

East Central University Foundation, Inc.

Financial Statements

June 30, 2023 and 2022
(With Independent Auditors' Report Thereon)



FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
East Central University Foundation, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of East Central University Foundation, Inc. (a nonprofit organization) (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 financial statements referred to above 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 years then ended in accordance with accounting principles generally accepted in the United States.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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, 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 within one year after the date that the financial statements are available to be issued.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Auditors' 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 auditors' 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

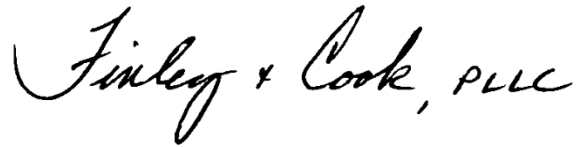
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2023, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Finley + Cook, PLLC". The signature is written in a cursive, flowing style.

Shawnee, Oklahoma
September 26, 2023

EAST CENTRAL UNIVERSITY FOUNDATION, INC.**STATEMENTS OF FINANCIAL POSITION**

<i>June 30,</i>	<i>2023</i>	<i>2022</i>
Assets		
Current assets:		
Cash and cash equivalents	\$ 411,722	435,756
Pledges receivable	1,085,000	45,035
Investments, at fair value	-	90,784
Total current assets	<u>1,496,722</u>	<u>571,575</u>
Non-current assets:		
Investments, at fair value	41,666,622	38,256,436
Pledges receivable, net of discount	4,319,099	-
Real estate held as investment	12,500	12,500
Artwork	336,786	336,786
Other assets	36,455	35,977
Total non-current assets	<u>46,371,462</u>	<u>38,641,699</u>
Total assets	<u>\$ 47,868,184</u>	<u>39,213,274</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 62,884	37,375
Total liabilities	<u>62,884</u>	<u>37,375</u>
Net assets:		
Without donor restrictions	626,393	222,113
With donor restrictions	47,178,907	38,953,786
Total net assets	<u>47,805,300</u>	<u>39,175,899</u>
Total liabilities and net assets	<u>\$ 47,868,184</u>	<u>39,213,274</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

EAST CENTRAL UNIVERSITY FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and other support:			
Contributions:			
Contributions of cash and other financial assets	\$ -	9,458,037	9,458,037
Total contributions	<u>-</u>	<u>9,458,037</u>	<u>9,458,037</u>
Investment return:			
Interest and dividends	258,710	775,302	1,034,012
Investment gains, net	<u>603,160</u>	<u>1,792,979</u>	<u>2,396,139</u>
Total investment return	<u>861,870</u>	<u>2,568,281</u>	<u>3,430,151</u>
Other support	<u>-</u>	<u>3,750</u>	<u>3,750</u>
	<u>-</u>	<u>3,750</u>	<u>3,750</u>
Net assets released from restrictions	<u>3,817,381</u>	<u>(3,817,381)</u>	<u>-</u>
Total revenues, gains and other support	<u>4,679,251</u>	<u>8,212,687</u>	<u>12,891,938</u>
Expenses:			
Program activities for the University	3,772,346	-	3,772,346
Management and operating	410,396	-	410,396
Fundraising	<u>79,795</u>	<u>-</u>	<u>79,795</u>
Total expenses	<u>4,262,537</u>	<u>-</u>	<u>4,262,537</u>
Transfer (to) from other net assets	<u>(12,434)</u>	<u>12,434</u>	<u>-</u>
Increase in net assets	404,280	8,225,121	8,629,401
Net assets at beginning of year	<u>222,113</u>	<u>38,953,786</u>	<u>39,175,899</u>
Net assets at end of year	<u>\$ 626,393</u>	<u>47,178,907</u>	<u>47,805,300</u>

(Continued)

See Independent Auditors' Report.
See accompanying notes to financial statements.

EAST CENTRAL UNIVERSITY FOUNDATION, INC.

