

Intercollegiate Athletics Program Accounts of Oklahoma State University

Independent Auditors' Reports and Financial Statements

June 30, 2022 and 2021



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Intercollegiate Athletics Program Accounts of Oklahoma State University

June 30, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

Board of Regents for the Oklahoma
Agricultural and Mechanical Colleges
Intercollegiate Athletics Program Accounts
of Oklahoma State University
Oklahoma City, Oklahoma

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and 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, 2022, 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.

In our opinion, based on our audit and the reports of other auditors, 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 of the University Athletics Program, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The financial statements of Cowboy Athletics, Inc., which represent 100 percent of assets, 100 percent of net assets, and 100 percent of revenues, of the aggregate discretely presented component unit as of June 30, 2022 and 2021, were not audited in accordance with *Government Auditing Standards*.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University Athletics Program and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As disclosed 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, 2022, 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.

Other Matters

The 2021 financial statements of the University Athletics Program were audited by other auditors whose report dated October 29, 2021, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University Athletics Program's internal control. Accordingly, no such opinion is expressed.

Board of Regents for the Oklahoma
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Intercollegiate Athletics Program Accounts
of Oklahoma State University

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University Athletics Program's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 21, 2022, 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.



CliftonLarsonAllen LLP

St. Louis, Missouri
November 21, 2022

Intercollegiate Athletics Program Accounts of Oklahoma State University

Management's Discussion and Analysis

Years Ended June 30, 2022 and 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 2022. Fiscal years 2021 and 2020 are presented for comparative purposes. 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 for the last three fiscal years:

	2022	2021 (Restated)	2020 (Unaudited)
Assets			
Current Assets	\$ 4,781,420	\$ 2,831,131	\$ 13,729,131
Capital Assets, Net of Accumulated Depreciation	425,303,996	439,183,091	454,234,635
Other Noncurrent Assets	6,836,204	6,084,103	3,973,431
Total assets	<u>436,921,620</u>	<u>448,098,325</u>	<u>471,937,197</u>
Deferred Outflows of Resources	<u>209,615</u>	<u>986,845</u>	<u>348,075</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 437,131,235</u>	<u>\$ 449,085,170</u>	<u>\$ 472,285,272</u>
Liabilities			
Current Liabilities	\$ 13,774,625	\$ 12,518,632	\$ 9,408,719
Noncurrent Liabilities	55,753,966	61,923,745	64,753,154
Total liabilities	<u>69,528,591</u>	<u>74,442,377</u>	<u>74,161,873</u>
Deferred Inflows of Resources	<u>1,860,042</u>	<u>650,098</u>	<u>362,159</u>
Net Position			
Net investment in capital assets	368,476,147	378,533,649	390,271,603
Restricted for			
Debt service	6,434,077	5,288,910	3,479,548
Capital projects	194,566	619,566	266,826
Unrestricted	<u>(9,362,188)</u>	<u>(10,449,430)</u>	<u>3,743,263</u>
Total net position	<u>365,742,602</u>	<u>373,992,695</u>	<u>397,761,240</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 437,131,235</u>	<u>\$ 449,085,170</u>	<u>\$ 472,285,272</u>

In fiscal year 2022, total net position decreased by \$8,250,093, or 2.21 percent. This was mainly due to an increase in employee compensation and benefits and travel expenses.

In fiscal year 2021, total net position decreased by \$23,768,545, 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 last three fiscal years.

	<u>2022</u>	<u>2021 (Restated)</u>	<u>2020 (Unaudited)</u>
Operating Revenue			
Ticket sales	\$ 12,882,020	\$ 4,149,296	\$ 13,386,406
Conference income	43,739,539	34,533,447	37,963,386
Multimedia	6,400,000	4,354,411	7,600,243
Other	8,356,330	4,887,802	8,253,894
Total operating revenues	<u>71,377,889</u>	<u>47,924,956</u>	<u>67,203,929</u>
Operating Expenses			
Compensation and employee benefits	43,232,998	36,210,053	40,588,701
Travel	11,485,826	4,874,351	8,615,169
Financial aid	8,536,356	7,665,272	7,303,489
Other	27,403,903	16,369,031	21,853,392
Utilities	2,730,185	2,786,907	2,324,057
Depreciation and amortization	16,008,489	16,147,343	14,342,388
Total operating expenses	<u>109,397,757</u>	<u>84,052,957</u>	<u>95,027,196</u>
Operating Loss	<u>(38,019,868)</u>	<u>(36,128,001)</u>	<u>(27,823,267)</u>
Nonoperating Revenue (Expenses)			
Investment income	5,870	7,430	75,052
Gifts from OSU Foundation	12,443,151	9,276,662	18,873,250
Interest expense	(800,603)	(878,270)	(2,454,455)
Total nonoperating revenue	<u>11,648,418</u>	<u>8,405,822</u>	<u>16,493,847</u>
Capital Provided by Affiliates	2,407,527	772,218	97,510,084
Loss on Disposal of Capital Assets	(394,633)	(11,115)	-
Transfer - subsidy from University	12,934,006	-	-
Athletics Student Fee and Use Tax	<u>3,174,457</u>	<u>3,192,531</u>	<u>3,339,195</u>
	<u>18,121,357</u>	<u>3,953,634</u>	<u>100,849,279</u>
Increase (Decrease) in Net Position	(8,250,093)	(23,768,545)	89,519,859
Net Position, Beginning of Year	<u>373,992,695</u>	<u>397,761,240</u>	<u>308,241,381</u>
Net Position, End of Year	<u>\$ 365,742,602</u>	<u>\$ 373,992,695</u>	<u>\$ 397,761,240</u>

