EAST CENTRAL UNIVERSITY

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

EAST CENTRAL UNIVERSITY

June 30, 2014

AUDITED FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS* AND OMB CIRCULAR A-133

Arledge
& Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Regents
Regional University System of Oklahoma
East Central University
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of East Central University (the "University"), a department of the Regional University System of Oklahoma (RUSO), which is a component unit of the State of Oklahoma, that comprise the statement of net position as of June 30, 2014, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the University's discretely presented component unit, the East Central University Foundation, Inc. (the "Foundation"). Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University Foundation were audited by other auditors and were not audited in accordance with *Governmental Auditing Standards.*

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its discretely presented component unit, the Foundation, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A, the financial statements of the University are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of RUSO that is attributable to the transactions of the University. They do not purport to, and do not present fairly the financial position of RUSO as of June 30, 2014, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2014, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Arledge & Associates, P.C.

October 16, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

EAST CENTRAL UNIVERSITY

Year Ended June 30, 2014

OVERVIEW OF FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

East Central University (the "University") presents its financial statements for fiscal year 2014. Presented separately from the University are East Central University Foundation, Inc. ("the Foundation") financial statements. The Foundation is a discretely presented component unit of East Central University and has trustees that are independently elected. The Foundation also issues its financial statements in a separate report. Emphasis of discussions concerning these statements will be for the 2014 fiscal year data in comparison with the 2013 fiscal year data. While the 2013 data is not a part of the financial statements, significant fluctuations between the 2014 and 2013 data will be discussed. The Foundation statements will not be a part of this discussion and analysis. The three financial statements, prepared in accordance with Governmental Accounting Standards Board ("GASB") principles, are the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. Since changes reflected in the Statement of Cash Flows will be discussed in the analysis of the other two statements, the Statement of Cash Flows will not be presented in this discussion and analysis. Dollar amounts presented in table and graph formats are in thousands of dollars, and those presented in the discussion are rounded to thousands. This discussion and analysis of the University's financial statements is designed to assist the readers in understanding the accompanying financial statements and to summarily quantify the status, sources, and uses of resources. The University will also utilize these statements in conjunction with prior year data to focus on trends and establish benchmark comparisons.

STATEMENT OF NET POSITION

The Statement of Net Position presents the Assets (current and non-current), Deferred Outflows of Resources, Liabilities (current and non-current), Deferred Inflows or Resources and Net Position (assets plus deferred outflows minus liabilities minus deferred inflows) at the end of the fiscal year. The purpose of the Statement of Net Position is to allow readers of the financial statements to determine the assets available to continue the operations of the University. They are also able to determine how much the University owes vendors, investors, and lending institutions. Finally, the Statement of Net Position provides a picture of the net position and their availability for expenditure by the University. The change in net position is an indicator of the overall financial condition of the University.

Net position is divided into three major categories. The first category, Net Investment in Capital Assets, provides the institution's equity in property, plant, and equipment owned by the University and is recorded at historical cost less accumulated depreciation. The next category, Restricted-Expendable Net Position, measured in current value, is available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is Unrestricted Net Position, also measured in current value. Unrestricted assets are available to the institution for any lawful purpose of the institution.

STATEMENTS OF NET POSITION--Continued

	June 30 2014	June 30 2013
	(Thousands of Dollars)	
ASSETS		
Current assets	$ 27,448	$ 24,231
Capital assets, net	73,525	72,440
Other assets	8,414	8,624
TOTAL ASSETS	$ 109,387	$ 105,295
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on OCIA lease restructure	$ 290	$ 451
LIABILITIES		
Current Liabilities	$ 6,209	$ 7,505
Noncurrent Liabilities	28,719	25,718
TOTAL LIABILITIES	$ 34,928	$ 33,223
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on OCIA lease restructure	$ 323	$ -
NET POSITION		
Net investment in capital assets	$ 51,020	$ 50,115
Restricted-expendable	7,449	8,271
Unresticted	15,957	14,137
TOTAL NET POSITION	$ 74,426	$ 72,523

STATEMENTS OF NET POSITION--Continued

The increase in capital assets of $1,084,057 was due to the construction of a Center of Undergraduate Research and Learning (CURL) in the amount of $2,475,587. This facility will initiate a campus-wide promotion of research-based learning via directed study, summer research, and research internships. At June 30, 2014, this project was ongoing and much of the equipment planned for the Center remained to be purchased and installed. The increase is also due to purchased land in the amount of $286,490 to be used for parking lots and possible future campus expansion. Several other minor projects which are still in progress in the amount of $315,222 and other capital purchases in the amount of $1,274,673 also led to the increase. Accumulated depreciation of $3,267,915 reduces the overall increases.

Total current liabilities decreased due to the $1,314,309 decrease in accounts and scholarships payable, the largest portion of this decrease is $639,000 decrease in retainage payable for the new School of Business and Conference Center which was occupied in August 2013. Total Noncurrent liabilities increased mainly due to the 2014C Bonds issued by ODFA to fund capital improvements. The proceeds for East Central University are being used to fund improvements in the Education Building.

Invested in capital assets, net of debt increased $905,333 this year mainly due to the payment of debt and the addition of the construction in progress on the Center of Undergraduate Research and Learning project.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Another measure of an institution's fiscal stability is how operating revenues compare to operating expenses. Operating revenues are earned in exchange for providing goods and services, and operating expenses are incurred in the normal operations of the University. While public institutions will not normally have an excess of operating revenues over operating expenses (State Appropriations, some federal and state grants, gifts, and investment income are required to be reported as non-operating Revenues by GASB principles), the excess of operating revenues and non-operating revenues over expenses is normally an indication of the University's ability to operate within its available resources.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION--Continued

	Years Ended June 30, 2014	Years Ended June 30, 2013
	(Thousands of Dollars)	
OPERATING REVENUES		
Tuition, fees, housing, & food service	$ 23,316	$ 23,037
Grants and contracts	5,583	6,816
Other operating revenues	1,444	1,419
TOTAL OPERATING REVENUES	30,343	31,272
OPERATING EXPENSES		
Compensation	33,044	33,621
Contractual services	4,054	6,815
Supplies & materials	4,432	4,235
Depreciation	3,437	3,024
Other operating expenses	19,406	19,800
TOTAL OPERATING EXPENSES	64,373	67,495
NET OPERATING INCOME (LOSS)	(34,030)	(36,223)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	17,803	17,576
Grants and contracts	14,841	15,559
Other revenues	1,874	1,954
Interest expense	(985)	(1,256)
TOTAL NON-OPERATING REVENUES (EXPENSES)	33,533	33,833
OTHER REVENUES AND GAINS	2,400	8,105
CHANGE IN NET POSITION	1,903	5,715
NET POSITION, BEGINNING OF YEAR	72,523	66,808
NET POSITION, END OF YEAR	$ 74,426	$ 72,523

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION--Continued

The University experienced a slight decrease in enrollment during fiscal years 2013 and 2014 but had an approximate increase in tuition and fees of 5.8%. This resulted in an increase in tuition, fee, housing, and food service revenues of $277,682 from fiscal year 2013. Grants and Contracts operating decreased by $1,232,572, mainly due a reduction in PELL and Direct Lending which have had changes in the qualification rules and award amounts.

Contractual services expense has decreased from last year in the amount of $2,760,609, which is mainly due to the completion of the School of Business and Conference Center. Other operating expense decreased $394,659 partially due to the change in the amount of the scholarship allowance and the fee waivers.

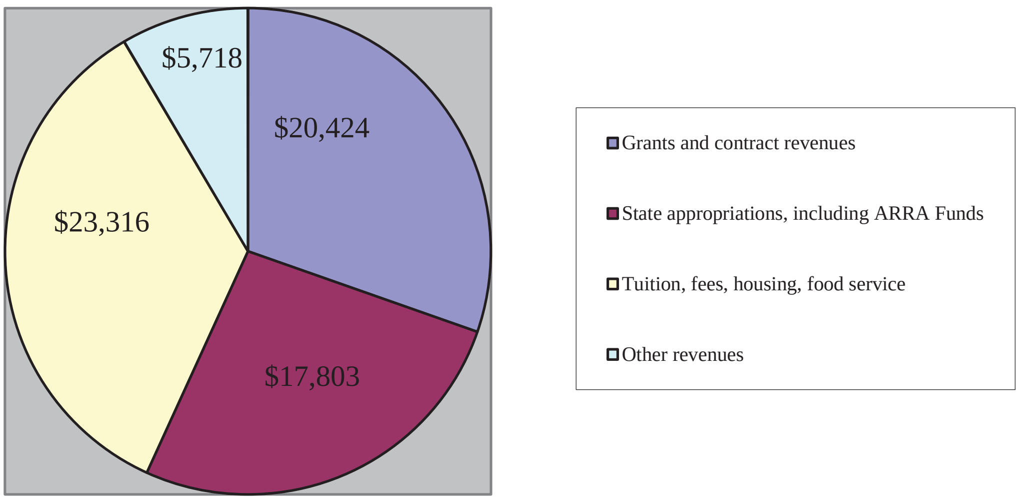
Other revenues and gains have decreased $5,705,087; this is due to a reduction in donations due to new football turf and the School of Business and Conference Center being completed.

Overall, the University realized a $1,903,000 growth in net position.

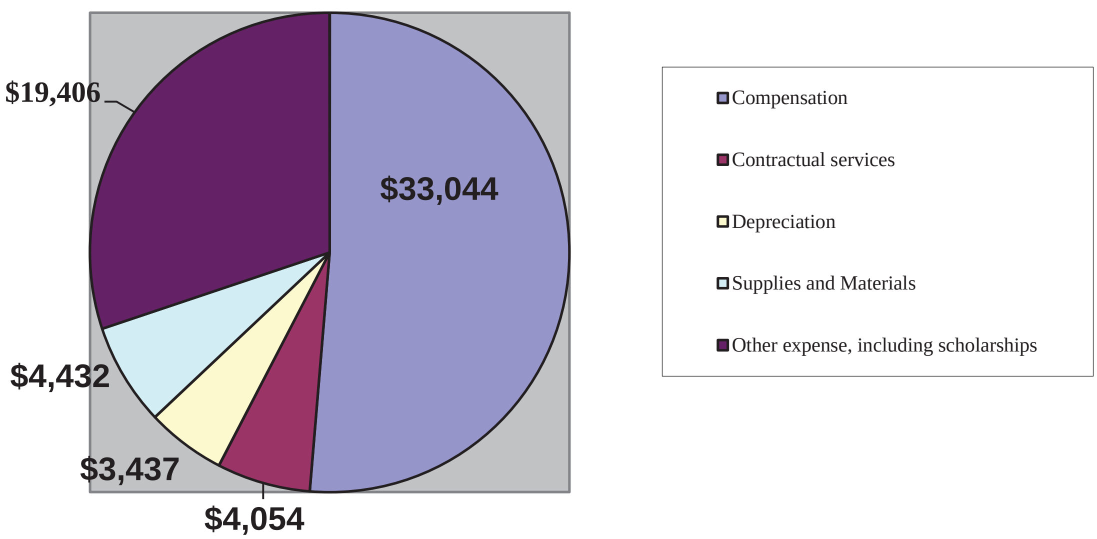
The major sources of revenues and expenditures (operating and non-operating) by the financial statement categories are summarized in the charts on the next page (in thousands of dollars).