STATEMENTS OF ACTIVITIES, CONTINUED

Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains (losses), and other support:			
Contributions:			
Contributions of cash and other financial assets	\$ -	5,655,139	5,655,139
Contributions of nonfinancial assets	-	2,100	2,100
Total contributions	<u>-</u>	<u>5,657,239</u>	<u>5,657,239</u>
Investment return:			
Interest and dividends	237,253	711,811	949,064
Investment losses, net	<u>(1,751,876)</u>	<u>(5,252,534)</u>	<u>(7,004,410)</u>
Total investment return	<u>(1,514,623)</u>	<u>(4,540,723)</u>	<u>(6,055,346)</u>
Other support	-	3,750	3,750
	<u>-</u>	<u>3,750</u>	<u>3,750</u>
Net assets released from restrictions	<u>2,542,844</u>	<u>(2,542,844)</u>	<u>-</u>
Total revenues, gains (losses), and other support	<u>1,028,221</u>	<u>(1,422,578)</u>	<u>(394,357)</u>
Expenses:			
Program activities for the University	2,542,844	-	2,542,844
Management and operating	350,494	-	350,494
Fundraising	<u>70,180</u>	<u>-</u>	<u>70,180</u>
Total expenses	<u>2,963,518</u>	<u>-</u>	<u>2,963,518</u>
Transfer (to) from other net assets	<u>(234,263)</u>	<u>234,263</u>	<u>-</u>
Decrease in net assets	(2,169,560)	(1,188,315)	(3,357,875)
Net assets at beginning of year	<u>2,391,673</u>	<u>40,142,101</u>	<u>42,533,774</u>
Net assets at end of year	<u>\$ 222,113</u>	<u>38,953,786</u>	<u>39,175,899</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

EAST CENTRAL UNIVERSITY FOUNDATION, INC.**STATEMENTS OF FUNCTIONAL EXPENSES**

<i>Years Ended June 30,</i>	<i>2023</i>	<i>2022</i>
Expenses:		
Program activities for the University:		
Scholarship awards	\$ 1,034,876	856,585
General University educational assistance	2,737,470	1,686,259
Total program activities for the University	<u>3,772,346</u>	<u>2,542,844</u>
Management and operating:		
Salaries and benefits	294,239	278,031
Accounting services	18,160	20,360
Audit fees	23,367	20,848
Credit card fees	6,498	5,699
Insurance	2,638	2,624
Legal fees	2,225	400
Software	9,318	8,274
Supplies	1,541	7,072
Reserve for doubtful pledges	45,035	-
Other	7,375	7,186
Total management and operating	<u>410,396</u>	<u>350,494</u>
Fundraising:		
Salaries and benefits	43,974	43,560
Campaigns—fundraising expenses	4,287	748
Constituent/donor meetings	1,885	715
Postage	1,682	2,587
Printing	5,248	6,111
Software	1,336	119
Sponsorships	18,091	13,683
Travel	3,292	2,657
Total fundraising	<u>79,795</u>	<u>70,180</u>
Total expenses	<u>\$ 4,262,537</u>	<u>2,963,518</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

EAST CENTRAL UNIVERSITY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents

<i>Years Ended June 30,</i>	<i>2023</i>	<i>2022</i>
Cash flows from operating activities:		
Cash received from contributions	\$ 2,045,936	1,375,033
Cash received from interest and other income	968,025	876,994
Cash disbursed for program and faculty expenses	(3,075,683)	(1,686,259)
Cash disbursed for scholarship expenses	(1,034,876)	(856,585)
Cash disbursed for general support	(126,947)	(430,067)
Net cash used in operating activities	(1,223,545)	(720,884)
Cash flows from investing activities:		
Investment sold	160,522	129,495
Investment purchased	(1,014,048)	(4,348,436)
Net cash used in investing activities	(853,526)	(4,218,941)
Cash flows from financing activities:		
Cash contribution restricted to endowment	2,053,037	4,349,806
Net cash provided by financing activities	2,053,037	4,349,806
Net decrease in cash and cash equivalents	(24,034)	(590,019)
Cash and cash equivalents at beginning of year	435,756	1,025,775
Cash and cash equivalents at end of year	\$ 411,722	435,756
Reconciliation of increase (decrease) in net assets to net cash used in operating activities:		
Increase (decrease) in net assets	\$ 8,629,401	(3,357,875)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Contributions of nonfinancial assets	-	(2,100)
Contributions restricted to endowment	(2,053,037)	(4,349,806)
Net unrealized and realized (gains) losses on investments	(2,465,876)	6,928,590
Changes in operating assets and liabilities:		
Pledges receivable	(5,359,064)	69,700
Other assets	(478)	(8,518)
Accrued payroll	-	(12,530)
Accounts payable	25,509	11,655
Net cash used in operating activities	\$ (1,223,545)	(720,884)

See Independent Auditors' Report.

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

(1) **NATURE OF THE ENTITY**

East Central University Foundation, Inc. (the “Foundation”) is a nonprofit corporation formed in 1970. The purposes for which the Foundation is organized are exclusively scientific, literary, charitable, educational, and artistic for the benefit of East Central University (the “University”) in Ada, Oklahoma, its faculty, its student body, and its programs. The Foundation may also serve as trustee of charitable lead trusts, charitable remainder trusts, and other private trusts of which the Foundation and/or the University are beneficiaries, notwithstanding the facts that the donors of such trusts retain a beneficial interest therein or that other charitable organizations are designated as beneficiaries of such trusts.

