



Northeastern State University

A Department of the Regional
University System of Oklahoma

Annual Financial Report
For the Fiscal Year Ended
June 30, 2021

Northeastern State University
A Department of the Regional University System of Oklahoma
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COMPANY**

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Business Advisors

Independent Auditors' Report

Board of Regents
Regional University System of Oklahoma
Northeastern State University
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Northeastern State University (the University), a department of the Regional University System of Oklahoma (RUSO), which is a component unit of the State of Oklahoma, and its discretely presented component unit, as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise Northeastern State University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

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An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its discretely presented component unit, Northeastern State University Foundation, Inc., as of June 30, 2021 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.

Emphasis of Matter

As discussed in Note A, the financial statements of the University are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of RUSO that is attributable to the transactions of the University. They do not purport to and do not present fairly the financial position of RUSO as of June 30, 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northeastern State University's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, but is not a required part of the basic financial statements.



The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Hick & Company, PC

Tulsa, Oklahoma
October 29, 2021

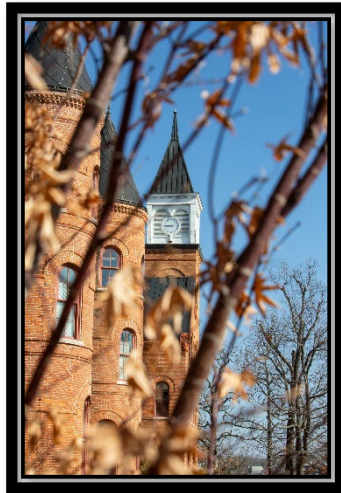


Northeastern State University
Management's Discussion and Analysis (Unaudited)
June 30, 2021

Introductory Synopsis

Founded on the rich educational heritage of the Cherokee Nation, the campuses of Northeastern State University (NSU) provide its diverse communities with lifelong learning through a broad array of undergraduate, graduate, and professional doctoral degree programs. With high expectations for student success, the University provides quality teaching, challenging curricula, research and scholarly activities, immersive learning opportunities, and service to local and professional communities. The institution's dedicated faculty and staff offer a service-oriented, supportive learning environment where students prepare to achieve professional and personal success in a multicultural and global society.

We made it through another year of COVID-19 in a good place! Our students, faculty and staff, through their commitment to the health and safety of others, have done a miraculous job in keeping known cases of the coronavirus low. NSU has been proactive in providing convenient vaccination events on all three campuses. Certainly, we will continue to monitor the COVID-19 numbers and the impact of new variants of the virus and make operational decisions based on science. Below is a snapshot of some of our other accomplishments and a few notable items in working towards a bright future:



This May we hosted six commencement ceremonies and we all couldn't be more excited about the bright future for the 1,336 graduation candidates.

The first cohort of the new Physician's Assistant Program started this year on the Muskogee campus.

Our announcement of a new facility for NSU's Oklahoma College of Optometry has created a lot of excitement. The new 101,500 square foot facility will create a seamless connection between hands-on learning, continuing education and clinic operations. We need a building that matches the caliber and reputation of the Oklahoma College of Optometry.

The Seminary Hall project funded by the generosity of the Cherokee Nation is wrapping up this fall. The second project to build out the east wing that was damaged by flooding in early December 2018 will begin in fall 2021. Once completed the President's office, the four vice presidents and the graduate college will be relocated on the first and third floors. Vacated space in the Administration building will be returned to student services.

The final renovation of Wilson Hall is progressing well and is on schedule to be completed in Spring 2022. We are looking forward to a grand celebration when we reopen the building as the new home of the College of Liberal Arts.

We also doubled the number of scholarships at the NSU Foundation and the dollar amount award over the past ten years.

Northeastern State University
Management's Discussion and Analysis (Unaudited)
June 30, 2021

Overview of Financial Statements and Financial Analysis

The financial statements of Northeastern State University are presented for the fiscal year ended June 30, 2021. The most recent financial statements of the NSU Foundation are included in this presentation under the heading *Component Unit*. Financial analysis data is presented within this discussion for fiscal years 2020 and 2021.

Management's discussion and analysis is designed to focus on current activities, resulting changes, and current known facts. It should be read in conjunction with the University's financial statements and footnotes. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles and focus on NSU as a whole.

Statement of Net Position

The Statement of Net Position presents current and non-current assets, liabilities and net position (assets minus liabilities) as of the end of the fiscal year. The purpose of the Statement of Net Position is to present a fiscal snapshot of the University.

Net position is divided into three major categories. The first, Investment in Capital Assets, Net of Debt, provides the institution's equity in property, plant and equipment. Expendable restricted net position is available for expenditure by the University, but must be spent for purposes as determined by donors and/or external entities. Unrestricted assets are available to the University for any lawful purpose.

Statement of Net Position		
(Thousands of Dollars)		
	2021	2020
Assets:		
Current assets	\$ 50,523	\$ 50,430
Capital assets, net	144,547	145,321
Other assets	13,272	17,340
Total Assets	\$208,342	\$213,091
Deferred Outflows of Resources:		
Deferred charge on OCIA lease restructure	\$ 234	\$ 0
Liabilities:		
Current liabilities	\$ 10,326	\$ 9,989
Noncurrent liabilities	41,257	44,027
Total Liabilities	\$ 51,583	\$ 54,016
Deferred Inflows of Resources		
Deferred gain on OCIA lease restructure	\$ 368	\$ 408

Northeastern State University
 Management's Discussion and Analysis (Unaudited)
 June 30, 2021

Net Position:		
Invested in capital assets	\$107,811	\$104,843
Restricted, expendable	20,297	25,955
Unrestricted	28,517	27,869
Total Net Position	\$156,625	\$158,667



Total net position of the University decreased \$2.0 million during fiscal year 2021. This decrease was a result of decrease in noncurrent cash, capital assets, current and noncurrent liabilities and increase in accounts payable.

Capital assets are reflected net of depreciation. A schedule of capital assets including additions and retirements can be found in Note E to the financial statements. Net capital assets decreased \$.7 million during fiscal year 2021. Majority of this change is due to an increase in construction in

progress, decrease in depreciation and equipment. The chart below provides further information.

Change in Capital Assets	2021	2020
Additions: Buildings	\$.3 million	\$ 1.4 million
Construction in Progress	7.7 million	2.3 million
Art	0	0
Equipment	(.7 million)	(.4 million)
Land and Infrastructure	0	0
Library Materials	(.3 million)	(.1 million)
Deduction: Net Depreciation	(7.7 million)	(9.0 million)
Net Fiscal Year Change	(\$.7 million)	(\$ 5.8 million)

Liabilities include both current liabilities, such as accounts payable, and noncurrent liabilities, such as bond and lease obligations. Total liabilities decreased \$2.4 million during fiscal year 2021. Of this amount current liabilities increased \$.3 million, majority coming from increase in accounts payable and decrease in current portion of noncurrent liabilities. Noncurrent liabilities decreased \$2.7 million as debt obligations were paid down. Further information about long-term liabilities can be found in Note F to the financial statements.

Northeastern State University
 Management's Discussion and Analysis (Unaudited)
 June 30, 2021

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position is used to display the sources and uses of funds of the University during the fiscal year. This information must be viewed over a period of time to determine if the goals of the institution are being met. Public institutions will normally have an excess of operating expenses over operating revenues as state appropriations are considered non-operating revenues under generally accepted accounting principles.

