



Southeastern Oklahoma State University

A Department of the Regional
University System of Oklahoma

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2021

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

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Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, the Southeastern Foundation, Inc. Those financial 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 Southeastern Foundation, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its discretely presented component unit as of June 30, 2021 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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



Other Information

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

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

Other Reporting Required by Government Auditing Standards

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

Hick & Company, PC

Tulsa, Oklahoma
October 29, 2021



Southeastern Oklahoma State University
A Department of the Regional University System of Oklahoma

Management's Discussion and Analysis
Year Ended June 30, 2021

Introduction

The discussion and analysis of Southeastern Oklahoma State University's (the "University") financial statements provides an overview of the University's financial activities for the fiscal year ending June 30, 2021, with selected comparative information for the year ended June 30, 2020. Management's discussion and analysis is designed to focus on current activities, resulting changes, and current known facts, so it should be read in conjunction with the University's financial statements and footnotes.

These financial statements include those of the University and its discretely presented component unit, Southeastern Foundation, Inc. A component unit is a legally separate entity associated with the primary organization.

Financial Highlights

The University's Total Net Position as of June 30, 2021, was \$42.7 million compared to \$42 million as of June 30, 2020. This is an increase of \$0.7 million or 2%. Total Assets increased approximately \$5.6 million, and Total Liabilities increased \$4.9 million.

Operating Revenue and Non-Operating Revenue as of June 30, 2021, totaled \$75.5 million compared to \$64.2 million as of June 30, 2020. This is an increase of \$11.3 million or 15%.

Operating Expenses and interest expense as of June 30, 2021, totaled \$76.1 million compared to \$63.4 million as of June 30, 2020. This is an increase of \$12.7 million or 17%.

Six capital projects – Baseball Complex, Ellucian Colleague Software Implementation, Jive Communication Phone Project, Semple Museum, Softball Fencing, and 7th Street Residential Demolition – were completed in fiscal year 2021. Two capital projects – Einstein Bagel Brothers and Equestrian Center – are in the construction/implementation phase. The Baseball Complex, Semple Family Museum, and Softball Fencing were funded by external fund raising, as well as Einstein Bagel Brothers and a portion of the Equestrian Center.

Bonds payable and capital lease obligations increased by \$5.2 million, leaving a balance of \$17.2 million. This increase is due to a new issuance through ODFA Series 2021A.

Southeastern Oklahoma State University
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Management's Discussion and Analysis
Year Ended June 30, 2021
(Continued)

Statement of Net Position

The Statement of Net Position presents current and noncurrent assets and liabilities, deferred outflows of resources and inflows of resources, and net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) as of June 30, 2021.

Net Position are divided into three (3) major categories: (1) Invested in capital assets, the University's investment in property, plant, and equipment, (2) Restricted expendable, includes resources that are available for expenditure by the University to spend in accordance with restrictions imposed by external third parties, and (3) Unrestricted, represents resources to be 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.

CONDENSED STATEMENT OF NET POSITION

	June 30, (In Millions)		Increase (Decrease)	Percent Change
	<u>2020</u>	<u>2019</u>		
CURRENT ASSETS	\$ 23.5	\$ 23.0	\$ 0.5	2.2%
NONCURRENT ASSETS				
Capital Assets, Net of Depreciation	<u>47.0</u>	<u>41.9</u>	<u>5.1</u>	12.2%
TOTAL ASSETS	<u>\$ 70.5</u>	<u>\$ 64.9</u>	<u>\$ 5.6</u>	8.6%
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 19,342.0</u>	<u>\$ 0.0</u>	<u>\$ 19,342.0</u>	-
CURRENT LIABILITIES	\$ 12.2	\$ 11.8	\$ 0.4	3.4%
NONCURRENT LIABILITIES	<u>15.4</u>	<u>10.8</u>	<u>4.6</u>	42.6%
TOTAL LIABILITIES	<u>\$ 27.6</u>	<u>\$ 22.6</u>	<u>\$ 5.0</u>	22.1%
DEFERRED INFLOWS OF RESOURCES	<u>\$ 0.2</u>	<u>\$ 0.2</u>	<u>\$ -</u>	0.0%
NET POSITION				
Net Investment in Capital Assets	\$ 22.7	\$ 29.5	\$ (6.8)	-23.1%
Restricted	7.0	0.1	6.9	5733.3%
Unrestricted	<u>13.0</u>	<u>12.4</u>	<u>0.6</u>	4.8%
TOTAL NET POSITION	<u>\$ 42.7</u>	<u>\$ 42.0</u>	<u>\$ 0.7</u>	1.6%

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Management's Discussion and Analysis
Year Ended June 30, 2021
(Continued)

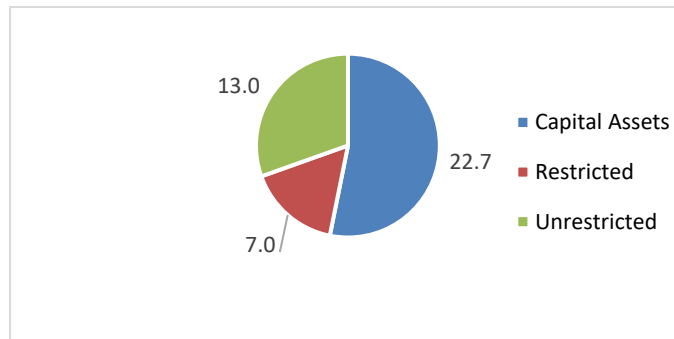
Analysis of Net Position

Total assets increased \$5.6 million with increases in accounts receivable, net of \$1.9 million, and \$6.9 million for non-current restricted cash. Cash and cash equivalents decreased \$1.4 million, restricted cash and cash equivalents decreased \$0.1 million, and capital assets, net decreased \$1.7 million.

Total liabilities increased \$4.9 million with increases of \$0.2 million in accrued liabilities, \$0.8 million in current maturities of long-term debt, and \$4.5 million in long-term debt liabilities. Accounts payable decreased \$0.3 million, unearned revenue \$0.2 million, and accrued compensated absences \$0.1 million.

The following graph indicates that the bulk of the University's net position at June 30, 2021, are capital assets invested in land, buildings, infrastructure, library, and equipment.

Analysis of Net Position



Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the University's results of operations for the year and the effect on net position. Operating revenues and expenses are generated from "exchange" transactions that arise in the course of normal activity for the organization. Tuition and fees, sales of services and merchandise, and similar transactions are considered operating revenues, and all the expenses required to provide these services are considered operating expenses. Nonoperating revenue and expenses are characterized as non-exchange and include such items as gifts and contributions, investment income or expense, federal grants, and most significantly, state appropriations.

Southeastern Oklahoma State University
A Department of the Regional University System of Oklahoma

Management's Discussion and Analysis
Year Ended June 30, 2021
(Continued)

Statement of Revenues, Expenses, and Changes in Net Position-Continued

Condensed Statements of Revenues, Expenses, and Changes in Net Position are a summary for the year ended June 30, 2021, compared to the year ended June 30, 2020.

	Years Ended June 30, (in millions)		Increase (Decrease)
	<u>2021</u>	<u>2020</u>	<u>(Decrease)</u>
OPERATING REVENUES			
Student tuition and fees (net of scholarship discounts and allowances)	\$ 31.7	\$ 31.7	\$ -
Federal, state and local grants and contracts	5.3	5.3	-
Auxiliary operations	3.3	1.6	1.7
Other operating revenues	<u>0.8</u>	<u>1.3</u>	<u>(0.5)</u>
TOTAL OPERATING REVENUE	41.1	39.9	1.2
OPERATING EXPENSES			
Compensation and employee benefits	37.0	34.7	2.3
Contractual services	12.7	9.7	3.0
Supplies and materials	3.0	2.4	0.6
Depreciation	3.6	3.2	0.4
Utilities	1.2	1.0	0.2
Communication expense	0.3	0.3	-
Scholarships and fellowships	12.8	8.2	4.6
Student Reengagement Expense (AR Discharge)	1.3	-	1.3
Other operating expense	<u>3.7</u>	<u>3.4</u>	<u>0.3</u>
TOTAL OPERATING EXPENSES	<u>75.6</u>	<u>62.9</u>	<u>12.7</u>
OPERATING INCOME (LOSS)	(34.5)	(23.0)	(11.5)
NONOPERATING REVENUE			
State appropriations	14.4	14.9	(0.5)
Financial aid grants	12.3	8.0	4.3
Other Gains and Losses	7.5	1.2	6.3
Investment income	0.1	0.2	(0.1)
Net gain on disposal of assets	-	-	-
Interest expense	<u>(0.4)</u>	<u>(0.5)</u>	<u>0.1</u>
NET NONOPERATING REVENUE (EXPENSES)	<u>33.9</u>	<u>23.8</u>	<u>10.1</u>
Income (loss) before other revenues, expenses, gains and losses	<u>(0.6)</u>	<u>0.8</u>	<u>(1.4)</u>
OTHER REVENUE/EXPENSES	<u>1.3</u>	<u>1.3</u>	<u>-</u>
CHANGE IN NET POSITION	0.7	2.1	(1.4)
NET POSITION, BEGINNING OF YEAR	<u>42.0</u>	<u>39.9</u>	<u>2.1</u>
NET POSITION, END OF YEAR	<u>\$ 42.7</u>	<u>\$ 42.0</u>	<u>\$ 0.70</u>

Southeastern Oklahoma State University
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Management's Discussion and Analysis
Year Ended June 30, 2021
(Continued)

Statement of Revenues, Expenses, and Changes in Net Position-Continued

Revenues 2021

Total operating revenues increased by \$1.4 million and non-operating revenue increased \$9.8 million, for a total increase of \$11.2 million.

