



OKLAHOMA BAPTIST UNIVERSITY

Management Discussion & Analysis and
Consolidated Financial Statements
With Independent Auditor's Report

May 31, 2025 and 2024

OKLAHOMA BAPTIST UNIVERSITY

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SECTION I

Management Discussion & Analysis

OKLAHOMA BAPTIST UNIVERSITY

May 31, 2025

MANAGEMENT DISCUSSION & ANALYSIS

Oklahoma Baptist University (the University) continues to transform lives by equipping students to pursue academic excellence, integrate faith with all areas of knowledge, engage a diverse world, and live worthy of the high calling of God in Christ. This fiscal year, the University experienced many changes but continues to see exciting things happening in the lives of our students.

For the fall 2024 semester, Bison Hill welcomed nearly 450 new students, freshmen and transfers, to campus to begin their journey toward earning a college degree from the University. Total headcount was approximately 1,600 students. The University remains committed to academic excellence and helping OBU students succeed in whatever path they choose.

The University continues to face budgetary challenges as do most other higher education institutions across the United States. Therefore, the University continues to adjust its operating budget to adapt to the current economic climate. Despite these budgetary challenges, the University continues to have a strong balance sheet. The University has minimal debt as well as a strong endowment. Aided by the recovery in investment markets, the University's endowment held by outside investment managers, which includes beneficial interests held by others, plus unrestricted distributions from endowed assets as of May 31, 2025, was approximately \$184 million. The University's endowment continues to generate a steady stream of income that supports student scholarships as well as supplements operating income for the University. The attached consolidated financial statements reflect the financial position of the University as of May 31, 2025 and 2024, as well as the results of operations and cash flows for the years ended May 31, 2025 and 2024.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Cash and investments provide essential liquidity to cover operating costs as well as fund construction and maintenance costs. The University maintains an investment portfolio that seeks to preserve capital, provide needed liquidity, and maximize investment return within appropriate risk constraints. Cash and investments totaled almost \$33.7 million as of May 31, 2025. The University's endowment assets along with beneficial interests held by outside investment managers increased \$12.8 million to \$184 million primarily due to unrealized gains as of May 31, 2025. The vast majority of these assets are under management at WatersEdge.

The University's net investment in educational plant increased \$23.2 million to approximately \$133.7 million compared to \$110.5 million as of the end of the previous fiscal year. The increase was primarily due to capitalized expenditures totaling \$27.8 million, offset by the annual depreciation expense of \$4.2 million. The University experienced a significant casualty loss event in April 2023 which damaged nearly every building on campus. As a result, the University recorded a cumulative impairment to educational plant assets totaling \$13.6 million as of May 31, 2024, which was initially estimated and recorded during the year ended May 31, 2023. Cumulative capitalized repairs from the casualty loss event totaled \$50.2 million as of the fiscal year ended May 31, 2025.

The University's long-term debt results from an agreement with the Oklahoma Baptist University Authority (see Note 10). As part of this agreement, the Authority issues long-term debt to fund construction of campus facilities, and the University promises to fund the debt service payments. During the 2024-2025 fiscal year, the University made principal payments of approximately \$2 million. A new bank note to fund ongoing construction projects was issued in May 2025, but the University had not drawn any funds from that note as of May 31, 2025.

CONSOLIDATED STATEMENTS OF ACTIVITIES

As a private university, student generated revenue is the University's primary revenue source year over year. Student generated revenue includes net tuition and fees as well as auxiliary revenue. For fiscal years ending May 31, 2025 and 2024, the University reported student generated revenue of approximately \$24.6 million and \$23.6 million, respectively.

During the fiscal year ended May 31, 2025, the University continued to receive generous support from its strong base of alumni and friends as well as Oklahoma Southern Baptists. For the 2024-2025 fiscal year, the University received \$2.4 million from the Oklahoma Baptists' Cooperative Program, \$1.4 million from Tulsa Royalties Company and an additional \$4.8 million in support for various programs and activities and contributions to endowments.

During the 2024-2025 fiscal year, the investment and energy markets experienced significant volatility. The University recorded unrealized gains on mineral based assets and other invested assets of approximately \$6.5 million and \$2 million, respectively. The University also recorded an increase in the value of beneficial interests of approximately \$1.6 million. The University has a diversified portfolio of investments which include primarily equity based assets and mineral assets. For the current fiscal year, minerals based assets outperformed the equity based assets. Unrealized gains or losses on investments and changes in value of beneficial interests are a function of the change in market values as of the last day of the fiscal year and production volume and prices of mineral assets during the year. Hence, they are not considered operating gains or losses for the University. Additionally, market conditions influence the payout of endowment earnings although the effect tends to lag behind the change in market value.