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION--Continued

REVENUES



EXPENSES



STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from noncapital financing activities consist primarily of revenue sources that fund operations but are considered non-operating activities by definition. Cash flows from capital activities include capital asset and related long-term debt activities. Cash flows from investing activities show the proceeds and uses of cash related to purchasing or selling investments and related investment earnings thereon. The University's Statement of Cash Flows is presented on pages 13 and 14 of the financial statements.

ECONOMIC OUTLOOK

During the 2014 fiscal year, the University operated within its available resources, as total revenues exceeded total expenses by $1,903,000, and management's goal of increasing cash reserves has been effective. In fiscal year 2014, tuition, fees, housing, and food service revenue accounted for 35% of the University's total revenue. A slight decrease in enrollment has continued into the fall 2014 semester, and the State Regents approved a 6.9% increase in tuition and fees for the 2014-2015 school years.

State appropriations were approximately 26% of total revenues for fiscal year 2014. State appropriations to the University are expected to remain flat; therefore, total state appropriations are not expected to be returned to the fiscal year ending 2009 level. Therefore, the University will continue to feel a negative impact from this financial source.

Grant and contract revenues currently represent 30% of total revenues for the University which decreased during the 2014 year. Changes in the student loan and grant programs continue to occur during fiscal year 2014. Grant and contract resources have been negatively impacted by the national economic down-turn. The University has prepared contingency plans and continues to operate using a conservative spending plan due to the decrease in state appropriations in the past years and the national economic status.

STATEMENT OF NET POSITION

EAST CENTRAL UNIVERSITY

June 30, 2014

	University	Component Unit
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 19,001,291	$ 1,199,409
Accounts receivable, net	1,561,060	170,600
Grants and contracts receivable	1,632,025	-
Interest receivable	4,950	42,082
Current portion of other receivable	5,159,654	-
Current portion of notes receivable, net	89,502	-
TOTAL CURRENT ASSETS	27,448,482	1,412,091
NONCURRENT ASSETS		
Restricted cash and cash equivalents	4,054,411	-
Restricted investments	198,762	-
Investments	-	24,341,541
Investments held by others	2,300	-
Receivable from OSRHE Endowment Trust Fund	341,708	-
Other receivable	360,000	
Notes receivable, net	1,094,834	-
Net Pension Asset	873,050	-
Net OPEB Asset	1,048,052	-
Other assets	441,157	202,031
Capital assets, net	73,524,556	322,452
TOTAL NONCURRENT ASSETS	81,938,830	24,866,024
TOTAL ASSETS	$ 109,387,312	$ 26,278,115
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on capital lease restructure	$ 290,468	$ -

STATEMENT OF NET POSITION--Continued

EAST CENTRAL UNIVERSITY

June 30, 2014

		University		Component Unit
LIABILITIES				
CURRENT LIABILITIES				
Accounts and scholarships payable	$	1,850,877	$	-
Accrued payroll		80,963		-
Accrued interest		144,824		-
Unearned revenue		1,788,446		-
Deposits held in custody for others		211,749		-
Current portion of non current liabilities		2,131,978		-
TOTAL CURRENT LIABILITIES		6,208,837		-
NONCURRENT LIABILITIES				
Accrued compensated absences		667,627		-
Federal loan program contributions refundable		1,358,507		-
Bonds payable		8,530,000		-
Unearned revenue		1,876,336		-
ODFA master lease obligations		7,252,082		-
Premium on Bonds		100,136		-
Lease obligations payable to OCIA		8,934,839		-
TOTAL NONCURRENT LIABILITIES		28,719,527		-
TOTAL LIABILITIES	$	34,928,364	$	-
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on OCIA lease restructure	$	323,423	$	-
NET POSITION				
Net investment in capital assets		51,020,329		-
Restricted:				
Nonexpendable:				
Grants, bequests and contributions		-		15,825,383
Expendable:				
Scholarships, instruction and other		3,568,491		8,115,207
Loans		152,495		-
Capital projects		3,727,745		-
Unrestricted		15,956,933		2,337,525
TOTAL NET POSITION	$	74,425,993	$	26,278,115

See notes to financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

EAST CENTRAL UNIVERSITY

Year Ended June 30, 2014

	University	Component Unit
OPERATING REVENUES		
Student tuition and fees, net of scholarship discounts and allowances of $8,423,572 (revenues of $548,691 pledged as security on University Center Revenue Bonds of 1993, revenues of $366,599 pledged as security on Fine Arts Center Revenue Bonds of 2005).	$ 17,829,281	$ -
Federal grants and contracts	5,032,682	-
State and local grants and contracts	550,023	-
Bookstore operations	192,844	-
Housing and food service (revenues of $3,712,992 pledged as security on Student Housing Revenue bonds of 2003).	5,293,638	-
Investment income	-	3,256,788
Contributions	-	1,759,911
Other operating revenues	1,444,609	3,973
TOTAL OPERATING REVENUES	30,343,077	5,020,672
OPERATING EXPENSES		
Compensation and employee benefits	33,044,216	-
Contractual services	4,054,391	-
Supplies and materials	4,432,260	-
Depreciation	3,436,749	5,978
Utilities	1,425,789	-
Communication expense	213,073	-
Scholarships and fellowships	12,650,171	469,291
Other operating expenses	5,116,111	1,475,421
TOTAL OPERATING EXPENSES	64,372,760	1,950,690
OPERATING INCOME (LOSS)	(34,029,683)	3,069,982
NONOPERATING REVENUES (EXPENSES)		
State appropriations	17,803,443	-
On-behalf contributions for OTRS	1,772,000	-
Federal Grants	8,082,224	-
State Grants	6,758,628	-
Investment income	57,325	-
Other non-operating revenues	44,452	-
Interest expense	(985,124)	-
NET NONOPERATING REVENUE (EXPENSES)	33,532,948	-
Income before other revenues, expenses, gains, and losses	(496,735)	3,069,982
CAPITAL GIFTS AND GRANTS		
State appropriations restricted for capital purposes	1,091,554	-
Capital Contributions	208,117	
OCIA on-behalf state appropriations	1,099,746	-
TOTAL CAPITAL GIFTS AND GRANTS	2,399,417	-
CHANGE IN NET POSITION	1,902,682	3,069,982
NET POSITION, BEGINNING OF YEAR	72,523,311	23,208,133
NET POSITION, END OF YEAR	$ 74,425,993	$ 26,278,115

See notes to financial statements.

STATEMENT OF CASH FLOWS

EAST CENTRAL UNIVERSITY

Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 17,701,675
Grants and contracts	6,584,051
Auxiliary enterprise charges	7,080,193
Payments to employees for salaries and benefits, net of on-behalf payments	(31,582,581)
Payments to suppliers	(27,979,229)
NET CASH USED IN OPERATING ACTIVITIES	(28,195,891)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	17,803,443
Non-operating grants	14,840,852
Cash received from Non-Operating Revenues	44,452
Direct Loan receipts	15,784,529
Direct Loan payments	(15,784,529)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	32,688,747
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash paid for capital assets	(5,820,695)
Capital appropriations received	1,091,554
Contributions	208,117
Proceeds from capital debt and leases	28,974
Repayments of capital debt and leases	(851,231)
Interest paid on capital debt and leases	(568,469)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(5,911,750)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales of investments	616,587
Purchase of investments	(332,932)
Interest received on investments	38,785
NET CASH PROVIDED BY INVESTING ACTIVITIES	322,440
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,096,454)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	24,152,156
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 23,055,702

STATEMENTS OF CASH FLOWS--Continued

EAST CENTRAL UNIVERSITY

Year Ended June 30, 2014

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	$ (34,029,683)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	3,436,749
Loss on disposal of capital assets	7,547
On-behalf contributions to teachers' retirement system	1,772,000
Changes in assets and liabilities:	
Student accounts receivable	(97,238)
Grants and other receivables	1,028,221
Loan receivables	122,227
Net Pension and OPEB Assets	(456,028)
Accounts payable and accrued liabilities	(94,981)
Accrued payroll	(115)
Unearned revenue	(30,368)
Compensated absences	145,778
NET CASH USED IN OPERATING ACTIVITIES	$ (28,195,891)
NONCASH INVESTING, NONCAPITAL FINANCING AND CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest on capital debt paid by state agency on behalf of the University	$ 235,311
Principal on capital debt paid by state agency on behalf of the University	864,435
TOTAL NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING ACTIVITIES	$ 1,099,746
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET ASSETS	
Current assets:	
Cash and cash equivalents	$ 19,001,291
Noncurrent assets:	
Restricted cash and cash equivalents	4,054,411
	$ 23,055,702

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL UNIVERSITY

June 30, 2014

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization: East Central University (the "University") is a regional University operating under the jurisdiction of the Regional University System of Oklahoma and the Oklahoma State Regents for Higher Education.

Reporting Entity: East Central University is one of six institutions of higher education in Oklahoma that comprise part of the Regional University System of Oklahoma, which in turn is part of the Higher Education component unit of the State of Oklahoma.

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

Accordingly, East Central University is considered an organizational unit of the Regional University System of Oklahoma reporting entity for financial reporting purposes due to the significance of its legal, operational, and financial relationships with the Board of Regents as defined in Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

Discretely Presented Component Units: East Central University Foundation, Inc. (the "Foundation") is a component unit of the University under GASB 39 that is discretely presented with the financial statements of the University. The University is the beneficiary of the Foundation, a separate legal entity with their own Boards of Trustees. The Foundation is organized for the benefit of the University, and its faculty, student body, and programs. The purposes for which the Foundation is organized are exclusively scientific, literary, charitable, educational, and artistic for the benefit the University. Additional and selected disclosures for the Foundation are located in this report beginning with Note O. A complete report of the Foundation's financial statements and footnotes can be requested form the Foundation's director.

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

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

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

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

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

Investments: The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net position.

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

Accounts and Grants Receivable: Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of Oklahoma. Grants receivable include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grant and contracts. Accounts and grants receivable are recorded net of estimated uncollectible amounts.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of $2,500 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 60 years for buildings, 20 to 30 years for infrastructure and land improvements, and 5 to 10 years for library materials and equipment. Depreciation expense includes amortization of assets held under capital lease obligations.

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

Compensated Absences: Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences in the statement of net position and as a component of compensation and benefit expense in the statement of revenues, expenses, and changes in net position.

Noncurrent liabilities: Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

Deferred Outflows of Resources: Deferred outflows are the consumption of net position by the University that is applicable to a future reporting period. At June 30, 2014, the University's deferred outflows of resources were comprised of deferred charges on capital lease restructure.

Deferred Inflows of Resources: Deferred inflows are the acquisition of net position by the University that is applicable to a future reporting period. At June 30, 2014, the University's deferred inflows of resources were comprised of deferred gain on capital lease restructure.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Net position: The University's net position is classified as follows:

Net investment in capital assets: This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net position - expendable: Restricted expendable net position include resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties or enabling legislation.