Student tuition and fees, net of scholarship discounts and allowances decreased \$0.04 million. Rates for tuition and mandatory fees were not increased for resident and non-resident students. Student credit hours increased on average about 5% across all categories.

Federal, State, and local grants and contracts revenue is \$5.3 million, an increase of \$0.2 million from the previous year's total.

Auxiliary operations generated total revenues of \$3.3 million – \$1.3 million is from housing and food services and \$2.0 million is from aerospace operations, which is an increase of \$1.7 from the previous years' \$1.6 million. Housing revenue increased \$0.6 million, while aerospace revenue increased \$1.1 million. Rates for room and board remained at FY 2020 levels. The increase in occupancy rates as well as aerospace revenue are more comparable to the years prior to FY20, which was greatly affected by COVID-19.

State appropriations for operations in fiscal year 2021 were \$14.3 million, resulting in a decrease of \$0.6 million or approximately 4%.

Southeastern Oklahoma State University
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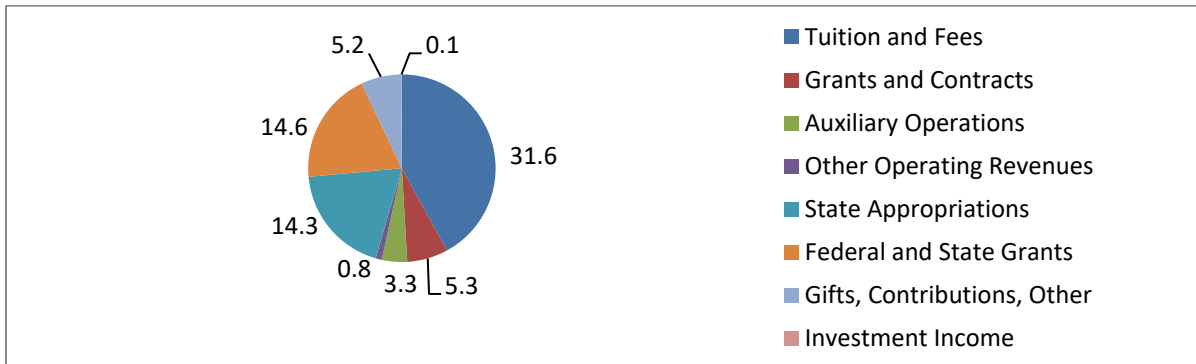
Management's Discussion and Analysis
 Year Ended June 30, 2021
 (Continued)

Statement of Revenues, Expenses, and Changes in Net Position-Continued

Revenues 2021--continued

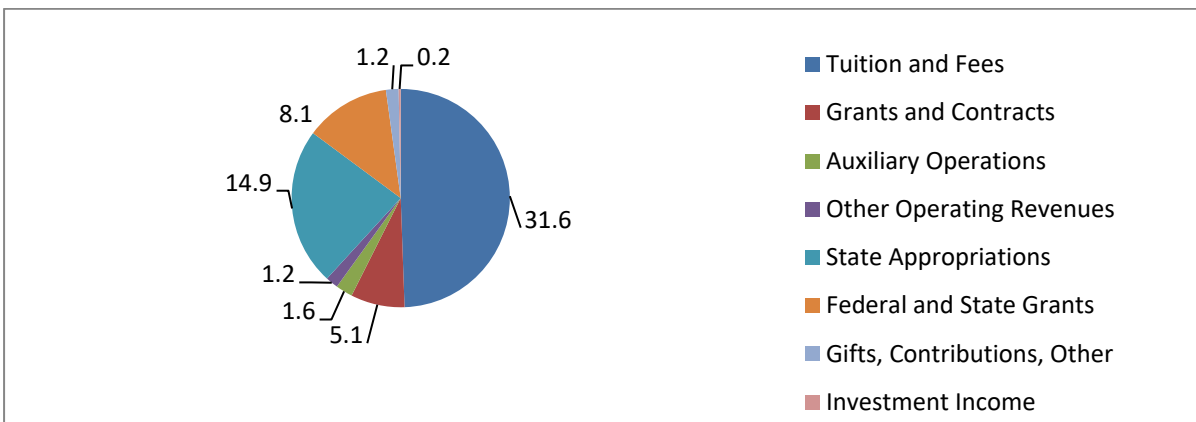
The following is a graphical representation of total operating and nonoperating revenue for the year ended June 30, 2021.

*Total Revenues 2021
 Operating and Nonoperating
 (In Millions)*



The following is a graphical representation of total operating and nonoperating revenue for the year ended June 30, 2020.

*Total Revenues 2020
 Operating and Nonoperating
 (In Millions)*



Southeastern Oklahoma State University
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Management's Discussion and Analysis
 Year Ended June 30, 2021
 (Continued)

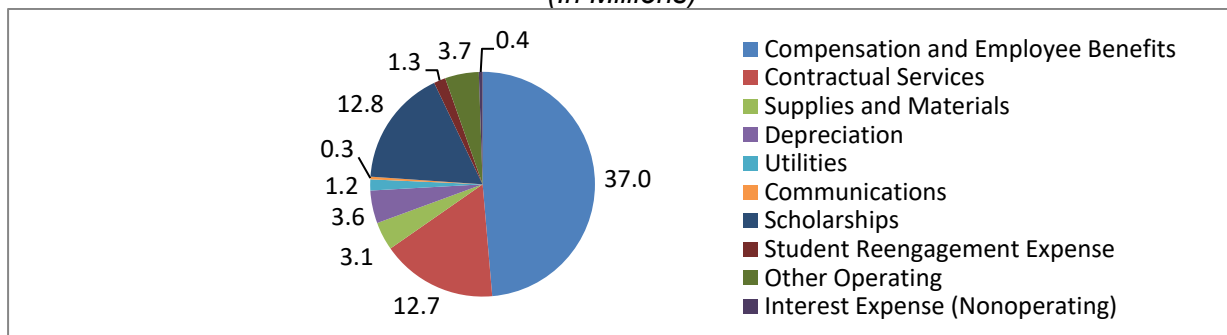
Statement of Revenues, Expenses, and Changes in Net Position-Continued

Expenses

Operating expenses and interest expense for the year are \$76.1 million, an increase of \$12.6 million. Increases include compensation and employee benefits \$2.2 million, contractual services \$3.1 million, supplies and materials \$0.7 million, depreciation \$0.4 million, utilities \$0.1 million, scholarships by \$4.6 million, and \$0.3 million in other operating expenses. A student reengagement expense was also added in the amount of \$1.3 million for accounts receivable discharges. Decreases include communications and interest expense of \$0.1 million.

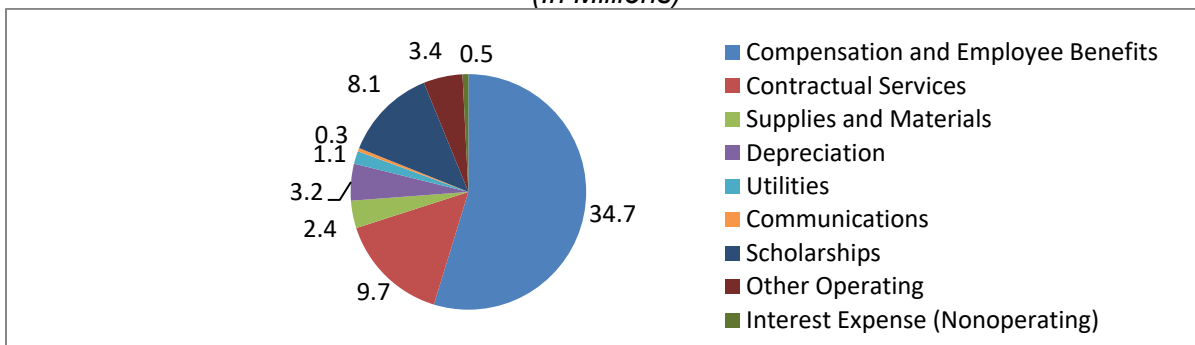
The following is a graphic illustration of expenses for the year ended June 30, 2021.

*Total Expenditures 2021
 (In Millions)*



The following is a graphic illustration of expenses for the year ended June 30, 2020.

*Total Expenditures 2020
 (In Millions)*



Southeastern Oklahoma State University
A Department of the Regional University System of Oklahoma

Management's Discussion and Analysis
 Year Ended June 30, 2021
 (Continued)

Statement of Cash Flows

The Statement of Cash Flows presents information about the cash receipts and disbursements of the university during the year.

A condensed Statement of Cash Flows is a summary for the year ended June 30, 2021, compared to the year ended June 30, 2020.

	Years Ended June 30, (in Millions)	
	2021	2020
CASH PROVIDED BY (USED IN):		
Operating activities	\$ (33.2)	\$ (16.2)
Noncapital financing activities	34.3	24.1
Investing activities	0.1	0.1
Capital and related financing activities	4.2	(3.8)
NET INCREASE (DECREASE) IN CASH	5.4	4.2
CASH, BEGINNING OF YEAR	19.7	15.5
CASH, END OF YEAR	\$ 25.1	\$ 19.7

Capital Assets

At June 30, 2021, the University had approximately \$40.1 million invested in capital assets, net of accumulated depreciation of \$78.8 million. Depreciation charges totaled approximately \$2.9 million for the current fiscal year.

Capital Assets, net

	June 30, (in Millions)	
	2021	2020
Land	\$ 3.0	\$ 3.0
Capitalized collections	0.4	0.4
Construction in-progress	0.1	2.1
Infrastructure	0.8	0.9
Improvements	0.7	0.9
Buildings	31.6	33.1
Furniture, fixtures, and equipment	3.4	1.3
Library materials	0.1	0.2
TOTALS	\$ 40.1	\$ 41.9

Southeastern Oklahoma State University
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Management's Discussion and Analysis
Year Ended June 30, 2021

Debt

At June 30, 2021, the University had approximately \$15.9 million in debt outstanding compared to \$11.7 million at the end of the previous fiscal year. The table below summarizes these amounts by type.