For fiscal year 2022, capital provided by affiliates consisted of donated capital assets from Cowboy Athletics, Inc. of \$2,371,032 and the OSU Foundation of \$36,495. 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 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 last three fiscal years.

	2022	2021 (Restated)	2020 (Unaudited)
Cash Provided By (Used In)			
Operating activities	\$ (22,248,775)	\$ (10,550,663)	\$ (24,295,984)
Noncapital financing activities	25,377,157	9,276,662	18,873,250
Investing activities	5,870	7,430	75,052
Capital and related financing activities	<u>(1,586,109)</u>	<u>(1,354,453)</u>	<u>(3,993,800)</u>
Increase (Decrease) in Cash and Cash Equivalents	1,548,143	(2,621,024)	(9,341,482)
Cash and Cash Equivalents, Beginning of Year	<u>3,494,479</u>	<u>6,115,503</u>	<u>15,456,985</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,042,622</u>	<u>\$ 3,494,479</u>	<u>\$ 6,115,503</u>

Cash provided by operating activities decreased by \$11,698,112 from the fiscal year ended June 30, 2021 to June 30, 2022. This is a result of overall increases in all expense categories but the largest increases were in compensation, travel, and other operating expenses. Cash provided by operating activities increased by \$13,745,321 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 increased by \$16,100,495 from the fiscal year ended June 30, 2021 to June 30, 2022. There was a decrease of \$9,596,588 from the fiscal year ended June 30, 2020 to June 30, 2021. This activity is the result of transferring athletic related funds from affiliates to the University Athletics Program as needed.

Economic Outlook

The 2022 fiscal year was a return to normalcy for the University Athletics Program. COVID testing and event cancellations were slowly eliminated throughout the academic year. Recruiting restrictions were lifted and athletic teams were able to schedule a full calendar of events. In addition, the University Athletics Program restored salaries to their pre-COVID amounts.

As a result, the University Athletics Program was able to generate revenue from ticket sales, contributions, guarantees, concessions, Big 12 and NCAA distributions. Expenses returned to pre-COVID levels, as expected, due to the lifting of restrictions. However, the department was able to balance its overall budget at year-end.

The outlook for fiscal year 2023 is promising. Ticket sales and contributions are tracking well for the upcoming academic year. The University Athletics Program continues to invest in its student-athletes. Through its partnership with Center for Health Sciences, the department has increased its athletic trainers, therapists, and counselors. Furthermore, the department will provide academic awards to all qualified scholarship student-athletes. Even with these increase in expenses, the department's goal is to break even at the end of the fiscal year.

Jason Lewis
Executive Senior Associate
Athletic Director

Intercollegiate Athletics Program Accounts of Oklahoma State University

Statements of Net Position June 30, 2022 and 2021

	<u>2022</u>	<u>2021 (Restated)</u>
Assets		
Current assets		
Accounts receivable, net	\$ 4,781,420	\$ 2,831,131
Total current assets	<u>4,781,420</u>	<u>2,831,131</u>
Noncurrent assets		
Cash and cash equivalents	6,608,858	5,919,571
Accounts receivable - student fees	67,950	58,974
Other postemployment benefits	159,396	105,558
Capital assets, net of accumulated depreciation	425,303,996	439,183,091
Total noncurrent assets	<u>432,140,200</u>	<u>445,267,194</u>
Total assets	<u>436,921,620</u>	<u>448,098,325</u>
Deferred Outflows of Resources	<u>209,615</u>	<u>986,845</u>
Liabilities		
Current liabilities		
Outstanding checks in excess of bank balance	1,566,236	2,425,092
Accounts payable	1,388,260	565,316
Due to other University funds and accounts	274,887	316,413
Accrued expenses	128,009	136,391
Accrued interest payable	48,298	70,168
Unearned revenue	5,344,258	4,168,879
Accrued compensated absences	178,959	182,695
Retirement liability	827,736	827,736
Current portion lease liability	41,149	77,377
Due to University for current portion of long-term debt	3,976,833	3,748,565
Total current liabilities	<u>13,774,625</u>	<u>12,518,632</u>
Noncurrent liabilities		
Accrued compensated absences	2,415,298	2,309,633
Accrued interest payable	34	57
Pension liability	528,801	2,790,612
Lease liability	48,499	85,277
Due to University for long-term debt	52,761,334	56,738,166
Total noncurrent liabilities	<u>55,753,966</u>	<u>61,923,745</u>
Total liabilities	<u>69,528,591</u>	<u>74,442,377</u>
Deferred Inflows of Resources	<u>1,860,042</u>	<u>650,098</u>
Net Position		
Net investment in capital assets	368,476,147	378,533,649
Restricted - expendable		
Debt service	6,434,077	5,288,910
Capital projects	194,566	619,566
Unrestricted	<u>(9,362,188)</u>	<u>(10,449,430)</u>
Total net position	<u>\$ 365,742,602</u>	<u>\$ 373,992,695</u>