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

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

Income Taxes: The University, as a political subdivision of the State of Oklahoma, is exempt from all federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

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

Classification of Revenues: The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; and (3) certain grants and contracts.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, student aid revenues, and other revenue sources that are defined as nonoperating revenues by GASB No. 9 *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB No. 34, such as state appropriations, governmental, and other pass through grants and investment income.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Scholarship Discounts and Allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

NOTE B--DEPOSITS AND INVESTMENTS

Deposits: Custodial credit risk for deposits is the risk that in the event of a bank failure, the University's deposits may not be returned or the University will not be able to recover collateral securities in the possession of an outside party. Generally, the University deposits its funds with the Office of the State Treasurer (the "OST"), and those funds are pooled with funds of other state agencies and then, in accordance with statutory limitations, are placed in financial institutions or invested as the OST may determine, in the state's name.

State statutes require the OST to ensure that all state funds are either insured by Federal Deposit Insurance Corporation (the "FDIC"), collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The OST's responsibilities include receiving and collateralizing the deposit of State funds, investing State funds in compliance with statutory requirements, and maintaining adequate liquidity to meet the cash flow needs of the State and all its funds and agencies. If the University deposits funds directly with financial institutions, those funds must be insured by the FDIC or collateralized by securities held by the cognizant Federal Reserve Bank in the University's name.

Some deposits with the OST are placed in the OST's internal investment pool, *OK INVEST*. *OK INVEST* pools the resources of all state funds and agencies and invests them in obligations of the United States Government, its agencies and instrumentalities, including agency senior debt and mortgage-backed pass-through securities, tri-party repurchase agreements, money market mutual funds, collateralized certificates of deposit, commercial paper, obligations of state and local governments, foreign bonds, and various other investments, as allowed by law.

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Deposits--Continued: At June 30, 2014, the carrying amount of all University deposits with the OST and other financial institutions were $23,055,702. These amounts consisted of deposits with the OST ($23,051,453) and change funds ($4,249). Of funds on deposit with the OST, amounts invested in *OK INVEST* total $3,635,220 in 2014. The difference between the bank balance of deposits and the related carrying amounts were generally not significant and are due to outstanding checks and deposits in transit.

For financial reporting purposes, deposits with the OST that are invested in *OK INVEST* are classified as cash equivalents. The distribution of deposits in *OK INVEST* is as follows:

OK INVEST Portfolio	Cost	Market Value
U.S. Agency securities	$ 1,667,850	$ 1,664,608
Money market mutual funds	175,515	175,515
End of Day Commercial Paper Sweep	76,500	76,500
Certificates of deposits	94,365	94,365
Mortgage backed agency securities	1,493,382	1,524,197
Municipal bonds	55,771	61,765
Foreign bonds	28,558	28,558
U.S. Treasury Obligations	43,279	53,576
TOTAL	$ 3,635,220	$ 3,679,084

Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the OST establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives which establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and meeting the State and its funds and agencies' daily cash flow requirements.

Guidelines in the Investment Policy address credit quality requirements and diversification percentages and specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the OST website at *http://www.treasurer.state.ok.us/*. The State Treasurer, at his discretion, may further limit or restrict such investments on a day to day basis. *OK INVEST* includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to ten years. *OK INVEST* maintains an overall weighted average maturity of no more than four years.

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Deposits--Continued: Participants in *OK INVEST* maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the OST information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk. Interest rate risk is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher. Credit/default risk is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations. Liquidity risk is the risk that *OK INVEST* will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons. U.S. Government securities risk is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities, or sponsored enterprises if it is not obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer's Investment Policy to mitigate those risks; however, any interest in *OK INVEST* is not insured or guaranteed by the State of Oklahoma, the Federal Deposit Insurance Corporation, or any other government agency.

Investments: Investment *credit risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the University's investments are managed by the State Treasurer. In accordance with state statutes, the State Treasurer may only purchase and invest in (a) obligations of the United States government, its agencies, and instrumentalities; (b) prime banker's acceptances; (c) investment grade obligations of state and local governments; (d) money market funds; (e) collateralized or insured certificates of deposits; (f) negotiable certificates of deposits; (g) prime commercial paper; and (h) repurchase agreements. *Interest rate risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments that are held for longer periods of time are subject to increased risk of adverse interest changes.

Neither the University nor state statutes limit investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates; however, the OST investment policy limits the average maturity on its portfolio to four (4) years, with certain individual securities having more restrictive limits as defined in the policy. *Concentration of credit risk* is the risk of loss attributed to the magnitude of the University's investment in a single issuer. Neither the University's investment policy nor state statutes place limits on amounts that can be invested in any one issuer; however, the OST investment policy states that, with the exception of U.S. Treasury securities, no more than 50% of the State's total funds may be invested in a single security type or with a single financial institution, with diversification percentages being more restrictive on individual securities. *Custodial credit risk* for investments is the risk that, in the event of failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities in the possession of an outside party. As of June 30, 2014, none of the University's investments were subject to custody credit risk.

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Investments--Continued: At June 30, 2014, the University had cash and cash equivalents totaling $2,300 as a part of the ODFA Lease program. These funds had a fair market value of $2,300 at June 30, 2014. These funds are labeled Investments Held by Others on the University's statement of net position.

Bond fund cash and investments: Certain non-pooled cash and investments are restricted in purpose by policies incorporated in applicable bond indentures. *Credit risk* policy generally restricts investing to cash, investments fully insured by the FDIC and U.S. government, and agency securities or mutual funds investing in these types of securities. There may be some variance among the investments authorized by the specific bond indentures of University bond issues. The OST and/or a trustee bank generally provide the management of restricted, non-pooled investments.

Custodial credit risk is not addressed by bond indentures. *Interest rate risk* in bond indentures provide that investments mature in no more than six to sixty months depending on the purpose of the funds and the requirements of the account in which the funds are deposited (i.e., construction, reserve, operations, and maintenance, etc.). *Concentration of credit risk* is not addressed.

At June 30, 2014, the University had cash and investments in restricted bond funds totaling $199,246. The restricted investments in these bond funds amounted to $198,762 at June 30, 2014. The investment funds had a fair market value of $198,762 at June 30, 2014. The invested bond funds are not subject to maturity dates and are due on demand.

The University, in association with various Trustees, has by law and in accordance with the trust indentures obtained various security and investment accounts to pay bond indebtedness and secure funds for said future payments. These funds are invested at the discretion of the Trustee, with no input from the University. Invested bond funds of $198,762 had an average credit rating of Aaa at June 30, 2014, according to Moody's.

NOTE C--ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

Accounts Receivable: Accounts receivable consisted of the following at June 30, 2014:

Student tuition and fees	$ 3,708,996
Auxiliary enterprises and other operating activities	794,945
	4,503,941
Less: allowance for doubtful accounts	(2,942,881)
Net accounts receivable	$ 1,561,060

NOTE C--ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES--Continued

Other Receivable: During fiscal year 2013, the University entered into a seven year management agreement with the Texas Book Company. The Texas Book Company obtained the rights to operate the University book store and be compensated from the operations. The Texas Book Company is required to provide the University with an annual installment payment of $90,000, or 8% of gross sales, plus 10% of gross sales of $1,500,000, whichever is greater. As of June 30, 2014, the University has a receivable, related to the annual installment payments, in the amount of $450,000 for the remaining six years of the management agreement and an offsetting unearned revenue has been set up with the same remaining life.

NOTE D--NOTES RECEIVABLE

Student loans made through the Federal Perkins Loan Program (the “Program”) comprise substantially all of the loans receivable at June 30, 2014. Under this Program, the federal government provides funds for approximately 75% of the total contribution for student loans with the University providing the balance. Under certain conditions such loans can be forgiven at annual rates of 10% to 30% of the original balance up to maximums of 50% to 100% of the original loan. The federal government reimburses the University to the extent of 10% of the amounts forgiven for loans originated prior to July 1, 1993, under the Federal Perkins Loan Program. No reimbursements are provided for loans originated after this date. The amount refundable to the U.S. Government upon cessation of the Program of $1,358,507 at June 30, 2014, is reflected in the accompanying statement of net position as noncurrent liabilities.

As the University determines loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The allowance for uncollectible loans only applies to University funded loans and the University portions of federal student loans, as the University is not obligated to fund the federal portion of uncollected student loans. The University has provided an allowance for uncollectible loans that, in management’s opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, loans receivable consisted of the following:

Perkins loans	$ 1,276,883
Other loans	1,978
Total loans receivable	1,278,861
Less: allowance for uncollectible loans	(94,525)
Net loans receivable	$ 1,184,336

NOTE E--CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2014:

	Balance June 30, 2013	Additions	Transfers	Retirements/ Adjustments	Balance June 30, 2014
Capital assets not being depreciated					
Land	$ 4,159,581	$ 286,490	$ -	$ -	$ 4,446,071
Construction in progress	12,997,489	2,790,809	(12,827,746)	-	2,960,552
Total assets not being depreciated	$ 17,157,070	$ 3,077,299	$ (12,827,746)	$ -	$ 7,406,623
Other capital assets					
Non-major infrastructure networks	$ 321,359	$ 20,990	$ -	$ -	$ 342,349
Land improvements	2,933,185	24,950	-	-	2,958,135
Buildings	78,661,969	103,455	12,827,746	-	91,593,170
Furniture, fixtures, and equipment	11,190,661	1,125,380	-	(168,176)	12,147,865
Software	868,644	-	-	-	868,644
Library materials	6,075,829	176,279	-	(8,205)	6,243,903
Total other capital assets	100,051,647	1,451,054	12,827,746	(176,381)	114,154,066
Less: accumulated depreciation for					
Non-major infrastructure networks	(243,422)	(17,432)	-	-	(260,854)
Land improvements	(1,038,527)	(142,632)	-	-	(1,181,159)
Buildings	(30,006,973)	(1,992,438)	-	-	(31,999,411)
Furniture, fixtures, and equipment	(6,989,501)	(1,101,782)	-	160,629	(7,930,654)
Software	(868,644)	-	-	-	(868,644)
Library materials	(5,621,151)	(182,465)	-	8,205	(5,795,411)
Total accumulated depreciation	(44,768,218)	(3,436,749)	-	168,834	(48,036,133)
Other capital assets, net	$ 55,283,429	$ (1,985,695)	$ 12,827,746	$ (7,547)	$ 66,117,933
Capital asset summary:					
Capital assets not being depreciated	$ 17,157,070	$ 3,077,299	$ (12,827,746)	$ -	$ 7,406,623
Other capital assets, at cost	100,051,647	1,451,054	12,827,746	(176,381)	114,154,066
Total cost of capital assets	117,208,717	4,528,353	-	(176,381)	121,560,689
Less: accumulated depreciation	(44,768,218)	(3,436,749)	-	168,834	(48,036,133)
Capital assets, net	$ 72,440,499	$ 1,091,604	$ -	$ (7,547)	$ 73,524,556

Capital assets acquired with funds under capital lease programs are included in the above capital assets. The University maintains various collections of inexhaustible assets for which no value can be determined. Such collections include works of art, historical treasures, and literature.

