



Northeastern State University

A Department of the Regional
University System of Oklahoma

**Annual Financial Report
For the Fiscal Year Ended
June 30, 2023**

Northeastern State University
(A Department of the Regional University System of Oklahoma)
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**HINKLE &
COMPANY**

Strategic PC
Business Advisors

Independent Auditor's 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, 2023 and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective position, of the University, as of and for the year ended June 30, 2023, 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.

Basis for Opinions

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

Emphasis of Matter

As 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 the RUSO as of June 30, 2023, the changes in its financial position, or 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.

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Responsibilities of Management for the Financial Statements

The University's 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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



Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The schedule of expenditures of federal awards, 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*, are presented for purposes of additional analysis and are 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 statement of modernization costs-uncompleted, financial data schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic 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 31, 2023 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering Northeastern State University's internal control over financial reporting and compliance.

Hick & Company, PC

Tulsa, Oklahoma
October 31, 2023



Northeastern State University

Management's Discussion and Analysis (Unaudited)

June 30, 2023

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.

The University continues its efforts to expand academic programs to meet the critical occupations in Oklahoma. NSU's College of Science and Health Professions received approval in spring to offer an undergraduate degree in Respiratory Therapy.

With the conclusion of NSU Destination 2023 strategic plan, NSU faculty, staff and students came together to collaborate on the new strategic goals. This new plan, will help measure the success of NSU. NSU must distinguish itself from others with a laser focus on value added through educational achievements at NSU.



During fiscal year 2023, NSU was joined by Cherokee nation to celebrate the recent investment in Seminary Hall and the new museum which showcases the rich longstanding history between the institutions and its Cherokee founders. NSU also celebrated the completion of the Center for Tribal Studies located in the basement of the University Center.

This would not have been completed without the generous donation from Cherokee Nation.

In late June, NSU broke ground on the new home for the NSU Oklahoma College of Optometry, taking the next step in providing this top-rated program with a facility that matches its reputation.

Overview of Financial Statements and Financial Analysis

The financial statements of Northeastern State University are presented for the fiscal year ended June 30, 2023. 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 2023 and 2022.

Northeastern State University
Management's Discussion and Analysis (Unaudited)
June 30, 2023

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)		
	2023	2022
Assets:		
Current assets	\$ 59,270	\$ 55,794
Capital assets, net	150,190	150,331
Other assets	4,062	8,097
Total Assets	\$213,522	\$214,222
Deferred Outflows of Resources:		
Deferred charge on OCIA lease restructure	\$ 187	211
Liabilities:		
Current liabilities	\$ 12,375	\$ 13,201
Noncurrent liabilities	34,389	37,699
Total Liabilities	\$ 46,764	\$ 50,900
Deferred Inflows of Resources		
Deferred gain on OCIA lease restructure	\$ 1,249	\$ 1,366
Net Position:		
Invested in capital assets	\$116,410	\$115,412
Restricted, expendable	16,818	17,718
Unrestricted	32,468	29,037
Total Net Position	\$165,696	\$162,167

Northeastern State University
Management's Discussion and Analysis (Unaudited)
June 30, 2023



Total net position of the University increased \$3.5 million during fiscal year 2023. This change can be seen with increases in current cash, current accounts and lease receivables, endowments and capital assets along with decreases in noncurrent cash, interest receivable, inventories and current note receivables.

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 \$.1 million during fiscal year 2023. Majority of this change is due to an increase in buildings and decrease in construction in progress. The chart below provides further information.

Change in Capital Assets	2023	2022
Additions: Buildings	\$ 23.7 million	\$ 1.4 million
Construction in Progress	(17.1 million)	9.8 million
Art	0 million	.7 million
Equipment	.8 million	(2.5 million)
Land and Infrastructure	1.1 million	.07 million
Library Materials	(.3 million)	(.4 million)
Intangible Assets	2.3 million	2.8 million
Deduction: Net Depreciation	(10.6 million)	(6.1 million)
Net Fiscal Year Change	\$ (.1 million)	\$ 5.7 million

Liabilities include both current liabilities, such as accounts payable, and noncurrent liabilities, such as bond and lease obligations. Total liabilities decreased \$4.1 million during fiscal year 2023. Of this amount current liabilities decreased \$.8 million, majority coming from decrease in accounts payable. Noncurrent liabilities decreased \$3.3 million as debt obligations were paid down. Further information about long-term liabilities can be found in Note F to the financial statements.

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.

