




# **Northeastern State University**

## **A Department of the Regional University System of Oklahoma**

### **Independent Auditor's Reports and Financial Statements**

June 30, 2024



**Northeastern State University**  
**A Department of the Regional University System of Oklahoma**  
**Contents**  
**June 30, 2024**

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## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the financial statements of the business-type activities and the discretely presented component unit of Northeastern State University (the "University"), a department of the Regional University System of Oklahoma, as of and for the year ended June 30, 2024, 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, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Northeastern State University, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Northeastern State University Foundation, Inc., the discretely presented component unit of the University. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Northeastern State University Foundation, Inc., is based solely on the report of the other auditors.

#### ***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 (*Government Auditing Standards*). 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. The financial statements of Northeastern State University Foundation, Inc., the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

### ***Reporting Entity***

As discussed in *Note 1*, the accompanying financial statements of the University are intended to present the financial position, changes in financial position, and cash flows of only the activities of Northeastern State University. They do not purport to, and do not, present fairly the financial position of the Regional University System of Oklahoma as of June 30, 2024, and the changes in its financial position or its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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.

### ***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.

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

### ***Required Supplementary Information***

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

### ***Supplementary 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2024, on our consideration of Northeastern State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Northeastern State University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northeastern State University's internal control over financial reporting and compliance.

**Forvis Mazars, LLP**

Springfield, Missouri  
October 31, 2024

### ***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.

Northeastern State University started off the fiscal year by welcoming our 20<sup>th</sup> President, Dr. Rodney

Hanley. NSU hosted a welcome reception on September 11, 2023. This event brought together local communities and showcased NSU's commitment to collaboration and engagement. The event was co-sponsored by the Tahlequah Chamber of Commerce and the Cherokee Nation, emphasizing the strong partnerships between NSU and our communities. On March 1, 2024, a Presidential Investiture was held to formally welcome the new President.



During the year, NSU began construction on the new NSU Oklahoma College of Optometry Clinic with an estimated completion date of Summer 2025. Almost half of the funding for this project was provided by the American Rescue Plan Act

(ARPA) through Oklahoma Health Care Workforce Training Commission (HWFC) along with a generous donation from Cherokee Nation.

Several grant funding opportunities provided the funds for renovations to the Student Engagement area in the University Center and to begin the first phase of renovations to the Bacone House, much needed to ensure its exterior structure stability.

For the third year in a row, Northeastern State University has been recognized as a military-friendly institution. NSU earned a silver 2023-2024 Military Friendly® School designation for its continued efforts to support veterans and their families.

### ***Overview of Financial Statements and Financial Analysis***

The financial statements of Northeastern State University are presented for the fiscal year ended June 30, 2024. The most recent financial statements of Northeastern State University Foundation, Inc. (NSU Foundation) are included in this presentation under the heading *Component Unit*. Financial analysis data is presented within this discussion for fiscal years 2024 and 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.

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**Management Discussion & Analysis**  
**June 30, 2024**

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**Statement of Net Position**

The Statement of Net Position presents current and non-current assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position 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, Net Investment in Capital Assets, provides the institution's net position in property, plant and equipment, lease, and subscription assets. 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.

<b>Statement of Net Position</b>		
(Thousands of Dollars)		
	<b>2024</b>	<b>2023</b>
<b>Assets:</b>		
Current assets	\$ 58,419	\$ 59,270
Capital, lease, and subscription assets, net	163,231	150,190
Other assets	6,798	4,062
<b>Total Assets</b>	<b>\$ 228,448</b>	<b>\$ 213,522</b>
<b>Deferred Outflows of Resources:</b>		
Deferred charge on ODFA restructure	\$ 164	\$ 187

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<b>Liabilities:</b>			
Current liabilities	\$	16,989	\$ 12,375
Noncurrent liabilities		27,190	34,389
<b>Total Liabilities</b>	<b>\$</b>	<b>44,179</b>	<b>\$ 46,764</b>
<b>Deferred Inflows of Resources</b>			
Deferred charge on leases	\$	913	\$ 962
Deferred gain on OCIA lease restructure		701	287
<b>Total Deferred Inflows of Resources</b>	<b>\$</b>	<b>1,614</b>	<b>\$ 1,249</b>
<b>Net Positions:</b>			
Net investment in capital assets	\$	133,755	\$ 116,410
Restricted, expendable		21,102	16,818
Unrestricted		27,962	32,468
<b>Total Net Position</b>	<b>\$</b>	<b>182,819</b>	<b>\$ 165,696</b>



During fiscal year 2024, total net position of the University increased \$17.1 million. This change can be seen with increases in capital assets and current accounts receivable due to the construction of the new Oklahoma College of Optometry Clinic, current and noncurrent restricted cash, and inventories along with decreases in notes and interest receivable.

Lease, subscriptions, and capital assets, are reflected net of depreciation and amortization. A schedule of capital assets including additions and retirements can be found in *Note 5* to the financial statements. Net capital, lease, and subscription assets increased \$12.2 million during fiscal year 2024. Majority of this change is due to the construction in progress of the Oklahoma College of Optometry Clinic. The chart below provides further information on the changes.



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<b>Change in Capital, Lease and Subscription Assets</b>		
	2024	2023
<b>Additions:</b>		
Buildings	\$ 7.8 million	\$ 23.7 million
Construction in Progress	13.0 million	(17.1) million
Art	0.2 million	0.0 million
Equipment	0.7 million	0.8 million
Land and Infrastructure	0.1 million	1.1 million
Library Materials	0.2 million	(0.3) million
Lease Assets	1.5 million	1.4 million
Subscription Assets	1.2 million	0.9 million
	24.7 million	10.5 million
<b>Deductions:</b>		
Deprecation	\$ (10.6) million	\$ (10.1) million
Amortization	\$ (1.9) million	\$ (1.4) million
<b>Net Fiscal Year Change</b>	<b>\$ 12.2 million</b>	<b>\$ (1.0) million</b>

Liabilities include both current liabilities, such as accounts payable, and noncurrent liabilities, and bond and lease obligations. Total liabilities increased \$1.8 million during fiscal year 2024. Of this amount current liabilities increased \$4.7 million; majority to accounts payable related to the construction of the Oklahoma College of Optometry Clinic. Noncurrent liabilities decreased \$2.9 million as debt obligations were paid down. Further information about long-term liabilities can be found in *Note 6* to the financial statements.

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**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.

<b>Statement of Revenues, Expenses and Changes in Net Position</b>				
(Thousands of Dollars)				
	2024		2023	
Operating revenues	\$	60,061	\$	58,568
Employee compensation and benefits		(70,306)		(66,210)
Depreciation and amortization expense		(12,456)		(11,513)
Other operating expense		(36,331)		(32,769)
<b>Operating Loss</b>		<b>(59,032)</b>		<b>(51,924)</b>
Federal, state, and local grants		37,071		22,372
State appropriations		33,465		29,831
Gifts, investments, and interest expense		928		211
On behalf payments		3,104		1,562
State appropriations for capital purposes		1,587		1,477
<b>Change in Net Position</b>		<b>17,123</b>		<b>3,529</b>
<b>Net Position, Beginning of Year</b>		<b>165,696</b>		<b>162,167</b>
<b>Net Position, End of Year</b>	\$	<b>182,819</b>	\$	<b>165,696</b>