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. Distributions of amounts held by the Foundation are subject to the approval of the Board of Trustees (the “Board”). The purposes for which the Foundation is organized are exclusively for the benefit of the University, its faculty, its student body, and its programs. As such, the University and the Foundation are considered financially interrelated as defined by accounting principles generally accepted in the United States.

Program Activities for the University

Scholarship awards—The Foundation raises funds annually to assist select students with their costs related to their higher education pursuit. The Foundation also assists with special one-time student needs that arise and helps keep students pursuing and finishing their degree. Additional support may be granted for special one-time projects where an educational benefit will be made available for students.

General University educational assistance—The Foundation was organized to provide scientific, literary, charitable, educational, and artistic support for the benefit of the University, its faculty, its student body, and its programs. This is done through aiding the University faculty/staff, its educational programs, its building projects, and its assistance with institutional outreach.

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The Foundation follows the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC). The ASC is the single source of authoritative guidance for accounting principles generally accepted in the United States. The statements have been prepared on the accrual basis of accounting. Under accounting principles generally accepted in the United States, net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation’s management and the Board.

Net assets with donor restrictions—Net assets subject to restrictions imposed by donors. Some donor restrictions are temporary in nature. Those restrictions will be met by action of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donors have stipulated the funds be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investment for general or specific donor-imposed purposes.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, the net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Contributions

Contributions, including unconditional promises to give and unconditional pledges receivable, are recognized as revenues in the period received by the Foundation. Conditional promises to give and conditional pledges receivable are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. An allowance is made for uncollectable contributions based upon management’s judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors. As of June 30, 2023 and 2022, no allowance was considered necessary.

The Foundation records unconditional promises to give and unconditional pledges receivable that are expected to be collected within one year at net realizable value. Unconditional promises to give and unconditional pledges receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Foundation determines the allowance for uncollectable promises to give and uncollectable pledges receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give and pledges receivable are written-off when deemed uncollectable.

See Independent Auditors’ Report.

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Contributions, Continued

Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gifts of property and equipment are recorded as support without donor restrictions unless explicit donor stipulations specify how the assets must be used, in which case the gift is recorded as support with donor restrictions. 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. Contributions which are received and whose restrictions are met in the same period are recognized as contributions without donor restrictions.

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 or applicable law require such amounts be added to endowment principal or if the terms of the gift or applicable law impose restrictions on the use of the income, and as increases in net assets without donor restrictions in all other cases.

Contributions of Nonfinancial Assets

The Foundation recognized contributed nonfinancial assets within revenue, including real estate and artwork. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Real Estate Held as Investment

The contributed real estate held as investment consists primarily of real property and forms of real property interests donated to the Foundation and are carried at the lower of cost or market. The property has been recorded at its appraised value at the date the gift was given. The Foundation holds these assets until such time as they are transferred to the University or sold. No attempt is made by management to revalue real estate held as investments at subsequent dates prior to transfer or sale due to the prohibitive cost of obtaining periodic appraisals; however, the Foundation's management is of the opinion that any subsequent revaluation would not have a significant impact on the Foundation's statements of financial position or changes in net assets. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances at the time of determination. No property investment impairments were recorded in 2023 or 2022.

Artwork

Contributed artwork was used for educational, research, scientific, or curatorial purposes, and activities verifying the existence and assessing the condition of the items are performed continuously. The artwork was recorded at appraised value at the date the gift was given. There will be no planned depreciation of the artwork as it will be reviewed periodically for impairment. At both June 30, 2023 and 2022, the combined artwork had a total value of \$336,786.

See Independent Auditors' Report.

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Cash and Cash Equivalents

The Foundation considers all highly liquid debt instruments with an original maturity of 3 months or less when purchased to be cash equivalents.

Investments

The Foundation maintains the majority of its endowment assets in a pooled investment fund. Additional investments are maintained separately in accordance with the donor's instructions. Investments are reported at fair value calculated in accordance with ASC Topic 820, "Fair Value Measurement" (ASC 820). Investment securities with readily determinable market value information are adjusted to market value, with realized and unrealized appreciation and/or depreciation on investments to be recorded in the statements of activities. Fair value is determined based on quoted market prices, observable inputs, or unobservable inputs. Investments included in the pool are certificates of deposit, mutual funds, and privately owned corporate stock. The Foundation's investment committee monitors the performance of all investments and instructs Foundation management as to the mix of assets to be maintained in the investment pool. Investments are made in accordance with the investment policies of the Foundation.