	Fiscal Year Ended June 30	
	2021	2020
Statement of Revenues, Expenses and Changes in Net Position		
(Thousands of Dollars)		
Operating revenues	\$54,049	\$54,066
Employee compensation and benefits	(65,654)	(66,829)
Depreciation expense	(10,043)	(10,121)
Other operating expense	(32,691)	(32,968)
Operating Income (Loss)	(54,339)	(55,852)
Federal, state and local grants	22,093	25,462
State appropriations	28,341	29,164
On behalf payments, gifts, investments and interest exp.	490	2,867
Capital gifts	59	93
State appropriations for capital purposes	1,314	1,355
Change in Net Position	(2,042)	3,089
Net Position, beginning of year	158,667	155,473
Restatement of net position	0	105
Net Position, end of year	\$ 156,625	\$ 158,667

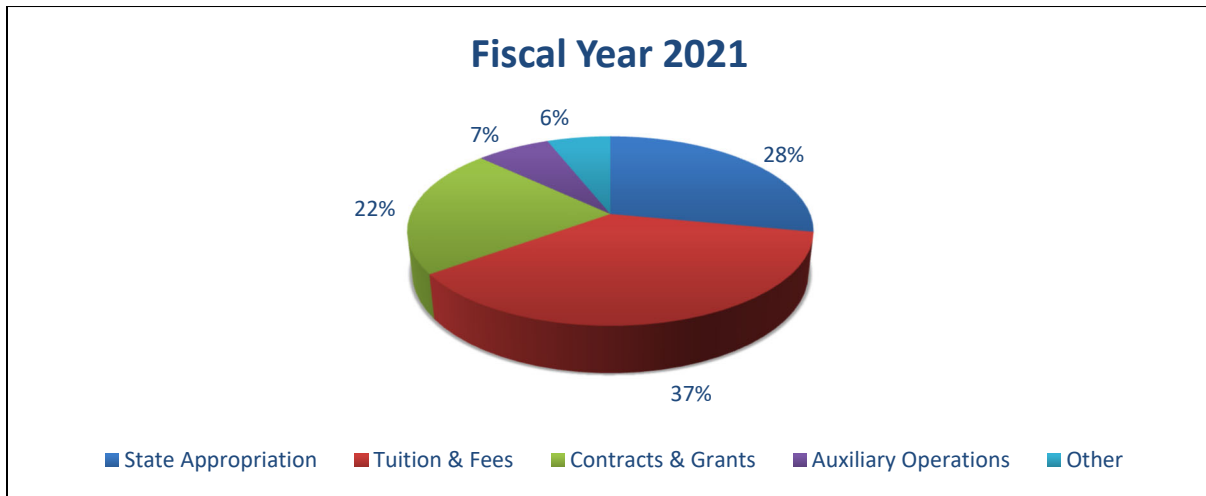


Operating revenue includes tuition, fees, state and federal grants and contracts and revenue generated by auxiliary units. Total operating revenue decreased \$.17 million in fiscal year 2021. Housing and food service increased \$.3 million while a decrease occurred in optometry revenue of \$.3 million and other operating revenue of \$.03 million. The remaining changes in revenue was a combination of an increase in student tuition and fees \$.03 million, federal and state grants of \$.05 million and decrease in interest earned on student loans of \$.07 million.

Northeastern State University
Management's Discussion and Analysis (Unaudited)
June 30, 2021

The primary sources of non-operating revenue include federal and state grants related to financial aid and state appropriations. The decrease of non-operating revenue totaled \$6.5 million in fiscal year 2021. This decrease was a result of a decrease in federal and state grant and contracts of \$3.4 million, capital gifts of \$2.5 million, state appropriations of \$.8 million, loss on Perkin loans of \$.2 million and decrease to interest expense of \$.2 million. The remaining difference is made up of an increase to investment income of \$.2 million.

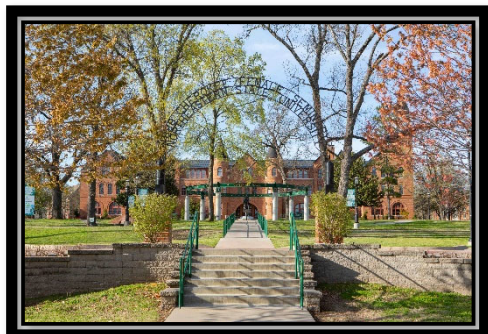
The following is a graphical representation of the sources of NSU's revenue. State appropriations are 28% of total NSU revenue, student tuition and fees 37%, grants and financial aid revenue 22% and auxiliary operations and other sources make up the remaining 13%.



Operating expenses include employee compensation, student scholarships, depreciation, other necessary supplies and service expenses. For fiscal year 2021 operating expenses decreased \$1.5 million. This change is a result of a decrease in employee compensation of \$1.1 million, other operating expenses \$.8 million, scholarships and fellowships of \$1 million and depreciation of \$.07 million. Remaining amount is made up of an increase in supplies and materials of \$1 million, utilities of \$.3 million, contractual services and communication expenses of \$.2 million. Change in net position reflects net income or loss for the year. The net loss change for fiscal year 2021 is an increase of \$1.5million.

Northeastern State University
 Management's Discussion and Analysis (Unaudited)
 June 30, 2021

Statement of Cash Flows



The Statement of Cash Flows presents detailed information about cash receipts and disbursements of the University during the year. The statement is divided into five parts. The first shows the net cash used by the operating activities of the University. The second reflects cash flows from non-capital financing activities. The primary source of revenue for non-capital financing activities is from state appropriations. The third section is cash flows from investing activities, which shows the purchase, proceeds and interest received from investing activities. The fourth section deals with cash flows from capital and related

financing activities, which includes the acquisition and construction of capital and related items. The fifth and final section reconciles the net cash used to the operating income reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

Statement of Cash Flows (Thousands of Dollars)	Fiscal Year Ended June 30	
	2021	2020
Cash provided (used) by		
Operating activities	\$(43,839)	\$(44,980)
Noncapital financing activities	51,373	58,067
Investing activities	765	628
Capital and related financing activities	(11,762)	(7,405)
Net Change in Cash	(3,463)	6,310
Cash, beginning of year	57,611	51,301
Cash, end of year	<u>\$54,148</u>	<u>\$57,611</u>

The net cash balance decreased \$3.5 million during fiscal year 2021. The majority of this decrease was due to an increase in paid capital assets in capital and related financing activities.

Northeastern State University
Management's Discussion and Analysis (Unaudited)
June 30, 2021



Component Units

The University Foundation meets the criteria for inclusion as a discretely presented component unit of the University. The most recent financial statements of the University Foundation are included in this presentation under the heading *Component Unit*.

Economic Outlook

COVID-19 has proven to be a disruptor of most aspects of life. Its ability to morph into other variants creates a very real sense of uncertainty. The NSU family did a phenomenal job of protecting the health and safety of others by keeping the number of known cases very low. We wore masks when necessary. Vaccinations have been and are readily available on our three campuses to our students, employees and guests. We have every confidence that our commitment to the health and safety of others will continue into the new fiscal year.

Next year's budget will be prepared for some uncertainty due to the coronavirus. However, given that two thirds of our budget comes from tuition, we hope more students embrace the full college experience. We recognize the impact credit hour production has on the bottom line. The NSU family is prepared to meet these challenges as we look to the future with optimism!

To meet our FY22 budget needs, we are increasing tuition/fees by 2.9% (\$6.65 per credit hour). This translates to an increase of \$199.50 per year for a full-time (30 hours) Oklahoma resident undergraduate student. Even with this modest increase NSU's FY22 tuition cost, when compared to FY21 data, will still be the second most affordable among RUSO institutions and will remain the fourth most affordable of the 13 public universities in Oklahoma. It is also worth noting that we are reducing the online fee from \$50 per credit hour to \$40 with a goal of eliminating this fee within the next four years.

Northeastern State University
A Department of the Regional University System of Oklahoma
Statement of Net Position
June 30, 2021

	University	Component
	June 30,	Unit
	2021	December 31,
		2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 36,310,081	\$ 1,317,120
Restricted cash and cash equivalents	5,868,259	-
Restricted investments	-	39,572,476
Accounts receivable, net	6,062,117	-
Receivable from state agencies (OSRHE Endowment)	984,575	-
Interest receivable (Perkins Loans)	609,595	4,408
Inventories and other current assets	504,633	40,982
Current portion of notes receivable, net	183,500	-
TOTAL CURRENT ASSETS	50,522,760	40,934,986
NONCURRENT ASSETS		
Restricted cash and cash equivalents	11,969,237	-
Notes receivable, net	1,302,848	-
Capital assets, net	144,547,398	46,000
TOTAL NONCURRENT ASSETS	157,819,483	46,000
TOTAL ASSETS	\$ 208,342,243	\$ 40,980,986
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on ODFA lease restructure	\$ 234,469	\$ -

Northeastern State University
A Department of the Regional University System of Oklahoma
Statement of Net Position
June 30, 2021
(Continued)

	University	Component
	June 30,	Unit
	2021	December 31,
		2020
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 2,728,714	\$ 536
Accrued payroll	671,247	-
Accrued interest	5,247	-
Unearned revenue	3,760,378	-
Deposits held in custody for others	-	-
Current portion of noncurrent liabilities	3,160,884	10,420
TOTAL CURRENT LIABILITIES	10,326,470	10,956
NONCURRENT LIABILITIES		
Accrued compensated absences	2,790,086	-
Other liabilities	-	349
Federal loan program contributions refundable	4,694,000	-
Unearned capital assets	-	-
Lease obligation payable to state agency	33,772,690	-
TOTAL NONCURRENT LIABILITIES	41,256,776	349
TOTAL LIABILITIES	\$ 51,583,246	\$ 11,305
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on OCIA lease restructure	\$ 368,074	\$ -
NET POSITION		
Net investment in capital assets	107,811,226	-
Restricted:		
Nonexpendable, primarily for Scholarships	-	22,738,936
Expendable:		
Scholarships, instruction and other	8,233,088	14,190,669
Loans	394,514	-
Capital projects	6,606,308	-
Debt service	5,062,963	-
Unrestricted	28,517,293	4,040,076
TOTAL NET POSITION	\$ 156,625,392	\$ 40,969,681

