

Oklahoma State University

Independent Auditors' Reports and Financial Statements

June 30, 2022 and 2021



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAcconnect.com

Oklahoma State University

June 30, 2022 and 2021

Contents

Independent Auditors' Report	1
---	----------

Management's Discussion and Analysis	4
---	----------

Financial Statements

Oklahoma State University

Statements of Net Position	13
Statements of Revenues, Expenses, and Changes in Net Position	15
Statements of Cash Flows	17

Oklahoma State University Foundation (A component unit of Oklahoma State University)

Consolidated Statements of Financial Position	20
Consolidated Statements of Activities.....	21

National Center for Addiction Studies and Treatment Foundation (A component unit of Oklahoma State University)

Balance Sheet	23
Statement of Revenues, Expenses, and Changes in Net Position.....	24

Notes to Financial Statements	25
-------------------------------------	----

Required Supplementary Information

Schedule of the University's Proportionate Share of the Net Pension Liability	111
Schedule of University Contributions	112
Notes to Schedule of University's Proportionate Share of the Net Pension Liability and University's Contributions	113
Schedule of Changes in Total OPEB Liability and Related Ratios.....	114

Supplementary Information

Revenue Bond Systems Outstanding – Schedule of Revenues, Expenditures, and Changes in Fund Balance	115
--	-----

Combining Schedule of Net Position by Campus	116
--	-----

Combining Schedule of Revenues, Expenses, and Changes in Net Position by Campus	118
---	-----

Oklahoma State University

June 30, 2022 and 2021

**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* 119**

Schedule of Findings and Responses..... 121



INDEPENDENT AUDITORS' REPORT

Board of Regents for the Oklahoma
Agricultural and Mechanical Colleges
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 the aggregate discretely presented component units 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 Oklahoma State University'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 aggregate discretely presented component units of Oklahoma State University, 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.

We did not audit the financial statements of Oklahoma State University Foundation (OSU Foundation) and NCAST Foundation, which represent 100 percent of assets, 100 percent of net assets, and 100 percent of revenues, of the aggregate discretely presented component units as of June 30, 2022 and 2021. Those statements were audited by other auditors whose reports thereon have been provided to us, and our opinion on the financial statements, insofar as it relates to the amounts included for OSU Foundation and NCAST Foundation is based solely on the reports of the other auditors. The financial statements of OSU Foundation and NCAST Foundation 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 Oklahoma State University 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 University implemented the provisions of Governmental Accounting Standards Board Statement No. 87 – *Leases*. The Standard requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinion is not modified with respect to this matter.

Other Matter

The 2021 financial statements of Oklahoma State University were audited by other auditors whose report dated October 29, 2021, expressed unmodified opinions 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Oklahoma State University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 Oklahoma State University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Oklahoma State University's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedules of University's Proportionate Share of the Net Position Liability and Contributions, and Schedule of Changes in Total OPEB Liability and Related Ratios 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Oklahoma State University's basic financial statements. The Revenue Bond Systems Outstanding – Schedule of Revenues, Expenditures, Changes in Fund Balance and Combining Schedules by Campus, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Revenue Bond Systems Outstanding - Schedule of Revenues, Expenditures, Changes in Fund Balance and Combining Schedules by Campus are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 Oklahoma State University'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 Oklahoma State University'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 Oklahoma State University's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

St. Louis, Missouri
November 21, 2022

Oklahoma State University

Management's Discussion and Analysis

Years Ended June 30, 2022 and 2021

Overview of Financial Statements and Financial Analysis

Oklahoma State University proudly presents its financial statements for fiscal years 2022 and 2021, with comparative data presented for fiscal year 2020. In 2022, the University adopted GASB Statement No. 87, *Leases*, which 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. Information for the year ended June 30, 2020, was not restated for the application of GASB Statement No. 87 as it was deemed impractical to do so. The emphasis of discussions concerning these statements will be for the current year. 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. All dollar amounts in this discussion are presented in thousands of dollars. This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year.

Statements of Net Position

The Statements of Net Position present the assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (assets plus deferred outflows minus liabilities minus deferred inflows) as of the end of the fiscal year. The purpose of the Statements of Net Position is to present to the readers of the financial statements a fiscal snapshot of Oklahoma State University. The difference between current and noncurrent assets is discussed in the footnotes to the financial statements.

From the data presented, readers of the Statements of Net Position are able to determine the assets available to continue the operations of the institution. They are also able to determine cost of unamortized debt, and determine how much the institution owes vendors, investors, and lending institutions.

Net position is divided into three major categories. The first category, net investment in capital assets, provides the institution's equity in property, plant, and equipment owned by the institution. The next category, restricted is divided into two categories, nonexpendable and expendable. The nonexpendable restricted resources are only available for investment purposes. Expendable restricted resources are available for expenditure by the institution, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted. Unrestricted resources are available to the institution for any lawful purpose of the institution. The following chart is a summary of the Statements of Net Position over the last three fiscal years:

	2022	2021 <i>(As Restated)</i>	2020
	(In Thousands)		
Assets			
Current assets	\$ 472,869	\$ 439,799	\$ 364,335
Capital assets, net of accumulated depreciation	2,052,253	2,048,489	1,977,836
Other assets	187,898	162,930	143,807
Total assets	2,713,020	2,651,218	2,485,978
Deferred Outflows of Resources			
	99,315	182,420	112,527
Total Assets and Deferred Outflows of Resources	2,812,335	2,833,638	2,598,505
Liabilities			
Current liabilities	168,846	157,393	132,579
Noncurrent liabilities	1,185,510	1,426,598	1,312,031
Total liabilities	1,354,356	1,583,991	1,444,610
Deferred Inflows of Resources			
	214,660	97,696	53,948
Net Position			
Net investment in capital assets	1,174,451	1,181,187	1,115,118
Restricted - expendable	112,354	78,736	100,878
Restricted - unexpendable	799	746	589
Unrestricted	(44,285)	(108,718)	(116,638)
Total Net Position	\$ 1,243,319	\$ 1,151,951	\$ 1,099,947

In fiscal year 2022, total assets of the institution increased by \$61,802 or 2.33 percent over fiscal year 2021. A review of the Statements of Net Position will reveal that there are many offsetting variances, but the increase was primarily due to increases in cash and cash equivalents of \$85,126, and other postemployment benefits of \$5,137. These were offset by decreases in receivables from state agencies of \$16,066 and investments of \$8,089.

In fiscal year 2021, total assets of the institution increased by \$165,240 or 6.65 percent over fiscal year 2020. A review of the Statements of Net Position will reveal that there are many offsetting variances, but the increase was primarily due to increases in capital assets, net of depreciation of \$70,653, cash and cash equivalents of \$64,875, receivable from state agencies of \$22,356 and lease receivable of \$13,767. These were offset by decreases in accounts receivable, net of \$5,218 and other post employment benefits of \$2,968.

In fiscal year 2022, capital assets, net of accumulated depreciation increased \$3,764 or 0.18 percent. This was due primarily to capital grants and gifts of improvements at Boone Pickens Stadium and Gallagher-Iba Arena.

In fiscal year 2021, capital assets, net of accumulated depreciation increased \$70,653 or 3.57 percent. This was due primarily to capital grants and gifts used to construct the OSU Discovery and parking garage and the Kerr-Edmondson buildings at the OSU Center for Health Sciences.

In fiscal year 2022, deferred outflows of resources decreased by \$83,105 from fiscal year 2021. This was due primarily to a decrease to deferred costs on pension programs of \$78,936. In fiscal year 2021, deferred outflows of resources increased by \$69,893 over fiscal year 2020. This was due primarily to an increase to deferred costs on pension programs of \$59,523, debt refunding of \$6,359, and other postemployment benefits of \$3,988.

In fiscal year 2022, total liabilities for the year decreased by \$229,635 or 14.50 percent over fiscal year 2021. The decrease was primarily due to a decrease in the pension liability of \$222,610. There was also a decrease in revenue bonds and lease obligations of \$5,928. This is primarily due to a decrease in the ODFA master lease program of \$9,363.

In fiscal year 2021, total liabilities for the year increased by \$139,381 or 9.65 percent over fiscal year 2020. The increase was primarily due to increases in the pension liability of \$75,390 and accounts payable of \$23,351. There was also an increase in revenue bonds and lease obligations of \$29,894. This is primarily due to an increase in revenue bonds payable of \$165,455 and revenue bonds premium payable of \$12,886, offset by a decrease in the ODFA master lease program of \$156,634 due to refunding in fiscal year 2021.

In fiscal year 2022, deferred inflows of resources increased by \$116,964 over fiscal year 2021. This was due to an increase in deferred inflows for pension liabilities of \$112,540. In fiscal year 2021, deferred inflows of resources increased by \$43,748 over fiscal year 2020. This was due to an increase in deferred inflows for pension liabilities of \$28,093 and lease related deferred inflows of \$16,151.

In fiscal year 2022, net position increased \$91,368 while in fiscal year 2021, net position increased \$52,004.

Bonds and Capital Lease Obligations

In fiscal year 2022, bonds were issued in the principal amount of \$25,244 and a premium of \$2,789. These bond proceeds were used to refund certain outstanding bonds, make capital improvements, and pay the purchase price under certain capital lease obligations.

In fiscal year 2021, bonds were issued in the principal amount of \$179,460 and a premium of \$16,094. These bond proceeds were used to refund certain outstanding bonds, make capital improvements, and pay the purchase price under certain capital lease obligations.

Statements of Revenues, Expenses, and Changes in Net Position

While the fiscal years 2021 and 2022 comparisons are important indicators of activity during the year under audit, it is important to look at some of the operating and nonoperating categories over time. One of the important measures of an institution's fiscal stability is how operating revenues compare to operating expenses. Public institutions will normally not have an excess of operating revenues over operating expenses because state appropriations and federal and some state student grants are considered nonoperating revenues under generally accepted accounting principles in the United States of America.

The following table summarizes the revenues, expenses, and changes in net position for Oklahoma State University over the last three years:

	2022	2021 (As Restated)	2020
	(In Thousands)		
Operating revenues	\$ 938,726	\$ 863,029	\$ 844,994
Operating expenses	<u>1,218,464</u>	<u>1,194,683</u>	<u>1,173,447</u>
Operating loss	(279,738)	(331,654)	(328,453)
Nonoperating net revenues	<u>311,176</u>	<u>288,107</u>	<u>309,099</u>
Income (loss) before other revenues, expenses, gains, and losses	31,438	(43,547)	(19,354)
Other revenues, expenses, gains, and losses	<u>59,930</u>	<u>95,551</u>	<u>135,616</u>
Net increase in net position	<u>\$ 91,368</u>	<u>\$ 52,004</u>	<u>\$ 116,262</u>

Operating revenues of \$938,726 in fiscal year 2022 reflect an increase of \$75,697 or 8.77 percent when compared to fiscal year 2021. The increase came primarily from an increase in auxiliary enterprise charges of \$62,520 and grants and contracts of \$31,406 offset by a decrease in other operating revenues of \$31,291.

Operating revenues of \$863,029 in fiscal year 2021 reflect an increase of \$18,035 or 2.13 percent when compared to fiscal year 2020. The increase came primarily from an increase in other operating revenues of \$27,617 offset by decreases in grants and contracts and federal appropriations of \$7,171 and auxiliary enterprises of \$9,454.

The following table summarizes the operating revenues of Oklahoma State University for the last three years:

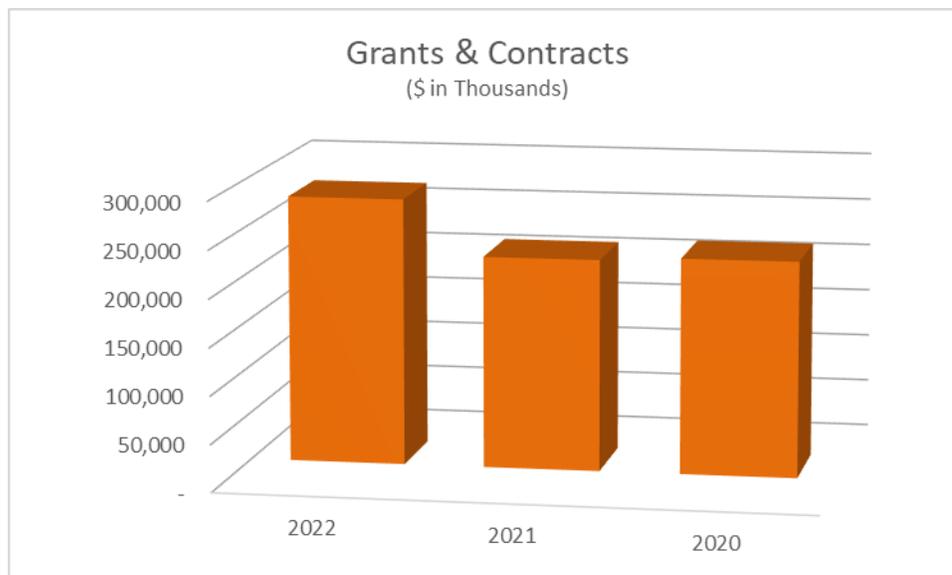
	2022	2021 (As Restated)	2020
	(In Thousands)		
Tuition and fees, net of scholarship allowances	\$ 314,488	\$ 306,369	\$ 303,232
Grants and contracts and federal appropriations	185,348	153,772	160,943
Sales and services of educational departments	74,648	69,835	65,943
Auxiliary enterprises charges	347,920	285,400	294,854
Interest earned on loans to students	210	250	236
Other operating revenues	<u>16,112</u>	<u>47,403</u>	<u>19,786</u>
Total Operating Revenues	<u>\$ 938,726</u>	<u>\$ 863,029</u>	<u>\$ 844,994</u>

Operating expenses of \$1,218,464 in fiscal year 2022 reflect an increase of \$23,781 or 1.99 percent when compared to fiscal year 2021. The increase was primarily due to the increase in contractual services of \$27,911, other operating expenses of \$23,253 and scholarships and fellowships of \$21,278, offset by a decrease in compensation and employee benefits of \$51,524.

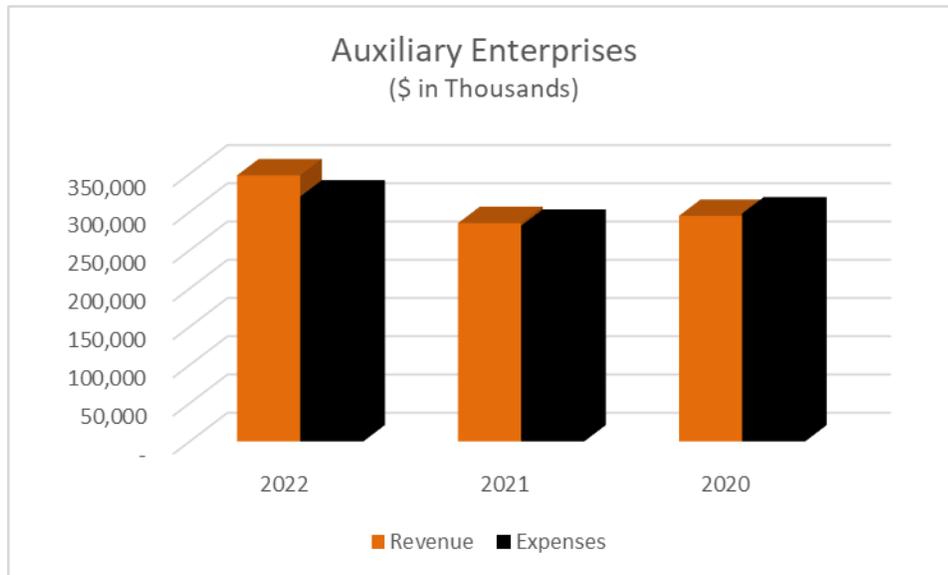
Operating expenses of \$1,194,683 in fiscal year 2021 reflect an increase of \$21,236 or 1.81 percent when compared to fiscal year 2020. The increase was primarily due to the increase in compensation and employee benefits of \$42,254, offset by a decrease in other operating expenses of \$21,867 and contractual services of \$12,710.

	2022	2021 (As Restated)	2020
	(In Thousands)		
Compensation and employee benefits	\$ 632,298	\$ 683,822	\$ 641,568
Contractual services	237,930	210,019	222,729
Supplies and materials	50,587	52,730	46,566
Utilities	36,890	35,191	33,283
Communication	5,246	4,962	4,700
Other operating expenses	75,432	52,179	74,046
Scholarships and fellowships	81,582	60,304	63,772
Depreciation expense	98,499	95,476	86,783
Total Operating Expenses	\$ 1,218,464	\$ 1,194,683	\$ 1,173,447

To alleviate the gap between operating revenues and operating expenses, tuition and fees, grants and contracts, and auxiliary enterprise revenues must increase in amounts greater than increases in operating expenses. Of particular interest is the relationship of state appropriations when compared to tuition and fees over the past three years. State appropriations and tuition and fees are essential components of the revenue projections of the University. While state appropriations have decreased 0.56 percent in that time period, tuition and fees revenues have increased 3.71 percent. It should be noted that scholarship discount and allowance increased by \$17,928 (14.99 percent) during that same time period.



Other important contributors to revenues are both operating and nonoperating grants and contracts. Over the past three fiscal years total grants and contracts have increased by \$55,910 or 23.48 percent.



Auxiliary Enterprises (Residential Life, Student Union, Bookstore, Health, Physical Education and Recreation, Athletics, University Health Services, Fire Protection Publications, etc.) have contributed positively to the Operating Revenues over time. Since fiscal year 2020, auxiliaries have experienced a revenue increase of \$53,066 or 18.00 percent and expenses have increased \$22,082 or 7.41 percent. For fiscal year 2022, auxiliaries have shown a net operating income of \$27,798.

Nonoperating net revenues of \$311,176 in fiscal year 2022 increased \$23,069 or 8.01 percent when compared to fiscal year 2021. Nonoperating net revenues of \$288,107 in fiscal year 2021 decreased \$20,992 or 7.29 percent when compared to fiscal year 2020. The following table summarizes the nonoperating revenues and expenses for Oklahoma State University for the last three years:

	2022	2021 (As Restated)	2020
	(In Thousands)		
State appropriations	\$ 198,166	\$ 191,446	\$ 199,280
On-behalf payments for OTRS	12,076	15,937	17,530
Federal and state grants and contracts	108,664	82,000	77,159
Gifts	32,303	31,326	40,115
Investment income (loss)	(6,432)	2,513	7,078
Interest expense	(33,601)	(35,115)	(32,063)
Net Nonoperating Revenues	\$ 311,176	\$ 288,107	\$ 309,099

Other revenues, expenses, gains, and losses of \$59,930 in fiscal year 2022 decreased \$35,621 or 37.28 percent when compared to fiscal year 2021. Other revenues, expenses, gains, and losses of \$95,551 in fiscal year 2021 decreased \$40,065 or 29.54 percent when compared to fiscal year 2020.

The following table summarizes the other revenues, expenses, gains, and losses of Oklahoma State University for the last three years:

	2022	2021 (As Restated)	2020
	(In Thousands)		
Capital from grants, gifts, and affiliates	\$ 11,851	\$ 78,671	\$ 103,167
State appropriations restricted for capital	8,573	4,743	3,271
On-behalf payments for OCIA capital leases	4,227	4,228	2,695
State school land funds	7,826	7,662	7,786
Additions to permanent endowments	2	1	4
Loss on disposal of capital assets	(1,891)	(16,268)	(3,831)
Other additions, net	29,342	16,514	22,524
Total Other Revenues, Expenses, Gains, and Losses	\$ 59,930	\$ 95,551	\$ 135,616

Statements of Cash Flows

The final statement presented by Oklahoma State University is the Statement of Cash Flows. The Statements of Cash Flows present detailed information about the cash activity of the institution during the year. The statement is divided into five sections.

The first section deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fourth section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

	2022	2021 (as Restated)	2020
	(In Thousands)		
Cash provided by (used in)			
Operating activities	\$ (195,649)	\$ (146,377)	\$ (215,343)
Noncapital financing activities	339,179	308,819	313,707
Investing activities	1,614	1,256	2,190
Capital and related financing activities	(60,018)	(98,823)	(101,410)
Net change in cash and cash equivalents	85,126	64,875	(856)
Cash and cash equivalents, beginning of year	328,380	263,505	264,361
Cash and cash equivalents, end of year	\$ 413,506	\$ 328,380	\$ 263,505

In fiscal year 2022, the cash and cash equivalents, end of year, increased by \$85,126 or 25.92 percent. The difference in net change in cash and cash equivalents from fiscal year 2021 to fiscal year 2022 was an increase of \$20,251. This net increase was generated by increases in noncapital financing activities of \$30,360, investing activities of \$358 and capital and related financing activities of \$38,805. This was offset by a decrease in operating activities of \$49,272.

In fiscal year 2021, the cash and cash equivalents, end of year, increased by \$64,875 or 24.62 percent. The difference in net change in cash and cash equivalents from fiscal year 2020 to fiscal year 2021 was an increase of \$65,731. This net increase was generated by increases in operating activities of \$68,966 and capital and related financing activities of \$2,587. This was offset by decreases in noncapital financing activities of \$4,888, and investing activities of \$934.

Determining Whether Certain Organizations Are Component Units

The Governmental Accounting Standards Board (GASB) published GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, which became effective in fiscal year 2004 and requires universities to include in their financial statements component unit financial information. Oklahoma State University has determined that the Oklahoma State University Foundation and the National Center for Addiction and Studies Treatment Foundation meet the necessary criteria for inclusion. The inclusion of these statements should not be interpreted that Oklahoma State University has access to the resources contained therein.

The financial statements include the accounts of the Oklahoma State University Research Foundation, Inc. (OSURF), collectively referred to as the “University.” OSURF was formed in 1967 as a nonprofit corporation to engage in research, extension, and academic contractual arrangements for the benefit and advancement of the General University. OSURF receives and administers funds from federal and state organizations and from private sources for the purpose of carrying out the educational and research programs of the General University. OSURF is governed by a Board of Directors comprised primarily of management of the General University. In addition, General University employees and facilities are used for virtually all activities of OSURF. Accordingly, OSURF has been reported as a blended component unit in the financial statements.

Economic Outlook

The State of Oklahoma’s overall budget increase for fiscal year 2023 was 9.7 percent. The Legislature increased budgets for most agencies and the total Education budget increased by 11.6 percent. The Oklahoma State Regents for Higher Education (OSRHE) received a 7.45 percent increase which was passed down to supports the institutions that report to the OSRHE.

The focus of the fiscal year 2023 allocation addressed critical-demand workforce development initiatives, system operations, and student success and college degree completion initiatives. There was also \$16.4 million allocated through the State Regents’ performance funding formula to provide funding for institutional priorities.

Recognizing that higher education is an economic driver for our state and uniquely positioned to align educational attainment with workforce needs, \$11.5 million was targeted to workforce development. Institutions were given the discretion to utilize the funds within their most crucial needs in STEM fields of study including Engineering, Computer Sciences, Data Analytics, Nursing, etc. The funds are guaranteed for three academic years but are considered “at-risk” based on future STEM degree production scheduled for re-evaluation after the spring 2025 academic period.

To address the critical shortage of teachers, the Oklahoma’s Future Teacher Scholarship and Employment Incentive Program was established and allocated \$17.38 million. The program provides scholarships for those majoring in teacher education at Oklahoma institutions as well as provide employment retention stipends for the first five years of a teaching employment contract in Oklahoma’s public K-12 school system.

The Section 13 Offset Program was increased by another 11.6 percent. This increased allocation provides a minimum of \$1 million or \$175/per FTE, whichever is greater, for each institution that participates in the Section 13 Offset Program to address deferred maintenance projects that have accumulated over the past decade including ADA upgrades on the campuses.

The Concurrent Enrollment Waivers appropriation allowed for 100% reimbursement of total eligible waivers for both high school juniors and seniors provided in fiscal year 2022.

The University, with its strong leadership, continues to develop plans to reduce costs while protecting the educational experience of our students. No tuition or fee increases were assessed for the 2022-23 academic year.

“I’m excited to see our momentum continuing from last year into this current fiscal year. Our strong economy is again setting a new state record for collections in oil and gas production taxes,” said Steven Harpe, Oklahoma chief operating officer and OMES executive director. “A diligent approach in monitoring national and global economic trends is vital as we remain mindful of inflation and interest rate effects on local business and employment.”

