

**OKLAHOMA WESLEYAN UNIVERSITY
FINANCIAL STATEMENTS
Year Ended June 30, 2018
with
Report of Independent Auditors
and
FEDERAL PELL GRANT PROGRAM
FEDERAL PERKINS LOAN PROGRAM
FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY
GRANT PROGRAM
FEDERAL WORK STUDY PROGRAM
FEDERAL DIRECT LOANS
TEACH GRANT
For the Year Ended June 30, 2018
E.I.N. 1-73-608-5616-A1**

OKLAHOMA WESLEYAN UNIVERSITY

FINANCIAL STATEMENTS

June 30, 2018

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Keller & Owens, LLC

Certified Public Accountants

**REPORT OF INDEPENDENT AUDITORS ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF FEDERAL AWARDS**

Board of Trustees

Oklahoma Wesleyan University

We have audited the accompanying statement of financial position of **Oklahoma Wesleyan University** (a nonprofit organization) which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion 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 of 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 the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Oklahoma Wesleyan University** as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

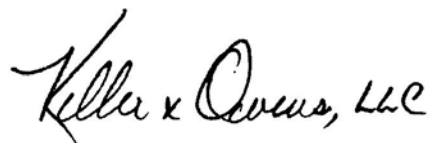
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2018, on our consideration of **Oklahoma Wesleyan University's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Oklahoma Wesleyan University's** internal control over financial reporting and compliance.



Overland Park, Kansas
October 3, 2018

OKLAHOMA WESLEYAN UNIVERSITY

STATEMENT OF FINANCIAL POSITION

June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>ASSETS</u>				
Cash	\$ 732,131	\$ 1,109	\$ -	\$ 733,240
Money Market Funds	5,719,462	1,102,913	40,000	6,862,375
Accounts Receivable	892,997	1,309	-	894,306
Prepaid Expenses	108,331	-	-	108,331
Promises to Give	82,442	-	-	82,442
Inventories	50,976	-	-	50,976
Due from U.S. Government	-	261	-	261
Student Notes Receivable	672,038	-	-	672,038
Investments	1,419,034	2,000	4,070,485	5,491,519
Beneficial Interest in Trust	-	195,949	402,000	597,949
Property and Equipment	27,018,578	-	-	27,018,578
Due (to) from Other Funds	<u>(1,181,629)</u>	<u>1,125,935</u>	<u>55,694</u>	<u>-</u>
Total Assets	<u>\$ 35,514,360</u>	<u>\$ 2,429,476</u>	<u>\$ 4,568,179</u>	<u>\$ 42,512,015</u>
<u>LIABILITIES AND NET ASSETS</u>				
Accounts Payable	\$ 310,351	\$ 748	\$ -	\$ 311,099
Accrued Liabilities	953,408	-	-	953,408
Deposits Held for Others	152,325	-	-	152,325
Notes Payable	154,556	-	-	154,556
Annuities Payable	19,589	-	-	19,589
U.S. Government Grants Refundable	<u>508,357</u>	<u>613</u>	<u>-</u>	<u>508,970</u>
Total Liabilities	2,098,586	1,361	-	2,099,947
Net Assets	<u>33,415,774</u>	<u>2,428,115</u>	<u>4,568,179</u>	<u>40,412,068</u>
Total Liabilities and Net Assets	<u>\$ 35,514,360</u>	<u>\$ 2,429,476</u>	<u>\$ 4,568,179</u>	<u>\$ 42,512,015</u>

See accompanying notes

OKLAHOMA WESLEYAN UNIVERSITY

STATEMENT OF ACTIVITIES Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Gains:				
Tuition and fees	\$ 13,711,358	\$ -	\$ -	\$ 13,711,358
Sales and services of auxiliary	2,949,476	-	-	2,949,476
Contributions	1,826,373	1,353,551	330,301	3,510,225
Government grants	-	160,244	-	160,244
Investment return	226,371	415,239	31,556	673,166
Other sources	324,723	-	-	324,723
Actuarial adjustments	10,118	-	-	10,118
Net assets released from restrictions	<u>1,440,552</u>	<u>(1,440,552)</u>	<u>-</u>	<u>-</u>
Total Revenues and Gains	20,488,971	488,482	361,857	21,339,310
Expenses and Losses:				
Educational and general:				
Instruction	5,989,857	-	-	5,989,857
Academic support	488,662	-	-	488,662
Student services	4,290,297	-	-	4,290,297
Institutional support	4,936,429	-	-	4,936,429
Operation and maintenance of plant	<u>3,161,438</u>	<u>-</u>	<u>-</u>	<u>3,161,438</u>
Total Educational and General Expenses	18,866,683	-	-	18,866,683
Auxiliary enterprises	1,171,435	-	-	1,171,435
Annuity payments	<u>2,782</u>	<u>-</u>	<u>-</u>	<u>2,782</u>
Total Expenses and Losses	<u>20,040,900</u>	<u>-</u>	<u>-</u>	<u>20,040,900</u>
Change in Net Assets	448,071	488,482	361,857	1,298,410
Net Assets at Beginning of Year	<u>32,967,703</u>	<u>1,939,633</u>	<u>4,206,322</u>	<u>39,113,658</u>
Net Assets at End of Year	<u><u>\$ 33,415,774</u></u>	<u><u>\$ 2,428,115</u></u>	<u><u>\$ 4,568,179</u></u>	<u><u>\$ 40,412,068</u></u>

See accompanying notes

OKLAHOMA WESLEYAN UNIVERSITY

STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

Cash Flows from Operating Activities:

Student tuition and fees	\$ 13,731,233
Contributions and bequests received	3,139,221
Auxiliary enterprises	2,949,476
Federal grants	2,441,853
Interest and dividends received	212,413
Other receipts	356,034
Salaries and benefits paid to faculty and staff	(10,557,524)
Payments to vendors for goods and services	(7,833,685)
Student aid	(2,276,205)
Interest paid	<u>(3,240)</u>

Net Cash Provided by Operating Activities 2,159,576

Cash Flows from Investing Activities:

Proceeds from sale and redemption of investments	2,621,858
Acquisitions of securities and mutual funds	(2,370,006)
Repayment of student notes receivable	161,411
Disbursements of loans to students	(91,500)
Proceeds from sale of property and equipment	1,920
Purchase of property and equipment	<u>(1,318,430)</u>

Net Cash Used by Investing Activities (994,747)