Northeastern State University
Management's Discussion and Analysis (Unaudited)
June 30, 2023

Statement of Revenues, Expenses and Changes in Net Position

(Thousands of Dollars)

	Fiscal Year Ended June 30	
	2023	2022
Operating revenues	\$58,568	\$55,502
Employee compensation and benefits	(66,210)	(67,337)
Depreciation expense	(11,513)	(9,975)
Other operating expense	(32,769)	(44,215)
Operating Income (Loss)	(51,924)	(66,025)
Federal, state and local grants	22,372	39,790
State appropriations	29,831	28,880
On behalf payments, gifts, investments and interest exp.	740	982
Capital gifts		
State appropriations for capital purposes	2,510	1,915
Change in Net Position	3,529	5,542
Net Position, beginning of year	162,167	156,625
Restatement of net position	0	0
Net Position, end of year	\$ 165,696	\$ 162,167



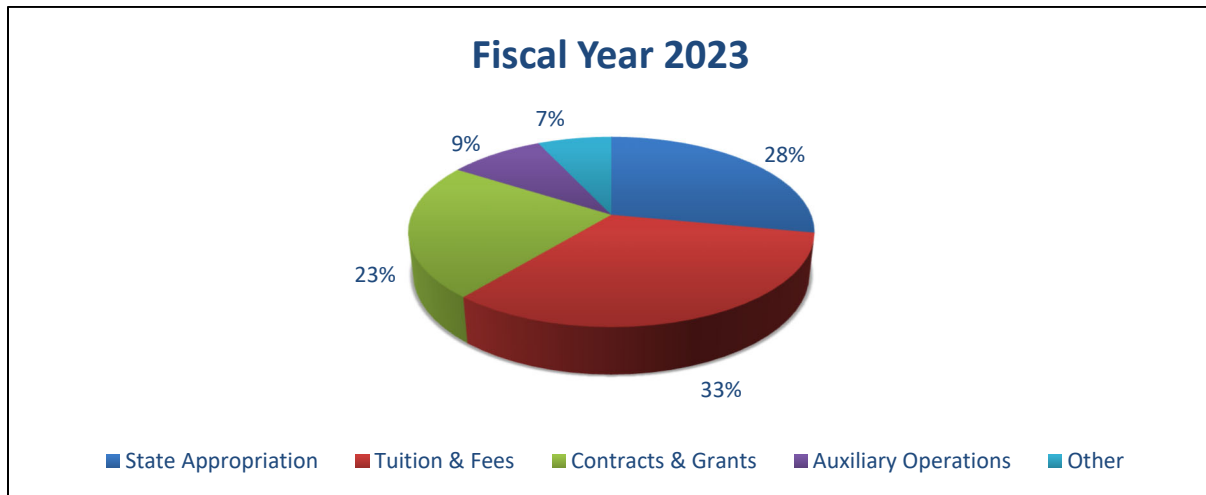
Operating revenue includes tuition, fees, state and federal grants and contracts and revenue generated by auxiliary units. Total operating revenue increased \$3 million in fiscal year 2023. Increase were seen in Optometry of \$.9 million, housing and food service of \$.7 million, federal and state grants of \$.7 million, student tuition and fees of \$.2 million and interest and other operating revenue of \$.5 million.

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 \$16.1 million in fiscal year 2023. This change was a result of decreases in federal and state grant and contracts of \$17.4 million, gifts and contributions of \$1.4 million and increases in state appropriations of \$2 million. The large reduction in state grants and contracts was from the use of the Higher Education Emergency Relief Funds (HEERF) received in the previous year.

The remaining difference are made up of decreases to interest expense of \$.04, loss on Perkin loans of \$.5 million and an increase to investment income of \$.07 million.

Northeastern State University
Management's Discussion and Analysis (Unaudited)
June 30, 2023

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 33%, grants and financial aid revenue 23% and auxiliary operations and other sources make up the remaining 16%.



Operating expenses include employee compensation, student scholarships, depreciation, other necessary supplies and service expenses. For fiscal year 2023 operating expenses decreased \$11 million. This change is a result of decreases to scholarships and fellowships of \$9.3 million, supplies and materials of \$2.6 million, other operating expenses \$1.4 million, and employee compensation of \$1.1 million. Remaining changes are made up of increases to depreciation of \$1.5 million, contractual services of \$1.4 million, utilities of \$.3 million and communication expenses of \$.2 million.

Change in net position reflects net income or loss for the year. The change in net income for fiscal year 2023 is an increase of \$3.5 million.

Northeastern State University
Management's Discussion and Analysis (Unaudited)
June 30, 2023

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	
	2023	2022
Cash provided (used) by		
Operating activities	\$(43,716)	\$(58,569)
Noncapital financing activities	53,400	71,293
Investing activities	417	285
Capital and related financing activities	(13,594)	(15,673)
Net Change in Cash	(3,493)	(2,664)
Cash, beginning of year	51,483	54,148
Cash, end of year	\$47,990	\$51,483

The net cash balance decreased \$3.4 million during fiscal year 2023. This decrease was due to less cash used in operating activities and reduction in cash provided by noncapital financing activities.

Northeastern State University
Management's Discussion and Analysis (Unaudited)
June 30, 2023



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

For FY 24, NSU budgeted \$6.4 million in unobligated reserves to cover the projected flat enrollment/credit hours. Our budget includes an increase of \$3,589,550 in state appropriated funds. Of this amount \$500,000 is designated for engineering initiatives and \$2,176,050 for faculty salaries/benefits. In addition, we received year two of funding in the amount of \$480,959 designated to meet Oklahoma's "Critical Workforce Development" needs in STEM fields of study. The STEM funds are considered "at-risk" and subject to re-allocation based on STEM credit hour and degree production in FY 25.

