34,011,938
Total net assets	<u>125,695,092</u>	<u>70,080,161</u>
Total liabilities and net assets	<u>\$ 190,160,810</u>	<u>\$ 160,892,529</u>

The accompanying notes are an integral part of these financial statements.

**Consolidated Statements of Activities and Changes in Net Assets**

For the Years Ended April 30

	2008	2007
<b>Changes in unrestricted net assets</b>		
<b>Revenues, gains and other support:</b>		
Tuition and fees	\$ 51,689,970	\$ 48,365,148
Sales and services of auxiliary services	18,860,199	18,535,137
Less: Scholarships and fellowships	(16,746,322)	(15,239,235)
Net tuition, fees and sales and services of auxiliary services	53,803,847	51,661,050
Contributions and bequests	75,293,669	7,655,039
Net investment loss	(2,312,301)	(3,471,042)
Federal contracts and grants	340,944	675,946
Other revenue	3,183,092	5,001,553
Net assets release from restrictions	5,795,075	4,949,093
Total revenues, gains and other support	136,104,326	66,471,639
<b>Expenses and losses:</b>		
Education and general:		
Instruction	14,656,437	13,919,736
Research	212,313	141,614
Public service	1,637,444	1,414,209
Academic support	2,880,506	2,532,362
Student services	4,736,546	4,327,841
Institutional support	19,657,941	16,697,319
Operation and maintenance of plant	9,600,051	9,403,773
Total education and general expenses	53,381,238	48,436,854
Auxiliary enterprises	15,051,769	13,820,311
Depreciation of educational plant	4,604,369	4,036,295
Interest on indebtedness	3,840,978	4,217,314
Loan cancellations, allowances and administrative costs	640,930	781,265
Payments to life income beneficiaries	413,535	401,148
Provision for potentially uncollectible accounts from affiliated organization	2,005,945	2,985,602
Adjustment of rock, mineral and artifact collection to appraised value	-	1,022,069
Other expenses	1,430,773	1,595,591
Total expenses and losses	81,369,537	77,296,449
<b>Change in unrestricted net assets</b>	54,734,789	(10,824,810)
<b>Changes in temporarily restricted net assets</b>		
Contributions and bequests	4,973,591	3,293,460
Net investment income	87,067	170,530
Federal contracts and grants	765,289	981,733
Other revenue	86,449	-
Net assets released from restrictions	(5,795,075)	(4,949,093)
<b>Change in temporarily restricted net assets</b>	117,321	(503,370)
<b>Changes in permanently restricted net assets</b>		
Contributions and bequests	757,233	731,782
Net endowment income	5,588	24,524
<b>Change in permanently restricted net assets</b>	762,821	756,306
<b>Change in net assets</b>	55,614,931	(10,571,874)
<b>Net assets, beginning of year</b>	70,080,161	80,652,035
<b>Net assets, end of year</b>	\$ 125,695,092	\$ 70,080,161

The accompanying notes are an integral part of these financial statements.