Joseph B. Weaver, Jr.
Senior Vice President for Administration
and Finance

Oklahoma State University
Statements of Net Position
June 30, 2022 and 2021

Assets

	2022	2021 <i>(As Restated)</i>
	(In Thousands)	
Current Assets		
Cash and cash equivalents	\$ 257,896	\$ 212,657
Accounts receivable, net	104,183	107,985
Investments	98,353	106,189
Interest receivable	235	193
Current portion of lease receivable	1,996	2,410
Current portion of student loans receivable, net	798	943
Inventories	9,408	9,422
	472,869	439,799
Noncurrent Assets		
Cash and cash equivalents	155,610	115,723
Accounts receivable, net	105	1,091
Investments	791	1,044
Lease interest receivable	7	6
Lease receivable	12,319	13,767
Receivables from state agencies	6,290	22,356
Loans to students, net	7,179	8,483
Other postemployment benefits	5,597	460
Capital assets, net of accumulated depreciation	2,052,253	2,048,489
	2,240,151	2,211,419
	2,713,020	2,651,218
Deferred Outflows of Resources		
Debt refunding	20,892	22,828
Pension related	69,321	148,257
Other postemployment benefits related	8,797	11,053
Other	305	282
	99,315	182,420

Oklahoma State University
Statements of Net Position
June 30, 2022 and 2021

	2022	2021 <i>(As Restated)</i>
	(In Thousands)	
Liabilities		
Current Liabilities		
Accounts payable	\$ 70,049	\$ 70,589
Unearned revenue	41,500	41,103
Student and other deposits	258	222
Accrued compensated absences	14,171	11,695
Accrued workers' compensation claims	1,737	1,855
Current portion of revenue bonds and financed purchases	41,131	31,929
Total current liabilities	168,846	157,393
Noncurrent Liabilities		
Accrued compensated absences	22,999	25,329
Landfill closure and postclosure costs	3,500	2,937
Accrued workers' compensation claims	2,985	3,128
Student deposits	775	668
Revenue bonds payable	660,170	660,335
Revenue bonds premium payable	57,253	57,766
Accounts payable for noncurrent assets	11,010	7,911
Accrued interest payable	9,330	8,145
Federal loan program contribution payable	7,070	8,608
Pension liability	225,798	448,408
Other postemployment benefits	13,685	18,029
Asset retirement obligation	608	555
OCIA capital lease obligation program	51,452	55,608
ODFA master lease program	113,284	122,647
Lease Liability	5,591	6,524
Total noncurrent liabilities	1,185,510	1,426,598
Total liabilities	1,354,356	1,583,991
Deferred Inflows of Resources		
Debt refunding	3,499	3,818
Pension related	188,680	76,140
Lease related	14,138	16,151
Other postemployment benefits related	8,343	1,587
Total deferred inflows of resources	214,660	97,696
Net Position		
Net investment in capital assets	1,174,451	1,181,187
Restricted for		
Nonexpendable	799	746
Expendable		
Scholarships, research, instruction, and other	463	-
Loans	3,933	3,963
Capital projects	104,871	71,256
Debt service	3,087	3,517
Unrestricted	(44,285)	(108,718)
Total net position	\$ 1,243,319	\$ 1,151,951

Oklahoma State University
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2022 and 2021

	2022	2021 <i>(As Restated)</i>
	(In Thousands)	
Operating Revenues		
Tuition and fees, net of scholarship allowances of \$137,561 in 2022 and \$130,916 in 2021	\$ 314,488	\$ 306,369
Federal appropriations	13,221	13,051
Federal grants and contracts	112,477	90,588
State and local grants and contracts	24,509	16,037
Nongovernmental grants and contracts	35,141	34,096
Sales and services of educational departments	74,648	69,835
Auxiliary enterprises charges		
Residential life, net of scholarship allowances of \$3,145 in 2022 and \$2,975 in 2021	34,799	31,675
Student union services, including bookstore sales; revenues totaling \$19,226 in 2022 and \$16,982 in 2021 are used as security for 2002 and 2004 Student Union Revenue Bonds and 2004 Okmulgee Student Fee Revenue Bonds	39,660	35,207
Recreation and wellness services	3,953	3,411
Athletics, net of scholarship allowance of \$3,696 in 2022 and \$3,215 in 2021	63,486	42,031
University health services	130,537	109,346
Fire protection publications	10,319	10,623
Other auxiliary revenue	65,166	53,107
Interest earned on loans to students	210	250
Other operating revenues	16,112	47,403
Total operating revenues	938,726	863,029
Operating Expenses		
Compensation and employee benefits	632,298	683,822
Contractual services	237,930	210,019
Supplies and materials	50,587	52,730
Utilities	36,890	35,191
Communications	5,246	4,962
Other operating expenses	75,432	52,179
Scholarships and fellowships	81,582	60,304
Depreciation expense	98,499	95,476
Total operating expenses	1,218,464	1,194,683
Operating loss	(279,738)	(331,654)

Oklahoma State University
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2022 and 2021

	2022	2021
	(As Restated)	
	(In Thousands)	
Nonoperating Revenues (Expenses)		
State appropriations	\$ 198,166	\$ 191,446
On-behalf payments for OTRS	12,076	15,937
Federal and state grants and contracts	108,664	82,000
Gifts, including \$12,443 in 2022 and \$9,277 in 2021 used as security on the 2003 and 2004 Athletic Facilities		
Revenue Bonds	32,303	31,326
Investment income, net	(6,432)	2,513
Interest expense	(33,601)	(35,115)
Net nonoperating revenues	<u>311,176</u>	<u>288,107</u>
Income (Loss) before other revenues, expenses, gains, or losses	31,438	(43,547)
Capital from grants, gifts, and affiliates	11,851	78,671
State appropriations restricted for capital purposes	8,573	4,743
On-behalf payments for OCIA capital leases	4,227	4,228
State school land funds	7,826	7,662
Additions to permanent endowments	2	1
Loss on disposal of fixed assets	(1,891)	(16,268)
Other additions, net	29,342	16,514
	<u>91,368</u>	<u>52,004</u>
Increase in net position	<u>91,368</u>	<u>52,004</u>
Net Position		
Net position - beginning of year, as restated	<u>1,151,951</u>	<u>1,099,947</u>
Net position - end of year	<u>\$ 1,243,319</u>	<u>\$ 1,151,951</u>

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

	2022	2021 <i>(As Restated)</i>
	(In Thousands)	
Operating Activities		
Tuition and fees	\$ 313,564	\$ 308,363
Grants and contracts	194,840	143,095
Sales and services of educational activities	74,648	69,835
Auxiliary enterprise charges		
Residential life	34,121	32,253
Student union services	39,676	35,698
Recreation and wellness services	3,922	3,391
Athletics	62,751	50,256
Interest earned on loans to students	210	250
Other receipts	218,597	220,858
Payments to employees for salaries and benefits	(650,953)	(616,825)
Payments to suppliers	(488,822)	(396,186)
Loans issued to students	(128)	(137)
Collection of loans to students	1,925	2,772
Direct lending receipts	165,188	163,098
Direct lending payments	(165,188)	(163,098)
	(195,649)	(146,377)
Noncapital Financing Activities		
State appropriations	198,166	191,446
Federal and state grants and contracts	108,664	82,000
Gifts received for other than capital purposes	32,349	35,373
	339,179	308,819
Investing Activities		
Purchases of investments	(3,829)	(698)
Proceeds from sales of investments	5,250	491
Interest received on investments	193	1,463
	1,614	1,256

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

	2022	2021 <i>(As Restated)</i>
	(In Thousands)	
Capital and Related Financing Activities		
Cash paid for capital assets	\$ (97,233)	\$ (104,403)
Capital appropriations received	8,573	4,743
Capital from grants, gifts, and affiliates received	8,029	11,914
State school land funds	7,826	7,662
Proceeds of capital debt	49,158	15,143
Proceeds from bond/lease refunding	-	197,654
Repayments of capital debt and leases	(35,736)	(17,622)
Payments on bond/lease refunding	-	(200,542)
Interest paid on capital debt and leases	(30,007)	(29,886)
Asset retirement obligation	30	-
Other sources	29,342	16,514
	<u>(60,018)</u>	<u>(98,823)</u>
Net cash used in capital and related financing activities		
	<u>85,126</u>	<u>64,875</u>
Increase in Cash and Cash Equivalents		
	<u>328,380</u>	<u>263,505</u>
Cash and Cash Equivalents, Beginning of Year		
	<u>\$ 413,506</u>	<u>\$ 328,380</u>
Cash and Cash Equivalents, End of Year		
	<u>\$ 413,506</u>	<u>\$ 328,380</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents, current	\$ 257,896	\$ 212,657
Cash and cash equivalents, noncurrent	155,610	115,723
	<u>\$ 413,506</u>	<u>\$ 328,380</u>
Total cash and cash equivalents		

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

	2022	2021 <i>(As Restated)</i>
	(In Thousands)	
Reconciliation of Operating Loss to Net		
Cash Used in Operating Activities		
Operating loss	\$ (279,738)	\$ (331,654)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	98,499	95,476
On-behalf payments for OTRS	12,076	15,937
Changes in assets and liabilities		
Accounts receivable	4,744	1,172
Inventories	14	222
Accounts payable and accrued expenses	(801)	20,285
Pension liability	(222,610)	75,390
Other postemployment benefits	(9,481)	5,449
Federal loan program contributions payable	(1,538)	(1,496)
Deferred inflows of resources	119,296	27,915
Deferred outflows of resources	81,192	(63,510)
Unearned revenue	397	1,294
Student and other deposits	143	188
Accrued compensated absences	146	5,285
Landfill closure cost	563	-
Loans to students	1,449	1,670
	<u>\$ (195,649)</u>	<u>\$ (146,377)</u>
Net Cash Used in Operating Activities		
Noncash Investing, Noncapital Financing, and Capital and Related Financing Transactions		
Fixed assets acquired by gifts from affiliates	\$ 3,822	\$ 66,757
Change in accounts payable for capital assets	\$ 3,099	\$ 3,301
Change in accounts receivable related to private gifts	\$ 44	\$ 4,046
Change in receivable from state agency affecting proceeds of capital debt	\$ 16,066	\$ (22,356)
Loss on refunding of debt	\$ (1,709)	\$ 6,586
Interest on capital debt paid by state agency on behalf of University, net	\$ 2,501	\$ 2,584
Principal on capital debt paid by state agency on behalf of University	\$ 1,726	\$ 1,644

Oklahoma State University Foundation

Oklahoma State University Foundation
Consolidated Statements of Financial Position
June 30, 2022 and 2021

Assets

	2022	2021
Assets		
Cash and cash equivalents	\$ 6,235,971	\$ 7,305,433
Short-term investments	98,535,041	53,454,005
Interest and other receivables	3,139,372	1,934,767
Contributions receivable, net	125,427,145	111,633,804
Notes receivable	875,000	3,800,790
Other property investments	8,187,125	4,250,373
Investments	1,166,308,532	1,177,177,730
Property and equipment, net	16,227,984	19,066,412
Beneficial interests in trusts	25,989,398	27,662,850
Other assets	2,827,761	3,472,174
	\$ 1,453,753,329	\$ 1,409,758,338

Liabilities and Net Assets

Liabilities		
Oklahoma State University support payable	\$ 1,289,758	\$ 2,395,486
Accounts payable and accrued liabilities	3,477,182	3,146,894
Funds held on behalf of Oklahoma State University	7,939,891	8,319,914
Funds held on behalf of Cowboy Athletics	-	1,162,377
Unearned revenue	15,000	20,000
Line of credit	2,911,000	2,011,000
Obligations under split-interest agreements	11,491,646	13,423,232
Notes payable	32,109,974	36,225,257
	59,234,451	66,704,160
Net Assets		
Without donor restrictions	501,699,753	454,704,751
With donor restrictions	892,819,125	888,349,427
	1,394,518,878	1,343,054,178
Total net assets	1,394,518,878	1,343,054,178
Total liabilities and net assets	\$ 1,453,753,329	\$ 1,409,758,338

Oklahoma State University Foundation
Consolidated Statements of Activities
Years Ended June 30, 2022 and 2021

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, Gains, and Support				
Contributions				
Cash	\$ 49,211,223	\$ 21,006,463	\$ 70,217,686	\$ 51,571,382
Securities	2,459,341	4,773,945	7,233,286	17,069,510
Land, goods, services, and other	7,958,131	59,740	8,017,871	4,666,242
Promises to give	111,924	75,906,045	76,017,969	35,911,689
Total contributions	<u>59,740,619</u>	<u>101,746,193</u>	<u>161,486,812</u>	<u>109,218,823</u>
Provisions for uncollectible pledges	-	(951,458)	(951,458)	(5,000,608)
Net investment returns	6,432,938	(16,796,773)	(10,363,835)	229,964,654
Contract support services	4,781,914	-	4,781,914	2,958,930
Net gains on disposals of property and equipment and other property investments	(262,768)	-	(262,768)	7,920
Management fee income (loss)	10,794,469	(10,607,160)	187,309	63,144
Change in value of split-interest agreements	(1,367,103)	(66,714)	(1,433,817)	1,507,842
Other income (loss)	3,199,496	385,762	3,585,258	(3,985,409)
Reclassifications - donor directed	(168,196)	168,196	-	-
Net assets released from restrictions	69,408,348	(69,408,348)	-	-
Total revenues, gains, and support	<u>152,559,717</u>	<u>4,469,698</u>	<u>157,029,415</u>	<u>334,735,296</u>
Expenses				
Program services				
Intercollegiate athletics	16,473,078	-	16,473,078	19,747,074
Cowboy Athletics	7,876,728	-	7,876,728	4,149,861
Library	821,041	-	821,041	466,017
Research	1,748,938	-	1,748,938	527,640
General University support	18,911,986	-	18,911,986	22,772,891
Awards and scholarships	20,795,411	-	20,795,411	18,996,477
Endowed faculty and lectureship programs	5,439,434	-	5,439,434	5,327,971
Facilities and equipment	7,919,978	-	7,919,978	12,976,988
Total program services	<u>79,986,594</u>	<u>-</u>	<u>79,986,594</u>	<u>84,964,919</u>
Management and general	9,267,276	-	9,267,276	9,101,736
Fundraising	16,260,845	-	16,260,845	16,265,923
Charitable legacy distributions	50,000	-	50,000	160,000
Total expenses	<u>105,564,715</u>	<u>-</u>	<u>105,564,715</u>	<u>110,492,578</u>
Change in Net Assets	46,995,002	4,469,698	51,464,700	224,242,718
Net Assets, Beginning of Year	<u>454,704,751</u>	<u>888,349,427</u>	<u>1,343,054,178</u>	<u>1,118,811,460</u>
Net Assets, End of Year	<u>\$ 501,699,753</u>	<u>\$ 892,819,125</u>	<u>\$ 1,394,518,878</u>	<u>\$ 1,343,054,178</u>

Oklahoma State University Foundation
Consolidated Statements of Activities
Years Ended June 30, 2022 and 2021

	Without Donor Restrictions	2021 With Donor Restrictions	Total
Revenues, Gains, and Support			
Contributions			
Cash	\$ 39,158,735	\$ 12,412,647	\$ 51,571,382
Securities	592,752	16,476,758	17,069,510
Land, goods, services, and other	4,538,242	128,000	4,666,242
Promises to give	569,520	35,342,169	35,911,689
Total contributions	<u>44,859,249</u>	<u>64,359,574</u>	<u>109,218,823</u>
Provisions for uncollectible pledges	-	(5,000,608)	(5,000,608)
Net investment returns	74,237,285	155,727,369	229,964,654
Contract support services	2,958,930	-	2,958,930
Net gains on disposals of property and equipment and other property investments	920	7,000	7,920
Management fee income (loss)	10,824,578	(10,761,434)	63,144
Change in value of split-interest agreements	1,302,670	205,172	1,507,842
Other income (loss)	(3,984,584)	(825)	(3,985,409)
Reclassifications - donor directed	390,802	(390,802)	-
Net assets released from restrictions	45,953,473	(45,953,473)	-
Total revenues, gains, and support	<u>176,543,323</u>	<u>158,191,973</u>	<u>334,735,296</u>
Expenses			
Program services			
Intercollegiate athletics	19,747,074	-	19,747,074
Cowboy Athletics	4,149,861	-	4,149,861
Library	466,017	-	466,017
Research	527,640	-	527,640
General University support	22,772,891	-	22,772,891
Awards and scholarships	18,996,477	-	18,996,477
Endowed faculty and lectureship programs	5,327,971	-	5,327,971
Facilities and equipment	12,976,988	-	12,976,988
Total program services	<u>84,964,919</u>	<u>-</u>	<u>84,964,919</u>
Management and general	9,101,736	-	9,101,736
Fundraising	16,265,923	-	16,265,923
Charitable legacy distributions	160,000	-	160,000
Total expenses	<u>110,492,578</u>	<u>-</u>	<u>110,492,578</u>
Change in Net Assets	66,050,745	158,191,973	224,242,718
Net Assets, Beginning of Year	<u>388,654,006</u>	<u>730,157,454</u>	<u>1,118,811,460</u>
Net Assets, End of Year	<u>\$ 454,704,751</u>	<u>\$ 888,349,427</u>	<u>\$ 1,343,054,178</u>

**National Center for Addiction Studies
and Treatment Foundation**

National Center for Addiction Studies and Treatment Foundation

Balance Sheets

December 31, 2021 and 2020

Assets

	2021	2020
Current Assets		
Cash and current equivalents	\$ 133,915,139	\$ 118,897,742
Contribution receivable, net - current	14,045,756	13,741,360
Total current assets	147,960,895	132,639,102
Contribution Receivable, Net - Noncurrent	29,031,818	43,077,574
Total assets	\$ 176,992,713	\$ 175,716,676

Net Position

Unrestricted	\$ 74,492,713	\$ 73,216,676
Restricted - expendable	102,500,000	102,500,000
Total net position	\$ 176,992,713	\$ 175,716,676

**National Center for Addiction Studies
and Treatment Foundation**
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2021 and 2020

	2021	2020
Operating Revenues		
Contributions	\$ 1,258,640	\$ 1,234,134
Total operating revenues	1,258,640	1,234,134
Operating Income	1,258,640	1,234,134
Nonoperating Revenues (Expenses)		
Investment income	17,520	307,300
Investment fees	(123)	(53,128)
Total nonoperating revenues (expenses)	17,397	254,172
Increase in Net Position	1,276,037	1,488,306
Net Position, Beginning of Year	175,716,676	174,228,370
Net Position, End of Year	\$ 176,992,713	\$ 175,716,676

Notes to Financial Statements

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Oklahoma State University (the “University”) is a modern comprehensive land grant university that serves the state, national, and international communities by providing its students with academic instruction, by conducting research and other activities that advance fundamental knowledge, and by disseminating knowledge to the people of Oklahoma and throughout the world.

Reporting Entity

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB), consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of all agencies of Oklahoma State University (the “General University”), as the primary government, and the accounts of the Oklahoma State University Research Foundation, Inc. (OSURF, formerly known as the Center for Innovation and Economic Development, Inc.), collectively referred to as the “University.” Further, the financial statements of all other component units of the University meeting the criteria established by GASB Statements No. 39 and No. 80 have been discretely presented.

The General University includes Oklahoma State University – Stillwater; Oklahoma State University Institute of Technology – Okmulgee; Oklahoma State University – Oklahoma City; the Center for Veterinary Health Sciences; the Agricultural Experiment Station; the Agricultural Extension Division; the Center for Health Sciences – Tulsa; and Oklahoma State University – Tulsa. The General University is governed by the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (Board of Regents). The State of Oklahoma allocates and allots funds to each agency separately and requires that the funds be maintained accordingly. Because of this requirement, separate accounts are maintained for each agency.

OSURF was formed in 1967 as a nonprofit corporation to engage in research, extension, and academic contractual arrangements for the benefit and advancement of the General University. OSURF receives and administers funds from federal and state organizations and from private sources for the purpose of carrying out the educational and research programs of the General University. OSURF is governed by a Board of Directors comprised primarily of management of the General University. In addition, General University employees and facilities are used for virtually all activities of OSURF. Accordingly, OSURF has been reported as a blended component unit in the financial statements.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

In preparing the financial statements, all significant transactions and balances between agencies and between the General University and OSURF are eliminated.

The University is a member of the Oklahoma State System of Higher Education, a component unit of the State of Oklahoma, and is included in the comprehensive annual financial report of the State of Oklahoma as part of the Higher Education component unit.

Component Units: Oklahoma State University Foundation (OSU Foundation), is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to OSU Foundation's financial information, which has been discretely presented. The National Center for Addiction Studies and Treatment Foundation (NCAST) is a nonprofit organization that reports under GASB standards and operates under a December 31 fiscal year-end. NCAST has also been discretely presented.

Financial Statement Presentation: As a member of the Oklahoma State System of Higher Education, the University presents its financial statements in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB Statements Nos. 34 and 35 provides a comprehensive, entity-wide perspective of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position, and cash flows.

Basis of Accounting: For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Cash Equivalents

The University 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 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.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. 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 accounts receivable are past due, the University's previous loss history, and the condition of the general economy and the industry as a whole. The University writes off specific accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

Inventories

Inventories are carried at the lower of cost or market on either the first-in, first-out (FIFO) basis, or the average cost basis.

Noncurrent Cash and Investments

Cash and investments 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.

Capital Assets

Capital assets, including right-to-use assets, are recorded at cost at the date of acquisition, or acquisition value at the date of donation in the case of gifts. Livestock for educational purposes is recorded at estimated fair value. For equipment, the University's capitalization policy includes all items with a unit cost of \$5 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, 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 expense in the year in which the expense was incurred. Internally generated software has a capitalization threshold of \$1,000. 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, 10 years for library books, 5 to 7 years for equipment, 3 years for purchased software, and 5 years for internally generated software. Amortization of right-to-use assets are amortized over the shorter of the life of the associated lease term or the remaining useful life of the asset leased.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Deferred Outflows of Resources

The University reports increases in net position generated by its defined benefit pension plan or other postemployment benefits that relate to future periods and costs of restructuring debt as deferred outflows of resources in a separate section of its statements of net position.

Unearned Revenues

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

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 employee benefit expense in the statements of revenues, expenses, and changes in net position.

Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date. The estimated compensated absences liability expected to be paid more than one year after the statements of net position date is included in other long-term liabilities.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable and financed purchase obligations; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities (including accrued interest payable) that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

Pensions and Benefit Plans

The University participates in a cost-sharing multiple-employer defined benefit pension plan. The fiduciary net position of the Teacher Retirement System of Oklahoma (OTRS) 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 OTRS'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.

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

The University has a single-employer defined benefit other postemployment benefit (OPEB) plan, providing health insurance and life insurance to retirees (the “OPEB Plans”). At retirement, if an employee is enrolled in the OTRS plan and is participating in the University’s health care plan, the retiree may elect to continue health insurance coverage in the University’s health care plan. Additionally, the University records an OPEB for the implicit rate subsidy for those retirees that are allowed to remain in the University’s health care plan. Benefits are funded under a “pay as you go” funding method and there are no plan assets; however, expenses are recorded as benefits accumulate. For purposes of measuring the total OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB and OPEB expense have been determined on the same basis as they are reported by the OPEB Plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Leases

The University is a party as lessor and 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 or other postemployment benefits that relate to future periods and savings of restructuring debt as deferred inflows of resources in a separate section of its statements of net position. Lease-related amounts are recognized at the inception of the lease and are recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

Net Position

The University’s net position is classified as follows:

Net investment in capital assets: This represents the University’s total investment in capital assets, net of accumulated depreciation, and 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 is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Restricted net position – nonexpendable: Restricted nonexpendable net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net position: Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University'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.

Income Taxes

The General University, as an integral part of the State, is exempt from federal income taxes for activities which relate to its exempt purpose. OSURF is an organization described in Section 501(c)(3) of the Internal Revenue Code, exempt from federal income tax under Section 501(a) of the Internal Revenue Code for activities which relate to its exempt purpose.

Classification of Revenues

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) certain federal, state, and local grants and contracts and federal appropriations, and (4) interest on institutional student loans.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, student aid revenues, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations and investment income.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

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.