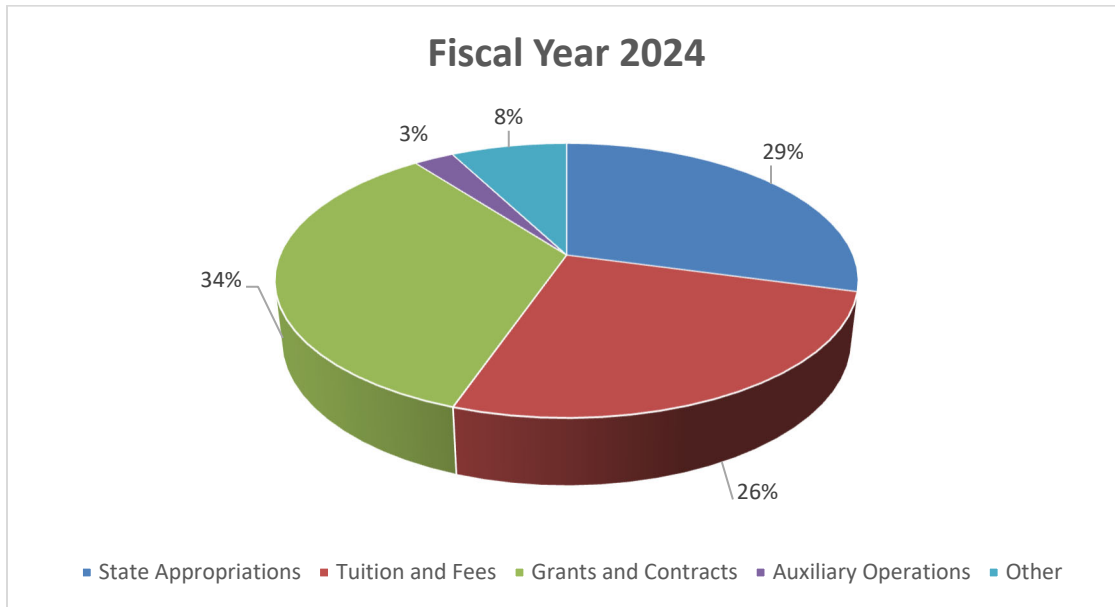


Operating revenue includes tuition, fees, state and federal grants and contracts and revenue generated by auxiliary units. Total operating revenue increased \$1.5 million in fiscal year 2024. Increases of \$1.6 million can be seen from the Optometry department of as a result of an increase in patients and exam fees. Federal and state grants of \$3.6 million. Remaining increase can be seen in other operating revenue of \$0.9 million. Decreases in operating revenue can be seen in student tuition and fees of \$3.9 million and housing and food service of \$0.7 million.

The primary sources of non-operating revenue include federal and state grants related to financial aid and state appropriations. For fiscal year 2024, the increase of non-operating revenue totaled \$19.0 million. This change was a result of an increase in federal and state grants of \$17.6 million; majority from the construction of the Oklahoma College of Optometry Clinic offset by a decrease in federal and state grant and contracts of \$2.9 million; mostly due to Higher Education Emergency Relief Funds (HEERF) ending in fiscal year 2023; increase state appropriations of \$3.6 million; \$2.2 million earmarked for increase in faculty salaries and gifts increased \$0.8 million. The remaining difference are made up of increases to interest expense of \$0.3 million, and increases in investment income of \$0.2 million.

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**June 30, 2024**

The following is a graphical representation of the sources of NSU's revenue. State appropriations are 29% of total NSU revenue, student tuition and fees 26%, grants and financial aid revenue 34%, and auxiliary operations and other sources make up the remaining 11%.



Operating expenses include employee compensation, student scholarships, depreciation and amortization, other necessary supplies, and service expenses. For fiscal year 2024 operating expenses increased \$8.6 million. This change is a result of increases to employee compensation of \$4.1 million, scholarships and fellowships of \$1.3 million, supplies and materials of \$1.2 million, depreciation and amortization of \$0.9 million, other operating expenses \$0.7 million, and contractual services of \$0.4 million.

<b>Operating Expenses</b>				
(Thousands of Dollars)				
	2024		2023	
Compensation	\$	70,306	\$	66,210
Contractual services		7,509		7,123
Supplies and materials		6,687		5,463
Depreciation and amortization		12,456		11,513
Utilities		3,856		3,806
Communication expense		192		271
Scholarships and fellowships		9,715		8,413
Other operating expense		8,372		7,693
	\$	119,093	\$	110,492

Change in net position reflects net income or loss for the year. The change in net position for fiscal year 2024 is an increase of \$17.1 million compared to an increase of \$3.5 million in prior year.

**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 (loss) reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

<b>Statement of Cash Flows</b>		2024	2023
(Thousands of Dollars)			
<b>Cash provided (used) by</b>			
Operating activities	\$	(53,017)	\$ (43,716)
Noncapital financing activities		54,831	53,400
Investing activities		644	417
Capital and related financing activities		(3,126)	(13,594)
<b>Net Change in Cash</b>		(668)	(3,493)
<b>Cash, Beginning of Year</b>		47,990	51,483
<b>Cash, End of Year</b>		\$ 47,322	\$ 47,990

The net cash balance decreased \$0.7 million during fiscal year 2024. The majority of the changes can be seen in the reduction of cash flow in operating activities of \$9.3 million due to the decrease in federal, state, and other contacts and increase in compensation and supplier payments, and increase to capital and related financing activities of \$10.5 million with most of the change related to capital assets.



### ***Component Unit***

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***

Our fiscal year 2025 total E&G budget totals \$92,560,000, a decrease of \$825,000 when compared to fiscal year 2024. The budget includes an increase of \$508,307 in state appropriated funds to help offset a portion of the increases in mandatory costs including: faculty promotions in rank, a mid-year employee health insurance increase and federal mandatory increases in FLSA for professional salaries.

We recognize inflationary costs are increasingly burdensome for our employees. NSU's commitment to managing expenses and balancing the health and welfare of its employees remains a priority. Faced with a 15.7% increase in health insurance, we determined it necessary to adjust our health care plan. NSU will continue to cover up to 100% of the Blue Cross Blue Shield Plan B. This decision will save the institution over \$1.2 million in insurance premiums.

While we are optimistic our enrollment numbers will go up in fiscal year 2025, NSU has experienced several years of reduced enrollments. In an effort to right size the University's faculty complement, 14 faculty positions were eliminated. This has resulted in our faculty to student ratio increasing to 17:1. Additional efforts to address inflationary and mandatory increases resulted in a budget reduction of 1.5%. Both efforts combined to deliver a savings of \$2,412,803.

To meet our budget needs, we raised tuition/mandatory fees by 3.95% (\$9.90 per credit hour). This translates to an increase of \$237.60 per year for a full-time (24 hours) Oklahoma resident undergraduate student. Even with this modest increase, NSU's fiscal year 2025 tuition cost when compared to fiscal year 2024 data, will still be the third most affordable among RUSO institutions and will remain the fifth most affordable of the 13 public universities in Oklahoma.

It is also worth noting that upon a final bond payoff in fiscal year 2024, a Student Facility Fee of \$3.90 previously used to guarantee that debt, will be reallocated to our Infrastructure Fee in fiscal year 2025. This move will have a net zero affect for students; however, it will assist with the institutional priority of addressing ongoing HVAC needs and is supported by the Student Government, Faculty Council and Staff Council. Additionally, we eliminated the Online Fee and implemented a new Academic Excellence Fee that will be used to support instruction.

**Northeastern State University**  
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**Statement of Net Position**  
**June 30, 2024**

	<u>University</u> <u>June 30,</u> <u>2024</u>	<u>Foundation</u> <u>December 31,</u> <u>2023</u>
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 32,080,277	\$ 6,378,522
Restricted cash and cash equivalents	10,628,090	-
Accounts receivable, net	4,542,833	-
Grants receivable	10,126,613	-
Leases receivable	35,782	-
Receivables from OSRHE	225,079	-
Interest receivable	9,109	14,492
Inventories and other current assets	710,184	45,075
Current portion of notes receivable, net	60,700	-
	<u>58,418,667</u>	<u>6,438,089</u>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	4,614,158	-
Investments	-	43,544,153
Leases receivable	896,999	-
Other receivable	279,686	-
Notes receivable, net	89,340	-
Lease assets, net	2,554,223	-
Subscription assets, net	1,265,049	-
Capital assets, net	159,412,272	34,000
Other noncurrent assets	918,031	-
	<u>170,029,758</u>	<u>43,578,153</u>
Total noncurrent assets	<u>170,029,758</u>	<u>43,578,153</u>
Total assets	228,448,425	50,016,242
<b>Deferred Outflows Of Resources</b>		
Deferred outflows on ODFA financing restructure	<u>164,128</u>	<u>-</u>
<b>Total Assets And Deferred Outflows Of Resources</b>	<u><u>\$ 228,612,553</u></u>	<u><u>\$ 50,016,242</u></u>

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	<u>University</u> <u>June 30,</u> <u>2024</u>	<u>Foundation</u> <u>December 31,</u> <u>2023</u>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 7,011,582	\$ 560
Accrued payroll	1,496,124	-
Unearned revenue	3,682,846	-
Deposits held in custody for others	100	-
Current portion of noncurrent liabilities	4,798,357	10,420
Total current liabilities	<u>16,989,009</u>	<u>10,980</u>
<b>Noncurrent Liabilities</b>		
Accrued compensated absences	2,346,705	-
Lease liabilities	1,581,861	-
Subscription liabilities	783,497	-
Other financing arrangements payable, net of premium	21,690,315	-
Other noncurrent liabilities	787,560	-
Total noncurrent liabilities	<u>27,189,938</u>	<u>-</u>
Total liabilities	<u>44,178,947</u>	<u>10,980</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows for leases	913,594	-
Deferred inflows on OCIA financing restructure	700,569	-
Total deferred inflows of resources	<u>1,614,163</u>	<u>-</u>
<b>Net Position</b>		
Net investment in capital assets	133,755,448	-
Restricted – expendable		
Scholarships, instruction, and other	8,431,204	1,745,095
Loans	493,214	-
Capital projects	12,177,189	-
Restricted – nonexpendable		
Scholarships and fellowships	-	44,501,276
Unrestricted	27,962,388	3,758,891
Total net position	<u>182,819,443</u>	<u>50,005,262</u>
<b>Total Liabilities, Deferred Inflows Of Resources, and Net Position</b>	<u>\$ 228,612,553</u>	<u>\$ 50,016,242</u>