**Consolidated Statements of Cash Flows**

For the Years Ended April 30

	2008	2007
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 55,614,931	\$ (10,571,874)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	8,353,828	7,637,542
Realized and unrealized (gain) loss on marketable investments	(335)	2,326
Loss on disposal of land and educational plant	882,672	509,879
Student loans cancelled	331,988	336,021
Provision for bad debts	1,061,655	463,077
Adjustment of rock, mineral and artifact collection to appraised value	-	1,022,069
Provision for potentially uncollectible accounts from affiliated organizations	1,805,570	2,985,602
Donated assets	(74,728)	(94,135)
Contributions restricted for long-term purposes	(757,233)	(731,782)
Interest added to endowment trust	1,986	125
(Increase) decrease in:		
Accounts receivable	(187,477)	636,364
Pledges receivable	1,324,487	1,939,897
Prepaid expenses	(572,458)	(147,795)
Beneficial interest in assets of Alumni Foundation	(348,588)	(267,968)
Beneficial interest in assets of Golden Eagle Club	(230,514)	(739,882)
Increase (decrease) in:		
Accounts payable and accrued liabilities	830,253	(1,228,618)
Deferred revenue	3,335,227	132,453
Refundable federal student loans	332,827	247,084
Net cash provided by operating activities	<u>71,704,091</u>	<u>2,130,385</u>
<b>Cash flows from investing activities</b>		
Purchases of educational plant	(4,504,558)	(3,448,085)
Proceeds from sale of educational plant	116,335	12,501
Purchases of building improvements	(1,764,943)	(1,921,465)
Purchases of investments	(2,174,869)	(1,624,723)
Proceeds from sale of investments	3,325,022	1,945,224
Payments received on notes receivable	32,803	4,949
Funds advanced to affiliate	(1,497,245)	(1,147,783)
Student loan collections	3,167,133	5,024,063
Student loans granted	(4,844,902)	(5,694,423)
Net cash used in investing activities	<u>(8,145,224)</u>	<u>(6,849,742)</u>
<b>Cash flows from financing activities</b>		
Proceeds from contributions restricted for:		
Investment in endowment	1,265,246	726,839
Other financing activities:		
Change in deferred revenue for tenant improvements	(404,286)	223,372
Increase in reserves for gift annuities	174,946	251,985
Payments on notes payable and capital leases	(47,672,400)	(10,468,774)
Proceeds from notes payable	15,099,996	13,490,431
Payments on life loan agreements	(197,169)	(72,000)
Proceeds from life loan agreements	21,213	13,186
Net cash provided by (used in) financing activities	<u>(31,712,454)</u>	<u>4,165,039</u>
<b>Net change in cash and cash equivalents</b>	31,846,413	(2,684,703)
<b>Cash and cash equivalents, beginning of year</b>	<u>2,950,589</u>	<u>3,504,907</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 34,797,002</u>	<u>\$ 820,204</u>

The accompanying notes are an integral part of these financial statements.



## Notes to Consolidated Financial Statements

April 30, 2008 and 2007

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### Note A – Summary of Significant Accounting Policies

#### 1. *Basis of Financial Statements*

The financial statements of Oral Roberts University (ORU or the University) are prepared on the accrual basis in accordance with generally accepted accounting principles for Colleges and Universities. ORU is a private religious institution of higher learning with an international student base.

Unrestricted net assets include all resources, which are not subject to donor-imposed restrictions of a more specific nature than those, which only obligate ORU to utilize funds in furtherance of its educational mission. Temporarily restricted net assets carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Temporary restrictions may expire either because of the passage of time or because certain actions are taken by ORU which fulfill the restrictions. Permanently restricted net assets are those that are subject to donor-imposed restrictions, which will never lapse, thus requiring that the funds be retained permanently. Donor-restricted gifts which are received and either spent or deemed spent within the same fiscal year are reported as unrestricted contributions.

#### 2. *Consolidation*

These consolidated financial statements include only the accounts of ORU and its affiliates (University Broadcasting Inc., ORM Services, Inc., Tower Realty Group and Golden Eagle Broadcasting). The net assets of ORU Alumni Foundation, Inc. and ORU Golden Eagle Club, Inc. are recorded as beneficial interests in assets in these consolidated financial statements in accordance with SFAS No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raise or Holds Contributions for Others*. Significant intercompany transactions between these affiliates have been eliminated. See note C for transactions with related entities.

#### 3. *Estimates*

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

#### 4. *Fund Accounting*

For external reporting purposes, the accounts and financial transactions of ORU have been analyzed and reported in accordance with accounting principles generally accepted in the United States of America. However, in order to ensure observance of limitations and restrictions placed on the use of the resources available to ORU, the accounts are maintained in accordance with the principles of fund accounting for internal accounting and reporting purposes. This is the procedure by which resources for various purposes are classified for accounting purposes into funds in accordance with activities or specified objectives. Separate accounts are maintained for each fund; however, funds that have similar characteristics have been combined into fund groups.

**Notes to Consolidated Financial Statements**

April 30, 2008 and 2007

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**Note A – Summary of Significant Accounting Policies - Continued**

*4. Fund Accounting - Continued*

Restricted net assets are held separately if required by donors. Restricted net assets not required to be held separately are commingled with general assets of the University.

Restricted cash at April 30, 2008 and 2007 was \$1,953,024 and \$2,528,858, respectively.

Endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized.

All gains and losses arising from the sale, collection, or other disposition of investments, receivables and other similar assets are accounted for in the fund owning such assets. Ordinary income derived from investments, receivables and other similar assets is accounted for in the fund owning such assets, except for income derived from investments of endowment and similar funds, which is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds.