**Intercollegiate Athletics Program Accounts of
Oklahoma State University**
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2022 and 2021

	2022	2021 (Restated)
Revenues		
Ticket sales	\$ 12,882,020	\$ 4,149,296
Conference income	43,739,539	34,533,447
Multimedia	6,400,000	4,354,411
Concessions	1,581,321	450,514
Other operating revenues	6,699,403	4,384,873
Student activity fees	75,606	52,415
Total operating revenues	71,377,889	47,924,956
Operating Expenses		
Compensation and employee benefits	43,232,998	36,210,053
Travel	11,485,826	4,874,351
Financial aid	8,536,356	7,665,272
Maintenance	4,189,469	4,185,788
Athletics and small equipment purchases	2,206,160	1,091,355
Guarantees	1,541,227	409,163
Insurance	1,250,381	1,401,126
Other operating expenses	18,022,374	9,065,314
Telephone	194,292	216,285
Utilities	2,730,185	2,786,907
Depreciation and amortization	16,008,489	16,147,343
Total operating expenses	109,397,757	84,052,957
Operating Loss	(38,019,868)	(36,128,001)
Nonoperating Revenues (Expenses)		
Investment income	5,870	7,430
Gifts from OSU Foundation	12,443,151	9,276,662
Interest expense	(800,603)	(878,270)
Net nonoperating revenues	11,648,418	8,405,822
Loss Before Other Revenues, Expenses, Gains, and Losses	(26,371,450)	(27,722,179)
Capital assets provided by affiliates	2,407,527	772,218
Loss on disposal of capital assets	(394,633)	(11,115)
Transfer - subsidy from University	12,934,006	
Athletics student fee and use tax	3,174,457	3,192,531
Net decrease in net position	(8,250,093)	(23,768,545)
Net Position, Beginning of Year, as restated	373,992,695	397,761,240
Net Position, End of Year	\$ 365,742,602	\$ 373,992,695

**Intercollegiate Athletics Program Accounts of
Oklahoma State University
Statements of Cash Flows
Years Ended June 30, 2022 and 2021**

	2022	2021 (Restated)
Cash Flows from Operating Activities		
Ticket sales	\$ 14,032,724	\$ 3,801,062
Other operating receipts	56,561,279	52,294,884
Payments to employees for salaries and benefits	(43,467,926)	(35,577,267)
Payments to suppliers	(49,374,852)	(31,069,342)
	<u>(22,248,775)</u>	<u>(10,550,663)</u>
Cash Flows from Noncapital Financing Activities		
Gifts from OSU Foundation	12,443,151	9,276,662
Transfer from University subsidy	12,934,006	-
	<u>25,377,157</u>	<u>9,276,662</u>
Cash Flows from Investing Activities		
Interest received on investments	5,870	7,430
	<u>5,870</u>	<u>7,430</u>
Cash Flows from Capital and Related Financing Activities		
Cash paid for capital assets	(116,500)	(334,696)
Repayments of capital debt and leases	(3,821,570)	(3,313,647)
Interest paid on capital debt and leases	(822,496)	(898,641)
Student fees restricted for capital projects	3,174,457	3,192,531
	<u>(1,586,109)</u>	<u>(1,354,453)</u>
Increase (Decrease) in Cash and Cash Equivalents	1,548,143	(2,621,024)
Cash and Cash Equivalents, Beginning of Year	<u>3,494,479</u>	<u>6,115,503</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,042,622</u>	<u>\$ 3,494,479</u>