<i>Outstanding Debt</i>		June 30, <i>(in Millions)</i>	
	<u>2021</u>		<u>2020</u>
OCIA Capital Lease Obligations	\$ 5.3	\$ 5.3	
ODFA Capital Lease Obligations	10.6		6.4
TOTALS	<u>\$ 15.9</u>	<u>\$ 11.7</u>	

Oklahoma Capital Improvement Authority Leases

In 2014, the OCIA issued Bond Series 2014A to partially refund the Series 2005F Revenue Bonds. This restructuring resulted in a gain of \$316,314 between the remaining liability of 2005F and the new liability of 2014A. This gain on restructuring was recorded as a deferred inflow of resources that will be amortized over a period of 18 years. As of June 30, 2021, the unamortized gain totaled \$175,909. The University has recorded a lease obligation payable to OCIA for the total amount of the allotment, less payments made on the University's behalf, which is \$5,299,746 at June 30, 2021.

During the year ended June 30, 2021, OCIA made lease principal and interest payments totaling \$252,418 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.

Oklahoma Development Finance Authority Master Lease Program

During fiscal 2021, the university added \$5.8 million with the issuance of ODFA Series 2021A.

More detailed information about the University's outstanding debt is presented in notes to the financial statements.

Component Unit

The Southeastern Foundation, Inc. (the "Foundation") meets the criteria for inclusion as a discretely presented component unit of Southeastern Oklahoma State University. The most recent financial statements of the Foundation are included in this presentation under the heading Component Unit. A complete set of financial statements may be obtained from the Foundation.

Southeastern Oklahoma State University
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Management's Discussion and Analysis
Year Ended June 30, 2021

Economic Outlook

The economic stability of the University is directly related to the state's economic stability. The State's economy continues to show signs of gains and losses directly related to the oil and gas industry. The University will continue to maintain rigorous processes and controls to limit expenditures in the uncertain revenue climate.

Enrollment for the Fall 2020 period reflects about a 5% increase from the Fall 2019 semester. Enrollment has grown noticeably in the last three years mostly in graduates, new freshman, and transfers students. Expansion and growth in the graduate school continues to meet or exceed expectations. The partnership with a third-party marketing firm has made tremendous progress in expanding enrollment across most of the University's graduate programs. In the last several years, that partnership has been expanded to include more undergraduate programs as well. Enrollment in those areas continues to exceed expectations.

Other key initiatives that have shown promise include strengthening ties with community colleges and transfer students as well as providing a wider array of scholarship opportunities across the board. These efforts will continue along with new or expanded initiatives to promote student enrichment experiences, improve the University's regional image, optimize the learning environment, and enhance collaboration and partnerships.

The current budgetary climate is challenging, and the University is relying on the experience of our management team and our team approach to problem solving to meet these challenges. We believe that many of the actions that have been taken in the recent past and those planned for the future will help us weather the current crisis and result in a stronger more efficient and effective organization. We realize that serving our students and maintaining quality academic programs is dependent on receiving an adequate level of state and federal appropriations in the future and we plan to work diligently toward that objective.

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

	University	Component Unit
Assets		
Current Assets		
Cash and cash equivalents	\$ 18,096,605	\$ 2,187,958
Restricted cash and cash equivalents	120,340	728,751
Accounts receivable, net	4,884,463	157,717
Interest receivable	4,085	72,225
Receivable from state agencies	395,684	-
Other assets	-	-
Current portion of notes receivable, net	-	-
Total Current Assets	23,501,177	3,146,651
Noncurrent Assets		
Investments	-	31,301,739
Restricted cash and cash equivalents	6,900,000	
Prepaid pension asset	-	39,335
Other assets	-	294,807
Capital assets, net	40,163,083	5,456,109
Total Noncurrent Assets	47,063,083	37,091,990
Total Assets	70,564,260	40,238,641
Deferred Outflows of Resources		
Deferred charge on ODFA Master lease restructure	\$ 19,342	\$ -

(Continued)

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

	University	Component Unit
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 3,684,042	\$ 1,247,724
Other accrued liabilities	199,616	-
Accrued interest payable	-	31,404
Unearned revenue	4,809,915	11,703
Deposits held in custody for others	368,892	-
Current portion of noncurrent liabilities	3,175,867	322,630
Total Current Liabilities	12,238,332	1,613,461
Noncurrent Liabilities		
Accrued compensated absences	423,125	-
Retirement incentive payout	-	-
Notes payable	-	6,444,129
Capital lease obligation	14,994,740	-
Premium on leases	-	-
Total Noncurrent Liabilities	15,417,865	6,444,129
Total Liabilities	27,656,197	8,057,590
Deferred Inflows of Resources		
Deferred gain on OCIA lease restructure	175,910	-
Net Position		
Invested in capital assets, net of related debt	22,723,199	-
Restricted:		
Nonexpendable	-	-
Expendable:		
Scholarships, instruction and other	-	31,983,286
Loans	-	-
Capital projects and debt service	7,006,695	-
Unrestricted	13,021,601	197,765
Total Net Position	\$ 42,751,495	\$ 32,181,051

Southeastern Oklahoma State University
(A Department of the Regional University System of Oklahoma)
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2021

	University	Component Unit
Operating Revenues		
Student tuition and fees, net of scholarship discounts and allowances of \$13,350,267	\$ 31,651,799	\$ -
Federal grants and contracts	4,815,166	-
State and local grants and contracts	550,207	-
Housing and food service	1,351,610	-
Aerospace operations	1,952,743	-
Athletics	2,700	-
Investment income	-	6,175,479
Contributions	-	1,092,723
Other operating revenues	818,914	1,747,479
Total Operating Revenues	41,143,139	9,015,681
Operating Expenses		
Compensation and employee benefits	36,911,399	-
Contractual services	12,735,637	-
Supplies and materials	3,086,712	-
Depreciation	3,579,115	-
Utilities	1,228,688	-
Communications expense	308,444	-
Scholarships and fellowships	12,804,995	4,704,167
Student Reengagement Expense (AR Discharge)	1,313,287	-
Other operating expenses	3,720,534	352,770
Total Operating Expenses	75,688,811	5,056,937
Operating Income (Loss)	(34,545,672)	3,958,744
Nonoperating Revenues (Expenses)		
State appropriations	14,364,066	-
Financial aid grants	20,416,435	-
Other gains and (losses)	(502,147)	-
Investment income	111,941	-
Net gain (loss) on disposal of assets	-	-
Interest expense	(440,233)	-
Net Nonoperating Revenue	33,950,062	-
Income before other revenues, expenses, gains and losses	(595,610)	3,958,744
State appropriations restricted for capital purposes	1,000,520	-
OCIA on-behalf payments	252,418	-
Change in Net Position	657,328	3,958,744
Net Position, <i>Beginning of Year</i>	42,094,167	28,222,307
Net Position, <i>End of Year</i>	\$ 42,751,495	\$ 32,181,051

See Notes to the Financial Statements.

Southeastern Oklahoma State University
(A Department of the Regional University System of Oklahoma)
Statement of Cash Flows
For the Year Ended June 30, 2021

Cash Flows from Operating Activities	
Tuition and fees	\$ 30,890,214
Grants and contracts	3,624,453
Other operating receipts	4,392,221
Payments to employees for salaries and benefits	(36,710,995)
Payments to suppliers	<u>(35,410,251)</u>
Net Cash Used in Operating Activities	(33,214,358)
Cash Flows from Noncapital Financing Activities	
State appropriations	14,364,066
Gifts and contributions	5,232,441
Financial aid grants	14,675,919
Direct Loan receipts	22,685,291
Direct Loan payments	<u>(22,685,291)</u>
Net Cash Provided by Noncapital Financing Activities	34,272,426
Cash Flows from Investing Activities	
Net (increase) decrease in investments held with others	-
Interest income received	<u>113,537</u>
Net Cash Provided by Investing Activities	113,537
Cash Flows from Capital and Related Financing Activities	
Cash paid for capital assets	(1,910,954)
Capital appropriations received	1,000,520
Interest paid on capital debt and leases	(248,990)
Proceeds from capital debt and leases	6,942,124
Principal payments on capital debt and leases	<u>(1,585,750)</u>
Net Cash Used in Capital and Related Financing Activities	<u>4,196,950</u>
Net Change in Cash and Cash Equivalents	5,368,555
Cash and Cash Equivalents, <i>Beginning of Year</i>	<u>19,748,390</u>
Cash and Cash Equivalents, <i>End of Year</i>	<u>\$ 25,116,945</u>

(Continued)

Southeastern Oklahoma State University
(A Department of the Regional University System of Oklahoma)
Statement of Cash Flows
For the Year Ended June 30, 2021
(Continued)

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

Operating loss	\$ (34,545,672)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	3,579,115
Loss on disposal of assets	662
Changes in assets and liabilities	
Accounts receivable	(1,987,119)
Loans receivable	14,154
Accounts payable and student deposits	(212,616)
Accrued payroll	195,118
Unearned revenues	(263,286)
Retirement incentive	(5,510)
Compensated absences	<u>10,796</u>
Net Cash Used in Operating Activities	\$ <u>(33,214,358)</u>

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

Interest on capital debt paid by State Agency on behalf of the University	\$ <u>252,418</u>
Principal on capital debt paid by State Agency on behalf of the University	\$ <u>-</u>
Deferred gain on OCIA lease restructure	\$ <u>175,910</u>

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

Current assets	
Cash and cash equivalents	\$ 18,096,605
Restricted cash and cash equivalents	<u>7,020,340</u>
Total Cash and Cash Equivalents	\$ <u>25,116,945</u>

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

Note A: Summary of Significant Accounting Policies

Southeastern Oklahoma State University (the “University”) is a regional university operating under the jurisdiction of the Regional University System of Oklahoma (“RUSO” or the “System”) and the Oklahoma State Regents for Higher Education.