The University continued to identify operating efficiencies where possible throughout the fiscal year. However, economic and inflationary factors continue to pressure on the operating budget. Operating expenses were approximately \$50.7 million for the year ended May 31, 2025, compared to approximately \$48 million for the previous fiscal year, an increase of approximately 6%. This increase is largely due to the rising cost of wages and benefits.

Total net assets increased from approximately \$309.5 million at the end of the previous fiscal year to just over \$316.7 million as of May 31, 2025. This increase is due to a number of factors, including an increase in educational plant assets of \$23.1 million, offset by decreases in cash & investments utilized to fund operations and capital repairs totaling \$21.8 million. Additionally, investments held for long-term purposes and beneficial interests increased by \$10.4 million.

CONCLUSION

The University continues to balance providing top academic programs and student services for students at a reasonable price. As a private institution, the University must do this without state funding. This requires the University to continually focus on effectively and efficiently using its resources to advance the University's mission. The University is committed to transforming the lives of students and seeing them make a difference in this world for Christ.

SECTION II

Audited Consolidated Financial Statements

OKLAHOMA BAPTIST UNIVERSITY

May 31, 2025 and 2024

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Oklahoma Baptist University
Shawnee, Oklahoma

Opinion

We have audited the accompanying consolidated financial statements of Oklahoma Baptist University, which comprise the consolidated statements of financial position as of May 31, 2025 and 2024, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Oklahoma Baptist University as of May 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Capin Crouse LLC

Irving, Texas
November 14, 2025

OKLAHOMA BAPTIST UNIVERSITY

Consolidated Statements of Financial Position

	May 31,	
	2025	2024
ASSETS:		
Cash and cash equivalents	\$ 953,566	\$ 4,262,123
Accounts receivable, net of credit allowance of \$6,052,851 and \$5,316,040 at May 31, 2025, and 2024, respectively	2,274,106	2,399,147
Insurance proceeds receivable	-	1,723,543
Prepaid expenses and other assets	2,195,583	2,097,092
Student loans receivable, net of credit allowance of \$553,566 and \$570,113 at May 31, 2025, and 2024, respectively	-	3,147
Investments	32,811,820	51,296,051
Investments held for long-term purposes	103,137,603	94,432,148
Beneficial interests and remainder interests receivable	68,857,111	67,201,420
Educational plant, net	133,699,797	110,511,839
Total Assets	\$ 343,929,586	\$ 333,926,510
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 7,247,317	\$ 2,482,762
Accrued expenses and other liabilities	274,157	264,816
Tuition performance obligations and other deposits	172,403	92,631
Unamortized investment in educational plant	1,919,412	1,605,452
Long-term debt, net	14,145,613	16,191,456
Post-retirement benefits obligation	2,145,604	2,153,123
Asset retirement obligation	1,308,546	1,672,055
Government advances refundable	-	2,360
Total liabilities	27,213,052	24,464,655
Net assets:		
Without donor restrictions	117,622,268	116,952,612
With donor restrictions:		
Restricted by time or purpose	69,487,095	65,836,898
Perpetual in nature	129,607,171	126,672,345
	199,094,266	192,509,243
Total net assets	316,716,534	309,461,855
Total Liabilities and Net Assets	\$ 343,929,586	\$ 333,926,510

See notes to consolidated financial statements

OKLAHOMA BAPTIST UNIVERSITY

Consolidated Statement of Activities

	Year Ended May 31, 2025		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT:			
Tuition and fees, net	\$ 15,988,711	\$ -	\$ 15,988,711
Contributions and grants	1,349,663	3,492,896	4,842,559
Allocation from Oklahoma Baptists	2,420,570	-	2,420,570
Royalties from Tulsa Royalties Company	-	1,433,775	1,433,775
Auxiliary services	8,656,826	-	8,656,826
Investment and endowment income, net	12,309,286	5,696,034	18,005,320
Change in value of beneficial interests in funds held by others	-	1,633,750	1,633,750
Insurance proceeds	1,215,190	-	1,215,190
Other income	3,755,971	18,929	3,774,900
Net assets released from restrictions due to satisfaction of purpose and time restrictions and transfers	5,690,361	(5,690,361)	-
Total Revenue, Gains, and Other Support	51,386,578	6,585,023	57,971,601
EXPENSES:			
Program activities:			
Educational activities	17,893,749	-	17,893,749
Student services	12,508,942	-	12,508,942
Auxiliary services	10,127,085	-	10,127,085
Support services	10,187,146	-	10,187,146
Total Expenses	50,716,922	-	50,716,922
Change in Net Assets	669,656	6,585,023	7,254,679
Net Assets, Beginning of Year	116,952,612	192,509,243	309,461,855
Net Assets, End of Year	\$ 117,622,268	\$ 199,094,266	\$ 316,716,534