Intercollegiate Athletics Program Accounts of Oklahoma State University

Statements of Cash Flows Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>	<u>(Restated)</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position			
Restricted cash and cash equivalents	\$ 6,608,858	\$ 5,919,571	
Outstanding checks in excess of bank balance	(1,566,236)	(2,425,092)	
	<u>\$ 5,042,622</u>	<u>\$ 3,494,479</u>	
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities			
Operating loss	\$ (38,019,868)	\$ (36,128,001)	
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation and amortization expense	16,008,489	16,147,343	
Changes in operating assets and liabilities			
Accounts receivable	(1,959,265)	8,560,189	
Other postemployment benefits	(53,838)	31,207	
Deferred outflows of resources	777,230	(638,770)	
Accounts payable	822,944	309,806	
Due to other funds and accounts	(41,526)	316,413	
Pension liability	(2,261,811)	772,087	
Accrued expenses	(8,382)	27,464	
Unearned revenue	1,175,379	(389,199)	
Deferred inflows of resources	1,209,944	287,939	
Compensated absences	101,929	152,859	
	<u>\$ (22,248,775)</u>	<u>\$ (10,550,663)</u>	
Net Cash Used in Operating Activities			
Supplemental Cash Flows Information			
Capital assets contributed to the University	\$ 2,407,527	\$ 772,218	

Cowboy Athletics, Inc.

Cowboy Athletics, Inc.
(A Component Unit of Oklahoma State University)
Statements of Net Position
December 31, 2021 and 2020

	2021	2020
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 3,349,462	\$ 4,621,416
Investments	2,227,911	2,376,132
Accounts Receivable, Net of Allowance (\$-0- and \$-0-)	290,798	94,326
Inventories	441,553	369,694
Prepaid Expenses and Other Assets	147,949	58,741
Total Current Assets	6,457,673	7,520,309
Noncurrent Assets:		
Capital Assets:		
Capital Assets Being Depreciated, Net of Accumulated Depreciation (\$11,254,966 and \$10,609,194)	7,957,284	8,527,888
Capital Assets not Being Depreciated	22,350,739	18,554,182
Total Noncurrent Assets	30,308,023	27,082,070
Total Assets	\$ 36,765,696	\$ 34,602,379
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 688,797	\$ 204,526
Accrued Expenses	63,240	46,145
Retainage Payable	171,561	387,957
Other Current Liabilities	5,170	4,460
Unearned Revenues	150,378	373,555
Paycheck Protection Program Loan Payable	-	483,900
Long-Term Debt and Capital Lease Obligations - Current Portion	8,176	61,123
Total Current Liabilities	1,087,322	1,561,666
Capital Lease Obligations	-	3,343
Total Liabilities	1,087,322	1,565,009
NET POSITION		
Investment in Capital Assets	13,741,719	14,241,181
Restricted Expendable for Capital Acquisitions	16,968,835	13,787,982
Unrestricted Net Position	496,720	5,008,207
Total Net Position	35,678,374	33,037,370
Total Liabilities and Net Position	\$ 36,765,696	\$ 34,602,379

Cowboy Athletics, Inc.
(A Component Unit of Oklahoma State University)
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Contributions from OSU Foundation	\$ 4,529,064	\$ 14,525,546
Food and Beverage	4,416,760	2,483,404
Golf Course Rounds	790,621	567,745
Golf Course Pro Shop	896,611	676,166
Golf Course Lodge	258,225	170,004
Golf Course Membership	1,103,659	868,402
Other Revenue	274,586	172,293
Investment Gain (Loss)	(148,277)	635,287
Total Operating Revenues	12,121,249	20,098,847
OPERATING EXPENSES		
Food and Beverage Cost of Goods Sold	2,387,543	1,389,960
Golf Course Pro Shop Cost of Goods Sold	512,301	380,771
Contributions to Oklahoma State University for Budget Support	204,000	203,000
Salaries	2,215,890	2,070,874
Depreciation	655,977	676,690
Professional Fees	43,684	46,439
Supplies	270,306	204,137
Insurance	351,297	340,662
Repairs and Maintenance	314,112	268,892
Payroll and Property Taxes	219,097	180,337
Equipment Rental	110,423	105,155
Utilities	191,738	188,542
Laundry Service	29,316	19,567
Credit Card Processing Fees	94,053	73,466
Fuel	22,814	12,064
Cowboy Football Camp	350,594	143,353
Trophies and Murals	20,340	2,735
Subscriptions and Licenses	34,439	29,509
Website and IT Services	72,462	61,807
Other Operating Expenses	339,388	269,665
Total Operating Expenses	8,439,774	6,667,625
OPERATING INCOME	3,681,475	13,431,222

Cowboy Athletics, Inc.
(A Component Unit of Oklahoma State University)
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
NONOPERATING REVENUES (EXPENSES)		
Gain on Forgiveness of PPP Loan	\$ 816,960	\$ -
Interest Income (Expense)	(13)	8,896
Contributions to Oklahoma State University and Oklahoma State University Foundation	<u>(1,857,418)</u>	<u>(97,817,426)</u>
Total Nonoperating Revenues (Expenses)	<u>(1,040,471)</u>	<u>(97,808,530)</u>
INCREASE (DECREASE) IN NET POSITION	2,641,004	(84,377,308)
Net Position - Beginning of Year	<u>33,037,370</u>	<u>117,414,678</u>
NET POSITION - END OF YEAR	<u>\$ 35,678,374</u>	<u>\$ 33,037,370</u>

Notes to the Financial Statements

**Intercollegiate Athletics Program Accounts of
Oklahoma State University**
Notes to the Financial Statements
June 30, 2022 and 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, 2022 and 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 I50 of the GASB Codification. 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, 2022 and 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. Leased assets are amortized over the life of the associated contract.

