

Tulsa Community College

Independent Auditor's Reports and Financial Statements

June 30, 2020 and 2019



Tulsa Community College

June 30, 2020 and 2019

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**OFFICE OF THE PRESIDENT & CEO
LEIGH B. GOODSON, Ph.D.**

**Tulsa Community College
Annual Financial Report
Year Ended June 30, 2020**

Members of the Board of Regents:

I am pleased to submit to the Board and the citizens of Tulsa County the Annual Financial Report for fiscal year 2020 of Tulsa Community College (the College). This document presents the record of the College's financial operations.

The College annually provides outstanding higher educational opportunities for almost 23,000 students in Tulsa and the surrounding area through credit, transfer, workforce development, concurrent enrollment and continuing education, including 125 degree and certificate programs for the 2019–2020 academic year.

In May 2020, the College conferred 2,803 degrees and certificates upon 2,517 students for its 49th academic year. The College continues to be a leader in providing higher education with the third largest first-time enrolling classes in the state, trailing only Oklahoma State University and the University of Oklahoma.

The College adopted and implemented a new strategic plan built upon the College's Mission, Vision, Beliefs, and Values. The Mission, "Building success through education," encompasses the College's continued dedication to not just enrolling new students, but seeing these students have the best chances to persevere in their educational and personal goals.

The College continued its second year of leading the Tulsa Transfer Project, which aims to evaluate and streamline the transfer student experience in the region. The College continued to collaborate with Langston University, Northeastern State University, Oklahoma State University, Rogers State University, the University of Oklahoma, and the University of Tulsa to improve transfer outcomes and increase baccalaureate attainment in the region.

As a result of this collaboration, the presidents of these seven institutions launched the Tulsa Higher Education Task Force (the Task Force) in April 2020 with an overarching goal to develop a plan for a formal structure that will leverage shared institutional resources and facilitate a seamless academic and social experience for students pursuing baccalaureate degrees in the Tulsa region. The Task Force is comprised of members representing each of the seven institutions as well as community and government organizations including ImpactTulsa, the City of Tulsa, Tulsa Community Foundation, Tulsa Regional Chamber, Broken Arrow Chamber of Commerce, and the Oklahoma State Regents for Higher Education.

The College is a key resource in responding to the workforce preparation needs of Tulsa's business community, with nearly 29% of students choosing to enroll in one of numerous workforce development programs. The College's top academic schools for Fall 2019 for workforce students were Allied Health; Nursing; Engineering, Aviation & Public Service; and Business & Information Technology. A robust

collection of STEM-related degrees makes the College a vital resource in preparing graduates for Oklahoma's growing science, technology, biotechnology, engineering, and aviation/aerospace sectors.

As part of the College's commitment to develop the whole student, student engagement with the community is a priority. The College has encouraged students to engage in service learning as part of their college experience since 1994. In the years since, the College's students have contributed thousands of hours each year in community service to organizations in the Tulsa area. Tulsa Achieves' students, who are required to perform 40 hours of community service annually to maintain program eligibility, have given more than 777,638 hours as volunteers in the community since 2007.

The TCC Foundation, an invaluable partner and ally for the College, supports our students, faculty, and staff each year with scholarships and resources. Much of the funding comes from the TCC Foundation's annual Vision in Education Leadership Award Dinner, which was planned to be a 50th Anniversary Gala this year recognizing the College's 50 Notable Alumni. However, due to the pandemic, the event was postponed to September 2021.

As part of the TCC Foundation's \$20 million Clearing the Pathway: The Campaign for Completion, the \$2.5 million renovated biology and chemistry labs at the Metro Campus opened in October 2019. The Charles and Lynn Schusterman Family Foundation provided a \$1 million gift and the Morningcrest Healthcare Foundation provided a \$300,000 gift specifically for this renovation project. Also, as part of the Campaign, in fiscal year 2020, the College began construction and opened the Hardesty Student Success Center at the West Campus, which was funded with a \$1 million gift from the Hardesty Family Foundation.

I would like to express my appreciation for the continued support of the community, members of the Board of Regents, Trustees of the TCC Foundation, and members of the College's faculty and staff. Their dedication to Tulsa Community College will help us make our vision of an educated, employed, and thriving community a reality.

Sincerely,

A handwritten signature in black ink, appearing to read "L. B. Goodson". The signature is fluid and cursive, written over a light blue horizontal line.

Leigh B. Goodson, Ph.D.
President and CEO

Independent Auditor's Report

Board of Regents
Tulsa Community College
Tulsa, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Tulsa Community College (the College), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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.

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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of

Board of Regents
Tulsa Community College

the College, as of June 30, 2020, 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

The 2019 financial statements of the College, before they were restated for the matters discussed in *Note 15*, were audited by other auditors, and their report thereon, dated October 31, 2019, expressed unmodified opinions. Our opinions are 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 pension 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The introductory section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated October 29, 2020, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

BKD, LLP

Tulsa, Oklahoma
October 29, 2020

Tulsa Community College

Management's Discussion and Analysis

Years Ended June 30, 2020 and 2019

Overview of the Financial Statements and Financial Analysis

The following management's discussion and analysis of the financial performance of Tulsa Community College (the College) provides an overview of the College's financial activities for the fiscal years ended June 30, 2020 and 2019. This analysis is intended to provide a summary of significant financial activities and information and should be read in conjunction with the College's financial statements.

The objective of the management's discussion and analysis is to help readers of the College's financial statements better understand the financial position and operating activities for the fiscal years ended June 30, 2020 and 2019. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis. Comparative information for the year ended June 30, 2018, has also been provided. The information for 2018 has not been restated to reflect the changes made to the beginning net position as of July 1, 2019.

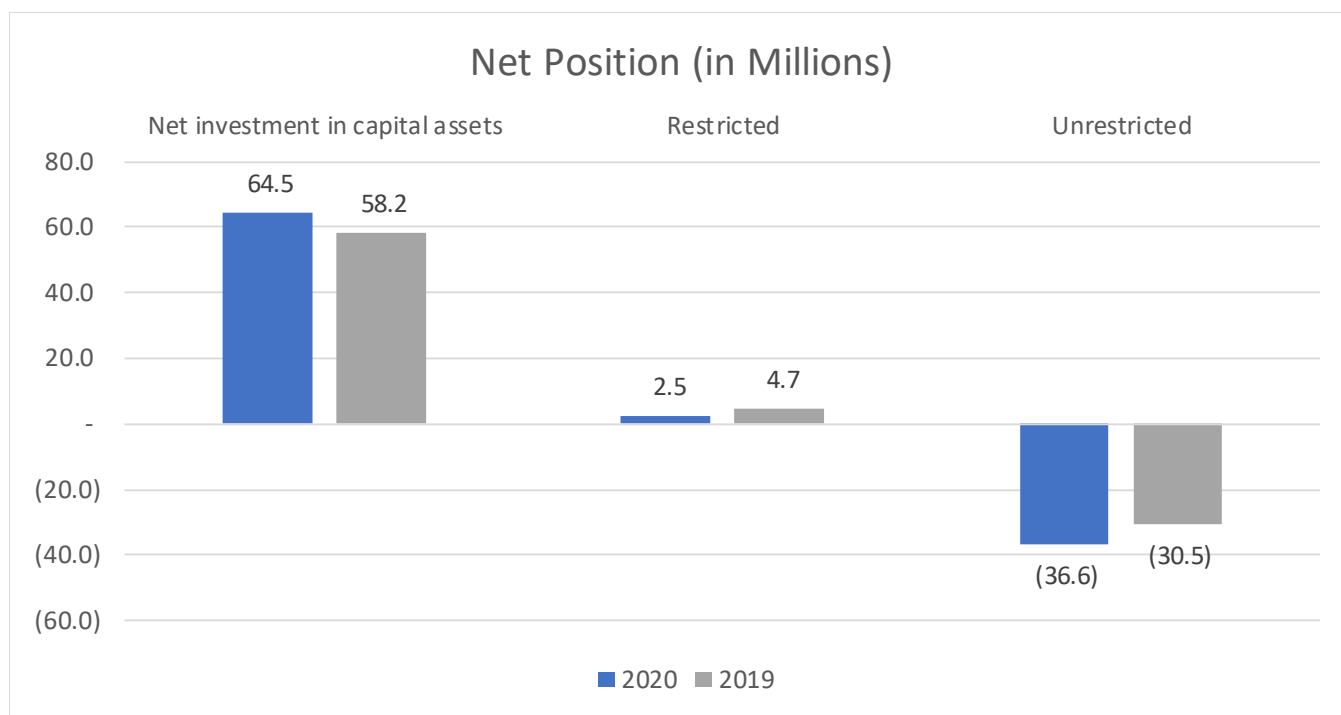
Statement of Net Position

The statement of net position presents the assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) as of the end of the fiscal year. The purpose of the statement of net position is to present to the readers of the financial statements a fiscal snapshot of the College. The difference between current and noncurrent assets is discussed in the notes to financial statements. These statements include all assets and liabilities using the accrual basis of accounting, which is consistent with the accounting method used by private-sector institutions.

Net Position – The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources is one way to measure the College's financial health or position. Over time, changes in the College's net position are an indicator of its overall financial health. Nonfinancial factors are also important to consider, including student recruitment, enrollment, and retention and the condition of campus facilities.

Net position is divided into three major categories. The first category, net investment in capital assets, provides the College's equity in property, plant, and equipment, net of related debt. The next category, restricted net position, provides the College's assets that must be spent for purposes as determined by donors and/or external entities. Unrestricted net position is available to the College for any lawful purpose of the institution.

The College's financial position, as a whole, decreased during the fiscal year ended June 30, 2020. Net position decreased \$2.0 million from June 30, 2019 to June 30, 2020. Net position increased \$13.7 million from June 30, 2018 to June 30, 2019.



The following table summarizes the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30, 2020, 2019, and 2018 (in millions):

	2020	2019 (Restated – Note 15)	2018	\$Change from 2020 to 2019	\$Change from 2019 to 2018
Assets					
Current assets	\$ 45.2	\$ 56.9	\$ 49.1	\$ (11.7)	\$ 7.8
Capital assets, net	92.2	87.1	88.0	5.1	(0.9)
Other	8.0	7.7	6.0	0.3	1.7
Total assets	<u>145.4</u>	<u>151.7</u>	<u>143.1</u>	<u>(6.3)</u>	<u>8.6</u>
Deferred Outflows of Resources	<u>20.2</u>	<u>20.5</u>	<u>16.2</u>	<u>(0.3)</u>	<u>4.3</u>
Liabilities					
Current liabilities	13.2	15.2	14.7	(2.0)	0.5
Noncurrent liabilities	<u>104.1</u>	<u>102.8</u>	<u>107.1</u>	<u>1.3</u>	<u>(4.3)</u>
Total liabilities	<u>117.3</u>	<u>118.0</u>	<u>121.8</u>	<u>(0.7)</u>	<u>(3.8)</u>
Deferred Inflows of Resources	<u>17.9</u>	<u>21.8</u>	<u>24.7</u>	<u>(3.9)</u>	<u>(2.9)</u>
Net Position					
Net investment in capital assets	64.5	58.2	54.3	6.3	3.9
Restricted	2.5	4.7	3.3	(2.2)	1.4
Unrestricted	<u>(36.6)</u>	<u>(30.5)</u>	<u>(44.8)</u>	<u>(6.1)</u>	<u>14.3</u>
Total net position	<u>\$ 30.4</u>	<u>\$ 32.4</u>	<u>\$ 12.8</u>	<u>\$ (2.0)</u>	<u>\$ 19.6</u>

Total assets of the College decreased \$6.3 million from June 30, 2019. The College's unrestricted cash and cash equivalents at June 30, 2020, totaled \$33.5 million compared to \$39.8 million at June 30, 2019. Note 2 of the financial statements provides additional information regarding cash and cash equivalents asset activities and balances.

Total liabilities of the College decreased \$0.7 million from June 30, 2019, while net pension liability increased \$2.6 million from July 1, 2019 to June 30, 2020. This change in the net pension liability also contributed to the \$0.3 million decrease in deferred outflows of resources and the \$4.0 million increase in deferred inflows of resources. *Note 6* of the financial statements provides additional information regarding the OTRS pension plan.

Total assets of the College at June 30, 2019 increased \$8.6 million from June 30, 2018. Total liabilities of the College decreased \$3.8 million from June 30, 2018 to 2019. Of this decrease, \$1.7 million related to a favorable change in the net pension liability from July 1, 2018 to June 30, 2019. See *Note 6* for further information regarding the OTRS pension plan.

Statement of Revenues, Expenses, and Changes in Net Position

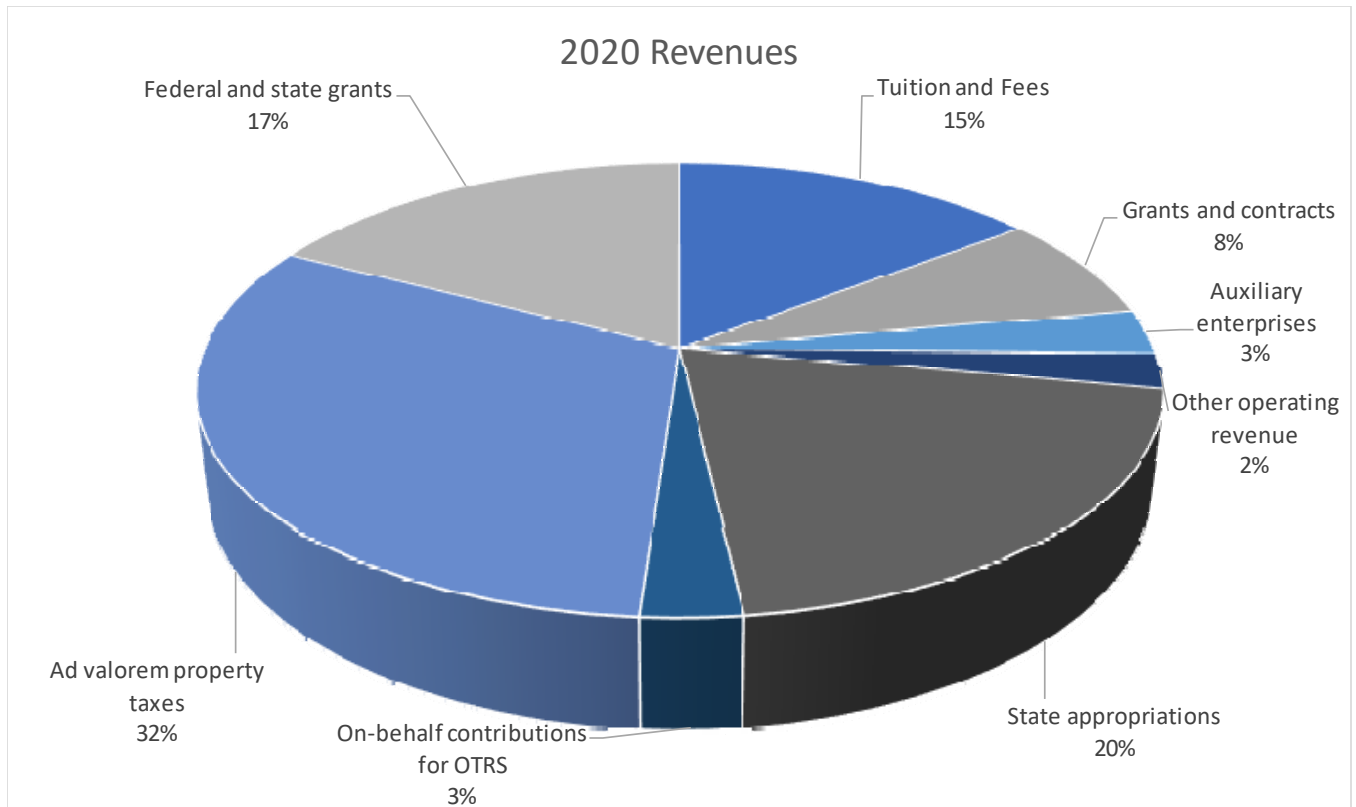
The statement of revenues, expenses, and changes in net position is used to display the sources and uses of funds of the College during the fiscal year. This information must be viewed over a period of time to determine if the goals of the institution are being met. Public institutions will normally not have an excess of operating revenues over operating expenses as state appropriations are considered nonoperating revenues under generally accepted accounting principles.