Cash Flows from Financing Activities:

Repayments of debt	(2,820)
Contributions restricted for endowments and long-term projects	<u>330,301</u>

Net Cash Provided by Financing Activities 327,481

Net Change in Cash and Cash Equivalents 1,492,310

Cash and Cash Equivalents at Beginning of Year 6,103,305

Cash and Cash Equivalents at End of Year \$ 7,595,615

See accompanying notes

OKLAHOMA WESLEYAN UNIVERSITY

STATEMENT OF CASH FLOWS (continued)

Year Ended June 30, 2018

Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities

Change in net assets	\$ 1,298,410
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	1,690,653
Bad debt expense	185,000
Realized and unrealized gains on sale of investments	(460,753)
Loss on disposal of property and equipment	31,311
Donated securities, real estate and equipment	(298,891)
Actuarial adjustments	(10,118)
Contributions restricted for endowments and long-term projects	(330,301)
Change in assets and liabilities:	
Accounts receivable	15,772
Promises to give	258,188
Prepaid expenses	152,389
Inventories	(4,339)
Due from U.S. government	13,614
Accounts payable	(222,465)
Accrued liabilities	(154,787)
Deposits held for others	4,103
U.S. Government grants refundable	<u>(8,210)</u>
Net Cash Provided by Operating Activities	<u>\$ 2,159,576</u>

See accompanying notes

OKLAHOMA WESLEYAN UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Oklahoma Wesleyan University (the University) is an educational institution for The Wesleyan Church of the United States and Canada (the Church) and is administered by the Church through a Board of Trustees nominated by representatives of the Church and elected by the General Board of Administration of the Church.

A predecessor college, Miltonvale Wesleyan College (Miltonvale), maintains its corporate identity with very limited activity. The activity of Miltonvale is included in financial statements of the University since its sole purpose is to support the University, and the University Board of Trustees controls its activities.

The donor base of the University consists primarily of citizens of the United States of America. Students attending the University are primarily from the states of Oklahoma and Kansas.

Accounts Receivable – Accounts receivable consists primarily of student accounts. However, included in the accounts receivable are amounts due from faculty and staff for transition and education allowances. Management provides an allowance each year for estimated losses based on prior years' experience and a review of existing accounts. Charges accumulate on outstanding balances after sixty days from the date of the student's departure from the University and are reflected as interest earned under investment income in the Statement of Activities. The University reserves the right to place receivables on non-accrual status at the discretion of the Student Accounts Office. Accounts are sent to an outside collections agency after six months of non-payment and reflected as a write-off. Amounts received after assignment are considered a recovery of bad debt expense. Within thirty days of assignment, the University reserves the right to review and withdraw the account. The University performs on-going evaluations of its receivables and does not require any collateral on outstanding balances.

Accounts receivable balances were as follow:

Students	\$ 407,919
Faculty and staff	418,884
Contributions	84,943
Other	<u>68,909</u>
	980,655
Less allowance for doubtful accounts	<u>(86,349)</u>
Total	<u>\$ 894,306</u>

OKLAHOMA WESLEYAN UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising – The University incurs certain costs to promote its programs and activities within the community and areas served by the programs. These costs are expensed as incurred and amounted to \$859,877 for 2018.

Basis of Accounting - The financial statements of the University have been prepared on the accrual basis.

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in FASB Accounting Standards Codification (ASC) 958-210. Under FASB ASC 958-210, entities are required to report information regarding their financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Cash and Cash Equivalents - For purposes of the Statement of Cash Flows, cash and cash equivalents consist of the following:

Cash in bank and on hand	\$ 733,240
Money market funds	<u>6,862,375</u>
Total	<u>\$ 7,595,615</u>

In accordance with requirements imposed by certain financial aid programs, the University is required to maintain a separate bank account by federal student aid program.

OKLAHOMA WESLEYAN UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions - The University reports contributions in accordance with FASB ASC 958-605. Accordingly, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are released and reclassified to unrestricted net assets.

Contributions of land, buildings, equipment and other long-lived assets are recorded at fair value at the date of donation. These donations are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Unconditional contributions expected to be collected within one year are reported at their net realizable value. Unconditional contributions expected to be collected in future years are reported at the present value of estimated future cash flows.

Donated Services - A substantial number of volunteers donate significant time to the University. These donated services were not recognized in the financial statements because they did not meet the criteria for recognition under FASB ASC 958-605.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain 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 period. Actual results could differ from those estimates.

OKLAHOMA WESLEYAN UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes - The University has been declared a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code as a part of the Church, except for taxes, if any, on unrelated business income. In addition, the University is classified as an organization that is not a private foundation under Section 509(a)(1).

The University has adopted the provisions of FASB ASC 740-10 as it might apply to financial transactions. The University's policy is to record a liability for any tax position that is beneficial, including any related interest and penalties, when it is more likely than not the position taken by management with respect to the transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of June 30, 2018 and, accordingly, no liability has been accrued.

Inventories - Inventories are stated at the lower of cost (first-in, first-out), or market. They consist primarily of office supplies and promotional materials.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at fair value, which is determined primarily from quoted market prices. Non-marketable investments are valued at the lower of cost (or fair value at date of donation in the case of gifts) or market value. Interest and dividends, together with realized and unrealized gains and losses, are reflected in the Statement of Activities as unrestricted, temporarily restricted or permanently restricted investment return based upon the existence and nature of any donor or legally imposed restrictions. The University does not require collateral on its investments and considers them fully at risk.

OKLAHOMA WESLEYAN UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment - Land, buildings, and equipment additions after 1966 are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The valuation of certain land and buildings acquired prior to 1966 is based on values established by an independent appraisal in 1965. The University capitalizes all expenditures for property and equipment over a nominal amount. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Useful lives for depreciation are as follows:

Land improvements	15 years
Buildings	20 - 50 years
Building improvements	10 years
Equipment and vehicles	5 - 10 years
Library books	10 years
Software	3 years

Reclassifications - Certain amounts in the prior year financial statements have been reclassified to conform to the presentation in the current-year financial statements.

Subsequent Events - Management has evaluated events and transactions that have occurred since June 30, 2018 and reflected their effects, if any, in these financial statements through October 3, 2018, the date the financial statements were available to be issued.