During the year ended June 30, 2018, a related party made a stock donation of 4,125 shares of privately owned corporate stock. The corporate stock was evaluated at \$31.00 and \$35.00 per share at June 30, 2023 and 2022, respectively, resulting in a fair market value of \$127,875 and \$144,375, respectively. This corporate stock gift is included in investments on the statements of financial position.

Other Assets

Included in other assets was approximately \$21,000 of cash surrender value assets related to insurance policies owned by the Foundation as of both June 30, 2023 and 2022.

Investment Return

Investment earnings are allocated to the individual sub-funds of the Foundation on a quarterly basis. These earnings are allocated based upon the individual sub-fund's percentage of participation in the investment pool. Realized and unrealized gains and losses are determined using the specific identification method; however, these transactions are included in the pool's income for allocation purposes. Investment earnings were netted with related external and direct internal investment expenses.

A portion of investment earnings is allocated to support the operations of the Foundation. The Foundation historically has allocated 25% of investment earnings to operations. The amounts allocated are recorded as interest and dividends in the net assets without donor restrictions in the accompanying statements of activities. Amounts so transferred in excess of the current operations requirements remain in the net assets without donor restrictions for future use as deemed necessary by the Foundation's management and the Board and to support the Foundation's scholarship program.

See Independent Auditors' Report.

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Furniture and Equipment

Furniture and equipment are recorded at cost if purchased or at appraised value if received by donation. Furniture and equipment are being depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 10 years. The Foundation records impairments of its property and equipment when it becomes probable that the carrying value of the assets will not be fully recovered over the estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances at the time of the determination. No furniture or equipment impairments were recorded for the year ended June 30, 2023 or 2022.

Income Tax

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

The Foundation evaluates and accounts for its uncertain tax positions, if any, in accordance with ASC Topic 740, "Income Taxes," including the Foundation's tax position as a tax-exempt, not-for-profit entity. Through the Foundation's evaluation of its uncertain tax positions, management has determined no uncertain tax positions existed as of June 30, 2023 or 2022, which would require the Foundation to record a liability for the uncertain tax positions in its financial statements. Interest and penalties, if any, resulting from any uncertain tax position required to be recorded by the Foundation would be presented in operating expenses in the statements of activities. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years ended on or before June 30, 2020.

Use of Estimates in Preparing Financial Statements

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

Estimates that are particularly susceptible to significant change include the valuation of investments and pledges receivable. The Foundation's various investment instruments 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 the investments and beneficial interest 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. Management's estimates of investments, pledges receivable, and the evaluation for allowance are based on consideration of all relevant available information and an analysis of the collectability of individual contributions, which arise primarily from pledges at the financial statement date.

See Independent Auditors' Report.

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Net Asset Reclassifications

The Foundation reclassifies net assets from one net asset category to another as follows:

- a. Net asset reclassifications which result from fulfillment of the purposes for which the net assets were restricted and/or restrictions which expired with the passage of time.
- b. Net asset reclassifications which occur when a donor withdraws or court action removes previously imposed restrictions, when a donor imposes restrictions on otherwise net assets without donor restrictions, when a donor changes or modifies their existing restriction, and/or when an existing donor restriction requires certain amounts to be reclassified.

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Foundation are reported as expenses of those functional areas. Expenses that are attributable to more than one program or supporting function are allocated on the basis of time and effort; there were no such allocated expenses for the year ended June 30, 2023 or 2022.

Concentrations of Credit Risk

The Foundation had certain concentrations of credit risk with financial institutions in the form of uninsured cash and time deposits. For purposes of evaluating credit risk, the stability of financial institutions conducting business with the Foundation is periodically reviewed, and management believes that credit risk related to the balances is minimal.

Scholarship Awards

Scholarships are accrued when the disbursements are made to the students, which is when all of the conditions would have been met and the scholarship would have been effectively earned by the students.

Advertising Costs

All costs associated with advertising are expensed as incurred.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02, "*Leases*" (*Topic 842*) (ASU 2016-02), which requires that lessees recognize on the balance sheet the assets and liabilities for the rights and obligations created by operating leases. ASU 2016-02 was initially effective for financial statements issued for fiscal years beginning after December 15, 2019. ASU 2016-02 has been amended numerous times and is currently effective for fiscal years beginning after December 15, 2021. The Foundation adopted ASU 2016-02 on July 1, 2022, which did not have a significant impact on the Foundation's financial statements.

See Independent Auditors' Report.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**Date of Management's Review of Subsequent Events**

Management has evaluated subsequent events through September 26, 2023, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

(3) CASH AND CASH EQUIVALENTS

A summary of the cash and cash equivalents at June 30 is as follows:

	<u>2023</u>	<u>2022</u>
Cash in bank	\$ 22,379	435,756
Federal money market fund held at Vanguard	<u>389,343</u>	<u>-</u>
	<u>\$ 411,722</u>	<u>435,756</u>

Custodial Credit Risk—Deposits

The Foundation had the following depository accounts as of June 30, 2023 and 2022. All deposits are carried at cost.