	2020	2019 (Restated – Note 15)	2018	\$Change from 2020 to 2019	\$Change from 2019 to 2018
Operating revenues	\$ 39.6	\$ 46.0	\$ 49.5	\$ (6.4)	\$ (3.5)
Operating expenses	148.1	137.5	142.9	10.6	(5.4)
Operating loss	(108.5)	(91.5)	(93.4)	(17.0)	1.9
Nonoperating revenues and expenses	102.1	97.3	94.1	4.8	3.2
Income (loss) before other appropriations	(6.4)	5.8	0.7	(12.2)	5.1
Other appropriations	4.4	7.9	3.2	(3.5)	4.7
Increase (decrease) in net position	<u>\$ (2.0)</u>	<u>\$ 13.7</u>	<u>\$ 3.9</u>	<u>\$ (15.7)</u>	<u>\$ 9.8</u>

Statement of Revenues

The following table and chart illustrate the revenue streams for the College. To highlight the major sources: 20% is comprised of state appropriations; 32% is ad valorem property taxes; 17% is nonoperating federal and state grants and contracts; and 28% is operating revenue including tuition and fees, auxiliary enterprises, and operating federal and state grants and contracts for the year ended June 30, 2020. The College continues to make revenue diversification an ongoing priority, along with cost containment. This is necessary as the College continues to face financial pressure with uncertain state budget projections, uncertain enrollment projections, and increased compensation and benefit costs.

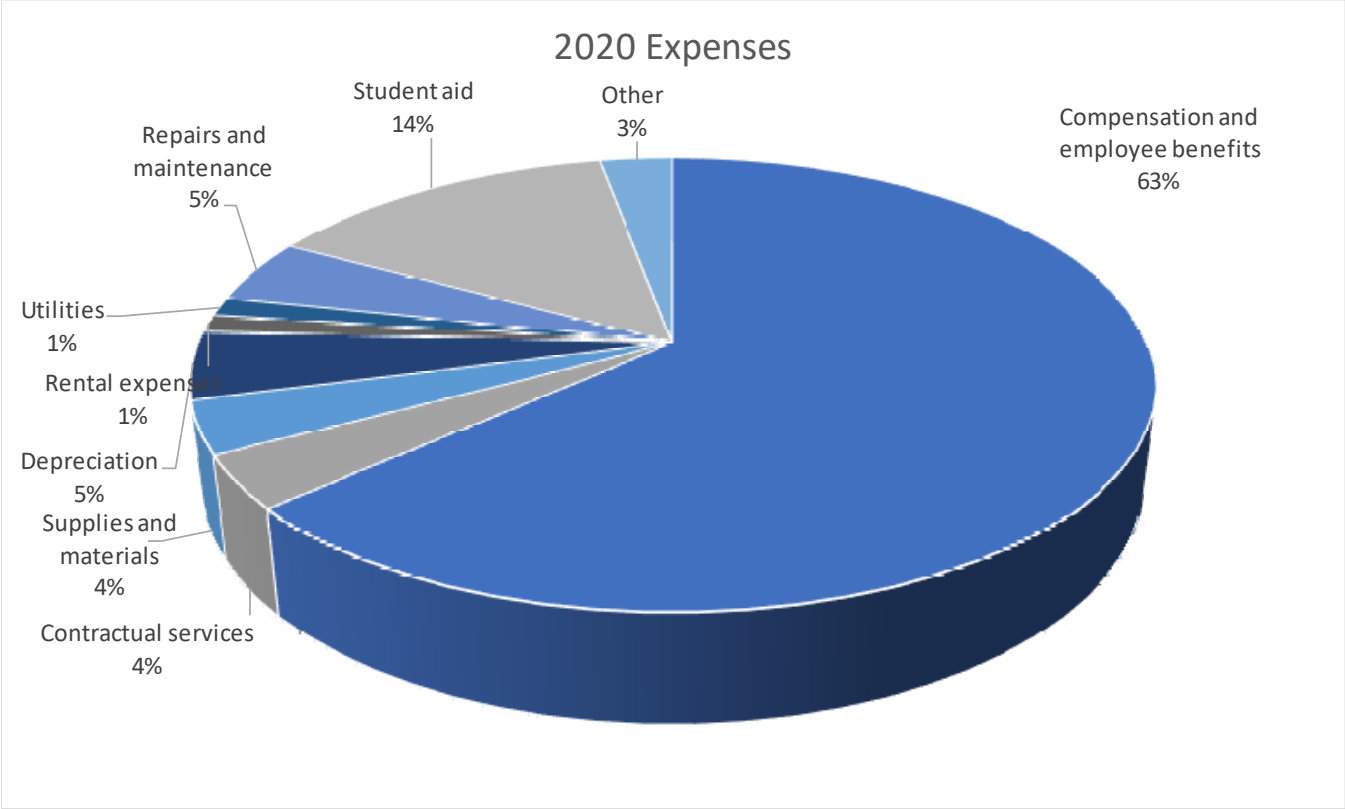
	2020	2019 (Restated – Note 15)	2018	\$Change from 2020 to 2019	\$Change from 2019 to 2018
Operating Revenues					
Tuition and fees, net	\$ 20.9	\$ 24.8	\$ 25.5	\$ (3.9)	\$ (0.7)
Grants and contracts	10.7	12.2	9.0	(1.5)	3.2
Auxiliary enterprises	4.5	5.3	11.6	(0.8)	(6.3)
Other operating revenue	3.5	3.7	3.4	(0.2)	0.3
Total operating revenues	39.6	46.0	49.5	(6.4)	(3.5)
Nonoperating Revenues					
State appropriations	29.0	28.0	28.1	1.0	(0.1)
On-behalf contributions for OTRS	4.1	4.0	3.3	0.1	0.7
Ad valorem property taxes	44.8	43.4	41.1	1.4	2.3
Federal and state grants	24.8	23.5	22.2	1.3	1.3
Investment income (loss), net	0.5	(0.4)	0.5	0.9	(0.9)
OPEB income	-	-	0.5	-	(0.5)
Total nonoperating revenues	103.2	98.5	95.7	4.7	2.8
Total revenues	\$ 142.8	\$ 144.5	\$ 145.2	\$ (1.7)	\$ (0.7)



Statement of Expenses

A summary of the College’s expenses for the years ended June 30, 2020 and 2019, can be viewed below. Compensation and employee benefits accounted for approximately 63% of total expenses compared to 60% of total expenses for the prior year.

	2020	2019 (Restated – Note 15)	2018	\$Change from 2020 to 2019	\$Change from 2019 to 2018
Operating Expenses					
Compensation and employee benefits	\$ 93.9	\$ 83.8	\$ 83.3	\$ 10.1	\$ 0.5
Contractual services	5.6	6.1	4.9	(0.5)	1.2
Supplies and materials	5.6	2.6	2.2	3.0	0.4
Cost of goods sold	0.1	0.1	6.9	-	(6.8)
Depreciation	7.0	8.1	8.4	(1.1)	(0.3)
Rental expenses	1.9	2.0	1.9	(0.1)	0.1
Utilities	2.0	2.2	2.1	(0.2)	0.1
Repairs and maintenance	6.7	8.7	6.6	(2.0)	2.1
Student aid	21.0	20.3	22.3	0.7	(2.0)
Other	4.3	3.6	4.2	0.7	(0.6)
Total operating expenses	148.1	137.5	142.8	10.6	(5.3)
Nonoperating Expenses					
Interest on capital-related debt	1.1	1.3	1.7	(0.2)	(0.4)
Total expenses	\$ 149.2	\$ 138.8	\$ 144.5	\$ 10.4	\$ (5.7)



Statement of Cash Flows

The primary purpose of the statement of cash flows is to provide information about the cash receipts and disbursements of the College during the year. It also aids in the assessment of the College's ability to generate future net cash flows, ability to meet obligations as they come due, and needs for external financing.

The College's overall liquidity decreased during the current year, with a net decrease to cash and cash equivalents of \$8.8 million. The decrease is related to an increase in cash used in operating activities compared to the prior year.

The following table summarizes the College's cash flows for the years ended June 30, 2020 and 2019:

	2020	2019 (Restated – Note 15)	2018	\$Change from 2020 to 2019	\$Change from 2019 to 2018
Net Cash Provided by (Used in)					
Operating activities	\$ (98.5)	\$ (84.0)	\$ (82.5)	\$ (14.5)	\$ (1.5)
Noncapital financing activities	99.5	94.9	92.0	4.6	2.9
Capital and related financing activities	(10.1)	(5.4)	(5.4)	(4.7)	-
Investing activities	0.3	(2.4)	0.2	2.7	(2.6)
Increase (Decrease) in Cash and Cash Equivalents	(8.8)	3.1	4.3	(11.9)	(1.2)
Cash and Cash Equivalents, Beginning of Year	42.7	39.6	35.3	3.1	4.3
Cash and Cash Equivalents, End of Year	<u>\$ 33.9</u>	<u>\$ 42.7</u>	<u>\$ 39.6</u>	<u>\$ (8.8)</u>	<u>\$ 3.1</u>

Cash used in operating activities during fiscal year 2020 of \$98.5 million increased \$14.5 million (17.0%) when compared to the prior year (\$84.0 million). Major sources of operating funds were tuition and fees (\$23.5 million), grants and contracts (\$10.7 million), and auxiliary enterprises (\$4.5 million), which were offset by payments for compensation and benefits (\$90.9 million) and payments to suppliers and other operating payments (\$49.8 million).

Cash provided by noncapital financing activities during fiscal year 2020 of \$99.5 million increased by \$4.6 million compared to the prior year (\$94.9 million). Major sources of noncapital financing activities were state appropriations (\$29.0 million), ad valorem property taxes received (\$44.6 million), and federal and state grants (\$25.8 million).

Cash used in capital and related financing activities during fiscal year 2020 of \$10.1 decreased by \$4.7 million when compared to the prior year (\$5.4 million). Major sources of capital and related financing activities were capital appropriations received (\$1.4 million) and capital contributions (\$2.4 million), which were offset by purchases of capital assets (\$10.4 million) and principal and interest payments on capital debt and leases (\$3.5 million).

Cash provided by (used in) investing activities during fiscal year 2020 of \$0.3 million increased by \$2.7 million when compared to the prior year (\$2.4 million).

Capital Assets

Capital assets, net increased \$5.1 million during the year ended June 30, 2020. The major additions related to remodel work to the Metro campus bookstore and chemistry lab, HVAC work at both the Metro and Southeast campuses, and new computer equipment.

Long-Term Debt Activity

During the year ended June 30, 2020, the ODFB Master Lease Bonds 2009B and 2010A were refunded. New lease agreements were entered into with ODFB and the State Regents for Higher Education Master Lease Revenue Bond Series 2019A and 2020A. The new agreements were entered into to reduce overall cash flows.

COVID-19

As a result of the COVID-19 pandemic, the College moved all spring and summer in-person classes to online learning. The College was awarded \$8.0 million of funds through the Higher Education Emergency Relief Fund (HEERF) for emergency grants to students to cover institutional costs associated with significant changes to the delivery of instruction due to COVID-19. Of those funds, \$1.6 million had been awarded to students as of June 30, 2020.

Economic Outlook

Management believes the College has a solid financial foundation by which to continue accomplishing its mission of improving the community through intellectual achievement, creative energy, and responsible citizenship of its students, faculty, and staff by their engagement in teaching, learning and service opportunities that transform and enrich lives. The College's financial foundation permits the College to further its commitment to providing innovative, flexible, and affordable public higher education that responds to a dynamic global environment. The College is not without its challenges; in the past several years, there has been a significant shift in economic conditions, which has caused changes in the revenue streams the College uses as operational funding sources. The College has sustained enrollment declines due largely to the improved economy, as the College's enrollment is countercyclical to the local economy. However, in light of these challenges, management believes the College is well positioned to continue its focus through strategic investments that continue to improve student success in the form of better retention and graduation rates.

Acknowledgements

The College's financial statements are the responsibility of management. The preparation of the College's financial statements was made possible by the dedicated service of the Controller's Office personnel and others who have management's sincere appreciation.