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

Change in Accounting Principles

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			
Current Assets			
Current portion of lease receivable	\$ 2,410	\$ -	\$ 2,410
Noncurrent Assets			
Lease interest receivable	6	-	6
Lease receivable	13,767	-	13,767
Capital assets, net of accumulated depreciation	2,048,489	2,040,437	8,052
Current Liabilities			
Current portion of revenue bonds and financed purchases	31,929	29,284	2,645
Noncurrent Liabilities			
Accrued interest payable	8,145	8,126	19
Obligations under other financed purchases	6,524	1,051	5,473
Deferred Inflows of Resources			
Lease related	16,151	-	16,151
Net Position			
Invested in capital assets, net of debt	1,181,187	1,181,240	(53)
Statement of Revenues, Expectations, and Changes in Net Position			
Operating Expenses			
Other operating expense	52,179	55,326	(3,147)
Depreciation expense	95,476	92,361	3,115
Nonoperating Revenues (expenses)			
Investment income, net	2,513	2,481	32
Interest expense	(35,115)	(34,998)	(117)

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

	<u>As Restated</u>	<u>As Previously Reported</u>	<u>Effect of Change</u>
Statement of Cash Flows			
Operating Activities			
Payments to suppliers	\$ (396,186)	\$ (399,333)	\$ 3,147
Investing Activities			
Interest received on investments	1,463	1,437	26
Capital Financing Activities			
Interest paid on capital debt and leases	(29,886)	(29,789)	(97)
Reconciliation of Operating Loss to Net Cash Used in Operating Activities			
Changes in assets and liabilities			
Operating loss	(331,654)	(331,686)	32
Depreciation expense	95,476	92,361	3,115

The University's also restated *Note 7, Note 9, and Note 18* as a result of the implementation.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Note 2: Cash and Cash Equivalents, Other Deposits, and Investments

Cash and Cash Equivalents

At June 30, 2022 and 2021, the carrying amounts of the University's deposits with the State Treasurer and other financial institutions were \$413,506 and \$328,380, respectively. These amounts consisted of deposits with the State Treasurer (\$408,514 and \$323,639), U.S. financial institutions (\$970 and \$584), trustees related to the University's various bond indenture agreements (\$3,871 and \$4,003), and petty cash and change funds (\$151 and \$154), respectively.

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 banks or invested as the State Treasurer may determine, in the State's name. The University's cash balances deposited with the State Treasurer were \$409,934 and \$329,378, respectively, at June 30, 2022 and 2021. The difference between the carrying amount and the cash balances deposited with the State Treasurer are due to deposits in transit and outstanding checks at June 30.

The University 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's name. The carrying amount and related bank balances of the University's deposits was \$1 and \$1, respectively, at June 30, 2022 and 2021.

Deposits

At June 30, 2022 and 2021, the University held no nonnegotiable certificates of deposit.

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 tri-party 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.

Of funds on deposit with the State Treasurer, amounts invested in *OK INVEST* total \$70,944 and \$60,786 at June 30, 2022 and 2021, respectively.

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

For financial reporting purposes, deposits with the State Treasurer that are invested in *OK INVEST* are classified as cash equivalents. At June 30, the distribution of deposits in *OK INVEST* is as follows:

OK INVEST Portfolio	2022		2021	
	Cost	Fair Market Value	Cost	Fair Market Value
U.S. agency securities	\$ 20,406	\$ 19,779	\$ 24,322	\$ 24,334
Certificates of deposit	252	252	411	411
Money market mutual funds	3,215	3,215	2,677	2,676
Mortgage backed agency securities	18,785	17,423	17,611	18,125
Municipal bonds	59	59	85	86
Foreign bonds	249	246	426	426
U.S. Treasury Obligations	27,978	27,371	15,254	15,391
	<u>\$ 70,944</u>	<u>\$ 68,345</u>	<u>\$ 60,786</u>	<u>\$ 61,449</u>

Agencies and funds that are considered to be part of the State's reporting entity in the State's Annual Comprehensive Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives which establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and meeting the State and its funds and agencies' daily cash flow requirements. Guidelines in the Investment Policy address credit quality requirements, diversification percentages, and specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the State Treasurer's website at <http://www.treasurer.state.ok.us/>. The State Treasurer, at his discretion, may further limit or restrict such investments on a day to day basis. *OK INVEST* includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to three years. *OK INVEST* maintains an overall weighted average maturity of less than 270 days.

Participants in *OK INVEST* maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the State Treasurer information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk. Interest rate risk is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher. Credit/default risk is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations. Liquidity risk is the risk that *OK INVEST* will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

U.S. government securities risk is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities, or sponsored enterprises if it is not obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer's Investment Policy to mitigate those risks; however, any interest in *OK INVEST* is not insured or guaranteed by the State, the FDIC, or any other government agency.

Investments

The University invests available resources pursuant to the A&M Board of Regents Institutional Policy for Investing Funds, the Oklahoma State Regents for Higher Education System-wide Policy for Investment of Institutional Funds, and the Investment Policy of the Oklahoma State Treasurer. The short-term investment of agency special and agency relationship funds is directed primarily toward maximizing earnings on the University's working capital while maintaining adequate liquidity to meet cash flow needs of the University. Short term allowable monies are invested through the *OK INVEST* Program administered through the Office of the State Treasurer. As an agency of the State of Oklahoma investments in this program are executed in cooperation with the Oklahoma State Treasurer's Office, which serves as the University's official depository.

The Institutional Guidelines for Investment of Funds of the University is directed toward the investment of long-term oriented funds held by the University in a Fixed Income portfolio. The long-term objective of the portfolio is to maximize the returns without exposure to undue risk. Allowable monies are invested in securities permitted by Oklahoma State Statute (Title 62 § 89.2). Whereas fluctuating rates of return are characteristic of the securities markets, the main concern is the long-term appreciation of the assets and the consistency of total return. These investments are managed and held by a third-party investment management fiduciary.

Credit Risk – investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In accordance with state statutes, the State Treasurer may only purchase and invest in (a) obligations of the United States government, its agencies and instrumentalities; (b) prime banker's acceptances; (c) investment grade obligations of state and local governments; (d) money market funds; (e) collateralized or insured certificates of deposits; (f) negotiable certificates of deposits; (g) prime commercial paper; and (h) repurchase agreements. State law limits investments in obligations of state and local governments to the highest rating from at least one nationally recognized rating agency acceptable to the State Treasurer. Additionally, it is the University's policy to limit its investments in municipal and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. As of June 30, 2022 and 2021, the University did not directly hold investments in municipal or corporate bonds. Mortgage backed securities are guaranteed by the federal government.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Interest Rate Risk – the risk that changes in interest rates will adversely affect the fair value of an investment. Investments that are held for longer periods of time are subject to increased risk of adverse interest changes. Neither the University nor state statutes limit investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates; however, the State Treasurer Investment Policy limits the average maturity on its portfolio to four years, with certain individual securities having more restrictive limits as defined in the policy.

Concentration of Credit Risk – the risk of loss attributed to the magnitude of the University’s investment in a single issuer. Neither the University’s investment policy nor state statutes place limits on amounts that can be invested in any one issuer; however, the State Treasurer Investment Policy states that, with the exception of U.S. Treasury securities, no more than 50 percent of the State’s total funds may be invested in a single security type or with a single financial institution, with diversification percentages being more restrictive on individual securities. At June 30, 2022 and 2021, no investments in any one organization (other than those issued or sponsored by the U.S. government and those in pooled investments) represented 5 percent of total investments.

Custodial Credit Risk – for an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Investments held by counterparty are held in the University’s name.

At June 30, the fair value of the University’s investments consisted of the following:

	2022	2021
U.S. government securities	\$ 4,601	\$ 8,222
U.S. Treasury notes	76,374	74,821
Money market funds	11,691	17,618
Equity securities	3,121	3,165
Mortgage backed securities	2,566	2,667
State Regents Endowment Trust funds	791	740
Total investments	<u>\$ 99,144</u>	<u>\$ 107,233</u>

The University’s investments are categorized by maturity dates to reflect the fair values that are sensitive to changes in interest rates.

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

The University's investment schedule by maturity date as of June 30, 2022, is as follows:

Maturity Year Ending June 30	U.S. Government Securities	U.S. Treasury Notes	Total
2023	\$ 335	\$ 5,114	\$ 5,449
2024	139	8,116	8,255
2025	82	13,427	13,509
2026	1	19,186	19,187
2027	197	15,684	15,881
2028 - 2032	7	14,847	14,854
2033 - 2037	1,107	-	1,107
2038 - 2042	1,466	-	1,466
2043 - 2047	492	-	492
2048 - 2052	775	-	775
	<u>\$ 4,601</u>	<u>\$ 76,374</u>	80,975
Investments not subject to maturity dates			
Money market funds			11,691
Equity funds			3,121
Mortgage backed securities			2,566
State Regents Endowment Trust funds			791
Total investments			<u>\$ 99,144</u>

Note 3: Accounts Receivable

Accounts receivable consisted of the following at June 30:

	2022	2021
Student tuition and fees	\$ 31,347	\$ 30,445
Auxiliary enterprises and other operating activities	32,263	26,951
Contributions and gifts	6,523	6,608
Federal appropriations	2,128	2,146
Federal, state, and private grants, and contracts	44,161	54,574
	<u>116,422</u>	<u>120,724</u>
Less allowance for doubtful accounts	<u>12,134</u>	<u>11,648</u>
Net accounts receivable	<u>\$ 104,288</u>	<u>\$ 109,076</u>

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

Note 4: Inventories

Inventories consisted of the following at June 30:

	2022	2021
Bookstore	\$ 2,158	\$ 2,619
Livestock - College of Agriculture	2,170	1,860
Fire protection publications	2,528	2,400
Food services	360	279
Physical plant	459	454
Other	1,733	1,810
	\$ 9,408	\$ 9,422

Note 5: Student Loans Receivable

Student loans made through the Federal Perkins Loan Program (the “Program”) comprise substantially all of the loans receivable at June 30, 2022 and 2021. Under this Program, the federal government provides funds for approximately 75 percent of the total contribution for student loans with the University providing the balance. Under certain conditions, such loans can be forgiven at annual rates of 10 percent to 30 percent of the original balance up to maximums of 50 percent to 100 percent of the original loan. The federal government reimburses the University to the extent of 10 percent of the amounts forgiven for loans originated prior to July 1, 1993, under the Program. No reimbursements are provided for loans originated after this date. Amounts refundable to the federal government upon cessation of the Program of approximately \$7,070 and \$8,608 at June 30, 2022 and 2021, respectively, are reflected in the accompanying statements of net position as noncurrent liabilities.

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The allowance for uncollectible loans only applies to University funded loans and the University portion of federal student loans, as the University is not obligated to fund the federal portion of uncollected student loans. The University has provided an allowance for uncollectible loans, which, in management’s opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2022 and 2021, the allowance for uncollectible loans was approximately \$91 and \$102, respectively.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Note 6: Leases Receivable

The University, acting as lessor, leases various real estate property under long-term, non-cancelable lease agreements. The leases expire at various dates through 2109 and provide for renewal options ranging from one year to five years. During the year ended June 30, 2022, the Entity recognized \$3,772 and \$141 in lease revenue and interest revenue, respectively, pursuant to these contracts. Future minimum lease payments receivable as of June 30, 2022, are as follows:

Year Ending June 30	Principal	Interest	TOTAL
2023	\$ 1,996	\$ 129	\$ 2,125
2024	1,499	115	1,614
2025	1,151	103	1,254
2026	906	93	999
2027	916	84	1,000
2028 - 2032	3,877	286	4,163
2033 - 2037	981	176	1,157
2038 - 2042	948	128	1,076
2043 - 2047	677	82	759
2048 - 2052	83	67	150
2053 - 2057	88	62	150
2058 - 2062	92	58	150
2063 - 2067	97	53	150
2068 - 2072	102	48	150
2073 - 2077	107	43	150
2078 - 2082	113	37	150
2083 - 2087	118	32	150
2088 - 2092	125	25	150
2093 - 2097	131	19	150
2098 - 2102	138	12	150
2103 - 2107	145	5	150
2108 - 2112	25	-	25
	<u>\$ 14,315</u>	<u>\$ 1,657</u>	<u>\$ 15,972</u>

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

Note 7: Capital Assets

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

	2022				June 30, 2022
	June 30, 2021	Additions	Transfers	Retirement	
Capital assets not being depreciated					
Land	\$ 89,009	\$ 1,054	\$ -	\$ -	\$ 90,063
Capitalized collections	560	-	-	-	560
Livestock for educational purposes	5,013	216	-	-	5,229
Construction in progress	57,191	70,236	(64,162)	-	63,265
	<u>\$ 151,773</u>	<u>\$ 71,506</u>	<u>\$ (64,162)</u>	<u>\$ -</u>	<u>\$ 159,117</u>
Other capital assets					
Nonmajor infrastructure networks	\$ 202,293	\$ -	\$ 671	\$ -	\$ 202,964
Land improvements	93,703	129	2,423	-	96,255
Buildings	2,391,010	378	61,023	(893)	2,451,518
Leasehold improvements	3,115	-	45	-	3,160
Furniture, fixtures, and equipment	269,555	17,960	-	(9,576)	277,939
Library materials	79,904	8,917	-	(6,524)	82,297
Intangible assets	11,715	2,399	-	(1,377)	12,737
	<u>3,051,295</u>	<u>29,783</u>	<u>64,162</u>	<u>(18,370)</u>	<u>3,126,870</u>
Less accumulated depreciation					
Nonmajor infrastructure networks	(86,785)	(8,234)	-	-	(95,019)
Land improvements	(54,759)	(5,055)	-	-	(59,814)
Buildings	(770,842)	(54,849)	-	803	(824,888)
Leasehold improvements	(380)	(343)	-	-	(723)
Furniture, fixtures, and equipment	(203,315)	(15,866)	-	7,775	(211,406)
Library materials	(37,726)	(7,926)	-	6,524	(39,128)
Intangible assets	(8,824)	(2,392)	-	1,377	(9,839)
	<u>(1,162,631)</u>	<u>(94,665)</u>	<u>-</u>	<u>16,479</u>	<u>(1,240,817)</u>
Other capital assets, net	<u>\$ 1,888,664</u>	<u>\$ (64,882)</u>	<u>\$ 64,162</u>	<u>\$ (1,891)</u>	<u>\$ 1,886,053</u>
RTU Assets					
Equipment	\$ 6,611	\$ 2,567	\$ -	\$ (328)	\$ 8,850
Land	206	64	-	(14)	256
Buildings	4,350	234	-	(280)	4,304
	<u>11,167</u>	<u>2,865</u>	<u>-</u>	<u>(622)</u>	<u>13,410</u>
Less accumulated amortization					
Equipment	(2,168)	(2,861)	-	328	(4,701)
Land	(78)	(82)	-	14	(146)
Buildings	(869)	(891)	-	280	(1,480)
	<u>(3,115)</u>	<u>(3,834)</u>	<u>-</u>	<u>622</u>	<u>(6,327)</u>
RTU assets, net	<u>\$ 8,052</u>	<u>\$ (969)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,083</u>
Capital assets summary					
Capital assets not being depreciated	\$ 151,773	\$ 71,506	\$ (64,162)	\$ -	\$ 159,117
Other capital assets, at cost	3,051,295	29,783	64,162	(18,370)	3,126,870
Total cost of capital assets	3,203,068	101,289	-	(18,370)	3,285,987
Less accumulated depreciation	(1,162,631)	(94,665)	-	16,479	(1,240,817)
RTU assets	11,167	2,865	-	(622)	13,410
Less accumulated amortization	(3,115)	(3,834)	-	622	(6,327)
Capital assets, net	<u>\$ 2,048,489</u>	<u>\$ 5,655</u>	<u>\$ -</u>	<u>\$ (1,891)</u>	<u>\$ 2,052,253</u>

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

	2021				June 30, 2021
	July 1, 2020	Additions	Transfers	Retirement	
Capital assets not being depreciated					
Land	\$ 77,370	\$ 11,639	\$ -	\$ -	\$ 89,009
Capitalized collections	591	-	-	(31)	560
Livestock for educational purposes	4,476	537	-	-	5,013
Construction in progress	69,868	73,968	(86,645)	-	57,191
	<u>\$ 152,305</u>	<u>\$ 86,144</u>	<u>\$ (86,645)</u>	<u>\$ (31)</u>	<u>\$ 151,773</u>
Other capital assets					
Nonmajor infrastructure networks	\$ 194,760	\$ -	\$ 7,533	\$ -	\$ 202,293
Land improvements	90,698	15	2,990	-	93,703
Buildings	2,281,934	55,830	73,575	(20,329)	2,391,010
Leasehold improvements	568	-	2,547	-	3,115
Furniture, fixtures, and equipment	263,832	18,306	-	(12,583)	269,555
Library materials	77,794	8,774	-	(6,664)	79,904
Intangible assets	11,383	2,161	-	(1,829)	11,715
Total other capital assets	<u>2,920,969</u>	<u>85,086</u>	<u>86,645</u>	<u>(41,405)</u>	<u>3,051,295</u>
Less accumulated depreciation					
Nonmajor infrastructure networks	(78,612)	(8,173)	-	-	(86,785)
Land improvements	(49,793)	(4,966)	-	-	(54,759)
Buildings	(724,763)	(53,424)	-	7,345	(770,842)
Leasehold improvements	(199)	(181)	-	-	(380)
Furniture, fixtures, and equipment	(197,362)	(15,677)	-	9,724	(203,315)
Library materials	(36,251)	(7,753)	-	6,278	(37,726)
Intangible assets	(8,458)	(2,187)	-	1,821	(8,824)
Total accumulated depreciation	<u>(1,095,438)</u>	<u>(92,361)</u>	<u>-</u>	<u>25,168</u>	<u>(1,162,631)</u>
Other capital assets, net	<u>\$ 1,825,531</u>	<u>\$ (7,275)</u>	<u>\$ 86,645</u>	<u>\$ (16,237)</u>	<u>\$ 1,888,664</u>
RTU Assets					
Equipment	\$ 4,473	\$ 2,138	\$ -	\$ -	\$ 6,611
Land	83	123	-	-	206
Buildings	3,380	970	-	-	4,350
Total RTU Assets	<u>7,936</u>	<u>3,231</u>	<u>-</u>	<u>-</u>	<u>11,167</u>
Less accumulated amortization					
Equipment	-	(2,168)	-	-	(2,168)
Land	-	(78)	-	-	(78)
Buildings	-	(869)	-	-	(869)
Total accumulated amortization	<u>-</u>	<u>(3,115)</u>	<u>-</u>	<u>-</u>	<u>(3,115)</u>
RTU assets, net	<u>\$ 7,936</u>	<u>\$ 116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,052</u>
Capital assets summary					
Capital assets not being depreciated	\$ 152,305	\$ 86,144	\$ (86,645)	\$ (31)	\$ 151,773
Other capital assets, at cost	2,920,969	85,086	86,645	(41,405)	3,051,295
Total cost of capital assets	<u>3,073,274</u>	<u>171,230</u>	<u>-</u>	<u>(41,436)</u>	<u>3,203,068</u>
Less accumulated depreciation	(1,095,438)	(92,361)	-	25,168	(1,162,631)
RTU assets	7,936	3,231	-	-	11,167
Less accumulated amortization	<u>-</u>	<u>(3,115)</u>	<u>-</u>	<u>-</u>	<u>(3,115)</u>
Capital assets, net	<u>\$ 1,985,772</u>	<u>\$ 78,985</u>	<u>\$ -</u>	<u>\$ (16,268)</u>	<u>\$ 2,048,489</u>

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

Note 8: Unearned Revenue

Unearned revenue consists of the following at June 30:

	2022	2021
Prepaid tuition and fees	\$ 12,598	\$ 12,621
Prepaid athletic ticket sales	5,344	4,169
Other auxiliary enterprises	6,740	8,112
Grants and contracts	16,818	16,201
	<u>\$ 41,500</u>	<u>\$ 41,103</u>

Note 9: Long-Term Liabilities

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

	Balance June 30, 2021	2022		Balance June 30, 2022	Amounts Due Within One Year
		Additions	Reductions		
Bonds and Capital Lease Obligations					
Revenue bonds payable	\$ 674,340	\$ 22,455	\$ (14,975)	\$ 681,820	\$ 21,650
Revenue bonds premium payable	60,975	2,789	(3,209)	60,555	3,302
Lease liability	8,118	-	(918)	7,200	2,587
Financed purchase obligations, including unexpended funds of \$70,635	191,376	-	(12,070)	179,306	13,592
Total bonds and capital leases	<u>934,809</u>	<u>25,244</u>	<u>(31,172)</u>	<u>928,881</u>	<u>41,131</u>
Other Liabilities					
Accrued compensated absences	37,024	14,317	(14,171)	37,170	14,171
Landfill closure and postclosure costs	2,937	563	-	3,500	-
Accounts payable for noncurrent assets	7,911	11,010	(7,911)	11,010	-
Federal loan program contribution payable	8,608	-	(1,538)	7,070	-
Pension liability	448,408	-	(222,610)	225,798	-
Other postemployment benefits	18,029	-	(4,344)	13,685	-
Asset retirement obligation	555	53	-	608	-
Student deposits	890	728	(585)	1,033	258
Unearned revenue	41,103	41,500	(41,103)	41,500	41,500
Accrued interest payable	8,145	9,330	(8,145)	9,330	-
Accrued workers' compensation claims	4,983	1,737	(1,998)	4,722	1,737
Total other liabilities	<u>578,593</u>	<u>79,238</u>	<u>(302,405)</u>	<u>355,426</u>	<u>57,666</u>
	<u>\$ 1,513,402</u>	<u>\$ 104,482</u>	<u>\$ (333,577)</u>	<u>\$ 1,284,307</u>	<u>\$ 98,797</u>

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

	2021			Balance June 30, 2021	Amounts Due Within One Year
	Balance July 1, 2020	Additions	Reductions		
Bonds and Capital Lease Obligations					
Revenue bonds payable	\$ 503,670	\$ 179,460	\$ (8,790)	\$ 674,340	\$ 14,005
Revenue bonds premium payable	47,465	16,094	(2,584)	60,975	3,209
Lease liability	7,936	182		8,118	2,645
Financed purchase obligations, including unexpended funds of \$87,557	353,780	46,212	(208,616)	191,376	12,070
Total bonds and capital leases	<u>912,851</u>	<u>241,948</u>	<u>(219,990)</u>	<u>934,809</u>	<u>31,929</u>
Other Liabilities					
Accrued compensated absences	31,735	16,984	(11,695)	37,024	11,695
Landfill closure and postclosure costs	2,937	-	-	2,937	-
Accounts payable for noncurrent assets	4,610	7,911	(4,610)	7,911	-
Federal loan program contribution payable	10,104	-	(1,496)	8,608	-
Pension liability	373,018	75,390	-	448,408	-
Other postemployment benefits	15,548	2,481	-	18,029	-
Asset retirement obligation	532	23	-	555	-
Student deposits	702	585	(397)	890	222
Unearned revenue	39,805	41,103	(39,805)	41,103	41,103
Accrued interest payable	5,409	8,145	(5,409)	8,145	-
Accrued workers' compensation claims	4,748	1,855	(1,620)	4,983	1,855
Total other liabilities	<u>489,148</u>	<u>154,477</u>	<u>(65,032)</u>	<u>578,593</u>	<u>54,875</u>
	<u>\$ 1,401,999</u>	<u>\$ 396,425</u>	<u>\$ (285,022)</u>	<u>\$ 1,513,402</u>	<u>\$ 86,804</u>

Additional information regarding revenue bonds payable is included at *Note 9*. Additional information regarding capital lease obligations is included at *Note 10*.