**Northeastern State University**  
**A Department of the Regional University System of Oklahoma**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Year Ended June 30, 2024**

	<b>University</b> <b>Year Ended</b> <b>June 30,</b> <b>2024</b>	<b>Foundation</b> <b>Year Ended</b> <b>December 31,</b> <b>2023</b>
<b>Operating Revenues</b>		
Student tuition and fees, net of scholarship discounts and allowances of \$16,186,372	\$ 34,004,783	\$ -
Federal grants and contracts	6,024,395	-
State grants and contracts	1,280,795	-
Nongovernmental grants and contracts	472,117	-
Housing and food service, net of scholarship discounts and allowances of \$1,563,484	3,465,933	-
Optometry contracts and practice plan	7,397,786	-
Interest earned on loans to students	5,621	-
Gifts and contributions	-	2,545,141
Investment return, net	-	6,151,320
Other operating revenues	7,409,735	294,655
Total operating revenues	<u>60,061,165</u>	<u>8,991,116</u>
<b>Operating Expenses</b>		
Compensation	70,305,844	-
Contractual services	7,508,507	-
Supplies and materials	6,686,977	-
Depreciation and amortization	12,456,280	-
Utilities	3,855,943	-
Communication expense	191,917	-
Scholarships and fellowships	9,715,416	2,156,604
Other operating expenses	8,372,359	582,891
Total operating expenses	<u>119,093,243</u>	<u>2,739,495</u>
<b>Operating Income (Loss)</b>	<u>(59,032,078)</u>	<u>6,251,621</u>
<b>Nonoperating Revenues (Expenses)</b>		
State appropriations	33,464,808	-
Federal and state grants and contracts	19,401,481	-
Gifts and contributions	1,964,575	-
Investment income	646,684	-
Loss on assignment of Perkins Program Loans	(3,018)	-
Interest expense	(1,679,878)	-
Total nonoperating revenues (expenses)	<u>53,794,652</u>	<u>-</u>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<u>(5,237,426)</u>	<u>6,251,621</u>
<b>Other Revenues, Expenses, Gains, or Losses</b>		
State appropriations restricted for capital purposes	1,586,972	-
On-behalf state appropriations restricted for debt service	3,104,240	-
Grants for capital purposes	17,669,694	-
Total other revenues, expenses, gains, or losses	<u>22,360,906</u>	<u>-</u>
<b>Increase in Net Position</b>	17,123,480	6,251,621
<b>Net Position, Beginning of Year</b>	<u>165,695,963</u>	<u>43,753,641</u>
<b>Net Position, End of Year</b>	<u>\$ 182,819,443</u>	<u>\$ 50,005,262</u>



**Northeastern State University**  
**A Department of the Regional University System of Oklahoma**  
**Statement of Cash Flows**  
**Year Ended June 30, 2024**

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<b>Cash Flows from Operating Activities</b>	
Tuition and fees	\$ 36,635,661
Grants and contracts	(981,964)
Payments to suppliers	(27,680,035)
Payments to employees for salaries and benefits	(69,584,034)
Payments for scholarships	(9,715,416)
Auxiliary enterprise charges	3,465,933
Other operating receipts	14,758,905
Collection of loans to students	<u>83,965</u>
Net cash used in operating activities	<u>(53,016,985)</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
State appropriations	33,464,808
Federal grants and contracts	19,401,481
Gifts for other than capital purposes	<u>1,964,575</u>
Net cash provided by noncapital financing activities	<u>54,830,864</u>
<b>Cash Flows from Investing Activities</b>	
Interest on investments	<u>643,666</u>
Net cash provided by investing activities	<u>643,666</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Cash paid for capital assets	(17,824,217)
Capital appropriations received	1,586,972
Gifts and grants received for capital purposes	18,481,119
Principal paid on bonds and other financing arrangements	(2,789,904)
Principal paid on lease liabilities	(1,216,596)
Principal paid on subscription liabilities	(566,099)
Principal received on lease receivables	29,429
Interest paid on bonds and other financing arrangements	(758,097)
Interest paid on lease liabilities	(56,507)
Interest paid on subscription liabilities	(14,880)
Interest received on lease receivables	<u>3,018</u>
Net cash used in capital and related financing activities	<u>(3,125,762)</u>
<b>Decrease in Cash Equivalents</b>	(668,217)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>47,990,742</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 47,322,525</u></u>

**Northeastern State University**  
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**Year Ended June 30, 2024**

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

Cash and cash equivalents	\$ 32,080,277
Restricted cash and cash equivalents	10,628,090
Restricted cash and cash equivalents	<u>4,614,158</u>
 Total cash and cash equivalents	 <u><u>\$ 47,322,525</u></u>

**Reconciliation of Operating Loss to Net Cash  
Used in Operating Activities**

Operating loss	\$ (59,032,078)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation and amortization expense	12,456,280
Changes in operating assets and liabilities	
Accounts receivable	2,136,838
Receivables from state agencies	(76,303)
Grants and contracts receivable	(8,759,271)
Inventories	(366,851)
Prepaid expenses	
Notes receivable	78,344
Accounts payable and accrued expenses	114,544
Accrued compensated absences	87,668
Unearned revenue	392,460
Deferred inflows of resources for leases	<u>(48,616)</u>

**Net Cash Used in Operating Activities** \$ (53,016,985)

**Supplemental Cash Information**

**Noncash Investing, Capital, and Financing Activities**

Accounts payable incurred for purchase of capital assets	\$ 5,604,563
Principal and interest paid by other state agencies	\$ 3,104,240
Subscription liabilities incurred for subscription assets	\$ 1,149,664
Lease liabilities incurred for lease assets	\$ 1,523,775

## **Note 1. 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 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 the System, which consist 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.

The University is considered a department of the System for financial reporting purposes and is included in the System's financial reporting entity.

Major federally funded student financial aid programs in which the University participates include the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work Study and Federal Direct Loan Programs. The University extends unsecured credit to students.

### ***Discretely Presented Component Unit***

Northeastern State University Foundation, Inc. (the "Foundation") is a component unit of the University. The Foundation has a fiscal year ending December 31. The Foundation is organized for the benefit of the University, and its faculty, student body, and programs. The purposes for which the Foundation is organized are exclusively scientific, literary, charitable, educational, and artistic for the benefit of the University. Additional and selected disclosures for the Foundation are located in this report beginning with *Note 15*. A complete report of the Foundation's financial statements and footnotes can be requested from the Foundation's director.

The Foundation is a private nonprofit organization that reports under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

### ***Financial Statement Presentation***

The financial statements of the University have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, liabilities, and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used internally. Operating revenues and expenses include exchange transactions and program-specific, government-mandated or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific (such as state appropriations), investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. The University first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

**Northeastern State University**  
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**Year Ended June 30, 2024**

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***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources 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.

***Basis of Accounting***

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

***Cash Equivalents***

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

***Restricted Cash and Cash Equivalents***

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 statement of net position.

***Accounts and Grants Receivable***

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Grants receivable 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 grant and contracts. Accounts and grants receivable are recorded net of estimated uncollectible amounts.

***Loans to Students***

The University makes loans to students under various federal and other loan programs. Such loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans netted against loans to students was \$3,368 at June 30, 2024.

***Inventories***

Inventories are carried at the lower of cost or market. Costs are determined using the first-in, first-out (FIFO) method.

***Capital Assets (Including Intangible 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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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***

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

***Subscription Assets***

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at and certain payments made before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

***Capital, Lease, and Subscription Asset Impairment***

The University evaluates capital, lease, and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital, lease, and subscription asset have occurred. If a capital, lease, or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, an impairment loss is recorded.

No asset impairment was recognized during the year ended June 30, 2024.

***Unearned Revenue***

Unearned revenue represents unearned student fees and advances on grants and contract awards for which the University has not met all of the applicable eligibility requirements.