Reporting Entity

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

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

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

Discretely Presented Component Units

Southeastern Foundation, Inc. (the “Foundation”) is a component unit of the University under GASB 39 that is required to be discretely presented with the financial statements of the University. The University is the beneficiary of the Foundation, a separate legal entity with its own Board of Trustees. The Foundation is organized for the benefit of the University, and its faculty, student body and programs. The Foundation provides scholarships and support and enhances the further development of the University. Additional and selected disclosures for the Foundation are located in this report in Note L. A complete report of the Foundation’s financial statements and footnotes can be requested form the Foundation’s director.

Financial Statement Presentation

The University’s financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities*. Under GASB Statements No. 34 and 35, the University is required to present a statement of net position classified between current and noncurrent assets and liabilities, a statement of revenues, expenses and changes in net position, with separate presentation for operating and nonoperation revenues and expenses, and a statement of cash flows using the direct method.

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

Note A: Summary of Significant Accounting Policies (Continued)

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

For purposes of the statement of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State Treasurer's Cash Management Program are considered cash equivalents.

Investments

The University accounts for its investments at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the University has disclosed its deposit and investment policies related to the risks identified in GASB Statement No. 40. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net position.

Restricted Cash and Investments

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

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and to auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of Oklahoma. Student accounts receivable are carried at the unpaid balance of the original amount billed to students, less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. A student account receivable is considered to be past due if any portion of the receivable balance is outstanding after the end of the semester.

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

Note A: Summary of Significant Accounting Policies (Continued)

Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grant and contracts. Other accounts receivable also include the distribution from the Oklahoma State Regents' endowment trust fund and amounts due from the Oklahoma Capital Improvement Authority ("OCIA") for proceeds from the capital bond improvement program allocated to the University. No allowance for doubtful accounts has been provided for other receivables.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of one year or greater. 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.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 60 years for buildings, 10 to 30 years for infrastructure, land improvements, and building renovations, and 5 to 10 years for library materials and equipment.

Unearned Revenue

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

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 compensated absences 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 capital lease obligations with contractual maturities greater than one year, and (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

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

Note A: Summary of Significant Accounting Policies (Continued)

Net Position

The University's net position is classified as follows:

Invested in Capital Assets, Net of Related Debt: This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital 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 invested in capital assets, net of related debt.

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

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

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

Income Taxes

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

Note A: Summary of Significant Accounting Policies (Continued)

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, and (3) certain grants and contracts.

Nonoperating Revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, student aid revenues and other revenue sources that are defined as nonoperating revenues by GASB 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, governmental and other pass through grants, and investment income.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the 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.

Deferred Outflows of Resources

Deferred outflows are the consumption of net position by the University that are applicable to a future reporting period. At June 30, 2021, the University's deferred outflows of resources were comprised of deferred charges on the restructuring of certain long-term debt. These deferred outflows of resources are recognized as a component of interest expense over the remaining term of the old debt or the life of the new debt, whichever is shorter.

Deferred Inflows of Resources

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

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

Note B: Deposits and Investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the University's deposits may not be returned or the University will not be able to recover collateral securities in the possession of an outside party. The University deposits its funds with the Office of the State Treasurer (OST). Oklahoma statutes require OST to ensure that all state funds either be 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.

At June 30, 2021, the carrying amount of all University deposits with the OST and other financial institutions was \$25,116,945. Cash and cash equivalents also consisted of change funds (\$4,400). Funds on deposit with OST include \$3,644,214 with *OK INVEST*, an internal investment pool. Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives that establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and 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/>. After evaluation of the use and purpose of the University's participation in the internal investment pool, the amount on deposit with *OK INVEST* is treated as demand accounts and reported as cash equivalents.

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) bonds, notes, debenture or other similar obligation of a foreign government; (c) investment grade obligations of state and local governments; (d) money market mutual funds and short term bond funds; (e) collateralized or insured certificates of deposits; (f) negotiable certificates of deposits; (g) prime commercial paper; and (h) repurchase agreements.

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

Note B: Deposits and Investments (Continued)

Investments (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments that are held for longer periods of time are subject to increased risk of adverse interest changes. Neither the University nor state statutes limit investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates; however, the OST Investment Policy limits the average maturity on its portfolio to four (4) years, with certain individual securities having more restrictive limits as defined in the policy.

Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. Neither the University's investment policy nor state statutes place limits on amounts that can be invested in any one issuer; however, the OST Investment Policy states that, with the exception of U.S. Treasury securities, no more than 50% of the State's total funds may be invested in a single security type or with a single financial institution, with diversification percentages being more restrictive on individual securities.

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities in the possession of an outside party. As of June 30, 2021, none of the University's investments were subject to custodial credit risk.

Bond Fund Cash and Investments

Certain non-pooled cash and investments are restricted in purpose by policies incorporated in applicable bond indentures. *Credit risk* policy generally restricts investing to cash, investments fully insured by the FDIC and U.S. government and agency securities or mutual funds investing in these types of securities. There may be some variance among the investments authorized by the specific bond indentures of University bond issues. The OST and/or a trustee bank generally provide the management of restricted, non-pooled investments. *Custodial credit risk* is not addressed by bond indentures. *Interest rate risk* in bond indentures provide that investments mature in no more than six to sixty months depending on the purpose of the funds and the requirements of the account in which the funds are deposited (i.e. construction, reserve, operations, and maintenance, etc.).

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

Note C: Accounts Receivable

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

Student tuition and fees	\$ 13,832,310
Auxiliary enterprises and other operating activities	247,654
Federal, state, and private grants and contracts	<u>1,996,184</u>
	16,076,148
Less: allowance for doubtful accounts	<u>(11,191,685)</u>
Net accounts receivable	<u><u>\$ 4,884,463</u></u>

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

Note D: Capital Assets

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

	Balance June 30, 2020	Additions	Transfers	Retirements/ Adjustments	Balance June 30, 2021
Capital assets not being depreciated					
Land	\$ 2,956,480	\$ -	\$ -	\$ -	\$ 2,956,480
Capitalized collections	401,385	-	-	-	401,385
Construction in progress	<u>2,150,536</u>	<u>584,334</u>	<u>(2,607,588)</u>	-	<u>127,282</u>
Total capital assets not being depreciated	<u>\$ 5,508,401</u>	<u>\$ 584,334</u>	<u>\$ (2,607,588)</u>	<u>\$ -</u>	<u>\$ 3,485,147</u>
Other capital assets					
Non-major infrastructure networks	\$13,367,313	\$ 9,500	\$ 240,046	\$ -	\$13,616,859
Improvements	5,642,080	151,650	(1,876,167)	-	3,917,563
Buildings	75,822,985	190,178	1,937,969	-	77,951,132
Furniture, fixtures and equipment	10,359,663	879,715	2,305,740	(589,775)	12,955,343
Library materials	<u>7,107,086</u>	<u>23,058</u>	-	<u>(12,390)</u>	<u>7,117,754</u>
Total other capital assets	112,299,127	1,254,101	2,607,588	(602,165)	115,558,651
Less: accumulated depreciation for					
Non-major infrastructure networks	(12,472,911)	(313,712)	-	-	(12,786,623)
Improvements	(4,700,845)	(142,088)	1,596,244	-	(3,246,689)
Buildings	(42,737,525)	(1,981,919)	(1,596,244)	-	(46,315,688)
Furniture, fixtures and equipment	(9,066,911)	(1,054,424)	-	589,774	(9,531,561)
Library materials	<u>(6,924,911)</u>	<u>(86,972)</u>	-	<u>11,729</u>	<u>(7,000,154)</u>
Total accumulated depreciation	(75,903,103)	(3,579,115)	-	601,503	(78,880,715)
Other capital assets, net	<u>\$36,396,024</u>	<u>\$ (2,325,014)</u>	<u>\$ 2,607,588</u>	<u>\$ (662)</u>	<u>\$36,677,936</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 5,508,401	\$ 584,334	\$ (2,607,588)	\$ -	\$ 3,485,147
Other capital assets, at cost	<u>112,299,127</u>	<u>1,254,101</u>	<u>2,607,588</u>	<u>(602,165)</u>	<u>115,558,651</u>
Total cost of capital assets	117,807,528	1,838,435	-	(602,165)	119,043,798
Less: accumulated depreciation	<u>(75,903,103)</u>	<u>(3,579,115)</u>	-	<u>601,503</u>	<u>(78,880,715)</u>
Capital assets, net	<u>\$41,904,425</u>	<u>\$ (1,740,680)</u>	<u>\$ -</u>	<u>\$ (662)</u>	<u>\$40,163,083</u>

Capital assets acquired with funds under capital lease programs are included in the above capital assets.