All other unrestricted revenue is accounted for in the unrestricted current fund. Restricted gifts, grants, appropriations, endowment income and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

*5. Cash and Cash Equivalents*

Cash and cash equivalents are defined as cash-on-hand and on deposit with financial institutions and short-term investments with an original maturity date of three months or less that are not restricted by donors. For these short-term investments, the carrying amount approximates fair value because of the short maturity of these instruments.

Other noncash transactions and supplemental data are as follows:

	<u>April 30, 2008</u>	<u>April 30, 2007</u>
Noncash investing and financing activities:		
Equipment acquired through accounts payable	\$ 1,104,852	\$ 336,285
Assets sold through accounts receivable	308,325	-
Interest paid	3,045,105	3,879,327

**Notes to Consolidated Financial Statements**

April 30, 2008 and 2007

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**Note A – Summary of Significant Accounting Policies - Continued**

*6. Loans and Trade Receivables*

Loans and trade receivables are recognized on the accrual basis of accounting. Accounts receivable primarily include student receivables, rent receivables and other trade receivables. Student receivables consist of tuition and fee charges and auxiliary enterprise services provided to students, faculty and staff. The majority of these individuals reside in the state of Oklahoma. Rent receivables are recorded as earned while rental payments received prior to the month for which they relate and deposits are recorded as deferred revenues until earned. A reserve for possible losses on loans and trade receivables has been computed using a historical default rate applied to the outstanding balance. Interest income is accrued on the unpaid balance on a monthly basis. The only loans that are in nonaccrual status are student loans where the student is still in school, the student incurs a temporary disability or during a six-month grace period following graduation. Loans and trade receivables are charged off if they are deemed to be uncollectible. Loans and trade receivables are considered past due after sixty days.

*7. Contributions and Pledges Receivable*

Contributions are recorded at fair value. 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 fund-raising activity. Amounts due in more than one year are recorded at net realizable discounted cash flow, when significant, using an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue to the respective net asset class.

Bequests are recorded at the time an unassignable right to the gift has been established and the proceeds are measurable in amount. Conditional promises to give are not recorded until the conditions on which they depend are substantially met.

*8. Charitable Gift Annuities*

The University has received various charitable gift annuities. Under the respective agreements, the donors retain the rights to periodic distributions. Assets received under these agreements are recorded at fair value in the appropriate net asset category and included with investments. Liabilities have been established for those charitable gift annuities for which the University is obligated to an annuitant as calculated by an independent actuary and is included in the consolidated statement of financial position as reserves for gift annuities. During the term of these agreements, changes in the value of the charitable gift annuities are recognized in the consolidated statements of activities and changes in net assets based on accretion of the discounted amount of the contribution, and reevaluations of the expected future payments to be paid by the University, based on changes in life expectancy and other assumptions. Discount rates ranging from 3.00% to 11.50% were used in these calculations at the dates of the contributions.

**Notes to Consolidated Financial Statements**

April 30, 2008 and 2007

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**Note A – Summary of Significant Accounting Policies - Continued**

*9. Investment Revenue Recognition*

Investment income, includes dividends, interest, and similar items, is recognized in the period in which it is earned. The amounts are reported as an increase in unrestricted net assets unless otherwise restricted by the donor. Unrestricted gains and losses on investments classified as unrestricted are recorded as increases or decreases in unrestricted net assets. Unrealized gains and losses are recorded as temporarily restricted net assets if the terms of the gift restrict the use of the income. Permanently restricted net assets are increased if the terms of the gift that gave rise to the investment requires the unrealized gain be added to the principal of a permanent endowment. The amount of net assets identified as released from donor restrictions includes any investment income released whether earned in the current year or prior periods.

*10. Educational Plant*

Property, plant, equipment and library books included in the investment in plant fund are stated at cost at the date of acquisition or fair market value at the date of donation. Depreciation is computed using the straight-line method based on estimated lives and salvage values.

Salvage values are 40 percent for buildings and improvements, 15 percent for library books, and 10 percent for equipment and furniture. Estimated lives are 50 years for buildings, 20 years for improvements, 3 to 7 years for equipment, 10 years for furniture, and 20 years for library books.