To meet our FY 24 budget needs, we requested an increase in tuition/fees by 1.5%. NSU's increase of 1.5% (\$3.25 per credit hour) translates to an increase of \$97.50 per year for a full-time (30 hours) Oklahoma resident undergraduate student. Even with this increase in NSU's FY 24 tuition cost, NSU will still be one of the most affordable among all 13 public universities in Oklahoma.

It is also worth noting that we are reducing the online fee from \$35 per credit hour to \$30 with a goal of eliminating this fee within the next year or two. The elimination of the online fee is another priority for Student Government and the Budget Oversight Committee.

Northeastern State University
(A Department of the Regional University System of Oklahoma)
Statement of Net Position
June 30, 2023

	<u>University</u>	<u>Component Unit</u>
	<u>June 30, 2023</u>	<u>December 31, 2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 37,863,859	\$ 1,303,169
Restricted cash and cash equivalents	6,203,733	-
Restricted investments	-	42,373,216
Accounts receivable, net	12,728,698	-
Lease receivable	962,210	-
Receivable from state agencies (OSRHE Endowment)	1,066,807	-
Interest receivable (Perkins Loans)	12,127	10,485
Inventories and other current assets	343,334	43,735
Current portion of notes receivable, net	<u>89,000</u>	<u>-</u>
TOTAL CURRENT ASSETS	59,269,768	43,730,605
NONCURRENT ASSETS		
Restricted cash and cash equivalents	3,923,150	-
Notes receivable, net	139,384	-
Capital assets, net	<u>150,189,575</u>	<u>34,000</u>
TOTAL NONCURRENT ASSETS	<u>154,252,109</u>	<u>34,000</u>
TOTAL ASSETS	<u>\$ 213,521,877</u>	<u>\$ 43,764,605</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on ODFA lease restructure	<u>\$ 187,575</u>	<u>\$ -</u>

(Continued)

Northeastern State University
(A Department of the Regional University System of Oklahoma)
Statement of Net Position
June 30, 2023
(Continued)

	<u>University</u>	<u>Component</u>
	<u>June 30,</u>	<u>Unit</u>
	<u>2023</u>	<u>December 31,</u>
		<u>2022</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	2,606,890	\$ 544
Accrued payroll	785,779	-
Unearned revenue	3,290,386	-
Deposits held in custody for others	-	-
Current portion of noncurrent liabilities	5,691,654	10,420
TOTAL CURRENT LIABILITIES	12,374,709	10,964
NONCURRENT LIABILITIES		
Accrued compensated absences	2,267,393	-
Other liabilities	-	-
Federal loan program contributions refundable	4,402,000	-
Lease obligation payable to state agency	27,720,147	-
TOTAL NONCURRENT LIABILITIES	34,389,540	-
TOTAL LIABILITIES	\$ 46,764,249	\$ 10,964
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on OCIA lease restructure	\$ 1,249,240	\$ -
NET POSITION		
Net investment in capital assets	116,409,689	-
Restricted:		
Nonexpendable, primarily for Scholarships	-	24,987,574
Expendable:		
Scholarships, instruction and other	8,555,597	14,104,969
Loans	4,339,595	-
Capital projects	3,923,150	-
Debt service	-	-
Unrestricted	32,467,932	4,661,098
TOTAL NET POSITION	\$ 165,695,963	\$ 43,753,641

Northeastern State University
(A Department of the Regional University System of Oklahoma)
Statement of Revenue, Expenses and Changes in Net Position
June 30, 2023

	<u>University</u>	<u>Component</u>
	<u>Year Ended</u>	<u>Unit</u>
	<u>June 30</u>	<u>Year Ended</u>
	<u>2023</u>	<u>December 31</u>
		<u>2022</u>
OPERATING REVENUES		
Student tuition and fees, net of scholarship discounts and allowances of \$14,681,908	\$ 37,999,812	\$ -
Federal and state grants and contracts	4,098,773	-
Housing and food service, net of scholarship discounts and allowances of \$1,497,992	4,161,959	-
Optometry contracts and practice plan	5,784,059	-
Interest earned on loans to students	18,541	-
Gifts and contributions	-	7,524,044
Investment income - gain or (loss)	-	(6,386,812)
Other operating revenues	6,504,628	111,840
TOTAL OPERATING REVENUES	58,567,772	1,249,072
OPERATING EXPENSES		
Compensation	66,210,438	-
Contractual services	7,122,729	-
Supplies and materials	5,462,856	-
Depreciation	11,513,254	-
Utilities	3,805,730	-
Communication expense	270,992	-
Scholarships and fellowships	8,413,454	2,062,393
Other operating expenses	7,693,009	590,635
TOTAL OPERATING EXPENSES	110,492,462	2,653,028
OPERATING INCOME (LOSS)	(51,924,690)	(1,403,956)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	29,830,931	-
Federal and state grants and contracts	22,371,628	-
Gifts and contributions	1,197,536	-
Investment income	425,145	-
Loss on Assignment of Perkin Loans	(26,842)	-
Interest expense	(1,383,945)	-
NET NONOPERATING REVENUES (EXPENSES)	52,414,453	-
Income before other revenues, expenses, gains and losses	489,763	(1,403,956)
State appropriations restricted for capital purposes	1,476,932	-
OCIA on-behalf payments	1,561,872	-
CHANGE IN NET POSITION	3,528,567	(1,403,956)
NET POSITION AT BEGINNING OF YEAR	162,167,396	45,157,597
NET POSITION AT END OF YEAR	\$ 165,695,963	\$ 43,753,641