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, 2022 and 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.

Leases

The University is a party as lessee for various noncancellable long-term leases. The corresponding lease receivable or lease payable, are recorded in an amount equal to the present value of the expected future minimum lease payments discounted by an applicable interest rate.

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, 2022 and 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 2022, the University adopted GASB 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.

As a result of the implementation, the following financial statement line items for fiscal year 2021 were restated:

	As Restated	As Previously Reported	Effect of Change
Statement of Net Position			
Noncurrent Assets			
Capital assets, net of accumulated depreciation	\$ 439,183,091	\$ 439,021,094	\$ 161,997
Current Liabilities			
Current portion lease liability	77,377	-	77,377
Noncurrent Liabilities			
Accrued interest payable	57	-	57
Lease liability	85,277	-	85,277
Net Position			
Invested in capital assets, net of debt	378,533,649	378,534,363	(714)
Statement of Revenues, Expectations, and Changes in Net Position			
Operating Expenses			
Other operating expense	\$ 9,065,314	\$ 9,157,608	\$ (92,294)
Depreciation and amortization	16,147,343	16,055,146	92,197
Nonoperating Revenues (Expenses)			
Interest expense	(878,270)	(877,459)	(811)

Intercollegiate Athletics Program Accounts of Oklahoma State University

Notes to the Financial Statements

June 30, 2022 and 2021

	As Restated	As Previously Reported	Effect of Change
Statement of Cash Flows			
Operating Activities			
Payments to suppliers	\$ (31,069,342)	\$ (31,161,636)	\$ 92,294
Capital Financing Activities			
Capital paid for capital assets	(334,696)	(213,831)	(120,865)
Repayments of capital debt and leases	(3,313,647)	(3,342,972)	29,325
Interest paid on capital debt and leases	(898,641)	(897,887)	(754)
Reconciliation of Operating Revenues (Expenses) to			
Net Cash Used in Operating Activities			
Operating loss	(36,128,001)	(36,128,098)	97
Depreciation and amortization expense	16,147,343	16,055,146	92,197

The University Athletics Program also restated *Note 5 and Note 8* as a result of the implementation.

Note 2: Cash and Cash Equivalents

At June 30, 2022 and 2021, the net carrying amount of the University Athletics Program's cash and cash equivalents was \$5,042,622 and \$3,494,479, respectively, of which all were held within the University's combined cash and cash equivalents except for \$920,000 and \$520,000, respectively, which was 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 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.

Intercollegiate Athletics Program Accounts of Oklahoma State University

Notes to the Financial Statements

June 30, 2022 and 2021

Note 3: Accounts Receivable

Accounts receivable consisted of the following at June 30:

	2022	2021
Athletic tickets	\$ 138,875	\$ 114,200
Receivables from operations	4,727,445	2,816,104
Student fees	67,950	58,974
	4,934,270	2,989,278
Less allowance for doubtful accounts	84,900	99,173
	\$ 4,849,370	\$ 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 2022 and 2021:

	2022	2021
Fund collected on behalf of the University Athletics Program	\$ 45,040,143	\$ 47,465,266
Fund disbursed to or on behalf of the University Athletics Program	\$ 26,110,684	\$ 25,628,427
Net assets held on behalf of or for the benefit of the University Athletics Program at June 30	\$ 186,354,003	\$ 167,424,544

**Intercollegiate Athletics Program Accounts of
Oklahoma State University**
Notes to the Financial Statements
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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 2022 and 2021 at a value of \$2,371,032 and \$757,418, respectively, 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 years ended June 30, 2022 and 2021.

Net position of CAI at December 31, 2021 and 2020, was \$35,678,374 and \$33,037,370, respectively.