Landfill Closure and Postclosure Costs: State laws and regulations require the University to place a final cover on its landfill site and to perform certain maintenance and monitoring functions, including evaluation of well water samples, at the site after closure. The landfill, containing radioactive and chemical waste, is no longer being used, but the University has not placed a final cover on it. Estimated closure and postclosure costs as of June 30, 2022 and 2021, are \$3,500 and \$2,937, respectively. Actual cost may differ due to inflation, changes in technology, or changes in regulations.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Note 10: Revenue Bonds

Revenue bonds payable consisted of the following at June 30:

	2022	2021
4.25% - 4.875% Student Union System Revenue Bonds of 2002 and 2004 issued in the original amount of \$4,135 and mature in varying annual amounts to July 1, 2023 - Paid off September 2021	\$ -	\$ 520
4.05% - 4.75% Oklahoma State University - Okmulgee Student Fee Revenue Bonds, Series 2004, issued in the original amount of \$3,000 and mature in varying annual amounts to September 1, 2024 - Paid off September 2021	-	805
3.25% - 5.01% General Revenue Bonds, Federally Taxable Series 2010B, issued in the original amount of \$13,265 and mature in varying annual amounts to August 1, 2023	2,325	3,405
2.00% - 2.75% General Revenue Refunding Bonds, Series 2013A, issued in the original amount of \$17,785 and mature in varying annual amounts to July 1, 2032	10,720	11,575
1.15% - 4.076% General Revenue Bonds, Federally Taxable Series 2016A, issued in the original amount of \$60,300 and mature in varying annual amounts to August 1, 2045	53,310	54,755
3.00% - 5.00% General Revenue Refunding Bonds, Series 2017A, issued in the original amount of \$52,850 and mature in varying annual amounts to July 1, 2039	49,315	51,115
3.00% - 4.00% General Revenue Bonds, Series 2018A, issued in the original amount of \$16,065 and mature in varying annual amounts to August 1, 2047	14,620	14,950
2.15% - 4.35% General Revenue Bonds Federally Taxable, Series 2018B, issued in the original amount of \$14,610 and mature in varying annual amounts to August 1, 2047	12,675	13,130
Total forward	142,965	150,255

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

	2022	2021
Total forward	\$ 142,965	\$ 150,255
3.00% - 5.00% General Revenue and Refunding Bonds, Series 2019A, issued in the original amount of \$62,990 and mature in varying annual amounts to August 1, 2048	58,230	60,650
2.55% - 4.13% General Revenue and Refunding Bonds, Federally Taxable Series 2019B, issued in the original amount of \$12,555 and mature in varying annual amounts to August 1, 2048	11,875	12,220
4.00% - 5.00% General Revenue Refunding Bonds, Series 2020A, issued in the original amount of \$118,520 and mature in varying annual amounts to September 1, 2036	118,520	118,520
3.00% - 5.00% General Revenue Bonds, Series 2020B issued in the original amount of \$26,490 and mature in varying annual amounts to September 1, 2050	26,070	26,490
1.89% - 3.81% General Revenue Refunding Bonds, Federally Taxable Series 2020C, issued in the original amount of \$126,745 and mature in varying annual amounts to September 1, 2050	126,705	126,745
3.00% - 5.00% General Revenue Refunding Bonds, Series 2021A, issued in the original amount of \$75,125 and mature in varying annual amounts to September 1, 2051	73,295	75,125
0.263% - 3.08% General Revenue Refunding Bonds, Taxable Series 2021B, issued in the original amount of \$104,335 and mature in varying annual amounts to September 1, 2045	101,705	104,335
05.0% General Revenue Bonds, Taxable Series 2022, issued in the original amount of \$22,455 and mature in varying annual amounts to September 1, 2052	22,455	-
Total revenue bonds	<u>\$ 681,820</u>	<u>\$ 674,340</u>

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

Principal and interest on these revenue bonds are collateralized by a pledge of revenues produced by the facilities constructed with the bond proceeds, student activity fees and facility fees, and/or a pledge of certain contributions made for the benefit of the University. In the case of the General Revenue Bonds, the principal and interest is secured by a pledge of the general revenues of the financing system created in fiscal year 2009. General revenues consist of all lawfully available funds excluding: (i) revenues appropriated by the Oklahoma Legislature from tax receipts; (ii) funds whose purpose has been restricted by the donors or grantors thereof to a purpose inconsistent with the payment of obligations; and (iii) funds pledged pursuant to separate bond resolutions to revenue bond issues issued and outstanding prior to the creation of the financing system. The financing system is currently comprised of the Oklahoma State University-Stillwater and Oklahoma State University-Tulsa campuses. Certain of these bonds payable are callable at the option of the Board of Regents. The General Revenue Bonds have varying maturity dates as noted, with the last payment date in September 2051.

The University is required to maintain certain renewal and replacement and debt service reserves aggregating \$292 in 2022 and 2021. The University's reserve balances exceeded these amounts at June 30, 2022 and 2021.

The University has secured insurance contracts with insurance companies to cover the reserve requirements in the debt agreements of the Oklahoma State University – Okmulgee Student Fee Revenue Bonds, Series 2004. There is no reserve requirement for the General Revenue Bond issues.

The General Revenue and Refunding Bonds, Series 2020A in the par amount of \$118,520, the General Revenue Bonds, Series 2020B in the par amount of \$26,490, and the General Revenue and Refunding Bonds, Federally Taxable Series 2020C in the par amount of \$126,745 closed on May 13, 2020. Gross bond proceeds, including discount and premium, totaled \$149,836, \$30,045, and \$126,486, respectively. These bond issues resulted in a premium of \$35,168 which is being amortized over the life of the bonds.

Proceeds from Series 2020A were used for the current refunding of General Revenue Bonds Series 2010A and 2010C. A portion of the Series 2020C bond proceeds were used for the advance refunding of General Revenue Bonds 2013B and 2013C and for the current refunding of Oklahoma Development Finance Authority leases. The University's refunding resulted in a net present value saving of \$36,974 and a cash flow savings of \$29,423. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$15,105. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to interest expense starting in fiscal year 2021 using the straight-line method, which is not materially different than the effective-interest method. At June 30, 2022, the amount of defeased debt remaining outstanding was \$10,630 for General Revenue Bonds 2013B and \$67,730 for General Revenue Bonds 2013C. At June 30, 2021, the amount of defeased debt remaining outstanding was \$11,330 for General Revenue Bonds 2013B and \$69,865 for General Revenue Bonds 2013C.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

The General Revenue and Refunding Bonds, Series 2021A, in the par amount of \$75,125 and the General Revenue and Refunding Bonds, Federally Taxable Series 2021B \$104,335 closed on May 12, 2021. Gross bond proceeds, including discount and premium totaled \$91,052 and \$104,103, respectively. These bond issues resulted in a premium of \$16,094 which is being amortized over the life of the bonds.

A portion of the Series 2021A proceeds were used for the current refunding of Oklahoma Development Finance Authority leases. Proceeds from Series 2021B were used for the current refunding of Oklahoma Development Finance Authority leases. The University's refunding resulted in a net present value savings of \$28,498 and a cash flow savings of \$39,814. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$6,988. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to interest expense starting in fiscal year 2022 using the straight-line method, which is not materially different than the effective-interest method.

The General Revenue Bonds, Series 2022, in the par amount of \$22,455 closed on May 12, 2022. Gross bond proceeds, including premium totaled \$25,244. This bond issue resulted in a premium of \$2,789 which is being amortized over the life of the bonds.

Maturity Information

The scheduled maturities of the revenue bonds are as follows at June 30, 2022:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2023	\$ 21,650	\$ 25,376	\$ 47,026
2024	27,760	24,904	52,664
2025	28,565	24,064	52,629
2026	28,170	23,019	51,189
2027	29,370	21,818	51,188
2028 - 2032	158,690	89,234	247,924
2033 - 2037	158,700	57,140	215,840
2038 - 2042	137,865	28,715	166,580
2043 - 2047	70,075	9,438	79,513
2048 - 2052	19,595	1,967	21,562
2053	1,380	34	1,414
	<u>\$ 681,820</u>	<u>\$ 305,709</u>	<u>\$ 987,529</u>

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

Note 11: Financed Purchase Obligations and Leases

Oklahoma Capital Improvement Authority Leases Program

The Oklahoma Capital Improvement Authority (OCIA) is authorized to issue bonds, notes, or other obligations to finance construction of buildings or other facilities for the State of Oklahoma, its departments, and agencies. OCIA may also issue refunding bonds to refinance its existing obligations. The OCIA issues bonds and the State Regents for Higher Education allocate amounts to the University, who then enters into financed purchase agreements with OCIA for projects being funded. The financed purchase agreements provide for the University to make specified monthly payments, however during the years ended June 30, 2022 and 2021, OCIA made principal and interest payments totaling \$4,227 and \$4,228, respectively, on behalf of the University. These on-behalf payments have been recorded as restricted state appropriations, shown as on-behalf payments for OCIA financed purchase obligations, in the University's statements of revenues, expenses, and changes in net position. The terms of the agreements range from 5 – 25 years and secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. There were no undrawn allotments as of June 30, 2022 and 2021.

As OCIA restructures the bond obligations, the financed purchase obligations are also restructured which can result in a gain or loss on restructuring, which is recorded as deferred inflows of resources or deferred outflows of resources and amortized over the shorter of the remaining life of the old financed purchase agreement or the life of the new financed purchase agreement. As of June 30, 2022 and 2021, \$3,499 and \$3,818, respectively, were included in deferred inflows of resources. The balance outstanding for these financed purchase obligations, including premiums, was \$55,608 and \$57,391 as of June 30, 2022 and 2021, respectively.

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

Oklahoma Development Finance Authority Master Lease Program

Oklahoma Development Finance Authority Master Lease Program payable consisted of the following at June 30:

	2022	2021
0.66% - 2.75% ODFA Oklahoma State System of Higher Education Master Lease Revenue Bonds, Series 2014D, allocated to the University in the original amount of \$2,730 and mature in varying annual amounts to November 15, 2021 - Paid off November 2021	\$ -	\$ 171
1.05% - 2.85% ODFA Oklahoma State System of Higher Education Master Lease Revenue Bonds, Series 2016B, allocated to the University in the original amount of \$6,208 and mature in varying annual amounts to May 15, 2026	2,599	3,221
2.00% - 2.75% ODFA Oklahoma State System of Higher Education Master Lease Revenue Bonds, Series 2017A, allocated to the University in the original amount of \$2,150 and mature in varying annual amounts to November 15, 2026	1,034	1,257
1.50% - 4.00% ODFA Oklahoma State System of Higher Education Master Lease Revenue Bonds, Series 2017B, allocated to the University in the original amount of \$925 and mature in varying annual amounts to November 15, 2031	638	693
2.00% - 4.00% ODFA Oklahoma State System of Higher Education Master Lease Revenue Bonds, Series 2017C, allocated to the University in the original amount of \$933 and mature in varying annual amounts to May 15, 2027	505	596
4.00% ODFA Oklahoma State System of Higher Education Master Lease Revenue Bonds, Series 2018A, allocated to the University in the original amount of \$1,604 and mature in varying annual amounts to December 1, 2028	914	1,116
Total forward	5,690	7,054

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

	2022	2021
Total forward	\$ 5,690	\$ 7,054
0.70% - 2.30% ODFA Oklahoma State System of Higher Education Master Lease Revenue Bonds, Series 2020C, allocated to the University in the original amount of \$4,140 and mature in varying annual amounts to June 1, 2031	3,501	3,906
2.00% - 4.00% ODFA Oklahoma State System of Higher Education Master Lease Revenue Bonds, Series 2021A, allocated to the University in the original amount of \$1,344 and mature in varying annual amounts to June 1, 2041	1,293	1,344
0.45% - 3.20% ODFA Oklahoma State System of Higher Education Master Lease Revenue Bonds, Series 2021B, allocated to the University in the original amount of \$440 and mature in varying annual amounts to June 1, 2041	418	440
2.00% - 5.00% ODFA Oklahoma State System of Higher Education Master Real Property Lease Revenue Bonds, Series 2014A, allocated to the University in the original amount of \$1,880 and mature in varying annual amounts to May 15, 2028	911	1,045
2.00% - 5.00% ODFA Oklahoma State System of Higher Education Master Real Property Lease Revenue Bonds, Series 2015A, allocated to the University in the original amount of \$20,749 and mature in varying annual amounts to May 15, 2034	14,773	15,707
Total forward	26,586	29,496

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

	<u>2022</u>	<u>2021</u>
Total forward	\$ 26,586	\$ 29,496
2.00% - 5.00% ODFA Oklahoma State System of Higher Education Master Real Property Lease Revenue Bonds, Series 2015B, allocated to the University in the original amount of \$42,145 and mature in varying annual amounts to May 15, 2045	26,344	27,074
0.50% - 4.00% ODFA Oklahoma State System of Higher Education Master Real Property Lease Revenue Bonds, Series 2016D, allocated to the University in the original amount of \$30,089 and mature in varying annual amounts to May 15, 2031	23,321	24,537
2.00% - 4.00% ODFA Oklahoma State System of Higher Education Master Real Property Lease Revenue Bonds, Series 2016G, allocated to the University in the original amount of \$2,684 and mature in varying annual amounts to November 15, 2021 - Paid off in November 2021	-	236
1.00% - 4.00% ODFA Oklahoma State System of Higher Education Master Real Property Lease Revenue Bonds, Series 2017A, allocated to the University in the original amount of \$17,933 and mature in varying annual amounts to May 15, 2047	4,467	5,276
1.00% - 4.00% ODFA Oklahoma State System of Higher Education Master Real Property Lease Revenue Bonds, Series 2017B, allocated to the University in the original amount of \$13,075 and mature in varying annual amounts to May 15, 2047	<u>1,579</u>	<u>1,877</u>
Total forward	82,297	88,496

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

	2022	2021
Total forward	\$ 82,297	\$ 88,496
2.00% - 4.00% ODFA Oklahoma State System of Higher Education Master Real Property Lease Revenue Bonds, Series 2017C, allocated to the University in the original amount of \$10,125 and mature in varying annual amounts to December 1, 2027	333	1,124
0.67% - 1.45% ODFA Oklahoma State System of Higher Education Master Real Property Lease Revenue Bonds, Series 2020D, allocated to the University in the original amount of \$5,095 and mature in varying annual amounts to June 1, 2026	3,547	4,431
0.34% - 3.18% ODFA Oklahoma State System of Higher Education Master Real Property Lease Revenue Bonds, Series 2021B, allocated to the University in the original amount of \$35,115 and mature in varying annual amounts to June 1, 2050	33,145	35,115
	119,322	129,166
Premiums	3,325	3,700
Total	\$ 122,647	\$ 132,866

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

In connection with the ODFA Master Lease Program, the University has recorded a receivable from ODFA, totaling \$6,290 and \$22,356 for the allotments not drawn down as of June 30, 2022 and 2021, respectively. A corresponding lease obligations payable to ODFA for the total amounts of the undrawn allotments has also been recorded in unexpended plant funds. All bond issuance costs were expensed.

Future minimum payments for Financed Purchase obligations as of June 30, 2022, are as follows:

Year Ending June 30	ODFA	OCIA	Interest	Total
2023	\$ 9,363	\$ 4,155	\$ 6,268	\$ 19,786
2024	9,171	4,344	5,859	19,374
2025	9,369	4,473	5,416	19,258
2026	9,496	4,676	4,937	19,109
2027	7,733	4,900	4,435	17,068
2028 - 2032	26,556	24,418	15,762	66,736
2033 - 2037	19,022	8,642	7,573	35,237
2038 - 2042	16,447	-	4,195	20,642
2043 - 2047	12,658	-	1,492	14,150
2048 - 2051	2,832	-	179	3,011
Totals	<u>\$ 122,647</u>	<u>\$ 55,608</u>	<u>\$ 56,116</u>	<u>\$ 234,371</u>

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

Lease Obligations

The University leases equipment as well as certain operating and office facilities and land for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2060 and provide for renewal options ranging from six months to five years.

Future minimum annual payments leases are as follows:

Year Ending June 30	Principal	Interest	TOTAL
2023	\$ 2,660	\$ 128	\$ 2,788
2024	1,841	90	1,931
2025	937	65	1,002
2026	443	50	493
2027	210	44	254
2028 - 2032	1,173	139	1,312
2033 - 2037	406	38	444
2038 - 2042	103	28	131
2043 - 2047	108	22	130
2048 - 2052	134	16	150
2053 - 2057	164	8	172
2058 - 2062	72	1	73
	\$ 8,251	\$ 629	\$ 8,880

Note 12: Funds Held In Trust By Others

Beneficial Interest in State School Land Funds

The University has a beneficial interest in the “Section Thirteen Fund State Educational Institutions” and the “New College Fund” held in the care of the Commissioners of the Land Office as Trustees. The University has the right to receive annually 30 percent of the distributions of income produced by “Section Thirteen Fund State Educational Institutions” assets and 100 percent of the distribution of income produced by the University’s “New College Fund.” The University received \$7,826 and \$7,662 during the years ended June 30, 2022 and 2021, respectively, which is restricted to the acquisition of buildings, equipment, or other capital items. Present state law prohibits the distribution of any corpus of these funds to the beneficiaries. The total trust fund for the University, held in trust by the Commissioners of the Land Office, is approximately \$142,249 and \$236,743 as of June 30, 2022 and 2021, respectively.

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

Oklahoma State Regents Endowment Trust Fund

The State has matched contributions received under the Endowed Chair Program. The State match amount, plus retained accumulated earnings, totaled approximately \$287,212 and \$237,712 at June 30, 2022 and 2021, respectively, and is invested by the Oklahoma State Regents on behalf of the University. The University is entitled to receive an annual distribution on these funds; however, since legal title of the State match amount is retained by the Oklahoma State Regents, such funds have not been reflected in the accompanying financial statements. With regard to private matching funds, approximately \$2,920 and \$3,302 from donor matching funds and \$442 and \$515 in institutional matching funds as of June 30, 2022 and 2021, respectively, are on deposit with the Oklahoma State Regents for Higher Education, with the remaining matching funds of approximately \$288,372 and \$300,132 as of June 30, 2022 and 2021, respectively, held by the Oklahoma State University Foundation.

Note 13: Retirement Plans

Beginning in 1935, eligible employees were guaranteed a 50 percent income replacement upon retirement at age 65 or 25 years of service. Upon retirement, an eligible retiree could receive supplemental lifetime income via the OSU Supplement Plan. However, with the establishment of the Teacher's Retirement System of Oklahoma (OTRS) in 1943 and establishment of OSU's Defined Contribution Plan in 1971, with TIAA-CREF as the provider, it was determined that no employees would become eligible for supplemental income after June 30, 1996. However, OSU does continue to have a limited number of retirees (or surviving spouses) receiving monthly income from this Plan.

The University has provided eligible employees the opportunity to participate in a defined contribution plan, the TIAA plan (formerly TIAA-CREF), and two defined benefit plans, the Teachers' Retirement System of Oklahoma (OTRS) and the Supplemental Retirement Plan. Effective June 30, 1996, the University terminated the Supplemental Retirement Plan such that no future retirees will be eligible to receive benefits under the plan.

The TIAA and the OTRS plans are integrated with the University's ongoing retirement program. Effective July 1, 1993, these eligibility requirements were modified; however, any employee eligible under the previous requirements was included in the modified plan pursuant to a grandfather provision. Eligible employees include all faculty, exempt and nonexempt continuous regular staff who are scheduled to work at least 1,560 hours annually. Employees hired after June 30, 2004, are not eligible for the integrated plan. The University's retirement program requires the University to contribute 11.5 percent of salary for employees hired on or after July 1, 1993, and for employees hired before July 1, 1993, the University pays the first \$1.5 of the OTRS cost in the fiscal year plus 10 percent of salary over \$7.8 up to \$48 and 11.5 percent on salary over \$48. These retirement contributions are first distributed to the OTRS on mandatory members and optional members who were grandfathered July 1, 1993, as determined by the calculation of OTRS contributions as defined below (see Contributions). Any remaining retirement contributions are distributed to the TIAA plan.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Effective July 1, 2004, eligible new hires must make a one-time irrevocable election. Eligible employees must choose either the Alternate Retirement Plan (ARP) or OTRS. For those electing OTRS, the University will contribute the required member and employer contributions. For those electing the ARP, the University contributes 11.5 percent of salary. All ARP contributions are forwarded to TIAA. Should the eligible new hire not make an election within 30 days of hire, he/she will be default enrolled in OTRS. Regardless of the election of the new hire, the University makes contributions retroactive to the date of hire. The ARP does have a 100 percent cliff vesting provision of two years. Effective July 1, 2018, eligible new hires who choose OTRS must make the required member contribution.

A summary of the line items on the Statements of Net Position are as follows:

	2022			
	OTRS	OLERS	Supplemental	Total
Net pension liability	\$ (224,504)	\$ (425)	\$ (869)	\$ (225,798)
Deferred outflows of resources	72,034	(2,713)	-	69,321
Deferred inflows of resources	(188,213)	(467)	-	(188,680)

	2021			
	OTRS	OLERS	Supplemental	Total
Net pension liability	\$ (440,340)	\$ (7,070)	\$ (998)	\$ (448,408)
Deferred outflows of resources	145,198	3,059	-	148,257
Deferred inflows of resources	(75,617)	(523)	-	(76,140)

Teachers' Retirement System of Oklahoma (OTRS)

Plan Description

The University contributes to the OTRS, a cost-sharing multiple-employer defined benefit pension plan sponsored by the State of Oklahoma. The OTRS provides retirement, disability, and death benefits to plan members and beneficiaries. The benefit provisions are established and may be amended by the legislature of the State. Title 70 of the Oklahoma Statutes, Sections 17-101 through 17-116.9, as amended, assigns the authority for management and operation of the OTRS to the Board of Trustees of the OTRS. The OTRS issues a publicly available financial report that includes financial statements and supplementary information for the OTRS. That report may be obtained by writing to Oklahoma Teachers Retirement System, P.O. Box 53524, Oklahoma City, Oklahoma, 73152-3524 or by calling (877) 738-6365 (toll free).

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

Benefits Provided

OTRS provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. Title 70 O.S. Sec. 17-105 defines all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature.

Benefit provisions include:

- Members that joined OTRS prior to November 1, 2017, become 100 percent vested in retirement benefits earned to date after five years of credited Oklahoma service. Members who joined OTRS after October 31, 2017, become 100 percent vested in retirement benefits earned to date after seven years of credited Oklahoma service. Members who joined OTRS on June 30, 1992, or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining OTRS after June 30, 1992, are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. For those joining OTRS after October 31, 2011, the reduced benefit provision applies as early as age 60 and at 65 receive unreduced benefits based on years of service. The maximum retirement benefit is equal to 2 percent of final compensation for each year of credited service.
- Final compensation for members who joined OTRS prior to July 1, 1992, is defined as the average salary for the three highest years of compensation. Final compensation for members joining OTRS after June 30, 1992, is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995, to \$40 or \$25, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995, are calculated based on each member's final average compensation, except for certain employees of the state's two comprehensive universities: University of Oklahoma and Oklahoma State University.
- Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100 percent of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.
- Upon the death of a retired member, OTRS will pay \$5 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2 percent of final average compensation for the applicable years of credited service.

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

- Upon separation from OTRS, members' contributions are refundable with interest based on certain restrictions in the plan, or by the IRC.
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

Contributions

Employees of the University, 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 percent is applied to their total compensation. The University made the majority of the system member's required contributions on behalf of its employees in 2022, 2021, and 2020.

For the years ended June 30, 2022, 2021, and 2020, the local employer contribution rate due from the University was 8.55 percent.

The University's total contributions for employer contributions and fees for the years ended June 30, 2022, 2021, and 2020, were \$16,735, \$17,615, and \$19,906, respectively.

The University's contributions for OTRS members for the years ended June 30, 2022, 2021, and 2020, were \$14,847, \$15,993 and \$17,045, respectively, these amounts being the majority of the required contributions for OTRS members for each year.