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

Note E: Long-term Liabilities

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

	Balance June 30, 2020	Additions	Reductions/ Adjustments	Balance June 30, 2021	Amounts due within one year
Bonds payable and capital lease obligations:					
OCIA Leases	\$ 5,299,746	\$ -	\$ -	\$ 5,299,746	\$ 494,029
ODFA Leases	6,411,751	5,838,000	(1,585,750)	10,664,001	1,685,083
Premiums on Leases	274,695	1,104,124	(59,250)	1,319,569	109,464
Total bonds and capital leases	<u>11,986,192</u>	<u>6,942,124</u>	<u>(1,645,000)</u>	<u>17,283,316</u>	<u>2,288,576</u>
Other liabilities:					
Retirement incentive payout	5,510	-	(5,510)	-	-
Accrued compensated absences	1,299,620	876,100	(865,304)	1,310,416	887,291
Total other liabilities	<u>1,305,130</u>	<u>876,100</u>	<u>(870,814)</u>	<u>1,310,416</u>	<u>887,291</u>
Total long-term liabilities	<u>\$ 13,291,322</u>	<u>\$ 7,818,224</u>	<u>\$ (2,515,814)</u>	<u>\$ 18,593,732</u>	<u>\$ 3,175,867</u>

Capital Lease Obligations

Oklahoma Capital Improvement Authority Leases

In 2014, the OCIA issued Bond Series 2014A to partially refund the Series 2005F Revenue Bonds. This restructuring resulted in a gain of \$316,314 between the remaining liability of 2005F and the new liability of 2014A. This gain on restructuring was recorded as a deferred inflow of resources that will be amortized over a period of 18 years. As of June 30, 2021, the unamortized gain totaled \$175,910. The University has recorded a lease obligation payable to OCIA for the total amount of the allotment, less payments made on the University's behalf, which is \$5,299,746 at June 30, 2021.

During the year ended June 30, 2021, OCIA made lease principal and interest payments totaling \$252,418 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.

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

Note E: Long-term Liabilities (Continued)

Capital Lease Obligations (Continued)

Oklahoma Development Finance Authority Master Lease Program:

	2021
ODFA Oklahoma State System of Higher Education Master Lease Revenue Bonds, Series 2021A, allocated to the University in the original amount of \$5,838,000 and mature in varying annual amounts to May 15, 2046.	5,838,000
ODFA Oklahoma State System of Higher Education Master Lease Revenue Bonds, Series 2015C, allocated to the University in the original amount of \$733,000 and mature in varying annual amounts to June 1, 2025.	150,750
ODFA Oklahoma State System of Higher Education Master Lease Revenue Bonds, Series 2014C refinanced 2004C, allocated to the University in the original amount of \$1,936,000 and mature in varying annual amounts to December 1, 2024.	741,334
Student Union Revenue Serial Bonds and Term Bonds Series 2003, refinanced to ODFA Oklahoma State System of Higher Education Master Lease Revenue Bonds Series 2013B, allocated to the University in the original amount of \$5,515,000 and mature in varying annual amounts to June 1, 2028.	3,029,001
ODFA Oklahoma State System of Higher Education Master Lease Revenue Bonds, Series 2002C refinanced to 2011B, allocated to the University in the refinanced amount of \$4,964,000 and mature in varying annual amounts to December 1, 2022.	558,250
ODFA Oklahoma State System of Higher Education Master Lease Revenue Bonds, Series 2016G refinanced 2006A, allocated to the University in the original amount of \$1,971,000 and mature in varying annual amounts to November 15, 2021.	65,832
ODFA Oklahoma State System of Higher Education Master Lease Revenue Bonds, Series 2017C refinanced 2007B, allocated to the University in the original amount of \$946,000 and mature in varying annual amounts to November 15, 2022.	280,834
	\$ 10,664,001

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

Note E: Long-term Liabilities (Continued)

Capital Lease Obligations (Continued)

Oklahoma Development Finance Authority Master Lease Program--Continued

The refinancing of ODFA Revenue Bond Series 2002C with ODFA Revenue Bond Series 2011B resulted in a deferred outflow of resources that will be amortized over a period of eleven years. As of June 30, 2021, the unamortized cost totaled \$19,342.

During fiscal 2021, the ODFA issued new Bond Series 2021A totaling \$5,838,000. The University has recorded a lease obligation payable for this amount in the accompanying financial statements, and has not drawn down any of the available funds at June 30, 2021.

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

Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 2,179,111	718,830	\$ 2,897,941
2023	1,490,558	598,545	2,089,103
2024	1,406,501	532,546	1,939,047
2025	1,328,456	471,636	1,800,092
2026	1,279,409	409,476	1,688,885
2027-2031	4,864,961	1,228,241	6,093,202
2032-2036	930,083	611,470	1,541,553
2037-2041	1,131,833	409,960	1,541,793
2042-2046	1,352,835	164,580	1,517,415
	<u>\$ 15,963,747</u>	<u>\$ 5,145,284</u>	<u>\$ 21,109,031</u>

Retirement Incentive Plan

In 2017, the University instituted a Retirement Incentive Plan (the "Plan"), whereby certain employees could apply to participate in the Plan. The terms of the Plan included the following requirements for those employees applying to participate in the Plan:

- Must be currently vested and eligible to retire under the statutes and rules of the Oklahoma Teachers Retirement System.
- Must be willing to retire effective July 1, 2016.
- Must be willing to release any claims against the University which relate to retirement.

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

Note E: Long-term Liabilities (Continued)

Retirement Incentive Plan (Continued)

- In exchange for retirement and release, the University will pay 50% of one year only of current base salary in monthly installments over a 3-year period, beginning July 31, 2016 and ending June 30, 2019, or if identified as a phased retirement, the monthly installments begin the month following retirement date.

Thirty-two employees were enrolled in the Plan, with four of those identified with a phased retirement beginning in 2018. Total cost to the University was \$1,041,217, with monthly payments extending through 2021. The liability is recorded at year-end as retirement incentive payout in the statement of net position. The balance at June 30, 2021 was zero.

Note F: 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 Benefit (OPEB) plan, as described further in Note G. 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 and not at the university level. That report may be obtained by writing to the Regional University System of Oklahoma, 3555 N.W. 58th Street, Suite 320, Oklahoma City, Oklahoma 73112, or by calling (405) 924-8817.

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.

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

Southeastern Oklahoma State University
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Notes to Financial Statements
June 30, 2021

Note F: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (OTRS)

Plan Description

The University contributes to OTRS, a cost-sharing multiple-employer defined benefit pension 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 benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 70 of the Oklahoma Statutes, Sections 17-101 through 116.9, as amended, assigns the authority for management and operations of the Plan to the Board of Trustees of OTRS. OTRS is not required to provide for a cost of living adjustment. OTRS issues a publicly available financial report that can be obtained at www.ok.gov/TRS.

Funding Policy

The University is required by state statute to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate, as determined by state statute, was 8.55% for 2021, 2020, and 2019, and was applied to annual compensation.

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

The University's contributions to the OTRS for the years ended June 30, 2021, 2020, and 2019, were \$4,622,233, \$4,319,701, and \$4,012,653, respectively, equal to the required contributions for each year. These contributions included the University's statutory contribution and the share of the employee's contribution paid directly by the University.

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

Southeastern Oklahoma State University
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Note F: Retirement Plans (Continued)

Supplemental Retirement Annuity (SRA)

Plan Description

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

Funding Policy

The authority to establish and amend eligible employees' and employer contribution obligations to the SRA rests with the University's Board of Regents. Eligible employees are not required to make contributions to the SRA. The University is required to contribute to the SRA an actuarially determined amount on an annual basis. Under a policy adopted in September 2016, the Plan must achieve 80% funding of the pension benefit obligation by December 1, 2022

Funding Policy (Continued)

The University's contributions to the SRA for the years ended June 30, 2021, 2020, and 2019, were \$465,046, \$400,330, and \$429,868, respectively.

Defined Contribution Plan

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

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Note G: 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 System's 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 Regional University System of Oklahoma for not less than ten years immediately preceding the date of retirement; been a member of the OTRS during that time; and elected to receive a vested benefit under the provision of the Oklahoma Teachers' Retirement System. As of June 30, 2021, there were 400 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 the System was established to hold assets and pay benefits on behalf of the University's postemployment healthcare plan, and was administered by Bank of Oklahoma, N.A. The plan is included in the financial report of the System reporting entity and does not issue separate, stand-alone financial statements.

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 years ended June 30, 2021, 2020, and 2019, were \$281,653, \$300,000, and \$173,611, respectively.

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

Benefits provided

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

Southeastern Oklahoma State University
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Notes to Financial Statements
June 30, 2021

Note H: 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 Southeastern Oklahoma State University’s “New College Fund.” The University received \$988,794 during the year ended June 30, 2021, which is restricted to the construction or acquisition of buildings, equipment, or other capital items. This amount is recorded as restricted 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 total cost basis of the trust reserve for Southeastern Oklahoma State University, held in trust by the commissioners of Land Office, was approximately \$21,273,454 at June 30, 2021.

Oklahoma State Regents Endowment Trust Fund

The University participates in the Oklahoma State Regents’ Endowment Program (the “Endowment Program”). Under the Endowment Program, the State of Oklahoma matches contributions received. Such contributions generally come from private donations through the Foundation, for endowed chairs, lectureships, fellowships, and similar activities. The University is entitled to receive an annual distribution of 4.5% of the market value at year-end on these funds. As legal title of the State Regents matching endowment funds is retained by the Oklahoma State Regents, only the funds available for distribution at June 30, 2021, have been reflected as assets in the statement of net position. The total market value of endowment funds on deposit with the Oklahoma State Regents and held for the benefit of the University at June 30, 2021 was \$7,094,777.

Note I: Related Party Transactions

The University contracts with the Foundation to provide limited services and office space without charge in exchange for the support the University receives. During the year ended June 30, 2021, total support provided by the Foundation to the University, including scholarships awarded to University students, was approximately \$1,350,232.

Note J: Commitments and Contingencies

The University conducts certain programs pursuant to various grants and contracts that are subject to audit by federal and state agencies from various sources of the University. Costs questioned as a result of these audits, if any, may result in refunds to these governmental agencies from various sources of the University.

Southeastern Oklahoma State University
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Notes to Financial Statements
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Note J: Commitments and Contingencies (Continued)

The University participates in the Federal Direct Student Loan Program (Direct Lending Program). The William D. Ford Direct Loan Program requires the University to draw down cash from the U.S. Department of Education, as well as perform certain administrative functions under the William D. Ford Direct Loan Program. For the year ended June 30, 2021, \$22,685,291 of Direct Loan Program loans was provided to University students.

