

**Northwestern Oklahoma State
University Foundation, Inc.
and Alumni Association**

Financial Statements
with Independent Auditor's Report

June 30, 2023 and 2022

**Northwestern Oklahoma State University Foundation, Inc.
and Alumni Association**

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June 30, 2023 and 2022

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Business Advisors

Independent Auditor's Report on Financial Statements

Board of Trustees
Northwestern Oklahoma State University
Foundation, Inc. and Alumni Association
Alva, Oklahoma

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Northwestern Oklahoma State University Foundation, Inc. and Alumni Association (the Foundation), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Hick & Company, PC

Tulsa, Oklahoma
September 1, 2023



**Northwestern Oklahoma State University Foundation, Inc.
and Alumni Association**
Statements of Financial Position
June 30, 2023 and 2022

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 363,631	\$ 475,420
Investments	34,779,337	33,224,416
Prepaid expenses	25,535	19,188
Capital assets, net	127,858	141,731
Art collections	21,389	21,389
Land & mineral rights	2,851,124	2,851,124
Cash value, life insurance	<u>95,269</u>	<u>278,301</u>
Total Assets	<u>\$ 38,264,143</u>	<u>\$ 37,011,569</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable and accrued expenses	\$ <u>62,186</u>	\$ <u>54,007</u>
Total Liabilities	<u>62,186</u>	<u>54,007</u>
Net Assets		
Without donor restrictions	275,346	-
With donor restrictions	<u>37,926,611</u>	<u>36,957,562</u>
Total Net Assets	<u>38,201,957</u>	<u>36,957,562</u>
Total Liabilities and Net Assets	<u>\$ 38,264,143</u>	<u>\$ 37,011,569</u>

**Northwestern Oklahoma State University Foundation, Inc.
and Alumni Association**

Statement of Activities
Year Ended June 30, 2023

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions of cash and other financial assets	\$ 20,028	\$ 1,981,836	\$ 2,001,864
Contributions of nonfinancial assets	28,609	155,000	183,609
Investment income, net	1,027,213	1,555,859	2,583,072
Rental income (loss), net	(223)	26,268	26,045
Gain (loss) on sale of assets	7,030	(26,846)	(19,816)
Other income	16,646	744	17,390
Release from restrictions	<u>2,723,812</u>	<u>(2,723,812)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>3,823,115</u>	<u>969,049</u>	<u>4,792,164</u>
Expenses			
Program services			
Scholarships	1,110,893	-	1,110,893
NWOSU facilities & support	1,453,463	-	1,453,463
Supporting services			
Management and general	702,111	-	702,111
Fundraising	<u>281,302</u>	<u>-</u>	<u>281,302</u>
Total Expenses	<u>3,547,769</u>	<u>-</u>	<u>3,547,769</u>
Change in Net Assets	275,346	969,049	1,244,395
Net Assets, Beginning of Year	<u>-</u>	<u>36,957,562</u>	<u>36,957,562</u>
Net Assets, End of Year	<u>\$ 275,346</u>	<u>\$ 37,926,611</u>	<u>\$ 38,201,957</u>

**Northwestern Oklahoma State University Foundation, Inc.
and Alumni Association**

Statement of Activities
Year Ended June 30, 2022

	2022		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenues, Gains, and Other Support			
Contributions of cash and other financial assets	\$ 2,404	\$ 4,069,985	\$ 4,072,389
Contributions of nonfinancial assets	17,868	-	17,868
Investment income, net	(1,944,754)	(1,036,515)	(2,981,269)
Rental income, net	9,802	68,324	78,126
Other income	11,092	479	11,571
Release from restrictions	2,273,901	(2,273,901)	-
Total Revenues, Gains, and Other Support	<u>370,313</u>	<u>828,372</u>	<u>1,198,685</u>
Expenses			
Program services			
Scholarships	903,411	-	903,411
NWOSU facilities & support	1,306,225	-	1,306,225
Supporting services			
Management and general	633,706	-	633,706
Fundraising	309,254	-	309,254
Total Expenses	<u>3,152,596</u>	<u>-</u>	<u>3,152,596</u>
Change in Net Assets	(2,782,283)	828,372	(1,953,911)
Net Assets, Beginning of Year	<u>2,782,283</u>	<u>36,129,190</u>	<u>38,911,473</u>
Net Assets, End of Year	<u>\$ -</u>	<u>\$ 36,957,562</u>	<u>\$ 36,957,562</u>