NOTE F--LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Amounts due within one year
Bonds payable and capital lease obligations					
University Center - Series 1993	$ 245,000	$ -	$ (245,000)	$ -	$ -
Student Housing - Series 2003	4,920,000	-	(150,000)	4,770,000	155,000
Fine Arts Center - Series 2005	4,160,000	-	(120,000)	4,040,000	125,000
ODFA Series 2011B lease obligation	3,137,166	-	(311,000)	2,826,166	322,667
ODFA Series 2014C lease obligation	-	4,928,000	(25,231)	4,902,769	154,186
OCIA lease obligations	11,017,588	-	(1,192,885)	9,824,703	889,864
Total bonds and capital lease	23,479,754	4,928,000	(2,044,116)	26,363,638	1,646,717
Other liabilities					
Accrued compensated absences	1,007,110	145,778	-	1,152,888	485,261
Federal loan program contributions	1,358,507	-	-	1,358,507	-
Total other liabilities	2,365,617	145,778	-	2,511,395	485,261
Total long-term liabilities	$ 25,845,371	$ 5,073,778	$ (2,044,116)	$ 28,875,033	$ 2,131,978

Revenue Bonds Payable:

Board of Regents of Oklahoma Colleges University Center Revenue Bonds, Series 1993

During 1993, the University issued the Board of Regents of Oklahoma Colleges University Center Revenue Bonds, Series 1993 (the "Bonds"), for $3,175,000 for the purpose of constructing a Student University Center. The Bonds are due in annual installments varying from $85,000 to $245,000 plus semiannual interest ranging from 4.2% to 10%, with the final installment being due in the year 2014. The Bonds are secured by the gross receipts from the University Center student fees and all monies in funds and accounts held by the trustee bank and available for debt service payments. During the year the University paid off these bonds.

Board of Regents of Oklahoma Colleges Student Housing Revenue Bonds, Series 2003

During 2003, the University issued the Board of Regents of Oklahoma Colleges Student Housing Revenue Bonds, Series 2003 (the "Bonds"), for $6,000,000 for the purpose of constructing and renovating certain Student Housing Facilities. The Bonds are due in annual installments varying from $125,000 to $350,000 plus semiannual interest ranging from 2% to 4.55%, with the final installment being due in the year 2034. The Bonds are secured by the revenues to be derived from the Student Housing and Food Services Department and all monies in funds and accounts held by the trustee bank and available for debt service payments. This bond has been refinanced subsequent to the year end, see Footnote N for more detail.

NOTE F--LONG-TERM LIABILITIES--Continued

Revenue Bonds Payable--Continued:

Board of Regents of Oklahoma Colleges Fine Arts Center Revenue Bonds, Series 2005

During 2005, the University issued the Board of Regents of Oklahoma Colleges Fine Arts Center Revenue Bonds, Series 2005 (the "Bonds"), for $5,000,000 for the purpose of constructing a Fine Arts Center. The Bonds are due in annual installments varying from $95,000 to $285,000 plus semiannual interest ranging from 3.0% to 4.6%, with the final installment being due in the year 2035. The Bonds are secured by the gross receipts from the Fine Arts Center student fees and all monies in funds and accounts held by the trustee bank and available for debt service payments.

Future aggregate maturities of principal and interest requirements on the Bonds payable at June 30, are as follows:

	Principal	Interest	Total
Year Ending June 30:			
2015	$ 280,000	$ 379,676	$ 659,676
2016	295,000	369,331	664,331
2017	305,000	358,113	663,113
2018	315,000	346,168	661,168
2019	330,000	333,415	663,415
2020-2024	1,850,000	1,447,075	3,297,075
2024-2029	2,295,000	999,876	3,294,876
2030-2034	2,855,000	427,576	3,282,576
2035-2039	285,000	12,825	297,825
	$ 8,810,000	$ 4,674,055	$ 13,484,055

Capital Lease Obligations:

Oklahoma Development Finance Authority Master Lease Program

In December 2002, the Oklahoma Development Finance Authority ("ODFA") issued the ODFA Master Lease Revenue Bonds, Series 2002C ("2002 Bonds"). The 2002 Bonds were issued to fund capital improvements at several state colleges and universities in Oklahoma. ODFA allocated the 2002 Bond proceeds to colleges and universities in the form of financing leases. East Central University's portion of this allocation totaled $5,880,000. The University has recorded capital improvements funded by the lease and the resulting capital lease obligation in its statement of net position.

NOTE F--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations--Continued:

Oklahoma Development Finance Authority Master Lease Program--Continued

In 2011, the ODFA issued Bond Series 2011B to refund the Series 2002C Master Lease Revenue Bonds. Restricted funds held under the 2002 Bonds were applied to the outstanding 2002 Bonds and, together with monthly principal payments on the 2002 Bonds until the refunding transaction in November 2011, resulted in the outstanding liability of 2002 Bonds being approximately equal to the liability incurred under the 2011B Series. A comparison of the present value of the total debt service costs of the 2002 Bonds versus the 2011B Bonds resulted in an economic gain of $330,000. The lease agreement calls for monthly payments to ODFA in an amount that equal debt service requirements on the portion of the bonds used to finance the lease. The final payment on the lease is due December 1, 2022.

In 2014, ODFA issued the ODFA Master Lease Revenue Bonds, Series 2014C. The 2014C Bonds were issued to fund capital improvements at several state colleges and universities in Oklahoma. ODFA allocated the 2014C Bond proceeds to colleges and universities in the form of financing leases. East Central University's portion of this allocation totaled $4,928,000. The proceeds from this lease will be used to fund improvements to the education building. The lease agreement calls for monthly payments to ODFA in an amount that equal debt service requirements on the portion of the bonds used to finance the lease, those amounts range from $26,867 to $29,564. The final payment on the lease is due May 15, 2034. As of June 30, the university has its total allotment available to be drawn.

Oklahoma Capital Improvement Authority Leases

In 2004, the OCIA issued bond series 2004A that refunded a significant portion of the 1999A bonds. The amortization of the 1999A bond issue ended in 2010. The lease agreement no longer secures the 1999A bond issue but now acts as security for the 2004A bond issue over the term of the lease through the year 2020. The University has drawn down all of its allotment for expenditures incurred in connection with specific projects which have been capitalized as capital assets (building and construction in-progress) in accordance with University policy. The University has recorded a lease obligation payable to OCIA for the total amount of the allotment, less payments made on the University's behalf, which is $336,503 at June 30, 2014.

In November 2005, OCIA issued its Bond Issues, 2005 Series F and G. Of the total bond indebtedness, the State Regents For Higher Education allocated $10,810,182 to the University. Concurrently with the allocation, the University entered into a lease agreement with OCIA, which includes the two projects being funded by the OCIA bonds.

NOTE F--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations--Continued:

Oklahoma Capital Improvement Authority Leases--Continued

The lease agreement provides for the University to make specified monthly payments to OCIA over the term of the agreement. Both projects have a thirty (30) year repayment term. The proceeds of the bonds and subsequent leases are to provide for capital improvements at the University. The University has recorded a lease obligation payable to OCIA for the total amount of the allotment, less payments made on the University's behalf, which is $321,095 at June 30, 2014.

In 2014, the OCIA restructured the 2005 F by issuing new bonds 2014 Series A. This restructuring was a partial refunding and resulted in a gain of $328,450 between the remaining liability of 2005F and the new liability of 2014A. This gain on restructuring was recorded as a deferred inflow of resources that will be amortized over a period of 18 years. As of June 30, 2014, the unamortized cost totaled $323,423. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The College's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of $766,729, which approximates the economic savings of the transaction. The University has recorded a lease obligation payable to OCIA for the total amount of the allotment, less payments made on the University's behalf, which is $5,918,947 at June 30, 2014.

In 2011, the OCIA issued Bond Series 2010A and 2010B to partially refund the Series 2005F Revenue Bonds. The advance partial refunding was to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring the debt service. As a result, the total liability of the remaining 2005F bonds combined with the new 2010A and 2010B bond issues will be more than the original outstanding liability for the 2005F bonds. Consequently, the lease agreement with OCIA was automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring that has been recorded as a charge of $963,001 on restructuring as a deferred outflow of resources that will be amortized over a period of six years, beginning in fiscal year 2011. As of June 30, 2014, the unamortized cost totaled $290,468. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of $47,593 which also approximates the economic cost of the lease restructuring. The University has recorded a lease obligation payable to OCIA for the total amount of the allotment, less payments made on the University's behalf, which is $3,248,158 at June 30, 2014.

NOTE F--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations--Continued:

Oklahoma Capital Improvement Authority Leases--Continued

Lease payments to OCIA totaling $1,114,773 during the year ended June 30, 2014, were made by the State of Oklahoma on behalf of the University. These on-behalf payments have been recorded as restricted state appropriations in the statement of revenues, expenses, and changes in net position.

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

Year Ending June 30:	Principal	Interest	Total
2015	$ 1,366,717	$ 667,004	$ 2,033,721
2016	1,586,692	660,069	2,246,761
2017	1,641,427	612,809	2,254,236
2018	1,696,103	547,573	2,243,676
2019	635,314	475,698	1,111,012
2020-2024	3,843,031	1,976,312	5,819,343
2025-2029	4,501,665	1,079,327	5,580,992
2030-2034	2,282,689	213,061	2,495,750
	$ 17,553,638	$ 6,231,853	$ 23,785,491

Unearned revenue: The University entered into a twenty year management agreement with the Professional Food Management, Inc. ("Chartwells") in 2008. Chartwells obtained the right to operate the cafeteria and other food services for the University and to be compensated by the University. Chartwells invested approximately $2,150,000 on capital assets, fixtures, or improvements for the University's dining and service facilities. However, if the agreement is terminated prior to completion (2028), the University must reimburse Chartwells for the unamortized portion of the capital assets. At June 30, 2014, the University has a liability for approximately $1,519,000 in the accompanying statement of net position. The amortization for the year ended June 30, 2014 was approximately $107,000.

NOTE F--LONG-TERM LIABILITIES--Continued

Unearned revenue--Continued: In connection with the agreement with Texas Book Company, Texas Book Company agreed to renovate the University's bookstore. Texas Book Company spent approximately $183,000 on capital assets, which becomes the University's assets at the end of the lease of which $130,000 was still unamortized as of June 30, 2014. However, if the agreement is terminated prior to completion (7 years), the University must reimburse Texas Book Company for the unamortized portion of the capital assets. The asset is to be amortized over the 7 year term of the agreement. The annual amortization for fiscal year 2014 was $26,000.

NOTE G--RETIREMENT PLANS

The University's academic and nonacademic personnel are covered by various retirement plans. The plans available to University personnel include the Oklahoma Teachers' Retirement System, which is a State of Oklahoma public employees retirement system, the Teachers' Insurance Annuity Association, which is a defined contribution plan, and the Supplemental Retirement Annuity ("SRA"), a single employer defined benefit pension plan available to employees hired prior to July 1, 1995. The University does not maintain the accounting records, hold the investments for, or administer these plans.

