



**ORAL ROBERTS UNIVERSITY**

**FINANCIAL STATEMENTS**

**APRIL 30, 2010 and 2009**

**WITH**

**INDEPENDENT AUDITORS' REPORT**

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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 (the University) as of April 30, 2010 and 2009, and the related consolidated statements of activities and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the 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 financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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, 2010 and 2009, and the consolidated changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*HoganTaylor LLP*

September 16, 2010

**ORAL ROBERTS UNIVERSITY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**April 30, 2010 and 2009**

	2010	2009
<b>Assets</b>		
Cash and cash equivalents	\$ 23,939,825	\$ 13,987,551
Accounts receivable, net	2,637,254	2,307,091
Contributions receivable	47,908	3,144,586
Prepaid expenses and other assets	3,277,434	5,969,347
Student loans receivable, net	25,420,620	25,831,455
Investments	5,772,982	5,040,116
Commercial real estate, net	37,235,564	36,243,931
Educational plant, net	73,819,550	69,672,024
Beneficial interest in assets held by others	2,852,533	3,272,831
	<u>\$ 175,003,670</u>	<u>\$ 165,468,932</u>
<b>Liabilities and Net Assets</b>		
Notes payable	\$ 695,108	\$ 7,311,577
Accounts payable and accrued expenses	10,356,160	11,150,662
Deferred revenue	4,281,449	4,673,499
Obligations under split-interest agreements	2,276,120	2,331,004
Government advances for student loans	20,181,292	20,427,192
	<u>37,790,129</u>	<u>45,893,934</u>
Net assets:		
Unrestricted	82,635,493	58,462,793
Temporarily restricted	15,119,667	21,923,421
Permanently restricted	39,458,381	39,188,784
	<u>137,213,541</u>	<u>119,574,998</u>
Total net assets	<u>137,213,541</u>	<u>119,574,998</u>
Total liabilities and net assets	<u>\$ 175,003,670</u>	<u>\$ 165,468,932</u>

**ORAL ROBERTS UNIVERSITY**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**

**Year ended April 30, 2010**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, gains, and other support</b>				
Tuition and fees	\$ 54,097,836	\$ -	\$ -	\$ 54,097,836
Room, board and other auxiliary services	18,682,318	-	-	18,682,318
Less: scholarships and fellowships	(22,196,847)	-	-	(22,196,847)
Net tuition, fees, and auxiliary services	50,583,307	-	-	50,583,307
Contributions	1,366,905	41,353,220	198,670	42,918,795
Investment return	-	653,587	15,671	669,258
Federal contracts and grants	1,967,901	578,628	-	2,546,529
Commercial real estate operations	9,519,494	-	-	9,519,494
Other support	3,931,162	363,081	-	4,294,243
Net asset transfers - Joint Venture Agreement (Note 8)	(1,743,892)	1,688,636	55,256	-
Net assets released from restrictions	51,440,906	(51,440,906)	-	-
Total revenues, gains and other support	117,065,783	(6,803,754)	269,597	110,531,626
<b>Expenses and losses</b>				
Education and general:				
Instruction	21,224,185	-	-	21,224,185
Research	294,281	-	-	294,281
Public service	1,356,594	-	-	1,356,594
Academic support	3,077,702	-	-	3,077,702
Student services	7,990,953	-	-	7,990,953
Institutional support	24,447,850	-	-	24,447,850
Room, board and other auxiliary services	20,156,488	-	-	20,156,488
Total education and general expenses	78,548,053	-	-	78,548,053
Commercial real estate operations	11,104,816	-	-	11,104,816
Interest on indebtedness	663,611	-	-	663,611
Other expenses	2,576,603	-	-	2,576,603
Total expenses and losses	92,893,083	-	-	92,893,083
Increase (decrease) in net assets	24,172,700	(6,803,754)	269,597	17,638,543
Net assets, beginning of year	58,462,793	21,923,421	39,188,784	119,574,998
Net assets, end of year	\$ 82,635,493	\$ 15,119,667	\$ 39,458,381	\$ 137,213,541