Temporarily and Permanently Restricted Net Assets - Temporarily restricted net assets are those whose use by the University has been limited by donors to a specific time period or purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Permanently restricted net assets, principally restricted investments and amounts due from the current unrestricted funds, have been restricted by donors to be maintained by the University in perpetuity. Interest and dividends from permanently restricted investments are credited to unrestricted net assets unless donor stipulations restrict such earnings.

OKLAHOMA WESLEYAN UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

2. FAIR VALUE MEASUREMENTS

The objective of a fair value measurement is to determine 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 (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three-tier hierarchy of inputs is summarized in the three broad levels below:

- Level 1 - inputs are unadjusted quoted market prices in active independent markets for identical assets and liabilities;
- Level 2 - inputs are directly or indirectly observable estimates from quotes for similar but not identical assets and liabilities, market trades for identical assets not actively traded or other external independent means;
- Level 3 - inputs are unobservable and reflect assumptions on the part of the reporting entity.

The following table sets forth information about the level within the fair value hierarchy at which the University's financial assets and liabilities are measured on a recurring basis at June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 294,540	\$ -	\$ -	\$ 294,540
U.S. Government securities	5,596	-	-	5,596
Domestic equities	3,126,690	-	-	3,126,690
Foreign equities	621,473	-	-	621,473
Equity mutual funds	224,874	-	-	224,874
Fixed income mutual funds	677,652	-	-	677,652
Guaranteed account	-	-	166,183	166,183
Beneficial interest in trust	-	-	597,959	597,959
Total assets - recurring basis	<u>\$4,950,825</u>	<u>\$ -</u>	<u>\$ 764,142</u>	<u>\$5,714,967</u>

OKLAHOMA WESLEYAN UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

2. FAIR VALUE MEASUREMENTS (continued)

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

June 30, 2017	\$ 709,783
Total gains or losses (realized/unrealized)	20,036
Purchases	125,033
Investment income	9,793
Sales	<u>(100,503)</u>
June 30, 2018	<u>\$ 764,142</u>

The fair values of Level 3 assets were determined using values provided by the insurer and the trustee.

3. PROMISES TO GIVE

Unconditional promises to give consists of a commitment from a charitable trust to fund the operations of the University. Maturities of promises to give are as follows:

Less than one year	\$ 15,000
One to five years	<u>75,000</u>
Total Promises to Give	90,000
Less discounts to net present value	<u>(7,558)</u>
Net Unconditional Promises to Give	<u>\$ 82,442</u>

The unconditional promises to give are discounted at a rate of approximately 4%. No allowance for uncollectible amounts is deemed necessary.

OKLAHOMA WESLEYAN UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

4. STUDENT NOTES RECEIVABLE

The University makes uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs. At June 30, 2018, student loans represented 1.6% of total assets.

At June 30, student notes consisted of the following:

Federal government programs	\$ 878,701
Less allowance for doubtful accounts	<u>(206,663)</u>
Total Student Notes Receivable	<u>\$ 672,038</u>

The University participates in the Perkins federal revolving loan program. The loans bear interest at 5 percent when they go into repayment status. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of \$508,970 at June 30, 2018 are ultimately refundable to the government and are classified as liabilities in the Statement of Financial Position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government. At June 30, 2018, the following amounts were past due under student loan programs:

	<u>1 – 60 days past due</u>	<u>61 – 90 days past due</u>	<u>91+ days past due</u>	<u>Total past due</u>
June 30, 2018	\$ 3,643	\$ 16,275	\$ 238,054	\$ 257,972

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms.

OKLAHOMA WESLEYAN UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

5. PROPERTY AND EQUIPMENT

Property and equipment includes the following:

Land	\$ 711,403
Land improvements	1,323,451
Buildings	29,383,241
Building improvements	4,296,396
Equipment and vehicles	9,991,069
Library books	428,150
Software	<u>23,746</u>
	46,157,456
Less accumulated depreciation	<u>(19,138,878)</u>
Total Property and Equipment	<u>\$ 27,018,578</u>

6. INVESTMENTS

Investments consist of the following:

Marketable securities, stated at fair value:

Money market funds	\$ 294,540
U.S. Government securities	5,596
Corporate stock and mutual funds	3,973,037
Fixed income mutual funds	<u>677,652</u>

Total Marketable Investments 4,950,825

Other investments:

Guaranteed account	166,183
Life estate interest in real estate	<u>374,511</u>

Total Investments \$ 5,491,519

Investment return is comprised of the following:

Interest and dividends	\$ 256,564
Net realized and unrealized gains (losses)	460,753
Investment fees	<u>(44,151)</u>

Total Investment Return \$ 673,166

Earnings on endowment funds totaled \$533,590 for 2018.

OKLAHOMA WESLEYAN UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

7. **BENEFICIAL INTEREST IN TRUST**

The University has a beneficial interest in a trust. The terms of the trust are 5% of the fair value is paid to the beneficiaries annually. The value was determined based on the University's apportionment of the fair value of the assets that are held by the trust.

8. **ENDOWMENTS**

The University's endowments consist of several individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the University has interpreted the Oklahoma Uniform Prudent Management of Institutional Funds Act (OKUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by OKUPMIFA. In accordance with OKUPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

OKLAHOMA WESLEYAN UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

8. ENDOWMENTS (continued)

The University has a spending policy based on eighty percent of the average return of the five prior years. In establishing this policy, the University considered the long-term expected investment return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its general endowment fund to grow at an average of two percent annually. This is consistent with the University's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

To achieve that objective, the University has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes money market, fixed income and equity securities, which is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution while growing the fund if possible. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Endowment Net Asset Composition by Type of Fund as of June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 1,490,377	\$ -	\$ -	\$ 1,490,377
Board-designated endowment funds	<u> </u>	<u>1,234,236</u>	<u>4,568,179</u>	<u>5,802,415</u>
Total Funds	<u>\$ 1,490,377</u>	<u>\$1,234,236</u>	<u>\$ 4,568,179</u>	<u>\$ 7,292,792</u>

OKLAHOMA WESLEYAN UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

8. ENDOWMENTS (continued)

Changes in Endowment Net Assets for the Year Ended June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,322,354	\$ 945,463	\$ 4,206,322	\$ 6,474,139
Investment return:				
Investment income, including net appreciation (realized and unrealized)	119,092	382,942	31,556	533,590
Contributions	50,300	-	330,301	380,601
Appropriation of endowment assets for expenditure	<u>(1,369)</u>	<u>(94,169)</u>	<u>-</u>	<u>(95,538)</u>
Endowment net assets, end of year	<u>\$ 1,490,377</u>	<u>\$1,234,236</u>	<u>\$ 4,568,179</u>	<u>\$ 7,292,792</u>

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment only):

Permanently Restricted Net Assets:

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by OKUPMIFA	<u>\$ 4,568,179</u>
Total Endowment Funds Classified as Permanently Restricted Net Assets	<u>\$ 4,568,179</u>

OKLAHOMA WESLEYAN UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

9. NOTES PAYABLE

Unsecured demand notes:

Individuals and churches, variable rates

(1.0% to 2.0%) at June 30, 2018

\$ 154,556

Total Notes Payable

\$ 154,556

Interest incurred as expense on notes payable amounted to \$3,240 for fiscal 2018. The fair value of notes payable approximated carrying amounts based on either their short-term nature or similar available terms.