Northeastern State University
A Department of the Regional University System of Oklahoma
Statement of Revenue, Expenses and Changes in Net Position
June 30, 2021

	University Year Ended June 30 2021	Component Unit Year Ended December 31 2020
OPERATING REVENUES		
Student tuition and fees, net of scholarship discounts and allowances of \$16,240,584	\$ 38,566,791	\$ -
Federal and state grants and contracts	3,071,613	-
Housing and food service, net of scholarship discounts and allowances of \$1,243,118	-	-
Optometry contracts and practice plan	3,015,951	-
Interest earned on loans to students	4,378,720	-
Gifts and contributions	31,520	-
Investment income - gain or (loss)	-	2,310,322
Other operating revenues	-	3,810,397
	4,984,876	1,155
TOTAL OPERATING REVENUES	54,049,471	6,121,874
OPERATING EXPENSES		
Compensation	65,653,423	-
Contractual services	5,475,687	-
Supplies and materials	5,692,456	-
Depreciation	10,043,328	-
Utilities	2,985,780	-
Communication expense	205,073	-
Scholarships and fellowships	11,201,509	2,851,943
Other operating expenses	7,131,456	563,548
	108,388,712	3,415,491
TOTAL OPERATING EXPENSES	108,388,712	3,415,491
	OPERATING INCOME (LOSS)	(54,339,241)
OPERATING INCOME (LOSS)	(54,339,241)	2,706,383
NONOPERATING REVENUES (EXPENSES)		
State appropriations	28,341,932	-
Federal and state grants and contracts	22,093,196	-
Gifts and contributions	937,662	-
Investment income	800,954	-
Loss on Assignment of Perkin Loans	(200,224)	-
Interest expense	(1,576,645)	-
	50,396,875	-
NET NONOPERATING REVENUES (EXPENSES)	50,396,875	-
Income before other revenues, expenses, gains and losses	(3,942,366)	2,706,383
State appropriations restricted for capital purposes	1,313,642	-
OCIA on-behalf payments	528,161	-
Contributed Capital	58,946	-
	(2,041,617)	2,706,383
CHANGE IN NET POSTION	(2,041,617)	2,706,383
NET POSITION AT BEGINNING OF YEAR	158,667,009	38,263,298
NET POSITION AT END OF YEAR	\$ 156,625,392	\$ 40,969,681

See Notes to Financial Statements.

Northeastern State University
A Department of the Regional University System of Oklahoma
Statement of Cash Flows
June 30, 2021

	Year Ended June 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 38,909,828
Grants and contracts	2,957,847
Other operating receipts	11,974,037
Payments to employees for salaries and benefits	(65,642,056)
Payments to suppliers	(32,495,392)
Loans made to students	(196,146)
Collection of student loans	652,123
NET CASH USED IN OPERATING ACTIVITIES	<u>(43,839,759)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	28,341,932
Nonoperating grants, primarily student financial assistance	22,093,196
Gifts for other than capital purposes	937,662
Direct loan/FFEL receipts	30,033,107
Direct loan/FFEL payments	(30,033,107)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>51,372,790</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income received	765,313
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>765,313</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash paid for capital assets	(8,274,919)
Capital appropriations received	1,313,642
Proceeds from capital debt and leases	3,889,000
Principal payments on capital debt and leases	(7,174,765)
Interest paid on capital debt and leases	(1,514,747)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(11,761,789)</u>
NET INCREASE (DECREASE) IN CASH EQUIVALENTS	(3,463,445)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>57,611,022</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 54,147,577</u></u>

See Notes to Financial Statements.

Northeastern State University
A Department of the Regional University System of Oklahoma
Statement of Cash Flows
June 30, 2021
(Continued)

	Year Ended June 30, 2021
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (54,339,241)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	10,043,328
Loss on the disposal of fixed assets	245,970
Changes in assets and liabilities:	
Accounts receivable	(183,227)
Inventories	74,575
Loans receivable	455,977
Accounts payable and accrued expenses	230,024
Accrued payroll	(39,495)
Unearned revenue	(24,532)
Federal loan program contributions refundable	(354,000)
Compensated absences	50,862
	<u>50,862</u>
NET CASH USED IN OPERATING ACTIVITIES	\$ <u>(43,839,759)</u>
NONCASH INVESTING, NONCAPITAL FINANCING AND CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal on capital debt paid by OCIA on behalf of the University	<u>\$ -</u>
Interest on capital debt paid by OCIA on behalf of the University	<u>\$ 528,161</u>
Non-cash capital grants and gifts	<u>\$ 58,946</u>
Deferred cost on ODFA lease restructure	<u>\$ 234,469</u>
Deferred gain on OCIA lease restructure	<u>\$ 368,074</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET ASSETS	
Current assets:	
Cash and cash equivalents	\$ 36,310,081
Restricted cash and cash equivalents	5,868,259
Noncurrent assets:	
Restricted cash and cash equivalents	<u>11,969,237</u>
TOTAL CASH AND CASH EQUIVALENTS	\$ <u>54,147,577</u>

See Notes to Financial Statements.

Northeastern State University
A Department of the Regional University System of Oklahoma
Notes to Financial Statements
June 30, 2021

Note A--Summary of Significant Accounting Policies

Nature of Organization: Northeastern State University (the University) is a regional University operating under the jurisdiction of the Regional University System of Oklahoma (RUSO or the System) and the Oklahoma State Regents for Higher Education.

Reporting Entity: The University is one of six institutions of higher education in Oklahoma that comprise part of the RUSO, which in turn is part of the Higher Education component unit of the State of Oklahoma.

The Board of Regents has constitutional authority to govern, control and manage RUSO, which consists of six institutions and an administrative office. This authority includes but is not limited to the power to designate management, significantly influence operations, acquire and take title to real and personal property in its name, and appoint or hire all necessary officers, supervisors, instructors, and employees for member institutions.

Accordingly, the University is considered an organizational unit of RUSO reporting entity for financial reporting purposes due to the significance of its legal, operational, and financial relationships with the Board of Regents as defined in Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

Discretely Presented Component Units: Northeastern State University Foundation, Inc. (the University Foundation) is a component unit of the University under GASB 39 that should be discretely presented with the financial statements of the University. The University Foundation has a fiscal year ending December 31. The University is the beneficiary of the University Foundation. The Foundation is a separate legal entity with its own Board of Trustees. The University Foundation is administered to provide benefit to the University. The University Foundation uses all contributions, grants and other revenues to aid the University in charitable, benevolent, religious, educational, scientific and literary purposes.

Financial Statement Presentation: The University's financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statement and Management's 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*. Under GASB Statements No. 34 and 35, the University is required to present a statement of net position classified between current and noncurrent assets and liabilities and deferred outflows and inflows of resources; a statement of revenues, expenses and changes in net position, with separate presentation for operating and nonoperating revenues and expenses; and a statement of cash flows using the direct method.

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Note A--Summary of Significant Accounting Policies (Continued)

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: For purposes of the statements of cash flows, 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 GASB Statement No. 72, *Fair Value Measurement and Application*. In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the University has disclosed its deposit and investment policies related to the risks identified in GASB Statement No. 40. 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.

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

Accounts Receivable: Accounts receivable consists 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 of Oklahoma. 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.

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

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of \$2,500 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.

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Note A--Summary of Significant Accounting Policies (Continued)

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 60 years for buildings, 20 to 30 years for infrastructure and land improvements, and 5 to 10 years for library materials and equipment. Depreciation expense includes amortization of assets held under capital lease obligations.

Unearned Revenue: 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. Amounts received from grant and contract sponsors that have not yet been earned, unless due to timing requirements, will be considered deferred revenue. Grant and contract sponsor amounts received but not recognized due to timing requirements will be reported as a deferred inflow of resources.

Compensated Absences: Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued vacation payable in the statements of net position, and as a component of compensation and benefit expense in the statements of revenues, expenses and changes in net position.

Noncurrent Liabilities: Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year, (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 the federal portion of the Perkins Loan Program, that will not be paid within the next fiscal year.

Net Position: The University's net position is classified as follows:

Net investment in capital assets: The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. 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: Restricted net position includes resources which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

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. The included auxiliary enterprises are substantially self-supporting activities that provide services for students, faculty and staff.