**ORAL ROBERTS UNIVERSITY**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**Year ended April 30, 2009**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, gains, and other support</b>				
Tuition and fees	\$ 50,656,606	\$ -	\$ -	\$ 50,656,606
Room, board and other auxiliary services	17,575,018	-	-	17,575,018
Less: scholarships and fellowships	(18,495,630)	-	-	(18,495,630)
Net tuition, fees, and auxiliary services	49,735,994	-	-	49,735,994
Contributions	23,448,828	19,483,130	1,179,191	44,111,149
Investment return	-	(382,319)	-	(382,319)
Federal contracts and grants	349,652	670,916	-	1,020,568
Commercial real estate operations	10,238,568	-	-	10,238,568
Other support	5,112,110	160,771	-	5,272,881
Net asset transfers - Joint Venture Agreement (Note 8)	(1,743,891)	1,685,580	58,311	-
Net assets released from restrictions	16,089,087	(16,089,087)	-	-
Total revenues, gains and other support	103,230,348	5,528,991	1,237,502	109,996,841
<b>Expenses and losses</b>				
Education and general:				
Instruction	21,073,104	-	-	21,073,104
Research	312,005	-	-	312,005
Public service	1,619,107	-	-	1,619,107
Academic support	3,829,056	-	-	3,829,056
Student services	8,065,101	-	-	8,065,101
Institutional support	24,784,542	-	-	24,784,542
Room, board and other auxiliary services	20,652,826	-	-	20,652,826
Total education and general expenses	80,335,741	-	-	80,335,741
Commercial real estate operations	13,126,070	-	-	13,126,070
Interest on indebtedness	427,871	-	-	427,871
Other expenses	2,381,920	-	-	2,381,920
Unusual depreciation charge	7,089,367	-	-	7,089,367
Total expenses and losses	103,360,969	-	-	103,360,969
Increase (decrease) in net assets	(130,621)	5,528,991	1,237,502	6,635,872
Net assets, beginning of year	58,593,414	16,394,430	37,951,282	112,939,126
Net assets, end of year	\$ 58,462,793	\$ 21,923,421	\$ 39,188,784	\$ 119,574,998

**ORAL ROBERTS UNIVERSITY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**For the years ended April 30, 2010 and 2009**

	2010	2009
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 17,638,543	\$ 6,635,872
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	11,174,213	17,023,560
Realized and unrealized (gain) loss on investments	(420,760)	629,717
Loss on disposal of land and educational plant	144,201	935,621
Student loans cancelled	397,297	351,178
Provision for bad debts	292,885	405,615
Donated assets	(15,241)	(9,330)
Contributions restricted for capital and debt reduction purposes	(26,500,000)	(22,000,000)
(Increase) decrease in:		
Accounts receivable	(579,029)	(987,337)
Contributions receivable	3,096,678	(2,670,230)
Prepaid expenses and other assets	(33,243)	(213,519)
Beneficial interest in assets held by others	420,298	(413,539)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(794,504)	(1,631,101)
Deferred revenue	(455,124)	(885,671)
Refundable federal student loans	(245,900)	309,791
<b>Net cash used in operating activities</b>	<b>4,120,314</b>	<b>(2,519,373)</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of educational plant	(11,882,926)	(17,870,761)
Proceeds from sale of educational plant	15,400	13,665
Purchases of commercial real estate assets	(4,590,047)	(4,471,992)
Purchases of investments	(2,105,315)	(2,102,526)
Proceeds from sale of investments	1,808,450	1,941,620
Payments received on notes receivable	2,725,156	5,662
Student loan collections	2,092,320	1,835,602
Student loans granted	(2,122,801)	(3,276,545)
<b>Net cash used in investing activities</b>	<b>(14,059,763)</b>	<b>(23,925,275)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from contributions restricted for capital and debt reduction purposes	26,500,000	22,000,000
Payments on notes payable and capital leases	(40,605,455)	(22,703,747)
Proceeds from notes payable	33,988,987	6,286,173
Proceeds from life loan agreements	8,191	52,771
<b>Net cash used in financing activities</b>	<b>19,891,723</b>	<b>5,635,197</b>
<b>Net change in cash and cash equivalents</b>	<b>9,952,274</b>	<b>(20,809,451)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>13,987,551</b>	<b>34,797,002</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 23,939,825</b>	<b>\$ 13,987,551</b>

# ORAL ROBERTS UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2010 and 2009

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

#### Organization

Oral Roberts University 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 65 undergraduate majors, many with national accreditation, as well as 14 master's-level programs and two doctoral degrees. The most popular majors include: business administration, media, pastoral Christian ministries, nursing, psychology and biology. 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.

Student population exceeds 3,000 for-credit students from 49 states and 56 countries. The alumni population consists of approximately 37,000 individuals. The ORU Golden Eagles Athletics Department is also proud to be a participant in 16 NCAA Division I men's and women's varsity sports.

The accompanying consolidated financial statements include the accounts of certain entities under the financial control of Oral Roberts University. Significant balances and transactions among these entities are eliminated in consolidation. Oral Roberts University and the entities included herein are 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. 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 therein are classified as follows:

*Unrestricted Net Assets* – 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 unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Investment returns generated by unrestricted funds are classified as changes in unrestricted net assets. Expenses are reported as decreases in unrestricted net assets.