See notes to consolidated financial statements

OKLAHOMA BAPTIST UNIVERSITY

Consolidated Statement of Activities

	Year Ended May 31, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT:			
Tuition and fees, net	\$ 15,184,725	\$ -	\$ 15,184,725
Contributions and grants	2,434,334	11,689,090	14,123,424
Allocation from Oklahoma Baptists	2,422,505	-	2,422,505
Royalties from Tulsa Royalties Company	-	1,636,270	1,636,270
Auxiliary services	8,448,716	-	8,448,716
Investment and endowment income, net	318,771	(121,854)	196,917
Change in value of beneficial interests in funds held by others	-	548,048	548,048
Insurance proceeds	24,513,189	-	24,513,189
Loss on disposition of fixed assets	(12,111,788)	-	(12,111,788)
Other income	5,175,395	2,840	5,178,235
Net assets released from restrictions due to satisfaction of purpose and time restrictions and transfers	13,387,272	(13,387,272)	-
Total Revenue, Gains, and Other Support	59,773,119	367,122	60,140,241
EXPENSES:			
Program activities:			
Educational activities	16,031,911	-	16,031,911
Student services	12,519,062	-	12,519,062
Auxiliary services	10,011,563	-	10,011,563
Support services	9,410,963	-	9,410,963
Total Expenses	47,973,499	-	47,973,499
Change in Net Assets	11,799,620	367,122	12,166,742
Net Assets, Beginning of Year	105,152,992	192,142,121	297,295,113
Net Assets, End of Year	\$ 116,952,612	\$ 192,509,243	\$ 309,461,855

See notes to consolidated financial statements

OKLAHOMA BAPTIST UNIVERSITY

Consolidated Statements of Cash Flows

	Year Ended May 31,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from donors and grantors	\$ 6,054,518	\$ 14,799,108
Cash received from students	24,975,323	24,150,157
Interest and dividends received	1,878,295	6,443,215
Other cash received	7,021,748	48,031,366
Cash paid to or on behalf of employees	(24,647,594)	(22,511,643)
Cash paid to vendors	(15,747,495)	(27,235,086)
Cash paid for interest	(545,739)	(502,108)
Net Cash Provided (Used) by Operating Activities	<u>(1,010,944)</u>	<u>43,175,009</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of educational plant assets	(27,789,042)	(38,480,919)
Proceeds from sales of investments	33,586,032	55,958,104
Purchases of investments	(7,284,491)	(61,821,116)
Net Cash Used by Investing Activities	<u>(1,487,501)</u>	<u>(44,343,931)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Gifts for long-term purposes	1,293,028	1,102,626
Principal payments on long-term debt	(2,103,140)	(1,804,878)
Net Cash Used by Financing Activities	<u>(810,112)</u>	<u>(702,252)</u>
Change in Cash and Cash Equivalents	(3,308,557)	(1,871,174)
Cash and Cash Equivalents, Beginning of Year	<u>4,262,123</u>	<u>6,133,297</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 953,566</u></u>	<u><u>\$ 4,262,123</u></u>

See notes to consolidated financial statements

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

1. NATURE OF ORGANIZATION:

The Oklahoma Baptist University (OBU) was created by action of the Baptist General Convention of Oklahoma (Oklahoma Baptists) in 1909 to function as an independent, nonprofit University under the supervision of a board of trustees elected by Oklahoma Baptists. Articles of Incorporation were filed February 9, 1910, and amended November 25, 1974, with the State of Oklahoma and a charter was granted for a corporation of perpetual duration without capital stock. The purposes of the corporation are to encourage, support, provide, and maintain Christian education and to engage in Christian undertakings which are keeping with the purpose of the Oklahoma Baptists.

OBU is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, OBU is subject to federal income tax on any unrelated business taxable income. In addition, OBU is not classified as a private foundation within the meaning of Section 509(a) of the IRC. Contributions to OBU are tax deductible within the limitations prescribed by the Code.

During 1991, OBU accepted a gift of the Tulsa Royalties Company (the Company) as partial payment of a pledge used for the construction of the College of Business building. The Company (a public charity) remains intact as a separate corporation, with its directors being chosen from OBU's board of trustees. When OBU received the Company, most of the assets were mineral interests. Additional mineral interests have been donated to the Company since that time. The Company is a supporting organization of OBU.

During 2018, MacK Holdings LLC (the LLC) was created to manage retail leasing operations for OBU, and OBU is the sole member of the LLC. The LLC has a board of managers who are appointed by OBU to manage and direct the business activity. OBU, the Company, and the LLC are collectively referred to in these consolidated financial statements as the University.

BASIS OF PRESENTATION

The consolidated financial statements of the University have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the consolidated financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the consolidated financial resources and activities of OBU, the Company, and the LLC. All material transactions and balances between OBU, the Company, and the LLC have been eliminated in the consolidated financial statements.