Oklahoma Teachers' Retirement System (OTRS)

Plan Description: The University contributes to the Oklahoma Teachers' Retirement System (the "OTRS"), a cost-sharing multiple-employer defined benefit pension plan sponsored by the State of Oklahoma. The OTRS provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. The benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 70 of the Oklahoma Statutes, Sections 17-101 through 116.9, as amended, assigns the authority for management and operations of the Plan to the Board of Trustees of the OTRS. The OTRS does not provide for a cost of living adjustment. The OTRS issues a publicly available financial report that includes financial statements and supplementary information for the OTRS. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Oklahoma 73152, or by calling (405) 521-2387.

NOTE G--RETIREMENT PLANS--Continued

Oklahoma Teachers' Retirement System (OTRS)--Continued

Funding Policy: The University is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate of 8.55%, is applied to annual compensation, and is determined by state statute.

Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2014, 2013 and 2012. For compensation in excess of $25,000, the employee's contributions are paid directly by the University to the OTRS.

The University's contributions to the OTRS for the year ended June 30, 2014, 2013 and 2012 were approximately $3,792,000, $3,765,000, and $3,735,000, respectively. These contributions included the University's statutory contribution and the share of the employees' contribution paid directly by the University.

The State of Oklahoma is also required to contribute to the OTRS on behalf of the participating employers. For 2014, the State of Oklahoma contributed 5% of state revenues from sales and use taxes and individual income taxes to the OTRS on behalf of participating employers. The University has estimated the amounts contributed to the OTRS by the State of Oklahoma on its behalf by multiplying the ratio of its covered salaries to total covered salaries for the OTRS for the year by the applicable percentage of taxes collected during the year.

For the year ended June 30, 2014, the total amount contributed to the OTRS by the State of Oklahoma on behalf of the University was approximately $1,772,000. These on-behalf payments have been recorded as both revenues and expenses in the statement of revenues, expenses, and changes in net position.

Defined Contribution 403(b) Plan

The University also has a defined contribution 403(b) plan (DCP) available to full-time employees. The DCP is administered by the RUSO System, and the plan provisions are established and may be amended by the Board of Regents. Plan members may make voluntary contributions in accordance with IRS regulations. The University has no contribution requirements, and no contributions were made during the year ended June 30, 2014.

NOTE G--RETIREMENT PLANS--Continued

Supplemental Retirement Annuity (SRA)

Plan Description: The University's SRA plan is a single employer, defined benefit pension plan administered by the University's Board of Regents. The SRA was established by the University's Board of Regents to provide supplemental retirement and death benefits to University employees who were hired prior to July 1, 1995, or to those eligible employees' beneficiaries. The authority to amend the SRA's benefit provisions rests with the University's Board of Regents. The SRA does not issue a stand-alone financial report, nor is it included in the financial report of another entity.

Funding Policy: The authority to establish and amend eligible employees' and employer contribution obligations to the SRA rests with the University's Board of Regents. Eligible employees are not required to make contributions to the SRA. The University is required to contribute to the SRA an actuarially determined amount on an annual basis. Under a policy adopted in December 2002, the Plan must achieve 80% funding of the pension benefit obligation by December 1, 2022.

Actuarial Method and Assumptions: The annual required contributions for 2014 was determined as part of an actuarial valuation on June 30, 2013, using the projected unit credit actuarial cost method. The actuarial assumptions included (a) a discount rate of 6.5% per year to determine the present value of future benefit payments, (b) retirement at age 63, (c) an 8% rate of return on investments, (d) projected salary increases of 2.5% per year, and (e) a 3.5% interest rate for post-retirement individual annuity settlement benefits. The value of the SRA assets is based on the TIAA-CREF group annuity account asset value. The unfunded actuarial accrued liability is being amortized over fifteen years as a level dollar amount on a closed basis.

Annual Pension Cost and Net Pension Obligation (Asset): Annual pension cost and net pension obligation (asset) of the SRA for 2014 are as follows:

Annual required contribution	$ 535,863
Interest on net pension obligation	(44,101)
Adjustment to annual required contribution	69,105
Annual pension cost	560,867
Contributions made	(755,435)
Increase (decrease) in net pension obligation	(194,568)
Net pension obligation (asset) at beginning of year	(678,482)
Net pension obligation (asset) at end of year	$ (873,050)

NOTE G--RETIREMENT PLANS--Continued

Supplemental Retirement Annuity (SRA)

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2013 was as follows:

Actuarial Valuation Date: 6/30/13	
Actuarial accrued liability (AAL)	$ 9,274,746
Actuarial value of plan assets	2,986,042
Unfunded actuarial accrued liability (UAAL)	$ 6,288,704
Funded ratio (actuarial value of plan assets/AAL)	32.20%
Annual covered payroll (active plan members)	$ 3,873,026
UAAL as a percentage of annual covered payroll	162.37%

The schedule of funding progress, presented as required supplementary information, presents multi-year trend information, as available, about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Trend Information: Three-year trend information on the percentage of the annual pension cost funded through contributions and the change in the net pension obligation (asset) is as follows:

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2013	546,115	138.3%	(678,482)
2012	578,635	129.9%	(469,162)
2011	592,118	92.0%	(296,392)

NOTE H--OTHER POST-EMPLOYMENT INSURANCE BENEFITS

Postemployment Healthcare Plan

Plan Description: The University's postemployment healthcare plan is a single employer defined benefit plan administered by the Regional University System of Oklahoma Board of Regents ("the RUSO Board"). The plan provides medical and life insurance benefits to eligible retired employees until age 65. A retiring employee must have been employed full-time in the Regional University System of Oklahoma for not less than ten years immediately preceding the date of retirement, been a member of the Oklahoma Teachers' Retirement System during that time, and elected to receive a vested benefit under the provision of the Oklahoma Teachers' Retirement System. As of June 30, 2013, there were 379 total participants in the plan. The retirement insurance program was adopted by the RUSO Board in 1985. In March of 2008, the Retiree Medical Trust for Regional University system of Oklahoma was established to hold assets and pay benefits on behalf of the University's postemployment healthcare plan and was administered by The Bank of Oklahoma, N.A. Prior to the establishment of the trust, the insurance benefits were accounted for on a pay-as-you-go basis so that premiums were made from current operating funds. The plan does not issue a stand-alone financial report, nor is it included in the financial report of another entity.

Funding Policy: The contribution requirements of the University are established and may be amended by the RUSO Board. The University is required to contribute the annual required contribution ("ARC") of the employer in an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For the year ended June 30, 2014, the ARC is $198,602 and represents 1% of covered payroll.

Actuarial Method and Assumptions: Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented below for the most recent valuation and further presented as trends in required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE H--OTHER POST-EMPLOYMENT INSURANCE BENEFITS--Continued

Postemployment Healthcare Plan--Continued

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. For the June 30, 2014 actuarial valuation, the projected unit cost method was used. The actuarial assumptions included a 7% investment rate of return and an annual healthcare cost inflationary increase of 8.5%.

Annual OPEB Cost and Net OPEB Obligation (Asset): Annual OPEB cost and net OPEB obligation (asset) for 2014 are as follows:

Annual required contribution	$ 198,602
Interest on prior year net OPEB obligation (asset)	8,328
Annual OPEB cost	206,930
Contributions made	(468,390)
Increase (decrease) in net OPEB obligation	(261,460)
OPEB obligation (asset) at beginning of year	(786,592)
OPEB obligation (asset) at end of year	$ (1,048,052)

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2014 was as follows:

Actuarial accrued liability (AAL)	$ 3,399,654
Actuarial value of plan assets	1,984,107
Unfunded actuarial accrued liability (UAAL)	$ 1,415,547
Funded ratio (actuarial value of plan assets/AAL)	58.36%
Annual covered payroll (active plan members)	$ 24,283,328
UAAL as a percentage of annual covered payroll	5.83%

Trend Information: Three-year trend information on the percentage of the annual OPEB cost funded through contributions and the change in the net OPEB obligation (asset) is as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
2014	$ 206,930	226%	$ (1,048,052)
2013	242,054	184%	(786,592)
2012	249,008	276%	(584,253)

NOTE H--OTHER POST-EMPLOYMENT INSURANCE BENEFITS--Continued

Postemployment Healthcare Plan--Continued

The schedule of funding progress, presented as required supplementary information, presents multi-year trend information, as available, about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE I--FUNDS HELD IN TRUST BY OTHERS

Beneficial Interest in State School Land Funds: The University has a beneficial interest in the "Section Thirteen Fund State Educational Institutions" and the "New College Fund" administered by the Commissioners of the Land Office as trustees for the various educational institutions entitled thereto. The University has the right to receive annually 3.7% of the distributions of income produced by "Section Thirteen Fund State Educational Institutions" assets and 100% of the distributions of income produced by East Central University's "New College Fund." The University received approximately $1,005,000 during the year ended June 30, 2014, which is restricted to the construction or acquisition of buildings, equipment, or other capital items. These amounts are recorded as state appropriations restricted for capital purposes in the statement of revenues, expenses, and changes in net position. State law prohibits the distribution of any corpus of these funds to the beneficiaries. The cost basis of the total trust reserve for East Central University, held in trust by the commissioners of Land Office, was approximately $17,275,000 at June 30, 2014.

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

Oklahoma State Regents Endowment Trust Fund: In connection with the Oklahoma State Regents' Endowment Program (the Endowment Program), the State of Oklahoma has matched contributions received under the program. The state match amounts, plus any retained accumulated earnings, totaled approximately $4,063,000 at June 30, 2014, and is invested by the Oklahoma State Regents on behalf of the University.

The University is entitled to receive an annual distribution of 4.5% of the three-year average of the June 30th market values on these funds. As legal title of the State Regents matching endowment funds is retained by the Oklahoma State Regents, only the funds available for distribution, or approximately $342,000 at June 30, 2014, has been reflected as assets in the statement of net position.

NOTE J--RELATED PARTY TRANSACTIONS

The Foundation is a not-for-profit corporation organized for the purpose of receiving and administering gifts for the benefit of the University. Distributions of amounts held by the Foundation are subject to the approval of the Foundation's Board of Trustees. The Foundation's primary function is to provide assistance to students of the University in the form of scholarships and awards, and during 2014, the Foundation provided approximately $470,000 in scholarships to students. Additionally, the Foundation provides financial assistance to the faculty and staff of the University, as well as the University's programs and projects, and during 2014, the Foundation provided approximately $1,152,000 in aid to programs, faculty, and staff. Many of the contributions received by the Foundation are designated by the donors to be used for specific purposes or by specific departments. In these instances, the Foundation serves essentially as a conduit. Contributions that are not designated are used where the need is considered the greatest, as determined by the Foundation.

NOTE K--COMMITMENTS AND CONTINGENCIES

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

NOTE K--COMMITMENTS AND CONTINGENCIES--Continued

The University participates in the Federal Direct Student Loan Program (Direct Lending Program). The Direct Lending Program requires the University to draw down cash from the U.S. Department of Education, as well as perform certain administrative functions under the Direct Lending Program. For the year ended June 30, 2014, approximately $15,784,529 of Direct Lending Program loans were provided to University students.