*Temporarily Restricted Net Assets* – Net assets subject to donor-imposed restrictions that must be met by actions of the University and/or passage of time. Contributed assets normally fund specific expenditures of an operating or capital nature. Investment returns on endowment funds are generally classified as changes in temporarily restricted net assets. Temporarily restricted contributions or investment returns received and expended within the same fiscal year are reported as increases in temporarily restricted net assets and net assets released from restrictions, respectively, in the consolidated statements of activities.

*Permanently Restricted Net Assets* – Net assets subject to donor-imposed restrictions requiring that they be maintained permanently by the University.

#### Tuition and fees revenue and student financial aid

Student tuition and fees are recorded as revenue during the year the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue. 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.

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.

#### Auxiliary enterprises

The University's auxiliary enterprises exist primarily to furnish goods and services to students, faculty, and staff. Managed as essentially self-supporting activities, the University's auxiliaries consist principally of residence halls, dining halls, intercollegiate athletics, and college stores. Auxiliary enterprise revenues and related expenses are reported as changes in unrestricted net assets.

#### Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the appropriate category of net assets in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. 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 discounted using a risk-adjusted rate. 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.

#### Cash and cash equivalents

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

Cash paid for interest was \$663,611 and \$427,871 for the years ended April 30, 2010 and 2009, respectively.

#### Investments and investment income

Investments in government and agency obligations, debt and marketable equity securities 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 financial statements.

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 temporarily restricted 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 temporarily restricted net assets.

#### Split-interest agreements

The University has received various 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 pooled income funds. Temporarily restricted contribution revenues are recognized at the date the agreements are established net of liabilities for the present value of the estimated 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.

ORU also enters into revocable life loan agreements. Interest is paid to lenders at rates of 3.5% to 6.5%. Lenders may make additional loans or withdrawals over the life of the agreement. If called, the loans must be repaid, but ORU'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 \$6,865,000 and \$5,067,000 at April 30, 2010 and 2009, respectively.

#### Educational plant

Investment in property and equipment is stated at cost, if purchased or fair value at the date of gift, if donated, less accumulated depreciation and amortization. Depreciation of buildings, building improvements, equipment and the library collection is computed using the straight-line method based on estimated lives of the assets.

#### Commercial real estate

Commercial real estate is comprised of a three-tower, 2.2 million square foot office complex known as CityPlex Towers (CityPlex). Rental revenue is recorded on a straight-line basis over the terms of the leases. 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.

#### Beneficial interests in assets held by others

The ORU Alumni Foundation, Inc. and ORU Golden Eagle Club, Inc. receive contributions and hold assets for which the University is designated the beneficiary by the donor. The assets held by these affiliated entities are reported at fair value as temporarily restricted net assets.

### Concentrations

ORU has cash deposits with several financial institutions that generally exceed federally insured limits by significant amounts. ORU has not experienced any losses in such accounts.

During the years ended April 30, 2010 and 2009, ORU received contributions of \$38,078,000 and \$28,500,000, respectively, from a single donor.

### Student financial aid

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.

### 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.

### 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 taxable income has not been significant.

Continued compliance with applicable tax regulations affords ORU the opportunity to maintain its tax-exempt status. However, events or interpretations of such regulations could result in contingent tax obligations. The Financial Accounting Standards Board (FASB) issued new guidance on accounting for uncertainty in income taxes. ORU adopted this new guidance for the year ended April 30, 2010. Management evaluated ORU's uncertain tax positions and concluded that ORU had taken no uncertain tax positions that require adjustment to or disclosure in the financial statements to comply with the provisions of this guidance. Generally, ORU is no longer subject to examinations by the U.S. federal, state or local tax authorities for tax years before 2006.

### Fair value measurements

The 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 – Inputs other than quoted prices that are either directly or indirectly observable, including quoted prices for similar assets or liabilities in active markets,
- Level 3 – Unobservable inputs for the asset or liability.

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).

### Reclassifications

Certain 2009 amounts have been reclassified to conform with 2010 presentations. These reclassifications had no impact on change in net assets.