Tulsa Community College
Statements of Net Position
June 30, 2020 and 2019

	2020	2019 (Restated – Note 15)
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents <i>(Note 2)</i>	\$ 33,528,696	\$ 39,762,688
Cash and cash equivalents – restricted <i>(Note 2)</i>	369,229	2,887,739
Investments <i>(Note 2)</i>	745,000	1,000,000
Investments – restricted <i>(Note 2)</i>	817,067	806,845
Accounts receivable, net <i>(Note 3)</i>	5,803,786	8,058,848
Property tax receivable	1,823,947	1,630,747
Federal and state grants receivable	1,437,128	2,327,084
Prepaid expenses	712,462	401,816
	<u>45,237,315</u>	<u>56,875,767</u>
Noncurrent Assets		
Investments <i>(Note 2)</i>	6,536,384	6,126,311
Investments – restricted <i>(Note 2)</i>	766,598	767,991
Net OPEB asset	736,171	815,106
Nondepreciable capital assets <i>(Note 4)</i>	13,559,923	11,685,593
Depreciable capital assets, net	78,620,068	75,403,636
	<u>100,219,144</u>	<u>94,798,637</u>
Total noncurrent assets	<u>100,219,144</u>	<u>94,798,637</u>
Total assets	<u>145,456,459</u>	<u>151,674,404</u>
Deferred Outflows of Resources		
Deferred outflows – OTRS <i>(Note 6)</i>	19,871,700	20,031,447
Deferred outflows – OPEB	315,230	475,172
	<u>20,186,930</u>	<u>20,506,619</u>
Total deferred outflows of resources	<u>20,186,930</u>	<u>20,506,619</u>
Total assets and deferred outflows of resources	<u>165,643,389</u>	<u>172,181,023</u>

Tulsa Community College
Statements of Net Position, continued
June 30, 2020 and 2019

	2020	2019 (Restated – Note 15)
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable	\$ 1,188,378	\$ 3,484,598
Accrued liabilities	3,406,326	3,296,130
Accrued compensated absences	1,430,552	1,771,716
Net pension liability – SRP	67,147	25,514
Interest payable	32,481	41,088
Unearned revenues	4,257,484	3,786,528
Long-term liabilities – current portion (<i>Note 5</i>)	2,558,288	2,571,491
Deposits held in custody for others	225,826	199,076
	<u>13,166,482</u>	<u>15,176,141</u>
Noncurrent Liabilities		
ODFA bonds (<i>Note 5</i>)	14,940,863	16,212,402
Revenue bonds (<i>Note 5</i>)	1,400,000	2,180,000
OCIA capital lease obligation (<i>Note 5</i>)	8,157,755	8,157,755
Net pension liability – OTRS (<i>Note 6</i>)	78,793,096	76,232,974
Equipment capital lease obligation (<i>Note 5</i>)	856,516	-
	<u>104,148,230</u>	<u>102,783,131</u>
Total noncurrent liabilities	<u>104,148,230</u>	<u>102,783,131</u>
Total liabilities	<u>117,314,712</u>	<u>117,959,272</u>
Deferred Inflows of Resources		
Deferred inflows – OTRS (<i>Note 6</i>)	17,596,293	21,293,845
Deferred inflows – OPEB	374,707	564,827
	<u>17,971,000</u>	<u>21,858,672</u>
Total deferred inflows of resources	<u>17,971,000</u>	<u>21,858,672</u>
Net Position		
Net investment in capital assets	64,479,457	58,182,505
Restricted for		
Expendable	2,474,140	4,651,206
Unrestricted	(36,595,920)	(30,470,632)
	<u>(36,595,920)</u>	<u>(30,470,632)</u>
Total net position	<u>\$ 30,357,677</u>	<u>\$ 32,363,079</u>

Tulsa Community College Foundation
A Component Unit of Tulsa Community College
Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 12,066,913	\$ 11,769,508
Investments	12,615,824	9,010,533
Contributions receivable, net	750,716	4,604,998
Total assets	\$ 25,433,453	\$ 25,385,039
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 862,108	\$ 1,319,618
Total liabilities	862,108	1,319,618
 Net Assets		
Without donor restrictions	374,740	119,002
With donor restrictions	24,196,605	23,946,419
Total net assets	24,571,345	24,065,421
Total liabilities and net assets	\$ 25,433,453	\$ 25,385,039

Tulsa Community College
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2020 and 2019

	2020	2019 (Restated – Note 15)
Operating Revenues		
Tuition and fees, net (<i>Note 1</i>)	\$ 20,888,819	\$ 24,758,327
Federal grants and contracts	5,613,056	6,956,174
State and private grants and contracts	5,126,884	5,296,106
Sales and services of auxiliary enterprises	4,468,349	5,354,004
Other operating revenues	3,534,050	3,700,528
Total operating revenues	39,631,158	46,065,139
Operating Expenses		
Compensation and employee benefits (<i>Note 6</i>)	93,614,144	83,788,632
Contractual services	5,552,023	6,123,573
Supplies and materials	5,635,873	2,578,176
Cost of goods sold	23,958	30,077
Depreciation (<i>Note 4</i>)	7,050,969	8,116,515
Rental expenses	1,891,504	2,007,118
Utilities	1,982,101	2,198,054
Repairs and maintenance	6,702,546	8,763,146
Student aid	21,053,577	20,276,063
Other operating expenses	4,668,111	3,620,731
Total operating expenses	148,174,806	137,502,085
Operating Loss	(108,543,648)	(91,436,946)
Nonoperating Revenues (Expenses)		
State appropriations	29,036,618	27,995,998
State appropriations – in-kind OTRS pension contributions (<i>Note 6</i>)	4,092,069	4,013,039
Ad valorem property taxes (<i>Note 10</i>)	44,827,343	43,424,026
Federal and state grants	24,785,700	23,488,708
Investment income (loss), net	490,175	(388,881)
Interest on capital-related debt	(1,079,501)	(1,265,607)
Net nonoperating revenues (expenses)	102,152,404	97,267,283
Income (Loss) Before Other Revenues, Expenses, Gains, and Losses	(6,391,244)	5,830,337
Other Revenues, Expenses, Gains, and Losses		
State appropriations restricted for capital purposes (<i>Note 11</i>)	1,409,940	945,575
OCIA on-behalf state appropriations	578,342	2,255,457
Capital contributions	2,397,560	4,652,684
Increase (Decrease) in Net Position	(2,005,402)	13,684,053
Net Position, Beginning of Year, as Previously Reported	32,363,079	12,757,127
Adjustment Applicable to Prior Years (see <i>Note 15</i>)	-	5,921,899
Net Position, Beginning of Year, as Restated	32,363,079	18,679,026
Net Position, End of Year	\$ 30,357,677	\$ 32,363,079

Tulsa Community College Foundation
A Component Unit of Tulsa Community College
Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Contributions			
Without donor restrictions	\$ 465,306	\$ -	\$ 465,306
Purpose and time restrictions	-	4,784,956	4,784,956
Contributions in-kind	5,699	8,639	14,338
Interest and dividends, net	123,849	195,719	319,568
Net realized and unrealized gains on investments	11,377	150,808	162,185
Other income	67	-	67
Net assets released from restrictions			
Purpose and time restrictions	4,889,936	(4,889,936)	-
	<u>5,496,234</u>	<u>250,186</u>	<u>5,746,420</u>
Total revenues and support			
Expenses			
Program services			
College support	4,968,711	-	4,968,711
Support services			
Management and general	134,416	-	134,416
Fundraising	137,369	-	137,369
	<u>271,785</u>	<u>-</u>	<u>271,785</u>
Total support services			
Total expenses	<u>5,240,496</u>	<u>-</u>	<u>5,240,496</u>
Change in Net Assets	255,738	250,186	505,924
Net Assets, Beginning of Year	<u>119,002</u>	<u>23,946,419</u>	<u>24,065,421</u>
Net Assets, End of Year	<u>\$ 374,740</u>	<u>\$ 24,196,605</u>	<u>\$ 24,571,345</u>

Tulsa Community College Foundation
A Component Unit of Tulsa Community College
Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Contributions			
Without donor restrictions	\$ 430,037	\$ -	\$ 430,037
Purpose and time restrictions	-	8,727,906	8,727,906
Endowment funds	-	1,130,654	1,130,654
Contributions in-kind	1,800	48,631	50,431
Interest and dividends, net	144,993	107,382	252,375
Net realized and unrealized gains on investments	-	379,537	379,537
Other income	5,718	-	5,718
Net assets released from restrictions			
Purpose and time restrictions	4,918,210	(4,918,210)	-
Total revenues and support	<u>5,500,758</u>	<u>5,475,900</u>	<u>10,976,658</u>
Expenses			
Program services			
College support	5,113,030	-	5,113,030
Support services			
Management and general	207,806	-	207,806
Fundraising	157,335	-	157,335
Total support services	<u>365,141</u>	<u>-</u>	<u>365,141</u>
Total expenses	<u>5,478,171</u>	<u>-</u>	<u>5,478,171</u>
Change in Net Assets	22,587	5,475,900	5,498,487
Net Assets, Beginning of Year	<u>96,415</u>	<u>18,470,519</u>	<u>18,566,934</u>
Net Assets, End of Year	<u><u>\$ 119,002</u></u>	<u><u>\$ 23,946,419</u></u>	<u><u>\$ 24,065,421</u></u>

Tulsa Community College Foundation
A Component Unit of Tulsa Community College
Statements of Functional Expenses
Years Ended June 30, 2020 and 2019

	College Support	Management and General	Fundraising	Total
2020				
Grants	\$ 4,362,814	\$ -	\$ -	\$ 4,362,814
Community relations	43,123	-	-	43,123
Salaries and benefits	-	72,610	-	72,610
Scholarships	189,499	-	-	189,499
Signature Symphony	373,275	-	-	373,275
Other	-	61,806	137,369	199,175
	<u>\$ 4,968,711</u>	<u>\$ 134,416</u>	<u>\$ 137,369</u>	<u>\$ 5,240,496</u>
2019				
Grants	\$ 4,532,583	\$ -	\$ -	\$ 4,532,583
Community relations	104,087	-	-	104,087
Salaries and benefits	-	91,645	-	91,645
Scholarships	345,668	-	-	345,668
Signature Symphony	130,692	-	-	130,692
Other	-	116,161	157,335	273,496
	<u>\$ 5,113,030</u>	<u>\$ 207,806</u>	<u>\$ 157,335</u>	<u>\$ 5,478,171</u>

Tulsa Community College
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019 (Restated – Note 15)
Operating Activities		
Tuition and fees	\$ 23,476,790	\$ 23,580,426
Grants and contracts	10,739,940	11,089,428
Payments to suppliers and other operating payments	(45,448,448)	(41,027,858)
Payments to employees	(90,640,336)	(83,086,346)
Auxiliary enterprises sales and services	4,468,349	5,354,004
Other operating revenue	3,534,050	3,700,528
Other operating payments	(4,668,111)	(3,620,731)
	<u>(98,537,766)</u>	<u>(84,010,549)</u>
Net cash used in operating activities		
Noncapital Financing Activities		
State appropriations	29,036,618	27,995,998
Ad valorem property taxes received	44,634,143	43,390,022
Federal and state grants	25,813,703	23,488,708
Deposits held in custody for others	26,750	12,047
	<u>99,511,214</u>	<u>94,886,775</u>
Net cash provided by noncapital financing activities		
Capital and Related Financing Activities		
Purchases of capital assets	(10,428,599)	(7,192,182)
Capital contributions	2,397,560	4,652,684
Capital appropriations received	1,409,940	945,575
Proceeds from debt issuance	74,537	-
Principal paid on capital leases and bonds	(2,810,353)	(2,996,388)
Interest paid on capital leases and bonds	(695,308)	(848,365)
	<u>(10,052,223)</u>	<u>(5,438,676)</u>
Net cash used in capital and related financing activities		
Investing Activities		
Proceeds from sales of investments	1,872,716	1,354,168
Purchases of investments	(2,036,618)	(4,456,779)
Interest received on investments	490,175	741,773
	<u>326,273</u>	<u>(2,360,838)</u>
Net cash provided by (used in) investing activities		
Increase (Decrease) in Cash and Cash Equivalents	(8,752,502)	3,076,712
Cash and Cash Equivalents, Beginning of Year	42,650,427	39,573,715
Cash and Cash Equivalents, End of Year	<u>\$ 33,897,925</u>	<u>\$ 42,650,427</u>

Tulsa Community College
Statements of Cash Flows, continued
Years Ended June 30, 2020 and 2019

	2020	2019 (Restated – Note 15)
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (108,543,648)	\$ (91,436,946)
Adjustment to reconcile operating loss to net cash used in operating activities		
Depreciation	7,050,969	8,116,515
Changes in operating assets and liabilities		
Receivables, net	132,207	(970,030)
Prepaid expenses	(310,646)	(401,816)
Prepaid pension and other assets	78,935	(290,161)
Accounts payable and accrued liabilities	(2,186,024)	2,696,421
Accrued compensated absences	(341,164)	221,626
Unearned revenues	332,909	(207,871)
Deferred outflows – OTRS and OPEB	319,689	(350,218)
Deferred inflows – OTRS and OPEB	(3,887,672)	(2,527,982)
Net pension liability	6,693,824	2,302,765
Federal and state grants receivable	2,122,855	(1,162,852)
Net cash used in operating activities	<u>\$ (98,537,766)</u>	<u>\$ (84,010,549)</u>
Noncash Investing and Financing Activities		
OTRS contributions paid by state agency on behalf of the College	\$ 4,092,069	\$ 4,013,039
Principal and interest on capital debt paid by state agency on behalf of the College	\$ 578,342	\$ 2,255,457
Capital lease issued for capital assets	\$ 1,713,132	\$ -
Debt paid through refunding	\$ 6,945,000	\$ -
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position		
Current assets		
Cash and cash equivalents	\$ 33,528,696	\$ 39,762,688
Cash and cash equivalents – restricted	369,229	2,887,739
	<u>\$ 33,897,925</u>	<u>\$ 42,650,427</u>

Tulsa Community College Foundation
A Component Unit of Tulsa Community College
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Operating Activities		
Change in net assets	\$ 505,924	\$ 5,498,487
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized gains on investments	(162,185)	(379,537)
Investments received as contributions	(252,217)	(103,126)
Contributions restricted for long-term investments	-	(1,130,654)
Changes in operating assets and liabilities		
Contributions receivable	517,486	485,665
Accounts payable and accrued expenses	(457,510)	890,143
	<u>151,498</u>	<u>5,260,978</u>
Net cash provided by operating activities		
Investing Activities		
Proceeds from sales of investments	12,848,501	7,039,291
Purchases of investments	(16,039,390)	(7,676,130)
	<u>(3,190,889)</u>	<u>(636,839)</u>
Net cash used in investing activities		
Financing Activities		
Proceeds from contributions restricted for endowment	3,336,796	-
Proceeds from contributions restricted for long-term investments	-	1,130,654
	<u>3,336,796</u>	<u>1,130,654</u>
Net cash provided by financing activities		
Increase in Cash and Cash Equivalents	297,405	5,754,793
Cash and Cash Equivalents, Beginning of Year	11,769,508	6,014,715
Cash and Cash Equivalents, End of Year	\$ 12,066,913	\$ 11,769,508
Noncash Investing Activities		
Gift of investments	\$ 252,217	\$ 103,126

Tulsa Community College

Notes to Financial Statements

June 30, 2020 and 2019

Note 1: Nature of Operations and Significant Accounting Policies

Nature of Operations

Tulsa Community College (the College) is a two-year college operating under the jurisdiction of the Board of Regents and the Oklahoma State Regents for Higher Education (the State Regents). Under Oklahoma statutes, the College is the only state-supported institution of higher education that can offer lower division undergraduate courses in Tulsa County.