During the ordinary course of business, the University may be subjected to various lawsuits and civil action claims. Management believes that resolution of any such matters pending at June 30, 2014, will not have material adverse impact to the University.

NOTE L--RISK MANAGEMENT

The University is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, life, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than torts, property, and workers' compensation. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The University, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program and the State Insurance Fund ("Pools"), public entity risk pools, currently operating as a common risk management and insurance program for its members. The University pays annual premiums to the pools for tort, property, and liability insurance coverage. The Pool's governing agreement specifies that the Pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

The University also participates in the College Association of Liability Management ("CALM") Workers' Compensation Plan for its workers' compensation coverage. CALM is an Interlocal Cooperative Act Agency that was organized to provide workers' compensation insurance coverage for participating colleges and universities through the State Insurance Fund. CALM is a political subdivision of the State of Oklahoma and is governed by a Board of Trustees elected from members of the participating colleges and universities.

NOTE M--ACCOUNTING STANDARDS ISSUED

New Accounting Pronouncements Adopted in Fiscal Year 2014: The University adopted the following new accounting pronouncement during the year ended June 30, 2014:

- *Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees.*

  GASB No. 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

  The government is required to report the guaranteed obligation until it is legally released as an obligor, and when it is legally released, it should recognize revenue as a result of this release. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for certain disclosure requirements which may be applied prospectively, the provisions of this Statement are required to be applied retroactively. The University did not have any transactions affected by this pronouncement.

NOTE M--ACCOUNTING STANDARDS ISSUED--Continued

New Accounting Pronouncements Issued Not Yet Adopted: The GASB has also issued several new accounting pronouncements which will be effective to the University in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the University's consideration of the impact of these pronouncements are described below:

- *Statement No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27.*

  GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and the University has not yet quantified the impact that GASB No. 68 will have on its financial statements, it believes that adoption will result in a significant decrease in its net position. This statement has an effective date of June 30, 2015.

- *Statement No. 69, Government Combinations and Disposals of Government Operations*

  GASB No. 69 was issued in January 2013 and establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Government combinations can include a variety of transactions, including mergers, acquisitions, and transfers of operations. A disposal of a government's operations results in the removal of specific activities of a government. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged. This statement has an effective date of June 30, 2015.

- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*

  GASB No. 71 addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The College has not yet determined the impact that implementation of GASB No. 71 will have on its net position. This statement has an effective date of June 30, 2015.

NOTE N—SUBSEQUENT PERIOD EVENT

In September 2014, the University refinanced their Student Housing Revenue Bonds, Series 2003. The new Bonds are due in annual installments varying from $160,000 to $315,000 plus interest ranging from 2.00% to 4.00%, with the final installment being due in the year 2034. See Board of Regents of Oklahoma Colleges Student Housing Revenue Bonds, Series 2003 in footnote F for more detail.

NOTE O--EAST CENTRAL UNIVERSITY FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT

Nature of the Entity

General: The East Central University Foundation, Inc. (the "Foundation") is a nonprofit corporation. 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"), 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 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 generally accepted accounting principles.

Summary of Significant Accounting Policies

Basis of Presentation: The financial statement presentation follows accounting principles generally accepted in the United States for not-for-profit entities. The statements have been prepared on the accrual basis of accounting. Under U.S. generally accepted accounting principles, net position and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

NOTE O--EAST CENTRAL UNIVERSITY FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT--Continued

Summary of Significant Accounting Policies--Continued

Unrestricted net position: Consists of gifts received by the Foundation without stipulation and accumulated earnings which the Foundation uses for its operations.

Temporarily restricted net position: Primarily consists of gifts received by the Foundation which will have been restricted by the donor for a particular project or activity and accumulated earnings from endowment funds. When a donor restriction is satisfied, temporarily restricted net position are reclassified to unrestricted net position.

Permanently restricted net position: This category represents gifts received by the Foundation with donor restrictions which require principle to be invested in perpetuity. Generally, income earned from these assets is available to be used for purposes established by the donors in the year received unless restricted to future fiscal periods.

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. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Allowance is made for uncollectible 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, 2014, no allowance was considered necessary.

Contributions are reported as increases in the appropriate category of net position. Expenses are reported as decreases in unrestricted net position. Temporary 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 unrestricted support unless explicit donor stipulations specify how the assets must be used, in which case the gift is recorded as restricted support. Expirations of temporary restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net position released from restrictions. Contributions which are received and whose restrictions are met in the same period are recognized as unrestricted contributions.

NOTE O--EAST CENTRAL UNIVERSITY FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT--Continued

Summary of Significant Accounting Policies--Continued

Income and gains on investments are reported as increases in permanently restricted net position if the terms of the gift that gave rise to the investment of applicable law require such amounts be added to permanent endowment principal. Income and gains are reported as increases in temporarily restricted net position if the terms of the gift or applicable law impose restrictions on the use of the income and as increases in unrestricted net position in all other cases.

Cash and Cash Equivalents: The Foundation considers all highly liquid debt instruments with a maturity of 3 months or less when purchased to be cash equivalents.

Pledges: The Foundation generally records pledges as income in the period in which a written agreement to contribute cash investments or other assets is received.

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 presented in the financial statements of the Foundation at fair value. 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 statement of activities. Investments included in the pool are certificates of deposits, common stock, corporate bonds, international bonds, and U.S. government securities. The Foundation's investment committee monitors the performance of all investments and instructs Foundation management as to the mix of assets maintained in the investment pool. Investments are made in accordance with the investment policies of the Foundation.

Earnings from investments are distributed quarterly from the pooled investment fund and are received by the separately maintained funds. Marketable and nonmarketable investments are marked to market in accordance with *Accounting Standards Codification* (ASC) Topic 958-320, "Investments-Debt and Equity Securities."

NOTE O--EAST CENTRAL UNIVERSITY FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT--Continued

Summary of Significant Accounting Policies--Continued

Real Estate Held for Investments: Real estate held as investments consists primarily of real property and forms of real property interests donated to and/or purchased by the Foundation and are carried at the lower of cost or market. 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 other property 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 2014.

Insurance Assets: Included in other assets is approximately $97,000 of cash surrender value assets related to insurance policies owned by the Foundation as of June 30, 2014.

Conditional Gifts: The Foundation receives contributions with terms that require returns of the contribution to the donor on the occurrence of specified future and uncertain events. The Foundation reports such contributions as liabilities until the likelihood of not meeting the condition is remote. Conditional promises to give are not recorded as assets and revenue until the conditions are substantially met and the gift becomes unconditional.

Investment Income: 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.

A portion of investment earnings is allocated to support the operations of the Foundation. The Foundation historically has allocated 25% of the realized investment earnings to operations. The amounts allocated are recorded in the unrestricted net asset classification in the accompanying statement of activities. Amounts so transferred in excess of the current operations requirements remain in the unrestricted net asset classification for future use as deemed necessary by the Foundation management and to support the Foundation's scholarship program.

NOTE O--EAST CENTRAL UNIVERSITY FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT--Continued

Summary of Significant Accounting Policies – Continued

Furniture and Equipment: Furniture and equipment are stated 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 property or equipment impairments were recorded in 2014.

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 I.R.C. 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 Section 509(a) of the Code.

Income tax--Continued: The Foundation evaluates and accounts for its uncertain tax positions, if any, in accordance with ASC Topic 740, "Income Taxes" (ASC 740), 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 exist as of June 30, 2014, 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 statement 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, 2011.

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

NOTE O--EAST CENTRAL UNIVERSITY FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT--Continued

Summary of Significant Accounting Policies--Continued

Estimates that are particularly susceptible to significant change include the valuation of marketable and nonmarketable investments and contributions 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 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. Management's estimate of investments, contributions receivable, and evaluation for allowance is 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.

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

a. Net position reclassifications which result from fulfillment of the purposes for which the net position were restricted and/or restrictions which expired with the passage of time.

b. Net position reclassifications which occur when a donor withdraws or court action removes previously imposed restrictions, when a donor imposes restrictions on otherwise unrestricted net position, when a donor changes or modifies their existing restriction, and/or when an existing donor restriction requires certain amounts to be reclassified.

Concentrations of credit risk: The Foundation has 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 were 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 student.

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

NOTE O--EAST CENTRAL UNIVERSITY FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT--Continued

Cash and Cash Equivalents

A summary of the cash and cash equivalents at June 30, 2014, is as follows:

Cash in bank	$ 441,429
Money market account held at TIAA-CREF investors	757,980
	$ 1,199,409

Custodial Credit Risks-Deposits: The Foundation had the following depository accounts as of June 30, 2014. All deposits are carried at cost.

Depository Account	Reported Amount	Bank Balance
Insured	$ 374,103	$ 374,390
Uninsured and uncollateralized	825,306	1,055,083
	$ 1,199,409	$ 1,429,473

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned. While the Foundation's investment policy does not address bank balances (other than money markets) that are uninsured or uncollateralized, deposits are generally required to be insured or collateralized.

Pledges receivable represent commitments by donors to contribute to the Foundation. The scheduled amounts to be received as of June 30, 2014, were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Amounts due in:			
1 to 5 years	$ 146,500	$ 24,100	$ 170,600

NOTE O--EAST CENTRAL UNIVERSITY FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT--Continued

Pledges Receivable

Pledges receivable that are expected to be collected in less than 1 year are recorded at net realizable value. Pledges receivable in subsequent years have not been discounted to net realizable value, the effect of which is considered to be insignificant to the financial statements. The commitments are to be paid as specified by the individual pledge agreements and, accordingly, are presented as unrestricted, temporarily restricted, or permanently restricted net position in the accompanying financial statements.

An allowance for possible uncollectible pledge receivables is not considered necessary by management.

NOTE O--EAST CENTRAL UNIVERSITY FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT--Continued

Investments

The Foundation primarily uses an investment manager to manage the investments, which includes purchasing and sales. As of June 30, 2014, the investment manager was TIAA-CREF.

As of June 30, 2014, the Foundation's target allocation and allocation range for assets was as follows:

Asset class	Target Asset Allocation	Allocation Range
Cash equivalents	1%	1%-4%
Core fixed income	24%	
Treasury inflation protected securities (TIPS)	8%	
High yield fixed income	6%	
International fixed income	6%	
Total fixed income	44%	35%-55%
U.S. large cap equity	23%	
U.S. mid cap equity	7%	
U.S. small cap equity	4%	
Internationl large/mid cap equity	12%	
Internationl small cap equity	3%	
Emerging markets equity	3%	
Real estate (REIT)	3%	
Total equity	55%	45%-65%
Total	100%	

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.

NOTE O--EAST CENTRAL UNIVERSITY FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT--Continued

Investments--Continued

Investment securities are presented at fair value. Fair values were determined on the basis of closing prices at June 30, 2014, as quoted on major stock exchanges or over-the-counter markets.

