

**Intercollegiate Athletics Program Accounts of Oklahoma State
University**

Independent Auditor's Report and Financial Statements

June 30, 2021

Intercollegiate Athletics Program Accounts of Oklahoma State University

June 30, 2021

Contents

Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Financial Statements	
<i>Intercollegiate Athletics Program Accounts</i>	
Statement of Net Position	8
Statement of Revenues, Expenses and Changes in Net Position.....	9
Statement of Cash Flows	10
<i>Cowboy Athletics, Inc. (A Component Unit of Oklahoma State University)</i>	
Statement of Net Position	12
Statement of Revenues, Expenses and Changes in Net Position.....	13
Statement of Cash Flows	14
Notes to Financial Statements	15
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	34
Schedule of Findings and Responses	36

Independent Auditor's Report

Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges
Oklahoma State University
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Intercollegiate Athletics Program Accounts (the "University Athletics Program") of Oklahoma State University as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University Athletics Program's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit for the University Athletics Program as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1*, the accompanying financial statements of the University Athletics Program are intended to present the financial position and changes in net position and cash flows of only that portion of activities that is attributable to the transactions of the University Athletics Program. They do not purport to, and do not, present fairly the financial position of Oklahoma State University as of June 30, 2021, and the changes in its net position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2021, on our consideration of the University Athletics Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University Athletics Program's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University Athletics Program's internal control over financial reporting and compliance.

BKD, LLP

Springfield, Missouri
November 30, 2021

Intercollegiate Athletics Program Accounts of Oklahoma State University

Management's Discussion and Analysis

Years Ended June 30, 2021

Overview of Financial Statements and Financial Analysis

The Intercollegiate Athletics Program Accounts of Oklahoma State University (the "University Athletics Program") presents its financial statements for fiscal year 2021. Fiscal year 2020 is presented for comparative purposes and is unaudited. There are three financial statements presented: the statements of net position; the statements of revenues, expenses, and changes in net position; and the statements of cash flows. This discussion and analysis of the University Athletics Program's financial statements provides an overview of its financial activities for the year.

The statements of net position and the statements of revenues, expenses, and changes in net position report information on the University Athletics Program as a whole and on its activities. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. These two statements report the University Athletics Program's net position and changes in them. The net position – the difference between assets and liabilities – is one way to measure financial health or financial position. Over time, increases or decreases in net position are an indicator of whether the University Athletics Program's financial health is improving or deteriorating.

These statements include assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The third statement, the statements of cash flows, presents detailed information about the cash activity during the year. The statements are divided into five parts (when applicable). The first part presents operating cash flows and shows the net cash provided by operating activities. The second section reflects cash flows from noncapital financing activities. The third section reflects cash flows from investing activities. The fourth section reflects cash flows from capital and related financing activities. The fifth section reconciles the net cash provided by operating activities to the operating income or loss reflected on the statements of revenues, expenses, and changes in net position. The statements provide information regarding the entity's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its needs for external funding.

Statements of Net Position

The following summarizes the University Athletics Program's statements of net position at June 30, 2021 and 2020:

	2021	2020 (Unaudited)
Assets		
Current Assets	\$ 2,831,131	\$ 13,729,131
Capital Assets, Net of Accumulated Depreciation	439,021,094	454,101,306
Other Noncurrent Assets	6,084,103	3,973,431
Total assets	<u>447,936,328</u>	<u>471,803,868</u>
Deferred Outflows of Resources	<u>986,845</u>	<u>348,075</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 448,923,173</u></u>	<u><u>\$ 472,151,943</u></u>
Liabilities		
Current Liabilities	\$ 12,441,255	\$ 9,408,719
Noncurrent Liabilities	61,838,411	64,619,825
Total liabilities	<u>74,279,666</u>	<u>74,028,544</u>
Deferred Inflows of Resources	<u>650,098</u>	<u>362,159</u>
Net Position		
Net investment in capital assets	378,534,363	390,271,603
Restricted for		
Debt service	5,288,910	3,479,548
Capital projects	619,566	266,826
Unrestricted	<u>(10,449,430)</u>	<u>3,743,263</u>
Total net position	<u>373,993,409</u>	<u>397,761,240</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 448,923,173</u></u>	<u><u>\$ 472,151,943</u></u>

In fiscal year 2021, total net position decreased by \$23,767,831, or 5.98 percent. This was mainly due to a decrease in ticket sales, gifts, and other revenue sources. The reduction in revenue is primarily attributed to the COVID-19 pandemic which resulted in limited seating capacity at sporting events and reduced ticket sales, conference income, and guarantees.

Statements of Revenues, Expenses, and Changes in Net Position

The following summarizes the University Athletics Program's statements of revenues, expenses, and changes in net position for the years ended June 30, 2021 and 2020.

	2021	2020 (Unaudited)
Operating Revenue		
Ticket sales	\$ 4,149,296	\$ 13,386,406
Conference income	34,533,447	37,963,386
Multimedia	4,354,411	7,600,243
Other	4,887,802	8,253,894
Total operating revenues	<u>47,924,956</u>	<u>67,203,929</u>
Operating Expenses		
Compensation and employee benefits	36,210,053	40,588,701
Travel	4,874,351	8,615,169
Financial aid	7,665,272	7,303,489
Other	16,461,325	21,853,392
Utilities	2,786,907	2,324,057
Depreciation and amortization	16,055,146	14,342,388
Total operating expenses	<u>84,053,054</u>	<u>95,027,196</u>
Operating Loss	<u>(36,128,098)</u>	<u>(27,823,267)</u>
Nonoperating Revenue (Expenses)		
Investment income	7,430	75,052
Gifts from OSU Foundation	9,276,662	18,873,250
Interest expense	(877,459)	(2,454,455)
Total nonoperating revenue	<u>8,406,633</u>	<u>16,493,847</u>
Capital Provided by Affiliates	772,218	97,510,084
Loss on Disposal of Capital Assets	(11,115)	-
Athletics Student Fee and Use Tax	<u>3,192,531</u>	<u>3,339,195</u>
	<u>3,953,634</u>	<u>100,849,279</u>
Increase (Decrease) in Net Position	(23,767,831)	89,519,859
Net Position, Beginning of Year	<u>397,761,240</u>	<u>308,241,381</u>
Net Position, End of Year	<u>\$ 373,993,409</u>	<u>\$ 397,761,240</u>

For fiscal year 2021, capital provided by affiliates consisted of donated capital assets from Cowboy Athletics, Inc. of \$757,418 and the OSU Foundation of \$14,800. For fiscal year 2020, capital provided by affiliates consisted entirely of donations from Cowboy Athletics, Inc.