Reporting Entity

The financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB), consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. The College is a member of the Oklahoma State System of Higher Education, a component unit of the State of Oklahoma, and is included in the general purpose financial statements of the State as part of the higher education component unit.

The accompanying financial statements include the accounts of the College and the Tulsa Community College Technology Center School District (the School District), which are agencies of the State of Oklahoma. The School District has been presented as a blended component unit because the School District's governing body is substantially the same as the governing body of the College, and the School District provides services almost entirely to the College, which is the primary government. Separate financial statements of the School District have been prepared and can be obtained by contacting the College's Controller and Chief Financial Officer.

The Tulsa Community College Foundation (the Foundation) is an Oklahoma not-for-profit organization organized for the purpose of receiving and administering gifts intended for the benefit of the College as a whole, including both the College and the School District. While the resources received and held by the Foundation are entirely or almost entirely held for the benefit of the College, the Foundation's Board of Trustees are not appointed by the College. Due to the College's belief that it would be misleading to exclude, the Foundation is presented as a discretely presented component unit in the financial statements of the College. The Foundation is reported under Financial Accounting Standards Board (FASB) Accounting Standards Codifications (ASC), including FASB ASC 958, *Not-for-Profit Entities*. 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 College's financial report for these differences. Separate financial statements are issued for the Foundation and requests for additional financial information related to the Foundation should be addressed to the Chief Financial Officer, Tulsa Community College, 6111 E. Skelly Drive, Tulsa, Oklahoma 74135.

Tulsa Community College

Notes to Financial Statements

June 30, 2020 and 2019

Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College'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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Income Taxes

The College, 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, and a similar provision of Oklahoma statutes. However, the College may be subject to federal income taxes on any unrelated business income under Internal Revenue Code Section 511(a)(2)(B).

Cash and Cash Equivalents

For the purposes of preparing the accompanying statements of cash flows, the College considers all liquid investments with an original maturity of three months or less from the date of purchase to be cash equivalents, excluding balances held with trustees for bond issuances. Funds invested through the State Treasurer's Cash Management Program are also considered cash equivalents.

Investments

The College accounts for its investments in certificates of deposit at amortized cost. The remaining investments are in money market funds, which are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividends and interest income, realized gains and losses on investments carried at other than fair value, and the net change for the year in the fair value of investments carried at fair value.

Restricted Cash and Investments

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

Tulsa Community College

Notes to Financial Statements

June 30, 2020 and 2019

Accounts Receivable

Accounts receivable consist 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. Student accounts receivable are carried at the unpaid balance of the original amount billed to students. The receivable is less an allowance made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts, using historical experience applied to an aging of accounts, and considering the general economy and the industry as a whole. Student accounts receivable are written off when deemed uncollectible. Recoveries of student accounts receivable previously written off are credited to the allowance for doubtful accounts.

A student account receivable is considered past due if any portion of the receivable balance is outstanding after the end of the respective semester to which it relates. Late fees are assessed one month after the end of the semester on any unpaid accounts. Interest may also be charged on unpaid accounts at an annual rate of 18%. Late charges and interest are included in other operating income and accounts receivable.

Federal and State Grants Receivable

Federal and state grants receivable include amounts due from the federal, state, and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or acquisition value at the date of donation. For equipment, the College's capitalization policy includes all items with a unit cost of \$2,500 or more and an estimated useful life 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 as follows:

Buildings	40 years
Renovations, infrastructure, and land improvements	10–25 years
Furniture, fixtures, and equipment	3–20 years

Impairment of Long-Lived Assets

In accordance with GAAP, the College reviews its capital assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized for the years ended June 30, 2020 and 2019.

Tulsa Community College
Notes to Financial Statements
June 30, 2020 and 2019

Compensated Absences

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded as accrued compensated absences in the accompanying statements of net position and as a component of compensation and employee benefits expense in the accompanying statements of revenues, expenses, and changes in net position as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash.

Accumulated Sick Leave

Sick leave benefits are not recognized as liabilities of the College. The College's policy is to record sick leave as an operating expenditure or expense in the period taken, since such benefits do not vest nor is payment probable.

Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments, such as Social Security and Medicare taxes, computed using rates in effect at that date.

Unearned Revenues

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

Cost-Sharing Defined Benefit Pension Plan

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oklahoma Teachers' Retirement System (OTRS) and additions to/deductions from OTRS' fiduciary net position have been determined on the same basis as they are reported by OTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources

The College reports the consumption of net position that is applicable to a future reporting period as deferred outflows of resources in a separate section of its statements of net position.

Deferred Inflows of Resources

The College reports an acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in a separate section of its statements of net position.

Tulsa Community College

Notes to Financial Statements

June 30, 2020 and 2019

Noncurrent Liabilities

Noncurrent liabilities include 1) principal amounts of revenue bonds payable, ODFA bonds payable, and capital lease obligations with contractual maturities greater than one year and premiums associated with such obligations and 2) other liabilities that will not be paid within the next fiscal year.

Net Position

GASB requires the classification of net position into three components – net investment in capital assets, restricted, and unrestricted. These net position classifications are defined as follows:

- **Net Investment in Capital Assets** – This represents the College’s total investment in capital assets, net of outstanding debt obligations, including plant fund payables, 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 net investment in capital assets.
- **Restricted Net Position – Expendable** – Restricted expendable net position includes resources in which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- **Unrestricted Net Position** – Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College 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. As of June 30, 2020 and 2019, the College’s net position is in a deficit position as a direct result of the unfunded net pension liability, OTRS.

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

Ad Valorem Property Taxes

Annually, an Estimate of Needs report is submitted to the County Excise Board by the School District to determine the ad valorem tax levy. The county assessor is required to file a tax roll report on or before October 1 of each year with the county treasurer indicating the net assessed valuation of all real, personal, and public service property (public service property assessed valuations are determined by the Oklahoma Tax Commission). Ad valorem tax is levied each October 1 on the assessed valuation of nonexempt real property located in the School District as of the preceding January 1, the assessment date. Ad valorem taxes are due and become a legally enforceable lien on November 1 following the levy date, although they may be paid in two equal installments (if the first installment is paid prior to January 1, the second installment is not delinquent until April 1). Ad valorem taxes are collected by the county treasurer of Tulsa County,

Tulsa Community College

Notes to Financial Statements

June 30, 2020 and 2019

Oklahoma, and are remitted to the School District. Ad valorem taxes include interest earned on tax receipts held by the county prior to transfer to the School District.

Additionally, the School District levies an annual two mills general fund tax on all taxable property within the School District. The proceeds of the general fund levy are transferred to the State Treasurer for deposit into a fund constituting the educational and operating budget of the College. The receipts of the current two mills general fund levy are to be used for the purposes of supplementing post-secondary vocational and technical or adult education programs offered by the College.

In February 1994, the voters of Tulsa County approved a five mills local tax incentive levy, which became effective July 1, 1994, in addition to all other school tax levies on the assessed valuation of all taxable property within the School District. This special levy, which is for the general operations of the School District, is now a permanent levy until it is repealed by a majority of the voters.

Classification of Revenues and Expenses

The College has classified its revenues and expenses as either operating or nonoperating. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB, including state appropriations, local property taxes, and investment income. Revenues and expenses are classified according to the following criteria:

- **Operating Revenues and Expenses** – Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as 1) student tuition and fees, net of scholarship discounts and allowances; 2) most federal, state, and local grants and contracts; and 3) sales and services of auxiliary enterprises. All expenses are considered operating expenses, except for interest expense on capital-related debt.
- **Nonoperating Revenues and Expenses** – Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, Pell grants, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations and investment income. Interest expense on capital-related debt is the only nonoperating expense.

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 accompanying statements 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 College 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 either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the

Tulsa Community College

Notes to Financial Statements

June 30, 2020 and 2019

College has recorded a scholarship discount and allowance, which totaled \$21,324,932 and \$17,242,358 for the years ended June 30, 2020 and 2019, respectively.

Joint Venture

In November 1993, the College became a participant in a joint venture with Tulsa County Technology Center School District (Tulsa Vo-Tech) (formerly Tulsa County Area Vocational Technical Center School District No. 18). The joint venture was created to administer and operate the building for which both parties purchased an undivided one-half interest. The operating committee is composed of six members, three selected by the College and three selected by Tulsa Vo-Tech. The operating committee has the authority to make decisions with respect to the day-to-day operations of the property. All operating expenses are shared on a 50-50 basis. Tulsa Vo-Tech is responsible for the payment of maintenance and operating costs and the receipt of revenue generated from property leases or other income. Tulsa Vo-Tech bills the College for 50% of the net of these revenues and expenses on a quarterly basis. The College is responsible for the security functions and bills Tulsa Vo-Tech quarterly for 50% of these expenses. During the years ended June 30, 2020 and 2019, the College expended approximately \$180,241 and \$176,222, respectively, to Tulsa Vo-Tech for maintenance and operating costs, net of revenues. Tulsa Vo-Tech paid the College \$94,450 and \$77,835 for security expenses for the years ended June 30, 2020 and 2019, respectively. The College is responsible for continuing to pay 50% of the operating costs of the building until it sells or transfers its interest in the building pursuant to the contract provisions. The joint venture does not issue a stand-alone report or financial statements.

New Accounting Pronouncement Adopted in Fiscal Year 2020

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period

GASB 89 was issued in June 2018 and directs that interest costs incurred during the construction period of an asset be expensed in the period incurred. GASB 89 changes previous guidance regarding capitalized construction costs where such costs were typically included in the capitalized cost of the asset constructed and depreciated over time. The College early implemented GASB 89 in 2020. The implementation did not have a significant impact on the financial statements.

Recent Accounting Pronouncements

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, effective and implemented for the College's fiscal year ended June 30, 2020. In light of the COVID-19 pandemic, GASB 95 is intended to provide relief to governments and other stakeholders by delaying the effective dates of certain pronouncements and implementation guides. All effective dates below have been updated accordingly.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – An amendment of GASB Statements No. 14 and No. 61*. The primary objectives of GASB 90 are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain

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component units. The requirements of GASB 90 are effective for reporting periods beginning after December 15, 2019.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of GASB 91 are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. GASB 91 achieves those objectives by clarifying the existing definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the issuer, establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations, and improving required note disclosures. The requirements of GASB 91 are effective for reporting periods beginning after December 15, 2021.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, effective for the College's fiscal year ending June 30, 2021. GASB 84 establishes criteria for identifying and reporting fiduciary activities of all state and local governments including public universities. In general, if the College controls the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists, then the activity should be presented in a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to this requirement is provided for a business-type activity that expects to hold assets in a custodial fund for three months or less. The College is evaluating the impact GASB 84 will have on its financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, effective for the College's fiscal year ending June 30, 2022. GASB 87 establishes a single approach for lease accounting based on the principle that all leases are a means for financing the use of an underlying asset. The new guidance applies to all leases with terms greater than 12 months, including any options to extend. Under GASB 87, a lessee is required to recognize an intangible right-to-use asset and corresponding lease liability. Lessors are required to record a lease receivable and a corresponding deferred inflow of resources. The College is evaluating the impact GASB 87 will have on its financial statements.

Management has not yet determined the effect, if any, of adoption of the new GASB statements listed above on the College's financial statements.

Revisions

Certain immaterial revisions have been made to the 2019 financial statements to correct the presentation of capital contributions of \$4,652,684, net OPEB income/expense of \$267,512, and scholarship discounts and allowances of \$3,135,759. Restricted net position has been increased and unrestricted net position has been decreased by \$815,106 for the net OPEB asset. In addition, the accompanying statement of cash flows has been corrected for a mathematical error of \$803,632 in the reconciliation of operating loss to net cash used in operating activities.

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Note 2: Deposits and Investments

Cash, cash equivalents, and investments included in the accompanying statements of net position consist of the following:

	2020	2019
Cash and cash equivalents		
Current	\$ 33,528,696	\$ 39,762,688
Current, restricted	369,229	2,887,739
	\$ 33,897,925	\$ 42,650,427
Investments		
Current	\$ 745,000	\$ 1,000,000
Noncurrent	6,536,384	6,126,311
Current, restricted	817,067	806,845
Noncurrent, restricted	766,598	767,991
	\$ 8,865,049	\$ 8,701,147

Interest Rate Risk

The College's management does not believe that it has significant exposure to fair value losses arising from increasing interest rates.

Credit Risk

All U.S. government obligations are held by the Federal Reserve Bank in the name of the College. Title 70, Section 4306, of the Oklahoma statutes directs, authorizes, and empowers the College's Board of Regents to hold, invest, or sell donor-restricted endowments in a manner that is consistent with the terms of the gift as stipulated by the donor and with the provision of any applicable laws.

The Board has authorized short-term funds to be invested in any security currently available through the Oklahoma State Treasurer's Office. Generally, these include direct obligations of the U.S. government and its agencies, certificates of deposit, and demand deposits.

Concentration of Credit Risk

There is no limit on the amount the College may invest in any one issuer. However, all investments are in money market funds and non-negotiable certificates of deposit.

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Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure the government’s deposits may not be returned. The College’s deposit policy for custodial credit risk is described as follows:

Oklahoma statutes require the State Treasurer to ensure that all state funds either be insured by the Federal Deposit Insurance Corporation (FDIC), collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The College’s deposits with the State Treasurer are pooled with the funds of other state agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the State Treasurer may determine, in the State’s name.

The College requires that balances on deposit with financial institutions, including trustees related to the College’s bond indentures, be insured by the FDIC, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations, in the College’s name.

At June 30, 2020 and 2019, the carrying amounts of the College’s deposits with the State Treasurer and other financial institutions are as follows:

	2020	2019
Deposits with the State Treasurer	\$ 4,732,698	\$ 7,759,501
Deposits with the State Treasurer – <i>OK INVEST</i>	1,228,380	756,293
U.S. financial institutions	27,936,847	34,134,633
	\$ 33,897,925	\$ 42,650,427

At June 30, 2020 and 2019, the related bank balances of the College’s deposits totaled \$35,055,053 and \$43,450,430, respectively, of which \$7,114,354 and \$9,114,055 were held with the State Treasurer. Of the \$27,940,699 of bank balances held by financial institutions at June 30, 2020, \$4,834,362 was uninsured and uncollateralized due to a letter of credit held by the bank expiring on June 23, 2020, and not being renewed until July 1, 2020.