<u>Depository Account</u>	<u>2023</u>		<u>2022</u>	
	<u>Reported Amount</u>	<u>Bank Balance</u>	<u>Reported Amount</u>	<u>Bank Balance</u>
Insured	\$ 22,379	81,221	435,756	584,449
Uninsured and uncollateralized	<u>389,343</u>	<u>389,343</u>	<u>-</u>	<u>-</u>
	<u>\$ 411,722</u>	<u>470,564</u>	<u>435,756</u>	<u>584,449</u>

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned. The uninsured or uncollateralized federal money market fund that invest in short-term securities that are issued or guaranteed by the U.S. government or U.S. government agencies, management believes any possible loss to the Foundation due to credit risk is minimal.

(4) LIQUIDITY AND AVAILABILITY

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Foundation receives support without donor restrictions; such support has historically represented less than 5% of annual program funding needs, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

See Independent Auditors' Report.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) LIQUIDITY AND AVAILABILITY, CONTINUED

The Foundation considers investment income without donor restrictions; appropriated earnings from donor-restricted endowments; and contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include program commitments, as well as management, operating, and fundraising expenses expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability, including compliance with the Foundation's spending policy, which establishes limits on the amount of funds used for general expenditures each year.
- Maintaining adequate liquid assets.
- Maintaining sufficient reserves to provide reasonable assurance that long-term commitments and obligations under endowments with donor restrictions that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The Foundation strives to maintain financial assets at a level to adequately fund 100% of the forecasted annual program commitments and management, operating, and fundraising expenses. The table below presents financial assets available for these general expenditures within 1 year at June 30:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 411,722	435,756
Pledges receivable	5,404,099	45,035
Investments	<u>41,666,622</u>	<u>38,347,220</u>
Total financial assets	<u>47,482,443</u>	<u>38,828,011</u>
Less amounts not available to be used within 1 year due to:		
Restricted for passage of time	5,404,099	45,035
Restricted for specific purpose	3,266,855	3,356,135
Restricted in perpetuity—endowment	<u>31,279,855</u>	<u>35,289,376</u>
Financial assets not available to be used within 1 year	<u>39,950,809</u>	<u>38,690,546</u>
Financial assets available to meet general expenditures within 1 year	<u>\$ 7,531,634</u>	<u>137,465</u>

See Independent Auditors' Report.

EAST CENTRAL UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(5) PLEDGES RECEIVABLE

Unconditional pledges receivable represent commitments by donors to contribute to the Foundation. Pledges receivable consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Program activities for the University	\$ 5,404,099	45,035

The scheduled amounts to be received as of June 30 were as follows:

	<u>2023</u>	<u>2022</u>
Amounts due in:		
Less than 1 year	\$ 1,085,000	45,035
2 to 5 years	2,405,000	-
More than 5 years	3,575,000	-
Less discount to net present value at rates ranging from 2.88% to 4.06%	(1,660,901)	-
	<u>\$ 5,404,099</u>	<u>45,035</u>

At June 30, 2023, one donor accounted for 78% of total pledges receivable. Pledges receivable totaling \$835,000 received during the year ended June 30, 2023, were restricted by donors for current-year operations and were reported as contributions with donor restrictions.

An allowance for possible uncollectable pledges receivable is not considered necessary by management as the pledges are monitored and any deemed uncollectable are written-off as determined. However, at June 30, 2023, the 2022 pledge receivable balance was deemed uncollectible and written off during 2023 in the amount of \$45,035.

(6) INVESTMENTS

The Foundation primarily uses an investment manager to manage the investments, which includes purchasing and sales. As of both June 30, 2023 and 2022, the investment manager was Vanguard Institutional Advisory Services (“Vanguard”).

See Independent Auditors’ Report.

EAST CENTRAL UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(6) INVESTMENTS, CONTINUED

As of both June 30, 2023 and 2022, the Foundation's target allocation and allocation range for assets were as follows:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Allocation Range</u>
Cash equivalents	1%	1%–4%
Fixed income	44%	35%–55%
Equity	<u>55%</u>	45%–65%
	<u>100%</u>	

The investment policy also has certain specific prohibitions, such as no more than a 25% concentration of investments in one industry, nor more than a 5% ownership of any one company or more than 5% ownership of securities of a single issuer, other than the U.S. government.

The policy requires evaluation and reallocation as needed.