Northeastern State University
(A Department of the Regional University System of Oklahoma)
Statements of Cash Flows
June 30, 2023

	Year Ended June 30, 2023
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 33,869,953
Grants and contracts	3,954,665
Other operating receipts	17,257,060
Payments to employees for salaries and benefits	(66,026,383)
Payments to suppliers	(32,838,162)
Loans made to students	-
Collection of student loans	66,863
NET CASH USED IN OPERATING ACTIVITIES	(43,716,004)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	29,830,931
Nonoperating grants, primarily student financial assistance	22,371,627
Gifts for other than capital purposes	1,197,536
Direct loan/FFEL receipts	27,471,223
Direct loan/FFEL payments	(27,471,223)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	53,400,094
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales of investments	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	417,392
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash paid for capital assets	(9,883,483)
Proceeds from the sale of capital assets	73,622
Capital appropriations received	3,038,804
Net Loss on sale/disposal of fixed assets	(36,811)
Proceeds from capital debt and leases	(2,442,005)
Principal payments on capital debt and leases	(1,871,039)
Interest paid on capital debt and leases	(2,473,219)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(13,594,131)
NET INCREASE (DECREASE) IN CASH EQUIVALENTS	(3,492,649)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	51,483,391
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 47,990,742

(Continued)

Northeastern State University
(A Department of the Regional University System of Oklahoma)
Statements of Cash Flows
June 30, 2023
(Continued)

	Year Ended June 30, 2023
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (51,924,690)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	11,513,254
Loss on the disposal of fixed assets	-
On-behalf contributions to teachers' retirement system	-
Accounts receivable	(3,159,166)
Inventories	(52,045)
Loans receivable	66,863
Accounts payable and accrued expenses	104,653
Accrued payroll	113,922
Unearned revenue	(326,928)
Federal loan program contributions refundable	(122,000)
Compensated absences	70,133
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (43,716,004)</u>
NONCASH INVESTING, NONCAPITAL FINANCING AND CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal on capital debt paid by OCIA on behalf of the University	<u>\$ 1,033,711</u>
Interest on capital debt paid by OCIA on behalf of the University	<u>\$ (1,033,711)</u>
Non-cash capital grants and gifts	<u>\$ 172,683</u>
Deferred cost on ODFA lease restructure	<u>\$ 187,575</u>
Deferred gain on OCIA lease restructure	<u>\$ 1,249,240</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET ASSETS	
Current assets:	
Cash and cash equivalents	\$ 37,863,859
Restricted cash and cash equivalents	6,203,733
Noncurrent assets:	
Restricted cash and cash equivalents	<u>3,923,150</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 47,990,742</u>

Northeastern State University
(A Department of The Regional University System of Oklahoma)
Notes to Financial Statements
June 30, 2023

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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Notes to Financial Statements
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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. Lease assets and Subscription based information technology arrangement(SBITA) assets are amortized over the life of the associated contract and the amortization is included in depreciation expense.

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.

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

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.

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NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

Income 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.

The University generally uses an estimate based on municipal bond rate yield curves as the discount rate for leases and subscription-based information technology arrangements(SBITA) unless the rate that the lessor/vendor charges is known.

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.

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Notes to Financial Statements
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NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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, 2023, the University's deferred inflows of resources were comprised of deferred gains on the restructuring of certain long term debt.

Lease-related amounts are recognized at the inception of leases in which the University is the lessor and are recorded in an amount equal to the corresponding leases receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

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: 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.

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NOTE B--DEPOSITS AND INVESTMENTS (Continued)

There is \$47,990,742 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2023. Of the \$47,990,742 on deposit with the State Treasurer, \$23,466,586 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.

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.

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NOTE B--DEPOSITS AND INVESTMENTS (Continued)

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, 2023, the University did not have any qualifying investments.

NOTE C--ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2023:

Student tuition and fees	\$ 5,954,776
Auxiliary enterprises and other operating activities	886,671
Federal, state, and private grants and contracts	1,367,342
Cancelled Perkins loans	4,580,106
	<u>12,788,895</u>
Less: allowance for doubtful accounts	<u>(60,197)</u>
Net accounts receivable	<u>\$ 12,728,698</u>

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NOTE D--LOANS AND LEASES RECEIVABLE

Loans Receivable: Student loans made through the Federal Perkins Loan Program (the "Program") comprise substantially all of the loans receivable at June 30, 2022. 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 \$4,402,000 at June 30, 2023, 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, 2023 loans receivable consisted of the following:

Perkins loans receivable	\$ 234,143
Less: Allowance for uncollectible loans	(5,759)
Net loans receivable	<u>\$ 228,384</u>

Leases Receivable: The University as a lessor, has entered into lease agreements involving buildings. Leases of buildings have annual installments totaling \$7,438 with interest rates ranging from 1.3% to 1.9%, and due dates ranging from 2024 to 2048.