The College’s deposits with the State Treasurer are pooled with the funds of other state agencies and then, in accordance with statutory limitations, placed in banks or invested as the State Treasurer may determine in the State’s name. 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* and some deposits with the State Treasurer are placed in *OK INVEST*.

Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Preservation, liquidity, and return on investment are the objectives that establish the framework for the day-to-day *OK INVEST* management with an emphasis on preservation 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; the specifics regarding these policies can be

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found on the State Treasurer’s 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 three years. *OK INVEST* maintains an overall weighted-average maturity of less than 270 days. Participants in *OK INVEST* maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the State Treasurer 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, the FDIC, or any other government agency.

The deposits with the State Treasurer invested in *OK INVEST* are part of an investment pool that values the assets at amortized cost and for financial reporting purposes are classified as cash equivalents.

The distribution of deposits in *OK INVEST* is as follows:

	<u>2020</u>	<u>2019</u>
U.S. agency securities	\$ 284,745	\$ 234,327
Certificates of deposit	18,129	16,722
Money market mutual funds	64,082	75,268
Mortgage-backed agency securities	456,424	303,887
Foreign bonds	12,765	3,133
Municipal bonds	1,575	1,344
U.S. Treasury obligations	<u>390,660</u>	<u>121,612</u>
	<u>\$ 1,228,380</u>	<u>\$ 756,293</u>

Fair Value

If applicable, the College categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable

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inputs. Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. As of June 30, 2020 and 2019, there were no financial instruments required to be leveled.

The College had money market funds of \$1,583,665 and \$1,163,288 at June 30, 2020 and 2019, respectively, which are carried at NAV, and non-negotiable CDs of \$7,281,384 and \$7,126,311 at June 30, 2020 and 2019, respectively, which are valued at amortized cost.

Note 3: Accounts Receivable, Net

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

	<u>2020</u>	<u>2019</u>
Student tuition and fees	\$ 13,266,402	\$ 13,208,494
Auxiliary enterprises and other operating activities	2,754,102	2,903,727
	<u>16,020,504</u>	<u>16,112,221</u>
Less allowance for doubtful accounts	<u>(10,216,718)</u>	<u>(8,053,373)</u>
Accounts receivable, net	<u>\$ 5,803,786</u>	<u>\$ 8,058,848</u>

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Note 4: Capital Assets

Following are the changes in capital assets for the years ended June 30:

	Balance, July 1, 2019	Additions	Disposals/ Transfers	Balance, June 30, 2020
Nondepreciable				
Land	\$ 5,834,408	\$ -	\$ -	\$ 5,834,408
Collections	200,000	-	-	200,000
Construction in progress	<u>5,651,185</u>	<u>7,131,597</u>	<u>(5,257,267)</u>	<u>7,525,515</u>
	<u>11,685,593</u>	<u>7,131,597</u>	<u>(5,257,267)</u>	<u>13,559,923</u>
Depreciable				
Buildings and improvements	201,829,254	2,405,064	5,257,267	209,491,585
Land/infrastructure improvement	9,265,638	-	-	9,265,638
Furniture, fixtures, and equipment	<u>22,908,424</u>	<u>2,605,070</u>	<u>-</u>	<u>25,513,494</u>
	<u>234,003,316</u>	<u>5,010,134</u>	<u>5,257,267</u>	<u>244,270,717</u>
Less accumulated depreciation				
Buildings and improvements	(134,883,504)	(5,351,245)	-	(140,234,749)
Land/infrastructure improvement	(4,800,336)	(276,217)	-	(5,076,553)
Furniture, fixtures, and equipment	<u>(18,915,840)</u>	<u>(1,423,507)</u>	<u>-</u>	<u>(20,339,347)</u>
Total accumulated depreciation	<u>(158,599,680)</u>	<u>(7,050,969)</u>	<u>-</u>	<u>(165,650,649)</u>
Capital assets, net	<u>\$ 87,089,229</u>	<u>\$ 5,090,762</u>	<u>\$ -</u>	<u>\$ 92,179,991</u>

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	Balance, July 1, 2018	Additions	Disposals/ Transfers	Balance, June 30, 2019
Nondepreciable				
Land	\$ 5,150,241	\$ 684,167	\$ -	\$ 5,834,408
Collections	200,000	-	-	200,000
Construction in progress	<u>743,753</u>	<u>4,907,432</u>	<u>-</u>	<u>5,651,185</u>
	<u>6,093,994</u>	<u>5,591,599</u>	<u>-</u>	<u>11,685,593</u>
Depreciable				
Buildings and improvements	201,253,304	575,950	-	201,829,254
Land/infrastructure improvement	9,265,638	-	-	9,265,638
Furniture, fixtures, and equipment	<u>21,883,791</u>	<u>1,024,633</u>	<u>-</u>	<u>22,908,424</u>
	<u>232,402,733</u>	<u>1,600,583</u>	<u>-</u>	<u>234,003,316</u>
Less accumulated depreciation				
Buildings and improvements	(128,888,841)	(5,994,663)	-	(134,883,504)
Land/infrastructure improvement	(4,522,903)	(277,433)	-	(4,800,336)
Furniture, fixtures, and equipment	<u>(17,071,421)</u>	<u>(1,844,419)</u>	<u>-</u>	<u>(18,915,840)</u>
Total accumulated depreciation	<u>(150,483,165)</u>	<u>(8,116,515)</u>	<u>-</u>	<u>(158,599,680)</u>
Capital assets, net	<u>\$ 88,013,562</u>	<u>\$ (924,333)</u>	<u>\$ -</u>	<u>\$ 87,089,229</u>

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Note 5: Noncurrent Liabilities

Long-term liability activity for the years ended June 30 is as follows:

	Balance, July 1, 2019	Additions	Reductions	Balance, June 30, 2020	Amounts Due Within One Year
Revenue bonds, Series 2012	\$ 2,945,000	\$ -	\$ (765,000)	\$ 2,180,000	\$ 780,000
Total revenue bonds	<u>2,945,000</u>	<u>-</u>	<u>(765,000)</u>	<u>2,180,000</u>	<u>780,000</u>
ODFA, Series 2009B	6,125,333	-	(6,125,333)	-	-
ODFA, Series 2010A	1,188,500	-	(1,188,500)	-	-
ODFA, Series 2011A	985,000	-	(72,333)	912,667	76,250
ODFA, Series 2014A	2,303,500	-	(126,417)	2,177,083	131,500
ODFA, Series 2014E	1,116,500	-	(210,417)	906,083	215,833
ODFA, Series 2015B	5,246,250	-	(249,833)	4,996,417	259,417
ODFA, Series 2019A	314,083	-	(59,250)	254,833	62,083
ODFA, Series 2019A	-	5,112,000	(237,417)	4,874,583	422,750
ODFA, Series 2020A	-	942,000	-	942,000	189,084
	<u>17,279,166</u>	<u>6,054,000</u>	<u>(8,269,500)</u>	<u>15,063,666</u>	<u>1,356,917</u>
Premium and discounts	323,903	965,537	(55,326)	1,234,114	-
Total ODFA bonds	<u>17,603,069</u>	<u>7,019,537</u>	<u>(8,324,826)</u>	<u>16,297,780</u>	<u>1,356,917</u>
OCIA, Series 2014A	8,167,667	-	(9,912)	8,157,755	-
OCIA, Series 2014B	175,630	-	(175,630)	-	-
Total OCIA bonds	<u>8,343,297</u>	<u>-</u>	<u>(185,542)</u>	<u>8,157,755</u>	<u>-</u>
Equipment capital lease obligation	230,282	-	(230,282)	-	-
Equipment capital lease obligation	-	1,713,132	(435,245)	1,277,887	421,371
Total long-term liabilities	<u>\$ 29,121,648</u>	<u>\$ 8,732,669</u>	<u>\$ (9,940,895)</u>	<u>\$ 27,913,422</u>	<u>\$ 2,558,288</u>

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	Balance, July 1, 2018	Additions	Reductions	Balance, June 30, 2019	Amounts Due Within One Year
Revenue bonds, Series 2012	\$ 3,695,000	\$ -	\$ (750,000)	\$ 2,945,000	\$ 765,000
Total revenue bonds	<u>3,695,000</u>	<u>-</u>	<u>(750,000)</u>	<u>2,945,000</u>	<u>765,000</u>
ODFA, Series 2009B	6,986,916	-	(861,583)	6,125,333	485,917
ODFA, Series 2010A	1,370,834	-	(182,334)	1,188,500	186,500
ODFA, Series 2011A	1,055,166	-	(70,166)	985,000	72,333
ODFA, Series 2014A	2,424,917	-	(121,417)	2,303,500	126,417
ODFA, Series 2014E	1,321,000	-	(204,500)	1,116,500	210,417
ODFA, Series 2015B	5,489,750	-	(243,500)	5,246,250	249,833
ODFA, Series 2019A	-	319,000	(4,917)	314,083	59,250
	<u>18,648,583</u>	<u>319,000</u>	<u>(1,688,417)</u>	<u>17,279,166</u>	<u>1,390,667</u>
Premium and discounts	351,628	22,984	(50,709)	323,903	-
Total ODFA bonds	<u>19,000,211</u>	<u>341,984</u>	<u>(1,739,126)</u>	<u>17,603,069</u>	<u>1,390,667</u>
OCIA, Series 2010A	1,592,749	-	(1,592,749)	-	-
OCIA, Series 2014A	8,186,002	-	(18,335)	8,167,667	9,911
OCIA, Series 2014B	344,552	-	(168,922)	175,630	175,631
Total OCIA bonds	<u>10,123,303</u>	<u>-</u>	<u>(1,780,006)</u>	<u>8,343,297</u>	<u>185,542</u>
Equipment capital lease obligation	1,130,237	-	(899,955)	230,282	230,282
Total long-term liabilities	<u>\$ 33,948,751</u>	<u>\$ 341,984</u>	<u>\$ (5,169,087)</u>	<u>\$ 29,121,648</u>	<u>\$ 2,571,491</u>

Revenue Bonds Payable

The Board of Regents authorized the College to issue Revenue Bonds, Series 2012 (the Series 2012 Bonds) dated January 1, 2012, in the amount of \$7,665,000, which mature on July 1 of each year beginning July 1, 2012 through July 1, 2022, in annual amounts ranging from \$405,000 to \$795,000, interest rates ranging from 2.00% to 3.25%. The Series 2012 Bonds are payable from pledged revenues derived from a student center fee, a student activity fee, and the net revenues from the operation of the student center system. The Series 2012 Bonds are subject to mandatory redemption prior to maturity, on 30 days' notice at any time in inverse order of maturity, out of required payments to the principal account at the principal amount thereof plus accrued interest to the date for fixed redemption. At June 30, 2020 and 2019, \$2,180,000 and \$2,945,000, respectively, remained outstanding. The College paid \$765,000 and \$750,000 in principal, and \$73,569 and \$89,675 in related interest, on these bonds during 2020 and 2019, respectively.

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Future principal and interest payments required to be made in accordance with all of the revenue bond agreements at June 30, 2020, are as follows:

Years Ending June 30,	Principal	Interest	Total
2021	\$ 780,000	\$ 54,238	\$ 834,238
2022	795,000	31,588	826,588
2023	605,000	9,831	614,831
Total	\$ 2,180,000	\$ 95,657	\$ 2,275,657

For 2020 and 2019, revenues of \$3,579,672 and \$3,645,539, respectively, were pledged as security on the revenue bonds.

Oklahoma Development Finance Authority (ODFA) Master Lease Bonds

Bond Series 2009B – In December 2009, the College entered into a 20-year lease agreement with ODFA and the State Regents for Higher Education Master Lease Revenue Bond Series 2009B. The College received a net amount of \$10,067,000 of the proceeds for energy efficiency modifications at all campus locations. Lease payments made by the College are forwarded to the trustee bank of the State Regents for future principal and interest payments on the Master Lease Bonds. Monthly payments continue through the maturity of the lease in November 2029. These bonds were refunded during fiscal year 2020. The refunding resulted in a cash flow savings of approximately \$832,000 and an economic gain of approximately \$763,000.

Bond Series 2010A – In December 2010, the College entered into a 15-year lease agreement with ODFA and the State Regents for Higher Education Master Lease Revenue Bond Series 2010A. The College received a net amount of \$2,647,211 of the proceeds for energy efficiency modifications at all campus locations. Monthly payments are payable through the maturity of the lease in May 2025. These bonds were refunded during fiscal year 2020. The refunding resulted in a cash flow savings of approximately \$59,000 and an economic gain of approximately \$56,000.

Bond Series 2011A – In July 2011, the College entered into a 19-year lease agreement with ODFA and the State Regents for Higher Education Master Lease Revenue Bond Series 2011A. The College received a net amount of \$1,493,000 of the proceeds for energy efficiency modifications at all campus locations. Monthly payments are payable through the maturity of the lease in May 2030. At June 30, 2020 and 2019, the outstanding balance was \$912,667 and \$985,000, respectively.

Bond Series 2014A – In February 2014, the College entered into a 20-year lease agreement with ODFA and the State Regents for Higher Education Master Lease Revenue Bond Series 2014A. The College received a net amount of \$3,016,237 of the proceeds for renovation of the aviation center facility. Monthly payments are payable through the maturity of the lease in June 2033. At June 30, 2020 and 2019, the outstanding balance was \$2,177,083 and \$2,303,500, respectively.

Bond Series 2014E – In October 2014, the College entered into a 10-year lease agreement with ODFA and the State Regents for Higher Education Master Lease Revenue Bond Series 2014E.

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The College received a net amount of \$2,261,559 of the proceeds for renovation of the student union facility at the southeast campus. Monthly payments are payable through the maturity of the lease in June 2024. At June 30, 2020 and 2019, the outstanding balance was \$906,083 and \$1,116,500, respectively.

Bond Series 2015B – In July 2015, the College entered into a 20-year lease agreement with ODFA and the State Regents for Higher Education Master Lease Revenue Bond Series 2015B. The College received a net amount of \$6,279,975 of the proceeds for energy and conservation improvements campuswide. Monthly payments are payable through the maturity of the lease in June 2035. At June 30, 2020 and 2019, the outstanding balance was \$4,996,417 and \$5,246,250, respectively.