Investment securities are presented at fair value. The Foundation had the following investments at June 30:

<u>2023</u>	<u>Cost</u>	<u>Fair Value</u>	<u>(Deficit) Excess of Fair Value Over Cost</u>
<u>Non-current:</u>			
Mutual funds	\$ 41,347,886	41,538,747	190,861
Corporate stock—private	<u>127,875</u>	<u>127,875</u>	<u>-</u>
	<u>\$ 41,475,761</u>	<u>41,666,622</u>	<u>190,861</u>
<u>2022</u>			
<u>Current:</u>			
Certificate of deposit	\$ 90,784	90,784	-
<u>Non-current:</u>			
Mutual funds	40,417,057	38,112,061	(2,304,996)
Corporate stock—private	<u>144,375</u>	<u>144,375</u>	<u>-</u>
	<u>\$ 40,652,216</u>	<u>38,347,220</u>	<u>(2,304,996)</u>

The Foundation recognized \$13,482 during 2023 from net losses on the sale of investments and \$86,275 during 2022 from net gains on the sale of investments. These losses and gains have been combined with unrealized gains and losses and allocated throughout the year through the consolidated investment pool.

See Independent Auditors' Report.

EAST CENTRAL UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(6) INVESTMENTS, CONTINUED

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

The following table provides information as of June 30 concerning the fair value and maturity of investments:

Type of Investment	6 Months or Less	More Than 6 Months to 1 Year	More Than 1 Year to 3 Years	More Than 3 Years to 5 Years	More Than 5 Years	Total Fair Value	Cost
<u>2023</u>							
Mutual funds (no maturity)	\$ -	-	-	-	-	41,538,747	41,347,886
Corporate stock—private (no maturity)	-	-	-	-	-	127,875	127,875
	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,666,622</u>	<u>41,475,761</u>
<u>2022</u>							
Mutual funds (no maturity)	\$ -	-	-	-	-	38,112,061	40,417,057
Corporate stock—private (no maturity)	-	-	-	-	-	144,375	144,375
Certificate of deposit	90,784	-	-	-	-	90,784	90,784
	<u>\$ 90,784</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,347,220</u>	<u>40,652,216</u>

See Independent Auditors' Report.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(6) INVESTMENTS, CONTINUED**Credit Risk**

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The following tables provide information concerning credit risk as of June 30:

	<u>Cost</u>	<u>Fair Value (FV)</u>	<u>FV as a % of Total FV</u>
<u>2023</u>			
Not rated:			
Mutual funds	\$ 41,347,886	41,538,747	99.693%
Corporate stock—private	<u>127,875</u>	<u>127,875</u>	<u>0.307%</u>
	<u>\$ 41,475,761</u>	<u>41,666,622</u>	<u>100.000%</u>
<u>2022</u>			
Not rated:			
Mutual funds	\$ 40,417,057	38,112,061	99.387%
Corporate stock—private	144,375	144,375	0.376%
Certificate of deposit	<u>90,784</u>	<u>90,784</u>	<u>0.237%</u>
	<u>\$ 40,652,216</u>	<u>38,347,220</u>	<u>100.000%</u>

As of June 30, 2022, the Foundation's investment balance included \$90,784 of certificates of deposit held at financial institutions. The certificates of deposit are insured by the corresponding financial institution up to \$250,000, which is the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Share Insurance Fund (NCUSIF) limit. At June 30, 2022, there was no concentration (uninsured amount).

During the year ended June 30, 2023, the Foundation liquidated its certificates of deposit in the amount of \$90,784.

Custodial Risk

For investments, custodial risk is the risk that in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities in the possession of an outside party.

EAST CENTRAL UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) **REAL ESTATE HELD AS INVESTMENT**

The Foundation owns a lot located at the corner of Arlington and Mississippi in Ada, Oklahoma, for the purpose of establishing the William Chapman Accounting Scholarship.

A summary of real estate held as investment at June 30 is as follows:

	<u>2023</u>	<u>2022</u>
Land:		
Lot, Arlington and Mississippi Ada, Oklahoma	\$ 12,500	12,500
	<u>\$ 12,500</u>	<u>12,500</u>

(8) **FURNITURE AND EQUIPMENT**

As of June 30, furniture and equipment consisted of the following:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 33,347	33,347
Less accumulated depreciation	<u>(33,347)</u>	<u>(33,347)</u>
Net furniture and equipment	<u>\$ -</u>	<u>-</u>

There was no depreciation expense for 2023 or 2022.

(9) **DEPOSITS HELD FOR OTHERS**

The Foundation occasionally receives money on behalf of other entities and acts as a custodian of the funds. These amounts received were not considered to be significant to the Foundation's financial statements at June 30, 2023 or 2022.