**Northwestern Oklahoma State University Foundation, Inc.
and Alumni Association**
Statement of Functional Expenses
Year Ended June 30, 2023

	2023				Total
	Program Services		Support Services		
	Scholarships	NWOSU Facilities and Support	Management and General	Fundraising	
Scholarships	\$ 1,110,893	\$ -	\$ -	\$ -	\$ 1,110,893
NWOSU facilities and support	-	1,453,463	-	-	1,453,463
Salaries and wages	-	-	326,272	120,676	446,948
Employee benefits	-	-	66,855	24,727	91,582
Payroll taxes	-	-	20,221	7,479	27,700
Accounting fees	-	-	31,542	-	31,542
Office expenses	-	-	36,285	-	36,285
Information technology	-	-	11,585	65,650	77,235
Travel	-	-	3,005	4,507	7,512
Depreciation	-	-	16,309	-	16,309
Insurance	-	-	8,212	-	8,212
Other expenses	-	-	181,825	58,263	240,088
Total Expenses	\$ 1,110,893	\$ 1,453,463	\$ 702,111	\$ 281,302	\$ 3,547,769

**Northwestern Oklahoma State University Foundation, Inc.
and Alumni Association**
Statement of Functional Expenses
Year Ended June 30, 2022

	2022				Total
	Program Services		Support Services		
	Scholarships	NWOSU Facilities and Support	Management and General	Fundraising	
Scholarships	\$ 903,411	\$ -	\$ -	\$ -	\$ 903,411
NWOSU facilities and support	-	1,306,225	-	-	1,306,225
Salaries and wages	-	-	325,860	120,524	446,384
Employee benefits	-	-	68,048	25,168	93,216
Payroll taxes	-	-	28,418	10,511	38,929
Accounting fees	-	-	22,539	-	22,539
Office expenses	-	-	40,353	-	40,353
Information technology	-	-	13,692	77,586	91,278
Travel	-	-	6,217	9,325	15,542
Depreciation	-	-	15,830	-	15,830
Insurance	-	-	7,862	-	7,862
Other expenses	-	-	104,887	66,140	171,027
Total Expenses	\$ 903,411	\$ 1,306,225	\$ 633,706	\$ 309,254	\$ 3,152,596

**Northwestern Oklahoma State University Foundation, Inc.
and Alumni Association**

Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 1,244,395	\$ (1,953,911)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	16,309	15,830
Loss on sale of assets	19,816	-
Net (appreciation) depreciation on investments	(1,027,213)	2,981,269
Depreciation in cash surrender value of life insurance	183,032	129,069
Contributions restricted for endowment	(828,470)	(2,848,443)
In-kind contribution	(155,000)	-
Changes in:		
Prepaid insurance	(6,347)	6,177
Accounts payable and accrued expenses	8,179	20,772
Net Cash Used In Operating Activities	(545,299)	(1,649,237)
Cash Flows from Investing Activities		
Purchase of capital assets	(3,556)	(5,516)
Proceeds from sale of capital assets	136,304	-
Purchase of investments	(11,394,609)	(13,955,341)
Proceeds from sales and maturities of investments	10,866,901	12,607,634
Net Cash Used In Investing Activities	(394,960)	(1,353,223)
Cash Flows from Financing Activities		
Contributions restricted from endowment	828,470	2,848,443
Net Cash Provided by Financing Activities	828,470	2,848,443
Net Change in Cash and Cash Equivalents	(111,789)	(154,017)
Cash and Cash Equivalents, <i>Beginning of Year</i>	475,420	629,437
Cash and Cash Equivalents, <i>End of Year</i>	\$ 363,631	\$ 475,420

**Northwestern Oklahoma State University Foundation, Inc.
and Alumni Association**
Notes to Financial Statements
June 30, 2023 and 2022

Note 1: Summary of Significant Accounting Policies

Organization

Northwestern Oklahoma State University Foundation, Inc. (the Foundation) is organized for the benefit of Northwestern Oklahoma State University (the University), Alva, Oklahoma, its faculty, its student body and its programs. The Foundation provides scholarships and support and enhances the further development of the University. The Foundation receives contributions from the public which are generally to be used for the benefit of the University. The Foundation also receives certain program service revenues which support the various departmental activities at the University.