	Cost	Market	Excess (Deficit) of Market Over Cost
U.S. Government securities	$ 3,176,218	$ 3,147,083	$ (29,135)
Corporate bonds	1,856,625	1,875,281	18,656
Common stock	15,594,656	18,802,561	3,207,905
Certificates of deposit	515,000	516,616	1,616
	$ 21,142,499	$ 24,341,541	$ 3,199,042

The Foundation recognized $415,029 during 2014 from net gains on sale of investments. These gains have been combined with other earnings on investments and allocated throughout the year through the consolidated investment pool.

Operating expenses in the statement of activities included investment consulting, management, and custodial fees of approximately $68,000 for the year ended June 30, 2014.

<u>Interest Rate Risk</u>: 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 Foundation's investment policy states that average maturity of the bond portfolio will be determined by the investment committee and can be changed as market conditions dictate.

The following table provides information as of June 30, 2014, concerning the fair value of maturity of investments.

Type of Investment	6 Months or Less	More Than 6 Months to 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.S. Government securities	$ -	$ -	$ 2,364,628	$ 574,329	$ 208,126	$ 3,147,083	$ 3,176,218
Corporate bonds	-	-	550,478	775,632	549,171	1,875,281	1,856,625
Mutual funds(no maturity)	-	-	-	-	-	18,802,561	15,594,656
Certificates of deposit	180,331	200,926	135,359	-	-	516,616	515,000
	$ 180,331	$ 200,926	$ 3,050,465	$ 1,349,961	$ 757,297	$ 24,341,541	$ 21,142,499

NOTE O--EAST CENTRAL UNIVERSITY FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT--Continued

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 table provides information concerning credit risk as of June:

Moody's Rating	Cost	Fair Value (FV)	FV as a % of Total FV
A1	$ 399,507	$ 400,427	1.645%
A2	369,106	373,713	1.535%
A3	139,219	144,169	0.592%
BAA1*	314,721	319,312	1.312%
BAA2*	114,968	116,564	0.479%
BAA3	199,242	200,970	0.826%
Not rated:			
U.S. Government securities:			
Federal Home Loan Mortgage Corp.	204,670	205,343	0.844%
Federal Home Loan Bank Consolidated	169,672	170,006	0.698%
Federal National Mortgage Association	496,596	499,331	2.051%
U.S. Treasury Notes	2,305,280	2,272,403	9.335%
Mutual funds	15,594,656	18,802,561	77.245%
Corporate bonds	319,862	320,126	1.315%
Certificates of deposit	515,000	516,616	0.000%
	$ 21,142,499	$ 24,341,541	97.877%

* Individual investments had a Standard & Poor's (S&P) rating of AA- or A- at June 30, 2014.

The following securities did not meet criteria of having an A rating in either Moody's or Standard & Poor's (S&P) as defined by the investment policy:

Corporate Bond with Ratings Lower than "A" Ratings	Fair Value	Moody's / S&P Ratings	Maturity Date
Hewlett Packard Co.	$ 92,282	BAA1/BBB+	1/14/2019
Verizon Communications Inc.	109,964	BAA1/BBB+	6/9/2017
Ford Motor Credit	134,799	BAA3/BBB-	3/12/2019

NOTE O--EAST CENTRAL UNIVERSITY FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT--Continued

Investments--Continued

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.

Art

During the year ended June 30, 2014, the Foundation received a donation of various pieces of art. The art is not being held as an investment. Each item is cataloged for educational, research, scientific, or curatorial purposes, and activities verifying the existence and assessing the condition of the items are performed continuously. The art was recorded at appraised value at the date the gift was given. There will be no planned depreciation of the art as it will be reviewed periodically for impairment. As of June 30 2014, the art had a value of approximately $305,000.

Restricted Net Position Composition

Temporarily and permanently restricted net position is predominantly restricted for scholarships.

Related-Party Transactions

The Foundation occupies, without charge, certain premises located on the campus the University.

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

During 2014, the Foundation has three Board members who also serve as president or as officers of local banks where the Foundation has checking accounts and certificate of deposit. As of June 30, 2014 the checking accounts and certificate of deposit had a book balance of $437,709.

General University Education Assistance

General university education assistance to programs consists of general expenses for various University organizations and programs.

NOTE O--EAST CENTRAL UNIVERSITY FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT--Continued

Commitments and Contingencies

East Central University Fine Arts Buildings: During the year ended June 30, 2014, $15,000 was paid from unrestricted funds of the Foundation as part of its $500,000 commitment for the East Central University Fine Arts Building. As of June 30, 2014, approximately $485,000 ($350,000 was paid in a lump sum in 2005) had been paid by the Foundation, and the balance of $15,000 will be paid over the remaining year of the original 10-year commitment.

Endowments

The Foundation's endowments consist of 244 individual donor-restricted funds established for a variety of scholarships and activities. As required by accounting principles generally accepted in the United States, net position associated with endowment funds are classified and reported based on donor-imposed restrictions. The endowments represent only those net position that are under the control of the Foundation.

Interpretation of Relevant Law: The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") as requiring the preservation of the purchasing power of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Therefore, the Foundation classifies as permanently restricted net position 1) the original value of endowed gifts, 2) any subsequent gifts, and 3) any accumulations to the permanent endowment made in accordance with the direction of the donor gift instrument.

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.

NOTE O--EAST CENTRAL UNIVERSITY FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT--Continued

Endowments – Continued

Spending Policy--Continued: 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.

Net Position Composition of Endowments: The net asset composition of endowments by type of fund as of June 30, 2014, was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 15,825,383	$ 15,825,383

As can be seen, all of the Foundation's endowments are classified as permanently restricted.

Changes in Net Position of Endowments

Changes in the net position of endowments for the year ended June 30, 2014, were as follows:

	Permanently Restricted
Net position, beginning of year	$ 15,317,762
Contributions and revenues	429,242
Transfer from other net positions	78,379
Net position, end of year	$ 15,825,383

Disclosure about Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In estimating fair value, the Foundation utilizes valuation techniques that are consistent with the market approach, the income approach, and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset.

NOTE O--EAST CENTRAL UNIVERSITY FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT--Continued

Disclosure about Fair Value of Financial Instruments--Continued

Fair values may not represent actual values of assets that could have been realized on the measurement date or that will be realized in the future. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The estimated fair values of the Foundation's financial instruments at June 30, 2014 were as follows:

	Estimated Fair Value and Carrying Amount
Cash and cash equivalents	$ 1,199,409
Investments	24,341,541

The following methods and assumptions were used to estimate the fair value of each class of financial instrument.

- Cash and Cash Equivalents and Certificates of Deposit: The carrying amounts approximate fair value.
- Investments: The fair value of common stock is based on quoted prices. The fair values of U.S. government securities, international bonds, and corporate bonds, for the most part, are obtained from independent pricing services utilizing Level 2 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.
- Real Estate Held as Investments: The fair values of real estate held as investments are based on management's estimated fair values using unobservable Level 3 inputs. At June 30, 2014 the fair market values remained the same.

ASC 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quote prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1 inputs to the valuation methodology are quote prices (unadjusted) for identical assets or liabilities in active markets.

NOTE O--EAST CENTRAL UNIVERSITY FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT--Continued

Disclosure about Fair Value of Financial Instrument--Continued

- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 inputs consist of unobservable inputs which are used when observable inputs are unavailable and reflect an entity's own assumptions about the assumptions that the market participants would use in pricing the assets or liabilities. Real Estate held as investments would be valued as level 3 inputs.

The following table presents the fair value measurement 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.S. government securities	$ 3,147,083	$ -	$ 3,147,083	$ -
Corporate bonds	1,875,281	-	1,875,281	-
Mutual funds	18,802,561	18,802,561	-	-
Certificates of deposit	516,616	-	516,616	-
	$ 24,341,541	$ 18,802,561	$ 5,538,980	$ -

The Foundation had real estate held as investments carried at fair value on a nonrecurring basis at June 30, 2014. The fair market values of these investments remained the same at June 30, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS FOR SUPPLEMENTAL RETIREMENT ANNUITY PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/(c)
6/30/2006	$ 1,643,291	$ 6,366,449	$ 4,723,158	25.81%	$ 7,023,444	67.25%
6/30/2007	2,235,012	7,287,369	5,052,357	30.67%	6,190,576	81.61%
6/30/2008	2,341,913	7,314,541	4,972,628	32.02%	5,770,396	86.17%
6/30/2009	2,445,527	7,895,738	5,450,211	30.97%	5,157,940	105.67%
6/30/2010	2,493,132	7,922,704	5,429,572	31.47%	4,635,268	117.14%
6/30/2011	2,506,521	7,886,446	5,379,925	31.78%	4,304,858	124.97%
6/30/2012	2,723,327	7,735,501	5,012,174	35.21%	4,494,244	111.52%
6/30/2013	2,986,042	9,274,746	6,288,704	32.20%	3,873,026	162.37%
6/30/2014	2,913,807	8,819,686	5,905,879	33.04%	3,873,026	152.49%

The actuarial accrued liability is based on the projected unit credit method.

SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT INSURANCE BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/(c)
6/30/2008	$ 335,000	$ 2,559,361	$ 2,224,361	13.09%	$ 22,198,298	10.02%
6/30/2009	625,603	2,835,065	2,209,462	22.07%	23,105,592	9.56%
6/30/2010	918,182	2,937,054	2,018,872	31.26%	23,112,060	8.74%
6/30/2011	1,345,835	3,129,447	1,783,612	43.01%	23,129,972	7.71%
6/30/2012	1,626,223	3,206,390	1,580,167	50.72%	23,813,010	6.64%
6/30/2013	1,987,107	3,399,654	1,412,547	58.45%	24,039,361	5.88%
6/30/2014	1,984,107	3,399,654	1,415,547	58.36%	24,283,328	5.83%

The actuarial accrued liability is based on the projected unit credit method.

The actuarial valuation for the Supplemental Retirement Annuity Plan as of June 30, 2013, reflects changes in actuarial assumptions used to more accurately reflect management's expectation of the actuarial accrued liability based upon current economic conditions. See Note G for a description of assumptions used.

REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND OMB CIRCULAR A-133

Arledge
& Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S 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*

Board of Regents
Regional University System of Oklahoma
East Central University
Oklahoma City, Oklahoma

We have audited the financial statements of East Central University (the "University"), a department of the Regional University System of Oklahoma (RUSO), which is a component unit of the State of Oklahoma, that comprise the statement of net position as of June 30, 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 16, 2014. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our report includes a reference to other auditors who audited the East Central University Foundation, Inc. (the "Foundation"), the University's discretely presented component unit, as described in our report on the University's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Arledge & Associates, P.C.

October 16, 2014

a2 Arledge
& Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Board of Regents
Regional University System of Oklahoma
East Central University
Oklahoma City, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited East Central University's (the "University"), a department of the Regional University System of Oklahoma (RUSO), which is a component unit of the State of Oklahoma, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2014. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the University, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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Report on Internal Control over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the University as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated October 16, 2014, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming our opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements.

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

Arledge & Associates, P.C.