(10) **NET ASSET COMPOSITION**

Net assets with donor restrictions were as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Endowments subject to the Foundation's spending policy and appropriation	\$ 38,507,953	35,552,616
Specific purpose	3,266,855	3,356,135
Passage of time:		
Pledges receivable	<u>5,404,099</u>	<u>45,035</u>
	<u>\$ 47,178,907</u>	<u>38,953,786</u>

See Independent Auditors' Report.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(10) NET ASSET COMPOSITION, CONTINUED

Net assets without donor restrictions were as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Undesignated	\$ <u>626,393</u>	<u>222,113</u>

Net assets released from net assets with donor restrictions during the years ended June 30 were as follows:

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions:		
Programs for the University	\$ 1,034,876	1,686,259
Scholarships	2,737,470	856,585
Provisions for doubtful pledges	<u>45,035</u>	<u>-</u>
	<u>\$ 3,817,381</u>	<u>2,542,844</u>

(11) RETIREMENT PLANS

The Foundation has two employees who participate in the retirement plans and benefit programs of the University. The plans available include the Oklahoma Teachers' Retirement System (OTRS), which is a State of Oklahoma public employees' retirement system and a defined contribution plan, and the Supplemental Retirement Annuity, a single-employer defined benefit pension plan available to employees hired prior to July 1, 1987. During both years ended June 30, 2023 and 2022, the Foundation paid approximately \$22,000 to OTRS.

The Foundation has not disclosed any amounts or items required by the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As the Foundation employees are considered employees of the University, all such disclosures will be made by the University.

(12) RELATED-PARTY TRANSACTIONS

The University and the Foundation have an agreement to provide the Foundation with services, including the service of the University's staff, use of office space, and office maintenance. In exchange, the University receives funds for scholarships, special projects, capital improvements, staff development, and other academic enrichment activities.

The Foundation benefits from voluntary services donated by related individuals and businesses which have not been reflected in the financial statements due to their immateriality.

At June 30, 2023 and 2022, the Foundation had \$22,379 and \$435,756, respectively, on deposit at a local bank for which a Board member of the Foundation also serves as an officer.

See Independent Auditors' Report.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(13) **COMMITMENT**

During August 2019, the Board and donors approved a 5-year commitment of \$350,000 to assist with the University football program. The Foundation made the third and fourth payment of \$70,000 each for the years ended on June 30, 2023 and 2022. Future payments on the 5-year commitment are as follows:

Year Ending June 30:	
2024	\$ <u>70,000</u>

(14) **ENDOWMENTS**

The Foundation’s endowments consisted of 403 and 399 individual donor-restricted funds as of June 30, 2023 and 2022, respectively, established for a variety of scholarships and activities. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on donor-imposed restrictions. The endowments represent only those net assets that are under the control of the Foundation.

Interpretation of Relevant Law

The Foundation is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies as net assets with donor restrictions (a time restriction in perpetuity) the original value of endowed gifts, and any subsequent gifts to the donor-restricted endowment. Investment earnings from the donor-restricted endowment are classified as net assets with donor restrictions (a purpose restriction) until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the donor-stipulated purpose within the standard of prudence prescribed by UPMIFA.

Spending Policy

The Foundation has established a spending policy whereby the total amount available to be disbursed (i.e., the “Distributable Cash Income”) from the Foundation’s endowment fund and operating fund is determined annually.

The Distributable Cash Income is determined using the most recent 5-year average return on investments (ROI). The purpose of the spending policy is to establish an overall spending limit for the amount of money that can be disbursed from the Foundation’s endowment fund and operating fund each fiscal year. The spending policy limit is determined by March 31 of each year and is used for budgeting purposes for the following fiscal year that starts on July 1.

The primary goal of the spending policy is to position the endowment fund and the unrestricted fund so that there is a balance between long-term growth and accumulation versus annual distributions.

The spending policy utilizes the most recent 5-year average ROI percentage, which allows for long-term ROI trends to be built into the spending policy. The spending policy calculation will have an annual floor and ceiling which will enable the Foundation to spend a base amount from the endowment fund in low ROI periods and have extra savings in high ROI periods.

See Independent Auditors’ Report.