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Note A--Summary of Significant Accounting Policies (Continued)

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards restricted resources, and then toward unrestricted resources.

Taxes: The University, a Department of RUSO which is a political subdivision of the State of Oklahoma, is exempt from all federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. However, the University may be subject to income taxes on unrelated business income under the Internal Revenue Code Section 511(a)(2)(B).

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles 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.

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 grants and contracts, 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, and other revenue sources that are defined as nonoperating revenues by GASB No. 9 *Reporting Cash Flows of Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations, certain governmental and other pass-through grants, and investment income.

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 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.

Deferred Inflows of Resources: Deferred inflows are the acquisition of net position by the University that are applicable to a future reporting period. At June 30, 2021, the University's deferred inflows of resources were comprised of deferred gains on the restructuring of certain long term debt.

Northeastern State University
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Notes to Financial Statements
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Note A--Summary of Significant Accounting Policies (Continued)

Fiduciary Funds: Fiduciary Funds are used to report assets held in a trustee or agency capacity for third parties and therefore are not available to support University programs. The reporting focus is net position and changes in net position and uses accounting principles similar to proprietary funds.

Agency Funds are used to report resources held by the University in a purely custodial capacity (assets equal liabilities). Agency fund assets and liabilities are recognized using the accrual basis of accounting. The University has one agency fund for the Oklahoma Higher Education Employee Interlocal Group (OKHEEI).

Note B--Deposits and Investments

Deposits: *Custodial credit risk* for deposits is the risk that in the event of a bank failure, the University's deposits may not be returned or the University will not be able to recover collateral securities in the possession of an outside party. Generally, the University deposits its funds with the Office of the State Treasurer (OST) and those funds are pooled with funds of other state agencies and then, in accordance with statutory limitations, are placed in financial institutions or invested as the OST may determine, in the State's name.

There is \$54,245,784 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2021. Of the \$54,245,784 on deposit with the State Treasurer, \$26,282,519 represents amounts held within *OK INVEST*, an internal investment pool. State Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual 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 that establish the framework for the day-to-day *OK INVEST* management of funds with an emphasis on safety of the capital and the probable income to be derived while also meeting the State's daily cash flow requirements. Guidelines in the State Treasurer's Investment Policy address credit quality requirements, diversification percentages and the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer's website at <http://www.ok.gov/treasurer/>. An evaluation of the use and purpose of the various State Agencies and funds participation in the internal investment pool has determined that the amount on deposit with *OK INVEST* are treated as demand accounts and reported as cash equivalents.

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.

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Note B--Deposits and Investments (Continued)

Interest rate risk (Continued)

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 of Oklahoma, the Federal Deposit Insurance Corporation or any other government agency.

Investments: Investment *credit risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the University's investments are managed by the State Treasurer. 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. The University does not have a policy addressing credit risk.

Interest rate risk is 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 rate 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 OST Investment policy limits the average maturity on its portfolio to four (4) years, with certain individual securities having more restrictive limits as defined in the policy. *Concentration of credit risk* is 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 OST Investment Policy states that, with the exception of U.S. Treasury securities, no more than 50% 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. *Custodial credit risk* for investments 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. As of June 30, 2021, the University did not have any qualifying investments.

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Note C--Accounts Receivable

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

Student tuition and fees	\$ 3,443,633
Auxiliary enterprises and other operating activities	851,293
Federal, state, and private grants and contracts	901,417
Cancelled Perkins loans	<u>2,828,208</u>
	8,024,551
Less: allowance for doubtful accounts	<u>(1,962,434)</u>
Net accounts receivable	<u><u>\$ 6,062,117</u></u>

Note D--Loans Receivable

Student loans made through the Federal Perkins Loan Program (the Program) comprise substantially all of the loan's receivable at June 30, 2021. Under this program, the federal government provides funds for approximately 75% 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% to 30% of the original balance up to maximums of 50% to 100% of the original loan. The federal government reimburses the University for the amounts forgiven. Amounts refundable to the U.S. Government upon cessation of the Program of \$4,694,000 at June 30, 2021, are reflected in the accompanying statements of net position as noncurrent liabilities.

As the University determines 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 portions 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 that, in management's opinion, is sufficient to absorb loans that will ultimately be written off.

At June 30, 2021 loans receivable consisted of the following:

Perkins loans receivable	\$ 1,637,920
Other loans receivable	<u>300</u>
Total loans receivable	1,638,220
Less: Allowance for uncollectible loans	<u>(151,872)</u>
Net loans receivable	<u><u>\$ 1,486,348</u></u>

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Note E--Capital Assets

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

	Balance June 30, 2020	Additions	Transfers	Retirements/ Adjustments	Balance June 30, 2021
Capital assets not being depreciated					
Land	\$ 7,912,238	\$ -	\$ -	\$ -	\$ 7,912,238
Construction in progress	8,678,170	8,681,891	(990,302)	-	16,369,759
Total assets not being depreciated	<u>\$ 16,590,408</u>	<u>\$ 8,681,891</u>	<u>\$ (990,302)</u>	<u>\$ -</u>	<u>\$ 24,281,997</u>
Other capital assets					
Non-major infrastructure networks	\$ 8,088,404	\$ -	\$ -	\$ -	\$ 8,088,404
Buildings and improvements	238,995,970	183,558	990,302	(906,175)	239,263,655
Art	250,000	-	-	-	250,000
Furniture, fixtures and equipment	24,919,195	371,981	-	(1,041,782)	24,249,394
Library materials	4,362,092	277,868	-	(607,431)	4,032,529
Total other capital assets	276,615,661	833,407	990,302	(2,555,388)	275,883,982
Less: accumulated depreciation for					
Non-major infrastructure networks	5,131,057	338,948	-	-	5,470,005
Buildings and improvements	117,130,343	8,062,253	-	(703,650)	124,488,946
Art	62,500	12,500	-	-	75,000
Furniture, fixtures and equipment	23,159,628	1,132,637	-	(1,040,636)	23,251,629
Library materials	2,401,144	496,992	-	(565,135)	2,333,001
Total accumulated depreciation	<u>147,884,672</u>	<u>10,043,330</u>	<u>-</u>	<u>(2,309,421)</u>	<u>155,618,581</u>
Other capital assets, net	<u>\$ 128,730,989</u>	<u>\$ (9,209,923)</u>	<u>\$ 990,302</u>	<u>\$ (245,967)</u>	<u>\$ 120,265,401</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 16,590,408	\$ 8,681,891	\$ (990,302)	\$ -	\$ 24,281,997
Other capital assets, at cost	276,615,661	833,407	990,302	(2,555,388)	275,883,982
Total cost of capital assets	293,206,069	9,515,298	-	(2,555,388)	300,165,979
Less: accumulated depreciation	147,884,672	10,043,330	-	(2,309,421)	155,618,581
Capital assets, net	<u>\$ 145,321,397</u>	<u>\$ (528,032)</u>	<u>\$ -</u>	<u>\$ (245,967)</u>	<u>\$ 144,547,398</u>

At June 30, 2021, the cost and related accumulated depreciation of assets held under capital lease obligations and included in the above amounts were \$74,098,699 and \$40,159,572, respectively.

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Note F--Long-Term Liabilities

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

	Balance			Balance		
	June 30, 2020	Additions	Reductions	June 30, 2021	Amounts due within one year	
Capital lease obligations						
ODFA Master Lease	\$ 27,432,085	\$ 3,889,000	\$ (6,616,335)	\$ 24,704,750	\$ 2,597,083	
Premium on ODFA lease obligation	777,123	-	(131,124)	645,999	113,414	
OCIA lease obligation	11,089,238	-	-	11,089,238	-	
Presidio NSU master lease-Data Center	549,025	-	(437,181)	111,844	111,843	
Presidio NSU master lease-Wireless	148,572	-	(64,119)	84,453	84,454	
Enterprise master lease	159,016	-	(57,133)	101,883	58,683	
Total capital leases	40,155,059	3,889,000	(7,305,892)	36,738,167	2,965,477	
Other liabilities						
Unearned capital assets	50,000	-	(50,000)	-	-	
Federal loan program contributions	5,048,000	-	(354,000)	4,694,000	-	
Accrued compensated absences	2,934,629	2,985,493	(2,934,629)	2,985,493	195,407	
Total other liabilities	8,032,629	2,985,493	(3,338,629)	7,679,493	195,407	
Total long-term liabilities	\$ 48,187,688	\$ 6,874,493	\$ (10,644,521)	\$ 44,417,660	\$ 3,160,884	

Capital Lease Obligations:

Oklahoma Capital Improvement Authority Leases

In November 2005, OCIA issued its OCIA Bond Issues, 2005 Series F and G. Of the total bond indebtedness, the Oklahoma State Regents for Higher Education allocated the University \$22,876,760 and \$96,640 for the Series 2005F and 2005G, respectively. Concurrently with the allocation, the University entered into a lease agreement with OCIA for those amounts. The lease agreement provides for the University to make specified monthly payments to OCIA over the terms of the agreements. The proceeds of the bonds and subsequent leases are to provide for capital improvements at the University.