*11. Investment in Real Estate and Buildings*

Real estate and buildings consist of rental property (see note P) and is stated at cost at the date of acquisition or fair market value at the date of donation. Depreciation is computed using the straight-line method and is reported in net investment loss. Estimated lives used in the calculation are forty years for buildings and twenty years for equipment and building improvements.

*12. Federal Income Taxes*

ORU is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent of unrelated business taxable income as defined by the Internal Revenue Code. Such income has not been significant.

*13. Compensated Absences*

Employees' vacation pay is accrued when earned by employees. The liability and cost incurred during the year is recorded as accrued liabilities and current year expenditures, respectively.

**Notes to Consolidated Financial Statements**

April 30, 2008 and 2007

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**Note A – Summary of Significant Accounting Policies - Continued**

*14. Concentration of Credit Risk*

ORU has cash deposits located in several financial institutions. Amounts held on deposit at April 30, 2008, in certain financial institutions exceeded federally insured limits by approximately \$34,180,000. At April 30, 2007, this amount was \$2,611,000. ORU did not experience a loss with these uninsured funds.

During the year ended April 30, 2008, ORU received \$71,000,000 of contributions from a single donor.

*15. Reclassifications*

Certain 2007 amounts have been reclassified to conform with 2008 presentations.

**Note B – Liquidity**

As shown in the statements of financial position as of April 30, 2008 and 2007, ORU has total assets of \$190,160,810 and \$160,892,529, and total net assets of \$125,895,467 and \$70,080,161, respectively. While these amounts reflect the significant financial size of the organization, ORU and its affiliates depend on tuition and contributions from donors for liquidity. Liquidity is a measure of an entity's ability to meet its current obligations. The ultimate ability of ORU to meet its liquidity requirements is predicated on these revenues, controlling costs or successfully increasing endowment funds to levels sufficient to fund operations.

**Note C – Transactions with Related Parties**

ORU and Oral Roberts Evangelistic Association, Inc. ("OREA") had certain officers and key employees who simultaneously served in those positions for both organizations. In addition, ORU and OREA performed certain services on behalf of and charged to the other entity. ORU provided financial, accounting and administrative services to OREA, whereas OREA provided correspondence and fundraising services to ORU.

In November 2007, the former ORU Board of Regents unanimously voted to completely separate the functions and operations of ORU and OREA in all areas, including financial, operational, governance and legal. As of December 31, 2007, no individual simultaneously served as an officer, director or key employee of both ORU and OREA. ORU ceased performing any services for OREA, including financial and administrative services effective April 30, 2008.

For the services performed and funds advanced by ORU on behalf of OREA, the affiliate receivable due from OREA to ORU as of April 30, 2008 and 2007 was \$2,005,945 and \$2,985,602, respectively. ORU has determined that these funds are potentially uncollectible and has provided a reserve for the entire amounts.

ORU Alumni Foundation, Inc. raises funds for the University. Funds paid to or on behalf of the University are recognized as revenue at the date of the transaction. The net assets remaining in the Foundation are recognized in the University's statement of financial position.



**Notes to Consolidated Financial Statements**

April 30, 2008 and 2007

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**Note C – Transactions with Related Parties - Continued**

ORU Golden Eagle Club, Inc. raises funds for the University's athletic department. Funds paid to or on behalf of the University are recognized as revenue at the date of the transaction. The net assets remaining in the Club are recognized in the University's statement of financial position.

ORM Services, Inc (USI) was established to provide certain administrative, financial and payroll services to ORU, OREA and their subordinate entities. Effective December 31, 2007, USI ceased performing any services on behalf of OREA.

University Village, Inc. (UVI) is indebted to the Endowment Trust in the amount of approximately \$2.7 million. The note bears interest at 10 percent per year. The note allows for OREA to advance funds to satisfy UVI's obligation.

**Note D – Loans to Students**

Student loans made under the Perkins Student Loan Program approximate 86 percent of loan fund balances. Under this program, the University utilizes a fund established through past Federal and institutionally matched contributions. During 2008 and 2007, there was no additional funding to the Perkins or University Loan Programs.