10. CHARITABLE GIFT ANNUITIES

Gift annuities outstanding are recorded by the University using the actuarial method. Under this method, the present value of the aggregate liability for annuities payable is calculated based on life expectancy tables and interest assumptions commonly used by the industry. The actuarial adjustment recorded in the Statement of Activities reflects the gain or loss due to recomputation of the liability based on revised life expectancy.

11. FINANCIAL ASSISTANCE

The University provided financial assistance in the form of scholarships and grants to students of \$6,467,806 in fiscal 2018. Student tuition and fees has been reduced by the amount of the financial assistance.

OKLAHOMA WESLEYAN UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

12. OPERATING LEASES

The University leased certain facility space for its adult education programs during fiscal 2018. The University signed a lease agreement which took effect February 2016 and calls for escalating terms throughout the life of the lease which ends February 2021. Total expense under lease agreements was \$357,733 in 2018 and future maturities are as follows:

2019	\$ 346,640
2020	357,056
2021	<u>242,720</u>
Total	<u>\$ 946,416</u>

13. PENSION PLAN

The University has a contributory pension plan available to personnel through the Massachusetts Mutual Life Insurance Company. The plan is a defined contribution plan under which all University contributions are fully and immediately vested. The employee benefit is whatever the accumulated contributions will purchase and any actuarial changes will only change the employee benefit. Total employer contributions to this plan were \$432,250 for fiscal 2018.

In addition, the University has a 457(b) Deferred Compensation Plan available for the president and administrators of the school. The Plan investments are considered assets of the University until the participants in the Plan become eligible for distributions. Employer contributions to the Plan totaled \$5,625 for fiscal 2018.

14. RELATED PARTY TRANSACTIONS

Included in contributions are \$1,308,168 contributed by the Church for 2018. This support represented 28% of the University's contribution income for those years. There were receivables for \$84,943 as of June 30, 2018 from the Church.

OKLAHOMA WESLEYAN UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

15. RESTRICTED NET ASSETS

Restricted net assets are available for the following purposes as of June 30, 2018.

Temporarily restricted net assets:

Scholarship funds and operating expense	\$ 2,428,115
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Total Temporarily Restricted Net Assets	<u>\$ 2,428,115</u>
---	---------------------

Permanently restricted net assets:

Student loan funds	\$ 55,694
--------------------	-----------

Endowment funds	<u>4,512,485</u>
-----------------	------------------

Total Permanently Restricted Net Assets	<u>\$ 4,568,179</u>
---	---------------------

The sources of net assets released from temporary donor restrictions, by incurring expenses satisfying the restricted purpose or by occurrence of events specified by the donors, were as follows:

Scholarship funds	\$ 185,767
-------------------	------------

Capital acquisitions	378,745
----------------------	---------

Government funds restricted for student wages and administrative costs	160,244
---	---------

Operating expenses	<u>715,796</u>
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Net Assets Released from Restrictions	<u>\$ 1,440,552</u>
---------------------------------------	---------------------

16. LIMITATION OF UNRESTRICTED NET ASSETS

Certain unrestricted net assets were designated for specific purposes at June 30, 2018 as follows:

Quasi-endowments	\$ 1,490,377
------------------	--------------

Student loans	<u>25,899</u>
---------------	---------------

Total Board Designated Net Assets	<u>\$ 1,516,276</u>
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OKLAHOMA WESLEYAN UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

17. FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses for the years are classified as follows:

Program services	\$ 17,291,626
General and administrative	2,375,445
Fundraising	<u>373,829</u>
Total Expenses	<u>\$ 20,040,900</u>

Certain costs have been allocated between program services and supporting services.

18. CONCENTRATION OF RISK

The University places cash investments with financial institutions in the greater Bartlesville, Oklahoma area and with a denominational-related organization. As of June 30, 2018, the University had \$6,862,375 in excess of FDIC coverage located in these institutions, all of which was attributed to the related party.

19. NEW ACCOUNTING PRONOUNCEMENTS

ASU 2016-14, Not-for-Profit Entities

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*, to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's (NFP's) liquidity, financial performance, and cash flows. The amendments in this ASU are to be applied retrospectively, and are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, with early adoption permitted.

OKLAHOMA WESLEYAN UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

19. NEW ACCOUNTING PRONOUNCEMENTS (continued)

ASU 2014-09, Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606)*, which deferred the effective date of the new revenue recognition standard for one year. The new standard is effective for fiscal years beginning after December 15, 2018. Early application is permitted.

ASU 2018-08, Not-for-profit Entities

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958); Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU are to be applied on a modified prospective basis. Retrospective application is permitted. For transactions in which the entity serves as the resource recipient, the amendments should be applied for fiscal years beginning after December 15, 2018. For transactions in which the entity serves as the resource provider, the amendments should be applied for fiscal years beginning after December 15, 2019. Early adoption is permitted.

ASU 2016-02, Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in this ASU are to be applied using a modified retrospective approach. The amendments are effective for annual financial statements issued for fiscal years beginning after December 15, 2019, with early adoption permitted.

The University is evaluating the effect that these standards will have on its financial statements and related disclosures.