For fiscal year 2021, all revenue categories decreased due to limited seating capacity at sporting events due to the COVID-19 pandemic. Operating expense categories also decreased accordingly. Nonoperating gifts from the OSU Foundation decreased due to a reduction in the request for budget support which was limited to funds generated in the current year.

Statements of Cash Flows

The following summarizes the University Athletics Program's statements of cash flows for the years ended June 30, 2021 and 2020.

	2021	2020 (Unaudited)
Cash Provided By (Used In)		
Operating activities	\$ (10,642,957)	\$ (24,295,984)
Noncapital financing activities	9,276,662	18,873,250
Investing activities	7,430	75,052
Capital and related financing activities	<u>(1,262,159)</u>	<u>(3,993,800)</u>
Decrease in Cash and Cash Equivalents	(2,621,024)	(9,341,482)
Cash and Cash Equivalents, Beginning of Year	<u>6,115,503</u>	<u>15,456,985</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 3,494,479</u></u>	<u><u>\$ 6,115,503</u></u>

Cash provided by operating activities increased by \$13,653,027 from the fiscal year ended June 30, 2020 to June 30, 2021. This is primarily a result of a reduction in accounts receivable which were affected by reduced ticket sales revenue.

Cash provided by noncapital financing decreased by \$9,596,588 from the fiscal year ended June 30, 2020 to June 30, 2021. This activity is the direct result of transferring athletic related funds from the Oklahoma State University Foundation to the University Athletics Program as needed.

Economic Outlook

Fiscal year 2021 was an unprecedented and challenging year for the University Athletics Program due to the pandemic. Revenues dropped dramatically due to capacity limitations and cancellation of athletic events. To offset the revenue reduction, the department cut expenses by laying off employees, implementing furloughs, temporarily reducing salaries, limiting team travel, recruiting, and overall purchases. The University Athletics Program was able to operate during the fiscal year by using its reserves.

The outlook for fiscal year 2022 appears promising. Capacity limitations have been lifted as well as travel restrictions. The University Athletics Program is cautiously optimistic when forecasting revenues. Expenses will continue to focus on enhancing the student-athlete experience. While expenses are anticipated to increase significantly from last fiscal year, the department's goal is to break even at the end of the year.

A handwritten signature in black ink that reads "Jason Lewis". The signature is written in a cursive style with a large initial "J" and "L".

Jason Lewis
Executive Senior Associate
Athletic Director

Intercollegiate Athletics Program Accounts of Oklahoma State University

Statement of Net Position

June 30, 2021

Assets

Current assets	
Accounts receivable, net	\$ 2,831,131
Total current assets	2,831,131
Noncurrent assets	
Cash and cash equivalents	5,919,571
Accounts receivable - student fees	58,974
Other postemployment benefits	105,558
Capital assets, net of accumulated depreciation	439,021,094
Total noncurrent assets	445,105,197
Total assets	447,936,328

Deferred Outflows of Resources

986,845

Liabilities

Current liabilities	
Outstanding checks in excess of bank balance	2,425,092
Accounts payable	565,316
Due to other University funds and accounts	316,413
Accrued expenses	136,391
Accrued interest payable	70,168
Unearned revenue	4,168,879
Accrued compensated absences	182,695
Retirement liability	827,736
Due to University for current portion of long-term debt	3,748,565
Total current liabilities	12,441,255
Noncurrent liabilities	
Accrued compensated absences	2,309,633
Pension liability	2,790,612
Due to University for long-term debt	56,738,166
Total noncurrent liabilities	61,838,411
Total liabilities	74,279,666

Deferred Inflows of Resources

650,098

Net Position

Net investment in capital assets	378,534,363
Restricted - expendable	
Debt service	5,288,910
Capital projects	619,566
Unrestricted	(10,449,430)
Total net position	\$ 373,993,409

**Intercollegiate Athletics Program Accounts of
Oklahoma State University**
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2021

Revenues	
Ticket sales	\$ 4,149,296
Conference income	34,533,447
Multimedia	4,354,411
Concessions	450,514
Other operating revenues	4,384,873
Student activity fees	52,415
Total operating revenues	<u>47,924,956</u>
 Operating Expenses	
Compensation and employee benefits	36,210,053
Travel	4,874,351
Financial aid	7,665,272
Maintenance	4,185,788
Athletics and small equipment purchases	1,091,355
Guarantees	409,163
Insurance	1,401,126
Other operating expenses	9,157,608
Telephone	216,285
Utilities	2,786,907
Depreciation and amortization	16,055,146
Total operating expenses	<u>84,053,054</u>
Operating Loss	<u>(36,128,098)</u>
 Nonoperating Revenues (Expenses)	
Investment income	7,430
Gifts from OSU Foundation	9,276,662
Interest expense	(877,459)
Net nonoperating revenues	<u>8,406,633</u>
Loss Before Other Revenues, Expenses, Gains, and Losses	<u>(27,721,465)</u>
Capital assets provided by affiliates	772,218
Loss on disposal of capital assets	(11,115)
Athletics student fee and use tax	3,192,531
Net decrease in net position	<u>(23,767,831)</u>
Net Position, Beginning of Year	<u>397,761,240</u>
Net Position, End of Year	<u>\$ 373,993,409</u>