(14) ENDOWMENTS, CONTINUED**Underwater Endowments**

The Foundation considers an endowment fund to be underwater if the fair value of the fund is less than the sum of the original value of initial and subsequent gift amounts donated to the fund and any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation complies with UPMIFA and has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under law.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies existed in 27 and 77 donor-restricted endowment funds as of June 30, 2023 and 2022, respectively. The deficiencies resulted from unfavorable market fluctuations that occurred. Deficiencies as of June 30 were as follows:

	<u>2023</u>	<u>2022</u>
Fair values	\$ 538,671	5,412,714
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donor	<u>(562,000)</u>	<u>(5,591,686)</u>
Deficiencies	<u>\$ (23,329)</u>	<u>(178,972)</u>

Endowment Net Asset Composition

The endowment net asset composition by type of fund as of June 30 was as follows:

	<u>Donor-Restricted</u>	
	<u>2023</u>	<u>2022</u>
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donor	\$ 37,342,413	35,289,376
Accumulated investment earnings	<u>1,165,540</u>	<u>263,240</u>
	<u>\$ 38,507,953</u>	<u>35,552,616</u>
Scholarship awards	\$ 28,369,142	26,536,326
University assistance	3,396,892	2,906,308
Athletics	1,329,361	927,148
Lectureship, professorship and chair	<u>5,412,558</u>	<u>5,182,834</u>
	<u>\$ 38,507,953</u>	<u>35,552,616</u>

See Independent Auditors' Report.

(14) ENDOWMENTS, CONTINUED**Changes in Endowment Net Assets**

Changes in the endowment net assets for the years ended June 30 were as follows:

	Donor-Restricted in Perpetuity	
	<u>2023</u>	<u>2022</u>
Net assets, beginning of year	\$ 35,552,616	36,355,816
Contributions and other revenues	2,053,037	4,349,806
Investment earnings (losses), net	2,567,364	(3,831,166)
Amounts appropriated for expenditures	<u>(1,665,064)</u>	<u>(1,321,840)</u>
Net assets, end of year	<u>\$ 38,507,953</u>	<u>35,552,616</u>

Included in endowment funds were other contributions and earnings or losses specifically related to certain endowment funds.

(15) FAIR VALUE MEASUREMENTS

The Foundation reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1—Quoted prices (unadjusted) in active markets for identical assets that the Foundation can access at the measurement date.

Level 2—Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3—Unobservable inputs for the asset. In these situations, the Foundation develops inputs using the best information available in the circumstances.

See Independent Auditors' Report.

(15) **FAIR VALUE MEASUREMENTS, CONTINUED**

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk, or liquidity profile of the asset.

The Foundation uses appropriate valuation methods based on the available inputs to measure the fair value of its assets.

Fair Value Measured on a Recurring Basis

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy.

Investments

A significant portion of the Foundation's investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values. The Foundation invests in certificates of deposit held at other financial institutions. The certificates of deposit are valued by the custodians of the security using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 2. Fair value for the privately owned corporate stock is determined by an annual independent appraisal using a combination of the market values and the investment value methods, which are considered Level 3 inputs. The fair value measurements considered to be observable inputs may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and the security's terms and conditions, among other things.

(15) FAIR VALUE MEASUREMENTS, CONTINUED**Fair Value Measured on a Recurring Basis, Continued**

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30:

	Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>2023</u>				
Mutual funds	\$ 41,538,747	41,538,747	-	-
Corporate stock—private	<u>127,875</u>	<u>-</u>	<u>-</u>	<u>127,875</u>
	<u>\$ 41,666,622</u>	<u>41,538,747</u>	<u>-</u>	<u>127,875</u>
<u>2022</u>				
Mutual funds	\$ 38,112,061	38,112,061	-	-
Certificates of deposit	90,784	-	90,784	-
Corporate stock—private	<u>144,375</u>	<u>-</u>	<u>-</u>	<u>144,375</u>
	<u>\$ 38,347,220</u>	<u>38,112,061</u>	<u>90,784</u>	<u>144,375</u>

The Foundation had no assets measured at fair value on a recurring basis that were transferred into or out of Level 3 for the years ended June 30, 2023 or 2022. The Foundation had no purchases or issues of Level 3 assets for the years ended June 30, 2023 or 2022.

Fair Value Measured on a Nonrecurring Basis

The following is a description of the valuation methodologies used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. The valuation methodologies are consistently applied from year to year.

Real Estate Held as Investment

The fair values of real estate held as investment are based on management's estimated fair values using unobservable Level 3 inputs.

The Foundation had real estate held as investment carried at fair value on a nonrecurring basis at both June 30, 2023 and 2022. The investment had a fair market value of \$12,500 as of both June 30, 2023 and 2022.

See Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
East Central University Foundation, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States 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 East Central University Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 26, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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.

(Continued)

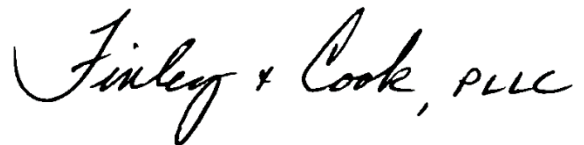
**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, CONTINUED**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation'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 Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Finley & Cook, PLLC".

Shawnee, Oklahoma
September 26, 2023