Intercollegiate Athletics Program Accounts of Oklahoma State University

Notes to the Financial Statements June 30, 2022 and 2021

Note 5: Capital Assets

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

	Beginning Balance (Restated)	2022			Ending Balance
		Additions	Retirements	Transfers	
Capital assets					
Buildings	\$ 533,373,245	\$ -	\$ -	\$ 434,973	\$ 533,808,218
Nonmajor infrastructure networks	2,400,865	-	-	-	2,400,865
Land improvements	27,881,711	36,495	-	66,653	27,984,859
Equipment	11,041,920	1,817,654	(859,906)	-	11,999,668
Land	39,955,943	-	-	-	39,955,943
Construction in progress	-	664,751	-	(501,626)	163,125
Total capital assets	<u>614,653,684</u>	<u>2,518,900</u>	<u>(859,906)</u>	<u>-</u>	<u>616,312,678</u>
Less accumulated depreciation					
Buildings	(156,533,562)	(12,939,488)	-	-	(169,473,050)
Nonmajor infrastructure networks	(383,383)	(120,044)	-	-	(503,427)
Land improvements	(12,694,187)	(1,548,408)	-	-	(14,242,595)
Equipment	(6,021,458)	(1,321,694)	465,273	-	(6,877,879)
Total accumulated depreciation	<u>(175,632,590)</u>	<u>(15,929,634)</u>	<u>465,273</u>	<u>-</u>	<u>(191,096,951)</u>
Capital assets, net	<u>\$ 439,021,094</u>	<u>\$ (13,410,734)</u>	<u>\$ (394,633)</u>	<u>\$ -</u>	<u>\$ 425,215,727</u>
Right to Use (RTU) assets					
Equipment	254,194	5,127	-	-	259,321
Total RTU assets	<u>254,194</u>	<u>5,127</u>	<u>-</u>	<u>-</u>	<u>259,321</u>
Less accumulated depreciation					
Equipment	(92,197)	(78,855)	-	-	(171,052)
Total accumulated depreciation	<u>(92,197)</u>	<u>(78,855)</u>	<u>-</u>	<u>-</u>	<u>(171,052)</u>
RTU assets, net	<u>161,997</u>	<u>(73,728)</u>	<u>-</u>	<u>-</u>	<u>88,269</u>
Capital asset summary					
Total capital assets, at cost	614,907,878	2,524,027	(859,906)	-	616,571,999
Less accumulated depreciation	<u>(175,724,787)</u>	<u>(16,008,489)</u>	<u>465,273</u>	<u>-</u>	<u>(191,268,003)</u>
Total capital assets, net	<u>\$ 439,183,091</u>	<u>\$ (13,484,462)</u>	<u>\$ (394,633)</u>	<u>\$ -</u>	<u>\$ 425,303,996</u>

**Intercollegiate Athletics Program Accounts of
Oklahoma State University**
Notes to the Financial Statements
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	2021				Ending Balance
	Beginning Balance (Restated)	Additions	Retirements	Transfers	
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 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>
Capital assets, net	<u>\$ 454,101,306</u>	<u>\$ (15,069,097)</u>	<u>\$ (11,115)</u>	<u>\$ -</u>	<u>\$ 439,021,094</u>
Right to Use (RTU) assets					
Equipment	133,329	120,865	-	-	254,194
Total RTU assets	<u>133,329</u>	<u>120,865</u>	<u>-</u>	<u>-</u>	<u>254,194</u>
Less accumulated depreciation					
Equipment	-	(92,197)	-	-	(92,197)
Total accumulated depreciation	<u>-</u>	<u>(92,197)</u>	<u>-</u>	<u>-</u>	<u>(92,197)</u>
RTU assets, net	<u>133,329</u>	<u>28,668</u>	<u>-</u>	<u>-</u>	<u>161,997</u>
Capital asset summary					
Total capital assets, at cost	613,930,553	1,106,914	(129,589)	-	614,907,878
Less accumulated depreciation	<u>(159,695,918)</u>	<u>(16,147,343)</u>	<u>118,474</u>	<u>-</u>	<u>(175,724,787)</u>
Total capital assets, net	<u>\$ 454,234,635</u>	<u>\$ (15,040,429)</u>	<u>\$ (11,115)</u>	<u>\$ -</u>	<u>\$ 439,183,091</u>

Intercollegiate Athletics Program Accounts of Oklahoma State University

Notes to the Financial Statements

June 30, 2022 and 2021

Note 6: Lease Liability

The University as a lessee has entered into lease agreements for equipment under various capital lease agreements. The leases expire at various dates through 2027 and provide for renewal options ranging from six months to five years.

Future minimum annual lease payment for capital leases are as follows:

	Principal	Interest	Total
2023	\$ 41,149	\$ 307	\$ 41,456
2024	24,292	177	24,469
2025	22,061	71	22,132
2026	1,884	9	1,893
2027	262	-	262
	\$ 89,648	\$ 564	\$ 90,212

Note 7: 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, 2022 and 2021 is \$2,325,000 and \$3,405,000, respectively.

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, 2022 and 2021 is \$29,010,000 and \$30,120,588, respectively.

**Intercollegiate Athletics Program Accounts of
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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, 2022 and 2021 is \$10,630,000 and \$11,253,810, respectively.