In addition for the years ended June 30, 2022 and 2021, the State of Oklahoma contributed on-behalf of the University \$12,076 and \$15,937, respectively. The University recognized these contributions in the University's Statement of Revenues, Expenses, and Changes in Net Position as both revenues and compensation and employee benefit expense. These on-behalf payments do not meet the definition of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OTRS

At June 30, 2022 and 2021, the University reported a liability of \$224,504 and \$440,340, respectively, for its proportionate share of the OTRS's net pension liability. The net pension liability was measured as of June 30, 2021 and 2020, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

The University's proportion of the net pension liability was based on its proportionate share based on the University's actual contributions to the plan relative to the actual contributions of the plan from all participating employers. Based upon this information, the University's proportion was 4.39 percent, 4.64 percent, and 5.54 percent for the years ended June 30, 2022, 2021, and 2020, respectively.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

For the years ended June 30, 2022 and 2021, the University recognized pension expense in accordance with GASB Statement No. 68, *Accounting and Reporting for Pensions – an amendment of GASB Statement No. 27* of \$(1,865) and \$77,941, respectively, for the employer share of the pension liability. This expense also includes the \$12,076 and \$15,937, for 2022 and 2021, respectively, on behalf of payments by the State of Oklahoma. At June 30, 2022 and 2021, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,803	\$ 8,349
Changes of assumptions	34,924	2,236
Net difference between projected and actual earning on pension plan investments	-	116,604
Changes in proportion and differences between the University's contributions and the University proportionate share of contributions	5,839	61,024
University's contributions subsequent to the measurement date	16,468	-
Total	\$ 72,034	\$ 188,213
	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,437	\$ 7,458
Changes of assumptions	54,003	6,362
Net difference between projected and actual earning on pension plan investments	37,957	-
Changes in proportion and differences between the University's contributions and the University proportionate share of contributions	14,229	61,797
University's contributions subsequent to the measurement date	17,572	-
Total	\$ 145,198	\$ 75,617

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

As of June 30, 2022 and 2021, the University reported \$16,468 and \$17,572, as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date, that will be recognized as a reduction of the net pension liability in the years ending June 30, 2022 and 2021, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2022, related to the OTRS pension plan will be recognized in pension expense as follows:

Year Ending June 30,	
2023	\$ (31,651)
2024	(26,850)
2025	(31,074)
2026	(41,801)
2027	(1,271)
	<u>\$ (132,647)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2021 and 2020, actuarial valuations were determined using the following actuarial assumptions:

	2022	2021
Valuation date	June 30, 2021	June 30, 2020
Actuarial cost method	Entry age actuarial cost method	
Amortization method	Level percentage of payroll, open	
Remaining amortization period	5 years	
Asset valuation method	5 year market value	
Discount rate	7.00%	7.00%
Investment rate of return	7.00%	7.00%
Inflation rate	2.25%	2.25%
Salary increase rate	3.00%	3.00%
Payroll growth rate	3.00%	3.00%
Retirement age	Experience-based tables of rates based on age, service, and gender	
Mortality tables	Various based upon age and gender	

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2021 and 2020, are summarized in the following tables:

Asset Class	2021	
	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	43.5%	7.5%
International Equity	19.0%	8.5%
Fixed Income	22.0%	2.5%
Real Estate**	9.0%	4.5%
Alternative Assets	<u>6.5%</u>	6.2%
	<u><u>100.0%</u></u>	

**The Real Estate total expected return is a combination of U.S. Direct Real Estate (unlevered) and U.S. Value added Real Estate (unlevered)

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Asset Class	2020	
	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	43.5%	7.5%
International Equity	19.0%	8.5%
Fixed Income	22.0%	2.5%
Real Estate**	9.0%	4.5%
Alternative Assets	6.5%	6.2%
	<u>100.0%</u>	

**The Real Estate total expected return is a combination of U.S. Direct Real Estate (unlevered) and U.S. Value added Real Estate (unlevered)

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent ended June 30, 2022 and 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 5 percent of sales, use, and individual income taxes, as established by statute. Based on these assumptions, OTRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following tables present the net pension liability of the University, prior to the separate ARP allocation, calculated using the discount rate of 7.0 percent and 7.0 percent for June 30, 2022 and 2021, respectively, as well as what the University's net pension liability would be if OTRS calculated the total pension liability using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.00%)	2022 Current Discount Rate (7.00%)	1% Increase (8.00%)
University's proportionate share of the net pension liability	\$ 336,955	\$ 224,504	\$ 106,573

	1% Decrease (6.00%)	2021 Current Discount Rate (7.00%)	1% Increase (8.00%)
University's proportionate share of the net pension liability	\$ 587,705	\$ 440,340	\$ 318,345

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OTRS' financial report.

Payable to the Pension Plan

The University reported a payable of \$1,691 and \$1,968 for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2022 and 2021, respectively.

Defined Contribution Plan

On May 8, 1971, the University approved a contract providing for a funded plan for staff retirement, the TIAA plan. The TIAA plan, which is a defined contribution plan qualified under Internal Revenue Code Section 401(a), provides an annuity in the name of the employee based upon contributions made by the University. All contributions to the TIAA are fully vested immediately.

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

The University's total payroll for the years ended June 30, 2022, 2021, and 2020, was approximately \$515,367, \$485,935, and \$479,193, respectively. The University's contributions to the TIAA were calculated using the base salary amount of approximately \$312,167, \$293,065, and \$287,041 in 2022, 2021, and 2020, respectively. The University funded participant ARP and integrated plan contributions to the TIAA of approximately \$28,246, \$25,939 and \$24,638 in 2022, 2021, and 2020, respectively, which represents approximately 7 percent of covered payroll in each period.

Employees may voluntarily contribute, on a pretax basis, to the 403(b) Supplemental Tax Deferred Annuity Program and/or the 457(b) Deferred Compensation Plan, but such contributions are not considered part of the University's retirement program.

As of June 30, 2022, 2021, and 2020, the TIAA held no related party investments of the University.

Oklahoma Law Enforcement Retirement System (OLERS)

Plan Description

The Oklahoma Law Enforcement Retirement System (OLERS) is administrator of the Oklahoma Law Enforcement Retirement Plan, a cost-sharing defined benefit pension plan established by Oklahoma statutes. OLERS is a component unit of the State of Oklahoma (the "State") and is part of the State's reporting entity. Currently, agencies and/or departments who are members of OLERS are the Oklahoma Highway Patrol and Capitol Patrol of the Department of Public Safety (DPS), the Oklahoma State Bureau of Investigation, the Oklahoma State Bureau of Narcotics and Dangerous Drugs Control, the Alcoholic Beverage Law Enforcement Commission, certain members of the DPS Communications Division, DPS Waterways Lake Patrol Division, park rangers, park managers, and park supervisors of the Oklahoma Tourism and Recreation Department, inspectors of the Oklahoma State Board of Pharmacy and Oklahoma University and Oklahoma State University campus police officers.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OLERS

At June 30, 2022 and 2021, the University reported a liability of \$425 and \$7,070, respectively, for its proportionate share of the OLERS's net pension liability. The net pension liability was measured as of June 30, 2021 and 2020, respectively, and the total pension liability used to calculate the net pension liability which was determined by an actuarial valuation as of those dates.

The University's proportion of the net pension liability was based on its proportionate share based on the University's actual contributions to the plan relative to the actual contributions of the plan from all participating employers. Based upon this information, the University's proportion was 3.16 percent, 3.27 percent, and 3.45 percent for the years ended June 30, 2022, 2021, and 2020, respectively.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

For the years ended June 30, 2021 and 2020, the University recognized pension expense of \$143 and \$2,254, respectively. At June 30, 2022 and 2021, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 400	\$ 61
Changes of assumptions	3	-
Net difference between projected and actual earning on pension plan investments	(3,594)	-
Changes in proportion and differences between the University's contributions and the University proportionate share of contributions	149	406
University's contributions subsequent to the measurement date	<u>329</u>	<u>-</u>
Total	<u>\$ (2,713)</u>	<u>\$ 467</u>
	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 584	\$ 111
Changes of assumptions	11	-
Net difference between projected and actual earning on pension plan investments	1,893	-
Changes in proportion and differences between the University's contributions and the University proportionate share of contributions	259	412
University's contributions subsequent to the measurement date	<u>312</u>	<u>-</u>
Total	<u>\$ 3,059</u>	<u>\$ 523</u>

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Supplemental Retirement Plan

Plan Description

The University sponsors the Supplemental Retirement Plan (the “Plan”), a single-employer public employee retirement system, which was approved in 1971 and terminated as of June 30, 1996. Individuals employed by the University on or after July 1, 1980, when the TIAA-CREF annuity contribution became fully funded, were ineligible for participation in the Plan. Benefits vested upon retirement. The Plan guaranteed eligible employees with 25 years of service, provided they continuously participated in TIAA/CREF and the OTRS, a level of annual retirement benefit if Social Security, the OTRS, and the TIAA-CREF, when applicable, do not equal one-half of the average of the highest three years’ earnings. Authority to establish and amend benefit provisions rests with the Board of Regents. The Plan does not issue a stand-alone financial report.

Funding Policy

Contribution requirements of the University are established and may be amended by the Board of Regents. All contributions are made by the University. Benefits are funded under a “pay as you go” funding method; however, expenses are recorded as benefits accumulate.

Other Postemployment Benefits

Life Insurance

Plan Description

The University pays life insurance premiums for individuals who meet the specified criteria to be considered a retiree as of the last day of continuous regular employment. Eligible retirees must (a) be at least 62 years of age and have at least 10 continuous regular years of service, (b) have worked for the University for at least 25 years in a continuous regular appointment, regardless of age, or (c) meet the OTRS guidelines. In addition, the individual must also have been enrolled in the University’s life insurance program prior to retirement. Each retiree is eligible to receive \$6 of life insurance coverage at an annual cost to the University of \$.00029 per \$1 of coverage. As of June 30, 2022 and 2021, there were approximately 5,900 active employees and 1,900 retirees. Authority to establish and amend benefit provisions rests with the Board of Regents.

Funding Policy

Contribution requirements of the University are established and may be amended by the Board of Regents. All contributions are made by the University. Benefits are funded under a “pay as you go” funding method and there are no plan assets; however, expenses are recorded as benefits accumulate.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Health Care Implicit Rate Subsidy

Plan Description

The University allows retirees to remain in the University's health care plan, although the retiree is required to pay 100 percent of the premium. By allowing retirees to be included in the same pool as active employees, this gives retirees a benefit of a lower premium cost than if the retiree obtained health insurance on his or her own, which is referred to as the implicit rate subsidy. As of June 30, 2022, there were approximately 5,900 active employees and 200 retirees in the health care plan.

Liabilities, Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Postemployment Benefits

At June 30, 2022 and 2021, the University reported a combined liability of \$13,685 and \$18,029, respectively, for the life insurance and health care implicit rate subsidy. For the years ended June 30, 2022 and 2021, the University recognized OPEB expense of \$1,737 and \$2,237 respectively. The University reported deferred outflows of resources related to other postemployment benefits from the following sources for the years ended June 30, 2022 and 2021, as noted below.

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 2,352	\$ 862
Changes of assumptions	<u>5,127</u>	<u>3,592</u>
Total	<u><u>\$ 7,479</u></u>	<u><u>\$ 4,454</u></u>
	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 2,822	\$ 563
Changes of assumptions	<u>5,908</u>	<u>-</u>
Total	<u><u>\$ 8,730</u></u>	<u><u>\$ 563</u></u>

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

The balance as of June 30, 2022, of the deferred outflows (inflows) of resources will be recognized in the OPEB expense in the future fiscal years as noted below.

Years ending June 30:		
2023	\$	624
2024		624
2025		625
2026		625
2027		625
Thereafter		<u>(98)</u>
	<u>\$</u>	<u>3,025</u>

Actuarial Assumptions

The other postemployment liability in the June 30, 2022 and 2021, actuarial valuation was determined using the following actuarial assumptions:

	<u>2022</u>	<u>2021</u>
Valuation date	June 30, 2022	June 30, 2021
Actuarial cost method	Entry Age Normal	
Discount rate	4.09%	2.19%
Inflation rate	3.00%	3.00%
Salary increase rate	3.50%	3.50%
Retirement age	Experience-based tables of rates based on age, service, and gender	
Mortality tables	SOA Pub-2010 Weighted Mortality Table fully generational using Scale MP-2020	SOA Pub-2010 Weighted Mortality Table fully generational using Scale MP-2020

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

Changes in the Other Postemployment Liability

	2022	2021
Total OPEB liability, beginning of year	\$ 18,029	\$ 15,548
Changes for the year		
Service cost	713	630
Interest	400	418
Changes in assumptions	(4,106)	3,029
Differences between expected and actual experience	(413)	(625)
Benefits payments	(938)	(971)
Net change in total OPEB liability	(4,344)	2,481
Total OPEB liability, end of year	\$ 13,685	\$ 18,029

Sensitivity of the Other Postemployment Liability to Changes in the Discount Rate

The following tables present the total other postemployment liability as of June 30, 2022 and 2021, calculated using a discount rate of 4.09 percent and 2.19 percent, respectively, and what it would be using a 1 percent higher and 1 percent lower discount rate.

	2022		
	1% Decrease (3.09%)	Current Discount Rate (4.09%)	1% Increase (5.09%)
University's total other postemployment liability	\$ 15,633	\$ 13,685	\$ 12,100

	2021		
	1% Decrease (1.19%)	Current Discount Rate (2.19%)	1% Increase (3.19%)
University's total other postemployment liability	\$ 20,968	\$ 18,029	\$ 15,689

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Sensitivity of the Other Postemployment Liability to Changes in the Health Care Trend Rates

The following tables present the total other postemployment liability as of June 30, 2022 and 2021, calculated using a health care trend rate starting at a rate 1 percent higher and lower than the initial rate of 8.00 percent and 7.50 percent as of June 30, 2022 and 2021, respectively.

	2022		
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
University's total other postemployment benefit	\$ 13,045	\$ 13,685	\$ 14,443

	2021		
	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
University's total other postemployment benefit	\$ 17,259	\$ 18,029	\$ 18,947

OTRS/Health Care Plan

Plan Description

At retirement, if an employee is enrolled in the OTRS plan and is participating in the University's health care plan, the retiree may elect to continue health insurance coverage in the University's health care plan. OTRS will pay the first one hundred dollars to one hundred and five dollars of monthly premiums for each participating retiree (not dependents). The actual amount paid by OTRS is determined by total service and average salary at retirement.

As of June 30, 2022 and 2021, the University recorded an asset for other postemployment benefits of \$5,597 and \$460 for its proportionate share of the OTRS's OPEB, deferred outflows of \$1,318 and \$2,322 and deferred inflows of \$3,889 and \$1,024, respectively. These balances were measured as of June 30, 2021 and 2020, and were determined by an actuarial valuation.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Actuarial Assumptions

The other postemployment benefit at June 30, 2022 and 2021, was determined using the following actuarial assumptions:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Actuarial cost method	Entry Age Normal	
Discount rate	7.00%	7.00%
Inflation rate	2.25%	2.25%
Salary increase rate	3.00%	3.00%
Investment rate of return	7.00%	7.00%
Retirement age	Experience-based tables of rates based on age, service, and gender	
Mortality tables	Various based upon age and gender	

Sensitivity of the Other Postemployment Benefit to Changes in the Discount Rate

The following tables present the other postemployment benefit, calculated using the current discount rate of 7.00 percent for June 30, 2022 and 2021, respectively, as well as what it would be using a 1 percent higher and 1 percent lower discount rate.

	2022		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
University's proportionate share of the net other postemployment benefit	\$ 3,596	\$ 5,597	\$ 7,293

	2021		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
University's proportionate share of the net other postemployment benefit	\$ 1,669	\$ 460	\$ 2,264

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Note 14: 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.

Oklahoma State 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 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. In 2009, the University reached an agreement to apportion the remaining reserve between the University and the former TPA, American Fidelity Assurance. American Fidelity Assurance assumed all liability for all runoff claims. Effective January 1, 2004, the University's life coverage is handled through an insured plan.

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.

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

The University believes that there is no exposure to pay run-off claims for the previous self-insured program at June 30, 2022. Beginning January 1, 2015, the University's health care program again became self-funded. 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. At June 30, 2022 and 2021, respectively, the University had recorded a liability of approximately \$5,235 and \$3,902, respectively, for claims incurred but not yet paid and is included in accounts payable in the statements of net position.

The University's workers' compensation program is 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. As of June 30, 2022 and 2021, the accrued workers' compensation liability totaled \$4,722 and \$4,983, respectively, computed utilizing a discount rate of 2 percent for each year. The University had claims incurred of \$1,737 and \$1,855 during the years ended June 30, 2022 and 2021, respectively.

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 requires that the University maintain a minimum of \$700 in reserve to cover claims. This minimum cash balance is considered each year during the rate-setting process.

Note 15: Related Party Transactions

A summary of related party transactions during the years ended June 30, 2022 and 2021, including a description of the relationship and operations are as follows:

Oklahoma State University Foundation

Nature of Relationship: 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 the United States.

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

OSU Foundation is governed by an independent Board of Trustees who maintain no position at the University. Although the University does not control the timing or amount of receipts from OSU Foundation, the majority of resources, or income thereon, that OSU Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by OSU Foundation can only be used by, or for the benefit of, the University, OSU Foundation is considered a component unit of the University as defined by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Unit*, and is separately presented.

Description of Operations: OSU Foundation acts largely as a fundraising organization: soliciting, receiving, managing, and disbursing contributions on behalf of the University based on terms of a service agreement. Most of the contributions received are designated by the donors to be used for specific purposes or by specific departments. In these instances, OSU Foundation serves essentially as a conduit. Contributions that are not designated are used where the need is considered greatest, as determined by OSU Foundation.

Related party transactions and funds held by OSU Foundation on behalf of the University are as follows as of and for the years ended June 30:

	2022	2021
Dollar value of transactions for the year ended June 30		
Funds disbursed to or on behalf of the University	\$ 82,249	\$ 84,965
Funds collected from the University	3,821	3,402
Nonmonetary goods distributed to the University	4,492	8,000
Total net assets held on behalf of or for the benefit of the University at June 30	1,394,121	1,342,865
Related party receivables and payables at June 30		
Due to the University	1,290	2,395
Due from the University	2,516	4,320

National Center for Addiction Studies and Treatment Foundation

Nature of Relationship: NCAST is a nonprofit corporation formed to improve the lives of individuals in Oklahoma and across the nation that are affected by pain and substance abuse disorders through exceptional programs in research, education, prevention, treatment, and advocacy.

NCAST is governed by a Board of Directors primarily appointed by the University. The University does not have an ownership interest but has the ability to remove appointed members of the governing body. NCAST is considered a component unit of the University as defined by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Unit*, and is discretely presented.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Description of Operations: NCAST was created as a result of a consent settlement agreement between the State of Oklahoma and Purdue Pharma, Inc. (Purdue) in March 2019. The settlement agreement provided for a \$102,500 payment to be made to NCAST by Purdue. In addition, the owners of Purdue agreed within the settlement agreement to donate \$75,000 to NCAST.

Cowboy Athletics, Inc. (CAI)

Nature of Relationship: CAI is a not-for-profit Oklahoma corporation organized to support 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 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. CAI is considered immaterial to the operations of the University and therefore, is not considered as a component unit.

CAI also 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.

Description of Operations: CAI revenues consist primarily of contributions from the private sector, including individuals and corporations, green fees, pro shop sales, food and beverage sales, and membership fees. Charitable gifts made for use by the University's Department of Intercollegiate Athletics are received, processed, and administered by OSU Foundation. Such contributions may be transferred to CAI at which time CAI recognizes contribution revenue. Other contributions are recorded when received or when a donor has announced an intention to give, and CAI believes that collection is probable. Green fees are recognized when earned. Pro shop sales, and food and beverage sales, are recorded when a sale is made – essentially on the cash basis. Membership fees are assessed on a calendar year basis, are nonrefundable, and are recognized in the year for which they apply. Funds are expended for any purpose consistent with promoting the primary objectives of CAI.

Related party transactions and funds held by CAI on behalf of the University as of and for the years ended June 30:

	2022	2021
Dollar value of transactions for the year ended June 30		
Funds disbursed to or on behalf of the University	\$ 13	\$ 441
Funds collected from the University	3,799	2,366
Nonmonetary goods distributed to the University	2,371	757
Related party receivables and payables at June 30		
Due to the University	13	12
Due from the University	264	8

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

In fiscal year 2022 CAI transferred equipment in the amount of \$537 and supplies in the amount of \$1,834 to the University. The acquisitions are reflected as capital from grants, gifts, and affiliates of \$2,371 in the statement of revenues, expenses, and changes in net position of the University for the year ended June 30, 2022.

In fiscal year 2021 CAI transferred equipment in the amount of \$690 and supplies in the amount of \$67 to the University. The acquisitions are reflected as capital from grants, gifts, and affiliates of \$757 in the statement of revenues, expenses, and changes in net position of the University for the year ended June 30, 2021.

OSU – University Multispectral Laboratories, L.L.C.

Nature of Relationship: OSU – University Multispectral Laboratories, L.L.C. (OSU-UML) is a nonprofit limited liability company founded for the purposes of research, development, testing, evaluation, validation, and verification of sensors and other technologies in support of the global war on terrorism, homeland security, and other related national security requirements for the benefit of the University.

OSU-UML is governed by a board of directors comprised primarily of management of the University. The University is the sole member of OSU-UML. OSU-UML is considered immaterial to the operations of the University and therefore, is not separately presented as a component unit.

Description of Operations: Prior to fiscal year 2019, OSU-UML received and administered funds from federal and state organizations and from private sources for the purpose of carrying out certain research programs of the University. Funds were expended for purposes consistent with promoting the research activities of OSU-UML. The operations of OSU-UML have significantly decreased with limited activity in fiscal years 2022 and 2021. The process has begun for liquidating all accounts receivable and accounts payable and finalizing all federal contracts in preparation for the dissolution of this entity.

In fiscal year 2022 and 2021, OSURF made advances to OSU-UML in the amount of \$0 and \$20, respectively, for which an allowance for the total of the advances was also recorded.

Oklahoma State University Alumni Association

Nature of Relationship: Oklahoma State University Alumni Association (the “Association”) is a not-for-profit corporation formed to provide a corporate body through which alumni may unify their efforts to promote and encourage the growth and development of the University. The Association is considered immaterial to the operations of the University and therefore, is not separately presented as a component unit.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Description of Operations: The Association's revenues consist primarily of dues, investment earnings, support from the University, and revenue from Association sponsored activities. Funds are expended for any purpose consistent with promoting the primary objectives of the Association. Related party transactions and funds held by the Association on behalf of the University are as follows as of and for the years ended:

	2022		2021
Dollar value of transactions for the year ended June 30			
Funds disbursed to or on behalf of the University	\$ 519	\$	333
Funds collected from the University	648		760

Foundation for the McKnight Center for the Performing Arts

Nature of Relationship: The Foundation for the McKnight Center for the Performing Arts (the "McKnight Center") is a not-for-profit corporation formed to provide support and assistance to the University in connection with the performing arts including, but not limited to, providing funding for the performing arts, long-term management, and operations of the McKnight Center. It is considered immaterial to the operations of the University and therefore, is not separately presented as a component unit.

Description of Operations: The McKnight Center revenues consist primarily of program revenue, ticket sales, investment earnings, and support from the Oklahoma State University Foundation. Funds are expended for any purpose consistent with promoting the primary objectives of the McKnight Center.

Note 16: Disclosures About Fair Value of Investments

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. 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.

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

Recurring Measurements

The following tables present 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 June 30, 2022 and 2021:

Description	2022			Total
	Level 1	Level 2	Level 3	
Investments				
U.S. government securities	\$ -	\$ 4,601	\$ -	\$ 4,601
U.S. Treasury notes	-	76,374	-	76,374
Money market funds	11,691	-	-	11,691
Equity securities	-	-	3,121	3,121
Mortgage backed securities	-	2,566	-	2,566
State Regents Endowment Trust	-	791	-	791
Total investments	<u>\$ 11,691</u>	<u>\$ 84,332</u>	<u>\$ 3,121</u>	<u>\$ 99,144</u>

Description	2021			Total
	Level 1	Level 2	Level 3	
Investments				
U.S. government securities	\$ -	\$ 8,222	\$ -	\$ 8,222
U.S. Treasury notes	-	74,821	-	74,821
Money market funds	17,618	-	-	17,618
Equity securities	-	-	3,165	3,165
Mortgage backed securities	-	2,667	-	2,667
State Regents Endowment Trust	-	740	-	740
Total investments	<u>\$ 17,618</u>	<u>\$ 86,450</u>	<u>\$ 3,165</u>	<u>\$ 107,233</u>

U.S. government securities, U.S. Treasury notes, mortgage backed securities, and State Regents Endowment Trust funds are valued on the basis of evaluated prices provided by independent pricing services when such processes are believed to reflect the fair market value of such securities and are classified within Level 2 of the fair value hierarchy.