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

Note K: Risk Management

The University is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and illnesses; 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 year.

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 pools 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 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 the 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.

Southeastern Oklahoma State University
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Note L: Southeastern Foundation, Inc.--Discretely Presented Component Unit

Nature of Activities and Summary of Significant Accounting Policies

Principles of Consolidation. The accompanying financial statements reflect all accounts of Southeastern Foundation, Inc. (the "Foundation") and its wholly owned subsidiary SOSU Housing, L.L.C. (the "L.L.C."). All Trustees of the Foundation also serve as Trustees of the L.L.C.

Nature of Activities. The Foundation is a nonprofit corporation organized for the purpose of receiving and administering gifts for the benefit of Southeastern Oklahoma State University (the "University"), located in Durant, Oklahoma.

As gifts are received by the Foundation, they are placed into new or existing funds, as appropriate, in accordance with the stipulations of the donors. When a donor restriction is satisfied, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets released from restrictions.

Distributions of amounts held by the Foundation are subject to the approval of the Board of Trustees. The Foundation's primary function is to provide assistance to students of the University in the form of scholarships and awards. Additionally, the Foundation provides financial assistance to the faculty and staff of the University as well as its programs and projects.

The L.L.C. is a limited liability corporation organized for the purpose of building and housing students of the University.

The accompanying financial statements reflect only transactions for which appropriate approvals have been received by the Foundation as of the financial reporting date.

Basis of Accounting. These financials have been prepared on the accrual basis of accounting.

Basis of presentation. The Organization maintains its accounts in accordance with the principles of fund accounting. Under this method of accounting, resources for various purposes are classified into funds that are consistent with activities or objectives specified by donors. Separate accounts are maintained for each fund.

Net asset classifications. For reporting purposes, the Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") that requires resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two categories of net assets – net assets without donor restrictions and net assets with donor restrictions. Descriptions of the two net asset categories, and the type of transactions affecting each category, follow.

Southeastern Oklahoma State University
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Notes to Financial Statements
June 30, 2021

Note L: Southeastern Foundation, Inc.--Discretely Presented Component Unit
(Continued)

Net assets without donor restrictions are not subject to donor-imposed restrictions. This category includes all resources that are expendable at the discretion of the Board of Trustees for the Organization's programs.

Nature of Activities and Summary of Significant Accounting Policies (continued)

Net assets with donor restrictions may be temporarily or permanently restricted.

- Temporarily restricted assets are limited by donor-imposed restrictions that expire with either the passage of time or the occurrence of specified events or actions. When a restriction has been fulfilled, the associated amount is reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.
- Permanently restricted assets are limited by donor-imposed restrictions that require the principle be maintained in perpetuity but permit the income therefrom to be utilized for operating or other donor-imposed purposes.

Substantially all the restrictions on net assets as of June 30, 2020 are related to funds for scholarships, endowments, and special projects. Temporarily restricted funds are contributions to be used for scholarships and special projects that may arise during the fiscal year. Permanently restricted funds are contributions and investments designated by donors for endowments and scholarships. Both restrictions are presented in net assets with donor restrictions. At this time, there is a minimum \$15,000 requirement before contributions may be endowed.

Revenue recognition. The Organization applies the guidance of FASB ASU 2013-06, Subtopic 958-605, Not-for-Profit Entities - Revenue Recognition, to recognize cash and gift-in-kind contributions from individuals and organizations. These contributions are recognized as revenue when the donor's unconditional commitment is received. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions.

When a temporary restriction expires, the net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. Substantially all the contributions and income of the organization have been classified as temporarily restricted both by donors. This is a direct result of management's decision to record income as temporarily restricted for operations or programs. The organization has provided for a separate project accounting for each restricted gift. These records are maintained independent of the general ledger software. When the financial statements are prepared, the income and expenses are released from restriction and transfers are made to reflect appropriate changes in the two net asset classes balances.

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Notes to Financial Statements
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Note L: Southeastern Foundation, Inc.--Discretely Presented Component Unit
(Continued)

Nature of Activities and Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents. For purposes of the statement of cash flows, the organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Deferred Revenue. A portion of the housing revenues from the summer session are deferred and recognized over the months to which the rents relate.

Donated Assets. Donated marketable securities and other noncash donations are recorded as contributions at their fair values at the date of donation.

Functional Expense Allocation. The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in detail in the Statements of Functional Expenses.

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Use of Estimates. The preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Pledges. The Foundation records pledges as income in the period payment is received. Pledges are used for budgetary purposes only and do not meet the criteria for recording in the financial statements.

Accounts Receivable. The accounts receivable reflect amounts due from students to the Housing LLC for dorm room leases. The accounts receivable are presented net of the allowance for bad debts using the direct write off method. This method approximates accounts receivable in conformity with generally accepted accounting principles.

Investments. Investments in marketable equity securities with readily determinable fair values are stated at fair value. The organization's investment committee monitors the performance of all investments and instructs Foundation management as to the mix of assets maintained in the investment pool. Unrealized gains and losses are included in the changes in net assets in the accompanying statement of activities. The Foundation carries its real estate investments at the fair market value as of the dates the investments were donated.

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Notes to Financial Statements
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Note L: Southeastern Foundation, Inc.--Discretely Presented Component Unit
(Continued)

Nature of Activities and Summary of Significant Accounting Policies (continued)

Investment Income. Investment earnings are allocated to the individual sub-funds of the Foundation as received. Realized and unrealized gains and losses are determined using the specific identification method and are allocated to the individual sub-fund which owns the investment.

Investment Pools. The organization maintains master investment accounts for its donor restricted and board designated endowments. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual endowments based on the relationship of the market value of each endowment to the market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

Property and Equipment. Land, buildings, equipment and mineral interests are stated at cost if purchased or at fair value at date of donation. The buildings owned by the Foundation are being depreciated over estimated useful lives of 31.5 and 40 years on a straight-line basis. Furniture and fixtures are depreciated over 7 years on a straight-line basis. The Foundation follows the policy of capitalizing all expenditures for property in excess of \$2,500.

Collections. Collection items acquired on or after July 1, 2011 are recorded at cost if purchased and at fair value at date of accession if donated. Gains and losses from deaccessions are reported as changes in net assets on the absence or existence and nature of donor-imposed restrictions. Collection items are protected, kept, encumbered, cared for, and preserved.

Advertising. All costs associated with advertising are expensed as incurred.

Fair Value of Financial Instruments: The carrying amount of cash, accounts receivable, prepaid expenses, accounts payable, scholarships payable, deferred revenue approximate fair value because of the short-term maturity of these financial instruments.

Fair Value Measurements. The Foundation follows the accounting standards, Fair Value Measurements and Disclosures, with respect to financial assets and liabilities. The standards define fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. 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. Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuations techniques used to measure fair value into three broad levels. The following is a brief description of those three levels.

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs that are derived principally from or corroborated by observable market data; and

Level 3: Inputs that are unobservable and significant to the overall fair value measurement.

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Notes to Financial Statements
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Note L: Southeastern Foundation, Inc.--Discretely Presented Component Unit
(Continued)

Nature of Activities and Summary of Significant Accounting Policies (continued)

Financial assets carried at fair value on a recurring basis include investments. The Foundation has no liabilities carried at fair value on a recurring basis.

Taxes. The Foundation is exempt from income taxes by the Internal Revenue Service in accordance with Internal Revenue Code Section 501(c)(3). Additionally, the Foundation has been determined not to be a private foundation within the meaning of Section 509(a) of the Code.

Subsequent Events. Management has evaluated subsequent events through October 12, 2020 which is the date the financial statements were available to be issued.

Variable Interest Entity

On November 13, 2004, the Housing L.L.C. was organized for the purpose of building and housing students of the University. The L.L.C. is a variable interest entity (VIE) with the primary beneficiary being the Foundation. The Foundation and L.L.C. share the same Board of Trustees. The Foundation is not liable for debt of the L.L.C.

The Housing LLC reflects liabilities of \$7,318,715 as of June 30, 2021, the majority of which is a guarantee of debt to the 2005 Revenue Bond.

Concentration of Credit Risk for Cash Deposits

The Foundation and Housing LLC maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Foundation and Housing LLC has not experienced any losses in such accounts. The Foundation and Housing LLC believes it is not exposed to any significant credit risk on these accounts. The Foundation also participates in diversified asset mutual funds and common equity securities, which are not covered by FDIC insurance.

The Foundation has invested in an investment money market fund. This fund is neither insured nor guaranteed by the FDIC or any other governmental agency. The total invested in this fund for the current year is \$310,070.

The Foundation has opened a corporate sweep account and entered into a Tri-Party Control and Custody Agreement which includes Bank One, N.A., Oklahoma City, Oklahoma, and First United Bank and Trust, Durant, Oklahoma. Bank One, N.A. is authorized to act as custodian pursuant to the terms and conditions of the corporate sweep account, whereby funds in the account are invested in retail purchase agreements which are fully collateralized and guaranteed by securities which are direct obligations of the government of the United States. The total invested in this fund for the current year is \$1,427,926.

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Notes to Financial Statements
June 30, 2021

Note L: Southeastern Foundation, Inc.--Discretely Presented Component Unit
(Continued)

Scholarship Awards

Prior to year-end, the Foundation Scholarship Committee meets and awards scholarships for the upcoming year. Additional scholarships are awarded as recommended by the University faculty and administration. These scholarships are contingent upon the acceptance and enrollment of the recipients and many contain additional requirements. Those scholarships awarded and accepted in the amount of \$738,874 were accrued as current liabilities at June 30, 2021

Restrictions on Cash

The Housing LLC is required to maintain a permanent debt service escrow account and a capital maintenance reserve fund with balances of \$352,786 and \$376,565 respectively at year-end. These funds must be held in separate interest-bearing accounts. The capital maintenance is being funded at a rate of \$2,083 per month funds can only be disbursed for approved capital asset expenditures.