ACCOMPANYING INFORMATION

OKLAHOMA WESLEYAN UNIVERSITY

SCHEDULE OF FEDERAL AWARDS

Year Ended June 30, 2018

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- through Number</u>	<u>Federal Expenditures</u>
MAJOR PROGRAMS			
Student Financial Assistance Cluster			
U.S. Department of Education			
Federal Direct Student Loan	84.268	N/A	\$ 11,224,159
Federal PELL Grant	84.063	N/A	2,056,666
Federal Supplemental Educational Opportunity Grant	84.007	N/A	92,569
Federal Work Study	84.033	N/A	160,244
Federal Perkins Loan	84.038	N/A	91,500
TEACH Grant	84.379	N/A	<u>116,800</u>
Total Department of Education Student Financial Assistance Cluster			<u>\$ 13,741,938</u>
Total Expenditures of Federal Awards			<u>\$ 13,741,938</u>

NOTE A: FEDERAL DIRECT STUDENT LOANS

During the fiscal year ended June 30, 2018, the University processed the following amount of new loans under the Federal Direct Student Loan Program (which includes Subsidized Stafford Loans, Unsubsidized Stafford Loans, and Plus Loans for Undergraduate and Graduate Students):

	<u>CFDA Number</u>	<u>Amount Authorized</u>
Federal Family Education Loans	84.268	\$ 11,224,159

OKLAHOMA WESLEYAN UNIVERSITY

SCHEDULE OF FEDERAL AWARDS (continued) Year Ended June 30, 2018

NOTE B: FEDERAL PELL GRANT

Included in the Federal PELL Grant expenditures is an administrative cost allowance of \$2,850.

NOTE C: FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT

The following is included as Federal Supplemental Educational Opportunity Grant (FSEOG) expenditures:

Federal share of grants	\$ 92,569
Institutional share of grants	<u>30,856</u>
Total FSEOG Expenditures	<u>\$ 123,425</u>

NOTE D: FEDERAL WORK STUDY

The following is included as Federal Work Study (FWS) expenditures:

Federal share of Federal Work Study wages	\$ 159,789
Institutional share of Federal Work Study wages	53,263
Administrative cost allowance	<u>455</u>
Total FWS Expenditures	<u>\$ 213,507</u>

NOTE E: FEDERAL PERKINS LOAN

The University administers the Federal Perkins Loan Program. Disbursements presented in the accompanying schedule includes \$91,500 for loans to students and no administrative cost allowances. The loan balance outstanding, net of the allowance for doubtful accounts, was \$672,039 and \$741,949 at June 30, 2018 and 2017, respectively. During the year ended June 30, 2018, the University did not receive federal capital contributions for the Federal Perkins Loan Program. Accordingly, the University did not receive federal capital contributions for its share of the current year matching grant.

OKLAHOMA WESLEYAN UNIVERSITY

SCHEDULE OF FEDERAL AWARDS (continued) Year Ended June 30, 2018

NOTE F: BASIS OF PRESENTATION

The schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of **Oklahoma Wesleyan University** (the "University") under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University it is not intended to and does not present the financial position, changes in net assets or cash flows of the University.

The University includes loans granted under the Federal Direct Student Loans Program as expenditures of federal awards.

NOTE G: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or limited as to reimbursement.

NOTE H: INDIRECT COST RATE

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



Keller & Owens, LLC

Certified Public Accountants

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

Board of Trustees

Oklahoma Wesleyan University

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 **Oklahoma Wesleyan University** (a nonprofit organization) which comprise the statement of financial position as of June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated October 3, 2018.

Internal Control over Financial Reporting

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

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

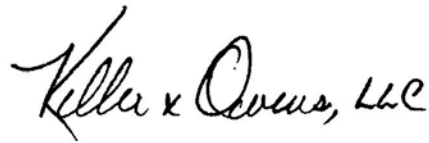
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Keller & Owens, LLC". The signature is written in a cursive, flowing style.

Overland Park, Kansas
October 3, 2018



Keller & Owens, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees

Oklahoma Wesleyan University

Report on Compliance for Each Major Federal Program

We have audited **Oklahoma Wesleyan University's** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of **Oklahoma Wesleyan University's** major federal programs for the year ended June 30, 2018. **Oklahoma Wesleyan University's** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion **Oklahoma Wesleyan University** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items Findings 2018-001 through 2018-006.

Oklahoma Wesleyan University's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. **Oklahoma Wesleyan University's** response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

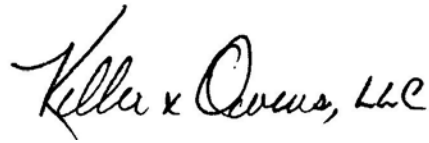
Management of **Oklahoma Wesleyan University** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **Oklahoma Wesleyan University's** internal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

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, it is not suitable for any other purpose.

A handwritten signature in black ink that reads "Kella x Owens, LLC". The signature is written in a cursive, flowing style.

Overland Park, Kansas
January 26, 2019

OKLAHOMA WESLEYAN UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported
- Type of auditor's report issued on compliance for major programs: *unmodified*
- Any audit findings disclosed that are required to be reported in accordance with Part 200 of the Uniform Guidance? X Yes _____ No

Identification of major programs:

Grant Award Number

Name of Federal Program

84.268

Federal Direct Student Loan Program

84.063

Federal PELL Grant

84.007

Federal Supplemental Educational Opportunity Grant

84.033

Federal Work Study

84.038

Federal Perkins Loan

84.379

TEACH Grant

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____ Yes X No

OKLAHOMA WESLEYAN UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2018

Section II – Financial Statement Findings

There were not any financial statement findings for the year ended June 30, 2018.

OKLAHOMA WESLEYAN UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2018

Section III - Federal Award Findings and Questioned Costs

FINDING 2018-001 – NSLDS Reporting

Federal Agency:	U.S. Department of Education; Office of Federal Student Aid
Pass through Entity:	Not applicable
Program Name:	Federal Direct Student Loan Program
CFDA# and Program Expenditures:	84.268 (\$11,224,159)
Award Number:	P268K182030
Federal Award Year:	July 1, 2017 to June 30, 2018
Questioned Costs:	None

Condition Found:

The incorrect withdrawal date was reported to the National Student Loan Database System (NSLDS) for two of the thirty-six students tested.

Criteria:

NSLDS informs loan servicers of changes in a student's enrollment status that indicates when loan repayments or interest accrual begins and ends. The date a student withdraws, graduates, or drops below half-time status should be reported accurately.

Cause:

The incorrect withdrawal date was inadvertently entered into the NSLDS system.

Possible Asserted Effect:

The loan servicers were not aware of the correct repayment and interest calculation date.

Repeat Finding:

This finding was not reported in the immediately prior audit.