October 16, 2014

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

EAST CENTRAL UNIVERSITY

Year Ended June 30, 2014

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Pass-Through Entity Identification Number	Amount Expended
U.S. Department of Education:			
Direct programs:			
Student financial Aid Cluster:			
Federal Pell Grant Program	84.063	N/A	$ 7,596,960
Federal Supplemental Education Opportunity Grants	84.007	N/A	91,262
Federal Work Study Program	84.033	N/A	368,198
Federal Direct Student Loans	84.268	N/A	15,784,529
Federal Perkins Loan Program	84.038	N/A	1,276,883
Total Student Financial Aid Cluster			25,117,832
Trio Cluster:			
Upward Bound	84.047	N/A	1,042,475
Talent Search	84.044	N/A	481,954
Student Support Services	84.042	N/A	173,091
McNair Post-Baccalaureate Achievement	84.217	N/A	228,731
Educational Opportunity Centers	84.066	N/A	432,866
Total Trio Cluster			2,359,117
Other direct programs:			
Rehabilitation Long-Term Training	84.129	N/A	154,424
Child Care Access Means Parents in School	84.335	N/A	29,493
Strengthening Minority-Serving Institutions	84.382	N/A	875,666
Passed through Oklahoma State Regents for Higher Education:			
Mathematics and Science Partnerships	84.366	N/A	47,976
Improving Teacher Quality State Grants	84.367	N/A	1,737
Improving Teacher Quality State Grants	84.367	N/A	29,316
Total Other Programs			1,138,612
Total U.S. Department of Education			28,615,561
U.S. Department of Agriculture:			
Child and Adult Care Food Program	10.558	DC-62-014	21,987
Total U.S. Department of Agriculture			21,987
U.S. Environmental Protection Agency:			
Office of Research and Development Consolidated Research/Training	66.511	N/A	75,337
P3 Award: National Student Design Competition for Sustainability	66.516	N/A	5,582
Total U.S. Environmental Protection Agency			80,919
U.S. Department of Health and Human Services:			
Direct programs:			
Child Care and Development Block Grant	93.575	N/A	67,590
Biomedical Research and Research Training	93.859	N/A	86,313
Drug-Free Communities Support Program Grants	93.276	N/A	60,685
University Centers for Excellence in Developmental Disabilities	93.632	N/A	10,105
Passed through Oklahoma State Department of Human Services:			
Medical Assistance Program	93.778	00001273	333,842
Passed through Oklahoma INBRE IdeA Network:			
Biomedical Research and Research Training			
INBRE Summer Research	93.859	N/A	1,618
Ultra Cold Freezer for ECU	93.859	N/A	1,464
Effect of Light on Growth, Pigment & Spore Production	93.859	N/A	710
Effect of Electric Shock on D Melanogaster	93.859	N/A	2,007
Passed through Oklahoma Partnership for Sch Readiness Found:			
ARRA - Head Start	93.708	N/A	10,757
Total U.S. Department of Health and Human Services			575,091

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

EAST CENTRAL UNIVERSITY

Year Ended June 30, 2014

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Pass-Through Entity Identification Number	Amount Expended
Small Business Administration:			
Passed through Southeastern Oklahoma State University:			
Small Business Development Centers	59.037	3-603001-Z-0038	39,730
U.S. Department of Labor:			
Passed through Oklahoma Department of Commerce:			
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	GJ-19904-10-60-A-40	3,762
Total U.S. Department of Labor			3,762
National Science Foundation:			
Passed through Oklahoma State University:			
Education and Human Resources	47.076	AA-5-58610	29,634
Office of Experimental Program to Stimulate Competitve Research	47.081	EPSCoR-2012-9	4,299
Passed through University of Central Oklahoma:			
Education and Human Resources			
Robert Noyce Teacher Scholarship	47.076	DUE-0934030	138,038
Stem Double Bridge	47.076	N/A	37,687
Total National Science Foundation			209,658
U.S. Department of Justice:			
Publice Safety Partnership and Community Policing Grants	16.710	N/A	55,750
National Institute of Justice Research, Evaluation, and Development	16.560	N/A	58,212
Recovery Act - VOCA Crime Visctim Assistance Discretionary Grant	16.807	N/A	16,604
OVW Technical Assistance Initiative	16.526	N/A	191,428
Passed through District Attorneys Council:			
Grants to Reduce Domestic Violence and Dating Violence			
Reduce violent crimes against women on campus	16.525	2011-WA-AX-0028	49,342
RUSO VPP	16.525	2007-WA-AX-0004	28
Total U.S. Department of Justice			371,364
U.S. Department of Defense:			
Basic, Applied, and Advanced Research in Science and Engineering	12.630	N/A	1,150
Language Grant Program	12.900	H98230-13-1-0040	67,702
Total U.S. Department of Defense			68,852
Institute of Museum and Library Services:			
Laura Bush 21st Century Librarian Program	45.313	N/A	10,588
U.S. Department of Transportation:			
Alcohol Impaired Driving Countermeasures Incentive	20.601	N/A	63,673
U.S. Department of Commerce			
Investments for Public Works and Economic Development Facilities	11.300	N/A	117,720
NASA:			
Passed through University of Oklahoma:			
Education: Oklahoma NASA Space Grant Consortium	43.008	2011-42	11,708
Federal Emergency Management Assistance			
Passed through Oklahoma Department of Energency			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1712-DR-OK	9,354
Total expenditures of federal awards			$ 30,199,967

See notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

EAST CENTRAL UNIVERSITY

June 30, 2014

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards activity of East Central University is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B--FEDERAL DIRECT STUDENT LOAN PROGRAM

Under the Federal Direct Student Loan Program ("Direct Loan Program"), the U.S. Department of Education makes loans to enable a student or parent to pay the costs of the student's attendance at a postsecondary school. The Direct Loan Program enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly from the U.S. Department of Education rather than through private lenders. The University administers the origination and disbursement of the loans to eligible students or parents. The University is not responsible for the collection of these loans.

NOTE C--LOANS OUTSTANDING

The University has $1,276,883 in Federal Perkins loans outstanding at June 30, 2014. These loan balances outstanding are included as federal expenditures in the schedule of expenditures of federal awards. During the year ended June 30, 2014, the University issued Perkins loans totaling $89,502.

NOTE D--SUB-RECIPIENTS

During the year ended June 30, 2014, the University provided federal awards to sub-recipients as follows:

Program	CFDA No.	Sub-recipient	Amount provided
Bridges to Baccalaureate	93.859	Oklahoma City Community College	$ 7,334
Bridges to Baccalaureate	93.859	Redlands Community College	714
Bridges to Baccalaureate	93.859	Rose State College	3,096
			$ 11,144

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EAST CENTRAL UNIVERSITY

June 30, 2014

Section I--Summary of Auditors' Results

Financial statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes __X__ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes __X__ none reported

Noncompliance material to financial statements noted? _____ yes __X__ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes __X__ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes __X__ none reported

Type of auditors' report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes __X__ no

Identification of major programs:

Program	CFDA Number
Student Financial Aid Cluster	*
Strengthening Minorities - Serving Institutions	84.382

*Refer to the Schedule of Expenditures of Federal Awards for CFDA numbers related to these programs.

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? __X__ yes _____ no

Section II--Findings Required to be Reported in Accordance with *Government Auditing Standards:*

None to report for the June 30, 2014 period.

Section III--Finding Required to be Reported in Accordance with OMB Circular A-133:

None to report for the June 30, 2014 period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

EAST CENTRAL UNIVERSITY

June 30, 2014

FINDING 2013-01

Finding: Capital assets with an initial value of $3,650,000 were not properly capitalized as of June 30, 2013. These capital assets were received in the current and prior years as a result of management contracts the University entered into with two vendors to manage the University's food services and book store which include building improvements, furniture and fixtures. If the University's contract with these vendors is terminated early, the unamortized net book value of these contributed capital assets will have to be repaid by the University. In addition, $1,113,000 of capital expenditures representing retainage payable under current construction contracts were properly identified for capitalization during the year-end financial reporting procedures, however, the initial accrual of this balance into accounts payable and contractual services was not recorded as of June 30, 2013.

Cause: The University's financial reporting internal controls surrounding the receipt and review of contracts and agreements entered into has not been sufficiently designed to ensure complete recording of capital assets received. Additionally, the year-end financial reporting procedures to accrue accounts payable for construction projects in process is not adequately designed.

Criteria: For external reporting purposes, the financial statements of the University are to be prepared on the accrual basis of accounting which includes the recognition of transactions and events in the period in which they are occur. Capital assets received in the current year whether through contributions related to vendor contracts or purchased during construction contracts should be recorded during the year received.

Effect: After considering accumulated depreciation from prior periods, net capital assets and unearned revenues were understated by approximately $1,780,000 as of June 30, 2013 related to capital assets contributed by vendors. Accounts payable and contractual services were understated by approximately $1,113,000 related to retainage payable on construction contracts at June 30, 2013.

Recommendation: We recommend the University review their financial reporting internal controls to ensure contracts and agreements entered into are received and reviewed by accounting personnel to ensure financial reporting implications are properly recognized. We also recommend that year-end financial reporting procedures related to accrual of accounts payable include a review of current construction general contractor invoices to ensure proper recording of retainage payable.

Views of a Responsible Official: University management has put additional procedures in place to review contracts for any and all financial implications that could have a material financial statement impact. These obligations will be reported on an ongoing basis for financial statement purposes.

Current Year Status: The finding was resolved in the current year.

FINDING 2013-02

Finding: The University incurred approximately $937,000 of capital expenditures to build a safe room (within a larger construction project) during the year ended June 30, 2012. The cost of the safe room is being reimbursed under a federal grant. As such, a grant receivable and federal grant revenue should have been recognized at June 30, 2012 which has been recognized during the year ended June 30, 2013. Additionally, the University did not include these expenditures on their schedule of expenditures of federal awards ("SEFA") for the year ended June 30, 2012. Approval was subsequently received from the Oklahoma Department of Emergency Management (direct recipient of this federal grant which is passed through to the University) to reflect these expenditures on the University's SEFA for the year ended June 30, 2013.

Cause: There is a lack of internal control and review over preparation of the SEFA and related expenditures under federal grants.

Criteria: For external reporting purposes, the financial statements of the University are to be prepared on the accrual basis of accounting and recognized in the period in which they are incurred. Grant receivables should be recorded for expenditures incurred under federal grants on a reimbursement basis. Additionally, the University's SEFA should include all expenditures incurred during the respective year related to federal grants.

Effect: Federal grant revenue is overstated during the year ended June 30, 2013 by $937,000. Further, by not including these expenditures on the University's SEFA during the year ended June 30, 2012, a federal program was not audited as a major program during the 2012 financial statement audit which should have been. Since the University received approval from the Oklahoma Department of Emergency Management to report these expenditures on the University's June 30, 2013 SEFA, this program was audited as a major program during the current year financial statement audit.

Recommendation: We recommend that management of the University review their internal controls related to their activity under federal grants as it relates to proper financial reporting of the University's SEFA as well as accrual of grants receivables under reimbursable federal grants.

Views of a Responsible Official: University management has implemented additional procedures surrounding the accrual of grants receivable to ensure that they are recorded in the proper accounting period for financial statement purposes. Also, for future grants involving construction, the portion of the construction being paid for with grant funds will be broken out separately from the construction billing at the time the construction billing is processed.

Current Year Status: The finding was resolved in the current year.