Future annual lease payments to be received are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30:			
2024	\$ 42,398	\$ 14,972	\$ 57,370
2025	35,782	14,388	50,170
2026	36,348	13,822	50,170
2027	36,922	13,247	50,169
2028	37,506	12,663	50,169
2029-2033	196,617	54,231	250,848
2034-2038	212,663	38,185	250,848
2039-2043	230,018	20,830	250,848
2044-2048	146,925	3,583	150,508
	<u>\$ 975,179</u>	<u>\$ 185,921</u>	<u>\$ 1,161,100</u>

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NOTE E--CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2023:

	Balance June 30, 2022	Additions	Transfers	Retirements/ Adjustments	Balance June 30, 2022
Capital assets not being depreciated					
Land	\$ 7,912,237	\$ -	\$ -	\$ -	\$ 7,912,237
Construction in progress	26,261,141	2,283,465	(19,411,585)	-	9,133,021
Total assets not being depreciated	<u>\$ 34,173,378</u>	<u>\$ 2,283,465</u>	<u>\$ (19,411,585)</u>	<u>\$ -</u>	<u>\$ 17,045,258</u>
Other capital assets					
Non-major infrastructure networks	\$ 8,163,103	\$ 879,264	\$ 251,825	\$ -	\$ 9,294,192
Buildings and improvements	240,706,254	4,588,124	19,159,760	-	264,454,138
Art	704,500	-	-	-	704,500
Furniture, fixtures and equipment	21,798,121	977,539	-	(186,591)	22,589,069
Library materials	3,630,434	370,736	-	(691,924)	3,309,246
Intangible Assets	2,879,732	2,309,474	-	(58,234)	5,130,972
Total other capital assets	277,882,144	9,125,137	19,411,585	(936,749)	305,482,117
Less: accumulated depreciation for					
Non-major infrastructure networks	5,812,691	393,958	-	-	6,206,649
Buildings and improvements	132,332,981	8,707,946	-	-	141,040,927
Art	110,225	35,225	-	-	145,450
Furniture, fixtures and equipment	20,766,364	592,628	-	(183,230)	21,175,762
Library materials	1,951,232	426,615	-	(658,475)	1,719,372
Intangible Assets	750,992	1,356,882	-	(58,234)	2,049,640
Total accumulated depreciation	<u>161,724,485</u>	<u>11,513,254</u>	<u>-</u>	<u>(899,939)</u>	<u>172,337,800</u>
Other capital assets, net	<u>\$ 116,157,659</u>	<u>\$ (2,388,117)</u>	<u>\$ 19,411,585</u>	<u>\$ (36,810)</u>	<u>\$ 133,144,317</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 34,173,378	\$ 2,283,465	\$ (19,411,585)	\$ -	\$ 17,045,258
Other capital assets, at cost	277,882,144	9,125,137	19,411,585	(936,749)	305,482,117
Total cost of capital assets	312,055,522	11,408,602	-	(936,749)	322,527,375
Less: accumulated depreciation	161,724,485	11,513,254	-	(899,939)	172,337,800
Capital assets, net	<u>\$ 150,331,037</u>	<u>\$ (104,652)</u>	<u>\$ -</u>	<u>\$ (36,810)</u>	<u>\$ 150,189,575</u>

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NOTE F--LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Amounts due within one year
Capital lease obligations					
ODFA obligation	\$ 22,107,668	\$ -	\$ (2,677,250)	\$ 19,430,418	\$ 2,668,835
Premium on ODFA obligation	532,588	-	(113,414)	419,174	106,859
OCIA obligation	11,089,237	-	(1,033,711)	10,055,526	1,086,256
GASB SBITA	-	992,349	(356,913)	635,436	268,876
GASB 78 Lease payable	2,006,894	1,317,125	(1,146,352)	2,177,667	867,247
Total capital leases	35,736,387	2,309,474	(5,327,640)	32,718,221	4,998,073
Other liabilities					
Federal loan program contributions	4,524,000	-	(122,000)	4,402,000	-
Accrued compensated absences	2,890,840	2,960,973	(2,890,840)	2,960,973	693,581
Total other liabilities	7,414,840	2,960,973	(3,012,840)	7,362,973	693,581
Total long-term liabilities	\$ 43,151,227	\$ 5,270,447	\$ (8,340,480)	\$ 40,081,194	\$ 5,691,654

Capital Obligations:

Oklahoma Capital Improvement Authority

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 an agreement with OCIA for those amounts. The 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 agreements 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 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 agreement with OCIA was automatically restructured to secure the new bond issues.

During the year ended June 30, 2023, OCIA made principal and interest payments totaling \$1,561,872 on behalf of the University for the 2014A issue. 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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NOTE F--LONG-TERM LIABILITIES (Continued)

Capital Obligations (Continued)

Oklahoma Development Finance Authority Program

Series 2011A

The ODFA issued the ODFA Master Real Property 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 agreements. Northeastern State University's portion of this allocation was \$5,990,000 to fund the constructions of a new Multi-Purpose Events Center.

In 2021, the Series 2011A was fully refunded with the issuance of the ODFA Master Real Property Revenue Bonds, Series 2020D in the amount of \$3,889,000.