***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 statement of net position, and as a component of compensation and benefit expense in the statement of revenues, expenses, and changes in net position.

***Noncurrent Liabilities***

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and other financing 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 that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

***Deferred Outflows of Resources***

Deferred outflows are the consumption of net assets by the University that is applicable to a future reporting period. At June 30, 2024, the University's deferred outflows of resources were comprised of deferred charges on other financing arrangement restructure.

### ***Deferred Inflows of Resources***

Deferred inflows are the acquisition of net assets by the University that is applicable to a future reporting period. At June 30, 2024, the University's deferred inflows of resources were comprised of deferred gain on other financing arrangement restructure and from lease-related amounts that are recognized at the inception of leases in which the University is the lessor. The lease-related amounts are recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

### ***Net Position***

The University's net position is classified as follows:

**Net Investment in Capital Assets:** 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 - Expendable:** Restricted expendable net position includes resources which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

**Restricted Net Position - Nonexpendable:** Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the University.

**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 resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

### ***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 loans to students.

**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 and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations, certain governmental and other pass-through grants, and investment income.

**Northeastern State University**  
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**Year Ended June 30, 2024**

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***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 statement 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. The scholarship allowances on tuition and fees and housing for the year ended June 30, 2024, were \$16,186,372 and \$1,563,484, respectively.

***Income Taxes***

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

**Note 2. 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). Oklahoma statutes require OST to ensure that all state funds are either insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The University's deposits with the State Treasurer are pooled with the funds of other state agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the Treasurer may determine, in the state's name. The OST's responsibilities include receiving and collateralizing the deposit of State funds, investing State funds in compliance with statutory requirements, and maintaining adequate liquidity to meet the cash flow needs of the State and all its funds and agencies. If the University deposits funds directly with financial institutions, those funds must be insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank in the University's name.

There is \$47,281,233 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2024. Of the \$47,281,233 on deposit with the State Treasurer, \$17,754,088 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 Annual Comprehensive Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives 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. For financial reporting purposes, deposits with the OST that are invested in *OK INVEST* are classified as cash equivalents.

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At June 30, 2024, the distribution of deposits in *OK INVEST* is as follows:

<b><i>OK INVEST Portfolio</i></b>	<b>Cost</b>	<b>Market Value</b>
U.S. agency bonds	\$ 933,784	\$ 914,599
Money market mutual funds	1,333,319	1,333,319
Certificates of deposit	41,456	41,456
Mortgage backed securities	2,733,551	2,396,398
Foreign bonds	113,185	112,768
U.S. Treasury bonds	12,598,793	12,421,398
	<u>\$ 17,754,088</u>	<u>\$ 17,219,938</u>

***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. *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 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, 2024, none of the University's investments were subject to custody credit risk.



**Northeastern State University**  
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**Note 3. Accounts Receivable**

Accounts receivable consisted of the following at June 30, 2024:

Student tuition and fees	\$ 7,824,932
Auxiliary enterprises and other operating activities	<u>247,676</u>
	8,072,608
Less allowance for doubtful accounts	<u>3,529,775</u>
Net accounts receivable	<u><u>\$ 4,542,833</u></u>

**Note 4. Leases Receivable**

The University as a lessor, has entered into lease agreements involving buildings. Leases of buildings have monthly installments totaling \$7,649 with interest rates ranging from 1.3% to 1.9% with due dates through 2046.

Future annual lease payments to be received are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	38,099	12,070	50,169
2030-2034	199,726	51,122	250,848
2035-2039	216,026	34,822	250,848
2040-2044	233,655	17,193	250,848
2045-2049	<u>98,717</u>	<u>1,623</u>	<u>100,340</u>
	<u><u>\$ 932,781</u></u>	<u><u>\$ 170,950</u></u>	<u><u>\$ 1,103,731</u></u>

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**Note 5. Capital, Lease and Subscription Assets**

Capital assets activity for the year ended June 30, 2024, was:

	<b>Balance June 30, 2023</b>	<b>Additions</b>	<b>Transfers</b>	<b>Retirements/ Adjustments</b>	<b>Balance June 30, 2024</b>
Capital assets not being depreciated					
Land	\$ 7,912,237	\$ -	\$ -	\$ -	\$ 7,912,237
Construction in progress	9,133,021	19,751,680	(6,742,407)	-	22,142,294
Total capital assets not being depreciated	17,045,258	19,751,680	(6,742,407)	-	30,054,531
Capital assets being depreciated					
Non-major infrastructure networks	9,294,192	160,786	1,600	-	9,456,578
Buildings and improvements	264,454,138	1,238,169	6,563,909	-	272,256,216
Art	704,500	23,848	176,898	-	905,246
Furniture, fixtures, and equipment	22,525,983	1,142,627	-	(424,122)	23,244,488
Library materials	3,275,497	508,275	-	(296,444)	3,487,328
Total capital assets being depreciated	300,254,310	3,073,705	6,742,407	(720,566)	309,349,856
Less accumulated depreciation					
Non-major infrastructure networks	(6,206,649)	(400,815)	-	-	(6,607,464)
Buildings and improvements	(141,040,926)	(9,050,945)	-	-	(150,091,871)
Art	(145,450)	(45,262)	-	-	(190,712)
Furniture, fixtures, and equipment	(21,054,442)	(696,549)	-	423,547	(21,327,444)
Library materials	(1,685,623)	(385,444)	-	296,443	(1,774,624)
Total accumulated depreciation	(170,133,090)	(10,579,015)	-	719,990	(179,992,115)
Capital assets being depreciated, net	130,121,220	(7,505,310)	6,742,407	(576)	129,357,741
Capital assets, net	<u>\$ 147,166,478</u>	<u>\$ 12,246,370</u>	<u>\$ -</u>	<u>\$ (576)</u>	<u>\$ 159,412,272</u>

Lease assets activity for the year ended June 30, 2024, was:

	<b>Balance June 30, 2023</b>	<b>Additions</b>	<b>Transfers</b>	<b>Retirements/ Adjustments</b>	<b>Balance June 30, 2024</b>
Lease assets					
Equipment	\$ 4,138,623	\$ 1,523,775	\$ -	\$ -	\$ 5,662,398
Less accumulated amortization	(1,778,116)	(1,330,059)	-	-	(3,108,175)
Lease assets, net	<u>\$ 2,360,507</u>	<u>\$ 193,716</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,554,223</u>

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Subscription asset activity for the year ended June 30, 2024, was:

	Balance June 30, 2023	Additions	Transfers	Retirements/ Adjustments	Balance June 30, 2024
Subscription assets					
Subscription IT asset	\$ 992,349	\$ 1,149,664	\$ -	\$ -	\$ 2,142,013
Less accumulated amortization	(329,758)	(547,206)	-	-	(876,964)
Subscription assets, net	<u>\$ 662,591</u>	<u>\$ 602,458</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,265,049</u>

**Note 6. Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2024, was as follows:

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Amounts Due Within One Year
Bonds and other financing arrangements					
ODFA other financing arrangements	\$ 19,430,418	\$ -	\$ (2,668,835)	\$ 16,761,583	\$ 1,703,000
Premium on ODFA other financing arrangements	419,174	-	(121,070)	298,104	-
OCIA other financing arrangements	10,055,526	7,388,559	(10,055,526)	7,388,559	1,054,931
Total bonds and other financing arrangements	<u>29,905,118</u>	<u>7,388,559</u>	<u>(12,845,431)</u>	<u>24,448,246</u>	<u>2,757,931</u>
Other liabilities					
Accrued compensated absences	2,960,973	3,048,642	(2,960,973)	3,048,642	701,937
Other noncurrent liabilities	-	811,425	(23,865)	787,560	-
Subscription liabilities	635,436	1,149,664	(566,099)	1,219,001	435,504
Lease liabilities	2,177,667	1,523,775	(1,216,596)	2,484,846	902,985
Total other liabilities	<u>5,774,076</u>	<u>6,533,506</u>	<u>(4,767,533)</u>	<u>7,540,049</u>	<u>2,040,426</u>
Total long-term liabilities	<u>\$ 35,679,194</u>	<u>\$ 13,922,065</u>	<u>\$ (17,612,964)</u>	<u>\$ 31,988,295</u>	<u>\$ 4,798,357</u>

**Other Financing Arrangements**

**Oklahoma Capital Improvement Authority (OCIA)**

OCIA periodically issues bonds, which are allocated to the State Regents, to be used for specific projects at Oklahoma higher education institutions. The University has participated in these projects as discussed below. In each of the transactions, OCIA and the University have entered into a financing arrangement. As a result, the University recognizes its share of the liability and the related assets in connection with the projects being constructed or acquired in its financial statements. Annually, the State Legislature appropriates funds to the State Regents to make the monthly principal and interest payments on behalf of the University.