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and on deposit in demand and interest-bearing accounts administered by the University. As of May 31, 2025 and 2024, the University had certain concentrations of credit risk with several financial institutions in the form of uninsured cash and time deposits. For purposes of evaluating credit risk, the stability of financial institutions conducting business with the University is periodically reviewed. At May 31, 2025 and 2024, the University's cash balances exceeded federally insured limits by \$703,566 and \$4,102,123, respectively.

INVESTMENTS

The University reports investments at fair value in the consolidated statements of financial position, with the exception of certificates of deposit, which are based on amortized cost or original cost plus accrued interest. Gains and losses are included in the consolidated statements of activities in the period incurred. The methodologies for determining fair values are described in Note 7. The amounts the University will ultimately realize could differ materially and significant fluctuations in fair values could occur from year to year. Donated securities are recorded at market value at the date of donation and thereafter carried or sold in accordance with these policies.

A significant portion of the University's investment portfolio is managed by the Baptist Foundation of Oklahoma, dba, WatersEdge Ministry Services (WatersEdge). The University's investments at WatersEdge are partially held in investment pools. Pro-rata ownership in the pools is determined under a system in which units of ownership are recorded to represent each member's share of the total market value of assets so the University reports its interest in the pooled funds at fair value. The change in value of the University's interest in pooled funds held by WatersEdge is included within investment income on the consolidated statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulations or by law. Investment interest, dividends, appreciation or depreciation in market value are allocated based on each pool member's percentage of ownership represented by these units. There are no redemption restrictions as the University is able to redeem its funds from the investment pools at net asset value per share at the reporting date.

Gains and losses on investments are reported in the consolidated statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulations or by law. See Note 7 for fair value measurements and disclosures.

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ACCOUNTS RECEIVABLE, NET

Student accounts receivable are reported net of anticipated losses due to uncollectible accounts. The University allows students to utilize an installment plan to pay their student account balances. Late or insufficient payments are subject to late fees. In addition, account balances not paid by the final installment due date for a semester are subject to finance charges of 15% per annum. Students who leave the University owing a balance are considered delinquent and are subject to internal collection efforts. If internal collection efforts are unsuccessful, those accounts are turned over to a third-party collection agency. Accounts turned over to a third-party collection agency no longer accrue finance charges.

The University maintains an allowance for credit losses. The amount of the allowance is based on management's evaluation of the collectability of the receivable portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, payment patterns from the students, and adjusted for management's expectations about current and future economic conditions. The University separates accounts receivable into risk pools based on the nature of the receivable. The allowance is maintained at a level which, in management's judgment, is adequate to absorb potential losses inherent in the receivable portfolio. As of May 31, 2025 and 2024, the allowance for credit losses was \$6,052,851 and \$5,316,040, respectively.

The beginning and ending balances for accounts receivables resulting from contracts for tuition and other revenue is as follows:

	<u>May 31, 2025</u>	<u>May 31, 2024</u>	<u>May 31, 2023</u>
Accounts receivable, net	<u>\$ 2,274,106</u>	<u>\$ 2,399,147</u>	<u>\$ 3,028,558</u>

INSURANCE RECEIVABLE

On April 19, 2023, the University experienced a tornado which affected nearly every building owned by the University. The University initially evaluated all assets for impairment as of May 31, 2023, and updated its estimates for final impairment during the year ended May 31, 2024. As a result of this evaluation in 2024, the University determined assets, primarily roofs, of \$22,529,894 and the related accumulated depreciation of \$8,936,248 were impaired, resulting in a total loss on impairment of \$13,593,646. No additional adjustments to impairment were identified during the year ended May 31, 2025. Refer to Note 9 for additional discussion on capital expenditures.

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

STUDENT LOANS RECEIVABLE, NET

The University has outstanding student loans receivable, net totaling \$0 and \$3,147 as of May 31, 2025 and 2024, respectively. This loan portfolio consists of loans outstanding under the U.S. Government Perkins loan program as well as loans made under the University's endowed loan program. The loans are stated at net realizable value in the accompanying consolidated financial statements and are presented net of an allowance for uncollectible amounts totaling approximately \$553,566 and \$570,113 as of May 31, 2025 and 2024. Refer to Note 4 for further disclosures. As of May 31, 2025, the Perkins loan program was fully liquidated and all loans were assigned to the Department of Education (ED).

INVESTMENTS HELD FOR LONG-TERM PURPOSES

Investments held for long-term purposes represent assets where the University is custodian of the funds but has placed them at WatersEdge for investment management. Investments held for long-term purposes are stated at fair value. Gains and losses are included in the consolidated statements of activities in the period incurred. Alternative investments, which are not readily marketable, are carried at pooled fair values as provided by investment managers.