Bond Series 2019A – In May 2019, the College entered into a 5-year lease agreement with ODFA and the State Regents for Higher Education Master Lease Revenue Bond Series 2019A. The College received a net amount of \$341,984 of the proceeds for the refunding of Bond Series 2009C. Monthly payments are payable through the maturity of the lease in June 2024. At June 30, 2020 and 2019, the outstanding balance was \$254,833 and \$314,083, respectively.

Bond Series 2019A – In December 2019, the College entered into a 10-year lease agreement with ODFA and the State Regents for Higher Education Master Lease Revenue Bond Series 2019A. The College used the proceeds for the refunding of Bond Series 2009B. Monthly payments are payable through the maturity of the lease in November 2029. At June 30, 2020, the outstanding balance was \$4,874,583.

Bond Series 2020A – In June 2020, the College entered into a 5-year lease agreement with ODFA and the State Regents for Higher Education Master Lease Revenue Bond Series 2020A. The College used the proceeds for the refunding of Bond Series 2010A. Monthly payments are payable through the maturity of the lease in May 2025. At June 30, 2020, the outstanding balance was \$942,000.

Future principal and interest payments to be made in accordance with the Master Lease Bond agreements at June 30, 2020, are as follows:

Years Ending June 30,	Principal	Interest	Total
2021	\$ 1,356,917	\$ 624,858	\$ 1,981,775
2022	1,394,250	572,048	1,966,298
2023	1,456,917	513,644	1,970,561
2024	1,494,667	447,662	1,942,329
2025	1,242,167	380,246	1,622,413
2026–2030	5,586,333	1,155,346	6,741,679
2031–2035	<u>2,532,415</u>	<u>268,547</u>	<u>2,800,962</u>
Total	<u>\$ 15,063,666</u>	<u>\$ 3,962,351</u>	<u>\$ 19,026,017</u>

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Oklahoma Capital Improvement Authority (OCIA) Capital Leases

Series 2010A – In August 2010, the College’s 2005 Series F lease agreement with OCIA was restructured through a partial refunding of OCIA’s 2005F bond debt. OCIA issued Series 2010A bonds. The College’s lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal year 2012 by extending and restructuring debt service. Consequently, the College’s lease agreement with OCIA automatically restructured to secure the new bond issues. This lease was paid during fiscal year 2019.

Series 2014A and 2014B – In September 2014, the College’s 2005 Series F lease agreement with OCIA was restructured through a partial refunding of the remaining OCIA’s 2005F bond debt. OCIA issued one new bond, Series 2014A. In June 2014, the College’s 2004 Series A lease agreement with OCIA was restructured through a refunding of OCIA’s 2004A bond debt. OCIA issued one new bond, Series 2014B. The College’s lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal year 2015 by extending and restructuring debt service. Consequently, the College’s lease agreement with OCIA automatically restructured to secure the new bond issues.

During the years ended June 30, 2020 and 2019, OCIA made lease principal and interest payments totaling \$578,342 and \$2,255,457, respectively, on behalf of the College for all outstanding OCIA Bond Issues. These on-behalf payments have been recorded as OCIA on-behalf state appropriations in the accompanying statements of revenues, expenses, and changes in net position.

The scheduled principal and interest payments related to the OCIA capital lease obligations at June 30, 2020, are as follows:

Years Ending June 30,	Principal	Interest	Total
2021	\$ -	\$ 388,540	\$ 388,540
2022	-	388,540	388,540
2023	760,446	388,540	1,148,986
2024	799,099	351,900	1,150,999
2025	819,666	312,956	1,132,622
2026–2030	4,699,202	963,684	5,662,886
2031–2035	1,079,342	53,320	1,132,662
Total	<u>\$ 8,157,755</u>	<u>\$ 2,847,480</u>	<u>\$ 11,005,235</u>

Equipment Capital Lease Obligation

The College has entered into lease agreements for various equipment. These agreements outstanding at June 30, 2020, extend through 2023. The total capitalized cost of the equipment was \$1,713,132 and accumulated depreciation was \$428,283 as of June 30, 2020. Total principal and interest payments in 2020 totaled \$435,245. The remaining obligation at June 30, 2020, was \$1,277,887. The lease obligation outstanding at June 30, 2019, was \$230,282 for equipment

Tulsa Community College

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capitalized with a cost of \$3,479,846 and accumulated depreciation of \$3,479,846. The final payment on that lease was made during 2020.

Note 6: Retirement Plans

The College's academic and nonacademic personnel are covered by various retirement plans. The plans available to college personnel include the Oklahoma Teachers' Retirement System (the OTRS), which is a State of Oklahoma public employees' retirement system, and a 403(b) annuity plan, which is a privately administered plan. The College does not maintain the accounting records, hold the investments for, or administer these plans. If the previously mentioned plans do not provide a computed minimum benefit amount, the College provides the difference under a Supplemental Retirement Plan, a privately administered plan, for those employees meeting certain eligibility requirements. This plan is no longer open to new employees but is still available to employees hired before the plan was frozen.

Oklahoma Teachers' Retirement System

Plan Description

The College contributes to 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 17-116.9, as amended, assigns the authority for management and operation 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 the Teacher's Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Oklahoma 73152, or by calling 405.521.2387, or at the OTRS website at www.trs.state.ok.us.

Benefits Provided

Prior to July 1, 1995, contributions under this system were based on pay up to a maximum dollar amount. Members could choose between \$40,000 maximum and a \$25,000 maximum. The member's Final Average Compensation was limited by the same maximum, so the member's election affected both benefits and contributions. The maximum was removed for most members effective July 1, 1995. It no longer applies in determining the required member and employee contributions; however, it does still have an impact. Benefits based on service earned before July 1, 1995, are limited by the \$40,000 or \$25,000 maximum that was elected. This cap may be modified for members in the Education Employees Service Incentive Plan (EESIP). In addition, the cap on salary continued to apply after June 30, 1995, to members employed by one of the comprehensive universities who entered the system before July 1, 1995. The cap on salary for contribution purposes is shown below. All caps were removed effective July 1, 2007.

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Contributions

The authority to define or amend employer contribution rates is given to the Board of Trustees of the OTRS by Oklahoma statute, Title 70, Section 17-106; all other contribution rates are defined or amended by the Oklahoma legislature. OTRS members are required to contribute 7% of their regular annual compensation, not to exceed the member's maximum compensation level. The College is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate for 2020 and 2019 was 9.5% and 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 2020 and 2019. The College's contributions to the OTRS for the years ended June 30, 2020 and 2019, were \$6,158,191 and \$5,677,847, respectively, which are equal to the required contributions for the year paid directly by the College.

The State of Oklahoma is also required to contribute to the OTRS on behalf of the participating employers. For 2020 and 2019, 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 College 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 years ended June 30, 2020 and 2019, the total amounts contributed to the OTRS by the State of Oklahoma on behalf of the College were \$4,092,069 and \$4,013,039, respectively. For the year ended June 30, 2020, the State of Oklahoma contributed 5% of sales and use tax. These on-behalf payments have been recorded as state appropriations – in-kind OTRS pension contributions revenues in the accompanying statements of revenues, expenses, and changes in net position.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The amount recognized by the College as its proportionate share of the net pension liability was \$78,793,096 and \$76,232,974 at June 30, 2020 and 2019, respectively.

The net pension liability at June 30, 2020 and 2019, was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 and 2018, respectively. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2020, the College's proportion was 1.19%. This represents a slight decrease from the College's proportionate share at June 30, 2019, which was 1.26%.

For the year ended June 30, 2020, the College recognized pension expense of \$9,247,357 and revenue of \$4,092,069 for support provided by the State of Oklahoma.

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At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ 534,373	\$ -
Changes in proportion and differences between OTRS contributions and proportionate share of contributions	4,963,062	11,560,673
Change in assumptions	4,136,802	2,659,103
Differences between expected and actual experience	4,044,751	3,376,517
Contributions subsequent to the measurement date	<u>6,192,712</u>	<u>-</u>
Total	<u>\$ 19,871,700</u>	<u>\$ 17,596,293</u>

For the year ended June 30, 2019, the College recognized pension expense of \$4,977,556 and revenue of \$4,013,039 for support provided by the State of Oklahoma.

At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	(Restated)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 1,325,172
Changes in proportion and differences between OTRS contributions and proportionate share of contributions	7,207,036	10,794,420
Change in assumptions	7,146,564	3,904,620
Differences between expected and actual experience	-	5,269,633
Contributions subsequent to the measurement date	<u>5,677,847</u>	<u>-</u>
Total	<u>\$ 20,031,447</u>	<u>\$ 21,293,845</u>

At June 30, 2020 and 2019, the College reported \$6,192,712 and \$5,677,847, respectively, as deferred outflows of resources related to pensions resulting from the College's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the following fiscal year.

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Deferred outflows and inflows of resources at June 30, 2020, related to pensions will be recognized in pension expense as follows:

2021	\$ 678,601
2022	(4,394,575)
2023	(1,526,437)
2024	1,317,806
2025	<u>7,300</u>
Total	<u>\$ (3,917,305)</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2019 and 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age Normal
Inflation:	2.50%
Cost of Living Increases:	None
Salary Increases:	3.25% wage inflation, including 2.50% price inflation, plus a service-related component ranging from 0–8.00% based on years of service
Investment Rate of Return:	7.50%
Retirement Age:	Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five-year experience study for the period ending June 30, 2014.
Mortality Rates after Retirement:	Males: RP-2000 Combined Healthy mortality table for males with White Collar adjustments. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.
Mortality Rates for Active Members:	RP-2000 Employee Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%

Changes Since Measurement Date

There were no changes between the measurement date of the collective net pension liability and the College’s reporting date that are expected to have a significant effect on the College’s proportionate share of the collective net pension liability.

The long-term expected return on plan assets was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected

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future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic expected real rates of return for each major class as of June 30, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Nominal Rate of Return
Domestic equity	38.50%	7.50%
International equity	19.00%	8.50%
Fixed income	23.50%	2.50%
Real estate	9.00%	4.50%
Alternative assets	<u>10.00%</u>	6.10%
Total	<u><u>100.00%</u></u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5% for both 2020 and 2019. The discount rate was based solely on the expected rate of return on pension plan investments of 7.5%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The projection of cash flows used to determine the discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payroll. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percentage of projected member payroll based on the past five years of actual contributions.

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Sensitivity of the College’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability of the College, calculated using the discount rate of 7.5%, as well as what the College’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the collective net pension liability			
June 30, 2020	\$ 111,028,079	\$ 78,793,096	\$ 51,826,932
June 30, 2019	\$ 108,529,110	\$ 76,232,974	\$ 49,364,144

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued OTRS financial report.

403(b) Annuity Plan

All eligible employees of the College can elect to participate in a 403(b) tax-deferred annuity plan (the 403(b) Plan), a defined contribution pension plan administered by an independent fiduciary. Pension expense is recorded for the amount of the College’s required contributions, determined in accordance with the terms of the 403(b) Plan. Eligible employees who elect to participate are required to make a minimum contribution to the 403(b) Plan in an amount equal to 1% of total annual compensation, as defined by the 403(b) Plan. The 403(b) Plan provides retirement benefits to participating employees and their beneficiaries. Benefit provisions and contribution requirements are contained in the plan document and were established and can be amended by action of the College’s Board of Regents. The College’s contribution rate for the years ended June 30, 2020 and 2019, was 3% of an eligible employee’s annual base salary, as defined in the plan document. Contributions made by the College and participants during fiscal years 2020 and 2019 totaled \$929,266 and \$868,837, respectively.

Supplemental Retirement Plan

The College’s Supplemental Retirement Plan (the SRP) is a single-employer, defined-benefit pension plan administered by an administrative committee appointed by the College’s Board of Regents. The SRP was established by the College’s Board of Regents to provide supplemental retirement and death benefits to the College’s employees who meet certain eligibility requirements (*i.e.*, were hired prior to July 1, 1987), or to those eligible employees’ beneficiaries. The authority to amend the SRP’s benefit provisions rests with the College’s Board of Regents. The SRP is a closed plan. The SRP does not issue a standalone financial report nor is it included in the financial report of another entity. Management deemed the SRP to not be material to the overall financial

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statements of the College and elected not to disclose GASB Statement No. 68-related information in the notes or required supplemental information as it relates to the SRP. The College has a net pension liability of \$67,147 and \$25,514 for this plan as of June 30, 2020 and 2019, respectively.

Note 7: Related-Party Transactions

The Foundation has an agreement with the College whereby the Foundation has agreed to forego its rights to independently acquire office space, hire support personnel, and otherwise provide for independent support services for its activities, so those monies may instead be used for scholarships or other forms of support for the College. In addition, the financial records of the Foundation are administered by individuals who are employees of the College. In consideration of the College providing the staff and clerical support and other services to be performed by the College pursuant to this agreement, the Foundation has agreed to pay the College \$24,000 per year plus a portion of certain college employees' salaries and benefits. For the years ended June 30, 2020 and 2019, the Foundation paid the College \$94,610 and \$115,645, respectively, as a result of this agreement. For the years ended June 30, 2020 and 2019, the Foundation also awarded scholarships totaling \$189,499 and \$345,668, respectively, to students of the College and contributed \$4,779,212 and \$4,767,362, respectively, as other college support, which included such items as capital projects, expenses relating to the Signature Symphony orchestra, academic support, and campaign-related activities. The College recorded a receivable from the Foundation of \$473,823 and \$1,056,405 at June 30, 2020 and 2019, respectively.

Note 8: Commitments and Contingencies

The College conducts certain programs pursuant to various grants and contracts that are subject to financial and compliance audits by the grantors, their representatives, or federal and state agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. The amount for expenditures that may be disallowed by the granting agencies cannot be determined at this time, although it is believed by the College that the amount, if any, would not be significant.

During the ordinary course of business, the College may be subjected to various lawsuits and civil action claims. There were no pending lawsuits or claims against the College at June 30, 2020 and 2019, that management believes would result in a material loss to the College in the event of an adverse outcome. The College is a defendant in various lawsuits and is vigorously defending those lawsuits. Although the outcome of these lawsuits is not presently determinable, the College's management believes the resolution of these matters will not have a material impact on the financial statements of the College.