In November 2005, OCIA issued its OCIA Bond Issues, 2005 Series F and G. Of the total bond indebtedness, the State Regents 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.

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In 2014, the OCIA restructured the 2005F by issuing new bonds Series 2014A. 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.

In 2024, the OCIA restructured the 2014A Series Bond Debt by issuing new 2024A Series Bonds. This restructuring was a full refunding and resulted in a gain of \$466,499 between the remaining liability of the 2014A Series and the new liability of the 2024A Series. This gain on restructuring was recorded as a deferred inflow of resources and is being amortized over a period of six years. The restructured obligation with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The University's aforementioned obligation with OCIA was automatically restructured to secure the new bond issue. The University has recorded a financing arrangement payable to OCIA for the total amount of the allotment, less payments made on the University's behalf.

During the year ended June 30, 2024, the State Regents made interest and principal payments totaling \$3,104,240 on behalf of the University. These on-behalf payments have been recorded as restricted state appropriations in the statement of revenues, expenses, and changes in net position. As stated above, the on-behalf payments are subject to annual appropriations by the State Legislature.

Future minimum payments under the University's obligation to OCIA are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,054,931	\$ 415,606	\$ 1,470,537
2026	1,148,568	316,681	1,465,249
2027	1,206,165	259,253	1,465,418
2028	1,258,709	198,945	1,457,654
2029	1,322,032	136,009	1,458,041
2030	1,398,154	69,908	1,468,062
	<u>\$ 7,388,559</u>	<u>\$ 1,396,402</u>	<u>\$ 8,784,961</u>

**Oklahoma Development Finance Authority Program (ODFA)**

*Series 2014A – Equipment Energy*

In June 2014, the ODFA Master Revenue Bond Series 2004A was restructured through a refunding in which ODFA issued new bonds, Series 2014A, to accomplish the refunding. The University entered into a 10-year agreement with ODFA in the amount of \$4,139,000. The obligation bears interest payable semi-annually ranging from 3% to 5% and annual principal payments beginning July 15, 2014, ranging from \$363,000 to \$478,000. At June 30, 2024, the University owed principal of \$0 on the Series 2014A ODFA Bonds.

*Series 2014A - Housing*

In February 2014, the University entered into a 20-year obligation Series 2014A in the amount of \$14,517,000 for the construction of student housing. The obligation bears interest payable semi-annually ranging from 2% to 4% and annual principal payments beginning June 1, 2014 ranging from \$528,000 to \$1,046,000. The final payment on the agreement is due June 1, 2033. At June 30, 2024, the University owed principal of \$8,069,832 on the Series 2014A ODFA bonds.

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*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. The obligation bears interest payable semi-annually ranging from 2% to 4% and annual principal payments beginning December 1, 2014 ranging from \$445,000 - \$756,000. The final payment on the agreement is due December 1, 2033. At June 30, 2024, the University owed principal of \$6,115,418 on the Series 2014B ODFA Bonds.

*Series 2016B*

In June 2016, the University entered into an obligation Series 2016B in the amount of \$4,509,000 to refinance ODFA Revenue Bonds Series 2004. The obligation bears interest payable semi-annually ranging from 3% to 4% and annual principal payments beginning July 15, 2016 ranging from \$497,000 to \$634,000. At June 30, 2024, the University owed principal of \$0 on the Series 2016B ODFA Bonds.

*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. The obligation bears interest payable semi-annually ranging from 0.67% to 2.06% and annual principal payments beginning June 1, 2021 ranging from \$234,000 to \$392,000. The final payment on the agreement is due June 1, 2031. At June 30, 2024, the University owed principal of \$2,576,333 on the Series 2020D ODFA Bonds.

Future minimum payments under the University's obligations to the ODFA are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,703,000	\$ 571,362	\$ 2,274,362
2026	1,751,500	523,011	2,274,511
2027	1,800,917	473,047	2,273,964
2028	1,854,750	419,488	2,274,238
2029	1,912,750	361,645	2,274,395
2030-2034	<u>7,738,666</u>	<u>761,187</u>	<u>8,499,853</u>
	<u>\$ 16,761,583</u>	<u>\$ 3,109,740</u>	<u>\$ 19,871,323</u>

**Note 7. Lease Liabilities**

The University leases equipment, the terms of which expire in various years through 2029. The leases were measured based upon the interest rate implicit per the contract or the University's incremental borrowing rate at lease commencement. Variable payments based upon the use of the underlying asset are not included in the lease liability because they are not fixed in substance.

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The following is a schedule by year of payments under the leases as of June 30, 2024:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 902,985	\$ 95,205	\$ 998,190
2026	628,854	66,883	695,737
2027	587,920	39,528	627,448
2028	347,162	14,561	361,723
2029	17,925	2	17,927
	<u>\$ 2,484,846</u>	<u>\$ 216,179</u>	<u>\$ 2,701,025</u>

**Note 8. Subscription Liabilities**

The University has various subscription-based information technology arrangements (SBITAs), the terms of which expire in various years through 2028. The subscriptions were measured based upon the interest rate implicit per the contract or the University's incremental borrowing rate at commencement of the SBITA term. Variable payments based upon the use of the underlying asset are not included in the subscription liability because they are not fixed in substance.

The following is a schedule by year of payments under the SBITAs as of June 30, 2024:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 435,504	\$ 31,978	\$ 467,482
2026	325,262	20,609	345,871
2027	265,147	12,090	277,237
2028	193,088	5,154	198,242
	<u>\$ 1,219,001</u>	<u>\$ 69,831</u>	<u>\$ 1,288,832</u>

**Note 9. 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 10*. 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 System's financial statements. That report may be obtained by writing to the Regional University System of Oklahoma, 305 N.W. 5<sup>th</sup> #407, Oklahoma City, Oklahoma 73102, 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.

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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 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 <https://oklahoma.gov/trs.html>.

*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 2024 and was applied to annual compensation. This single rate is allocated by OTRS to fund both the pension and OPEB benefits.

Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2024. 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 year ended June 30, 2024, were approximately \$4,507,000. 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 2024, 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.

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*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, 2024 were approximately \$1,026,000.

***Defined Contribution 403(b) 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 year ended June 30, 2024.

**Note 10. 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, 2024, there were 324 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, 305 N.W. 5<sup>th</sup> #407, Oklahoma City, Oklahoma 73102, 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 University's contributions to the plan for the year ended June 30, 2024, were approximately \$300,000.

***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.



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*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 University.

**Note 11. 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 \$1,587,000 during the year ended June 30, 2024, 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 cost basis of the total trust reserve for the University, held in trust by the commissioners of Land Office, was approximately \$22,149,000 at June 30, 2024.

***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 \$3,041,000 at June 30, 2024, and is invested by the Oklahoma State Regents on behalf of the University. The University is entitled to receive an annual distribution of 4.5% of the three-year average of the June 30<sup>th</sup> 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 \$225,000 at June 30, 2024, have been reflected as assets in the statement of net position.

**Note 12. 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, 2024.

During the year ended June 30, 2024, the Foundation provided funding for scholarships and general university support of approximately \$1,382,000 and \$1,118,000, respectively.

### **Note 13. 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, 2024, \$28,357,356 of Direct Loan funds were disbursed to University students.

During the ordinary course of business, the University may be subjected to various lawsuits and civil action claims. Management believes that resolution of any such matters pending at June 30, 2024, will not have a material adverse impact to the University.

### **Note 14. 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 15. Northeastern State University, Foundation, Inc.**

#### ***Financial Statements***

The financial statements of the Foundation are presented in accordance with the provisions of the FASB ASC. The FASB ASC requires the Foundation to distinguish between contributions that increase net assets with donor restrictions net assets without donor restrictions. It also requires recognition of contributions, including contributed services meeting certain criteria, at fair values. The FASB ASC establishes standards for external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities and a statement of cash flows. As permitted by GASB Statement No. 34, the University has elected not to present a statement of cash flows for the Foundation in the basic financial statements of the University's reporting entity.

#### ***Fair Value Measurements***

The Foundation uses quoted market prices to determine the fair value of an asset or liability when available. If quoted market prices are not available, the Foundation determines fair value using valuation techniques that use market-based or independently sourced market data, such as interest rates.