In 2014, the OCIA restructured the 2005F by issuing new bonds 2014 Series A. This restructuring was a partial refunding of the 2005F issue. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The University's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues.

During the year ended June 30, 2021, OCIA made interest payments totaling \$528,161 on behalf of the University for the 2014A and remaining 2005F issues. These on-behalf payments have been recorded as restricted state appropriations in the University's statements of revenues, expenses and change in net position.

Northeastern State University
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Notes to Financial Statements
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Note F--Long-Term Liabilities (Continued)

Capital Lease Obligations: (Continued)

Oklahoma Development Finance Authority Master Lease Program

Series 2011A

The ODFA issued the ODFA Master Real Property Lease Revenue Bonds, Series 2011A in the University's fiscal year that ended June 30, 2012. The Bonds were issued to fund capital improvements at several state colleges and universities in Oklahoma. ODFA allocated the Bonds' proceeds to colleges and universities in the form of financing leases. Northeastern State University's portion of this allocation was \$5,990,000 to fund the constructions of a new Multi-Purpose Events Center.

The lease agreement calls for monthly payments to ODFA in an amount that equals debt service requirements on the portion of the bonds used to finance this lease. The final payment on the lease is May 15, 2031. After payment of bond closing costs, the net proceeds were \$6,000,000 to the project fund. The University has spent all of the net proceeds in connection with the specified project.

In 2021, the Series 2011A was fully refunded with the issuance of the ODFA Master Real Property Lease Revenue Bonds, Series 2020D in the amount of \$3,889,000. Total lease payments over the term of the agreement, beginning November 15, 2020, through May 15, 2031, will be \$4,288,075. Payments will be made monthly ranging from \$33,398 to \$38,565.

Series 2013B

In January 2014, the University entered into capital lease obligation Series 2013B in the amount of \$2,832,000 to refinance the University Center Revenue Bonds Series 1996. Total lease payments over the term of the agreement, beginning January 23, 2014 through May 15, 2021, will be \$3,202,465. Payments will be made monthly ranging from \$33,910 to \$86,681. The Series 2013B balance was paid off as of June 30, 2021.

Series 2014A – Equipment Energy

In June 2014, the University entered into capital lease obligation Series 2014A in the amount of \$4,139,000 to refinance the ODFA Master Lease Revenue Bond Series 2004A. Total lease payments over the term of the agreement, beginning January 23, 2014 through May 15, 2024, will be \$4,967,513. Payments will be made monthly ranging from \$41,089 to \$46,000.

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Note F--Long-Term Liabilities (Continued)

Capital Lease Obligations: (Continued)

Oklahoma Development Finance Authority Master Lease Program (Continued)

Series 2014A - Housing

In February 2014, the University entered into capital lease obligation Series 2014A in the amount of \$14,517,000 for the construction of student housing. Lease payments over the term of the agreement, including interest, total \$21,055,975. Payments began March 15, 2014, and go through May 15, 2033, and will range from \$91,009 to \$95,407 monthly. As of June 30, 2021, the University has approximately \$135,603 of its allotment available to be drawn.

Series 2014B

In February 2014, the University entered into capital lease obligation Series 2014B in the amount of \$11,115,000 to refinance Cherokee County Economic Development Authority 2003 Series A tax-exempt Revenue Bonds and Series B taxable Revenue Bonds. Lease payments over the term of the agreement, including interest, total \$15,604,957. Payments began March 20, 2014, and go through November 15, 2033, and will range from \$65,604 to \$69,348 monthly.

Series 2016B

In June 2016, the University entered into capital lease obligation Series 2016B in the amount of \$4,509,000 to refinance Board of Regents of Oklahoma Colleges Northeastern State University Revenue Bonds Series 2004. Lease payments over the term of the agreement, including interest, total \$5,246,160. Payments began July 15, 2016, and go through May 15, 2024, and will range from \$58,251 to \$54,388 monthly.

Series 2020D

In November 2020, the University entered into capital lease obligation Series 2020D in the amount of \$3,889,000 to refinance the ODFFA Master Lease Revenue Bond Series 2011A. Total lease payments over the term of the agreement, beginning November 15, 2020, through May 15, 2031, will be \$4,288,075. Payments will be made monthly ranging from \$33,398 to \$38,565.

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Note F--Long-Term Liabilities (Continued)

Capital Lease Obligations: (Continued)

Oklahoma Development Finance Authority Master Lease Program (Continued)

Future minimum lease payments under the University's capital lease obligations to OCIA and ODFA are as follows:

Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	2,597,083	1,510,957	\$ 4,108,040
2023	3,710,961	1,420,078	5,131,039
2024	3,755,089	1,267,854	5,022,943
2025	2,817,212	1,111,389	3,928,601
2026	2,912,867	1,002,613	3,915,480
2027-2031	16,258,359	3,042,507	19,300,866
2032-2034	3,742,417	243,007	3,985,424
	<u>\$ 35,793,988</u>	<u>\$ 9,598,405</u>	<u>\$ 45,392,393</u>

Capital Leases:

In 2017, the University entered into a lease agreement with Presidio Technology Capital for financing of a data center. The lease was issued in December 2016 for an amount of \$2,215,784 with an interest rate of 2.82% maturing January 2022.

The scheduled principal and interest payments related to the capital lease are as follows:

Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	111,843	5,247	117,090
	<u>\$ 111,843</u>	<u>\$ 5,247</u>	<u>\$ 117,090</u>

In 2018, the University entered into a lease agreement with Presidio Technology Capital for financing of a wireless network. The lease was issued in July 2017 for an amount of \$339,864 with an interest rate of 2.56% maturing November 2021.

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Note F--Long-Term Liabilities (Continued)

Capital Lease Obligations: (Continued)

Capital Leases: (Continued)

The scheduled principal and interest payments related to the capital lease are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30:			
2022	84,454	2,271	86,725
	<u>\$ 84,454</u>	<u>\$ 2,271</u>	<u>\$ 86,725</u>

In 2018, the University entered into a lease agreement with Enterprise Fleet Management for financing of rental vehicles. The lease was issued in December 2017 for an amount of \$283,533 with an interest rate ranging from 2.66% to 2.69% maturing March 2023.

The scheduled principal and interest payments related to the capital lease are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30:			
2022	58,683	2,012	60,695
2023	43,199	465	43,664
	<u>\$ 101,882</u>	<u>\$ 2,477</u>	<u>\$ 104,359</u>

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Note F--Long-Term Liabilities (Continued)

Capital Lease Obligations: (Continued)

Unearned Capital Assets

In April 2010, the University entered into a management agreement with an unrelated third party (the Contractor). In connection with the agreement, the Contractor agreed to provide the University \$500,000 for equipment and renovation of the University's food service facilities. The equipment and related capital assets are owned by the University; however, if the agreement is terminated prior to completion (10 years), the University must reimburse the Contractor for the unamortized portion of the capital assets and is amortizing it over the 10 year term of the agreement. The annual amortization for fiscal year 2021 was \$50,000, resulting in a zero balance at June 30, 2021.

Note G--Retirement Plans

The University's academic and nonacademic personnel are covered by various retirement plans. The plans available to University personnel include the Oklahoma Teachers' Retirement System (OTRS), which is a State of Oklahoma public employees retirement system, the Supplemental Retirement Annuity (SRA), a single employer defined benefit pension plan available to employees hired prior to July 1, 1995, and a defined contribution 403(b) plan. Personnel may also be eligible to participate in the Other Post-Employment Insurance (OPEB) plan, as described further in Note H. The University does not maintain the accounting records, hold the investments for, or administer these plans.

The accounting and financial reporting for OTRS Pension, OTRS OPEB, the SRA, and the single employer trusted and non-trusted OPEB plans are recorded at the reporting entity level in the Regional University System of Oklahoma financial statements. That report may be obtained by writing to the Regional University System of Oklahoma, 3555 N.W. 58th Street, Suite 320, Oklahoma City, Oklahoma 73112, or by calling (405) 924-8817.

All payments made to these plans by the University are accounted for as compensation expense in the accompanying financial statements.