Money market funds are principally valued at the regular trading session closing price on the exchange or market in which such funds are principally traded, on the last business day of each period presented and are classified within Level 1 of the fair value hierarchy.

Equity interest in a closely held entity is accounted for as an equity method investment and is not included in the table above.

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

Note 17: Commitments, Contingent Liabilities, and Uncertainties

The University had outstanding commitments under construction contracts of approximately \$100,672 and \$34,605 at June 30, 2022 and 2021, respectively.

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 financial position.

The University participates in certain federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

Note 18: Natural Classifications with Functional Classifications

The University's operating expenses by functional classification were as follows for the years ended June 30, 2022 and 2021:

Year Ended June 30, 2022									
Natural Classification									
Functional Classification	Compensation and Employee Benefits	Contractual Services	Supplies and Materials	Utilities	Communications	Other Operating Expenses	Scholarships and Fellowships	Depreciation Expense	Total
Instruction	\$ 232,670	\$ 30,462	\$ 8,521	\$ 1,441	\$ 1,313	\$ 8,138	\$ -	\$ -	\$ 282,545
Research	97,998	17,365	10,731	560	394	6,210	-	-	133,258
Public service	54,613	12,685	2,557	106	456	5,901	-	-	76,318
Academic support	51,177	14,384	2,574	62	542	15,998	-	-	84,737
Student services	28,500	3,178	603	-	303	1,350	-	-	33,934
Institutional support	27,817	3,915	1,574	-	293	4,353	-	-	37,952
Operation of plant	17,711	22,748	1,227	23,452	400	2,553	-	-	68,091
Scholarships	1,335	1	2	-	-	88	81,582	-	83,008
Auxiliary enterprises	120,477	133,192	22,798	11,269	1,545	30,841	-	-	320,122
Depreciation	-	-	-	-	-	-	-	98,499	98,499
Total expenses	<u>\$ 632,298</u>	<u>\$ 237,930</u>	<u>\$ 50,587</u>	<u>\$ 36,890</u>	<u>\$ 5,246</u>	<u>\$ 75,432</u>	<u>\$ 81,582</u>	<u>\$ 98,499</u>	<u>\$ 1,218,464</u>
Year Ended June 30, 2021									
Natural Classification									
Functional Classification	Compensation and Employee Benefits	Contractual Services	Supplies and Materials	Utilities	Communications	Other Operating Expenses	Scholarships and Fellowships	Depreciation Expense	Total
Instruction	\$ 251,424	\$ 23,608	\$ 9,009	\$ 1,909	\$ 1,080	\$ 3,531	\$ -	\$ -	\$ 290,561
Research	113,855	16,158	10,532	519	386	3,013	-	-	144,463
Public service	62,928	16,598	2,835	99	430	3,968	-	-	86,858
Academic support	59,794	11,865	5,163	30	640	20,747	-	-	98,239
Student services	29,723	2,499	431	3	387	717	-	-	33,760
Institutional support	30,046	3,377	73	-	254	1,544	-	-	35,294
Operation of plant	17,846	24,639	942	22,345	325	477	-	-	66,574
Scholarships	1,212	-	2	-	-	71	60,304	-	61,589
Auxiliary enterprises	116,994	111,275	23,743	10,286	1,460	18,111	-	-	281,869
Depreciation	-	-	-	-	-	-	-	95,476	95,476
Total expenses	<u>\$ 683,822</u>	<u>\$ 210,019</u>	<u>\$ 52,730</u>	<u>\$ 35,191</u>	<u>\$ 4,962</u>	<u>\$ 52,179</u>	<u>\$ 60,304</u>	<u>\$ 95,476</u>	<u>\$ 1,194,683</u>

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Note 19: Current Economic Conditions

As a result of the spread of the SARS-COV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations, and cash flows of the University. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

**Notes to Financial Statements –
Oklahoma State University Foundation**

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Note 20: Discretely Presented Component Unit – Oklahoma State University Foundation (Not in Thousands)

Organization

Oklahoma State University Foundation (the “Foundation”) is a not-for-profit corporation formed in 1961 to promote the educational, benevolent, and scientific purposes of Oklahoma State University (the “University” or “OSU”). The Foundation, through the contributions it receives, provides funds for University projects and programs which cannot be funded by appropriations or grants from state and federal governments, or for which existing appropriations are inadequate.

Reporting Entity

The consolidated financial statements include the assets, liabilities, net assets, changes in net assets, and cash flows of the Foundation and affiliates. The Foundation has approximately 5,900 active component funds, two affiliated organizations, and two single-member limited liability companies. The affiliated organizations, the Foundation for Engineering at Oklahoma State University, Inc. (FEOSU), which was incorporated on October 10, 2008, and Multilateral Endowment Management Company (MEMCO) incorporated on July 18, 2019, are included with the Foundation in the accompanying consolidated financial statements because the Foundation has an economic interest in the organizations and controls the affiliated organizations’ Board of Trustees. Further, distributions made by FEOSU exclusively benefit the charitable purposes of the Foundation. The Foundation is also the sole member of the Oklahoma State University Student Foundation, LLC and the OSU Foundation Real Estate, LLC and as such the accompanying consolidated financial statements include all assets, liabilities, revenues, and expenses of the LLCs. All material interorganization transactions of the affiliated organization and the LLCs have been eliminated in consolidation. The Foundation, its affiliate, and the LLCs are collectively referred to as the Foundation throughout these consolidated financial statements.

Operations

The Foundation acts primarily as a fundraising organization, soliciting, receiving, managing, and disbursing contributions on behalf of the University. Distribution of amounts held in the funds of the Foundation is subject to the approval of the Foundation and the availability of monies. Accordingly, the accompanying consolidated financial statements generally reflect expenditures which have been submitted to and approved by the Foundation as of the financial reporting date.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Note 20: Discretely Presented Component Unit – Oklahoma State University Foundation (Not in Thousands) (Continued)

Basis of Presentation

The Foundation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The ASC is the single source of authoritative guidance for accounting principles generally accepted in the United States of America (U.S. GAAP) for nongovernmental entities. The Foundation's consolidated financial statements have been prepared on the accrual basis of accounting and to ensure the observance of limitations and restrictions placed on the use of available resources, the Foundation maintains its accounts in accordance with the principles and practices of fund accounting. All interfund activities have been eliminated in the accompanying consolidated financial statements.

Concentrations of Credit

The Foundation has certain concentrations of credit risk with financial institutions in the form of uninsured cash and time deposits. For purposes of evaluating credit risk, the stability of financial institutions conducting business with the Foundation is periodically reviewed and management believes that credit risks related to such balances are minimal.

The Foundation received contributions from four and six donors totaling approximately \$48,863,000 and \$24,705,000 in the years ended June 30, 2022 and 2021, respectively. These contributions represent 30 percent and 23 percent of total contribution revenue in 2022 and 2021, respectively. Net contributions receivable totaling approximately \$77,493,000 and \$65,126,000 are due from 11 donors at June 30, 2022 and 2021, respectively. These receivables represent approximately 62 percent and 58 percent of total net contributions receivable at June 30, 2022 and 2021, respectively.

The Foundation has a closely held stock that represents approximately 11 percent and 10 percent of the total investment balance at June 30, 2022 and 2021, respectively.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Note 20: Discretely Presented Component Unit – Oklahoma State University Foundation (Not in Thousands) (Continued)

Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2022	2021
Cash and cash equivalents	\$ 6,235,971	\$ 7,305,433
Short-term investments and unrestricted liquid investments	225,656,921	223,671,977
Interest and other receivables	3,139,372	1,934,767
Notes receivables	-	875,000
Unendowed investments	61,894,959	45,209,221
Endowment spending-rate distributions	30,955,860	27,254,590
	\$ 327,883,083	\$ 306,250,988

The Foundation’s endowment funds consist of donor-restricted endowments and funds designated as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

Consistent with the objectives of the Foundation’s investment policy, cash and investments are managed such that funds are available as expenditures, liabilities, and other obligations come due. As part of the Foundation’s liquidity management plan, the Foundation invests cash in excess of expected short-term needs in short-term investments.

The Foundation receives management fees on funds held in the investment pool and a gift allocation on gifts received. For the fiscal year ending June 30, 2022, management fees and gift allocations were approximately \$10,794,000 and \$2,021,000, respectively. For the fiscal year ending June 30, 2021, management fees and gift allocations were approximately \$10,825,000 and \$2,560,000, respectively. The management fees and gift allocation provide funds necessary to fulfill the Foundation’s general expenditure obligation.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Note 20: Discretely Presented Component Unit – Oklahoma State University Foundation (Not in Thousands) (Continued)

Investments

Investments consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Marketable securities		
Fixed income		
Cash and short-term funds	\$ 98,535,041	\$ 53,454,005
Global fixed income mutual funds	51,460,657	47,632,811
U.S. fixed income mutual funds	803,491	954,610
Equity		
Long-only - domestic	39,639,605	29,527,410
Long-only - emerging markets	810,004	1,016,690
Long-only - global	1,522,979	2,222,182
Long-only - international	13,185,948	3,167,990
Hedged Equity - diversifiers	34,782,152	29,192,627
Hedged Equity - long/short funds	6,656,964	14,127,097
Real asset securities - public	2,736,653	3,316,820
Total marketable securities	<u>250,133,494</u>	<u>184,612,242</u>
Nonmarketable securities		
Hedged equity - credit related	51,333,763	63,682,270
Hedged equity - multistrategy funds	169,328	151,055
Hedged equity - long/short funds	126,872,943	145,332,616
Hedged equity - diversifiers	83,675,179	97,182,064
Hedged equity - event driven	32,109,248	46,234,863
Long-only - emerging markets	34,117,497	29,958,556
Long-only - international	61,648,852	106,704,896
Private equity	416,873,041	378,400,821
Fixed income - global fixed income fund	17,581,619	9,159,784
Real assets		
Private funds	56,157,885	46,813,423
Closely held stock	134,170,724	122,399,145
Total nonmarketable securities	<u>1,014,710,079</u>	<u>1,046,019,493</u>
Total investments	<u>\$1,264,843,573</u>	<u>\$1,230,631,735</u>

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Note 20: Discretely Presented Component Unit – Oklahoma State University Foundation (Not in Thousands) (Continued)

Net investment returns consists of the following for the years ended June 30:

	2022	2021
Interest and dividends	\$ 8,989,059	\$ 9,559,253
Investment fees	(7,320,677)	(3,261,734)
Net realized gains on investments carried at fair value	73,493,311	69,085,191
Net unrealized gains on investments carried at fair value	(83,358,335)	152,870,502
Change in fair value of perpetual trusts	(2,167,193)	1,711,442
Net investment returns	\$ (10,363,835)	\$ 229,964,654

Contributions, Interest, and Other Receivables

Unconditional contributions receivable, including amounts due under pledge agreements, are expected to be collected as follows at June 30:

	2022	2021
Contributions receivable in		
Less than one year	\$ 49,875,406	\$ 41,090,632
One year to five years	83,388,970	82,287,602
Over five years	50,803,746	43,421,573
	184,068,122	166,799,807
Less:		
Unamortized discount (2.25% - 8.81%)	48,155,503	44,013,038
Allowance for uncollectible pledges	10,485,474	11,152,965
	\$125,427,145	\$111,633,804

The Foundation has raised substantial conditional and unconditional contributions which, at least in part, are for the purpose of qualifying for the Pickens Legacy Scholarship match program. The matching funds are to be provided through the estate of a significant donor and as such are considered conditional; however, the funds raised to be matched by this conditional gift which are the result of cash payments and/or unconditional promises to give have been recognized as contribution revenue net of a discount to present value in the period in which the contribution was made and/or unconditional promise was received.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Note 20: Discretely Presented Component Unit – Oklahoma State University Foundation (Not in Thousands) (Continued)

Unconditional contributions receivable net of discount and allowance that are with donor restrictions are described in the table below at June 30:

	2022	2021
Intercollegiate athletics	\$ 50,352,291	\$ 47,140,705
General University support	33,454,109	14,503,344
Awards and scholarships	7,281,394	8,142,227
Facilities and equipment	33,060,861	40,815,953
Other	1,278,490	1,031,575
	<u>\$125,427,145</u>	<u>\$111,633,804</u>

Conditional promises to give are substantially the result of the Foundation being named as the beneficiary in an estate plan or a valid will. No amounts have been recognized in the consolidated financial statements for conditional promises to give because the conditions on which they depend have not been substantially met. The Foundation does not currently have sufficient information to estimate the amounts of conditional promises to give.

Interest and other receivables consist of the following at June 30:

	2022	2021
Interest and other receivables		
Receivable from OSU	\$ 2,516,032	\$ 1,394,480
Accrued interest and other receivables	623,340	540,287
	<u>\$ 3,139,372</u>	<u>\$ 1,934,767</u>

Interest and other receivables are expected to be collected within one year.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Note 20: Discretely Presented Component Unit – Oklahoma State University Foundation (Not in Thousands) (Continued)

Endowment Disclosures

The Foundation's endowment consists of approximately 3,900 and 3,700 funds at June 30, 2022 and 2021, respectively, established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The trustees of the Foundation have chosen to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are expended by the Foundation in a manner consistent with the standard of prudence prescribed by OK UPMIFA. In accordance with OK UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Note 20: Discretely Presented Component Unit – Oklahoma State University Foundation (Not in Thousands) (Continued)

Endowment net asset composition by type of fund as of June 30, 2022, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 695,064,082	\$ 695,064,082
Board-designated endowment funds	127,213,737	-	127,213,737
Total endowment funds	\$ 127,213,737	\$ 695,064,082	\$ 822,277,819

Endowment net asset composition by type of fund as of June 30, 2021, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 718,269,747	\$ 718,269,747
Board-designated endowment funds	95,655,358	-	95,655,358
Total endowment funds	\$ 95,655,358	\$ 718,269,747	\$ 813,925,105

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Note 20: Discretely Presented Component Unit – Oklahoma State University Foundation (Not in Thousands) (Continued)

Changes in endowment net assets for the year ended June 30, 2022, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 95,655,358	\$ 718,269,747	\$ 813,925,105
Investment return			
Interest and dividends	509,681	3,969,922	4,479,603
Investment fees	(574,459)	(4,461,790)	(5,036,249)
Net realized and unrealized gains	(1,881,892)	(14,611,756)	(16,493,648)
Total investment return	<u>(1,946,670)</u>	<u>(15,103,624)</u>	<u>(17,050,294)</u>
Donor-restricted additions			
Current-year endowment contributions	-	15,691,915	15,691,915
Collection of current and prior-year pledges	-	4,039,388	4,039,388
Transfers of prior-year contributions	-	1,781,135	1,781,135
Total donor-restricted additions	<u>-</u>	<u>21,512,438</u>	<u>21,512,438</u>
Management fee	(1,225,214)	(10,451,459)	(11,676,673)
Appropriation of endowment assets for expenditure	(2,384,266)	(24,733,340)	(27,117,606)
Reinvestment of amounts appropriated	16,834	5,018,306	5,035,140
Reclassification - donor directed	(44,725)	(245,996)	(290,721)
Transfers from Board-designated and donor-restricted endowment funds	<u>37,142,420</u>	<u>798,010</u>	<u>37,940,430</u>
Endowment net assets, end of year	<u>\$ 127,213,737</u>	<u>\$ 695,064,082</u>	<u>\$ 822,277,819</u>

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Note 20: Discretely Presented Component Unit – Oklahoma State University Foundation (Not in Thousands) (Continued)

Changes in endowment net assets for the year ended June 30, 2021, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 74,067,651	\$ 574,509,743	\$ 648,577,394
Investment return			
Interest and dividends	573,348	4,616,611	5,189,959
Investment fees	(266,440)	(2,148,682)	(2,415,122)
Net realized and unrealized gains	18,457,100	148,381,338	166,838,438
Total investment return	<u>18,764,008</u>	<u>150,849,267</u>	<u>169,613,275</u>
Donor-restricted additions			
Current-year endowment contributions	-	24,223,723	24,223,723
Collection of current- and prior-year pledges	-	2,389,453	2,389,453
Transfers of prior-year contributions	-	624,800	624,800
Total donor-restricted additions	<u>-</u>	<u>27,237,976</u>	<u>27,237,976</u>
Management fee	(1,309,139)	(10,541,627)	(11,850,766)
Appropriation of endowment assets for expenditure	(2,322,820)	(24,037,064)	(26,359,884)
Reinvestment of amounts appropriated	64,000	502,216	566,216
Reclassification - donor directed	-	(280,990)	(280,990)
Transfers from Board-designated and donor-restricted endowment funds	<u>6,391,658</u>	<u>30,226</u>	<u>6,421,884</u>
Endowment net assets, end of year	<u>\$ 95,655,358</u>	<u>\$ 718,269,747</u>	<u>\$ 813,925,105</u>

In addition to permanently restricted endowment funds, the Foundation also has interests in perpetual trusts and charitable remainder trusts which are managed by third parties, charitable trusts which are managed by the Foundation, and permanently restricted contributions receivable. These assets are not a part of the Foundation's endowment and therefore are not included in the endowment disclosures.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Note 20: Discretely Presented Component Unit – Oklahoma State University Foundation (Not in Thousands) (Continued)

Fair Value Measurements

The Foundation's Investment Committee, appointed by the Board of Trustees, is responsible for the overall management of the Foundation's investments, including evaluating, hiring, and terminating external service providers, the primary custodial bank, consultants, and securities lending agents. The authority for investment decisions and retention of additional custodians and brokers, when appropriate to accomplish or facilitate an investment transaction, is delegated to MEMCO in accordance with the investment management agreement between the Foundation and MEMCO and MEMCO's fiduciary duties to the Foundation. The Committee 1) reviews the total investment programs, 2) establishes and maintains the Investment Policy statement, including asset allocation guidelines, and 3) reviews performance, capabilities, systems, and staffing of MEMCO. MEMCO performs all duties necessary for the efficient administration and management of Investment Assets. MEMCO is also responsible for the day-to-day operations involving due diligence. The valuation process for investments is the responsibility of MEMO and all other fair value measurements are the responsibility of the Foundation's accounting department. Fair value measurements for beneficial interests in trusts and funds held on behalf of OSU and Cowboy Athletics are prepared by the Foundation's accounting department and approved by the Board of Trustees during its review and approval of the Foundation's periodic internal financial statements.

The methods and assumptions used to estimate the fair value of assets and liabilities in the consolidated financial statements, including a description of the methodologies used for the classifications within the fair value hierarchy, are as follows:

Cash and Cash Equivalents

The asset's carrying amount approximates fair value due to its short maturity.

Investments

All of the Foundation's marketable securities are valued by nationally recognized third-party pricing services, except for certain commodities which are valued by the fund/account manager. The Foundation gives highest priority to quoted prices in active markets for identical assets accessed at the measurement date. An active market for the asset is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis and the Foundation classifies all such assets as Level 1. The Foundation gives a Level 2 priority to valuation prices where the valuation process involves inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly, using the market approach. Level 2 inputs under the market approach include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets where there is not sufficient activity, and/or where price quotations vary substantially either over time or among market makers, or in which little information is released publicly. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Note 20: Discretely Presented Component Unit – Oklahoma State University Foundation (Not in Thousands) (Continued)

Nonmarketable securities, except for closely held stock, are carried at fair value which is based on the NAV as provided by the fund manager and/or adjusted by the Foundation. The Foundation uses management agreements, analyst notes, audited financial statements, and underlying investment holdings to evaluate the fund manager's valuation methodology, *i.e.*, in determining whether the fund manager follows ASC 820 and considers various other factors including contributions and withdrawals to the fund and monitoring unaudited interim reporting to determine if any adjustment to the NAV is necessary. Closely held stock is carried at fair value which is based on independent appraisal or Foundation management. Closely held stock is categorized as Level 3 in the fair value hierarchy.

Contributions Receivable

The asset is carried at cost net of a discount to present value using a rate which is commensurate with the risks involved on the gift date and an allowance for uncollectible accounts at the financial reporting date. Risks associated with individual gifts are assessed annually through the Foundation's review of the status of each gift. Fair value is the price a market participant would pay to acquire the right to receive the cash flows inherent in the promise to pay. Due to inclusion of a discount to net present value and allowance for uncollectible accounts, the carrying value approximates fair value.

Interest and Other Receivables

The asset is carried at cost, which approximates fair value due to the short maturity of such amounts.

Other Property Investments

The asset's carrying amount is based on the fair value of the assets at the time of donation or purchase, *i.e.*, cost basis, and reduced for impairments to their net realizable value based on facts and circumstances at the time of the determination. Property investments are not held for long-term investment purposes; therefore, management believes the carrying amount approximates fair value.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Note 20: Discretely Presented Component Unit – Oklahoma State University Foundation (Not in Thousands) (Continued)

Beneficial Interests in Trusts

The beneficial interest is carried at fair value, which is based on the present value of the expected future cash inflows from the trusts. The fair value of the underlying trust assets is based on quoted market prices when available or the best estimate of fair value as determined by the third-party trustee. The Foundation's valuation technique considers the fair value of the assets held in the trust and applies a discount rate to convert such amounts to a single present value amount when appropriate. The discount rate used by the Foundation reflects current market conditions including the inherent risk in the underlying assets and the risk of nonperformance by the trustee. Due to the significant unobservable inputs required to estimate the expected future cash receipts from the trust agreements under the income approach, the Foundation's beneficial interest is classified as Level 3 in the hierarchy.

Other Assets

The primary other asset is cash surrender values on life insurance policies for which the Foundation is the beneficiary, and as such, the carrying value approximates fair value.

OSU Support Payable and Accounts Payable and Accrued Liabilities

The carrying amount of the liabilities approximates fair value due to the short maturity of such amounts.

Funds Held on Behalf of OSU and Cowboy Athletics

The liabilities are carried at fair value as determined using the income approach (expected future cash outflows). Fair value is based on the fair value of the cash and investment assets held by the Foundation for the benefit of OSU and Cowboy Athletics. The specific assets held have been classified within the hierarchy for investments (as discussed above) or are cash and cash equivalents. The related and associated liability is classified as Level 3 in the hierarchy as there is no market for a similar liability and certain principal inputs, *i.e.*, fair value inputs of nonmarketable assets in the portfolio and management's allocation for shares in the pool, are unobservable and significant to the overall fair value measurement.

Obligations Under Split-Interest Agreements

The liabilities' fair value is determined by discounting the future cash flows at rates that could currently be negotiated by the Foundation for borrowings of similar amounts. The carrying value approximates the liabilities' fair value.

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

Note 20: Discretely Presented Component Unit – Oklahoma State University Foundation (Not in Thousands) (Continued)

Unearned Revenue, Line of Credit, and Note Payable

The liabilities are carried at cost, which approximates fair value due to the short maturity of those amounts and the variable rates of the notes payable.