Intercollegiate Athletics Program Accounts of Oklahoma State University

Statement of Cash Flows Year Ended June 30, 2021

Cash Flows from Operating Activities	
Ticket sales	\$ 3,801,062
Other operating receipts	52,294,884
Payments to employees for salaries and benefits	(35,577,267)
Payments to suppliers	<u>(31,161,636)</u>
Net cash used in operating activities	<u>(10,642,957)</u>
 Cash Flows from Noncapital Financing Activities	
Gifts from OSU Foundation	<u>9,276,662</u>
Net cash provided by noncapital financing activities	<u>9,276,662</u>
 Cash Flows from Investing Activities	
Interest received on investments	<u>7,430</u>
Net cash provided by investing activities	<u>7,430</u>
 Cash Flows from Capital and Related Financing Activities	
Cash paid for capital assets	(213,831)
Repayments of capital debt and leases	(3,342,972)
Interest paid on capital debt and leases	(897,887)
Student fees restricted for capital projects	<u>3,192,531</u>
Net cash used in capital and related financing activities	<u>(1,262,159)</u>
Decrease in Cash and Cash Equivalents	(2,621,024)
Cash and Cash Equivalents, Beginning of Year	<u>6,115,503</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 3,494,479</u></u>

Intercollegiate Athletics Program Accounts of Oklahoma State University

Statement of Cash Flows

Year Ended June 30, 2021

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

Restricted cash and cash equivalents	\$ 5,919,571
Outstanding checks in excess of bank balance	<u>(2,425,092)</u>
 Total cash and cash equivalents	 <u><u>\$ 3,494,479</u></u>

**Reconciliation of Net Operating Revenues (Expenses) to
Net Cash Used in Operating Activities**

Operating loss	\$ (36,128,098)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation and amortization expense	16,055,146
Changes in operating assets and liabilities	
Accounts receivable	8,560,189
Other postemployment benefits	31,207
Deferred outflows of resources	(638,770)
Accounts payable	309,806
Due to other funds and accounts	316,413
Pension liability	772,087
Accrued expenses	27,464
Unearned revenue	(389,199)
Deferred inflows of resources	287,939
Compensated absences	<u>152,859</u>

Net Cash Used in Operating Activities \$ (10,642,957)

Supplemental Cash Flows Information

Capital assets contributed to the University	\$ 772,218
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Cowboy Athletics, Inc.

Cowboy Athletics, Inc.
(A Component Unit of Oklahoma State University)
Statement of Net Position
December 31, 2020

Assets

Current Assets

Cash and cash equivalents	\$ 4,621,416
Investments	2,376,132
Accounts receivables, net of allowance, 2020 - \$0	94,326
Inventories	369,694
Prepaid expenses and other assets	<u>58,741</u>
Total current assets	<u>7,520,309</u>

Noncurrent Assets

Capital assets	
Capital assets being depreciated, net of accumulated depreciation, 2020 – \$10,609,193	8,527,888
Capital assets not being depreciated	<u>18,554,182</u>
Total noncurrent assets	<u>27,082,070</u>
Total assets	<u><u>\$ 34,602,379</u></u>

Liabilities

Current Liabilities

Accounts payable	\$	204,526
Accrued expenses		46,145
Retainage payable		387,957
Other current liabilities		4,460
Unearned revenues		373,555
Paycheck Protection Program loan payable		483,900
Long-term debt – current portion		<u>61,123</u>

Total current liabilities 1,561,666

Capital Lease Obligations

3,343

Total liabilities 1,565,009

Net Position

Net investment in capital assets		14,241,181
Restricted expendable		
Capital acquisitions		13,787,982
Unrestricted net position		<u>5,008,207</u>

Total net position 33,037,370

Total liabilities and net position \$ 34,602,379

Cowboy Athletics, Inc.
(A Component Unit of Oklahoma State University)
Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2020

Operating Revenues	
Contributions	\$ 14,525,546
Food and beverage	2,483,404
Golf course rounds	567,745
Golf course pro shop	676,166
Golf course lodge	170,004
Golf course membership	868,402
Other revenue	172,293
Investment gain	635,287
Total operating revenues	<u>20,098,847</u>
Operating Expenses	
Food and beverage cost of goods sold	1,389,960
Golf course pro shop cost of goods sold	380,771
Contributions to OSU for budget support	203,000
Salaries	2,070,874
Depreciation	676,690
Professional fees	46,439
Supplies	204,137
Insurance	340,662
Repairs and maintenance	268,892
Payroll and property taxes	180,337
Equipment rental	105,155
Utilities	188,461
Laundry service	19,567
Credit card processing fees	73,466
Fuel	12,064
Other operating expenses	507,150
Total operating expenses	<u>6,667,625</u>
Operating Income	<u>13,431,222</u>
Nonoperating Revenues (Expenses)	
Interest income (expense)	8,896
Contributions to OSU and OSU Foundation	<u>(97,817,426)</u>
Total nonoperating expenses	<u>(97,808,530)</u>
Decrease in Net Position	(84,377,308)
Net Position, Beginning of Year	<u>117,414,678</u>
Net Position, End of Year	<u>\$ 33,037,370</u>

Cowboy Athletics, Inc.
(A Component Unit of Oklahoma State University)
Statement of Cash Flows
Year Ended December 31, 2020

Operating Activities

Contributions received from the Oklahoma State University Foundation	\$ 14,525,546
Loss from investments	(1,513)
Payments from members and customers	5,418,646
Payments to suppliers and employees	(6,068,367)
Net cash provided by operating activities	<u>13,874,312</u>

Capital and Related Financing Activities

Purchase of capital assets	(12,082,970)
Proceeds from issuance of Paycheck Protection Program loan	483,900
Principal paid on capital debt and leases	(56,291)
Interest paid on capital debt and leases	(7,414)
Net cash used in capital and related financing activities	<u>(11,662,775)</u>