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The following methods and assumptions were used to estimate the fair value of assets and liabilities in the financial statements.

*Cash and Cash Equivalents:* The carrying amount approximates the fair value due to the short maturity of such amounts.

*Investments:* Investments in cash and cash equivalents, publicly traded securities, and mutual funds are stated at market value based on quoted market prices. Certificates of deposit, government agency bonds, and mortgage-backed securities are stated at market price as determined by the fund manager or quoted market prices in non-active markets. Other investments are stated at fair value based upon current market conditions and other factors deemed relevant to the valuation as provided by the independent valuation specialist and or Foundation Management.

Fair value is defined as 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 fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are:

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

The following table presents the fair value measurements of assets recognized in the accompanying financial statements at fair value on a recurring basis and the level within the fair market value hierarchy in which the fair value measurements fall at December 31, 2023:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Net Asset Value per Share</b>	<b>Total</b>
<b>Investments</b>					
Equity funds	\$ 13,370,155	\$ -	\$ -	\$ 12,672,205	\$ 26,042,360
Fixed income funds	8,155,874	800,000	-	7,143,368	16,099,242
Cash and equivalents	501,848	-	-	-	501,848
Alternative investments	900,703	-	-	-	900,703
<b>Total</b>	<b>\$ 22,928,580</b>	<b>\$ 800,000</b>	<b>\$ -</b>	<b>\$ 19,815,573</b>	<b>\$ 43,544,153</b>

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The following is a description of methodologies used for instruments measured at fair value on a recurring basis:

*Investments:* Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. Level 1 investments include equity securities, mutual funds, and money market funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Level 2 investments include equity securities with similar characteristics or discounted cash flows. Level 2 investments include equity securities, corporate and other bonds, U.S. government securities, marketable alternative assets, inflation hedging and opportunistic, and other investments. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy and include corporate and other bonds and marketable and nonmarketable alternative assets. Certain investments are removed from the fair value hierarchy as they are measured using net asset value per share as a practical expedient.

### ***Endowments***

The Foundation's endowment consists of 324 individual donor-restricted funds which are managed and controlled by the Foundation and primarily established for scholarships, programs, and capital projects. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

### ***Interpretation of Relevant Law***

The Board of Trustees of the Foundation has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift on the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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 Foundation 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 Foundation
- (7) The investment policies of the Foundation

### ***Return Objectives and Risk Parameters***

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.

### ***Strategies Employed for Achieving Objectives***

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. To achieve these goals, the

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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.

*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. Considering 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.

Endowment net asset composition by type of fund as of December 31, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 33,595,130	\$ 33,595,130
Board-designated endowment funds	1,515,260	-	1,515,260
Total endowment funds	<u>\$ 1,515,260</u>	<u>\$ 33,595,130</u>	<u>\$ 35,110,390</u>

Changes in endowment net assets for the year ending December 31, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 1,328,272</u>	<u>\$ 28,797,640</u>	<u>\$ 30,125,912</u>
Investment return, net	242,201	5,299,420	5,541,621
Contributions	500	293,542	294,042
Appropriations of endowment assets	(52,425)	(775,319)	(827,744)
Transfer to add board-designated endowment funds	<u>(3,288)</u>	<u>(20,153)</u>	<u>(23,441)</u>
Endowment net assets, end of year	<u>\$ 1,515,260</u>	<u>\$ 33,595,130</u>	<u>\$ 35,110,390</u>

The governing body of the Foundation has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of:

- a) the original value of initial and subsequent gift amounts donated to the fund and
- b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

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The Organization has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

At December 31, 2023, approximately \$19,500 of funds included in net assets with donor restrictions were underwater.

**Note 16. Subsequent Events**

On July 2, 2024, ODFA issued the ODFA Real Property Revenue Bonds, Series 2024A. The 2024A bonds were issued to fund capital improvements at several state colleges and universities in Oklahoma. ODFA allocated the 2024A Bond proceeds to colleges and universities in the form of financing agreements. The University's portion of this allocation totaled \$7,585,000. The proceeds from this agreement will be used for construction of the College of Optometry. The obligation bears interest payable semi-annually ranging from 4% to 5% and annual principal payments beginning June 1, 2025, ranging from \$215,000 to \$565,000.

On October 16, 2024, ODFA refinanced the ODFA Real Property Revenue Bonds, Series 2014A and 2014B, with ODFA Real Property Refunding Bonds, Series 2024B in the total principal amount of \$7,163,000 and Series 2024C in the total principal amount of \$5,294,000. The Series 2024B obligation bears interest payable semi-annually at 5% and annual principal payments beginning June 1, 2025, ranging from \$410,000 to \$995,000. The Series 2024C obligation bears interest payable semi-annually at 5% and annual principal payments beginning December 1, 2025, ranging from \$451,000 to \$714,00.

## ***Supplementary Information***

**Northeastern Oklahoma State University**  
**A Department of the Regional University System of Oklahoma**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2024**

Federal Grantor/Pass- Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Education				
Student Financial Assistance Cluster				
Federal Pell Grant Program	84.063	N/A	\$ -	\$ 13,052,534
Federal Supplemental Education Opportunity Grants	84.007	N/A	-	558,027
Teacher Education Assistance for College and Higher Education Grants	84.379	N/A	-	91,091
Federal Work Study Program	84.033	N/A	-	409,697
Federal Perkins Loan Program	84.038	N/A	-	228,384
Federal Direct Student Loans	84.268	N/A	-	28,304,087
Total Student Financial Assistance Cluster			-	42,643,820
TRIO Cluster				
Talent Search	84.044	N/A	-	796,792
Student Support Services	84.042A	N/A	-	349,020
Educational Opportunity Centers	84.066A	N/A	-	238,276
Upward Bound	84.047A	N/A	-	66,572
Total TRIO Cluster			-	1,450,660
Child Care Access Means Parents in School	84.335A	N/A	-	164,102
Fund for the Improvement of Postsecondary Education	84.116K	N/A	-	300,033
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325M	N/A	-	27,758
Strengthening Minority-Serving Institutions	84.382C	N/A	-	391,630
Governor's Emergency Education Relief Fund	84.425C	N/A	-	6,300
U.S. Department of Education / American Indian Professional Education Consortium				
Indian Education -- Special Programs for Indian Children	84.299B	S299B210006	-	18,879
Indian Education -- Special Programs for Indian Children	84.299B	S299B210005	-	24,019
Total Indian Education -- Special Programs for Indian Children			-	42,898
U.S. Department of Education / Oklahoma State University				
School Safety National Activities	84.184X	S184X230002	-	35,501
U.S. Department of Treasury / Oklahoma Health Care Workforce Training Commission				
Coronavirus State and Local Fiscal Recovery Funds				
Nursing Workforce Expansion	21.027	XRPA-XX0000001	-	47,772
NSU College of Optometry	21.027	ARPA-YY000536	-	17,669,694
U.S. Department of Treasury / Oklahoma State Regents of Higher Education				
Coronavirus State and Local Fiscal Recovery Funds				
Teacher Acceleration 23-26	21.027	None	-	31,012
Total Coronavirus State and Local Fiscal Recovery Funds			-	17,748,478



**Northeastern Oklahoma State University**  
**A Department of the Regional University System of Oklahoma**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2024**