The application of GAAP at the departmental level does not include certain liabilities incurred by the System as a whole. Those liabilities relate to the participation of System employees in the Oklahoma Teachers Retirement System, the Supplemental Retirement Plan, and the Postemployment Healthcare Plan. The accounting and reporting of these can be located in the financial statements of RUSO.

Northeastern State University
A Department of the Regional University System of Oklahoma
Notes to Financial Statements
June 30, 2021

Note G--Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (OTRS)

Plan Description: The University contributes to the Oklahoma Teachers' Retirement System (OTRS), a cost-sharing multiple-employer defined benefit pension plan and defined benefit OPEB plan sponsored by the State of Oklahoma. 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. The plan also provides a health insurance subsidy for retirees in an amount of \$100 to \$105 per month. The benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 70 of the Oklahoma Statutes, Sections 17-101 through 116.9, as amended, assigns the authority for management and operations of the Plan to the Board of Trustees of OTRS. OTRS is not required to provide for a cost of living adjustment. OTRS issues a publicly available financial report that can be obtained at www.ok.gov/TRS.

Funding Policy: The University is required by state statute to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate, as determined by state statute, was 8.55% for 2021, 2020, and 2019, and was applied to annual compensation. This single rate is allocated by OTRS to fund both the pension and OPEB benefits.

Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2021, 2020, and 2019. For compensation in excess of \$25,000, the employee's contributions are paid directly by the University to the OTRS.

The University's contributions to the OTRS for the years ended June 30, 2021, 2020, and 2019, were approximately \$6,184,000, \$6,206,000, and \$6,099,000, respectively, equal to the required contributions for each year. These contributions included the University's statutory contribution and the share of the employee's contribution paid directly by the University.

The State of Oklahoma is also required to contribute to the OTRS on behalf of the participating employers. For 2021, the State of Oklahoma contribution was 5% of state revenues from sales and use taxes and individual income taxes, to the OTRS on behalf of participating employers. These amounts and other system-wide related amounts are reported in the RUSO financial statements and not at the individual department level.

Northeastern State University
A Department of the Regional University System of Oklahoma
Notes to Financial Statements
June 30, 2021

Note G--Retirement Plans (Continued)

Supplemental Retirement Annuity (SRA)

Plan Description: The University's SRA plan is a single employer, defined benefit pension plan administered by the University's Board of Regents. The SRA was established by the University's Board of Regents to provide supplemental retirement and death benefits to University employees who were hired prior to July 1, 1987, or to those eligible employees' beneficiaries. Effective December 1, 2002, the SRA was amended to provide supplemental retirement and death benefits to University employees who were hired between July 1, 1987 and June 30, 1995. Effective October 1, 2003, the SRA plan was changed to eliminate the TIAA offset in the benefit calculation. The authority to amend the SRA's benefit provisions rests with the University's Board of Regents. The SRA is included in the financial report of the RUSO reporting entity, and does not issue separate, stand-alone financial statements.

Funding Policy: The authority to establish and amend eligible employees' and employer contribution obligations to the SRA rests with the University's Board of Regents. Eligible employees are not required to make contributions to the SRA. The University is required to contribute to the SRA an actuarially determined amount on an annual basis. Under a policy adopted in December 2002, the Plan must achieve 80% funding of the pension benefit obligation by December 1, 2022.

The University's contributions to the SRA for the years ended June 30, 2021, 2020, and 2019, were approximately \$1,100,000, \$1,012,000, and \$1, 1,012,000, respectively.

Defined Contribution Plan

The University also has a defined contribution 403(b) plan (DCP) available to full-time employees. The DCP is administered by the RUSO System, and the plan provisions are established and may be amended by the Board of Regents. Plan members may make voluntary contributions in accordance with IRS regulations. The University has no contribution requirements, and no contributions were made during the years ended June 30, 2021, 2020, and 2019. However, the University did make a contribution of \$25,000 to the President's 403(b) plan in 2020, but made no contributions in 2021 and 2019.

Northeastern State University
A Department of the Regional University System of Oklahoma
Notes to Financial Statements
June 30, 2021

Note H--Other Post-Employment Insurance Benefits

Trusted Plan

Plan Description: The University's postemployment healthcare plan is a single employer defined benefit plan administered by the Board of Regents. The plan provides medical and life insurance benefits to eligible retired employees until age 65. A retiring employee must have been employed full-time in the System for not less than ten years immediately preceding the date of retirement; been a member of the OTRS during that time; and elected to receive a vested benefit under the provision of the Oklahoma Teachers' Retirement System. As of June 30, 2021, there were 322 active participants in the plan. The retirement insurance program was adopted by the Board of Regents in 1985.

Plan Description--Continued

In March of 2008, the Retiree Medical Trust for Regional University System of Oklahoma was established to hold assets and pay benefits on behalf of the University's postemployment healthcare plan, and was administered by The Bank of Oklahoma, N.A. The plan is included in the financial report of the RUSO reporting entity.

That report may be obtained by writing to RUSO, 3555 N.W. 58th Street, Suite 320, Oklahoma City, Oklahoma 73112, or by calling (405) 924-8817.

Funding Policy: The contribution requirements of the University are established and may be amended by the Board of Regents. The University is required to contribute the actuarially determined employer contribution amount in accordance with the parameters of GASB Statement 75. The current year amount is approximately \$214,000.

The University's contributions to the plan for the years ended June 30, 2021, 2020, and 2019, were approximately \$214,000, \$400,000, and \$113,000, respectively.

Non-Trusted

Plan description – The University's defined benefit OPEB plan, Retiree Benefits Plan, provides OPEB to eligible retirees and their dependents. The RUSO Board of Trustees has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided – The University provides medical, dental, and vision benefits to eligible retirees and their dependents through the Oklahoma Higher Education Employee Interlocal Group. The retiree pays the full contribution rate for the retiree's coverages and for any other elected dependent dental and vision coverages. The medical rates for pre-65 retirees are the same as the rates for active employees so the benefit being provided is an implicit rate subsidy. Retirees and dependents age 65 or older are provided a Medicare supplement that is not subsidized by the College.

Northeastern State University
A Department of the Regional University System of Oklahoma
Notes to Financial Statements
June 30, 2021

Note I--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* administered by the Commissioners of the Land Office as trustees for the various educational institutions entitled thereto. The University has the right to receive annually 3.7% of the distributions of income produced by *Section Thirteen Fund State Educational Institutions* assets and 100% of the distributions of income produced by the University's *New College Fund*. The University received approximately \$989,000 during the year ended June 30, 2021, which is restricted to the construction or acquisition of buildings, equipment, or other capital items. These amounts are recorded as state appropriations for capital purposes in the statement of revenues, expenses and changes in net position. State law prohibits the distribution of any corpus of these funds to the beneficiaries.

The market value of the total trust reserve for the University, held in trust by the commissioners of Land Office, was approximately \$30,700,000 at June 30, 2021.

Oklahoma State Regents Endowment Trust Fund: In connection with the Oklahoma State Regents' Endowment Program (the Endowment Program), the State of Oklahoma has matched contributions received under the program. The state match amount, plus any retained accumulated earnings, totaled approximately \$2,128,000 at June 30, 2021, and is invested by the Oklahoma State Regents on behalf of the University. The University is entitled to receive an annual distribution of 5% of the market value at year end on these funds. As legal title of the State Regents matching endowment funds is retained by the Oklahoma State Regents, only the funds available for distribution, approximately \$137,000 at June 30, 2021, have been reflected as assets in the statement of net position. In connection with the program, private contributions totaling approximately \$2,713,000 as of June 30, 2021, are being held by the University Foundation for the benefit of the University. Additional private contributions of approximately \$585,000 as of June 30, 2021, are held by the Oklahoma State Regents on behalf of the University. As legal title rests with the Oklahoma State Regents, these funds are not included in the accompanying financial statements.

Additional amounts are being managed and held by the Oklahoma State Regent's for Higher Education for the Endowed Chair and Herb Rozell endowments in the amount of \$847,199 on behalf of the University and is reported as a receivable in the accompanying financial statements.

Note J--Related Party Transactions

The University is beneficiary of the Northeastern Oklahoma Public Facilities Authority (the Authority), a public trust created under Title 60, Section 176, of the Oklahoma statutes. The University received \$160,000 for the year ended June 30, 2021.

Northeastern State University
A Department of the Regional University System of Oklahoma
Notes to Financial Statements
June 30, 2021

Note K--Commitments and Contingencies

The University had outstanding commitments under construction contracts of approximately \$7,736,000 at June 30, 2021.