**Note E – Educational Plant**

Educational plant consists of the following:

	April 30, 2008	April 30, 2007
Land	\$ 1,228,953	\$ 1,208,164
Buildings	81,990,593	79,469,843
Equipment	57,320,504	57,484,984
Vehicles	1,224,315	1,207,428
Library books	7,406,826	7,921,174
Other improvements	7,340,296	6,134,772
Total educational plant	156,511,487	153,426,365
Accumulated depreciation	(77,610,149)	(74,179,804)
Net educational plant	<u>\$ 78,901,338</u>	<u>\$ 79,246,561</u>

**Notes to Consolidated Financial Statements**

April 30, 2008 and 2007

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**Note F – Investments**

Securities consist of government securities and money market funds that approximate cost. The securities are mainly used to fund the University's deferred gift program. The investment portfolio is as follows:

	<u>April 30, 2008</u>	<u>April 30, 2007</u>
Marketable securities	\$ 4,015,995	\$ 4,573,886
Loan to ORU for operations, due on demand, with interest at 5 percent. The loan is uncollateralized.	692,109	1,000,000
Loan to ORU for operations, due October 26, 2007, with interest at 5 percent. The loan is uncollateralized.	-	720,000
	<u>4,708,104</u>	<u>6,293,886</u>
Less: notes payable from ORU to Deferred Gift Trusts	<u>(692,109)</u>	<u>(1,720,000)</u>
	<u>\$ 4,015,995</u>	<u>\$ 4,573,886</u>

The Oral Roberts University Endowment Trust (the Endowment) consists of the Anna Vaughn Benz Trust and other statutory trusts. The Endowment is a perpetual endowment trust and the earnings are used to fund the general operations of ORU. The investment portfolio of the Endowment is as follows:

	<u>April 30, 2008</u>	<u>April 30, 2007</u>
Marketable securities	\$ 15,806	\$ 444,043
Loan to ORU for operations, due on demand, with interest at 5 percent (see note W)	2,163,831	2,163,831
Loan to a retirement home, due on demand, with interest at 10 percent [note 2]	2,725,156	3,235,156
Loan to ORU for operations, due on demand, with interest at 2 percent over the prime rate of a New York bank (5 percent at April 30, 2008) [note 1] (see note W)	<u>11,424,889</u>	<u>10,484,889</u>
Total Endowment Trust Investments	16,329,682	16,327,919
Less: notes payable from ORU to Endowment Trust	<u>(13,588,720)</u>	<u>(12,648,719)</u>
Net Endowment Trust investments	<u>\$ 2,740,962</u>	<u>\$ 3,679,200</u>

[1] Investments collateralized with real estate of ORU

[2] Investments collateralized by assets of University Village, Inc. (see note C)

The repayment of the Trust loans made to ORU is contingent upon ORU's future liquidity (see note B).

**Notes to Consolidated Financial Statements**

April 30, 2008 and 2007

**Note G – Notes Payable**

Notes payable consist of the following:

	April 30, 2008	April 30, 2007
Operations - ORU		
Note payable with interest at 4.0 percent. Interest only due monthly. Certain real estate has been pledged as collateral for this note.	\$ 23,583,863	\$ -
Note payable with interest at 2.25 percent over LIBOR (5.32 percent at April 30, 2007). Principal and interest due monthly. Certain real estate has been pledged as collateral for this note.	-	24,356,495
Note payable is non-interest bearing. Principal due monthly. Certain equipment has been pledged as collateral for this note.	-	6,820
Note payable with interest at 1 percent below the prime rate of a New York bank (8.25 percent at April 30, 2007). Principal and interest due coinciding with the University's fall and spring semesters. Certain real estate has been pledged as collateral for this note.	-	11,699,865
Note payable with interest at 6 percent. Interest only due quarterly. Certain real estate has been pledged as collateral on this note.	-	11,500,000
Line-of-credit with interest at 0.5 percent over the prime rate of a New York bank (8.25 percent at April 30, 2007). Principal and interest due monthly. Certain real estate has been pledged as collateral on this note.	-	5,000,000
Line-of-credit with interest at 4.75 percent over the prime rate of a New York bank (8.25 percent at April 30, 2007). Principal and interest due monthly. Certain real estate has been pledged as collateral on this note.	-	2,495,272
Subtotal notes payable - Operations	23,583,863	55,058,452
Deferred Gift Trusts - ORU		
Note payable to ORU Life Loan Trust, due on demand, at 5 percent. This note is uncollateralized.	692,109	1,000,000
Note payable to ORU Wisconsin Annuity Trust, due October 26, 2007, at 5 percent. This note is uncollateralized.	-	720,000
	692,109	1,720,000
Endowment Trust - ORU (see note W)		
Note payable to ORU Endowment Trust, due on demand, with interest at 5 percent. This note is uncollateralized.	2,163,831	2,163,831
Note payable to ORU Endowment Trust, due on demand, with interest at 2 percent over the prime rate of a New York bank (5.0 percent at April 30, 2008). Certain real estate has been pledged as collateral on this note.	11,424,889	10,484,888
Subtotal notes payable - Endowment Trust	13,588,720	12,648,719
Total notes payable	37,864,692	69,427,171
Less: notes payable to Endowment Trust and Deferred Gift Trusts from ORU	(14,280,829)	(14,368,719)
Notes payable, net	\$ 23,583,863	\$ 55,058,452