Series 2014A - Equipment Energy

In June 2014, the University entered into an obligation Series 2014A in the amount of \$4,139,000 to refinance the ODFA Master Revenue Bond Series 2004A. Total 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.

Series 2014A - Housing

In February 2014, the University entered into an obligation Series 2014A in the amount of \$14,517,000 for the construction of student housing. 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, 2023, the University has fully drawn all amounts.

Series 2014B

In February 2014, the University entered into an 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. 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.

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NOTE F--LONG-TERM LIABILITIES (Continued)

Capital Obligations (Continued)

Oklahoma Development Finance Authority Program (Continued)

Series 2016B

In June 2016, the University entered into an 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. 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 an obligation Series 2020D in the amount of \$3,889,000 to refinance the ODFA Revenue Bond Series 2011A. Total 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.

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

Year Ending June 30:	Principal	Interest	Total
2024	\$ 3,755,089	\$ 1,140,401	\$ 4,895,490
2025	2,817,212	996,779	3,813,991
2026	2,912,867	901,367	3,814,234
2027	3,019,207	794,331	3,813,538
2028	3,128,616	685,027	3,813,643
2029-2033	13,537,953	1,527,516	15,065,469
2034-2035	315,000	12,600	327,600
	<u>\$ 29,485,944</u>	<u>\$ 6,058,021</u>	<u>\$ 35,543,965</u>

Northeastern State University
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Notes to Financial Statements
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NOTE F--LONG-TERM LIABILITIES (Continued)

Capital Obligations (Continued)

Leases:

The University as a lessee, has entered into lease agreements involving equipment and building summarized below.

Leases of equipment: Annual installments totaling \$866,047 with interest rates ranging from 0.3% to 47%, and due dates ranging from 2024 to 2028.

Lease of building: Annual installment totaling \$1,200 with interest rate of 0.8%, and due date of 2024.

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

Future annual lease payments are as follows:

	Principal	Interest	Total
Year Ending June 30:			
2024	\$ 867,247	\$ 56,139	\$ 923,386
2025	606,637	38,413	645,050
2026	318,695	23,902	342,597
2027	280,957	11,087	292,044
2028	104,131	885	105,016
	<u>\$ 2,177,667</u>	<u>\$ 130,426</u>	<u>\$ 2,308,093</u>

Subscription-Based Information Technology Arrangements (SBITAs):

The University has entered into SBITAs involving various operation software with terms ranging from 1.1 to 4 years.

The future subscription payments under SBITAs for the University are as follows:

	Principal	Interest	Total
Year Ending June 30:			
2024	\$ 268,876	\$ 14,879	\$ 283,755
2025	189,389	8,494	197,883
2026	70,316	3,663	73,979
2027	106,855	1,916	108,771
	<u>\$ 635,436</u>	<u>\$ 28,952</u>	<u>\$ 664,388</u>

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June 30, 2023

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.

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 2023, 2022, and 2021, and was applied to annual compensation. This single rate is allocated by OTRS to fund both the pension and OPEB benefits.

Northeastern State University
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June 30, 2023

NOTE G--RETIREMENT PLANS

Oklahoma Teachers' Retirement System (OTRS): (Continued)

Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2023, 2022, and 2021. 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, 2023, 2022, and 2021, were approximately \$4,197,000, \$4,092,000, and \$6,184,000, 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 2023, 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.

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. The plan currently has adopted a funding policy to achieve a 100 percent funding level by December 1, 2030.

The University's contributions to the SRA for the years ended June 30, 2023, 2022, and 2021, were approximately \$1,234,000, \$1,415,000, and \$1,100,000, respectively.

Northeastern State University
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Notes to Financial Statements
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NOTE G--RETIREMENT PLANS (Continued)

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, 2023, 2022, and 2021. However, the University made no contributions in 2023, 2022, and 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, 2023, there were 310 active participants in the plan. The retirement insurance program was adopted by the Board of Regents in 1985.

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 \$-0-.

The University's contributions to the plan for the years ended June 30, 2023, 2022, and 2021, were approximately \$-0-, \$344,000, and \$214,000, respectively.

Northeastern State University
(A Department of The Regional University System of Oklahoma)
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NOTE H--OTHER POST-EMPLOYMENT INSURANCE BENEFITS (Continued)

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.

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 \$1,103,000 during the year ended June 30, 2023, 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 \$21,615,000 at June 30, 2023.

Northeastern State University
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June 30, 2023

NOTE I--FUNDS HELD IN TRUST BY OTHERS (Continued)

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 \$2,934,000 at June 30, 2023, 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 \$177,000 at June 30, 2023, have been reflected as assets in the statement of net position. In connection with the program, private contributions totaling approximately \$890,000 as of June 30, 2023, are being held by the University Foundation for the benefit of the University. Additional private contributions of approximately \$637,000 as of June 30, 2023, 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 \$890,000 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 \$200,000 for the year ended June 30, 2023.

NOTE K--COMMITMENTS AND CONTINGENCIES

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, 2023, \$27,471,223 of Direct Loan funds were disbursed to University students.