The University participates in a number of federally assisted grant and contract programs. These programs are subject to financial and compliance audits by the grantor or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. The amount of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although it is believed by the University that the amount, if any, would not be significant.

The University began participation in the Federal Direct Loan Program on July 1, 2010. For the year ended June 30, 2021, \$30,033,107 of Direct Loan funds were disbursed to University students.

During the ordinary course of business, the University may be subjected to various lawsuits and civil action claims. Management believes that resolution of any such matters pending at June 30, 2021, will not have a material adverse impact to the University.

Note L--Risk Management

The University is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruptions; employee injuries and illness; natural disasters; and employee health, life, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than torts, property, and workers' compensation. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The University, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program which is a public entity risk pool currently operating as a common risk management and insurance program for its members. The University pays annual premiums to the pools for tort, property, and liability insurance coverage. The Oklahoma Risk Management Pool's governing agreement specifies that the pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

The University also participates in the College Association of Liability Management (CALM) Workers' Compensation Plan for its workers' compensation coverage. CALM is an Interlocal Cooperative Act Agency that was organized to provide workers' compensation insurance coverage for participating colleges and universities through CompSource Mutual. CALM is a political subdivision of the State of Oklahoma and is governed by a board of trustees elected from members of the participating colleges and universities.

Northeastern State University
A Department of the Regional University System of Oklahoma
Notes to Financial Statements
June 30, 2021

Note L--Risk Management (Continued)

The University also began participating, during fiscal year 2017, in the Oklahoma Higher Education Employee Interlocal Group Health Insurance Pool OKHEEI. University employees are provided health insurance coverage through OKHEEI. OKHEEI is an Interlocal Cooperative Act Agency organized as a public entity risk pool health insurance program for participating Colleges and Universities in the State. The University pays monthly health insurance premiums to OKHEEI for employee health insurance coverage based on the health coverage elected by the employee and the maximum benefit provide by the University for health coverage. Amounts of premiums exceeding benefits are payable by the employee. The governing agreement for OKHEEI specifies that the pool will be self-sustaining through premiums received and with additional stop-loss coverages obtained. If health care claims exceed reserves and reinsurance coverages, additional assessments may be made to participating Colleges and Universities. As of June 30, 2021, additional assessments did not occur.

Note M--Northeastern State University, Foundation, Inc.

The following are significant disclosures of Northeastern State University Foundation, Inc.:

Summary of Significant Accounting Policies

Fair Value Measurements: The Foundation accounts for its financial assets and liabilities in accordance with ASC 820.10. This codified standard defines fair value measurement based on an exit price. An exit price, 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. The codified standards also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels:

- Level 1: Quoted prices in active markets for identical assets or liabilities. These include, but are not limited to, cash and cash equivalents, common and preferred stocks, and mutual funds;
- Level 2: Inputs that are derived principally from or corroborated by observable market data. These include but are not limited to government agency issues, corporate bonds and municipal securities;
- Level 3: Inputs that are unobservable and significant to the overall fair value measurement. These include but are not limited to non-public common stocks.

Financial assets and liabilities are carried at fair value on a recurring basis and therefore currently subject to the codified standard which include investments and beneficial interest in assets, if any, held by others. All financial instruments of the Foundation are valued using inputs qualifying as Level 1 and Level 2 in the above-defined hierarchy.

Northeastern State University
A Department of the Regional University System of Oklahoma
 Notes to Financial Statements
 June 30, 2021

Note M--Northeastern State University, Foundation, Inc. (Continued)

Investments

Investments are composed of cash equivalents with maturity greater than three months, stocks, bonds and mutual funds investing in debt and equity securities and are carried at fair value. See the explanation of fair value measurements included in the Summary of Significant Accounting Policies. These investments are overseen by investment advisors. The advisors are provided with the investment policy adopted by the Board of Trustees and directed to follow that policy. Additionally, the Foundation maintains an investment committee that provides oversight with regard to the investments.

Investments consist of the following at December 31, 2020:

Description	Level 1	Level 2	Level 3	Total
Equity funds	\$ 23,698,320	\$ -	\$ -	\$ 23,698,320
Fixed income funds	-	14,909,047	-	14,909,047
Cash and equivalents	223,176	-	-	223,176
Alternative investments	741,933	-	-	741,933
Total	<u>\$ 24,663,429</u>	<u>\$ 14,909,047</u>	<u>\$ -</u>	<u>\$ 39,572,476</u>

(The Foundation has no liabilities measured at fair value on a recurring basis.)

The Foundation's overall investment objective is *growth and income*. The intent of the objective is to provide both current income and future growth to accommodate the Foundation's spending policy plus normal inflation; thereby, preserving the constant dollar value and purchasing power of the Foundation for future generations. Investment performance is judged over a three to five year time frame. The goal of each asset class is to achieve the total return of its benchmark while maintaining a risk level less than that of the benchmark. The overall goal for the Foundation is to achieve a 5% annual real rate of return after inflation.

The Foundation aims for the equity investments portion of its portfolio to constitute a minimum of 50% and a maximum of 70% of total endowment assets. The fixed income portion is expected to constitute a minimum of 30% and a maximum of 50% of total endowment assets. The alternative investment portion is expected to constitute no more than 15% of total endowment assets. In order to achieve these goals, the investment committee meets with the investment advisors at least once a year. The investment advisors are required to provide periodic statements reporting transactions involving fund assets and current fund asset values. The investment committee reports on the performance and holdings of the fund three times a year to the board.

Northeastern State University
A Department of the Regional University System of Oklahoma
Notes to Financial Statements
June 30, 2021

Note M--Northeastern State University, Foundation, Inc. (Continued)

Investments (Continued)

The Foundation allocates investment return only on endowment funds. No investment return is allocated on custodial or pass through accounts. The return on investment attributable to individual endowment accounts is allocated to the account annually. An annual service fee is charged to each individual endowment account and this fee is transferred to unrestricted funds. The service fee rate is 1.5%.

Generally, income generated from investments, regardless of restrictions, is available for either general use or restricted use.

The Foundation makes available for spending each year 5% of the average of five market values of its total endowment - the value six months before the beginning of the fiscal year, the value 18 months before the beginning of the year, the value 30 months before the beginning of the year, the value 42 months before the beginning of the year and the value 54 months before the beginning of the year. Individual endowments must have been placed with the Foundation at least six months prior to the beginning of the fiscal year to be eligible to participate for that year. Eligible individual endowments share in the amount available to be spent on a pro rata basis.

Endowment Disclosures

The Foundation's endowment consists of 298 individual donor-restricted funds which are managed and controlled by the Foundation and are primarily established for scholarships, programs, or capital projects. As required by GAAP, net position associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law: The Board of Trustees of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift on 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 position (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. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization

Northeastern State University
A Department of the Regional University System of Oklahoma
Notes to Financial Statements
June 30, 2021

Note M--Northeastern State University, Foundation, Inc. (Continued)

Endowment Disclosures (Continued)

(7) The investment policies of the organization

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the NSU Foundation to retain as a fund of perpetual duration. There were no such endowment funds at December 31, 2020.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Foundation has a policy of appropriating for distribution each year amounts up to, but not to exceed 4.5% of market value averaged over the last five years. Since the Foundation has a policy of designating unrestricted funds each year for investment, it feels that this policy protects the purchasing power of the endowment. In light of current market fluctuations and the future needs of the Foundation, it evaluates the spending policy annually to ensure that it remains in accordance with the long-term objectives of the Foundation.



Northeastern State University

A Department of the Regional
University System of Oklahoma

Single Audit Reports
For the Fiscal Year Ended
June 30, 2021

Northeastern State University
(A Department of the Regional University System of Oklahoma)
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June 30, 2021

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**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of the Financial Statements Performed in
Accordance with *Government Auditing Standards***

Board of Regents
Regional University System of Oklahoma
Northeastern 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 Northeastern State University (the University), a department of the Regional University system of Oklahoma (RUSO), which is a component unit of the State of Oklahoma, as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated October 29, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designed audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northeastern 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*.

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.