**Notes to Consolidated Financial Statements**

April 30, 2008 and 2007

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**Note G – Notes Payable - Continued**

Aggregate maturities of notes payable are \$0 in 2009 and \$23,583,863 in 2010.

**Note H – Disclosures About the Fair Value of Financial Instruments**

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 and Cash Equivalents, Short-Term Investments, Accounts and Pledges Receivable, Beneficial Interest in Assets, Life Loans, Reserves for Gift Annuities and Accounts Payable - The carrying amount approximates fair value because of the short maturity of those instruments or as a result of the discount recorded for the net present value considerations for long-term instruments.

Investments - ORU accounts for its investments in debt securities at cost, which approximates market value. Investments in equity securities with readily determinable fair values are periodically remeasured to fair value determined by quoted market prices, if available, or by a reasonable estimate of fair value provided by an investment manager.

Notes Payable - The carrying amount approximates fair value because of known factors relating to financing occurring subsequent to year-end.

Loans to Students - Determination of the fair value of student loan receivables, which include donor-restricted and federally-sponsored student loans with mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition, could not be made without incurring excessive costs.

**Note I – Obligations Under Capital Leases**

ORU leases certain equipment under various lease agreements for its own use. The future minimum lease payments under these agreements are as follows:

	April 30, 2008	April 30, 2007
2008	\$ -	\$ 84,948
2009	66,421	66,421
2010	55,525	55,525
2011	38,657	38,657
2012	12,986	12,986
	173,589	258,537
Less: interest charges	(28,301)	(43,325)
Future minimum lease payments	<u>\$ 145,288</u>	<u>\$ 215,212</u>

## Notes to Consolidated Financial Statements

April 30, 2008 and 2007

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### Note I – Obligations Under Capital Leases - Continued

At April 30, 2008 and 2007, equipment acquired under capital leases amounted to \$759,402 and \$10,401,354, respectively. Accumulated depreciation and depreciation expense for the years ended April 30, 2008 and 2007 was \$257,756 and \$60,012, and \$4,504,833 and \$446,081, respectively.

### Note J – Operating Lease Contracts

ORU leases copying equipment, production equipment, and satellite transmission service under operating lease contracts. The future minimum lease payments under these agreements are as follows:

	April 30, 2008	April 30, 2007
2008	\$ -	\$ 432,640
2009	439,584	211,240
2010	172,926	167,995
2011	270	-
Future minimum lease payments	<u>\$ 612,780</u>	<u>\$ 811,875</u>

Terms of the lease contracts provide for services under non-interest bearing lease obligations. At April 30, 2008 and 2007, expenses incurred relating to operating lease agreements amounted to \$495,054 and \$520,061, respectively.

### Note K – Life Loans

ORU pays interest on life loans. The interest is paid on a current basis to numerous individual lenders at rates of 3½ percent to 6½ percent. The loans must be repaid upon 30 days notice. By agreement, ORU's obligation to repay a loan is to be forgiven upon the death of the lender.

### Note L – Interfund Borrowings

While all interfund balances have been eliminated for financial reporting purposes, the various funds engage in interfund borrowings. All interfund borrowings have been made without any specified terms of repayments. These borrowings are not temporary, as they have been outstanding for periods in excess of one year. Restricted funds have been loaned from the Current Restricted Fund, the Endowment Fund and the Investment in Plant Fund. The repayment of these loans is contingent upon the future liquidity of ORU (see note B). These loans bear interest at a rate consistent with the current 30-day Treasury note.