BENEFICIAL INTERESTS AND REMAINDER INTERESTS

Beneficial interests of the University consist of irrevocable perpetual agreements established by a donor. Third-party trustees are the custodian of the funds and are responsible for investment management. The University's interests are recorded at the fair value of the net assets, with net increases or decreases in fair value during the year being reported as changes to the appropriate net asset class. Some funds include other life beneficiaries which may affect the valuation of endowment assets. Distributions from the trusts are recorded as investment income in the consolidated statements of activities as either without donor restrictions or with donor restriction depending on the donor restriction on the use of income. If the donor restriction is met within the same year as the income is received, the University reports the income as without donor restrictions. The amounts the University will ultimately realize could differ materially and significant fluctuations in fair values could occur from year to year.

Remainder interests represent amounts held by others that will be transferred to the University upon death of the current beneficiaries.

EDUCATIONAL PLANT

Plant facilities are stated at cost less accumulated depreciation or, if received as a gift, at fair value at the date received, less any subsequent accumulated depreciation. Generally, improvements, renovations and equipment purchases in excess of \$5,000 are capitalized. Depreciation is recognized on a straight-line basis over the estimated useful lives of the related assets as follows: buildings and improvements (50 years), land improvements (30 years), library books (20 years), equipment and software (10 years), and vehicles and computer equipment (5 to 10 years). Depreciation begins in the year following the year of acquisition.

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

UNAMORTIZED INVESTMENT IN EDUCATIONAL PLANT

During the year ended May 31, 2015, a major renovation of the University's food service facilities was completed. As part of the contract with the University, the University's food service vendor invested approximately \$3.1 million in the renovation. During the years ended May 31, 2020 and 2024, the food service vendor invested additional funds. This investment is being amortized over the period of the vendor contract which will expire in July 2036. The unamortized portion of the investment is recognized as a liability in the consolidated statements of financial position. If the University were to terminate the contract early, the University would be obligated to reimburse the food service vendor for the unamortized portion of the improvements. The contract balances for this liabilities for all years presented is as follows:

	<u>May 31, 2025</u>	<u>May 31, 2024</u>	<u>May 31, 2023</u>
Unamortized investment in educational plant	<u>\$ 1,919,412</u>	<u>\$ 1,605,452</u>	<u>\$ 1,737,407</u>

ASSET RETIREMENT OBLIGATION

Asset retirement obligations for asbestos remediation are recorded in accordance with GAAP. Initially, the obligation was recorded at fair value and the related asset retirement costs were capitalized. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the University records changes in the asset retirement obligation which result from the passage of time and/or revisions to either the timing of amount or the original estimate of undiscounted cash flows as they occur.

GOVERNMENT ADVANCES REFUNDABLE

Funds provided by the U.S. Government under the Federal Perkins Loan Program are loaned to qualified students. These funds are ultimately refundable to the government and are reported as government advances refundable on the consolidated statements of financial position. As of May 31, 2025, the Perkins loan program was fully liquidated and all loans were assigned to the Department of Education (ED).

NET ASSETS

Information regarding financial position and activities is reported in two classes of net assets based on the existence or absence of donor-imposed restrictions. Net assets are classified as follows:

Net assets without donor restrictions are those resources not subject to donor-imposed restrictions available for operating purposes. They may be designated for specific purposes by action of the board of trustees.

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS, continued

Net assets with donor restrictions are subject to donor-imposed restrictions that have not been met as to specified purpose or to later periods of time. These include donor restrictions requiring that the net asset to be held in perpetuity but permit the University to use all or part of the income earned on related investments for specific purposes. Such net assets also include the University's beneficial interest in irrevocable trusts held by others as well as net assets restricted in perpetuity for student loan programs.

REVENUES, GAINS, AND OTHER SUPPORT

Tuition revenue is recognized ratably in the reporting period in which the academic programs are delivered, which is over a period of time. Programs are delivered in fall, winter, spring and summer academic terms. Likewise, auxiliary revenue is recognized ratably in the reporting period in which the services are delivered, which is over a period of time. Tuition and other auxiliary payments made in advance are deferred as a liability, titled tuition performance obligations, and other deposits. Tuition revenue is recorded net of discounts for scholarships of \$28,608,561 and \$26,698,942 for the years ended May 31, 2025 and 2024, respectively. Contract liabilities related to tuition and auxiliary revenues are not considered material to the consolidated financial statements.

Support is recognized when contributions and grants are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the University. Conditional promises to give are not recorded until conditions are substantially met. The University reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Assets received with donor-imposed restrictions that the University intends to use and actually uses within the same reporting period as received are treated in the same manner as revenues without donor restrictions for reporting purposes.