Although the University does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the University. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Alumni Association is an unincorporated association formed for the benefit of the Alumni of Northwestern Oklahoma State University as a whole. Its specific purpose is to provide the alumni with information about the University related organizations and activities. In September 1986, the Foundation and the Alumni Association adopted an operating agreement for the mutual benefit. Its purpose was to avoid repetition of projects and to pool the resources of the two organizations. The two organizations remained separate entities, each governed by its own Board of Trustees. The president of the Alumni Association is appointed as a trustee of the Foundation. Accounting for funds and fund transactions are maintained by the Foundation. The Foundation provides financial support as needed for the Alumni Association. Both organizations are referred herein as "the Foundation".

Accounting Standards Codification

The Foundation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The ASC provides the single source of authoritative accounting principles generally accepted in the United States of America (U.S. GAAP) for nongovernmental entities and supersedes all other previously issued non-SEC accounting and reporting guidance.

Basis of Presentation

The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with U.S. GAAP and accordingly reflect all significant receivables, payables and other assets and liabilities. To ensure the observance of limitations and restrictions placed on the use of available resources, the Foundation maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the process by which resources for various purposes are classified for accounting purposes into funds that are maintained in accordance with the activities or objectives of the Foundation.

**Northwestern Oklahoma State University Foundation, Inc.
and Alumni Association**

Notes to Financial Statements
June 30, 2023 and 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Net Asset Classifications

The Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) was enacted in the state of Oklahoma effective November 1, 2007 (OK UPMIFA). The Foundation's Board of Trustees' (the Trustees) interpretation of OK UPMIFA and other required endowment disclosures are included in Note 6.

Net assets, revenues and gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Foundation is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions.

Board Designated Net Assets - Net assets without donor restrictions subject to self-imposed limits by action of the governing board. Board designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other uses.

Net assets with Donor Imposed Restrictions - Net assets subject to donor-imposed stipulations that can be met either by actions of the Organization or the passage of time. Contributions with donor-imposed restrictions that are met in the same period as the contribution are accounted for as unrestricted contributions.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received by the Foundation. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Transfers of assets under conditional promises, which are received by the Foundation prior to fulfilling these conditions, are recorded as a liability (i.e. unearned revenue) until the conditions are substantially met. Contributions of assets other than cash are recorded at the estimated fair value on the gift date. Contributions to be received after one year are recorded at the present value of their estimated future cash flows using a discount rate which will commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in the same net asset class and fund as the original contribution. An allowance is made for uncollectable contributions based upon management's judgement and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

**Northwestern Oklahoma State University Foundation, Inc.
and Alumni Association**
Notes to Financial Statements
June 30, 2023 and 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Contributions (Continued)

Contributions are reported as increases in the appropriate net asset category. Expenses are reported as decreases in net assets without donor restrictions. Restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service. Gifts of property and equipment are recorded as net assets without restrictions unless explicit donor stipulations specify how the assets must be used or how long the assets must be held, in which case the gift is recorded as restricted support. Expirations of restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributed services are recognized when (1) they create or enhance a nonfinancial asset and/or (2) required specialized skills, are provided by individuals possessing those skills and would typically need to be purchased had they not been provided by contributions. Many individuals volunteer their time and perform a variety of tasks that assist the Foundation, but these services do not meet the criteria for recognition as contributed services. The Foundation received no significant contributed services meeting the specified criteria in 2023 or 2022.

Land and Mineral Rights

Land and mineral rights consists primarily of oil & gas property and farm property donated to the Foundation. Management has made attempts to revalue portions of the real property assets at subsequent dates. The Foundation's management is of the opinion that revaluation of all the real property would not have a significant impact on the Foundation's statements of financial position or changes in net assets.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased, excluding cash and cash equivalent funds held in the Foundation's investment portfolio, to be cash equivalents. Uninvested cash held in managed investment accounts is not considered cash or cash equivalents as these funds are not readily available for paying the Foundation expenses.

Investments

Investments consist of cash and cash equivalent funds, certificates of deposit, mutual funds, common and preferred stock, structured investments in unsecured notes, an annuity contract, and investments in private equity real estate. Investments are stated at fair value as determined by the fund and/or investment manager and realized gains and losses on sales of investments are computed on the first-in, first-out basis or the average cost basis. Interest and dividend income in the statements of activities is reported net of investment management and custodial fees which totaled \$155,716 in 2023 and \$239,574 in 2022.