### Note M – Commitments and Contingencies

ORU owns annuity contracts with third parties and at April 30, 2008, has established reserves of approximately \$1,756,000, relating to ORU's obligations under the contracts. At April 30, 2007, this amount was approximately \$1,581,000. ORU remains contingently liable until the contractual obligations have been satisfied.



**Notes to Consolidated Financial Statements**

April 30, 2008 and 2007

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**Note M – Commitments and Contingencies – Continued**

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 financial statements taken as a whole.

ORU has entered into an agreement with an outside creditor to establish a line-of-credit whereby it can borrow up to \$700,000. There was approximately \$210,000 in advances outstanding as of April 30, 2008. At April 30, 2007, advances outstanding were \$405,000.

**Note N – Net Assets**

All unrestricted net assets were either earned or were contributions without donor-imposed restrictions or restricted contributions that were released from donor restrictions by satisfying the restricted purposes or by occurrence of other events specified by donors.

Unrestricted net assets have been internally designated by ORU for the following purposes:

	<u>April 30, 2008</u>	<u>April 30, 2007</u>
Investment in educational plant	\$ 78,901,338	\$ 79,246,561
Refundable federal loans	3,478,755	3,720,793
Evelyn Roberts' loan program	3,670,647	3,519,456
Undesignated	<u>(11,168,291)</u>	<u>(66,339,150)</u>
Total unrestricted net assets	<u>\$ 74,882,449</u>	<u>\$ 20,147,660</u>

Temporarily restricted net assets are available for the following purposes:

	<u>April 30, 2008</u>	<u>April 30, 2007</u>
Life income and annuity funds	\$ 4,974,188	\$ 5,149,034
Scholarships	2,016,277	1,867,546
Purchase of equipment	2,044,492	774,533
Other special projects/needs	<u>7,002,927</u>	<u>8,129,450</u>
Total temporary restricted net assets	<u>\$ 16,037,884</u>	<u>\$ 15,920,563</u>

**Notes to Consolidated Financial Statements**

April 30, 2008 and 2007

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**Note N – Net Assets - Continued**

Permanently restricted net assets are donor-restricted and earnings from these net assets are available for the following:

	April 30, 2008	April 30, 2007
School of Business	\$ 199,621	\$ 166,725
School of Theology	2,388,265	2,347,507
School of Education	152,644	152,644
School of Arts and Sciences	7,701,773	7,696,023
School of Nursing	15,020,501	15,013,574
General scholarships	4,002,477	3,845,412
General activities of University	<u>5,309,478</u>	<u>4,790,053</u>
 Total permanently restricted net assets	 <u>\$ 34,774,759</u>	 <u>\$ 34,011,938</u>

**Note O – Pension and Other Employee Benefits**

**Pension Plan** - Retirement benefits are provided for faculty and staff members through the Teacher's Insurance and Annuity Association and the College Retirement Equities Fund. ORU does not manage the funds and has no liability for the funds other than current contributions, which equal the employees' contribution as detailed in the Plan.

**Compensated Absences** - Certain ORU employees accrue vacation and sick leave at varying rates depending on their years of continuous service, their payroll classification, and subject to maximum limitations. Upon termination of employment, employees are paid all unused accrued vacation at their regular rate of pay up to a designated maximum number of days. At April 30, 2008, the financial statements include accruals of approximately \$825,000 for accrued vacation pay. At April 30, 2007, this amount was approximately \$955,500. There is no such accrual recognized for sick leave benefits because there is no terminal cash benefit available to employees for accumulated sick leave.

**Post Employment Benefits** - Departing employees are eligible to continue to participate in the group health plan under the COBRA provisions, up to 18 months, or in the case of disability, 29 months, provided that they pay the premium for benefits provided.

**Notes to Consolidated Financial Statements**

April 30, 2008 and 2007

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**Note P – Rentals Under Operating Leases**

Certain buildings of ORU are leased to unaffiliated entities. Minimum future rental income on these noncancellable-operating leases were as follows:

	April 30,
2009	\$ 6,936,000
2010	5,627,000
2011	4,648,000
2012	3,064,000
2013	1,827,000
Thereafter	<u>1,651,000</u>
Total	<u>\$ 23,753,000</u>

The leases are on property located in the Tulsa metropolitan area. The lessee's ability to meet the obligations of the leases is affected by the economic conditions present within the area.