As a result of the COVID-19 pandemic, economic uncertainties have arisen that may negatively affect the financial position, results of operations, and cash flows of the College. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

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Noncancelable operating leases for building space rental, aircraft rental and access to airport facilities, and certain software expire in various years through 2032. Rent expense under these leases was \$812,803 and \$596,201 during the years ended June 30, 2020 and 2019, respectively. Future minimum lease payments under agreements are:

2021	\$ 451,410
2022	120,440
2023	56,563
2024	35,270
2025	35,270
Thereafter	<u>246,890</u>
Total	<u>\$ 945,843</u>

Note 9: Risk Management

The College is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, life, and accident benefits. The College pays an annual premium to the Risk Management Division of the State of Oklahoma Department of Central Services for its tort liability, vehicle liability, property loss, and general liability insurance coverage. Commercial insurance coverage is purchased for claims arising from such matters other than torts, property, and workers' compensation. The College, as a state agency, participates in the Oklahoma State and Education Employee's Group Insurance Board (the Plan), a public entity risk pool. The College pays an annual premium to the Plan through member premiums. The College carries insurance with the State Insurance Fund for other risks of loss including workers' compensation and employee accident and health insurance. The College has purchased commercial medical malpractice insurance, which covers substantially all faculty and students participating in the College's medical services curriculum. Settled claims have not exceeded this commercial insurance coverage in any of the three preceding years. During fiscal years 2020 and 2019, there were no significant reductions in insurance coverage from the previous years.

Note 10: Ad Valorem Property Taxes

The voters of Tulsa County have approved a local tax levy (in addition to all other school tax levies) on the assessed valuation of all taxable property within the School District. This tax levy, which is for the general operations of the College through the School District, is a permanent levy until such time as it is repealed by a majority of the voters of Tulsa County. Ad valorem property tax revenue for general operations for the years ended June 30, 2020 and 2019, totaled \$44,827,343 and \$43,424,026, respectively. There was a receivable of \$1,823,947 and \$1,630,747 related to unpaid taxes at June 30, 2020 and 2019, respectively.

For the years ended June 30, 2020 and 2019, the College did not have any abated property taxes. Based on abatement agreements currently in place, the total abated taxes for the College will be

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approximately \$141,000 over the next six years. The terms of each abatement vary based on the agreements with each entity.

Note 11: Section 13 Offset Program

The State Regents allocate funds to institutions who are not beneficiaries of the Section 13 and New College Trust Funds under the Section 13 Offset Program. These funds are to be used by an institution for projects that are on the approved campus master plan.

The College has been allotted funds under this program to use for capital repairs or expansions. The College was allotted and expended \$1,409,940 and \$945,575 under this program for the years ended June 30, 2020 and 2019, respectively.

Note 12: Deposits with Oklahoma State Regents

In connection with the State Regents' Endowment Program (the Endowment Program), the State of Oklahoma has matched contributions received under the Endowment Program. The State match amounts, plus any retained accumulated earnings, totaled approximately \$3,799,000 and \$3,928,000 at June 30, 2020 and 2019, respectively, and are invested by the State Regents on behalf of the College. The College is entitled to receive an annual distribution of 5% of the fair value at year-end on these funds. As legal title of the State Regents' matching endowment funds is retained by the State Regents, the funds are available for distribution.

Note 13: Condensed Combining Information

GASB Statement No. 61 requires that combining information be presented for business-type activities that included a blended component unit within a single column on the basic financial statements.

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The following summarizes the combining information for the statements of net position as of June 30:

	2020		
	College	School District	Combined
Current assets	\$ 14,970,346	\$ 30,266,969	\$ 45,237,315
Capital assets	92,179,991	-	92,179,991
Other noncurrent assets	<u>1,502,769</u>	<u>6,536,384</u>	<u>8,039,153</u>
Total assets	108,653,106	36,803,353	145,456,459
Deferred outflows of resources	<u>20,186,930</u>	<u>-</u>	<u>20,186,930</u>
Total assets and deferred outflows of resources	<u>128,840,036</u>	<u>36,803,353</u>	<u>165,643,389</u>
Current liabilities	13,166,482	-	13,166,482
Long-term liabilities	<u>104,148,230</u>	<u>-</u>	<u>104,148,230</u>
Total liabilities	<u>117,314,712</u>	<u>-</u>	<u>117,314,712</u>
Deferred inflows of resources	<u>17,971,000</u>	<u>-</u>	<u>17,971,000</u>
Net investment in capital assets	64,479,457	-	64,479,457
Restricted for			
Expendable	2,474,140	-	2,474,140
Unrestricted	<u>(73,399,273)</u>	<u>36,803,353</u>	<u>(36,595,920)</u>
Total net position	<u>\$ (6,445,676)</u>	<u>\$ 36,803,353</u>	<u>\$ 30,357,677</u>

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	2019 (as Restated)		
	College	School District	Combined
Current assets	\$ 20,110,387	\$ 36,765,380	\$ 56,875,767
Capital assets	87,089,229	-	87,089,229
Other noncurrent assets	1,583,096	6,126,312	7,709,408
Total assets	108,782,712	42,891,692	151,674,404
Deferred outflows of resources	20,506,619	-	20,506,619
Total assets and deferred outflows of resources	129,289,331	42,891,692	172,181,023
Current liabilities	15,176,141	-	15,176,141
Long-term liabilities	102,783,131	-	102,783,131
Total liabilities	117,959,272	-	117,959,272
Deferred inflows of resources	21,858,672	-	21,858,672
Net investment in capital assets	58,182,505	-	58,182,505
Restricted for			
Expendable	4,651,206	-	4,651,206
Unrestricted	(73,362,324)	42,891,692	(30,470,632)
Total net position	\$ (10,528,613)	\$ 42,891,692	\$ 32,363,079

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The following summarizes the combining information for the statements of revenues, expenses, and changes in net position for the years ended June 30:

	2020		
	College	School District	Combined
Operating revenues			
Tuition and fees, net	\$ 20,888,819	\$ -	\$ 20,888,819
Grants and contracts	10,739,940	-	10,739,940
Sales and services of auxiliary enterprises	4,468,349	-	4,468,349
Other operating revenues	<u>3,534,050</u>	<u>-</u>	<u>3,534,050</u>
Total operating revenues	<u>39,631,158</u>	<u>-</u>	<u>39,631,158</u>
Operating expenses			
Depreciation	7,050,969	-	7,050,969
Other operating expenses	<u>141,123,837</u>	<u>-</u>	<u>141,123,837</u>
Total operating expenses	<u>148,174,806</u>	<u>-</u>	<u>148,174,806</u>
Operating loss	<u>(108,543,648)</u>	<u>-</u>	<u>(108,543,648)</u>
Nonoperating revenues (expenses)			
State appropriations	33,128,687	-	33,128,687
Ad valorem property taxes	-	44,827,343	44,827,343
Federal and state grants	24,785,700	-	24,785,700
Other nonoperating revenues (expenses)	<u>50,326,356</u>	<u>(50,915,682)</u>	<u>(589,326)</u>
Total nonoperating revenues (expenses)	<u>108,240,743</u>	<u>(6,088,339)</u>	<u>102,152,404</u>
Loss before other appropriations	(302,905)	(6,088,339)	(6,391,244)
Capital appropriations and contributions	<u>4,385,842</u>	<u>-</u>	<u>4,385,842</u>
Increase (decrease) in net position	4,082,937	(6,088,339)	(2,005,402)
Net position, beginning of year	<u>(10,528,613)</u>	<u>42,891,692</u>	<u>32,363,079</u>
Net position, end of year	<u>\$ (6,445,676)</u>	<u>\$ 36,803,353</u>	<u>\$ 30,357,677</u>

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	2019 (as Restated)		
	College	School District	Combined
Operating revenues			
Tuition and fees, net	\$ 24,758,327	\$ -	\$ 24,758,327
Grants and contracts	12,252,280	-	12,252,280
Sales and services of auxiliary enterprises	5,354,004	-	5,354,004
Other operating revenues	<u>3,700,528</u>	<u>-</u>	<u>3,700,528</u>
Total operating revenues	<u>46,065,139</u>	<u>-</u>	<u>46,065,139</u>
Operating expenses			
Depreciation	8,116,515	-	8,116,515
Other operating expenses	<u>129,385,570</u>	<u>-</u>	<u>129,385,570</u>
Total operating expenses	<u>137,502,085</u>	<u>-</u>	<u>137,502,085</u>
Operating loss	<u>(91,436,946)</u>	<u>-</u>	<u>(91,436,946)</u>
Nonoperating revenues (expenses)			
State appropriations	32,009,037	-	32,009,037
Ad valorem property taxes	-	43,424,026	43,424,026
Federal and state grants	23,488,708	-	23,488,708
Other nonoperating revenues (expenses)	<u>35,414,020</u>	<u>(37,068,508)</u>	<u>(1,654,488)</u>
Total nonoperating revenues (expenses)	<u>90,911,765</u>	<u>6,355,518</u>	<u>97,267,283</u>
Income (loss) before other appropriations	(525,181)	6,355,518	5,830,337
Capital appropriations and contributions	<u>7,853,716</u>	<u>-</u>	<u>7,853,716</u>
Increase in net position	7,328,535	6,355,518	13,684,053
Net position, beginning of year, as restated	<u>(17,857,148)</u>	<u>36,536,174</u>	<u>18,679,026</u>
Net position, end of year	<u>\$ (10,528,613)</u>	<u>\$ 42,891,692</u>	<u>\$ 32,363,079</u>

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The following summarizes the combining information for the statements of cash flows for the years ended June 30:

	2020		
	College	School District	Combined
Net cash provided by (used in)			
Operating activities	\$ (98,537,766)	\$ -	\$ (98,537,766)
Noncapital financing activities	99,151,116	360,098	99,511,214
Capital and related financing activities	(2,993,257)	(7,058,966)	(10,052,223)
Investing activities	<u>64,017</u>	<u>262,256</u>	<u>326,273</u>
Decrease in cash and cash equivalents	(2,315,890)	(6,436,612)	(8,752,502)
Cash and cash equivalents, beginning of year	<u>8,515,794</u>	<u>34,134,633</u>	<u>42,650,427</u>
Cash and cash equivalents, end of year	<u>\$ 6,199,904</u>	<u>\$ 27,698,021</u>	<u>\$ 33,897,925</u>

	2019 (as Restated)		
	College	School District	Combined
Net cash provided by (used in)			
Operating activities	\$ (84,010,549)	\$ -	\$ (84,010,549)
Noncapital financing activities	87,418,322	7,468,453	94,886,775
Capital and related financing activities	(3,715,442)	(1,723,234)	(5,438,676)
Investing activities	<u>157,296</u>	<u>(2,518,134)</u>	<u>(2,360,838)</u>
Increase (decrease) in cash and cash equivalents	(150,373)	3,227,085	3,076,712
Cash and cash equivalents, beginning of year	<u>8,666,167</u>	<u>30,907,548</u>	<u>39,573,715</u>
Cash and cash equivalents, end of year	<u>\$ 8,515,794</u>	<u>\$ 34,134,633</u>	<u>\$ 42,650,427</u>

Note 14: Tulsa Community College Foundation – Accounting Policies and Disclosures

Nature of Operations

The Foundation is a public nonprofit institution established for the benefit of the College. The Foundation awards scholarships to students of the College and provides other support to the College, including funds for textbooks for qualified students, college and community activities and events, capital projects, recognized academic programs, and the concert series and educational classes of the College's Signature Symphony orchestra.

Tulsa Community College

Notes to Financial Statements

June 30, 2020 and 2019

The Board of Trustees, which governs the Foundation, is separate and distinct from the Board of Regents, the governing body of the College.

Basis of Presentation

The accompanying financial statements of the Foundation have been prepared in accordance with GAAP, which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation’s management and the Board of Trustees.
- **Net Assets with Donor Restrictions** – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets released from restrictions for the years ended June 30, 2020 and 2019, totaled \$4,889,936 and \$4,918,210, respectively, and were used to support various programs.

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

The Foundation prepares its financial statements on the accrual basis of accounting. Consequently, revenues are recognized when earned and expenses are recognized when incurred.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Foundation is exempt from federal income tax under Section 501(a) of the Internal Revenue Code (the Code) of 1986, as amended, as an organization described in Section 501(c)(3) of the Code. Thus, no provision for income taxes is included in the accompanying financial statements.

The Foundation is subject to federal and state income taxes to the extent it has unrelated business income. In accordance with the guidance for uncertainty in income taxes, management has evaluated its material tax positions and determined that there are no income tax effects with respect

Tulsa Community College

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to its financial statements. The Foundation is no longer subject to examination by federal authorities for years prior to June 30, 2017. For state authorities, the statute of limitations is generally three or four years; however, the statute of limitations will remain open for any state returns not filed.

Cash and Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less from the date of purchase to be cash equivalents except for such financial instruments included in the Foundation's investment accounts. At June 30, 2020 and 2019, cash equivalents consisted primarily of insured cash sweep accounts. The Foundation maintains cash in bank deposit accounts that, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and does not believe that it is exposed to any significant credit risk on cash. The FDIC insures deposits up to \$250,000 per financial institution.

Investments and Net Investment Return

Investments are stated at fair value. The fair values of investments are based on quoted market prices as of the reporting date. Investments are reported at their fair values in the accompanying statements of financial position, and changes in fair value are reported as investment return in the accompanying statements of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the accompanying statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date. Interest and dividends on the accompanying statements of activities are shown net of external and direct internal investment expenses.

The Foundation maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

Contributions Receivable

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a discount rate commensurate with the risks involved. Amortization of discounts is included in contribution revenue.

Tulsa Community College
Notes to Financial Statements
June 30, 2020 and 2019

Contributions

Contributions are provided to the Foundation either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Foundation overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions having donor stipulations that are satisfied in the period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Contributions are received primarily from organizations and residents in Tulsa County and surrounding geographic areas.

Tulsa Community College

Notes to Financial Statements

June 30, 2020 and 2019

Donated Services

The Foundation received donated goods and services totaling \$14,338 and \$50,431 for the years ended June 30, 2020 and 2019, respectively. Such amounts are recorded at their estimated fair value determined on the date of contribution and are reported as contributions in-kind and support services on the accompanying statements of activities and statements of functional expenses.

Many individuals volunteer their time and perform a variety of tasks that assist the Foundation with special projects, committee assignments, and service on the Board of Trustees. These services are not reflected in the accompanying statements of activities because they do not meet the necessary criteria for recognition under GAAP.

Functional Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. The accompanying statements of functional expenses present the natural classification detail of expenses by function. Expenses have been classified as program services, management and general, and fundraising based on the actual direct expenditure.

Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 financial statement presentation. These reclassifications had no effect on the change in net assets.

Revision

An immaterial revision has been made to the 2019 liquidity and availability footnote (see below) to reflect total net assets with donor restrictions as not being available to meet cash needs for general expenditures within one year, rather than backing out \$3,699,331 of restricted contributions receivable expected to be received. This revision did not impact the accompanying financial statements.