Federal Grantor/Pass- Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Research and Development Cluster				
National Science Foundation				
STEM Education	47.076	N/A	-	\$ 235,069
National Science Foundation / Oklahoma State University				
STEM Education	47.076	1-578530-NSU	-	49,330
Integrative Activities	47.083	EPSCoR-2022-2	-	4,550
National Science Foundation / Pennsylvania State University				
Integrative Activities	47.083	2327731	-	71,729
National Institute for Health / Oklahoma Idea Network of Biomedical Research Excellence				
Biomedical Research and Research Training	93.859	5P20GM103447-23 RS20181585-831 5P20GM103447-23	-	6,659
Biomedical Research and Research Training	93.859	RS20181585-105 5P0GM103447-23	-	1,491
Biomedical Research and Research Training	93.859	RS20181585-83	-	64,055
Biomedical Research and Research Training	93.859	5P20GM103447-23	-	12,693
Biomedical Research and Research Training	93.859	RS20181585-129	-	17,631
Biomedical Research and Research Training	93.859	RS20181585-128	-	16,500
Biomedical Research and Research Training	93.859	RS20181585-136	-	25,000
Biomedical Research and Research Training	93.859	RS20181585-135	-	25,571
Biomedical Research and Research Training	93.859	5P20GM103447-23	-	6,606
National Institute for Health / University of Kentucky				
Biomedical Research and Research Training	93.859	5U24GM146576-02 Sub# 3200005771-24-130	-	35,627
Centers for Disease Control and Prevention / University of North Texas				
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	GF70101-1	-	1,203
U.S. Department of Education				
Higher Education Institutional Aid	84.031X	N/A	17,441	194,252
U.S. Department of the Interior / Oklahoma Department of Wildlife Conservation				
State Wildlife Grants	15.634	T-135-R-1	-	6,781
Total Research and Development Cluster			<u>17,441</u>	<u>774,747</u>
U.S. Department of Health and Human Services / Southern Plains Tribal Health Activities to Support State, Tribal, Local and Territorial Health Department Response to Public Health or Healthcare Crises				
	93.391	3441.501	-	35,767
U.S. Department of Health and Human Services / Oklahoma Department of Human Services				
Opioid STR 22-23	93.788	H78T1083333	-	3,653
Opioid STR 23-25	93.788	H78T1083333	-	58,542
Total Opioid STR			<u>-</u>	<u>62,195</u>
National Endowment for the Humanities				
Promotion of the Humanities Teaching and Learning Resources and Curriculum Devel	45.162	N/A	-	23,573
National Endowment for the Humanities / Oklahoma Humanities Council				
Promotion of the Humanities Federal/State Partnership	45.129	Y23.038	-	9,564
Promotion of the Humanities Federal/State Partnership	45.129	Y23.087	-	5,000
Total Promotion of the Humanities Federal/State Partnership			<u>-</u>	<u>14,564</u>
U.S. Department of Commerce				
Connecting Minority Communities Pilot Program	11.028	N/A	-	2,097,317
U.S. Department of Commerce / Oklahoma Alliance for Manufacturing Excellence				
Manufacturing Extension Partnership	11.611	70NANB20H065	-	42,324
U.S. Department of Labor / Oklahoma Department of Commerce/Premier Logistics				
WIOA Cluster				
WIOA Youth Activities	17.259	AA-34788-20-55-A40	-	17,805
U.S. Department of Transportation / Oklahoma Department of Transportation				
Highway Planning and Construction	20.205	None	-	53,307

**Northeastern Oklahoma State University**  
**A Department of the Regional University System of Oklahoma**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2024**

Federal Grantor/Pass- Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
National Endowment for the Arts / Oklahoma Arts Council				
Promotion of the Arts Partnership Agreements	45.025	GR2-24-7911-11008	\$ -	\$ 2,000
Promotion of the Arts Partnership Agreements	45.025	GR2-24-7911-11035	-	4,750
Promotion of the Arts Partnership Agreements	45.025	GR2-24-7911-11026	-	2,700
Promotion of the Arts Partnership Agreements	45.025	GR2-24-7911-11119	-	4,750
Promotion of the Arts Partnership Agreements	45.025	GR2-24-7911-11080	-	610
Promotion of the Arts Partnership Agreements	45.025	FY2024 - 00116544	-	1,800
Total Promotion of the Arts Partnership Agreements			-	16,610
U.S. Department of Agriculture				
Soil and Water Conservation	10.902	N/A	-	32,530
U.S. Department of Defense				
Basic, Applied, and Advanced Research in Science and Engineering	12.630	N/A	-	102,899
			\$ 17,441	\$ 66,084,818

**Northeastern Oklahoma State University**  
**A Department of the Regional University System of Oklahoma**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2024**

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**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Northeastern State University under programs of the federal government for the year ended June 30, 2024. 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 position or cash flows of Northeastern State University.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Note 3: Indirect Cost Rate**

Northeastern State University has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 4: Federal Loan Programs**

Federal Direct Student Loan balances are not included in Northeastern State University's financial statements. Loans disbursed during the year are included in federal expenditures presented in the Schedule. The federal loan program listed subsequently is administered directly by Northeastern State University, and balances and transactions relating to these programs are included in the 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, 2024, consists of:

<b>Assistance Listing Number</b>	<b>Program Name</b>	<b>Outstanding Balance at June 30, 2024</b>
84.038	Federal Perkins Loan	\$ 150,040

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

### **Independent Auditor's Report**

Board of Regents  
Regional University System of Oklahoma  
Northeastern State University  
Tahlequah, 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 (*Government Auditing Standards*), the financial statements of the business-type activities and the discretely presented component unit of Northeastern State University (the "University"), a department of the Regional University System of Oklahoma, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the University's basic final financial statements, and have issued our report thereon dated October 31, 2024, which contained an Emphasis of Matter paragraph regarding the financial reporting entity. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit as described in our report on the University's financial statements. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the discretely presented component unit.

### ***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University'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 or significant deficiencies may exist that were not identified.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the University'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.

**Forvis Mazars, LLP**

Springfield, Missouri  
October 31, 2024

## **Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance**

### **Independent Auditor's Report**

Board of Regents  
Regional University System of Oklahoma  
Northeastern State University  
Tahlequah, 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 identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2024. 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 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, 2024.

##### ***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.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2024-001 through 2024-005. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the University's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. The University is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The University's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

## Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-001 through 2024-005, to be significant deficiencies.

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.

*Government Auditing Standards* requires the auditor to perform limited procedures on the University’s response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The University’s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. The University is responsible for preparing a corrective action plan to address each audit finding included in our auditor’s report. The University’s corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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.

**Forvis Mazars, LLP**

Springfield, Missouri  
March 7, 2025



## Section I – Summary of Auditor’s Results

### *Financial Statements*

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified       Qualified       Adverse       Disclaimer

2. Internal control over financial reporting:

Material weakness(es) identified?       Yes       No

Significant deficiency(ies) identified?       Yes       None reported

3. Noncompliance material to the financial statements noted?       Yes       No

### *Federal Awards*

4. Internal control over major federal programs:

Material weakness(es) identified?       Yes       No

Significant deficiency(ies) identified?       Yes       None reported

5. Type of auditor’s report issued on compliance for major federal program(s):

Unmodified       Qualified       Adverse       Disclaimer

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?       Yes       No

**Northeastern State University**  
**A Department of the Regional University System of Oklahoma**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2024**

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7. Identification of major federal programs:

<b>Assistance Listing Numbers</b>	<b>Name of Federal Program or Cluster</b>
	Student Financial Assistance Cluster
84.063	Federal Pell Grant Program
84.007	Federal Supplemental Education Opportunity Grants
84.379	Teacher Education Assistance for College and Higher Education Grants
84.033	Federal Work Study Program
84.038	Federal Perkins Loan Program
84.268	Federal Direct Student Loans
21.027	Coronavirus State and Local Fiscal Recovery Funds
11.028	Connecting Minority Communities Pilot Program

8. Dollar threshold used to distinguish between Type A and Type B programs: \$1,982,545.

9. Auditee qualified as a low-risk auditee?  Yes  No

**Northeastern State University  
A Department of the Regional University System of Oklahoma  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2024**

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**Section II – Financial Statement Findings**

<b>Reference Number</b>	<b>Finding</b>
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No matters are reportable.

**Section III – Federal Award Findings and Questioned Costs**

Reference Number	Finding
2024-001	<p style="text-align: center;">Student Financial Assistance Cluster                      Federal Pell Grants, ALN 84.063                      Federal Direct Student Loans, ALN 84.268                      U.S. Department of Education Program Year 2023 - 2024</p> <p>Criteria or Specific Requirement - Reporting 34 CFR 690.83</p> <p>Condition - The University's internal controls did not ensure origination records reported to the Common Origination and Disbursement (COD) System were accurate.</p> <p>Questioned Costs - None</p> <p>Context - Out of a population of 4,125 students receiving Pell Grants and/or Direct Student Loans, a sample of 25 students were selected for testing. Our sample was not, and was not intended to be statistically valid. For 16 of the students tested, the enrollment date reported to COD differed from the enrollment date in the student information system, Banner.</p> <p>Effect - Incorrect origination record data was reported to COD.</p> <p>Cause - The University incorrectly reported the enrollment date to COD for Pell recipients.</p> <p>Identification as a repeat finding - N/A</p> <p>Recommendation - The University should review and update their internal controls to ensure accurate origination record data is accurately reported to COD.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Banner aid year is set up prior to academic year schedule dates being available. Default dates associated with terms on STVTERM are used prior to official dates being established for the upcoming academic/aid year. Once dates are established by the institution, Student Financial Services staff (Functional Technologist, Vicki Ryals and Title IV Reporting Specialist, Heather McWilliams) and management (Director, Cindy Bendabout and Assistant Director, Kriston Gerler) will audit the following forms for accurate SAY/ AY periods:</p> <ul style="list-style-type: none"> <li>• RORTPRD</li> <li>• RORSAYR</li> <li>• RFRDEFA</li> <li>• RPRLOPT</li> <li>• RPROPTS</li> <li>• RORPRDS</li> <li>• RPRLPRD</li> </ul> <p>Audit of dates in Banner will be performed prior to originations being established for aid year. This will ensure accurate information is reported in Banner and COD for student records.</p>

**Northeastern State University**  
**A Department of the Regional University System of Oklahoma**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2024**

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**Reference  
Number**

**Finding**

2024-002

Student Financial Assistance Cluster  
 Federal Pell Grants, ALN 84.063  
 Federal Direct Student Loans, ALN 84.268  
 U.S. Department of Education Program Year 2023 - 2024

Criteria or Specific Requirement - Special Tests: Gramm-Leach-Bliley Act - Student Information Security 16 CFR 314.4(c)(1) - (8), 16 CFR 314.4(e)

Condition - The University does not have a written information security program that addresses all required elements of the Gramm-Leach-Bliley Act.