OKLAHOMA WESLEYAN UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2018

Section III - Federal Award Findings and Questioned Costs (continued)

FINDING 2018-001 – NSLDS Reporting (continued)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

The Financial Aid Director should update the withdrawal dates in NSLDS. Procedures should be improved to ensure that the enrollment status change dates entered into NSLDS are accurate.

Management Response:

The Financial Aid Director updated the last date of enrollment for the two students in question in August 2018. The Financial Aid Office and Registrar's Office will work together to accurately update enrollment status changes in NSLDS.

OKLAHOMA WESLEYAN UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2018

Section III - Federal Award Findings and Questioned Costs

FINDING 2018-002 – Subsidized Loan Eligibility

Federal Agency:	U.S. Department of Education; Office of Federal Student Aid
Pass through Entity:	Not applicable
Program Name:	Federal Direct Student Loan Program
CFDA# and Program Expenditures:	84.268 (\$11,224,159)
Award Number:	P268K182030
Federal Award Year:	July 1, 2017 to June 30, 2018
Questioned Costs:	None

Condition Found:

One of the thirty-six Federal Direct Loan recipients tested was awarded a subsidized loan at the freshman level, when the student was eligible to receive subsidized loans at the sophomore level.

Criteria:

The annual subsidized Federal Direct Loan limit is \$3,500 for freshmen, \$4,500 for sophomores, and \$5,500 for juniors and seniors.

Cause:

The student's transfer credits were not considered when the subsidized loan eligibility was determined.

Possible Asserted Effect:

The student was eligible for \$4,500 of subsidized Federal Direct Loans and only received \$3,500.

OKLAHOMA WESLEYAN UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2018

Section III - Federal Award Findings and Questioned Costs (continued)

FINDING 2018-002 – Subsidized Loan Eligibility (continued)

Repeat Finding:

A similar finding was reported in the prior year as Finding 2017-002.

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

The Financial Aid Director should reallocate \$1,000 of unsubsidized Federal Direct Loans to subsidized Federal Direct Loans.

Management Response:

The Financial Aid Director reallocated \$1,000 of the unsubsidized Federal Direct Loans to subsidized Federal Direct Loans in August 2018.

OKLAHOMA WESLEYAN UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2018

Section III - Federal Award Findings and Questioned Costs

FINDING 2018-003 – Authorization to Hold Credit Balances

Federal Agency:	U.S. Department of Education; Office of Federal Student Aid
Pass through Entity:	Not applicable
Program Name:	Federal Direct Student Loan Program Federal Pell Grant Program
CFDA# and Program Expenditures:	84.268 (\$11,224,159) 84.063 (\$ 2,056,666)
Award Number:	P268K182030 P063P172030
Federal Award Year:	July 1, 2017 to June 30, 2018
Questioned Costs:	None

Condition Found:

For two of the forty students in our sample, the University held Title IV credit balances for longer than fourteen days without written authorization or did not return a Title IV credit balance at the end of the academic year.

Criteria:

An institution may not hold a credit balance, which was caused by federal student financial aid funds, on a student's account for more than fourteen days without written authorization. Credit balance authorizations are only valid for one school year and any credit balances at the end of the school year must be returned.

Cause:

For the first student, the credit balance did not appear on any of the reports ran by the University. For the second student, an abrupt departure of the University's cashier led to the error.

Possible Asserted Effect:

The Title IV credit balances were not returned timely to the students.

OKLAHOMA WESLEYAN UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2018

Section III - Federal Award Findings and Questioned Costs (continued)

FINDING 2018-003 – Authorization of Credit Balances (continued)

Repeat Finding:

A similar finding was reported in the prior year as Finding 2017-004.

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

The Student Accounts Manager had self-identified the credit balance error for one student and the funds were returned to the student in April 2018. For the second student, the credit balance should be returned to the student.

Management Response:

The Student Accounts Manager had self-identified the credit balance error for one student and the funds were returned to the student in April 2018. The credit balance was returned for the second student in August 2018.

OKLAHOMA WESLEYAN UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2018

Section III - Federal Award Findings and Questioned Costs

FINDING 2018-004 – Verification

Federal Agency:	U.S. Department of Education; Office of Federal Student Aid
Pass through Entity:	Not applicable
Program Name:	Federal Direct Student Loan Program Federal Pell Grant Program TEACH Grant
CFDA# and Program Expenditures:	84.268 (\$11,224,159) 84.063 (\$ 2,056,666) 84.379 (\$ 116,800)
Award Number:	P268K182030 P063P172030
Federal Award Year:	July 1, 2017 to June 30, 2018
Questioned Costs:	\$1,900 (CFDA #84.063 – Federal Pell Grant)

Condition Found:

For two of the forty students sampled, changes required from additional information provided during the verification process were not made.

Criteria:

If a student is selected for V1 – Standard Group Verification, the University is required to verify the following:

- Adjusted gross income
- U.S. income taxes paid
- Untaxed portion of IRA distributions
- Untaxed portion of pensions
- IRA deductions and payments
- Tax-exempt interest income
- Education credits
- Household size
- Number in College
- Swap benefits
- Child support paid

OKLAHOMA WESLEYAN UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2018

Section III - Federal Award Findings and Questioned Costs (continued)

FINDING 2018-004 – Verification (continued)

Cause:

For the first student, the total taxes paid line was used instead of the U.S. Income Tax line on the tax transcript. The second student was included as a member of the household, and child support paid for the same student was deducted.

Possible Asserted Effect:

The incorrect EFC was used to determine the amount of aid the students in question qualified to receive. Pell was over awarded by \$100 and \$1,900 for the first and second student, respectively.

Repeat Finding:

A similar finding was reported in the prior year as Finding 2017-005.

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

The Financial Aid Director should make the required changes to the ISIR input data, and recalculate the EFC, and determine the amount of aid the students were eligible to receive. In total, \$1,900 of Federal Pell Grant Funds should be returned to the Department of Education.

Management Response:

The Financial Aid Director updated the students' information, recalculated the EFC, and determined the amount of aid the students were eligible to receive. In total, \$1,900 of Federal Pell Grant Funds were returned in August 2018.

OKLAHOMA WESLEYAN UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2018

Section III - Federal Award Findings and Questioned Costs

FINDING 2018-005 – Exit Interview

Federal Agency:	U.S. Department of Education; Office of Federal Student Aid
Pass through Entity:	Not applicable
Program Name:	Federal Direct Student Loan Program
CFDA# and Program Expenditures:	84.268 (\$11,224,159)
Award Number:	P268K182030
Federal Award Year:	July 1, 2017 to June 30, 2018
Questioned Costs:	None

Condition Found:

One of the thirty-six Federal Direct Loan recipients did not complete or was not sent an exit interview to complete.