The University reports gifts of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how those long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed into service.

Scholarships funded by operating funds without donor restrictions and earnings on assets are netted against gross tuition and fees revenue (Note 13). Tuition discounts granted to employees and their dependents are reported as an employee benefit expense in the consolidated statements of functional expenses.

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

STUDENT FINANCIAL ASSISTANCE PROGRAMS

The University participates in various financial aid programs administered by the Department of Education (ED) and state boards, and the University acts as an agent for the respective agencies. The governmental grants amounts reported exclude funds directly awarded and credited to students under these various federal and state programs. Each year, collection of a substantial portion of tuition and fee revenue is dependent upon the University's continued participation in these various programs.

EXPENSES

Expenses are recorded as incurred in accordance with the accrual basis of accounting. The costs of providing the various programs and supporting activities of the University have been summarized on a functional basis in the consolidated statements of activities and on a natural classification basis in Note 16. Advertising and promotion costs of \$1,356,344 and \$1,204,254, respectively, for the years ended May 31, 2025 and 2024, are charged to expense as incurred.

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the University. These expenses include depreciation, interest, the president's office, media production, information technology, and facilities operations and maintenance. Depreciation is allocated base on square footage and interest is allocated based on usage of space related to the debt. Costs of other categories were allocated on estimates of time and effort. Total expenses include all operating expenses and the net periodic pension cost other than service cost.

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects the University's financial assets, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, perpetual endowments and accumulated earnings net of appropriations within one year, or because the governing board has set aside the funds for a specific purpose. These board designations could be drawn upon if the board approves that action.

	May 31,	
	2025	2024
Financial assets:		
Cash and cash equivalents	\$ 953,566	\$ 4,262,123
Accounts receivable	2,274,106	2,399,147
Insurance proceeds receivable	-	1,723,543
Student notes receivable	-	3,147
Investments	32,811,820	51,296,051
Investments held for long-term purposes	103,137,603	94,432,148
Beneficial interests and remainder interests receivable	68,857,111	67,201,420
Financial assets, at year-end	208,034,206	221,317,579
Less those unavailable for general expenditure within one year, due to:		
Accounts receivable collectible beyond one year	(1,682,838)	(1,778,980)
Student loans receivable restricted	-	(3,147)
Investments not convertible to cash within next 12 months or restricted by donors for use in future periods	(10,121,841)	(9,832,483)
Board-designated funds included in investments held for long-term purposes	(13,167,736)	(6,810,887)
Accumulated earnings of investments held for long-term purposes, and other funds restricted by time and purpose, to be spent beyond one year	(36,483,227)	(31,511,109)
Investments held for long-term purposes restricted in perpetuity	(61,024,558)	(59,731,530)
Beneficial interests and remainder interests restricted in perpetuity, net of expected distributions in the next 12 months	(65,492,280)	(67,023,628)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 20,061,726</u>	<u>\$ 44,625,815</u>

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

3. LIQUIDITY AND FUNDS AVAILABLE, continued:

The University regularly monitors liquidity required to meet its operating needs and contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing mission-related activities as well as the conduct of service undertaken to support those activities to be general expenditures. Student loan receivables are not considered to be available to meet general expenditures because loan repayments are restricted. In addition to financial assets available to meet general expenditures over the next 12 months, the University anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

4. STUDENT LOANS RECEIVABLE:

As an agent for the federal government, the University's Perkins loan portfolio is guaranteed by the ED. There are, therefore, no impaired loans, no nonperforming loans, and no modifications to loan terms executed by the University because amounts that become stale or past due are in due course returned to the ED. Funds advanced by the Federal government of \$0 and \$2,360 as of May 31, 2025 and 2024, respectively, were ultimately refundable to the government and are classified as a liability in the consolidated statements of financial position. As of May 31, 2025, the University liquidated the Perkins loan portfolio and has completed the re-assignment of all outstanding loans to the ED.

The University also has an endowed loan portfolio which has similar terms and conditions as the Perkins loan portfolio. The University separates accounts receivable into risk pools based on the nature of the receivable. The University has fully reserved the endowed loan portfolio.