**Northwestern Oklahoma State University Foundation, Inc.
and Alumni Association**
Notes to Financial Statements
June 30, 2023 and 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Investment Revenue

Income and gains on investments are reported as increases in net assets with donor restrictions if the terms of the gift that gave rise to the investment require such amounts be added to the permanent endowment. Income and gains are reported as increases in net assets with donor restrictions if the terms of the gift, or applicable law imposed restrictions, have stipulations on the use of the income and as increases in net assets without donor restrictions in all other cases. Generally, losses on investments of endowments reduce restricted net assets to the extent donor-imposed restrictions on the net appreciation of investments have not been met before the loss occurs. Any remaining losses reduce net assets without donor restrictions. Subsequent investment gains are applied first, to net assets without donor restrictions to the extent that losses have previously been recognized, and then to restricted net assets.

Fair Value Option

For certain assets and liabilities, the Foundation has elected the fair value option provided by ASC Topic 825 Financial Instruments (ASC 825), which allows entities to measure eligible financial instruments at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported within the change in net assets. The decision to elect the fair value option is determined on an instrument-by-instrument basis, must be applied to an entire instrument and is irrevocable once elected. The Foundation has elected to apply the fair value option to its investments in real estate and mineral interest to present the most relevant values on these investments.

Marketable Securities

Marketable securities are stated at fair value. Fair values are generally determined based upon quoted market prices. Realized gains and losses on sales of marketable securities are computed on a first-in, first-out basis.

The Foundation utilizes various investment instruments. Marketable securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of marketable securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position. Significant fluctuations in fair values could occur from year to year and the amounts the Foundation will ultimately realize could differ materially.

Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Generally, all revenue earned outside the purpose for which the Foundation is created is taxable as earned income.

**Northwestern Oklahoma State University Foundation, Inc.
and Alumni Association**
Notes to Financial Statements
June 30, 2023 and 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment

It is the Foundation's policy to capitalize property and equipment additions with a cost basis, or fair value on the gift date if donated, which exceeds \$1,000 and has a useful life greater than one year. Major repairs/maintenance expenditures are capitalized if the expenditures significantly increase the useful life and/or value of the asset. Property and equipment is depreciated using the straight-line methods as follows:

Automobiles	5 years
Office equipment	6 years
Furniture & equipment	10 years
Buildings	25 years

Allocated Expenses

Expenses by function have been allocated among program and supporting services classifications on the basis of time records and on estimates made by the Foundation's management.

Fair Value Measurements

The Foundation follows ASC Topic 820, *Fair Value Measurements*, which provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives highest priority to unadjusted quotes prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The inputs to the three levels of the fair value hierarchy under Topic 820 are described as follows:

- Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from, or corroborated by, observable market data by correlation to other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Unobservable and significant to the fair value measurement.

**Northwestern Oklahoma State University Foundation, Inc.
and Alumni Association**
Notes to Financial Statements
June 30, 2023 and 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

The Foundation has certain investments which are measured at net asset value per share (NAV). If the Foundation has the ability to redeem its investment with the investee at NAV at the measurement date or within ninety days of the measurement date, the fair value of the asset is categorized as a Level 2 fair value measurement. If the Foundation will never have the ability to redeem its investment with the investee at NAV or the Foundation cannot redeem its investment within ninety days of the measurement date, the Foundation categorizes the asset as a Level 3 measurement.

Financial assets and liabilities carried at fair value on a recurring basis include investments and cash value, life insurance. The Foundation had no assets or liabilities carried at fair value on a non-recurring basis at June 30, 2023 and 2022.

Accounting for Uncertain Tax Positions

Management has evaluated the Foundation's tax positions and concluded that the Foundation has taken no uncertain tax positions that required adjustment to or disclosure in the financial statements to comply with the provisions of this guidance. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for fiscal years ending on or before June 30, 2020.

Concentrations of Credit Risk

The Foundation maintains cash in bank deposit accounts that, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash or cash equivalents.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosed contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates that are particularly susceptible to significant change include the valuation of investments. Investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with these financial instruments, it is reasonably possible that changes in the values of these assets will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position. Significant fluctuations in fair values could occur from year to year and the amounts the Foundation will ultimately realize could differ materially.

**Northwestern Oklahoma State University Foundation, Inc.
and Alumni Association**
Notes to Financial Statements
June 30, 2023 and 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Reclassification

Certain prior year amounts have been reclassified to conform to the current year's presentation. The reclassification had no effect on the previously reported change in net assets.

Subsequent Events

Subsequent events have been evaluated through September 1, 2023, the date the financial statements were issued.

Note 2: Cash and Cash Equivalents

The Foundation maintains several bank accounts. The table below is designed to disclose the level of custody credit risk assumed by the Foundation based upon how its deposits were insured at June 30, 2023 and 2022. FDIC regulations state that time and savings accounts are insured up to \$250,000 per depositor, per insured bank.