Investing Activities

Purchases of investments	(513,313)
Proceeds from sale of investment	505,420
Interest earned on investments	16,310
Net cash provided by capital and related financing activities	<u>8,417</u>

Increase in Cash and Cash Equivalents

2,219,954

Cash and Cash Equivalents, Beginning of Year

2,401,462

Cash and Cash Equivalents, End of Year

\$ 4,621,416

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

Cash and cash equivalents	\$ 4,621,416
	<u>\$ 4,621,416</u>

Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by Operating Activities

Operating income	\$ 13,431,222
Depreciation expense	676,690
Realized and unrealized loss on investments	767
Changes in operating assets and liabilities	
Investments	(637,567)
Accounts receivables, net	367,541
Inventories	(18,771)
Prepaid expenses	(3,374)
Accounts payable and accrued liabilities	(55,287)
Unearned revenue	113,091
	<u>113,091</u>

Net Cash Provided by Operating Activities

\$ 13,874,312

Supplemental Cash Flows Information

Capital assets contributed to Oklahoma State University	\$ 97,817,426
Capital assets in accounts payable	\$ 39,958

Notes to the Financial Statements

Intercollegiate Athletics Program Accounts of Oklahoma State University

Notes to the Financial Statements

June 30, 2021

Note 1: Summary of Significant Accounting Policies

Nature of Operations

The accompanying financial statements include the accounts of the intercollegiate athletics department of Oklahoma State University (the “University”) as identified by management. The University is governed by the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the “Board of Regents”) and is a member of the Oklahoma State System of Higher Education. For purposes of these financial statements, the intercollegiate athletics department is referred to as the “University Athletics Program.”

The accompanying financial statements have been prepared from the separate records maintained by management of the University and may not necessarily be indicative of the conditions that would have existed or the results of operations if the University Athletics Program had been operated as an unaffiliated entity nor are these financial statements indicative of operations of the University as a whole. Portions of certain revenues and expenses represent allocations determined by management made from items applicable to the University as a whole.

Component Unit

Cowboy Athletics, Inc. (CAI) is a legally separate, not-for-profit Oklahoma corporation organized to support the University’s athletic organizations and other educational programs associated with the University. Although CAI is legally a 501(c)(3) not-for-profit organization, it follows pronouncements issued by the Governmental Accounting Standards Board (GASB).

Although University Athletics Program does not control the timing or amount of receipts from CAI, the majority of the activities and assets of CAI are to support the University Athletics Program and therefore, CAI is considered a component unit of the University and the University Athletics Program and is discretely presented in the financial statements of the University Athletics Program.

CAI operates under a December 31 calendar year-end and no modifications have been made to the statements of the University Athletics Program for these differences.

Basis of Accounting and Presentation

The financial statements of the University Athletics Program have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, liabilities, and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used internally. Operating revenues and expenses include exchange transactions and program-specific, government-mandated or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific (such as state appropriations),

Intercollegiate Athletics Program Accounts of Oklahoma State University

Notes to the Financial Statements

June 30, 2021

investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's Athletics Program's policy is to use prudent decision processes to determine which resources will be applied based on availability of funding, donor intent and returns available from idle funds.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Cash Equivalents

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

Investments

The University Athletics Program accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statements of Revenues, Expenses, and Changes in Net Position. The University Athletics Program is primarily invested in money markets and mutual funds which are carried at fair value. Fair value is determined using quoted market prices.

Accounts Receivable

Accounts receivable generally consist of amounts due from students and faculty for athletic tickets, amounts reimbursable from the Oklahoma State University Foundation (the "OSU Foundation"), and other amounts related to the operations of the athletics department. Accounts receivable are recorded net of estimated uncollectible amounts. The University determines its allowance by considering a number of factors, including the length of time the accounts receivable are past due, the University's previous loss history, and the condition of the general economy and industry as a whole.

Noncurrent Cash, Investments, and Accounts Receivable

Cash, investments, and accounts receivable that are externally restricted to make debt service payments, maintain sinking or reserve funds or to purchase or construct capital or other noncurrent assets are classified as noncurrent assets in the statements of net position.

Intercollegiate Athletics Program Accounts of Oklahoma State University

Notes to the Financial Statements

June 30, 2021

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation in the case of gifts. For equipment, the University Athletics Program's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expenses in the year in which the expense was incurred. Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 50 years for buildings, 20 to 25 years for infrastructure and land improvements, and 5 to 7 years for equipment.

Deferred Outflows of Resources

The University reports increases in net position generated by its defined benefit pension plan that relate to future periods as deferred outflows of resources in a separate section of its statement of net position.

Unearned Revenue

Unearned revenue consists primarily of amounts received for athletic events and activities prior to the end of the fiscal year but related to the subsequent accounting period.

Compensated Absences

The liability and expense incurred for employee vacation pay are recorded as accrued compensated absences in the statements of net position, and as a component of compensation and benefit expense in the statement of revenues, expenses and changes in net position.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of long-term debt obligations designated to be paid by the University Athletics Program; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

**Intercollegiate Athletics Program Accounts of
Oklahoma State University**
Notes to the Financial Statements
June 30, 2021

Cost-Sharing Defined Benefit Pension Plan

The University participates in a cost-sharing multiple-employer defined benefit pension plan-Teacher Retirement System of Oklahoma (OTRS) (the “Plan”). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources

The University reports decreases in net position generated by its defined benefit pension plan that relate to future periods as deferred inflows of resources in a separate section of its statement of net position.

Net Position

The University Athletics Program’s net position is classified as follows:

- Net investment in capital assets: This represents the University Athletics Program’s total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
- Restricted net position - expendable: Restricted expendable net position includes resources in which the University Athletics Program is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.
- Unrestricted net position: Unrestricted net position represents resources derived from the ongoing operations of the University Athletics Program. These resources may be used at the discretion of the governing board to meet current expenses for any purpose.