The student loans receivable portfolio consists of:

	May 31,	
	2025	2024
Perkins student loan portfolio	\$ -	\$ 3,147
Endowed student loan portfolio	553,566	570,113
	553,566	573,260
Less allowance for uncollectible amounts	(553,566)	(570,113)
	<u>\$ -</u>	<u>\$ 3,147</u>

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

4. STUDENT LOANS RECEIVABLE, continued:

The aging of the Endowed loan portfolio by class of loans as of May 31, 2025, consists of:

	Amount	Percent of Subtotal
<u>Good Standing</u>		
Deferred and not in repayment	\$ 5,668	22%
Repayment on schedule	20,117	78%
	<u>25,785</u>	<u>100%</u>
<u>Past Due</u>		
Not defaulted: Less than 240 days	13,837	3%
Default: Greater than 240 but less than 2 years	20,209	4%
Default: Greater than 2 years but less than 5 years	27,115	5%
Greater than 5 years	466,620	88%
	<u>527,781</u>	<u>100%</u>
Less allowance	<u>(553,566)</u>	
Total student loans receivable	<u>\$ -</u>	

The aging of the Perkins and Endowed loan portfolio by class of loans as of May 31, 2024, consists of:

	Amount	Percent of Subtotal
<u>Good Standing</u>		
Deferred and not in repayment	\$ 5,668	20%
Repayment on schedule	22,321	80%
	<u>27,989</u>	<u>100%</u>
<u>Past Due</u>		
Not defaulted: Less than 240 days	11,392	2%
Default: Greater than 240 but less than 2 years	21,092	4%
Default: Greater than 2 years but less than 5 years	68,884	13%
Greater than 5 years	443,903	82%
	<u>545,271</u>	<u>100%</u>
Less allowance	<u>(570,113)</u>	
Total student loans receivable	<u>\$ 3,147</u>	

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

4. STUDENT LOANS RECEIVABLE, continued:

Changes in allowance for estimated losses on Perkins and endowed student loans:

	Year Ended May 31,	
	2025	2024
Beginning balance	\$ 570,113	\$ 601,214
Increases to allowance for estimated losses	-	-
Loans charged off/assigned	(16,547)	(31,101)
Ending balance	<u>\$ 553,566</u>	<u>\$ 570,113</u>

5. INVESTMENTS:

Investments consist of:

	May 31,	
	2025	2024
Certificates of deposit and cash equivalents	\$ 3,544,513	\$ 3,279,815
Institutional cash fund	17,770,808	36,855,721
Mineral interests	10,121,841	9,832,483
Bond pooled mutual funds	739,674	702,256
Equity mutual funds	53,557	48,599
Domestic equities, exchange traded funds, and other	581,427	577,177
	<u>\$ 32,811,820</u>	<u>\$ 51,296,051</u>
Investments without donor restrictions	\$ 18,053,860	\$ 35,131,155
Restricted investments	14,757,960	16,164,896
	<u>\$ 32,811,820</u>	<u>\$ 51,296,051</u>

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

6. INVESTMENTS HELD FOR LONG-TERM PURPOSES, BENEFICIAL INTERESTS, AND REMAINDER INTERESTS RECEIVABLE:

Assets are held by the following entities:

	May 31,	
	2025	2024
Investments held for long-term purposes placed at WatersEdge for investment	\$ 103,137,603	\$ 94,432,148
Beneficial interests:		
Beneficial interests held by WatersEdge	64,055,215	62,629,548
Beneficial interests held by Arvest Asset Management	2,058,016	1,967,483
Beneficial interests held by the Oklahoma City Community Foundation	896,873	855,660
Beneficial interests held by Northern Trust Company	1,574,686	1,488,853
Beneficial interests held by Southern Baptist Foundation	254,052	241,640
Beneficial interests held by Presbyterian Foundation	18,269	18,236
	<u>68,857,111</u>	<u>67,201,420</u>
	<u>\$ 171,994,714</u>	<u>\$ 161,633,568</u>

Assets invested at WatersEdge in a custodial capacity or held in a beneficial interest capacity are predominantly pooled investment interests consisting of approximately 70% equity and 30% fixed income investments (spending policy pool) with various alternative investments utilized in both of those categories in addition to traditional stock and bond portfolios. Some of the alternative investments within the investment pool have certain liquidity restrictions, but WatersEdge does not pass these restrictions to the University. These assets are carried at pooled net asset value. In addition, WatersEdge holds mineral interests and real estate for the University.

Investments held for long-term purposes, beneficial interests, and remainder interests receivable are invested as follows:

	May 31,	
	2025	2024
Spending policy pool	\$ 93,187,188	\$ 90,671,658
Beneficial interests in funds held by others	68,242,696	66,608,945
Mineral interests	9,906,125	3,724,054
Charitable remainder interests	614,415	592,477
Pooled domestic equities	44,290	36,436
	<u>\$ 171,994,714</u>	<u>\$ 161,633,570</u>

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

7. DISCLOSURE OF FAIR VALUE AND FAIR VALUE MEASUREMENT:

The following disclosures of estimated fair value of financial instruments as of May 31, 2024 and 2025, are made in accordance with the requirements of the *Disclosures about Fair Value of Financial Instruments* topic of the FASB Accounting Standards Codification (ASC). The estimated fair value amounts have been determined by the University using available market information and appropriate valuation methodologies.