Category 1 - Insured by FDIC or collateralized with securities held by the Foundation or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Foundation's name.

Category 3 - Uninsured and uncollateralized.

<u>Type of Deposits</u>	<u>Total Bank Balances</u>	<u>Custody (Category 1)</u>	<u>Credit Risk (Category 2)</u>	<u>Uninsured (Category 3)</u>
June 30, 2023				
Demand Deposits	\$ 322,082	\$ 322,082	\$ -	\$ -
June 30, 2022				
Demand Deposits	\$ 525,356	\$ 426,451	\$ -	\$ 98,905

**Northwestern Oklahoma State University Foundation, Inc.
and Alumni Association**
Notes to Financial Statements
June 30, 2023 and 2022

Note 3: Fair Value Measurement

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

Cash and cash equivalents - The assets' carrying amounts approximate fair value due to their short maturities.

Cash surrender value of life insurance - The Foundation is the beneficiary of a life insurance policy. The carrying value of the life insurance policy is the cash surrender value on the policies and as such approximates fair value.

Investments - Investments are carried at fair value and are based on quoted market prices, when available, or the best estimate of fair value as determined by the investment and/or fund manager. Generally, quoted market prices are available for cash and cash equivalents funds, common and preferred stocks, exchange traded index and mutual funds, and as such, are classified as Level 1 in the fair value hierarchy. The fair values of certificates of deposit are determined using the income approach. The key inputs include interest rates, maturity dates and yield curves and as such are classified as Level 1 or Level 2, depending on the maturity date. The fair value of the annuity contract is determined using the income approach and is based on the current cash surrender value as determined by the investment manager, and is classified as Level 3. If the fair value of the underlying assets are transparent, have readily determinable fair values, and the Foundation can redeem the investment at NAV within ninety days of the measurement date, the funds are classified as Level 2 and in all other cases are classified as Level 3.

Structured investments in unsecured notes are valued using the market approach or the income approach and are provided to the Foundation by the investment manager. Whenever possible, fair values are determined using the market approach, the key inputs are based on an underlying index, and maturity or by analysis of documented trade history in the exact security and as such, are classified as Level 2. In all other cases, fair values are determined using the income approach and are valued using fundamental analysis of investments based on information provided by fund manager, and are classified as Level 3.

Accounts payable and accrued expenses - The carrying amount of current liabilities approximates fair value due to its short maturity.

**Northwestern Oklahoma State University Foundation, Inc.
and Alumni Association**
Notes to Financial Statements
June 30, 2023 and 2022

Note 3: Fair Value Measurement (Continued)

Assets and liabilities measured at fair value are classified within the fair value hierarchy as follows:

	As of June 30, 2023			
	Level 1	Level 2	Level 3	Total
Investments				
Uninvested cash	\$ 1,436,929	\$ -	\$ -	\$ 1,436,929
Certificates of deposit	-	390,000	-	390,000
Equity securities	11,831,267	-	-	11,831,267
Exchange-traded products	12,048,327	-	-	12,048,327
Corporate and other bonds	-	85,282	-	85,282
Mutual funds	2,359,338	-	-	2,359,338
Alternative investments	-	4,895,189	1,733,005	6,628,194
	<u>\$ 27,675,861</u>	<u>\$ 5,370,471</u>	<u>\$ 1,733,005</u>	<u>\$ 34,779,337</u>
Cash Value, Life Insurance				
Hartford policy	<u>\$ -</u>	<u>\$ 95,269</u>	<u>\$ -</u>	<u>\$ 95,269</u>
	As of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Investments				
Uninvested cash	\$ 3,026,187	\$ -	\$ -	\$ 3,026,187
Certificates of deposit	-	240,000	-	240,000
Equity securities	11,047,186	-	-	11,047,186
Exchange-traded products	10,012,304	-	-	10,012,304
Corporate and other bonds	-	88,478	-	88,478
Mutual funds	4,429,383	-	-	4,429,383
Alternative investments	-	2,715,506	1,665,372	4,380,878
	<u>\$ 28,515,060</u>	<u>\$ 3,043,984</u>	<u>\$ 1,665,372</u>	<u>\$ 33,224,416</u>
Cash Value, Life Insurance				
Hartford policy	<u>\$ -</u>	<u>\$ 278,301</u>	<u>\$ -</u>	<u>\$ 278,301</u>

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Note 4: Land, Building and Equipment

Property and equipment consist of the following:

	<u>2023</u>	<u>2022</u>
Buildings	\$ 318,255	\$ 318,255
Furniture and fixtures	32,906	29,350
Automobiles	<u>35,000</u>	<u>40,600</u>
	386,161	388,205
Less accumulated depreciation	<u>(258,303)</u>	<u>(246,474)</u>
Total	<u>\$ 127,858</u>	<u>\$ 141,731</u>

Note 5: Related Party Transactions

Based upon an exchange of service agreement, the University provides the Foundation with facilities and services at no cost to the Foundation. In exchange, the University receives scholarships, funds for capital improvements and other services from the Foundation. The value of such services has been determined by management to be insignificant and is, therefore, not recorded on the financial statements as donated facilities and services.