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, 2022 and 2021, is \$14,773,167 and \$15,707,333, respectively.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 3,976,833	\$ 1,923,908	\$ 5,900,741
2024	4,162,917	2,242,186	6,405,103
2025	4,325,333	2,045,801	6,371,134
2026	3,072,000	1,879,030	4,951,030
2027	3,194,917	1,752,978	4,947,895
2028-2032	18,136,917	6,596,018	24,732,935
2033-2037	13,684,250	2,677,741	16,361,991
2038-2041	6,185,000	425,813	6,610,813
	<u>\$ 56,738,167</u>	<u>\$ 19,543,475</u>	<u>\$ 76,281,642</u>

**Intercollegiate Athletics Program Accounts of
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Notes to the Financial Statements
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Note 8: Long-Term Liabilities

Long-term liability activity for the years ended June 30 is as follows:

	2022				
	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Current Portion
Due to University for long-term debt	\$ 60,486,731	\$ -	\$ (3,748,564)	\$ 56,738,167	\$ 3,976,833
Lease liability	162,654	5,127	(78,133)	89,648	41,149
Accrued compensated absences	2,492,328	280,888	(178,959)	2,594,257	178,959
Pension liability	<u>2,790,612</u>	<u>-</u>	<u>(2,261,811)</u>	<u>528,801</u>	<u>-</u>
Total long-term debt and other obligations	<u>\$ 65,932,325</u>	<u>\$ 286,015</u>	<u>\$ (6,267,467)</u>	<u>\$ 59,950,873</u>	<u>\$ 4,196,941</u>
	2021				
	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Current Portion
Due to University for long-term debt	\$ 63,829,703	\$ -	\$ (3,342,972)	\$ 60,486,731	\$ 3,748,565
Lease liability	133,329	120,865	(91,540)	162,654	77,377
Accrued compensated absences	2,339,469	335,554	(182,695)	2,492,328	182,695
Pension liability	<u>2,018,525</u>	<u>772,087</u>	<u>-</u>	<u>2,790,612</u>	<u>-</u>
Total long-term debt and other obligations	<u>\$ 68,321,026</u>	<u>\$ 1,228,506</u>	<u>\$ (3,617,207)</u>	<u>\$ 65,932,325</u>	<u>\$ 4,008,637</u>

**Intercollegiate Athletics Program Accounts of
Oklahoma State University**
Notes to the Financial Statements
June 30, 2022 and 2021

Note 9: 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, 2022 and 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 10: 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, 2022 and 2021

Note 11: 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 years ended June 30, 2022 and 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 years ended June 30, 2022 and 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.

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

**Intercollegiate Athletics Program Accounts of
Oklahoma State University**
Notes to the Financial Statements
June 30, 2022 and 2021

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

Investments

At December 31, the Organization had the following investments:

	<u>2021</u>	<u>2020</u>
Equity Securities	\$ 1,661,175	\$ 1,809,452
Money Market Funds	566,736	566,680
Total	<u>\$ 2,227,911</u>	<u>\$ 2,376,132</u>

No investments were classified as restricted in the statement of net position at December 31, 2021 and 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, 2021 and 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, 2022 and 2021

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

Capital Assets

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

	2021				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Nondepreciable Capital Assets:					
Land	\$ 3,271,719	\$ 107,939	\$ -	\$ -	\$ 3,379,658
Nondepreciable Golf Course Improvements	2,441,575	-	-	-	2,441,575
Construction in Progress - Projects to be Transferred to the University	12,840,888	4,374,890	(757,416)	-	16,458,362
Construction in Progress - Ongoing Operations	-	71,144	-	-	71,144
Total Nondepreciable Capital Assets	18,554,182	4,553,973	(757,416)	-	22,350,739
Depreciable Capital Assets:					
Buildings	10,092,119	5,115	-	-	10,097,234
Depreciable Golf Course Improvements	5,289,314	4,276	-	-	5,293,590
Furniture and Equipment	1,070,098	27,715	(15,924)	-	1,081,889
Golf Course Equipment	2,685,551	53,986	-	-	2,739,537
Total Depreciable Capital Assets	19,137,082	91,092	(15,924)	-	19,212,250
Less: Accumulated Depreciation:					
Buildings	4,035,650	277,373	-	-	4,313,023
Depreciable Golf Course Improvements	3,448,913	187,988	-	-	3,636,901
Furniture and Equipment	844,310	31,228	(10,198)	101,477	966,817
Golf Course Equipment	2,280,321	159,381	-	(101,477)	2,338,225
Total Accumulated Depreciation	10,609,194	655,970	(10,198)	-	11,254,966
Total Depreciable Capital Assets, Net	8,527,888	(564,878)	(5,726)	-	7,957,284
Net Capital Assets	\$ 27,082,070	\$ 3,989,095	\$ (763,142)	\$ -	\$ 30,308,023

Intercollegiate Athletics Program Accounts of Oklahoma State University

Notes to the Financial Statements

June 30, 2022 and 2021

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

	2020				
	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
Construction in Progress - Ongoing Operations	-	-	-	-	-
Total Nondepreciable Capital Assets	108,908,210	7,993,057	(97,817,427)	(529,658)	18,554,182
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	18,504,400	117,405	(14,381)	529,658	19,137,082
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	204,095	(4,740)	-	2,280,321
Total Accumulated Depreciation	9,942,537	676,691	(10,034)	-	10,609,194
Total Depreciable Capital Assets, Net	8,561,863	(559,286)	(4,347)	529,658	8,527,888
Net Capital Assets	\$ 117,470,073	\$ 7,433,771	\$ (97,821,774)	\$ -	\$ 27,082,070