Criteria:

An exit interview should be completed or mailed to a student to complete within thirty days from when a student withdraws, graduates from school, or is enrolled less than half-time for Federal Direct Loans.

Cause:

An incorrect withdrawal date was used when determining if an exit interview should be sent to the student.

Possible Asserted Effect:

The student was unaware of the loan repayment responsibilities at the time the student withdrew from the University.

OKLAHOMA WESLEYAN UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2018

Section III - Federal Award Findings and Questioned Costs (continued)

FINDING 2018-005 – Exit Interview (continued)

Repeat Finding:

A similar finding was reported in the prior year as Finding 2017-003.

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

An exit interview was sent to the student in question on July 6, 2018. Procedures should be improved to ensure that an exit interview is completed when a student withdraws from the University.

Management Response:

An exit interview was sent to the student in question on July 6, 2018 before audit fieldwork began. The Student Financial Office will improve procedures to ensure exit interviews are completed by or sent to students within thirty days of the date the student withdraws from the University.

OKLAHOMA WESLEYAN UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2018

Section III - Federal Award Findings and Questioned Costs

FINDING 2018-006 – R2T4 Calculation

Federal Agency:	U.S. Department of Education; Office of Federal Student Aid
Pass through Entity:	Not applicable
Program Name:	Federal Direct Student Loan Program
CFDA# and Program Expenditures:	84.268 (\$11,224,159)
Award Number:	P268K182030
Federal Award Year:	July 1, 2017 to June 30, 2018
Questioned Costs:	\$113 (84.268 Unsubsidized Direct Loan Funds)

Condition Found:

The incorrect number of days in the semester and the number of days completed by a student were used in an R2T4 calculation for one of the twenty-five students sampled. Therefore, the R2T4 calculation and the amount of aid returned to the Department of Education was incorrect.

Criteria:

The number of days in the semester is calculated by counting the number of days in the semester less any breaks of four or more days.

Cause:

The student was enrolling in the nontraditional degree program which is structured in modules. The student was enrolled in multiple modules with differing beginning and ending dates. This made it difficult to calculate the number of days in the semester and the number of days the student completed.

Possible Asserted Effect:

The number of days in the semester and the number of days completed by the student used in the R2T4 calculation were incorrect. When the correct number of days are used, an additional \$113 of Unsubsidized Federal Direct Loans is due to the Department of Education.

OKLAHOMA WESLEYAN UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2018

Section III - Federal Award Findings and Questioned Costs (continued)

FINDING 2018-006 – R2T4 Calculation (continued)

Repeat Finding:

A similar finding was reported in the prior year as Finding 2017-001

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

The Student Financial Director should determine the correct number of days in the semester and the number of days completed by the student in question. The R2T4 should be recalculated. An additional \$113 Unsubsidized Federal Direct Loans should be returned to the Department of Education.

Management Response:

The Student Financial Aid Director manually recalculated the number of days in the semester and the number of days completed by the student in question. The R2T4 was recalculated. An additional \$113 of Unsubsidized Federal Direct Loan funds was returned to the Department of Education in November 2018.

OKLAHOMA WESLEYAN UNIVERSITY

AUDITORS' COMMENTS ON AUDIT RESOLUTION MATTERS RELATING TO THE SFA PROGRAMS Year Ended June 30, 2018

Section IV - Prior Year Findings

FINDING 2017-001 – R2T4 Calculations

Condition

The incorrect number of days in the semester was used for all of the R2T4s completed for the non-traditional students. This error was identified by the Director of Student Financial Aid before the audit began. Three students in our compliance testing had incorrect R2T4s. For these three students, an additional \$27 of unsubsidized federal direct loan funds is due to the Department of Education. We tested an additional twenty-five R2T4s and found six additional calculation errors. For these six students, a total of \$1,778 of unsubsidized loan funds and \$138 of subsidized loan funds is due to the Department of Education, and \$102 of Pell Grant Funds is due to the Department of Education. The remaining R2T4s were recalculated by the Director of Financial Aid.

Recommendation

The Director of Financial Aid had identified an issue, notified us, and was in the process of auditing all non-traditional students prior to our audit. Based on her recommendation, the R2T4s should be reviewed and recalculated for the non-traditional students. A total of \$1,805 of unsubsidized loan funds, \$138 of subsidized loan funds and \$102 of Pell grant funds should be returned. Our review of the R2T4s after the institution's internal audit identified no errors.

Current Status

The R2T4s were reviewed and recalculated for the non-traditional students. A total of \$1,805 of unsubsidized loan funds, \$138 of subsidized loan funds, and \$102 of Pell grant funds were returned. See Finding 2018-006 for a finding related to R2T4 calculations in the current year.

FINDING 2017-002 – Subsidized Loan Eligibility

Condition

The subsidized loan amount awarded was incorrect for one of the students tested. The student had a need of \$4,686, which made the student eligible for subsidized loans. Due to an error in the "need" calculation, the student was only awarded unsubsidized loan funds.

OKLAHOMA WESLEYAN UNIVERSITY

AUDITORS' COMMENTS ON AUDIT RESOLUTION MATTERS RELATING TO THE SFA PROGRAMS Year Ended June 30, 2018

Section IV - Prior Year Findings (continued)

Recommendation

The University should recalculate the student's need and adjust the subsidized loan allocation. The subsidized loan amount should be \$4,686. The financial aid office should improve procedures to ensure that aggregate loan limits are verified before awarding aid.

Current Status

\$4,686 was reallocated to subsidized loans. See Finding 2018-002 for a similar finding in the current year.

FINDING 2017-003 – Exit Interview

Condition

A Federal Direct Loan exit interview was not sent within thirty days of withdrawing or dropping below half-time enrollment for one of the students selected for testing. The student withdrew during the semester and the financial aid office overlooked sending the exit interview to the student.

Recommendation

The University should improve procedures to ensure that an exit interview is completed when a student withdraws from the University. The financial aid office should send the exit interview to the student in question.

Current Status

An exit interview was sent to the student in question in June 2017. See Finding 2018-005 for a similar finding in the current year.