Questioned Costs - None

Context - On December 9, 2021, the Federal Trade Commission issued final regulations for 16 CFR Part 314 to implement the Gramm-Leach-Bliley Act information safeguarding standards that institutions must implement. The regulations established minimum standards that institutions must meet. Institutions were required to be in compliance with the revised requirements no later than June 9, 2023. The University's written information security program did not contain 9 of the 14 elements required by the revised Gramm-Leach-Bliley Act regulations.

Effect - The University's written information security program does not address all required written statement elements of the Gramm-Leach-Bliley Act.

Cause - The University did not update its written information security program by June 9, 2023 for the revised requirements of 16 CFR Part 314.

Identification as a repeat finding - N/A

Recommendation - The University should revise its written information security program to be compliant with the current requirements of 16 CFR Part 314.

Views of Responsible Officials and Planned Corrective Actions - Northeastern State University will make changes to our information security policy during the Spring 2025 semester to reflect all 14 elements of the GLBA standard. While there is a GLBA policy pending in the policy committee for campus approval, there is a desire to keep the information security policy as the central document for NSU's cybersecurity policy. The current information security policy is being worked on by NSU's ITS department in conjunction with an external vendor who is supplying our virtual Chief Information Security Officer. This work is expected to be completed by the end of March and will be submitted to our campus policy committee in April for approval of the modified document which will contain all 14 of the elements as specified in the GLBA standard and brought to our attention during the annual audit.

**Northeastern State University**  
**A Department of the Regional University System of Oklahoma**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2024**

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Reference Number	Finding
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2024-003

Student Financial Assistance Cluster  
 Federal Pell Grants, ALN 84.063  
 Federal Direct Student Loans, ALN 84.268  
 U.S. Department of Education Program Year 2023 - 2024

Criteria or Specific Requirement - Special Tests: Return of Title IV Funds 34 CFR 668.22

Condition - Return of Title IV funds were not calculated correctly and funds were not returned within the required time frame.

Questioned Costs - \$1,104

Context - Out of a population of 423 official and unofficial withdrawals of students who received Student Financial Assistance, a sample of 25 students were selected for testing. Our sample was not, and was not intended to be statistically valid. For one of the student withdrawals tested, the calculation of funds to be returned by the University was calculated incorrectly. For another student withdrawal tested, the funds were not returned to the lender within the required time frame and the credit to the student's account was not made within the required time frame.

Effect - The incorrect amount of funds were returned, funds were not returned within the required time frame, and a student's account was not credited within the required timeframe.

Cause - The University did not use the correct amount of institutional charges when calculating the required return for one student. The University did not return funds within the required time frame for one student.

Identification as a repeat finding - N/A

Recommendation - The University should update their controls to ensure inputs used to calculate the return are accurate and agree to institutional records. The University should review its processes for ensuring return of funds are returned in a timely manner.

Views of Responsible Officials and Planned Corrective Actions - Instructions for preparing R2T4 records include the appropriate steps for calculating institutional charges. A clerical error transpired and boxes that should have been unchecked were not. We have conducted training with Student Financial Services staff (Counselors: Katie Spencer, Isaac Palmer, Trace Taylor) or management (Director, Cindy Bendabout and Assistant Director, Kriston Gerler) who will be checking for accuracy of records prior to preparing letters for students.

Title IV Reporting Specialist (Heather McWilliams) will audit previous week R2T4 records using the automated WD report that is generated weekly on Monday evening. This will ensure that withdrawn students are identified, R2T4 calculations are performed, and funds are returned in a timely manner.

**Northeastern State University**  
**A Department of the Regional University System of Oklahoma**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2024**

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**Reference  
Number**

**Finding**

2024-004

Student Financial Assistance Cluster  
 Federal Pell Grants, ALN 84.063  
 Federal Direct Student Loans, ALN 84.268  
 U.S. Department of Education Program Year 2023 - 2024

Criteria or Specific Requirement - Special Tests: Enrollment Reporting 34 CFR 668.41(a)

Condition - Published program length was not reported to the National Student Loan Data System (NSLDS) based on the definition of "normal time" to completion according to the regulations at 34 CFR 668.41(a).

Questioned Costs - None

Context - Out of a population of 5,277 status changes of students receiving Pell Grants and/or Direct Student Loans, a sample of 25 students with status changes were selected for testing. Our sample was not, and was not intended to be statistically valid. For five of the students tested, the published program length reported to NSLDS did not agree to the program length based on the institution's determination of how long, in years, the program is designed for a full-time student to complete.

Effect - Incorrect program-level record data was reported to NSLDS.

Cause - The published program length for a Masters credential level was reported as 2.5 years regardless of the program length as determined by the institution for how long, in years, the program is designed for a full-time student to complete.

Identification as a repeat finding - N/A

Recommendation - The University should review and update controls in place to ensure proper reporting of published program length to NSLDS.

Views of Responsible Officials and Planned Corrective Actions - The Registrar's Office has already conducted an audit of the NSU Graduate programs to determine the length of each program. The Registrar (Amy Dunn) will provide the Assistant Director of Institutional Effectiveness (Morgan Grovenburg) with a spreadsheet of programs with their program length by February 14, 2025, and the Assistant Director of Institutional Effectiveness (Morgan Grovenburg) will make sure future submissions to the Student Clearinghouse match. The Registrar (Amy Dunn) and her team will input the correct program lengths in Banner (SFACPLR) by March 14, 2025.

**Northeastern State University**  
**A Department of the Regional University System of Oklahoma**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2024**

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**Reference  
Number**

**Finding**

2024-005

Connecting Minority Communities Pilot Program, ALN 11.028  
U.S. Department of Commerce Program Year 2023 - 2024

Criteria or Specific Requirement - Reporting 2 CFR 200.329

Condition - The University was unable to substantiate amounts reported on semi-annual performance reports and an amount reported was for the incorrect reporting period.

Questioned Costs - None

Context - Out of the population of two semi-annual performance reporting requirements for the fiscal a year, a sample of one report was selected for testing. Our sample was not, and was not intended to be statistically valid. For three agency specific key line items tested, the University was unable to provide documentation to substantiate the amounts reported. For one agency specific key line item tested, the amount reported was for the incorrect reporting period.

Effect - Certain agency specific key line items reported were not substantiated with appropriate documentation and one key line item was reported for the incorrect reporting period.

Cause - The University did not maintain supporting documentation for amounts reported in the semi-annual performance report and improper report parameters were used to generate amounts reported.

Identification as a repeat finding - N/A

Recommendation - The University should maintain adequate supporting documentation used in the preparation of performance reports and should review the supporting documentation used in preparation of the reports to ensure it is for the appropriate reporting period.

Views of Responsible Officials and Planned Corrective Actions - The grants and contract personnel will review current semi-annual performance reports and compare them to current document/backup before submitting the reports. Grants and contract personnel will ensure that documentation for all reports be in compliance with 2 CFR 200 and the University's adopted federal grant program policy and procedures. There will be informal training for Principal Investigators on preparing, processing reports and on the federal policies and procedures when a new grant is setup in Banner and a meeting is set with the new PI. Annual training will be done for grants personnel when they attend NCURA Conferences each year and campus training in Banner, the Purch etc. will start in April 2025. Reminders will be sent to grants and contract personnel regarding proper reporting when a file is prepared for the new grant and annually after that.



**Northeastern State University**  
**A Department of the Regional University System of Oklahoma**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2024**

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<b>Reference Number</b>	<b>Finding</b>	<b>Status</b>
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No matters are reportable.