Intercollegiate Athletics Program Accounts of Oklahoma State University

Notes to the Financial Statements

June 30, 2022 and 2021

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

Paycheck Protection Program Loan Payable

During the year ended December 31, 2020, the Organization entered into a short term loan agreement with a financial institution pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief and Economic Security Act (CARES Act) administered by the U.S. Small Business Administration. The Organization received total proceeds of \$248,200 and \$235,700 in April 2020 and May 2020, respectively. The Organization is following ASC 470, Debt, to account for the initial receipts related to the PPP loan. The loans were forgiven on February 10, 2021, and March 4, 2021, respectively.

During the year ended December 31, 2021, the Organization received total proceeds of \$333,060 in February 2021 for the second round of PPP loan, which was forgiven on December 8, 2021. The forgiveness of the loans are recognized as a gain in the financial statements during the year ended December 31, 2021.

Long-Term Obligations

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

		2021				
		Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-Term Debt:						
Capital Lease Obligations		\$ 64,466	\$ -	\$ (56,290)	\$ 8,176	\$ 8,176
		2020				
		Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Capital Lease Obligations		\$ 120,757	\$ -	\$ (56,291)	\$ 64,466	\$ 61,123

Intercollegiate Athletics Program Accounts of Oklahoma State University

Notes to the Financial Statements

June 30, 2022 and 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, 2021 and 2020, totaled \$256,693, net of accumulated depreciation of \$248,001 and \$191,710, 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, 2021:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	<u>\$ 9,980</u>
Total Minimum Lease Payments	9,980
Less: Amount Representing Interest	1,804
Present Value of Future Minimum Lease Payments	<u><u>\$ 8,176</u></u>

Disclosures About Fair Value of Investments

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.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets; 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.

Intercollegiate Athletics Program Accounts of Oklahoma State University

Notes to the Financial Statements

June 30, 2022 and 2021

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

Recurring Measurements

The following table presents the fair value measurements of investments 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, 2021:

	Total	Fair Value Measurements at Report Date Using:		
		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:				
Equity Securities	\$ 1,661,175	\$ 1,661,175	\$ -	\$ -
Total Investments by Fair Value Level	1,661,175	<u>\$ 1,661,175</u>	<u>\$ -</u>	<u>\$ -</u>
Money Market Funds	566,736			
Total	<u>\$ 2,227,911</u>			

The following table presents the fair value measurements of investments 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:

	Total	Fair Value Measurements at Report Date Using:		
		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:				
Equity Securities	\$ 1,809,452	\$ 1,809,452	\$ -	\$ -
Total Investments by Fair Value Level	1,809,452	<u>\$ 1,809,452</u>	<u>\$ -</u>	<u>\$ -</u>
Money Market Funds	566,680			
Total	<u>\$ 2,376,132</u>			

Intercollegiate Athletics Program Accounts of Oklahoma State University

Notes to the Financial Statements

June 30, 2022 and 2021

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

Related Party Transactions - Oklahoma State University

The Organization contributed capital assets of \$757,418 to the University and additional funding of \$1,100,000 in 2021. The Organization contributed capital assets of \$97,817,426 to the University in 2020. The Organization had \$78,067 of receivables due from various programs at the University and had \$15,578 of unearned revenue from the University Athletic Department in 2021.

Commitments and Contingencies

Lease Obligation

The Organization leases certain equipment under operating leases expiring at various dates through 2021. Rent expense for the years ended December 31, 2021 and 2020, was approximately \$110,000 and \$105,000, respectively.

Future minimum lease payments for the year ended December 31, 2021, are approximately \$81,600.

Construction Commitments

At December 31, 2021, facilities has approximately \$16.4 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 \$3.9 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 \$27,879 and \$30,822 in contributions to the simple IRA plan in 2021 and 2020, respectively.



INDEPENDENT AUDITORS' 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

Board of Regents for the Oklahoma
Agricultural and Mechanical Colleges
Intercollegiate Athletics Program Accounts
of 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 discretely presented component unit of the Intercollegiate Athletics Program Accounts (the "University Athletics Program"), as of and for the year ended June 30, 2022, 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 21, 2022, which contained an emphasis of matter paragraph regarding departmental financial statements.

Report on 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 opinions 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.

Board of Regents for the Oklahoma
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Intercollegiate Athletics Program Accounts
of Oklahoma State University

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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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



CliftonLarsonAllen LLP

St. Louis, Missouri
November 21, 2022

Intercollegiate Athletics Program Accounts of Oklahoma State University

Schedule of Findings and Responses

For the Year Ended June 30, 2022

Section I – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.



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