Assets and liabilities measured at fair value on a recurring basis are classified within the fair value hierarchy at June 30, 2022, as follows:

	Total	Level 1	Level 2	Level 3
Assets				
Marketable securities				
Fixed income				
Cash and short-term funds	\$ 98,535,041	\$ 98,535,041	\$ -	\$ -
Global fixed income mutual funds	51,460,657	6,492,951	44,967,706	-
U.S. fixed income mutual funds	803,491	803,491	-	-
Equities				
Long-only - domestic	39,639,605	6,498,330	33,141,275	-
Long-only - emerging markets	810,004	810,004	-	-
Long-only - global	1,522,979	1,522,979	-	-
Long-only - international	13,185,948	13,185,948	-	-
Hedged Equity - diversifiers	34,782,152	34,782,152	-	-
Hedged Equity - long/short	6,656,964	6,656,964	-	-
Real asset securities - public	2,736,653	2,736,653	-	-
Total marketable securities	<u>250,133,494</u>	<u>172,024,513</u>	<u>78,108,981</u>	<u>-</u>
Nonmarketable securities				
Nonmarketable securities at NAV (a)				
	880,539,355	-	-	880,539,355
Closely held stock	134,170,724	-	-	134,170,724
Total nonmarketable securities	<u>1,014,710,079</u>	<u>-</u>	<u>-</u>	<u>1,014,710,079</u>
Total investments	1,264,843,573	172,024,513	78,108,981	1,014,710,079
Beneficial interests in trusts	25,989,398	-	-	25,989,398
Total assets	<u>\$ 1,290,832,971</u>	<u>\$ 172,024,513</u>	<u>\$ 78,108,981</u>	<u>\$ 1,040,699,477</u>
Liabilities				
Funds held on behalf of OSU	\$ 7,939,891	\$ -	\$ -	\$ 7,939,891
Funds held on behalf of Cowboy Athletics	-	-	-	-
Total liabilities	<u>\$ 7,939,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,939,891</u>

- (a) In accordance with ASC 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

Note 20: Discretely Presented Component Unit – Oklahoma State University Foundation (Not in Thousands) (Continued)

Assets and liabilities measured at fair value on a recurring basis are classified within the fair value hierarchy at June 30, 2021, as follows:

	Total	Level 1	Level 2	Level 3
Assets				
Marketable securities				
Fixed income				
Cash and short-term funds	\$ 53,454,005	\$ 53,454,005	\$ -	\$ -
Global fixed income mutual funds	47,632,811	6,880,205	40,752,606	-
U.S. fixed income mutual funds	954,610	954,610	-	-
Equities				
Long-only - domestic	29,527,410	20,078,939	9,448,471	-
Long-only - emerging markets	1,016,690	1,016,690	-	-
Long-only - global	2,222,182	2,222,182	-	-
Long-only - international	3,167,990	3,167,990	-	-
Hedged Equity - diversifiers	29,192,627	29,192,627	-	-
Hedged Equity - long/short	14,127,097	14,127,097	-	-
Real asset securities - public	3,316,820	3,316,820	-	-
Total marketable securities	<u>184,612,242</u>	<u>134,411,165</u>	<u>50,201,077</u>	<u>-</u>
Nonmarketable securities				
Nonmarketable securities at NAV (a)				
	923,620,348	-	-	923,620,348
Closely held stock	122,399,145	-	-	122,399,145
Total nonmarketable securities	<u>1,046,019,493</u>	<u>-</u>	<u>-</u>	<u>1,046,019,493</u>
Total investments	1,230,631,735	134,411,165	50,201,077	1,046,019,493
Beneficial interests in trusts	27,662,850	-	-	27,662,850
Total assets	<u>\$ 1,258,294,585</u>	<u>\$ 134,411,165</u>	<u>\$ 50,201,077</u>	<u>\$ 1,073,682,343</u>
Liabilities				
Funds held on behalf of OSU	\$ 8,319,914	\$ -	\$ -	\$ 8,319,914
Funds held on behalf of Cowboy Athletics	1,162,377	-	-	1,162,377
Total liabilities	<u>\$ 9,482,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,482,291</u>

- (a) In accordance with ASC 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Note 20: Discretely Presented Component Unit – Oklahoma State University Foundation (Not in Thousands) (Continued)

The following table summarizes the purchases and issuance of the Foundation's Level 3 assets and liabilities:

	Closely Held Stock	Beneficial Interests in Trusts	Funds Held on Behalf of OSU
Purchases/issuances	\$ -	\$ -	\$ -
Contributions	-	820,205	-
Total purchases/issuances and contributions	<u>\$ -</u>	<u>\$ 820,205</u>	<u>\$ -</u>

In the ordinary course of business, the Foundation is subject to risk from adverse fluctuations in foreign exchange, interest rates, and commodity prices. The Foundation manages these risks through use of derivative financial instruments, primarily futures, and forward contracts. These contracts are short-term commitments (approximately eight weeks) to buy or sell at a future date a commodity or currency at a contracted price and may be settled in cash or through delivery. Counterparties to these contracts are major financial institutions. The Foundation is exposed to credit loss in the event of nonperformance by these counterparties. There were no derivative assets as of June 30, 2022, or June 30, 2021. Realized and unrealized gains (losses) on derivatives are recorded as net investment return in the consolidated statements of activities.

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

Note 20: Discretely Presented Component Unit – Oklahoma State University Foundation (Not in Thousands) (Continued)

The Foundation's investments in certain entities that calculate net asset value (NAV) per share and for which there is not a readily determinable fair value are summarized by category as follows:

	Fair Value		Unfunded Commitments		Redemption	Redemption	Gate	Lock Up Period	Holdback
	June 30,		June 30,		Frequency	Notice			
	2022	2021	2022	2021	(If Currently Eligible)	Period			
Equities:									
Hedged equity - credit-related:									
Fund BQ	16,054,746	17,037,637	-	-	Quarterly	60 days	Master Fund Level - 20%	N/A	N/A
Fund BR	7,835,764	11,840,943	-	-	Quarterly	90 days	Investor Level - 25%	N/A	N/A
Fund DP	5,938,292	12,184,948	-	-	Quarterly	90 days	Investor Level - 25%	1 Year - Hard and Soft Lock	5%
Fund DV	1,298,212	5,377,779	-	-	Quarterly	90 days	Investor Level - 25%	N/A	5%
Fund DY	1,800,971	1,868,987	-	-	Quarterly	90 days	Investor Level - 25%	3 Year - Hard Lock	5%
Fund EA	10,847,496	9,110,257	-	-	Monthly	90 days	Investor Level - 25%	3 Year - Hard Lock	5%
Fund EB	7,558,282	6,261,719	-	-	Monthly	90 days	Investor Level - 25%	N/A	5%
Total hedged equity - credit-related	51,333,763	63,682,270	-	-					
Hedged equity - multistrategy funds	169,328	151,055	-	-	Illiquid	N/A	N/A	N/A	N/A
Hedged equity - long/short funds:									
Fund M	28,483,284	34,396,793	-	-	Quarterly	60 days	Investor Level - 20%	N/A	5%
Fund O	-	12,080,556	-	-	Quarterly	45 days	N/A	N/A	5%
Fund X	52,787	1,068,517	-	-	Quarterly	45 days	N/A	N/A	5%
Fund CN	9,404,204	13,244,055	-	-	Quarterly	60 days	N/A	3 Year - Soft Lock	5%
Fund CQ	12,013,228	16,977,105	-	-	Monthly	30 days	Investor Level - 25%	1 Year - Soft Lock	N/A
Fund DZ	2,321,783	5,022,043	-	-	Quarterly	60 days	Fund Level - 20%	3 Year - Hard Lock	5%
Fund EF	10,793,174	8,142,948	-	-	Monthly	30 days	N/A	N/A	N/A
Fund EI	10,153,863	11,044,589	-	-	Quarterly	60 days	Investor Level - 20%	15 Month - Hard Lock	5%
Fund EK	21,280,676	17,719,524	-	-	Quarterly	120 days	Investor Level - 25%	1 Year - Hard Lock	5%
Fund EQ	4,529,036	7,419,984	-	-	Quarterly	60 days	N/A	1 Year - Hard Lock	5%
Fund EV	10,348,492	10,026,116	-	-	Quarterly	30 days	Master Fund Level - 20%	1 Year - Soft Lock	N/A
Fund FD	3,578,673	2,986,360	-	-	Quarterly	60 days	N/A	3 Year Hard Lock; 1 Year Soft Lock	N/A
Fund GA	6,362,918	-	-	-	Quarterly	60 days	Master Fund Level - 25%	Soft Lock 0-12 months 5% 12-24 months 3%	N/A
Fund GO	7,550,825	5,204,026	-	-	Monthly	60 days	N/A	N/A	N/A
Total hedged equity - long/short funds	126,872,943	145,332,616	-	-					
Hedged equity - diversifiers:									
Fund A	21,861,138	24,904,280	-	-	Quarterly	60 days	Master Fund Level - 20%	N/A	10%
Fund N	5,083,012	16,232,956	-	-	Quarterly	60 days	N/A	N/A	10%
Fund BK	-	16,743,277	-	-	Quarterly	65 days	N/A	N/A	5%
Fund BT	6,561,469	3,936,321	-	-	Monthly	14 days	N/A	N/A	N/A
Fund CP	19,793,819	12,084,596	-	-	Monthly	26 days	N/A	N/A	10%
Fund DS	1,122,987	1,247,449	-	-	Monthly	45 days	N/A	N/A	N/A
Fund EH	11,428,946	11,706,030	-	-	Monthly	45 days	N/A	1 Year - Soft Lock	N/A
Fund FH	17,823,808	10,327,155	-	-	Monthly	60 days	N/A	1 Year - Soft Lock	5%
Total hedged equity - diversifiers	83,675,179	97,182,064	-	-					
Hedged equity - event-driven									
Fund W	30,415,009	39,322,989	-	-	Biennial	90 days	N/A	2 Years - Hard Lock	5%
Fund BB	1,694,239	6,911,874	-	-	Quarterly	15 days	Investor Level - 12.5%	N/A	3%
Total hedged equity - event-driven	32,109,248	46,234,863	-	-					

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

Note 20: Discretely Presented Component Unit – Oklahoma State University Foundation (Not in Thousands) (Continued)

	Fair Value		Unfunded Commitments		Redemption Frequency (If Currently Eligible)	Redemption Notice Period	Gate	Lock Up Period	Holdback
	2022	June 30, 2021	2022	June 30, 2021					
Long-only - emerging markets									
Fund B	\$ 738,330	\$ 995,419	\$ -	\$ -	Daily	28 days	N/A	N/A	N/A
Fund BI	21,040,404	16,302,113	-	-	Daily	5 days	Fund Level - 20%	N/A	N/A
Fund BV	12,338,763	12,661,024	-	-	Quarterly	45 days	N/A	N/A	N/A
Total long-only - emerging markets	34,117,497	29,958,556	-	-					
Equities:									
Long-only - international									
Fund AB	21,846,336	38,712,627	-	-	Monthly	6 days	N/A	N/A	N/A
Fund EC	-	23,663,219	-	-	Quarterly	90 days	Investor Level - 50% Master Fund Level - 20%	1 Year - Hard Lock	N/A
Fund EU	11,986,177	11,456,065	-	-	Quarterly	90 days	Investor Level - 25%	1 Year - Soft Lock	10%
Fund EW	18,988,762	21,450,533	-	-	Daily	1 day	N/A	N/A	N/A
Fund EX	8,827,577	11,422,452	-	-	Quarterly	60 days	Master Fund Level - 33%	N/A	5%
Total long-only - international	61,648,852	106,704,896	-	-					
Private equity									
Fund AF	559,464	553,563	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund AG	1,281,518	1,457,901	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund AH	5,435,201	6,765,149	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund AL	1,452,791	2,248,505	480,017	480,017	Illiquid	N/A	N/A	N/A	N/A
Fund AM	88,782	100,172	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund AN	58,616	849,369	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund AQ	-	240,832	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund AR	9,302,735	11,113,659	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund AS	27,713,910	36,568,324	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund BE	6,059,473	13,427,852	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund BF	5,568,931	21,777,480	1,798,686	1,798,696	Illiquid	N/A	N/A	N/A	N/A
Fund BG	14,234,116	16,871,876	2,573,377	1,754,117	Illiquid	N/A	N/A	N/A	N/A
Fund BH	881,112	968,298	863,957	863,957	Illiquid	N/A	N/A	N/A	N/A
Fund BL	15,650,474	18,531,872	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund CI	6,016,489	5,143,183	743,435	743,435	Illiquid	N/A	N/A	N/A	N/A
Fund CJ	13,072	14,994	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund BX	-	6,341,953	-	1,890,000	Illiquid	N/A	N/A	N/A	N/A
Fund BY	7,761,688	2,265,361	1,222,818	4,791,539	Illiquid	N/A	N/A	N/A	N/A
Fund BZ	4,508,988	3,086,741	20,000	400,000	Illiquid	N/A	N/A	N/A	N/A
Total forward	106,587,360	148,327,084	7,702,290	12,721,761					

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Note 20: Discretely Presented Component Unit – Oklahoma State University Foundation (Not in Thousands) (Continued)

	Fair Value		Unfunded Commitments		Redemption Frequency (If Currently Eligible)	Redemption Notice Period	Gate	Lock Up Period	Holdback
	2022	June 30, 2021	2022	June 30, 2021					
Total forward	\$ 106,587,360	\$ 148,327,084	\$ 7,702,290	\$ 12,721,761					
Private equity (continued)									
Fund CA	1,028,012	565,732	57,500	82,500	Illiquid	N/A	N/A	N/A	N/A
Fund CB	5,019,984	3,295,866	342,174	1,000,000	Illiquid	N/A	N/A	N/A	N/A
Fund CC	5,767,619	6,567,280	1,750,000	2,170,000	Illiquid	N/A	N/A	N/A	N/A
Fund CD	9,294,438	11,452,737	5,135,302	5,135,302	Illiquid	N/A	N/A	N/A	N/A
Fund CE	10,481,998	12,569,119	1,205,999	1,929,369	Illiquid	N/A	N/A	N/A	N/A
Fund CM	2,608,769	2,612,348	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund CR	12,056,819	18,247,248	130,764	153,357	Illiquid	N/A	N/A	N/A	N/A
Fund CS	13,243,380	14,644,101	3,001,571	1,918,990	Illiquid	N/A	N/A	N/A	N/A
Fund CT	14,024,929	12,626,065	1,461,696	3,090,639	Illiquid	N/A	N/A	N/A	N/A
Fund CU	-	1,855,924	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund CV	3,696,827	2,184,091	400,000	400,000	Illiquid	N/A	N/A	N/A	N/A
Fund CW	8,615,651	5,760,966	536,152	2,460,938	Illiquid	N/A	N/A	N/A	N/A
Fund CX	23,371,234	21,726,607	284,465	6,136,914	Illiquid	N/A	N/A	N/A	N/A
Fund CY	1,911,626	1,636,978	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund CZ	11,306,904	7,689,091	896,875	1,680,000	Illiquid	N/A	N/A	N/A	N/A
Fund DA	16,944,413	10,788,456	3,371,469	8,812,347	Illiquid	N/A	N/A	N/A	N/A
Fund DB	3,418,073	1,816,505	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund DC	13,536,221	13,968,627	1,838,378	1,562,788	Illiquid	N/A	N/A	N/A	N/A
Fund DD	3,465,012	2,185,281	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund DF	16,674,625	17,624,685	-	877,067	Illiquid	N/A	N/A	N/A	N/A
Fund DG	8,652,949	4,890,751	-	3,395,000	Illiquid	N/A	N/A	N/A	N/A
Fund DH	8,818,974	4,545,850	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund DI	8,237,438	4,788,996	3,934,720	5,973,153	Illiquid	N/A	N/A	N/A	N/A
Fund DK	12,644,769	2,694,453	-	2,400,000	Illiquid	N/A	N/A	N/A	N/A
Fund DL	4,005,355	4,708,059	-	8,993,748	Illiquid	N/A	N/A	N/A	N/A
Fund DM	5,611,606	977,558	2,877,237	5,617,834	Illiquid	N/A	N/A	N/A	N/A
Fund DN	508,322	367,441	605,000	655,000	Illiquid	N/A	N/A	N/A	N/A
Fund DO	6,868,921	4,560,826	2,146,818	4,066,818	Illiquid	N/A	N/A	N/A	N/A
Fund DQ	38,138	352,657	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund DT	1,593,294	611,155	4,962,437	6,088,565	Illiquid	N/A	N/A	N/A	N/A
Fund ED	1,604,915	661,138	2,400,000	3,200,000	Illiquid	N/A	N/A	N/A	N/A
Fund EE	17,449,314	13,534,298	1,750,429	4,900,068	Illiquid	N/A	N/A	N/A	N/A
Fund EG	1,809,445	2,507,500	-	-	Daily	N/A	N/A	Lock up until transaction occurs	N/A
Fund EJ	2,390,915	308,827	79,191	1,691,173	Illiquid	N/A	N/A	N/A	N/A
Fund EL	617,189	533,740	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund EM	1,630,898	(4,688)	808,867	2,250,000	Illiquid	N/A	N/A	N/A	N/A
Fund EN	579,132	535,482	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund EO	6,344,222	1,300,000	4,300,000	8,700,000	Illiquid	N/A	N/A	N/A	N/A
Fund ER	973,246	98,877	744,720	1,900,000	Illiquid	N/A	N/A	N/A	N/A
Fund EY	4,885,805	779,776	2,533,580	6,164,900	Illiquid	N/A	N/A	N/A	N/A
Fund FB	-	-	4,000,000	4,000,000	Illiquid	N/A	N/A	N/A	N/A
Fund FC	1,040,985	999,999	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund FE	4,663,739	3,742,542	4,925,424	6,446,183	Illiquid	N/A	N/A	N/A	N/A
Fund FF	7,813,011	2,511,507	3,868,688	8,146,596	Illiquid	N/A	N/A	N/A	N/A
Fund FG	1,778,546	1,698,075	89,825	140,960	Illiquid	N/A	N/A	N/A	N/A
Fund FI	567,420	250,000	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund FK	1,245,484	-	7,595,548	9,000,000	Illiquid	N/A	N/A	N/A	N/A
Fund FL	7,780,879	2,301,211	4,761,080	9,515,113	Illiquid	N/A	N/A	N/A	N/A
Fund FM	609,431	-	-	5,000,000	Illiquid	N/A	N/A	N/A	N/A
Fund FN	6,735,776	-	8,613,883	15,000,000	Illiquid	N/A	N/A	N/A	N/A
Fund FO	699,375	-	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund FQ	747,424	-	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund FW	650,819	-	7,746,980	-	Illiquid	N/A	N/A	N/A	N/A
Fund FX	221,411	-	1,275,000	-	Illiquid	N/A	N/A	N/A	N/A
Fund FZ	3,500,000	-	6,300,000	-	Illiquid	N/A	N/A	N/A	N/A
Fund GB	500,000	-	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund GD	-	-	10,000,000	-	Illiquid	N/A	N/A	N/A	N/A
Fund GE	-	-	15,000,000	-	Illiquid	N/A	N/A	N/A	N/A
Fund GF	-	-	2,000,000	-	Illiquid	N/A	N/A	N/A	N/A
Fund GH	-	-	5,000,000	-	Illiquid	N/A	N/A	N/A	N/A
Fund GI	-	-	10,000,000	-	Illiquid	N/A	N/A	N/A	N/A
Fund GJ	-	-	7,250,000	-	Illiquid	N/A	N/A	N/A	N/A
Fund GK	-	-	15,000,000	-	Illiquid	N/A	N/A	N/A	N/A
Fund GL	-	-	10,000,000	-	Illiquid	N/A	N/A	N/A	N/A
Fund GM	-	-	15,000,000	-	Illiquid	N/A	N/A	N/A	N/A
Total private equity	416,873,041	378,400,821	193,684,062	173,377,083					

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

Note 20: Discretely Presented Component Unit – Oklahoma State University Foundation (Not in Thousands) (Continued)

	Fair Value		Unfunded Commitments		Frequency (If Currently Eligible)	Redemption Notice Period	Gate	Lock Up Period	Holdback
	June 30, 2022	2021	2022	June 30, 2021					
Fixed-income - global fixed-income fund									
Fund DX	\$ -	\$ 550,619	\$ -	\$ -	Illiquid	N/A	N/A	N/A	N/A
Fund DR	17,581,619	8,256,278	-	-	Daily	1 day	N/A	N/A	N/A
Fund EZ	-	352,887	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund FA	-	-	-	500,000	Illiquid	N/A	N/A	N/A	N/A
Total fixed-income - global fixed income	<u>17,581,619</u>	<u>9,159,784</u>	<u>-</u>	<u>500,000</u>					
Private:									
Fund AV	391,095	610,285	100,000	100,000	Illiquid	N/A	N/A	N/A	N/A
Fund AW	6,991,569	5,949,258	1,258,743	1,456,392	Illiquid	N/A	N/A	N/A	N/A
Fund BJ	6,935,572	7,505,721	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund CF	12,903,702	10,951,713	4,108,425	5,079,737	Illiquid	N/A	N/A	N/A	N/A
Fund CG	6,938,143	5,866,006	369,573	683,135	Illiquid	N/A	N/A	N/A	N/A
Fund DE	6,384,237	6,830,306	128,126	1,486,606	Illiquid	N/A	N/A	N/A	N/A
Fund DJ	2,368,382	1,773,510	189,864	189,864	Illiquid	N/A	N/A	N/A	N/A
Fund ES	4,655,842	-	3,830,490	8,000,000	Illiquid	N/A	N/A	N/A	N/A
Fund ET	8,589,343	7,326,624	-	673,376	Illiquid	N/A	N/A	N/A	N/A
Total private	<u>56,157,885</u>	<u>46,813,423</u>	<u>9,985,221</u>	<u>17,669,110</u>					
	<u>\$ 880,539,355</u>	<u>\$ 923,620,348</u>	<u>\$ 203,669,283</u>	<u>\$ 191,546,193</u>					

Equities – hedged equity – credit-related – Funds which invest long and short in a variety of global debt and equity securities, with investment strategies including long/short corporate and asset-backed credit, credit arbitrage, and structured credit.

Equities – hedged equity – multi-strategy funds – Fund that invests in a wide range of global investment strategies through master feeder fund structures. The investment strategies primarily include long/short equity, arbitrage, and other relative value strategies, corporate credit, structured credit, and global currencies.

Equities – hedged equity – long/short funds – Funds which invest in global equity securities both long and short.

Equities – hedged equity – diversifier funds – Funds that invest in a wide range of global investment strategies through master feeder structures. The strategies primarily include relative value, systematic, and discretionary global macro.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Note 20: Discretely Presented Component Unit – Oklahoma State University Foundation (Not in Thousands) (Continued)

Equities – hedged equity – event-driven funds – A fund that invests across the capital structure in a wide range of global securities, with a focus on near- to medium-term catalyst.

Equities – long-only – domestic equities fund – A fund that invests in common and preferred stock from issuers located primarily in the United States.

Equities – long-only – emerging markets funds – Funds which invest in common and preferred stock from issuers in emerging market countries.

Equities – long-only – international funds – Funds that invest in common and preferred stock from issuers in emerging market countries.

Equities – private equity funds – Funds structured as limited partnerships and trusts, which invest in a variety of areas including foreign investments, growth equities, performing and distressed debt, emerging markets, diversified fund of funds, and mid-market growth companies. The private equity category is mature, with existing commitments in their harvest periods. The Foundation anticipates receiving half of the distributions over the next three years and then remaining distributions will decrease until fully distributed by approximately 2027. The Foundation intends to utilize these distributions to acquire additional private equity investments.

Fixed income – global fixed income fund – Fund which seeks to generate absolute returns regardless of market conditions through strategic investment in countries, currencies, sectors, and securities.

Global equity futures – Funds which invest long and short in a wide range of equities.

Real assets – private funds – Funds structured as limited partnerships to invest in private real assets. This category is mature, with existing commitments in their harvest periods. The Foundation anticipates receiving half of the distributions over the next three years and then remaining distributions will decrease until fully distributed by approximately 2027. The Foundation intends to utilize these distributions to acquire additional private equity investments.

Oklahoma State University
Notes to Financial Statements
June 30, 2022 and 2021
(In Thousands)

Note 20: Discretely Presented Component Unit – Oklahoma State University Foundation (Not in Thousands) (Continued)

The following table summarizes the valuation techniques and significant unobservable inputs used for the Foundation’s assets and liabilities that are categorized within Level 3 of the fair value hierarchy:

Investment Type	Fair Value, June 30,		Valuation Techniques	Unobservable Input (c)
	2022	2021		
Assets				
Closely held stock	\$ 134,170,724	\$ 122,399,145	Market approach	EBITDA multiple (b) EBITDA transactions (b) Book multiple (b)
			Income approach	Capitalization rate Discount for lack of marketability (a)
Beneficial interest in trusts	25,989,398	27,662,850	Discounted cash flows	Discount rate (a) Expected rate of return (d)
Liabilities				
Funds held on behalf of OSU	7,939,891	8,319,914	Income approach	Present value of future cash outflows (e) Discount rate (a)
Funds held on behalf of Cowboy Athletics	-	1,162,377	Income approach	Present value of future cash outflows (e) Discount rate (a)

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Note 20: Discretely Presented Component Unit – Oklahoma State University Foundation (Not in Thousands) (Continued)

- a) Represents amounts used when the Foundation has determined that market participants would take into account these discounts or premiums when pricing the asset or liability.
- b) Represents amounts used when the Foundation has determined that market participants would use such multiples when pricing the investments.
- c) Significant increases or decreases in any of the above unobservable inputs in isolation may result in a significantly lower or higher fair value measurement.
- d) Represents the net fair market value of assets to be paid to the Foundation based on terms stated in the trust agreement.
- e) Represents the respective agency's ownership interest in the Foundation's investment pool, *i.e.*, the underlying assets which are measured at fair value. The unobservable inputs for the custodial liability are the same as those for the Foundation's investment pool as disclosed.