Classification of Revenues

The University Athletics Program has classified its revenues as either operating or nonoperating revenues in accordance with the guidelines established by GASB Statement No. 34 regarding exchange and nonexchange transactions.

Intercollegiate Athletics Program Accounts of Oklahoma State University

Notes to the Financial Statements

June 30, 2021

Income Taxes

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

Changes in Accounting Principle

In 2021, the University and thus the University Athletics Program adopted GASB Statement No. 84, *Fiduciary Activities*, GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting for Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, and GASB Statement No. 90, *Majority Equity Interests*. The adoption had no impact on the financial statements of the University Athletic Program.

New Pronouncements

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement requires recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is effective for periods beginning after December 15, 2021. Earlier application is encouraged.

In May 2019, GASB issued Statement No 91, *Conduit Debt Obligations*. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. The Statement is effective for periods beginning after December 15, 2020. Earlier application is encouraged.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement is now effective for periods beginning after June 15, 2021. Earlier application is encouraged.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. This statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate as a result of global reference rate reform. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of the statement are now effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

Intercollegiate Athletics Program Accounts of Oklahoma State University

Notes to the Financial Statements June 30, 2021

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement addresses issues related to public-private and public-public partnership arrangements and provides guidance for accounting and financial reporting for availability payment arrangements. This Statement is effective for periods beginning after June 15, 2022. Earlier application is encouraged.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement defines a subscription-based information technology arrangement (SBITA), establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability, provides capitalization criteria for outlays other than subscription payments, and requires note disclosure regarding a SBITA. This Statement is effective for periods beginning after June 15, 2022. Earlier application is encouraged.

Management has not yet determined the effect, if any, of adoption of the new GASB statements for the financial statements.

Note 2: Cash and Cash Equivalents

At June 30, 2021, the net carrying amount of the University Athletics Program's cash and cash equivalents was \$3,494,479, of which all were held within the University's combined cash and cash equivalents except for approximately \$520,000, which were held with a financial institution for procuring team travel.

By Oklahoma Statute, the State Treasurer is required to ensure that all state funds are either insured by the Federal Deposit Insurance Corporation (FDIC), collateralized by securities held by the cognizant Federal Reserve Bank or invested in U.S. government obligations. Any deposits with the State Treasurer are pooled with funds of other state agencies, and then in accordance with statutory limitations, placed in financial institutions or invested as the State Treasurer may determine, in the State's name.

The University Athletics Program requires that balances on deposit with financial institutions be insured by the FDIC or collateralized by securities held by the cognizant Federal Reserve Bank, in the University Athletics Program's name.

Some deposits with the State Treasurer are placed in the State Treasurer's internal investment pool *OK INVEST*. *OK INVEST* pools the resources of all state funds and agencies and invests them in (a) U.S. treasury securities which are explicitly backed by the full faith and credit of the U.S. government; (b) U.S. agency securities which carry an implicit guarantee of the full faith and credit of the U.S. government; (c) money market mutual funds which participate in investments, either directly or indirectly, in securities issued by the U.S. treasury and/or agency and repurchase

**Intercollegiate Athletics Program Accounts of
Oklahoma State University**
Notes to the Financial Statements
June 30, 2021

agreements relating to such securities; and (d) investments related to triparty repurchase agreements which are collateralized at 102 percent and, whereby, the collateral is held by a third party in the name of the State Treasurer. For financial reporting purposes, deposits with the State Treasurer that are invested in *OK INVEST* are classified as cash equivalents.

Note 3: Accounts Receivable

Accounts receivable consisted of the following at June 30, 2021:

Athletic tickets	\$ 114,200
Receivables from operations	2,816,104
Student fees	58,974
	2,989,278
Less allowance for doubtful accounts	99,173
	\$ 2,890,105

Note 4: Related Party Transactions

The Oklahoma State University Foundation

Nature of Relationship - The OSU Foundation is a not-for-profit corporation formed to promote and foster the educational, benevolent, and scientific purposes of the University, and to create a fund to be used for any program, project, or enterprise undertaken in the interest of the University, and to promote and foster educational and cultural interests in the State and southern and southwestern regions of the United States.

Description of Operations - The OSU Foundation acts largely as a fundraising organization: soliciting, receiving, managing, and disbursing contributions on behalf of the University. Most of the contributions received are designated by the donors to be used for specific departments, including the University Athletics Program. In these instances, it serves essentially as a conduit, making the funds available as needed. Related party transactions and funds held by the OSU Foundation on behalf of the University Athletics Program are as follows during fiscal year 2021:

Fund collected on behalf of the University or University Athletics Program	\$ 47,465,266
Fund disbursed to or on behalf of the University or University Athletics Program	\$ 25,628,427
Net assets held on behalf of or for the benefit of the University or University Athletics Program at June 30	\$ 167,424,544

**Intercollegiate Athletics Program Accounts of
Oklahoma State University**
Notes to the Financial Statements
June 30, 2021

Cowboy Athletics, Inc.

Nature of Relationship - CAI is a not-for-profit Oklahoma corporation organized to support the University men's and women's golf teams, other athletic organizations affiliated with the University, and other educational programs associated with the University.

CAI is governed by a seven-member Board of Directors, three of whom serve by virtue of their association with the University. The remaining four members are elected by the members. Although the University Athletics Program does not control the timing or amount of receipts from CAI, the majority of resources or income thereon that CAI holds and invests is restricted to the activities of the University Athletics Program by the donors. Because these restricted resources held by CAI can only be used by, or for the benefit of, the University Athletics Program, CAI is considered a component unit of the University Athletics Program and is separately presented.

CAI operates a golf course (Karsten Creek) and related facilities in Stillwater, Oklahoma. The golf course is primarily utilized as a teaching and practice facility by the University for the men's and women's golf teams. Use of the course is also open to golf course members and others based on established membership and usage fee schedules.