Certain immaterial revisions have been made to the 2019 statement of cash flows to show \$103,126 of investments received as gifts as a non-cash item being reconciled from change in net assets in the operating activities section and remove \$103,126 from purchases of investments in the investing activities section. These revisions did not have a significant impact on the accompanying financial statements.

Tulsa Community College
Notes to Financial Statements
June 30, 2020 and 2019

Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2020 and 2019, comprised the following:

	2020	2019
Cash and cash equivalents	\$ 12,066,913	\$ 11,769,508
Investments	12,615,824	9,010,533
Contributions receivable	750,716	4,604,998
Total financial assets	25,433,453	25,385,039
Less amounts not available for use within one year		
Net assets with donor restrictions (less investment return available for operations; 2020 – \$346,527, 2019 – \$486,919)	23,850,078	23,459,500
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,583,375	\$ 1,925,539

Management’s goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is held in the investment cash sweep account.

Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

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

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The reported fair value of money market funds, mutual funds, and marketable alternative investments is based on quoted prices in active markets as of the measurement date (Level 1 inputs).

Tulsa Community College
Notes to Financial Statements
June 30, 2020 and 2019

The following is a summary of investments at June 30:

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 507,254	\$ 368,582
Mutual funds		
Equity securities	8,214,802	5,694,264
Debt securities	2,642,849	1,604,959
Marketable alternative investments		
Registered investment companies	<u>1,250,919</u>	<u>1,342,728</u>
	<u>\$ 12,615,824</u>	<u>\$ 9,010,533</u>

As of June 30, 2020 and 2019, all investments were considered Level 1 investments to include quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Contributions Receivable, Net

Unconditional promises to give consist of the following at June 30:

	<u>Less than 1 Year</u>	<u>1–5 Years</u>	<u>Total</u>
2020			
Contributions receivable	\$ 641,321	\$ 111,425	\$ 752,746
Less allowance for uncollectible pledges	<u>(2,030)</u>	<u>-</u>	<u>(2,030)</u>
Contributions receivable, net	<u>\$ 639,291</u>	<u>\$ 111,425</u>	<u>\$ 750,716</u>
2019			
Contributions receivable	\$ 1,829,253	\$ 2,849,493	\$ 4,678,746
Less allowance for uncollectible pledges	(2,030)	-	(2,030)
Unamortized discount on pledges	<u>-</u>	<u>(71,718)</u>	<u>(71,718)</u>
Contributions receivable, net	<u>\$ 1,827,223</u>	<u>\$ 2,777,775</u>	<u>\$ 4,604,998</u>

As of June 30, 2020 and 2019, the Foundation has received verbal unconditional intentions to give totaling approximately \$2,500,000, related to the Clearing the Pathway Multi-Year Campaign (the Campaign). These amounts are in addition to the pledged amounts noted above. The Campaign's goal is to help remove the primary barriers to student completion by securing targeted philanthropic investments. The financial goal of the Campaign was to secure \$20,000,000 by June 30, 2020, and was completed during the year then ended. The Foundation also received \$789,720 during the year ended June 30, 2019, in support of a conditional promise to give related to a challenge grant in support of the Campaign. This challenge grant stipulates that if the Foundation can obtain an aggregate donation amount of \$1,000,000 in first-time donor amounts not

Tulsa Community College
Notes to Financial Statements
June 30, 2020 and 2019

to individually exceed \$100,000 specifically identified to the challenge grant by June 30, 2020, the donor will match \$1,000,000. The conditions for this grant were met and the \$1,000,000 was received and recorded as contribution revenue during the year ended June 30, 2020. For donors who have previously donated to the Campaign, only the difference in the challenge grant contribution and their highest amount donated to the Campaign will be counted toward the match. The conditional promises to give discussed above are not included as revenue until the donor-imposed barrier is met.

Net Assets

Net assets with donor restrictions as of June 30 are for the following purposes:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose		
Signature Symphony	\$ 412,353	\$ 312,294
Sam S. Miller Student Emergency Fund	61,250	84,666
Clearing the Pathway Multi-Year Campaign	8,939,895	12,761,046
Nursing and Allied Health Services	-	400,938
Other	<u>2,167,283</u>	<u>1,376,942</u>
	<u>11,580,781</u>	<u>14,935,886</u>
 Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Endowed chairs	934,130	3,264,666
Scholarships	2,728,240	386,010
Lectureships	13,426	15,314
TCC Textbook Trust	427,047	331,955
Nursing and Allied Health Services	<u>916</u>	<u>-</u>
	<u>4,103,759</u>	<u>3,997,945</u>
 Subject to endowment spending policy and appropriation		
Endowed chairs	2,803,700	1,908,419
Scholarships	4,242,366	1,773,779
Lectureships	306,231	524,945
TCC Textbook Trust	500,000	500,000
Nursing and Allied Health Services	340,938	-
Professorships	<u>318,830</u>	<u>305,445</u>
	<u>8,512,065</u>	<u>5,012,588</u>
 Total endowments	<u>12,615,824</u>	<u>9,010,533</u>
	<u>\$ 24,196,605</u>	<u>\$ 23,946,419</u>

Tulsa Community College
Notes to Financial Statements
June 30, 2020 and 2019

Net assets without donor restrictions as of June 30 are as follows:

	2020	2019
Undesignated	\$ 374,740	\$ 119,002

Endowments

The Foundation’s governing body is subject to the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). As a result, the Foundation classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time-restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

The Foundation’s endowments consist of approximately 70 individual funds established for a variety of purposes. The endowment includes donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Tulsa Community College
Notes to Financial Statements
June 30, 2020 and 2019

Changes in endowment net assets for the years ended June 30, 2020 and 2019, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, July 1, 2018	\$ 276,998	\$ 7,614,033	\$ 7,891,031
Investment gain	-	486,918	486,918
Contributions	-	1,681,439	1,681,439
Appropriations for expenditures	<u>(276,998)</u>	<u>(771,857)</u>	<u>(1,048,855)</u>
Net assets, June 30, 2019	-	9,010,533	9,010,533
Investment gain	-	346,527	346,527
Transfers	-	3,336,796	3,336,796
Appropriations for expenditures	<u>-</u>	<u>(78,032)</u>	<u>(78,032)</u>
Net assets, June 30, 2020	<u>\$ -</u>	<u>\$ 12,615,824</u>	<u>\$ 12,615,824</u>

Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity. Under the Foundation's policies, endowment assets are invested in a manner that is intended to produce results that exceed the endowment's spending rate (4.5%) plus the Consumer Price Index over a full market cycle while maintaining the appropriate diversity of assets to mitigate the risk of large losses.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income, such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a spending policy of appropriating for expenditure each year 4.5% of its endowment fund's average fair value over the prior three years through the year-end preceding the year in which expenditure is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Tulsa Community College

Notes to Financial Statements

June 30, 2020 and 2019

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no funds with deficiencies at June 30, 2020 or 2019.

Major Contributors/Concentration

For the years ended June 30, 2020 and 2019, the Foundation received contributions from three sources and two sources totaling approximately 46% and 56% of the total receivable balance of \$750,716 and \$4,604,998, respectively. For the years ended June 30, 2020 and 2019, there were two sources and three sources totaling approximately 50% and 31% of the total contribution revenue balance of \$5,250,262 and \$10,288,597, respectively.

The Foundation invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen that may negatively affect the financial position, results of operations, and cash flows of the Foundation. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Related-Party Transactions

The Foundation has an agreement with the College whereby the Foundation has agreed to forego its rights to independently acquire office space, hire support personnel, and otherwise provide for independent support services for its activities, so those monies may instead be used for scholarships or other forms of support for the College. In addition, the financial records of the Foundation are administered by individuals who are employees of the College. In consideration of the College providing the staff and clerical support and other services to be performed by the College pursuant to this agreement, the Foundation has agreed to pay the College \$24,000 per year plus a portion of certain college employees' salaries and benefits. For the years ended June 30, 2020 and 2019, the Foundation paid the College \$94,610 and \$115,645, respectively, as a result of this agreement.

For the years ended June 30, 2020 and 2019, the Foundation also awarded scholarships totaling \$189,499 and \$345,668, respectively, to students of the College and contributed \$4,779,212 and \$4,767,362, respectively, as other college support, which included such items as capital projects, expenses relating to the Signature Symphony orchestra, academic support, and campaign-related activities.

Additionally, a member of the Board of Trustees is an executive vice president at Bank of Oklahoma. The Foundation utilizes Bank of Oklahoma to manage its investments. For the years ended June 30, 2020 and 2019, the Foundation paid Bank of Oklahoma \$46,481 and \$38,386, respectively, for investment services.

Tulsa Community College
Notes to Financial Statements
June 30, 2020 and 2019

Note 15: Restatement of Prior Year's Financial Statements

In prior years, the College did not record a receivable for ad valorem property taxes and had incorrectly computed deferred inflows of resources, deferred outflows of resources, and pension expense related to the change in proportionate share of net pension liability. During 2020, the College retroactively corrected its method of accounting for these items and corrected the computational error. These changes decreased 2019 change in net position by \$12,413,113. Adjustments of \$5,921,899 applicable to 2018 and prior have been included in the restated 2019 beginning net position balance.

Note 16: COVID-19

In March 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures. The U.S. also declared COVID-19 a national emergency. In response, the College made significant changes to operations, including the transition of all in-person classes to online learning.

The College received grants through the Higher Education Emergency Relief Fund (HEERF) for emergency grants to students and to cover institutional costs associated with significant changes to the delivery of instruction due to COVID-19, 50% of which was to be awarded directly to students. The College was awarded \$7,980,293 in grant funds of which \$1,626,300 was awarded to students prior to June 30, 2020. The remaining student portion and the institutional portion is expected to be spent during fiscal year 2021.

Note 17: Subsequent Events

Subsequent events have been evaluated through October 29, 2020, which is the date the financial statements were available to be issued.

In October 2020, the ODFA, Series 2011A bonds were refinanced with Series 2020D bonds. The refinancing resulted in a net present value savings of approximately \$104,000 for the College.

Required Supplementary Information

Tulsa Community College
Schedule of the College's Proportionate Share of the Net Pension Liability
(In Thousands)

	2020	2019	2018	2017	2016	2015
College's proportion of the net pension liability	1.19%	1.26%	1.18%	1.39%	1.45%	1.34%
College's proportionate share of the net pension liability	\$ 78,793	\$ 76,233	\$ 77,943	\$ 115,770	\$ 88,130	\$ 72,076
College's covered payroll	\$ 61,858	\$ 56,259	\$ 54,830	\$ 55,406	\$ 58,775	\$ 59,988
College's proportionate share of the net pension liability as a percentage of its covered payroll	127.38%	135.50%	142.15%	208.95%	149.94%	120.15%
Plan fiduciary net position as a percentage of the total pension liability	71.56%	72.74%	69.32%	62.24%	70.31%	72.43%

Notes to the Schedule (as Applicable)

The following changes in assumptions were noted in the June 30, 2018, valuation as compared to the June 30, 2017, valuation:

- Beginning with the fiscal year ended June 30, 2018, an actuarially determined portion of the employers' contributions (0.07% of pay for FY 2018 and 0.16% of pay for FY 2017) is allocated to the OPEB Subaccount and reported under GASB 74. As a result, these contributions are not included in either the actual or actuarially determined contributions.
- The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.
- This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Tulsa Community College
Schedule of the College's Contributions
(In Thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 6,158	\$ 5,678	\$ 5,529	\$ 5,598	\$ 5,893	\$ 6,059
Contributions in relation to the contractually required contribution	<u>(6,158)</u>	<u>(5,678)</u>	<u>(5,529)</u>	<u>(5,598)</u>	<u>(5,893)</u>	<u>(6,059)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 61,858	\$ 56,259	\$ 54,830	\$ 55,406	\$ 58,775	\$ 59,998
Contributions as a percentage of covered payroll	9.96%	10.09%	10.08%	10.10%	10.03%	10.10%

Note to the Schedule

- This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

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

Independent Auditor's Report

Board of Regents
Tulsa Community College
Tulsa, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Tulsa Community College (the College), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 29, 2020, which contained a reference to prior year auditors and an *Emphasis of Matter* paragraph emphasizing a matter regarding the financial statements. The financial statements of Tulsa Community College Foundation, the discretely presented component unit, were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Tulsa Community College Foundation.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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

Board of Regents
Tulsa Community College

timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2020-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2020-002 to be a significant deficiency.

Compliance and Other Matters

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

The College's Responses to the Findings

The College's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The College's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

BKD, LLP

Tulsa, Oklahoma
October 29, 2020

Tulsa Community College
Schedule of Findings and Responses
Year Ended June 30, 2020

Reference Number	Finding
2020-001	<p>Criteria or Specific Requirement – The College is responsible for preparing financial statements in accordance with generally accepted accounting principles (GAAP).</p> <p>Condition – The financial statements contained errors in the computation of defined benefit pension-related deferred inflows of resources, deferred outflows of resources, and pension expense. In addition, the College did not record a receivable for uncollected ad valorem property taxes. Adjustments and restatements were made to the financial statements for these items.</p> <p>Effect – The financial statements of the College were restated in order to be presented in accordance with GAAP.</p> <p>Cause – The College did not have controls in place to evaluate the proper recording of activity in accordance with GAAP.</p> <p>Recommendation – Management should revise the computation of pension-related items and implement a review of the computation. In addition, management should monitor the historical tax collections and tax levy and develop a process to compute an estimate of uncollected taxes on an annual basis.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management acknowledges the computation errors regarding the pension-related items and the need to record a receivable related to ad valorem property taxes. Management was following previous auditor’s guidance related to these issues. Management will revise the computation of the pension-related items in accordance with the auditor’s recommendation. Additionally, management will annually calculate and record a receivable for the uncollected ad valorem property taxes.</p>

Tulsa Community College
Schedule of Findings and Responses
Year Ended June 30, 2020

Reference Number	Finding
2020-002	<p>Criteria or Specific Requirement – The College is responsible for designing and establishing internal controls to ensure financial statements are fairly presented in accordance with GAAP. This includes segregating duties among employees.</p> <p>Condition – The controller has the ability to both prepare and post journal entries to the accounting system. Per the College’s policy, the controller does not post entries; however, a completeness review is not performed to document this.</p> <p>Effect – There are incompatible duties assigned to the controller and there are not enough detective controls to mitigate risk of error or fraud in the financial statements.</p> <p>Cause – The College has limited personnel involved in financial reporting.</p> <p>Recommendation – Management should review accounting system security parameters for employees and consider implementing additional review procedures.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management acknowledges the need for segregation of duties regarding preparing and posting journal entries. Management will implement additional control procedures to verify the controller does not prepare and post journal entries without appropriate review and approval.</p>