**Note Q – Pledges Receivable**

During the year, the University received various unconditional promises to give. They are summarized as follows:

	April 30, 2008	April 30, 2007
Pledges receivable due: In less than one year	\$ 1,981,873	\$ 3,250,713
Pledges receivable due: In one to five years	<u>423,760</u>	<u>479,407</u>
	2,405,633	3,730,120
Present value discount	(60,454)	(42,041)
Allowance for uncollectible pledges	<u>(1,870,823)</u>	<u>(879,404)</u>
	<u>\$ 474,356</u>	<u>\$ 2,808,675</u>

**Note R – Vehicle Sponsorships**

Yearly, the University's Athletics Department establishes sponsorship agreements with automobile dealerships in the local area. The agreements provide the University with temporary use of vehicles owned by the dealerships. In exchange, the University provides various types of advertisement and tickets to University athletic events. During 2008 and 2007, the University maintained nine and eight of these contracts for services and tickets valued at \$119,072 and \$124,800, respectively.

**Notes to Consolidated Financial Statements**

April 30, 2008 and 2007

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**Note S – Fundraising Activities**

The University conducts activities specifically for fundraising purposes. These activities include two donor campaign events and a development staff. The contributions and related direct expenses resulting from these activities are as follows:

	<u>April 30, 2008</u>	<u>April 30, 2007</u>
Contributions	\$ 2,331,426	\$ 3,740,576
Less: direct expenses	<u>1,030,109</u>	<u>1,147,761</u>
Net contributions from fund raising activities	<u>\$ 1,301,317</u>	<u>\$ 2,592,815</u>

**Note T – Revaluation of Rock, Mineral and Artifact Collection**

The University has restated its 2007 financial statements to give effect to an updated appraisal, received in August 2007, of its rock, mineral and artifact collection, which reduced the value of the collection by \$1,022,069. The reduction in value has been recognized as an expense in the consolidated financial statements for the year ending April 30, 2007.

**Note U – Federal Financial Awards**

The U.S. Government awards the University various monies restricted for student financial aid. The monies are awarded through three federal programs: Federal Pell Grant (“Pell”), Federal Supplemental Educational Opportunity Grant (“SEOG”), and Federal Work Study (“FWS”). The University considers this financial aid as an integral part of its educational and general activities.

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.

**Note V – Student Financial Aid – Off-Balance Sheet Risk**

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 Federal Family Education Loan Program (the “Program”), which includes the Federal Stafford Loan Program and Federal Parents Loans for Undergraduate Students. Program loans are made by various lenders to students attending the University. Such transactions are not recorded in the financial statements of the University. The University performs certain administrative functions under the Program, which if not performed timely, could result in a liability to the University.

## **Notes to Consolidated Financial Statements**

April 30, 2008 and 2007

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### **Note W – Subsequent Events**

In September 2008, the University Trustees adopted a resolution providing that all permanently restricted assets of the University would be held in the Oral Roberts University Endowment Trust. Five trustees manage this Trust and a separate, donor created, permanently restricted trust, the Anna Vaughn Benz Trust. The University Trustees and the Endowment Trustees agreed to enter into a joint venture agreement providing that the Trusts own an interest in a joint venture between the Trusts and the University. The agreement defines the Trusts' interest in the current income and in the ultimate sale of the City Plex property. The University owns and operates the property. Under the agreement, the Trusts will receive a minimum 5 percent annual return on invested capital, receive percentage of gross sale proceeds and are guaranteed a return of invested capital from a sale. As a result of the transaction, the loans between the University and the Benz trust, in the amount of \$13,588,720 will be paid in full (See Notes F and G).

### **Note X – Recently Issued Accounting Pronouncements**

In September 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) 157, Fair Value Measurements (“SFAS 157”). SFAS 157 provides guidance on application of fair value measurement objectives required in existing Generally Accepted Accounting Principles (“GAAP”) literature to ensure consistency and comparability. Additionally, SFAS 157 requires additional disclosures on the fair value measurements used. SFAS 157 is effective for fiscal years beginning after November 15, 2007. ORU believes the adoption of SFAS 157 will not have a material impact on its financial statements.

In February 2007, the FASB issued SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities Fair Value Measurements (“SFAS 159”). SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value. SFAS 159 is effective for fiscal years beginning after November 15, 2007. ORU is currently evaluating the impact of adopting SFAS 159 on its financial statements.











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