Northeastern State University
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June 30, 2023

NOTE K--COMMITMENTS AND CONTINGENCIES (Continued)

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, 2023, 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.

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;

Northeastern State University
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June 30, 2023

NOTE M--NORTHEASTERN STATE UNIVERSITY, FOUNDATION, INC. (Continued)

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.

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, 2022:

Description	Level 1	Level 2	Level 3	Total
Equity funds	\$22,673,090	\$ -	\$ -	\$22,673,090
Fixed income funds	12,284,916	5,800,000	-	18,084,916
Cash and equivalents	743,058	-	-	743,058
Alternative investments	872,152	-	-	872,152
Total	<u>\$36,573,216</u>	<u>\$ 5,800,000</u>	<u>\$ -</u>	<u>\$42,373,216</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.

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NOTE M--NORTHEASTERN STATE UNIVERSITY, FOUNDATION, INC. (Continued)

INVESTMENTS (Continued)

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.

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 316 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.

Northeastern State University
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June 30, 2023

NOTE M--NORTHEASTERN STATE UNIVERSITY, FOUNDATION, INC. (Continued)

ENDOWMENT DISCLOSURES (Continued)

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
- (7) The investment policies of the organization

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% 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.

REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND THE UNIFORM GUIDANCE



Northeastern State University

A Department of the Regional
University System of Oklahoma

**Single Audit Reports
For the Fiscal Year Ended
June 30, 2023**

Northeastern State University
(A Department of the Regional University System of Oklahoma)
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**HINKLE &
COMPANY**
Strategic PC
Business Advisors

***Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an Audit
of the Financial Statements Performed in Accordance with
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, 2023 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 31, 2023.

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 to determine the 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 the 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 31, 2023





**HINKLE &
COMPANY** PC
Strategic Business Advisors

**Independent Auditor's 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

Opinion on Each Major Federal Program

We have audited Northeastern State University's (the University) 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, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the University's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



Report on 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 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 governmental activities, each discretely presented component unit, each major fund, and the aggregate remaining fund information of the University as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Northeastern State University. We issued our report thereon dated October 31, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's 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 and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

Hill & Company, PC

Tulsa, Oklahoma
October 31, 2023



Northeastern State University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identification Number	Award Federal Expenditures	Total Federal Expenditures	Provided to Subrecipients
Student financial aid cluster					
U.S. Department of Education					
Federal Pell Grants	84.063	None	11,436,876		
Federal Supplemental Education Opportunity Grants	84.007	None	463,708		
Federal TEACH Grant	84.379	None	89,688		
Federal Work Study Program	84.033	None	319,289		
Federal Perkins Loans	84.038	None	228,384		
Federal Direct Loan Program	84.268	None	27,471,223		
Total Student Financial Aid Cluster				40,009,168	
U.S. Department of Education					
TRIO program cluster					
Talent Search	84.044	P044A210128	84,272		
Talent Search	84.044	P044A210220	111,711		
Talent Search	84.044	P044A210220-22	180,983		
Talent Search	84.044	P044A210128-22	185,697		
Talent Search	84.044	P04A200107-21A	224,187		
Subtotal for CFDA #84.044				786,850	
Student Support Services	84.042A	P042A200107	10,519		
Student Support Services		P042A200107	64,898		
Subtotal for CFDA #84.042A				75,417	
Trio Upward Bound	84.047A	P047A171205-21	180,939		
Trio Upward Bound	84.047A	P047A221104	122,235		
Subtotal for CFDA #84.047A				303,174	
Edu Opportunity Center Yr 1/5 21-22	84.066A	P066A210287	46,562		
Edu Opportunity Center Yr 2/5 22-23	84.066A	P0066A210287-22	171,447		
Total TRIO program cluster				1,383,450	
Little Rowdy Child Care 21-22 1/4	84.335A	P335A210091	26,533		
Little Rowdy Child Care 22-23 2/4	84.335A	P335A210091-22	88,863		
				115,396	
Pass-through Indian Professional Development Program					
IDEAL Indig Edu Admin Learn 21-2	84.299B-Amendment	S299B210006	31,627		
AIPEC 2021-22 Yr 1 of 5	84.299B-Amendment	S299B210005	20,147		
Subtotal for CFDA #84.299B				51,773	
Hawkins Center for Excellence	84.116K	P116K220024-22A	26,647		
				26,647	
Higher Education Emergency Relief Funds- Institution Aid Portion	COVID-19, 84.425F	P425F200564	3,441,981		
Higher Education Emergency Relief Funds- Support Aid Portion	COVID-19, 84.425L	P425L200536	1,951,566		
Total CARES ACT HEERF				5,393,547	
Total U.S Department of Education				6,970,813	
American Rescue Plan Act					
Pass-through Oklahoma Health Care Workforce Training Commission					
Nursing Workforce Expansion	17.268	XRPA-XX0000001	97,983		
				97,983	
Research and Development (R&D) Cluster					
National Science Foundation					
Pass-through Oklahoma State University					
Education and Human Resources	47.076	1-578530 NSU	3,585		
Education and Human Resources	47.076	1-578530-NSU	19,653		
Education and Human Resources	47.076	1-578530-NSU	23,127		
Education and Human Resources	47.076	2235568	5,156		
Education and Human Resources	47.076	2243169	3,224		
Subtotal for CFDA #47.076				54,745	
Pass-through Oklahoma State University					
Integrative Activities	47.083	EPSCoR-2022-2	10,941	10,941	
Total for National Science Foundation				65,686	