CAI operates OSU Cowboy Dining, L.L.C. which provides dining services for the University's athletic department and other events as approved by management.

CAI operates Cowboy Athletic Facilities, L.L.C. which conducts construction activities for the benefit of the University.

CAI transferred improvements in Boone Pickens Stadium and Gallagher – Iba Arena to the University Athletics Program in fiscal year 2021 at a value of \$757,418 as capital asset additions. The acquisitions are reflected as capital provided by affiliates in the Statement of Revenues, Expenses, and Changes in Net Position of the University Athletics Program for the year ended June 30, 2021.

Net position of CAI at December 31, 2020, was \$33,037,370.

**Intercollegiate Athletics Program Accounts of
Oklahoma State University**
Notes to the Financial Statements
June 30, 2021

Note 5: Capital Assets

Following are the changes in capital assets for the year ended June 30, 2021:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Cost of capital assets					
Buildings	\$ 532,548,245	\$ -	\$ -	\$ 825,000	\$ 533,373,245
Nonmajor infrastructure networks	2,400,865	-	-	-	2,400,865
Land improvements	27,866,911	14,800	-	-	27,881,711
Equipment	10,200,260	971,249	(129,589)	-	11,041,920
Land	39,955,943	-	-	-	39,955,943
Construction in progress	825,000	-	-	(825,000)	-
Total cost of capital assets	<u>613,797,224</u>	<u>986,049</u>	<u>(129,589)</u>	<u>-</u>	<u>614,653,684</u>
Less accumulated depreciation					
Buildings	(143,496,341)	(13,037,221)	-	-	(156,533,562)
Nonmajor infrastructure networks	(263,340)	(120,043)	-	-	(383,383)
Land improvements	(11,090,104)	(1,604,083)	-	-	(12,694,187)
Equipment	(4,846,133)	(1,293,799)	118,474	-	(6,021,458)
Total accumulated depreciation	<u>(159,695,918)</u>	<u>(16,055,146)</u>	<u>118,474</u>	<u>-</u>	<u>(175,632,590)</u>
Net capital assets	<u>\$ 454,101,306</u>	<u>\$ (15,069,097)</u>	<u>\$ (11,115)</u>	<u>\$ -</u>	<u>\$ 439,021,094</u>

Note 6: Due to University for Long-Term Debt

The University holds General Revenue Bonds and participates in the Oklahoma Development Finance Authority Master Lease Program (ODFA) and this debt is included on the University's financial statements. Principal and interest payments are made by the University. In the case of the General Revenue Bonds, the principal and interest are secured by a pledge of the general revenues of the financing system. As a portion of the General Revenue Bonds and the ODFA master lease program are used to support the University Athletics Program, a payable to the University for long-term debt is recorded on the Statement of Net Position for the University Athletics Program, for amounts legally owed by the University to third parties.

General Revenue Bonds, Federally Taxable Series 2010B (3.25 percent-5.01 percent) were issued in the original amount of \$13,265,000 and mature in varying annual amounts to August 1, 2023. The amount outstanding for the University Athletics Program at June 30, 2021, is \$3,405,000.

General Revenue Refunding Bonds, Series 2020A (4.00 percent-5.00 percent) were issued in the original amount of \$32,220,000 and mature in varying annual amounts to June 30, 2040. The amount outstanding for the University Athletics Program at June 30, 2021, is \$30,120,588.

**Intercollegiate Athletics Program Accounts of
Oklahoma State University**
Notes to the Financial Statements
June 30, 2021

General Revenue Refunding Bonds, Federally Taxable Series 2020C (1.89 percent -3.81 percent) were issued in the original amount of \$12,680,000 and mature in varying annual amounts to June 30, 2034. The amount outstanding for the University Athletics Program at June 30, 2021, is \$11,253,810.

The ODFA Oklahoma State System of Higher Education Master Real Property Lease Revenue Bonds, Series 2015A (2.00 percent-5.00 percent), were allocated in the original amount of \$20,479,000 and mature in varying annual amounts to May 15, 2034. The amount outstanding for the University Athletics Program at June 30, 2021, is \$15,707,333.

The scheduled maturities of the debt payable to the University are as follows for the year ending June 30:

	Principal	Interest	Total
2022	\$ 3,748,565	\$ 821,935	\$ 4,570,500
2023	3,976,833	1,953,718	5,930,551
2024	4,162,917	2,212,377	6,375,294
2025	4,325,333	2,045,801	6,371,134
2026	3,072,000	1,879,030	4,951,030
2027-2031	17,386,833	7,347,141	24,733,974
2032-2036	15,744,250	3,358,859	19,103,109
2037-2041	8,070,000	746,550	8,816,550
	\$ 60,486,731	\$ 20,365,411	\$ 80,852,142

Note 7: Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2021, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Due to University for long-term Accrued compensated absences	\$ 63,829,703	\$ -	\$ (3,342,972)	\$ 60,486,731	\$ 3,748,565
Pension liability	2,339,469	335,554	(182,695)	2,492,328	182,695
	2,018,525	772,087	-	2,790,612	-
Total long-term debt and other obligations	\$ 68,187,697	\$ 1,107,641	\$ (3,525,667)	\$ 65,769,671	\$ 3,931,260

**Intercollegiate Athletics Program Accounts of
Oklahoma State University**
Notes to the Financial Statements
June 30, 2021

Note 8: Risk Management

Due to the diverse risk exposure of the University and its constituent agencies, the insurance portfolio contains a comprehensive variety of coverage. Oklahoma Statutes require participation of all State agencies in basic tort, educator's legal liability, property and casualty programs, and fidelity bonding provided by the Risk Management Division of the Office of Management and Enterprise Services (the "SRMD"). In addition to these basic policies, the University's Department of Risk and Property Management establishes enterprise risk management guidelines for risk assessment, risk avoidance, risk acceptance, and risk transfer.