### **Note 2 – Receivables**

Accounts receivable at April 30 consist of the following:

	2010	2009
Student tuition and fees, net of \$1,643,076 and \$1,474,210 allowance for doubtful accounts, respectively	\$ 445,402	\$ 446,735
Contracts and grants receivable	181,729	205,863
Rental property receivables	962,763	850,551
Other receivables	1,047,360	803,942
	<u>\$ 2,637,254</u>	<u>\$ 2,307,091</u>

Contributions receivable at April 30 consist of the following:

	2010	2009
Due in less than one year	\$ 150,829	\$ 3,427,470
Due in less than five years	199,650	342,004
	350,479	3,769,474
Present value discount	(375)	(66,261)
Allowance for uncollectible accounts	(302,196)	(558,627)
	<u>\$ 47,908</u>	<u>\$ 3,144,586</u>

### **Note 3 – Investments**

The fair values of investments at April 30 consist of the following:

	2010	2009
Equity mutual funds	\$ 496,145	\$ 146,335
Bond mutual funds	2,024,966	1,521,826
Government backed securities	1,859,736	1,876,661
Corporate bonds	1,328,506	1,390,258
Corporate equity	63,629	105,036
	<u>\$ 5,772,982</u>	<u>\$ 5,040,116</u>

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

	2010			
	Total	Level 1	Level 2	Level 3
Assets:				
Equity mutual funds	\$ 496,145	\$ 496,145	\$ -	\$ -
Bond mutual funds	2,024,966	1,980,417	44,549	-
Government backed security	1,859,736	1,615,673	244,063	-
Corporate bonds	1,328,506	-	1,328,506	-
Corporate equity	63,629	63,629	-	-
<b>Total</b>	<b>\$ 5,772,982</b>	<b>\$ 4,155,864</b>	<b>\$ 1,617,118</b>	<b>\$ -</b>

  

	2009			
	Total	Level 1	Level 2	Level 3
Assets:				
Equity mutual funds	\$ 146,335	\$ 146,335	\$ -	\$ -
Bond mutual funds	1,521,826	1,517,942	3,884	-
Government backed security	1,876,661	1,643,205	233,456	-
Corporate bonds	1,390,258	-	1,390,258	-
Corporate equity	105,036	105,036	-	-
<b>Total</b>	<b>\$ 5,040,116</b>	<b>\$ 3,412,518</b>	<b>\$ 1,627,598</b>	<b>\$ -</b>

Total investment return consists of and is included in the statements of activities at April 30 as follows:

	2010	2009
Interest and dividends	\$ 248,498	\$ 247,398
Realized and unrealized gain (loss) on investments	420,760	(629,717)
<b>Total</b>	<b>\$ 669,258</b>	<b>\$ (382,319)</b>

#### Note 4 – Educational Plant

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

	2010	2009	Estimated Useful Lives
Land and land improvements	\$ 11,202,958	\$ 9,339,246	20 years
Buildings and improvements	100,566,282	85,287,681	20-50 years
Equipment	48,936,956	46,790,844	3-10 years
Vehicles	1,379,527	1,404,661	5 years
Library books	8,107,106	7,983,517	20 years
	170,192,829	150,805,949	
Less accumulated depreciation	(96,710,989)	(89,281,059)	
	73,481,840	61,524,890	
Construction in progress	337,710	8,147,134	
	<b>\$ 73,819,550</b>	<b>\$ 69,672,024</b>	

## Note 5 – Commercial Real Estate

The carrying value of CityPlex Towers at April 30 consists of the following:

	2010	2009
Land	\$ 2,815,144	\$ 2,815,144
Buildings and improvements	89,028,958	88,863,837
Equipment	28,128,994	28,128,994
Tenant improvements	2,296,758	3,032,165
	<u>122,269,854</u>	<u>122,840,140</u>
Less accumulated depreciation	(89,116,679)	(86,596,209)
	<u>33,153,175</u>	<u>36,243,931</u>
Construction in progress	4,082,389	-
	<u>\$ 37,235,564</u>	<u>\$ 36,243,931</u>

Operations of CityPlex Towers for the years ended April 30 are summarized as follows:

	2010	2009
Tenant rental income	\$ 9,519,494	\$ 10,238,568
Operating expenses:		
Property management	421,728	360,599
Leasing commissions	271,742	242,715
Utilities	2,720,045	4,401,762
Operations and maintenance	4,020,404	3,832,962
Interest on indebtedness	76,551	682,934
Depreciation	3,594,347	3,605,098
Total operating expenses	<u>11,104,817</u>	<u>13,126,070</u>
Net operating loss	<u>\$ (1,585,323)</u>	<u>\$ (2,887,502)</u>

The building is depreciated over 40 years. Tenant improvements are amortized over the term of the related leases. Leasing commissions paid to third parties are capitalized and amortized over the term of the related lease.