Note 6: Endowment Disclosures

The Foundation's endowment consists of approximately 400 endowment funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Trustees of the Foundation have chosen to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment and (b) the original value of subsequent gifts to the endowment.

**Northwestern Oklahoma State University Foundation, Inc.
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Note 6: Endowment Disclosures (Continued)

Interpretation of Relevant Law (Continued)

The remaining portion of the donor-restricted endowment fund that is not classified in restricted net assets is classified as restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by OK UPMIFA. In accordance with OK UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results which generate a dependable, increasing source of income and appreciation while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount.

Strategies for Achieving Objectives

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives while reducing risk to acceptable levels.

Spending Policy

The Foundation has a policy of appropriating for distribution each year the equivalent of up to 5.25% of its endowment fund's fair value as of the immediately preceding July 1. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 1.46% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

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Note 6: Endowment Disclosures (Continued)

Investment Return

The Foundation includes revenues and expenses associated with investments and land & mineral rights when calculating its rate of return. The rate of return was +7.08% and -7.87% for the years ended June 30, 2023 and 2022, respectively.

Endowment net assets composition as of June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 37,926,611	\$ 37,926,611
Board-designated endowment funds	-	-	-
Total endowment funds	<u>\$ -</u>	<u>\$ 37,926,611</u>	<u>\$ 37,926,611</u>

Changes in endowment net assets for the year ended June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 36,957,562	\$ 36,957,562
Investment return	-	1,555,859	1,555,859
Contributions	-	828,470	828,470
Appropriations	-	(1,415,280)	(1,415,280)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 37,926,611</u>	<u>\$ 37,926,611</u>

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Note 6: Endowment Disclosures (Continued)

Endowment net assets composition as of June 30, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 36,957,562	\$ 36,957,562
Board-designated endowment funds	-	-	-
Total endowment funds	<u>\$ -</u>	<u>\$ 36,957,562</u>	<u>\$ 36,957,562</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 37,149,647	\$ 37,149,647
Investment return, net	-	(1,036,515)	(1,036,515)
Contributions	-	2,848,443	2,848,443
Appropriations	-	(2,004,013)	(2,004,013)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 36,957,562</u>	<u>\$ 36,957,562</u>

Note 7: Net Assets

Net assets with donor restrictions not subject to appropriation or expenditures consist of the following at June 30, 2023 and 2022:

	2023	2022
Endowed chairs, professorships, and lectureships	\$ 20,871,887	\$ 20,795,653
Scholarships, awards and program	16,097,376	15,370,065
Other	<u>957,348</u>	<u>791,844</u>
Total	<u>\$ 37,926,611</u>	<u>\$ 36,957,562</u>

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Note 8: Liquidity and Availability of Financial Assets

The Foundation manages its liquid resources by focusing on fundraising efforts to ensure that it has adequate contributions to cover the programs that are being conducted. The table below reflects the Foundation's financial assets, as of June 30, 2023 and 2022, expected to be available within one year to meet the cash needs for general expenditures.

	<u>2023</u>	<u>2022</u>
Financial Assets		
Cash and cash equivalents	\$ 363,631	\$ 475,420
Investments held for endowments	34,779,337	33,224,416
Land & mineral rights	2,851,124	2,851,124
Cash value, life insurance	<u>95,269</u>	<u>278,301</u>
	<u>38,089,361</u>	<u>36,829,261</u>
Less those unavailable for general expenditure within one year, due to:		
Donor-imposed restrictions not subject to appropriation or expenditures		
Donor restriction for endowed chairs, professorships and lectureships	20,871,887	20,795,653
Donor restriction for scholarships, awards and program	16,097,376	15,370,065
Donor restriction for other purposes	<u>957,348</u>	<u>791,844</u>
	<u>37,926,611</u>	<u>36,957,562</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 162,750</u>	<u>\$ (128,301)</u>