Hick & Company, PC

Tulsa, Oklahoma
October 29, 2021





**Independent Auditors' Report on Compliance for Each
Major Federal Program; Report on Internal Control over Compliance
and Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Board of Regents
Regional University System of Oklahoma
Northeastern State University
Oklahoma City, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Northeastern State University's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the University's major federal programs for the year ended June 30, 2021. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, Northeastern State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Northeastern State University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Northeastern State University as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated October 29, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 financial statements and certain auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Hick & Company, PC

Tulsa, Oklahoma
October 29, 2021



Northeastern State University
A Department of the Regional University System of Oklahoma
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	AL Assistance Listing Number	Pass-Through Entity Identification Number	Award Amount Expended	Total Amount Expended	Passed Through Subrecipients
Student financial aid cluster					
U.S. Department of Education					
Federal Pell Grants	84.063	None	\$ 12,545,103		
Federal Supplemental Education Opportunity Grants	84.007	None	430,302		
Federal TEACH Grant	84.379	None	94,061		
Federal Work Study Program	84.033	None	305,257		
Federal Perkins Loans	84.038	None	3,606,807		
Federal Direct Loan Program	84.268	None	30,033,107		
Total Student Financial Aid Cluster				47,014,637	
U.S. Department of Education					
TRIO program cluster					
Talent Search	84.044	P0044A160174-176-17			
Talent Search	84.044	P044A160174-176-18	15,242		
		P044A160174-19/ P044A160174-19-19A			
Talent Search	84.044	P044A160174-19-19A	197,182		
Talent Search	84.044	P044A160174-20	169,364		
Talent Search	84.044	P044A160176-20	140,010		
Subtotal for AL #84.044				521,798	
Student Support Services	84.042A	P042A151515-17			
Student Support Services	84.042A	P042A151515-18	13,359		
Student Support Services	84.042A	P042A151515-19	120,829		
Student Support Services	84.042A	P042A200107	246,821		
Subtotal for AL #84.042A				381,009	
Trio Upward Bound	84.047A	P047A171205			
Trio Upward Bound	84.047A	P047A171205-18	11,793		
Trio Upward Bound	84.047A	P047A171205-19	80,994		
Trio Upward Bound	84.047A	P047A171205-19	170,153		
Pass-through Project AWARE				262,940	
OCIC Project Aware	84.184G	None		-	
Total TRIO program cluster				1,165,747	
Higher Education Emergency Relief Funds- Student Aid Portion	COVID-19, 84.425E	P425E200026	2,838,487		
Higher Education Emergency Relief Funds- Institution Aid Portion	COVID-19, 84.425F	P425F200564	11,404,871		
Higher Education Emergency Relief Funds- Support Aid Portion	COVID-19, 84.425L	P425L200536	640,175		
Total CARES ACT HEERF				14,883,533	
Research and Development (R&D) Cluster					
National Science Foundation					
Pass-through Oklahoma University					
Advancing Digitization of Biodiversity Collections	47.074	2020.21	1,087		
Subtotal for AL #47.074				1,087	
Pass-through Oklahoma State University					
Education and Human Resources	47.076	1-5-56595-NSU	43		
Education and Human Resources	47.076	1-578530 NSU	23,545		
Subtotal for AL #47.076				23,588	
Pass-through Oklahoma State University					
Office of International Science and Engineering	47.079	None	396	396	
Total for National Science Foundation				25,071	

(Continued)

Northeastern State University
A Department of the Regional University System of Oklahoma
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	AL Assistance Listing Number	Pass-Through Entity Identification Number	Award Amount Expended	Total Amount Expended	Passed Through Subrecipients
<i>(Continued)</i>					
National Institute for Health					
Pass-through OU Health Science Center					
Biomedical Research and Research Training	93.859	PTE# 5P20GM103447-21 RS20181585-37	112,326		
Biomedical Research and Research Training	93.859	PTE# 5P20GM103447-21	25,000		
Biomedical Research and Research Training	93.859	RS20181585-30 PTE #5P20GM103447-21	25,696		
Biomedical Research and Research Training	93.859	PTE# 5P20GM103447-22	10,579		
Biomedical Research and Research Training	93.859	PTE# 5P20GM103447-21	81,762		
Biomedical Research and Research Training	93.859	PTE# 5P20GM103447-21	11,527		
Biomedical Research and Research Training	93.859	C20002541	10,761		
Subtotal for AL #93.859				277,651	
Cancer Cause and Prevention Research	93.393	R15CA205375 Grant# 7 R15 CA205375-02	18,962		
Subtotal for AL #93.859				18,962	
Total National Institute for Health				296,613	
Total Research and Development Cluster				\$ 321,684	\$ -
Other Federal Programs					
U.S. Department of Education					
Strengthening Minority-Serving Institutions	84.382C	P382C160013-19	\$ 164,902		
Strengthening Minority-Serving Institutions	84.382C	P382C160013-20	215,687		
Subtotal AL #84.382				380,589	
Fund for the Improvement of Education	84.299A	S299A160081	7,353		
Pass-through Cherokee Nation-American Indian Resource Center	84.299	S200B1600012	19,304		
Fund for the Improvement of Education					
Subtotal for AL #84.299				26,657	
Pass-through Tahlequah Public Schools	84.424	None	3		3
Student Support and Academic Enrichment Program					
Total U.S. Department of Education				407,248	
U.S. Department of Health and Human Services					
Pass-through Cherokee Country Health Services Council	93.912	Memo of Agreement	4,840		
Subtotal AL #93.912				4,840	
Total U.S. Department of Health and Human Services				4,840	
U.S. Department of Justice					
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525	2017-WA-AX-0047	62,196		
Total U.S. Department of Justice				62,196	

(Continued)

Northeastern State University
A Department of the Regional University System of Oklahoma
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	AL Assistance Listing Number	Pass-Through Entity Identification Number	Award Amount Expended	Total Amount Expended	Passed Through Subrecipients
<i>(Continued)</i>					
National Endowment for the Humanities					
Pass-through Oklahoma Humanities Council					
OHC 48th Annual Symposium on the American Indian -2019-2020					
Subtotal AL #45.129	45.129	Y19.052	6,000	6,000	
Mapping Tahlequah History 2021-2024 Yr. 1 of 3					
Subtotal AL #45.162	45.162	AA-277689-21	6,737	<u>6,737</u>	
Total National Endowment for the Humanities				<u>12,737</u>	
U.S. Department of Commerce					
Pass-through Okla. Alliance for Manufacturing Excellence					
Manufacturing Extension Partnership	11.611	70NANB20H065	73,604		
Total U.S. Department of Commerce				<u>73,604</u>	
				<u>73,604</u>	
U.S Department of Treasury					
Pass-through the State of Oklahoma					
Coronavirus Relief Funds	21.019	None	282,587	<u>282,587</u>	
				<u>282,587</u>	
Total Expenditures of Federal Awards				<u>\$ 64,228,814</u>	<u>\$ -</u>

Northeastern State University
A Department of the Regional University System of Oklahoma
 Notes to the Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2021

Note 1--Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Northeastern State University under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Northeastern State University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Northeastern State University.

Note 2--Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the (identify basis of accounting) basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Northeastern State has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3--Federal Student Loan Programs

The federal student loan programs listed subsequently are administered directly by Northeastern State University, and balances and transactions relating to these programs are included in Northeastern State University's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2021, consists of:

<i>CDFA Number</i>	<i>Program Name</i>	<i>Outstanding Balance at June 30, 2021</i>
84.038	Federal Perkins Loan	\$ 1,637,920

Northeastern State University
A Department of the Regional University System of Oklahoma
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Summary of Auditors' Results

1. The opinion expressed in the independent accountants' report was:
 Unmodified Qualified Adverse Disclaimed

2. The independent accountants' report on internal control over financial reporting described:
Significant deficiencies Yes None reported
Material weaknesses? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

4. The independent auditors' report on internal control over compliance for major federal awards programs disclosed:
Significant deficiencies? Yes None reported
Material weaknesses? Yes No

5. The opinion expressed in the independent auditors' report on compliance for major federal awards was:
 Unmodified Qualified Adverse Disclaimed

6. The audit disclosed findings required to be reported by the Uniform Guidance? Yes No

Northeastern State University
A Department of the Regional University System of Oklahoma
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2021
 (Continued)

Summary of Auditors' Results (Continued)

7. The University's major program were:

<u>Cluster/Program</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	
Federal Pell Grant	84.063
Federal Supplemental Education Opportunity Grants	84.007
Federal Direct Loan Program	84.268
Federal Work Study	84.033
Federal Perkins Loan	84.038
Federal Teach Grant	84.379
Higher Education Emergency Relief Fund Cluster	
CARES Act	84.425

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance was \$1,926,800.

9. The University qualified as a low-risk auditee as that term is defined in Uniform Guidance. Yes No

Section II - Findings Required to be Reported by Government Auditing Standards

None to report for the year ended June 30, 2021.

Section III - Findings Required to be Reported by the Uniform Guidance

None to report for the year ended June 30, 2021.

Northeastern State University
A Department of the Regional University System of Oklahoma
Summary Schedule of Prior Audit Findings and Questioned Costs
Year Ended June 30, 2021

No matters were reportable.