The University and individual employees are provided sovereign immunity when performing official business within the scope of their employment under the Oklahoma Governmental Tort Claims Act. For risks not protected by sovereign immunity, it is the internal policy of the University's Risk and Property Management department to accept initial risk in the form of retention or deductibles only to the extent that funds are available from the University's general operations or a funded reserve to maintain this risk.

Beyond acceptable retention levels, risk transfer is practiced by purchasing conventional insurance coverage through an insurance broker or through the SRMD. These coverages are outlined as follows:

- The buildings and contents are insured for replacement value. Each loss incident is subject to a \$100,000 deductible.
- Out-of-state and out-of-country comprehensive general liability, educator's legal liability including employment practices, auto liability, aircraft liability, watercraft liability, leased vehicles, equipment, and fidelity bonds are acquired by the University from the SRMD. To complement coverage provided by State Statute and to meet specific coverage requirements for special grants and/or contracts, additional coverage is purchased based on specific departmental and institutional needs and risks, but the related risks are not considered material to the University as a whole. Claim settlements have not exceeded insurance coverage in each of the past three fiscal years.

Self-Funded Programs

The University's life insurance program was self-funded through December 31, 2003. Effective January 1, 2004, life waivers for disabled employees and their dependents were all that remained in the self-funded plan. Reserves were established at the onset of disability to pay the claims. Effective January 1, 2004, the University's life coverage is handled through an insured plan.

**Intercollegiate Athletics Program Accounts of
Oklahoma State University**
Notes to the Financial Statements
June 30, 2021

Through June 30, 1999, the University's health care programs were also self-funded. Effective July 1, 1999, the University terminated its self-insurance program, and participated in the State self-insurance program through December 31, 2007. Effective January 1, 2008, the University began participation in an insured program with BlueCross BlueShield of Oklahoma as the provider. The University believes that there is no exposure to pay run-off claims for the previous self-insured program at June 30, 2014. Beginning January 1, 2015, the University's health care program continued as a self-funded program. BlueCross BlueShield is the third-party administrator. The University has employed Lockton Company as a consultant to assist with premium setting, development of plan features, reserve funding and use of third-party stop loss coverage insurance.

The University's workers' compensation program is also self-funded and is administered by a third party. The University maintains a cash deposit with the administrator and reimburses the administrator for claims paid and administrative expenses on a monthly basis. Benefits provided are prescribed by State law and include lump-sum payments for rated disabilities, in addition to medical expenses and a portion of salary loss resulting from a job-related injury or illness. The University records a liability for workers' compensation in its financial statements based on annual actuarial valuations.

The University's unemployment compensation insurance program is also self-funded. Unemployment benefits that separated employees receive are determined by Oklahoma Statutes and are administered by the Oklahoma Employment Security Commission (OESC). As a reimbursing employer, the University is billed quarterly by the OESC for benefits paid to former employees. The Board of Regents for the Oklahoma Agricultural and Mechanical Colleges requires that the University maintain a minimum of \$700,000 in reserve to cover claims. This minimum cash balance is considered each year during the rate-setting process.

The University has not allocated a portion of these self-funded liabilities to the University Athletics Program.

Note 9: Commitments and Contingencies

Claims and Litigation

The University is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of University management, the ultimate resolution of these matters will not have a material adverse effect upon the University's or the University Athletics Program's financial position or changes in net position.

**Intercollegiate Athletics Program Accounts of
Oklahoma State University**
Notes to the Financial Statements
June 30, 2021

Note 10: Retirement Plans

The University's full-time academic and nonacademic personnel are covered by various retirement plans depending on their job classification and the employee's choices. The plans available to University personnel include a defined benefit plan, OTRS (the "Plan"). Employees of the University Athletics Program, as OTRS members, are required to contribute to the plan at a rate established by the legislature of the State. For the year ended June 30, 2021, the contribution rate for the system members of 7.00 percent is applied to their total compensation. The local employer contribution rate due from the University was 8.55 percent for the year ended June 30, 2021. The University administratively pays these expenses for the University Athletics Program. These costs are included with other fringe benefits.

The fiduciary net position of the Plan has been determined on the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from the Plan's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The University has allocated the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense to the University Athletics Program based on the covered payroll of the University Athletics Program in relation to the covered payroll of the University as a whole. Additional information about the plan can be obtained from the audited financial statements of the University.

Note 11: Subsequent Events

The University Athletics Program has evaluated events or transactions that occurred subsequent to June 30, 2021, through November 30, 2021, the date these financial statements were available to be issued, for potential recognition or disclosure in these financial statements.

**Notes to Financial Statements –
Cowboy Athletics, Inc.**

**Intercollegiate Athletics Program Accounts of
Oklahoma State University**
Notes to the Financial Statements
June 30, 2021

Note 12: Discretely Presented Component Unit – Cowboy Athletics, Inc.

Investments

At December 31, 2020, the Organization had the following investments:

Equity securities	\$ 1,809,452
Money market funds	<u>566,680</u>
	<u><u>\$ 2,376,132</u></u>

No investments were classified as restricted in the statement of net position at December 31, 2020.

Interest Rate Risk

The Organization does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At December 31, 2020, the Organization is not invested in any instruments with stated maturities.

Credit Risk

Investments in money market funds and publicly traded equity securities are recorded at fair value, as determined by quoted market prices.