Minimum future rentals under noncancellable lease agreements as of April 30, 2010, are as follows:

2011	\$ 7,860,955
2012	6,424,107
2013	4,953,717
2014	3,510,425
2015	3,205,165
Thereafter	<u>4,446,042</u>
Total	<u>\$ 30,400,411</u>

## Note 6 – Notes Payable

Notes payable at April 30 consist of the following:

	2010	2009
Note payable with interest at 4.00%; interest only due monthly; collateralized by certain real estate	\$ -	\$ 3,733,853
Line-of-credit with interest at a minimum of 4.00% or 1.00% over the prime rate set by BOK Financial Corporation (4.00% at April 30, 2010); interest only due monthly; collateralized by certain real estate	649,897	-
Line-of-credit with interest at 5.00% or 1.00% below the prime rate of a New York bank (3.25% at April 30, 2009); interest only due monthly; collateralized by certain real estate	-	3,486,173
Other	45,211	91,551
	<u>\$ 695,108</u>	<u>\$ 7,311,577</u>

Annual maturities of notes payable are as follows:

2011	\$ 685,511
2012	<u>9,597</u>
Total	<u>\$ 695,108</u>

## Note 7 – Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of the following at April 30:

	2010	2009
Split-interest agreements	\$ 4,793,448	\$ 4,369,007
Scholarships	2,223,345	5,467,859
Equipment	1,218,093	845,574
Beneficial interests in assets held by others	2,852,533	3,272,831
Contributions receivable	47,908	3,144,586
Other purpose restrictions	3,984,340	4,823,564
Total temporarily restricted net assets	<u>\$ 15,119,667</u>	<u>\$ 21,923,421</u>

In years prior to 2008, proceeds of temporarily restricted contributions were borrowed and used for unrestricted purposes. The balance of inter-fund borrowings owed to temporarily restricted funds at April 30, 2010 and 2009 was approximately \$7,300,000 and \$15,300,000, respectively.

## Note 8 – Endowment

Permanently restricted net assets are categorized at April 30 as follows:

	2010	2009
Earnings of the following funds are restricted to:		
School of Business	\$ 300,006	\$ 281,295
School of Theology	2,519,769	2,517,825
School of Education	564,978	547,910
School of Arts and Sciences	1,500,240	1,485,617
School of Nursing	21,630,681	21,649,949
General scholarships	8,961,819	8,783,010
General activities of University	3,980,888	3,923,178
Total permanently restricted net assets	<u>\$ 39,458,381</u>	<u>\$ 39,188,784</u>

The University's endowment trust consists of approximately 240 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 permanently restricted net assets (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 Trust 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 and certain temporarily restricted funds, 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
- The agreed value of CityPlex is \$65 million. 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, then to the University's unrestricted fund
  - Proceeds in excess of \$65 million, if any, 53.66% to endowment fund and the remainder to the University's unrestricted fund

For the years ended April 30, 2010 and 2009, CityPlex's income before depreciation and amortization was \$2,009,025 and \$717,196, respectively. The guaranteed 5% return of \$1,743,891 for 2010 and 2009 is reported in the statement of activities and changes in net assets as a transfer from unrestricted net assets to temporarily restricted net assets. Guaranteed payments credited to temporarily restricted income were subsequently released from restrictions.

Endowment trust assets at April 30, 2010, consisting primarily of cash and cash equivalents, total approximately \$6,743,000, and the remainder in the Joint Venture Agreement discussed above.

Endowment trust assets at April 30, 2009, consisted of marketable securities of \$2,084,987, a note receivable from University Village of \$2,725,156 (included in prepaid expenses and other assets) which was repaid in 2010, and the remainder in the Joint Venture Agreement.

### **Note 9 – Retirement Plans**

Full-time faculty and staff are eligible after specified periods of employment to participate in a contributory retirement and annuity program through the Teachers Insurance and Annuity Association and the College Retirement Equities Funds (TIAA/CREF). The University has no liability for the funds other than current contributions, which equal the employees' contribution as detailed in the Plan.

### **Note 10 – 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:

Short-Term Investments, Accounts and Pledges Receivable, Beneficial Interest in Assets, Life Loans, Reserves for Gift Annuities, Notes Payable, and Accounts Payable – The carrying amounts approximate 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 fair 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.

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 11 – 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 financial statements taken as a whole.

**Note 12 – Transactions with Related Parties**

The University has adopted a Conflict of Interest Policy by which a proposed transaction with a related party is 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. During the fiscal year, the University contracted for construction services in the amount of \$1,377,550 with an entity in which a member of the Board of Trustees has an interest. The University entered into a limited number of transactions with members of the Board which are individually and in the aggregate immaterial to the financial statements.

**Note 13 – Subsequent Events**

Management has evaluated subsequent events through September 16, 2010, the date the financial statements were available to be issued, and determined there were no subsequent events that required adjustment of or disclosure in ORU's financial statements through this date.