OKLAHOMA WESLEYAN UNIVERSITY

AUDITORS' COMMENTS ON AUDIT RESOLUTION MATTERS RELATING TO THE SFA PROGRAMS Year Ended June 30, 2018

Section IV - Prior Year Findings (continued)

FINDING 2017-004 – Authorization to Hold Credit Balances

Condition

For one student in our sample, the University held a credit balance for longer than fourteen days without written authorization.

Recommendation

The University should improve procedures to ensure that credit balances are refunded timely. The credit balance was returned to the student before the audit began.

Current Status

The credit balance was returned to the student before the audit began. See Finding 2018-003 for a similar finding in the current year.

FINDING 2016-005 – Verification

Condition

The student in question completed the verification form. A note from a phone call with the student stated there were three family members and one was in College. The ISIR shows that two family members were in College. The ISIR was not updated with the information received during the verification process. The student received \$200 of Pell grant funds that the student was not eligible to receive.

Recommendation

The financial aid office should complete the verification process for the student and make the necessary changes to the ISIR information. \$200 of Pell Grant funds should be returned to the Department of Education for the second student in question.

Current Status

\$200 of Federal Pell Grant Funds were returned to the Department of Education in August 2017. See Finding 2018-004 for a similar finding in the current year.

OKLAHOMA WESLEYAN UNIVERSITY

AUDITORS' COMMENTS ON AUDIT RESOLUTION MATTERS RELATING TO THE SFA PROGRAMS Year Ended June 30, 2018

Section IV - Prior Year Findings (continued)

FINDING 2017-006 – TEACH Grant Eligibility

Condition

A student pre-registered for the education program. During the final registration process, the student changed to a nursing major and began taking courses to fulfill the nursing graduation requirements. The change in majors was not communicated to the financial aid office. \$1,864 in TEACH Grant Funds were disbursed to the student. The student was not enrolled in a TEACH Grant eligible program and, therefore, was not eligible to receive the \$1,864 of Teach Grant Funds.

Recommendation

The \$1,864 of TEACH Grant Funds should be returned to the Department of Education. The registrar and academic offices should report major declaration or degree program changes to the financial aid office.

Current Status

\$1,864 of TEACH Grant Funds were returned in August 2017. There was not a similar finding in the current year.



CORRECTIVE ACTION PLAN
Year Ended June 30, 2018

FINDING 2018-001 – NSLDS Reporting

CFDA# and Program Expenditures: 84.268 (\$11,224,159)
Award Number: P268K182030
Federal Award Year: July 1, 2017 to June 30, 2018
Questioned Costs: None

Condition Found:

The incorrect withdrawal date was reported to the National Student Loan Database System (NSLDS) for two of the thirty-six students tested.

Corrective Action Plan:

The Financial Aid Director updated the last date of enrollment for the two students in question in August 2018. The Financial Aid Office and Registrar's Office will work together to accurately update enrollment status changes in NSLDS.

FINDING 2018-002 – Subsidized Loan Eligibility

CFDA# and Program Expenditures: 84.268 (\$11,224,159)
Award Number: P268K182030
Federal Award Year: July 1, 2017 to June 30, 2018
Questioned Costs: None

Condition Found:

One of the thirty-six Federal Direct Loan recipients tested was awarded a subsidized loan at the freshman level, when the student was eligible to receive subsidized loans at the sophomore level.

CORRECTIVE ACTION PLAN (Continued)
Year Ended June 30, 2018

Corrective Action Plan:

The Financial Aid Director reallocated \$1,000 of the unsubsidized Federal Direct Loans to subsidized Federal Direct Loans in August 2018.

FINDING 2018-003 – Authorization to Hold Credit Balances

CFDA# and Program Expenditures: 84.268 (\$11,224,159)
84.063 (2,056,666)

Award Number: P268K182030
P063P172030

Federal Award Year: July 1, 2017 to June 30, 2018

Questioned Costs: None

Condition Found:

For two of the forty students in our sample, the University held Title IV credit balances for longer than fourteen days without written authorization or did not return a Title IV credit balance at the end of the academic year.

Corrective Action Plan:

The Student Accounts Manager had self-identified the credit balance error for one student and the funds were returned to the student in April 2018. The credit balance was returned for the second student in August 2018.

FINDING 2018-004 – Verification

CFDA# and Program Expenditures: 84.268 (\$11,224,159)
84.063 (2,056,666)
84.379 (116,800)

Award Number: P268K182030
P063P172030

Federal Award Year: July 1, 2017 to June 30, 2018

Questioned Costs: None

CORRECTIVE ACTION PLAN (Continued)
Year Ended June 30, 2018

Condition Found:

For two of the forty students sampled, changes required from additional information provided during the verification process were not made.

Corrective Action Plan:

The Financial Aid Director updated the students' information, recalculated the EFC, and determined the amount of aid the students were eligible to receive. In total, \$1,900 of Federal Pell Grant Funds were returned in August 2018.

FINDING 2018-005 – Exit Interview

CFDA# and Program Expenditures:	84.268 (\$11,224,159)
Award Number:	P268K182030
Federal Award Year:	July 1, 2017 to June 30, 2018
Questioned Costs:	None

Condition Found:

One of the thirty-six Federal Direct Loan recipients did not complete or was not sent an exit interview to complete.

Corrective Action Plan:

An exit interview was sent to the student in question on July 6, 2018 before audit fieldwork began. The Student Financial Office will improve procedures to ensure exit interviews are completed by or sent to students within thirty days of the date the student withdraws from the University.

FINDING 2018-006 – R2T4 Calculation

CFDA# and Program Expenditures:	84.268 (\$11,224,159)
Award Number:	P268K182030
Federal Award Year:	July 1, 2017 to June 30, 2018

CORRECTIVE ACTION PLAN (continued)
Year Ended June 30, 2018

Questioned Costs: None

Condition Found:

The incorrect number of days in the semester and the number of days completed by a student were used in an R2T4 calculation for one of the twenty-five students sampled. Therefore, the R2T4 calculation and the amount of aid returned to the Department of Education was incorrect.

Corrective Action Plan:

The Student Financial Aid Director manually recalculated the number of days in the semester and the number of days completed for the student in question. The R2T4 was recalculated. An additional \$113 of Unsubsidized Federal Direct Loan funds was returned to the Department of Education in November 2018.

Andrea L. Lopez
Name

Vice President Business Affairs
Title

1-26-19
Date