**Notes to Financial Statements –
National Center for Addiction Studies
and Treatment Foundation**

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Note 21: Discretely Presented Component Unit – National Center for Addiction Studies and Treatment (Not in Thousands)

Nature of Operations and Reporting Entity

The National Center for Addiction Studies and Treatment Foundation (the “Foundation”), is a nonprofit 501(c)(3) Oklahoma corporation established in 2019. The Foundation is a component unit of Oklahoma State University. The mission of the Foundation is “to improve the lives of individuals in Oklahoma and across the nation that are affected by pain and substance abuse disorders through exceptional programs in research, education, prevention, treatment, and advocacy.”

The Foundation was created as a result of a consent settlement agreement and decree between the State of Oklahoma and Purdue Pharma, Inc. (Purdue) in March 2019. The settlement was reached as a result of litigation filed by the Attorney General of Oklahoma on behalf of the state against Purdue alleging certain actions taken by Purdue that led to the opioid crisis within the state. The settlement agreement provided for a \$102,500,000 payment to be made to the Foundation by Purdue. In addition, the owners of Purdue agreed within the settlement agreement to donate \$75,000,000 to the Foundation.

Basis of Accounting and Presentation

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Operating revenues and expenses include exchange transactions. Investment income is included in nonoperating revenues (expenses). When an expense is incurred that can be paid using either restricted or unrestricted resources, the Foundation’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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2021 and 2020, cash equivalents consisted primarily of money market sweep accounts.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Note 21: Discretely Presented Component Unit – National Center for Addiction Studies and Treatment (Not in Thousands) (Continued)

Investments and Investment Income

Investments are carried at fair value. Fair value is determined using quoted market prices. Investment income includes dividend and interest income.

Net Position

Net position of the Foundation is classified in two components on the accompanying balance sheet.

- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or donors external to the Foundation. At December 31, 2021 and 2020, restricted expendable net position was available for support of the National Center for Addiction Studies and Treatment at Oklahoma State University's Center for Health Sciences.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Classification of Revenues

The Foundation has classified its revenues as either operating or nonoperating revenues according to the following criteria.

Operating revenues include activities that have the characteristics of exchange transactions or nonexchange transactions that constitute the Foundation's principal ongoing operations, such as:

1. Gifts and contributions
2. Settlement income

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, but do not constitute the Foundation's principal ongoing operations, such as:

1. Other revenue sources that are defined as nonoperating revenues by Governmental Accounting Standards Board (GASB) Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*
2. Investment income classified under GASB Statement No. 34

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Note 21: Discretely Presented Component Unit – National Center for Addiction Studies and Treatment (Not in Thousands) (Continued)

Income Taxes

The Foundation is organized as an Oklahoma nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in 501(c)(3). Contributions to the Foundation qualify for the charitable contribution deduction under Section 170(b)(1)(A). The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Foundation has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS for the years ended December 31, 2020 and 2019.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. The Foundation's deposit policy for custodial credit risk requires compliance with the provisions of state law.

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 in the Foundation's name, or invested in U.S. government obligations. At December 31, 2021 and 2020, none of the Foundation's bank balances of \$25,000 were exposed to custodial credit risk.

Investments

The Foundation may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities.

At December 31, 2021 and 2020, the Foundation had deposits in a money market investment account of \$133,890,139 and \$118,872,742, respectively, which are included in cash and cash equivalents on the accompanying balance sheet.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Investments that are held for longer periods of time are subject to increased risk of adverse interest changes. Neither the Foundation nor state statutes limit investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The money market mutual funds noted above are an investment with a maturity of less than one year because the average maturity of the funds is less than one year.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Note 21: Discretely Presented Component Unit – National Center for Addiction Studies and Treatment (Not in Thousands) (Continued)

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Foundation's policy to limit its investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. At December 31, 2021 and 2020, the Foundation's investments in money market mutual funds were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty the Foundation will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investments held by counterparty are held in the Foundation's name.

Concentration of Credit Risk

The Foundation places no limit on the amount that may be invested in any one issuer. At December 31, 2021 and 2020, no investments in any one organization (other than those issued or sponsored by the U.S. government) represented 5 percent of total investments.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the accompanying balance sheet as follows:

	<u>2021</u>	<u>2020</u>
Carrying value		
Deposits	\$ 25,000	\$ 25,000
Investments	<u>133,890,139</u>	<u>118,872,742</u>
	<u>\$ 133,915,139</u>	<u>\$ 118,897,742</u>
Included in the following balance sheet caption		
Cash and cash equivalents	<u>\$ 133,915,139</u>	<u>\$ 118,897,742</u>

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Note 21: Discretely Presented Component Unit – National Center for Addiction Studies and Treatment (Not in Thousands) (Continued)

Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset 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.
- Level 3** Unobservable inputs supported by little or no market activity and significant to the fair value of the assets.

Recurring Measurements

The money market mutual funds of \$133,890,139 and \$118,872,742 are recognized in the accompanying financial statements measured at fair value on a recurring basis and are considered Level 1 investments at December 31, 2021 and 2020, respectively.

Investments

Where quoted market prices are available in an active market, investments 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 investments are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy. The Foundation had no Level 2 or Level 3 investments at December 31, 2021 and 2020.

Oklahoma State University

Notes to Financial Statements

June 30, 2022 and 2021

(In Thousands)

Note 21: Discretely Presented Component Unit – National Center for Addiction Studies and Treatment (Not in Thousands) (Continued)

Contributions Receivable

The contribution receivable consisted of one contribution from the owners of Purdue of \$75,000,000 to be paid out over five years beginning in January 2020 and continuing each January for the following four years. The discount rate was 2.2 percent for 2021 and 2020 based on the risk-free rate of return at the time of the valuation of the contribution receivable.

The contribution receivable at December 31, consisted of:

	2021			2020		
	Less than 1 Year	1-3 Years	Total	Less than 1 Year	1-3 Years	Total
Unconditional promises	\$ 15,000,000	\$ 30,000,000	\$ 45,000,000	\$ 15,000,000	\$ 45,000,000	\$ 60,000,000
Less unamortized discount	(954,244)	(968,182)	(1,922,426)	(1,258,640)	(1,922,426)	(3,181,066)
	<u>\$ 14,045,756</u>	<u>\$ 29,031,818</u>	<u>\$ 43,077,574</u>	<u>\$ 13,741,360</u>	<u>\$ 43,077,574</u>	<u>\$ 56,818,934</u>

Required Supplementary Information

Oklahoma State University
Required Supplementary Information
June 30, 2022 and 2021
Last 10 Fiscal Years**
(in Thousands)

Schedule of the University's Proportionate Share of the Net Pension Liability

The amounts presented for each fiscal year were determined as of the end of the preceding fiscal year.

<i>Teachers' Retirement System of Oklahoma</i>	2022	2021	2020	2019	2018	2017	2016	2015
University's proportion of the net pension liability	4.3900%	4.6400%	5.5440%	5.9220%	5.5830%	5.5670%	5.1780%	4.9700%
University's proportionate share of the net pension liability	\$ 224,504	\$ 440,340	\$ 366,900	\$ 360,499	\$ 374,579	\$ 475,317	\$ 314,435	\$ 269,092
University's covered-employee payroll	\$ 212,096	\$ 243,507	\$ 262,813	\$ 267,127	\$ 257,521	\$ 261,793	\$ 257,521	\$ 254,514
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	106.00%	192.74%	150.67%	137.17%	140.23%	184.57%	120.11%	104.49%
Plan fiduciary net position as a percentage of the total pension liability	80.80%	63.47%	71.56%	72.70%	69.30%	62.20%	70.30%	0.00%

**This schedule is presented to illustrate the requirements to show information for ten years. However, until a full ten-year trend is compiled, the University only presents information for those years for which information is available.

Oklahoma State University
Required Supplementary Information
June 30, 2022 and 2021
Last 10 Fiscal Years**
(in Thousands)

Schedule of University Contributions

<i>Teachers' Retirement System of Oklahoma</i>	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 16,735	\$ 17,615	\$ 19,906	\$ 23,287	\$ 24,581	\$ 24,797	\$ 25,362	\$ 24,776
Contributions in relation to the contractually required contribution	<u>16,735</u>	<u>17,615</u>	<u>19,906</u>	<u>23,287</u>	<u>24,581</u>	<u>24,797</u>	<u>25,362</u>	<u>24,776</u>
Contribution deficiency (excess)	<u>\$ -</u>							
University's covered-employee payroll	\$ 212,096	\$ 228,469	\$ 243,507	\$ 262,813	\$ 267,127	\$ 257,521	\$ 261,793	\$ 257,521
Contributions as a percentage of covered-employee payroll	7.89%	7.71%	8.17%	8.86%	9.20%	9.63%	9.69%	9.62%

** This schedule is presented to illustrate the requirements to show information for ten years. However, until a full ten-year trend is compiled, the University only presents information for those years for which information is available.

Oklahoma State University
Required Supplementary Information
June 30, 2022 and 2021
Last 10 Fiscal Years**
(in Thousands)

Notes to Schedule

Benefit Changes

There were no changes to benefit terms for OTRS for the years ended June 30, 2022, 2021, or 2020.

Changes of Assumptions

Actuarial assumptions used in the June 30, 2020, valuation were changed as follows:

Discount rate was decreased to 7.00 percent

Investment Rate of Return was decreased to 7.00 percent

Inflation was decreased to 2.25 percent

Salary increases were composed of 2.25 percent inflation, plus 0.75 percent productivity increase rate.

Actuarial assumptions used in the June 30, 2017, valuation were changed as follows:

Salary increases were composed of 3.25 percent inflation, including 2.50 percent, plus a service-related component ranging from 0.00 percent to 8.00 percent based on years of service.

Actuarial assumptions used in the June 30, 2016, valuation were changed as follows:

Inflation was increased to 2.50 percent

Investment Rate of Return was decreased to 7.50 percent

There were no changes to assumptions in the valuation report for the years ended June 30, 2015, June 30, 2018, or June 30, 2019.

Oklahoma State University
Required Supplementary Information
June 30, 2022 and 2021
Last 10 Fiscal Years**
(in Thousands)

Schedule of Changes in Total OPEB Liability and Related Ratios

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Service cost	\$ 713	\$ 630	\$ 490	\$ 337
Interest	400	418	492	275
Changes in assumptions	(4,106)	3,029	1,541	2,923
Difference between expected and actual experience	(413)	(625)	11	4,220
Benefits payments	<u>(938)</u>	<u>(971)</u>	<u>(1,013)</u>	<u>(958)</u>
Net change in total OPEB liability	(4,344)	2,481	1,521	6,797
Total OPEB liability - beginning	18,029	15,548	14,027	7,230
Total OPEB liability - ending	<u>\$ 13,685</u>	<u>\$ 18,029</u>	<u>\$ 15,548</u>	<u>\$ 14,027</u>
Covered employee payroll	401,146	389,462	382,395	370,358
Total OPEB liability as a percentage of covered payroll	3.41%	4.63%	4.07%	3.79%

** This schedule is presented to illustrate the requirements to show information for ten years. However, until a full ten-year trend is compiled, the University only presents information for those years for which information is available.

Notes to Schedule

Benefit Changes

There were no changes to benefit terms the years ended June 30, 2022, 2021, 2020, or 2019.

Changes of Assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2022	4.09%
2021	2.19%
2020	2.66%
2019	3.51%

Supplementary Information

Oklahoma State University
Revenue Bond Systems Outstanding
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2022
(in Thousands)

	SU 2002	Okmulgee Series 2004
Revenues and Other Additions		
Sales	\$ 20,042	\$ -
Other revenues	1,596	-
Student activity fees	1,469	318
Investment income	16	-
	<u>23,123</u>	<u>318</u>
Total revenues and other additions		
	<u>23,123</u>	<u>318</u>
Expenditures		
Compensation and employee benefits	4,724	-
Utilities	755	-
Travel	19	-
Maintenance	434	-
Equipment purchases	138	-
Insurance	139	-
Other operating expenses	12,619	14
Telephone	35	-
	<u>18,863</u>	<u>14</u>
Total expenditures		
	<u>18,863</u>	<u>14</u>
Transfers Among Funds		
From (to) General University funds and accounts	25	-
From (to) other funds	(3,089)	(827)
	<u>(3,064)</u>	<u>(827)</u>
Total transfers		
	<u>(3,064)</u>	<u>(827)</u>
Net Increase (Decrease) for the Year	1,196	(523)
Fund Balance, Beginning of Year	<u>8,534</u>	<u>598</u>
Fund Balance, End of Year	<u>\$ 9,730</u>	<u>\$ 75</u>

Oklahoma State University
Combining Schedule of Net Position by Campus
June 30, 2022
(in Thousands)

	Oklahoma State University Stillwater	Oklahoma State University Institute of Technology	Oklahoma State University Oklahoma City	Oklahoma State University Center for Health Sciences	Oklahoma State University Tulsa	Combined Totals
Assets						
Current assets						
Cash and cash equivalents	\$ 162,724	\$ 11,206	\$ 17,574	\$ 61,946	\$ 4,446	\$ 257,896
Accounts receivable, net	71,259	5,775	9,046	17,754	349	104,183
Investments	78,354	4,117	2,771	12,831	280	98,353
Interest receivable	234	-	-	1	-	235
Current portion of lease receivable	1,305	155	306	169	61	1,996
Current portion of student loans receivable, net	795	-	3	-	-	798
Inventories	8,866	421	-	118	3	9,408
Total current assets	<u>323,537</u>	<u>21,674</u>	<u>29,700</u>	<u>92,819</u>	<u>5,139</u>	<u>472,869</u>
Noncurrent assets						
Cash and cash equivalents	113,908	6,651	3,178	27,968	3,905	155,610
Accounts receivable, net	105	-	-	-	-	105
Investments	516	275	-	-	-	791
Lease interest receivable	7	-	-	-	-	7
Lease receivable	9,731	178	33	613	1,764	12,319
Receivables from state agencies	15	-	-	6,275	-	6,290
Loans to students, net	7,155	-	24	-	-	7,179
Other postemployment benefits	4,360	259	203	624	151	5,597
Capital assets, net of accumulated depreciation	1,759,165	52,773	44,092	188,544	7,679	2,052,253
Total noncurrent assets	<u>1,894,962</u>	<u>60,136</u>	<u>47,530</u>	<u>224,024</u>	<u>13,499</u>	<u>2,240,151</u>
Total assets	<u>2,218,499</u>	<u>81,810</u>	<u>77,230</u>	<u>316,843</u>	<u>18,638</u>	<u>2,713,020</u>
Deferred outflows of resources	<u>80,288</u>	<u>5,798</u>	<u>3,447</u>	<u>7,166</u>	<u>2,616</u>	<u>99,315</u>
Liabilities						
Current liabilities						
Accounts payable	60,800	959	1,581	6,496	213	70,049
Unearned revenue	31,650	2,427	1,718	5,304	401	41,500
Student and other deposits	185	73	-	-	-	258
Accrued compensated absences	9,475	803	311	3,330	252	14,171
Accrued workers' compensation claims	1,737	-	-	-	-	1,737
Current portion of revenue bonds and lease obligations	33,835	1,817	591	4,036	852	41,131
Total current liabilities	<u>137,682</u>	<u>6,079</u>	<u>4,201</u>	<u>19,166</u>	<u>1,718</u>	<u>168,846</u>

Oklahoma State University
Combining Schedule of Net Position by Campus
June 30, 2022
(in Thousands)

	Oklahoma State University Stillwater	Oklahoma State University Institute of Technology	Oklahoma State University Oklahoma City	Oklahoma State University Center for Health Sciences	Oklahoma State University Tulsa	Combined Totals
Noncurrent liabilities						
Accrued compensated absences	\$ 13,169	\$ 931	\$ 393	\$ 8,202	\$ 304	\$ 22,999
Landfill closure and postclosure costs	3,500	-	-	-	-	3,500
Accrued workers' compensation claims	2,985	-	-	-	-	2,985
Student deposits	556	219	-	-	-	775
Revenue bonds payable	660,170	-	-	-	-	660,170
Revenue bonds premium payable	57,253	-	-	-	-	57,253
Accounts payable for noncurrent assets	5,859	345	81	4,707	18	11,010
Accrued interest payable	9,310	-	-	3	17	9,330
Federal loan program contribution payable	7,070	-	-	-	-	7,070
Pension liability	177,906	14,974	11,156	13,972	7,790	225,798
Other postemployment benefits	10,820	667	519	1,344	335	13,685
Asset retirement obligation	565	-	1	41	1	608
OCIA capital lease obligation	37,756	2,864	3,273	1,800	5,759	51,452
ODFA master lease program	45,579	6,988	8,262	52,406	49	113,284
Obligations under other capital leases	2,359	284	14	1,883	1,051	5,591
Total noncurrent liabilities	<u>1,034,857</u>	<u>27,272</u>	<u>23,699</u>	<u>84,358</u>	<u>15,324</u>	<u>1,185,510</u>
Total liabilities	<u>1,172,539</u>	<u>33,351</u>	<u>27,900</u>	<u>103,524</u>	<u>17,042</u>	<u>1,354,356</u>
Deferred inflows of resources	<u>167,351</u>	<u>9,651</u>	<u>7,496</u>	<u>22,670</u>	<u>7,492</u>	<u>214,660</u>
Net position						
Net investment in capital assets	971,331	40,578	31,892	130,687	(37)	1,174,451
Restricted for						
Nonexpendable	680	119	-	-	-	799
Expendable						
Scholarships, research, instruction, and other	247	(154)	523	(119)	(34)	463
Loans	3,509	228	13	183	-	3,933
Capital projects	62,525	7,625	3,073	27,927	3,721	104,871
Debt service	3,103	-	-	-	(16)	3,087
Unrestricted	<u>(82,498)</u>	<u>(3,790)</u>	<u>9,780</u>	<u>39,137</u>	<u>(6,914)</u>	<u>(44,285)</u>
Total net position	<u>\$ 958,897</u>	<u>\$ 44,606</u>	<u>\$ 45,281</u>	<u>\$ 197,815</u>	<u>\$ (3,280)</u>	<u>\$ 1,243,319</u>

Oklahoma State University
Combining Schedule of Changes in Revenues, Expenses, and Net Position by Campus
Year Ended June 30, 2022
(in Thousand)

	Oklahoma State University Stillwater	Oklahoma State University Institute of Technology	Oklahoma State University Oklahoma City	Oklahoma State University Center for Health Sciences	Oklahoma State University Tulsa	Combined Totals
Operating Revenues						
Tuition and fees, net of scholarship allowance	\$ 263,196	\$ 10,122	\$ 7,406	\$ 23,842	\$ 9,922	\$ 314,488
Federal appropriations	13,221	-	-	-	-	13,221
Federal grants and contracts	78,529	3,250	1,470	29,221	7	112,477
State and local grants and contracts	22,721	68	352	1,368	-	24,509
Nongovernmental grants and contracts	32,691	24	1,378	1,048	-	35,141
Sales and services of educational departments	12,457	-	-	62,191	-	74,648
Auxiliary enterprises charges	191,182	6,597	4,772	144,704	665	347,920
Interest earned on loans to students	210	-	-	-	-	210
Other operating revenues	15,672	(174)	51	382	181	16,112
Total operating revenues	629,879	19,887	15,429	262,756	10,775	938,726
Operating Expenses						
Compensation and employee benefits	469,652	20,025	18,105	109,092	15,424	632,298
Contractual services	106,047	4,032	3,096	123,330	1,425	237,930
Supplies and materials	40,283	2,564	949	6,504	287	50,587
Utilities	32,707	1,030	812	1,857	484	36,890
Communications	3,482	102	266	1,243	153	5,246
Other operating expenses	62,957	3,382	2,199	5,637	1,257	75,432
Scholarships and fellowships	61,927	6,070	9,527	3,931	127	81,582
Depreciation expense	84,961	2,467	2,277	8,031	763	98,499
Total operating expenses	862,016	39,672	37,231	259,625	19,920	1,218,464
Operating loss	(232,137)	(19,785)	(21,802)	3,131	(9,145)	(279,738)
Nonoperating Revenues (Expenses)						
State appropriations	150,029	11,635	11,318	16,633	8,551	198,166
On-behalf payments from OTRS	9,219	563	472	1,413	409	12,076
Federal and state grants and contracts	83,307	11,208	13,914	235	-	108,664
Gifts	29,485	1,072	139	1,091	516	32,303
Investment income, net	(6,363)	72	30	(188)	17	(6,432)
Interest expense	(30,555)	(416)	(491)	(1,807)	(332)	(33,601)
Net nonoperating revenues	235,122	24,134	25,382	17,377	9,161	311,176
Income (loss) before other revenues, expenses, gains, and losses	2,985	4,349	3,580	20,508	16	31,438
Capital from grants, gifts, and affiliates	10,775	6	-	927	143	11,851
State appropriations restricted for capital purposes	1,208	3,069	1,396	2,000	900	8,573
On-behalf payments for OCIA capital leases	3,521	147	169	93	297	4,227
State school land funds	7,826	-	-	-	-	7,826
Additions of permanent endowments	2	-	-	-	-	2
Loss on disposal of fixed assets	(1,884)	(3)	(2)	-	(2)	(1,891)
Other additions, net	15,867	3,409	-	10,066	-	29,342
Interagency transfers	6	-	-	2	(8)	-
Net Increase (Decrease) in Net Position	40,306	10,977	5,143	33,596	1,346	91,368
Net Position - Beginning of Year, as Restated	918,591	33,629	40,138	164,219	(4,626)	1,151,951
Net Position - End of Year	\$ 958,897	\$ 44,606	\$ 45,281	\$ 197,815	\$ (3,280)	\$ 1,243,319



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
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 aggregate discretely presented component units 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 Oklahoma State University's basic financial statements, and have issued our report thereon dated November 21, 2022. Our report includes a reference to other auditors who audited the financial statements of OSU Foundation and NCAST Foundation as described in our audit report of Oklahoma State University's financial statements. The financial statements of Oklahoma State University Foundation (OSU Foundation) and NCAST Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with OSU Foundation or NCAST Foundation.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oklahoma State University'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 Oklahoma State University's internal control. Accordingly, we do not express an opinion on the effectiveness of Oklahoma State University'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oklahoma State University'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*.

Oklahoma State University's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Oklahoma State University's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Oklahoma State University's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

Oklahoma State University
Schedule of Findings and Responses
For the Year Ended June 30, 2022

Section I – Financial Statement Findings

2022 – 001: IT Segregation of Duties

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition: Oklahoma State University (OSU) has not remediated identified segregation of duties issues within their accounting system, Banner, over journal entries, and cash disbursements. Additionally, there were segregation of duties issues within the Banner payroll system.

During user access testing procedures the following user access conflicts were identified:

- Two individual OSU users who had incompatible duties in the University’s cash disbursement process
- Eight OSU users who had incompatible duties in the University’s payroll process within Banner
- Four individual OSU users who had incompatible duties in the University’s journal entry posting process within Banner

Criteria or specific requirement: The University operates their financial system in the Banner software. Within Banner, there should be user access controls to prevent potential override of controls through exploitation of incompatible duties within the system.

Effect: The lack of controls in place to ensure policies and procedures are followed increases the risk of misstatements, fraud, or errors occurring and not being detected and corrected.

Cause: The OSU Finance and Administration Office has provided overly broad user access for OSU accounting and payroll personnel on the University’s accounting system. OSU has also provisioned incompatible user access within their accounting system, Banner, for the University’s employees. Furthermore, there is not a policy restricting incompatible system access.

Repeat Finding: No

Recommendation: The University should work with the Oklahoma State University Finance and Administration Office to implement user access controls to remove incompatible user access. Further, the Oklahoma State System should develop a policy to ensure proper provisioning of user access within the accounting system.

Views of responsible officials and planned corrective actions: The University has been working and continues to work to reduce the number of segregation of duties issues within the accounting system. While there is work to be done, to reduce the risk, the University has implemented additional controls such as cash reconciliations, deposit reconciliations, departmental reconciliations, reviews of payments by an independent employee, and an independent review of journal entry processing and invoice processing to review for incompatible duties.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.