Certificates of Deposits

Certificates of deposits totaling \$59,560 are reported in the accompanying statement of financial position. The certificates bearing interest of .1% and have maturities ranging from three to nine months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

Accounts Receivable

The accounts receivable is generated from student housing at Shearer Hall and Suites and rent collections to be remitted from the University. The amounts reported in the financial statements are reported net of the allowance for bad debts of \$121,612 for the year ended June 30, 2021.

Investments

Investments are presented in the financial statements at fair market value. Market values were determined on the basis of closing prices on June 30, 2021, as quoted on major stock exchanges or over-the-counter markets.

Southeastern Oklahoma State University
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 Notes to Financial Statements
 June 30, 2021

Note L: Southeastern Foundation, Inc.--Discretely Presented Component Unit
 (Continued)

The following tabulation summarizes the relationship between carrying values and market values of investment assets:

Investments as of June 30, 2021 summarized as follows:

	Fair Value	Carrying Value
US government securities	\$ 6,191,685	\$ 6,191,685
Mutual funds	1,326,898	1,326,898
Common stock	21,097,916	21,097,916
Corporate bonds	2,685,240	2,685,240
	<u>\$ 31,301,739</u>	<u>\$ 31,301,739</u>

Investment income is summarized as follows:

Interest	\$ 205,235
Dividends	609,221
	<u>\$ 814,456</u>
Realized and unrealized gain or (loss) on investments	<u>\$ 5,361,023</u>

Building, Furniture and Fixtures

Property and equipment at June 30, 2021 consisted of the following:

Buildings	\$ 9,040,266
Furniture and equipment	397,395
Building Improvements	178,757
	<u>9,616,418</u>
Less: accumulated depreciation	<u>(4,160,309)</u>
	<u>\$ 5,456,109</u>

Bond Issuance Costs

The issuance cost of \$184,681 on long-term debt is amortized using the straight-line method over the term of the related issue. Amortization expense and accumulated amortization was \$6,156 and \$100,541 for the year ended June 30, 2021.

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Notes to Financial Statements
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Note L: Southeastern Foundation, Inc.--Discretely Presented Component Unit
(Continued)

Real Estate Lease

The ground lease between the Board of Regents of Oklahoma Colleges on behalf of the Southeastern Oklahoma State University ("Lessor") and SOSU Foundation, LLC ("Lessee") is provided the Lessor will lease a tract of approximately three acres to develop, construct, operate and lease improvement on this land for the use by tenants of the Lessee. The agreement requires the Lessee to pay the Lessor rents based on net available cash flow for the lease year as defined in the agreement.

The liability of the Lessee, with respect to its obligation under the ground lease, shall be non-recourse and the satisfaction of any of the Lessee's obligations shall be limited to the Lessee's interest in the property. There were no ground lease expenses for the years ended June 30, 2021.

Real Estate Lease (continued)

Throughout the term of this lease, the Lessor shall have the right and option to purchase the Lessee's right, title and interest in and to the premises. If the option is exercised the purchase price shall be the principal balance outstanding of all sums secured by any Permitted Mortgage then in effect, plus all interest accrued through the date of payment of such indebtedness plus redemption premiums, if any.

Long-Term Debt

The L.L.C. obtained a restricted tax-exempt borrowing from Bryan County Educational Facilities Authority in March 2005 for a Student Housing Revenue Note Series 2005 Bond in the amount of \$9,800,000. The note is fully secured by the note debenture and is to be repaid from proceeds of rental income. The purpose of the note is to fund obligations related to the construction and furnishing of a student housing complex at the University. First United Bank & Trust is the escrow agent. Monthly interest payments with an annual interest rate of 5.626% began in April 2005. Monthly principal payments in the amount of \$57,573 began in October, 2006.

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 Notes to Financial Statements
 June 30, 2021

Note L: Southeastern Foundation, Inc.--Discretely Presented Component Unit
 (Continued)

Future scheduled maturities of long-term debt are as follows:

Years ending June 30,	
2022	\$ 322,630
2023	341,256
2024	360,958
2025	381,798
2026	403,840
Thereafter	4,956,277
	<u>\$ 6,766,759</u>

Uncertain Tax Positions

The organization is exempt from income taxes except on income derived from unrelated business activities. The organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The organization's federal Exempt Organization Business Income Tax Returns for the years ended 2020, 2019, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

Related Party Transactions

The Foundation has an agreement with the University regarding the use of services and facilities. During the year ended June 30, 2021, the University made one of its employees available to perform Foundation services. The University also provided payroll and human resources services, internet and mailing services, office space, and office equipment without charge. The value of those services was \$135,000. The Foundation has entered a lease agreement with the University whereby the University has exclusive use of a downtown, main street building known as the Massey Building. The University may use the building for its various functions or may also rent out the facilities. The value of those facilities and other services provided by the Foundation is approximately \$4,600. Services provided from the University are measured at the University's estimate of the costs it incurred in providing those services. The facilities used by the University are measured at the fair value rental for similar facilities. The amounts above were not included in the financial statements for year ended June 30, 2021.

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 Notes to Financial Statements
 June 30, 2021

Note L: Southeastern Foundation, Inc.--Discretely Presented Component Unit
 (Continued)

Net Assets Without Donor Restrictions

The consolidated statement of net assets reports net assets without donor restrictions of \$197,765. Net assets without donor restrictions of the Foundation total \$955,506, while the L.L.C. has a (deficiency) in net assets without donor restrictions totaling \$(757,741). Included in Foundation net assets are board-designated funds totaling \$651,303. The L.L.C.'s deficiency in assets arose from operating deficits related to housing rental activities in the early years that were ultimately funded by University subsidies. The University will continue to pay unfunded expenses however management believes that the L.L.C.'s housing revenues have been adjusted so that it will now be self-sustaining and will not require further subsidies from the University. In the current year, the L.L.C. funded all of its allocable operating expenses.

Board Designated Endowments

At its February 2013 meeting the Board approved transferring \$275,000 from the Foundation's General Fund account along with \$235,967 of existing board-controlled endowment funds to a board designated fund. At June 30, 2021, these funds total \$651,303. The Board voted that only current year earnings from these funds could be used for Foundation activities. Since this results from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions in the Foundation financial statements.

Board Designated Endowments (continued)

Compositions and changes in endowment net assets for the year ended June 30, 2021 were as follows:

Donor Designated Endowments

The Organization's endowment consists of approximately 200 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Board designated endowment net assets beginning of year	\$ 547,558
Investment income	14,206
Net appreciation (depreciation)	102,814
Amounts appropriated for expenditure	(13,275)
Board designated endowment before transfer	\$ 651,303

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

Note L: Southeastern Foundation, Inc.--Discretely Presented Component Unit
(Continued)

The Organization's endowment consists of approximately 200 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization 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.

Donor Designated Endowments (continued)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution equal to 90% of investment revenues, while growing the funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce a small rate of return. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

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

Note L: Southeastern Foundation, Inc.--Discretely Presented Component Unit
 (Continued)

Spending Policy. The Organization has a policy of appropriating for distribution each year 90% of investment revenues of its endowment fund's average revenues of the prior three calendar year-ends preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at a small nominal rate. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Funds with Deficiencies. From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. At June 30, 2021, there were no funds with deficiencies.

Donor Designated Endowments (continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2021 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 215,844	\$ 17,141,811	\$ 14,604,041	\$ 31,961,696

Changes in endowment net assets as of June 30, 2021 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets beginning of the year	\$ 1,897,347	\$ 11,462,557	\$ 14,589,041	\$ 27,948,945
Contributions	136,581	1,129,419	15,000	1,281,000
Investment income	31,292	1,008,269	-	1,039,561
Net appreciation (depreciation)	34,687	5,326,336	-	5,361,023
Transfers	1,784,770	(1,784,770)	-	-
Amounts appropriated for expenditures	(3,668,833)	-	-	(3,668,833)
	<u>\$ 215,844</u>	<u>\$ 17,141,811</u>	<u>\$ 14,604,041</u>	<u>\$ 31,961,696</u>

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

Note L: Southeastern Foundation, Inc.--Discretely Presented Component Unit
 (Continued)

Fair Value Measurements

The Foundation has no liabilities measured at fair value. Assets measured at fair value on recurring basis are classified within the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total
Investments in securities				
Common stocks				
Consumer Discretionary	\$ 743,594	\$ -	\$ -	\$ 743,594
Consumer Staples	801,790	-	-	801,790
Energy	1,453,999	-	-	1,453,999
Financials	2,263,681	-	-	2,263,681
Healthcare	3,357,354	-	-	3,357,354
Industrials	2,049,461	-	-	2,049,461
Information Technology	3,974,190	-	-	3,974,190
Materials	1,205,106	-	-	1,205,106
Real Estate	-	-	-	-
Telecommunications	1,268,246	-	-	1,268,246
Utilitites	939,427	-	-	939,427
Exchange Traded Funds	3,041,068	-	-	3,041,068
Corporate bonds	-	2,630,207	-	2,630,207
Government bonds	6,191,685	-	-	6,191,685
Municipal bonds	-	55,033	-	55,033
Mutual Funds				
Cash & Equivalents	72,418	-	-	72,418
Equity Based	-	-	-	-
Debt Based				
Corporate Bonds	-	345,128	-	345,128
Government Bonds	-	575,019	-	575,019
Municipal Bonds	-	9,184	-	9,184
Asset-backed securities	-	4,506	-	4,506
Mortgage-backed securities	-	320,643	-	320,643
Total investments in securities	<u>\$ 27,362,019</u>	<u>\$ 3,939,720</u>	<u>\$ -</u>	<u>\$ 31,301,739</u>

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

Note L: Southeastern Foundation, Inc.--Discretely Presented Component Unit
(Continued)

Fair Value Measurements (continued)

Following is a description of methodologies used for investments measured at fair value on a recurring basis:

Investments: All of the Foundation's investments are valued by nationally recognized third-party pricing services. The Foundation gives the highest priority to quoted market prices in active markets for identical assets accessed at the measurement date. An active market for an asset is a market in which transactions for the assets occur with sufficient frequency and volume to provide pricing information on an ongoing basis and the Foundation classifies all such assets as Level 1. The Foundation gives Level 2 priority where the valuation process involves inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets where there isn't sufficient activity, and/or where price quotations vary substantially either over time or among market makers, or in which little information is released publicly. Inputs that are observable for the assets classified as Level 2 include commonly quoted interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks, default rates, and other inputs that are derived principally from or corroborated by observable market data.