Intercollegiate Athletics Program Accounts of Oklahoma State University

Notes to the Financial Statements

June 30, 2021

Note 12: Discretely Presented Component Unit – Cowboy Athletics, Inc. (Continued)

Capital Assets

Capital asset activity for the year ended December 31, 2020, includes the following:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Nondepreciable capital assets					
Land	\$ 3,271,719	\$ -	\$ -	\$ -	\$ 3,271,719
Nondepreciable golf course improvements	2,441,575	-	-	-	2,441,575
Construction in progress - projects to be transferred to the University	103,194,916	7,993,057	(97,817,427)	(529,658)	12,840,888
Total nondepreciable capital assets	<u>108,908,210</u>	<u>7,993,057</u>	<u>(97,817,427)</u>	<u>(529,658)</u>	<u>18,554,182</u>
Depreciable capital assets					
Buildings	9,566,465	1,290	(5,294)	529,658	10,092,119
Depreciable golf course improvements	5,249,069	40,245	-	-	5,289,314
Furniture and equipment	1,067,885	2,213	-	-	1,070,098
Golf course equipment	2,620,981	73,657	(9,087)	-	2,685,551
Total depreciable capital assets	<u>18,504,400</u>	<u>117,405</u>	<u>(14,381)</u>	<u>529,658</u>	<u>19,137,082</u>
Less accumulated depreciation					
Buildings	3,766,462	274,482	(5,294)	-	4,035,650
Depreciable golf course improvements	3,257,233	191,680	-	-	3,448,913
Furniture and equipment	837,876	6,434	-	-	844,310
Golf course equipment	2,080,966	204,094	(4,739)	-	2,280,321
Total accumulated depreciation	<u>9,942,537</u>	<u>676,690</u>	<u>(10,033)</u>	<u>-</u>	<u>10,609,194</u>
Total depreciable capital assets, net	<u>8,561,863</u>	<u>(559,285)</u>	<u>(4,348)</u>	<u>529,658</u>	<u>8,527,888</u>
Net capital assets	<u>\$ 117,470,073</u>	<u>\$ 7,433,772</u>	<u>\$(97,821,775)</u>	<u>\$ -</u>	<u>\$ 27,082,070</u>

Intercollegiate Athletics Program Accounts of Oklahoma State University

Notes to the Financial Statements

June 30, 2021

Note 12: Discretely Presented Component Unit – Cowboy Athletics, Inc. (Continued)

Paycheck Protection Program Loan Payable

The Organization received a Paycheck Protection Program (PPP) loan established by the CARES Act totaling \$248,200 and \$235,700 in April 2020 and May 2020, respectively. The Organization elected to account for the funding as a loan in accordance with ASC Topic 470, *Debt*. Total loan principal and accrued interest were forgiven subsequent to year-end.

Long-Term Obligations

The following is a summary of long-term obligation transactions for the Organization for the year ended December 31, 2020:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-Term Debt					
Capital lease obligations	\$ 120,757	-	(56,291)	64,466	61,123
Total notes payable	120,757	-	(56,291)	64,466	61,123
Total long-term obligations	<u>\$ 120,757</u>	<u>\$ -</u>	<u>\$ (56,291)</u>	<u>\$ 64,466</u>	<u>\$ 61,123</u>

Intercollegiate Athletics Program Accounts of Oklahoma State University

Notes to the Financial Statements

June 30, 2021

Note 12: Discretely Presented Component Unit – Cowboy Athletics, Inc. (Continued)

Capital Lease Obligations

In 2017, the Organization became obligated under leases accounted for as capital leases. Assets under capital leases at December 31, 2020 and 2019, totaled \$256,693, net of accumulated depreciation of \$191,710 and \$131,883, respectively. The following is a schedule by year of future minimum lease payments under the capital lease including interest rates of 6.00 percent together with the present value of the future minimum lease payments as of December 31, 2020:

Year Ending December 31		
2021	\$	63,394
2022		9,980
Total minimum lease payments		73,374
Less: amount representing interest		8,908
Present value of future minimum lease	\$	64,466

Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Intercollegiate Athletics Program Accounts of Oklahoma State University

Notes to the Financial Statements

June 30, 2021

Note 12: Discretely Presented Component Unit – Cowboy Athletics, Inc. (Continued)

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2020:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Money market funds	\$ 566,680	\$ 566,680	\$ -	\$ -
Equity securities	1,809,452	1,809,452	-	-
Total investments by fair value level	\$ 2,376,132			

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

**Intercollegiate Athletics Program Accounts of
Oklahoma State University**
Notes to the Financial Statements
June 30, 2021

**Note 12: Discretely Presented Component Unit – Cowboy Athletics, Inc.
(Continued)**

Related Party Transactions - Oklahoma State University

The Organization contributed capital assets of \$97,817,426 to the University in 2020.

Commitments and Contingencies

Lease Obligation

The Organization leases certain equipment under operating leases expiring at various dates through 2021. Rent expense for the year ended December 31, 2020, was approximately \$105,000.

Future minimum lease payments for the year ended December 31, 2021, are approximately \$16,500.

Construction Commitments

At December 31, 2020, facilities has approximately \$12.8 million of construction in progress which will be contributed to the University upon completion. Management's estimated cost to complete these projects currently in progress, for which the Organization is only committed for work performed to date, is approximately \$15.8 million and consistent with historical practices, expects the projects to be completed as the funds are made available through contributions.

Retirement Contributions

The Organization offers a simple IRA plan to eligible employees. Pursuant to the plan provisions, employee contributions can be made to the plan up to the maximum amount made by law. The Organization matches contributions up to 3 percent of the respective employee's salary. Employer contributions vest immediately. The Organization paid \$30,822 in contributions to the simple IRA plan in 2020.

**Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

Independent Auditor's Report

Board of Regents for the Oklahoma Agricultural and Mechanical Colleges
Oklahoma State University
Oklahoma City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the Intercollegiate Athletics Program Accounts (the "University Athletics Program"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University Athletics Program's basic financial statements, and have issued our report thereon dated November 30, 2021, which contained an emphasis of matter paragraph regarding departmental financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University Athletics Program's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University Athletics Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the University Athletics Program's internal control.

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

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

Board of Regents for the Oklahoma Agricultural and Mechanical Colleges
Oklahoma State University

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Springfield, Missouri
November 30, 2021

**Intercollegiate Athletics Program Accounts of
Oklahoma State University**

Schedule of Findings and Responses

June 30, 2021

**Reference
Number**

Finding

No matters are reportable.