Northeastern State University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identification Number	Award Federal Expenditures	Total Federal Expenditures	Provided to Subrecipients
National Institute for Health					
Pass-through OU Health Science Center					
Biomedical Research and Research Training	93.859	5P2UGM103441-23 RS20181585-831 5P2UGM103441-23	84,869		
Biomedical Research and Research Training	93.859	RS20181585-105 5P2UGM103441-23	8,017		
Biomedical Research and Research Training	93.859	None	15,250		
Biomedical Research and Research Training	93.859	5P2UGM103441-23			
Biomedical Research and Research Training	93.859	RS20181585-76A1 5PUGM103441-23	38,934		
Biomedical Research and Research Training	93.859	RS20181585-83 5PUGM103441-23	1,133		
Biomedical Research and Research Training	93.859	NONE	6,946		
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.859	RS20151585-64 PTE# 5P20GM103447-22	1,976		
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.859	RS20181585-71 PTE# 5P20GM103447-22	7,915		
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.859	RS20181585-78 PTE# 5P20GM103447-22	5,998		
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.859	RS20181585-83 PTE# 5P20GM103447-22	7,801		
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.859	RS20181585-76 PTE# 5P20GM103447-22S1	20,805		
Subtotal for CFDA #93.859				199,646	
Total National Institute for Health					
Center for Disease Control					
Pass-through University of North Texas					
Thermal Protection-Firefighter's Glove 2023	93.283	7SD30121P11311 GF70101-1	6,699	6,699	
Total Research and Development Cluster					
				272,030.42	
Other Federal Programs					
U.S. Department of Education					
Strengthening Minority-Serving Institutions	84.382C	P382C160013-20			
Strengthening Minority-Serving Institutions Yr 1 of 5	84.382C	P382C210008	126,635		
Strengthening Minority-Serving Institutions Yr 2 of 5	84.382C	P382C210008-22	362,234		
Subtotal CFDA #84.382					
Total U.S. Department of Education					
				488,869	
U.S. Department of Health and Human Services					
Research on Research Integrity	93.085	1 ORIIR210071-01-11	7,240		
Pass-through Southern Plains Tribal Health					
Actv to Support State, Tribal, Local and Territorial Health Dept. Responses to Public Health	93.391	3441.501	13,309		
Total U.S. Department of Health and Human Services					
				20,549	
National Endowment for the Humanities					
Pass-through Oklahoma Humanities Council					
OHC 50th Annual Symposium on the American Indian 22-23	45.129	Y22.030	6,000		
Promotion of the Humanities Teaching and Learning Resources and Curriculum Development	45.162	AA-277689-21	15,881		
Total National Endowment for the Humanities					
				21,881	
American Library Association					
Promotion of the Humanities Public Programs	45.164	None	801		
American Rescue Plan: Humanities Grants for Libraries/American Library Association					
Promotion of the Humanities Public Programs	45.164	None	8,060		
Total American Library Association					
				8,861	
U.S. Department of Commerce					
Pass-through Okla Alliance for Manufacturing Excellence					
Manufacturing Extension Partnership	11.611	70NANB20H065	83,292		
Connecting Minority Communities Pilot Program	11/028	40-09-C13018	165,774		
Total U.S. Department of Commerce					
				249,066	

Northeastern State University
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identification Number	Award Federal Expenditures	Total Federal Expenditures	Provided to Subrecipients
U.S. Department of Labor					
Pass-through OK Dept. of Commerce/Premier Logistics WIOA Youth Program	17.259	None	25,170	<u>25,170</u>	
Federal Highway Administration					
National Summer Transportation Institute 2023	20.205	None	13,329	<u>13,329</u>	
Total Other Federal Programs				<u>827,725</u>	
Total Expenditures of Federal Awards				<u>48,177,720</u>	

Northeastern State University
(A Department of The Regional University System of Oklahoma)
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Note A: 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, 2023. 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.

Notes B: 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 C: Federal Direct Student Loan Program

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, 2023 consists of:

<u>CFDA</u> <u>Number</u>	<u>Program Name</u>	<u>Outstanding Balance at</u> <u>June 30, 2023</u>
84.038	Federal Perkins Loan	\$228,384

Northeastern State University
(A Department of the Regional University System of Oklahoma)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Summary of Auditor's Results

1. The opinion expressed in the independent auditor's report was:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimed

2. The independent auditor's 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 auditor's 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 auditor's 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, 2023

Summary of Auditor's 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	
American Rescue Plan	84.425E
American Rescue Plan	84.425F
American Rescue Plan	84.425L
TRIO Cluster	
Talent Search	84.044
Student Support Services	84.042A
Upward Bound	84.047A
Education Opportunity Center	84.066A

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance was \$1,445,332

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, 2023.

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

None to report for the year ended June 30, 2023.

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, 2023

No matters were reportable.