Stocks and mutual funds. Stock valuations are determined from quoted prices in active markets. Mutual fund valuations are provided by the mutual fund companies.

Fixed income securities. The valuation of fixed income securities (which include corporate bonds, municipal bonds, government agencies, treasury bills, notes and bonds, and mortgage backed securities) can be determined by benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two sided markets, benchmark securities' bids and/or offers or other reference data.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the organization believes its valuation methods are appropriate, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

Note L: Southeastern Foundation, Inc.--Discretely Presented Component Unit
 (Continued)

Liquidity

The following reflects Southeastern Foundation's financial assets at June 30, 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Financial assets, at June 30, 2021	\$ 34,448,390
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(31,983,286)
Restricted cash for debt service and maintenance	(728,751)
Current liabilities due within one year	(1,247,724)
Notes payable due within one year	(690,876)
Financial assets available to meet cash needs for general expenditures within one year	\$ (202,247)

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ -
	\$ -

As part of Southeastern Foundation's liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Housing LLC has rental income that will support its general expenditures. In addition, the majority of the Southeastern Foundation, Inc. expenditures is made up of scholarship related expenditures and expenditures that support the University. These expenditures can be used from the donor restricted amounts above and are discretionary based on giving and investment performance.

OTHER SUPPLEMENTARY
INFORMATION

Southeastern Oklahoma State University
(A Department of the Regional University System of Oklahoma)
 Supplementary Information
 June 30, 2021

Schedule of state contract revenues and expenditures-budget versus actual

Contract Title: Oklahoma Small Business Development

Contract Agency: Oklahoma Department of Commerce

Purchase Order Number SBDC 1609015288

Contract Dates: July 1, 2019, to June 30, 2020

Contract proceeds	\$ 201,118	\$ 201,118
Expenditures:		
Salaries and fringe benefits	195,886	195,886
Supplies	5,232	5,232
Total expenditures	<u>201,118</u>	<u>201,118</u>
(Expenditures) in excess of revenues	<u><u>-</u></u>	<u><u>-</u></u>



Southeastern Oklahoma State University

A Department of the Regional
University System of Oklahoma

SINGLE AUDIT REPORTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2021

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

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**HINKLE &
COMPANY**
Strategic PC
Business Advisors

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Southeastern Oklahoma State University (the University), a department of the Regional University system of Oklahoma (RUSO), which is a component unit of the State of Oklahoma, as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated October 29, 2021.

Our report includes a reference to other auditors who audited the financial statements of Southeastern Foundation, Inc. (the "Foundation"), the University's discretely presented component unit, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Hick & Company, PC

Tulsa, Oklahoma
October 29, 2021





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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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



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

We have audited the financial statements of the Southeastern Oklahoma State University as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated October 29, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Hick & Company, PC

Tulsa, Oklahoma
October 29, 2021



Southeastern Oklahoma State University
(A Department of the Regional University System of Oklahoma)
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor / Pass-Through Grantor/ Program or Cluster Title	Number	Entity	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Education				
Student Financial Aid Cluster:				
Federal Pell Grant Program	84.063	N/A	\$ 6,327,983	\$ -
Federal Work Study Program	84.033	N/A	221,536	-
Federal Supplemental Educational Opportunity Grants	84.007	N/A	189,806	-
Federal Direct Student Loans	84.268	N/A	22,685,291	-
Federal Iraq and Afghanistan Service Grant	84.408	N/A	5,983	-
<i>Total Student Financial Aid Cluster</i>			29,430,599	-
Trio Program Cluster:				
TRIO_Education Opportunity Centers	84.066A	N/A	644,892	-
TRIO_Student Support Services	84.042A	N/A	374,901	-
TRIO_Student Support Services (Teacher Preparation)	84.042A	N/A	252,983	-
TRIO_Talent Search	84.044A	N/A	505,871	-
TRIO_Upward Bound (Texoma)	84.047A	N/A	191,740	-
TRIO_Upward Bound	84.047A	N/A	428,467	-
TRIO_Upward Bound (Math and Science)	84.047M	N/A	216,821	-
<i>Total Trio Program Cluster</i>			2,615,675	-
Other Programs:				
Special Projects Demonstration Grants	84.299B	N/A	193,626	-
Title III Part A Programs - Strengthening Institutions Program	84.031A	N/A	-	-
GEAR UP	84.334S	N/A	47,273	-
<i>Total Other Programs</i>			240,899	-
Coronavirus Aid, Relief, and Economic Security Act:				
Higher Education Emergency Relief Fund-Student Portion	84.425E	N/A	1,059,075	-
Higher Education Emergency Relief Fund-Institution's Portion	84.425F	N/A	2,972,345	-
Higher Education Emergency Relief Fund-Minority Serving Institutions	84.425L	N/A	449,590	-
<i>Total Coronavirus Aid, Relief, and Economic Security Act</i>			4,481,010	-
Total U.S. Department of Education			36,768,183	-
Research and Development (R&D) Cluster:				
National Science Foundation				
Passed through Oklahoma State University				
Education and Human Resources	47.076	N/A	30,849	-
<i>Total National Science Foundation</i>			30,849	-
Total Research and Development Cluster			30,849	-
National Science Foundation				
Passed through Oklahoma State University				
Office of Integrative Activities	47.083	N/A	-	-
Total National Science Foundation			-	-
National Aeronautics and Space Administration				
Passed through University of Oklahoma				
Education (NASA-Oklahoma Space Grant Consortium)	43.008	N/A	37,021	-
Total National Aeronautics and Space Administration			37,021	-
U.S. Department of Homeland Security				
Passed through Oklahoma Department of Emergency Management				
Hazard Mitigation Grant	97.037	N/A	-	-
Total U.S. Department of Homeland Security			-	-
U.S. Small Business Administration				
Small Business Development Centers:				
Small Business Development Centers	59.037	N/A	983,159	-
<i>Total Small Business Development Centers</i>			983,159	-
Coronavirus Aid, Relief, and Economic Security Act:				
Small Business Development Centers CARES ACT	59.037	N/A	1,042,652	-
<i>Total Small Business Development Centers CARES ACT</i>			1,042,652	-
Total U.S. Small Business Administration			2,025,811	-
Total Expenditures of Federal Awards			\$ 38,861,864	\$ -

See Notes to the Schedule of Federal Expenditures Awards.

Southeastern 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, 2021

NOTE A—Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Southeastern Oklahoma State University (the “University”) under programs of the federal government for the year ended June 30, 2021. 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 the University, it is not intended to and does not present the financial position, changes in net position, or cash flows of the University.

NOTE B—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. The University has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C—Federal Direct Student Loan Program

The University participates in the Federal Direct Loan Program (the “Program”), CFDA number 84.268, which includes the Federal Subsidized Direct Loan, the Federal Unsubsidized Direct Loan, the Federal Graduate Student PLUS Direct Loan and Federal Direct Loans Parents of Undergraduate Students. The Federal Direct Loan Program requires the University to draw down cash; and the University is required to perform certain administrative functions under the Program. Failure to perform such functions may require the University to reimburse the loan guarantee agencies. The University is not responsible for the collection of these loans. The value of loans made during the audit period are considered Federal awards expended for the audit period.

Southeastern 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, 2021

NOTE D—Subrecipients

Of the federal expenditures presented in this Schedule, the University provided federal awards to subrecipients as follows:

<u>Program</u>	<u>CFDA Number</u>	<u>Subrecipient</u>	<u>Amount Provided</u>
Small Business Development Centers	59.037	Cameron University	\$ 55,218.83
Small Business Development Centers	59.037	Eastern Oklahoma State College	96,176.50
Small Business Development Centers	59.037	OSU Grants & Contracts Fin Adm	116,587.48
Small Business Development Centers	59.037	Pioneer Tecnology Center	33,989.20
Small Business Development Centers	59.037	Rose State College	4,792.35
Small Business Development Centers	59.037	Southern Oklahoma Tech Center	19,388.38
Small Business Development Centers Cares Act	59.037	OSU Grants & Contracts Fin Adm	165,397.02
Small Business Development Centers Cares Act	59.037	Rose State College	123,107.01
			<u>\$ 614,656.77</u>

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

Summary of Auditors' Results

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

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

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

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

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

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

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

Summary of Auditors' Results (Continued)

7. The University's major program was:

<u>Cluster/Program</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	
Federal Pell Grant	84.063
Federal Supplemental Education Opportunity Grants	84.007
Federal Direct Loan Program	84.268
Federal Work Study	84.033
Federal Iraq and Afghanistan Service Grant	84.408
Coronavirus Aid, Relief, and Economic Security Act	
Education Stabilization Fund	84.425E

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance was \$750,000.

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

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

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

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

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

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

No matters were reportable.