Investments and funds held by others and remainder interests:

Equities, municipal bonds and bond funds, mutual funds, and commodities

The fair values are based on quoted market prices.

Cash equivalents invested in institutional cash fund

The institutional cash fund represents the University's interest in a cash equivalent on deposit with WatersEdge.

Certificates of deposit

Certificates of deposit are based on amortized cost or original cost plus accrued interest.

Mineral interests

Investments in mineral interests are carried at fair value calculated by multiplying the most recent 12 months of royalty income, excluding lease bonus income, times a multiple. A multiple of five was used for the valuation which is determined using current industry methodology and recent market transactions.

Pooled investments

Pooled funds are held by WatersEdge and the Oklahoma City Community Foundation. The pooled investment funds are calculated based on a number of factors including obtaining an understanding of the funds' underlying investments, strategy, positions and valuation, and comparing information provided by the fund administrator or general partner to other available information such as sector data and indexes. The University's interest is carried at approximated fair value and classified under Level 2 of the fair value hierarchy as the University has the ability to redeem its investment in the pool at net asset value per share (or its equivalent) at the reporting date. The University is not able to apply the practical expedient for net asset value for interest in the pooled funds as WatersEdge and the Oklahoma City Community Foundation are not considered an investment company as defined by topic 946 of the FASB ASC. There are no redemption restrictions or capital calls on the pooled funds.

Beneficial interest in funds held by others

The fair value of beneficial interest in funds held by others is the underlying net asset value of pooled funds for beneficial interests to be held in perpetuity.

Charitable remainder interests

The fair value is based on the underlying assets of the trusts.

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

7. DISCLOSURE OF FAIR VALUE AND FAIR VALUE MEASUREMENT, continued:

The University uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the University measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or Level 2 inputs are not available. There were no purchases or sales of Level 3 investments during the years ended May 31, 2025 or 2024.

Fair values of assets measured on a recurring basis as of May 31, 2025, are:

		Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
Investments:				
Mineral interests	\$ 10,121,841	\$ -	\$ -	\$ 10,121,841
Domestic equities	581,427	581,427	-	-
Bond pooled mutual funds	739,674	739,674	-	-
Equity mutual growth funds	53,557	53,557	-	-
	<u>11,496,499</u>	<u>1,374,658</u>	<u>-</u>	<u>10,121,841</u>
Reconciling items at amortized cost:				
Cash equivalents invested in institutional cash fund	17,770,808			
Certificates of deposit and cash equivalents	<u>3,544,513</u>			
	<u>21,315,321</u>			
Total investments	<u>\$ 32,811,820</u>			

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

7. DISCLOSURE OF FAIR VALUE AND FAIR VALUE MEASUREMENT, continued:

Fair values of assets measured on a recurring basis as of May 31, 2025, are, continued:

		Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
Investments held for long-term purposes				
invested at WatersEdge:				
Spending policy pool	\$ 93,187,188	\$ -	\$ -	\$ 93,187,188
Domestic equity	44,290	44,290	-	-
Other investments:				
Mineral interests	9,906,125	-	-	9,906,125
	<u>103,137,603</u>	<u>44,290</u>	<u>-</u>	<u>103,093,313</u>
Beneficial interests and remainder interests:				
Held by WatersEdge:				
Beneficial interest in funds				
held by others	63,440,800	-	-	63,440,800
Charitable remainder				
interests	614,415	-	614,415	-
Held by Arvest Asset				
Management:				
Beneficial interest in funds				
held by others	2,058,016	-	-	2,058,016
Held by the Oklahoma City				
Community Foundation:				
Beneficial interest in funds				
held by others	896,873	-	-	896,873
Held by other trustees:				
Beneficial interest in funds				
held by others	1,847,007	-	-	1,847,007
	<u>68,857,111</u>	<u>-</u>	<u>614,415</u>	<u>68,242,696</u>
Total investments held for long-term				
purposes, beneficial interests, and				
remainder interests				
	<u>\$ 171,994,714</u>			

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

7. DISCLOSURE OF FAIR VALUE AND FAIR VALUE MEASUREMENT, continued:

Fair values of assets measured on a recurring basis as of May 31, 2024, are:

		Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
Investments:				
Mineral interests	\$ 9,832,483	\$ -	\$ -	\$ 9,832,483
Domestic equities	577,177	577,177	-	-
Bond pooled mutual funds	702,256	702,256	-	-
Equity mutual growth funds	48,599	48,599	-	-
	<u>11,160,515</u>	<u>1,328,032</u>	<u>-</u>	<u>9,832,483</u>
Reconciling item at cost:				
Cash equivalents invested in institutional cash fund	36,855,721			
Certificates of deposit and cash equivalents	<u>3,279,815</u>			
	<u>40,135,536</u>			
Total investments	<u>\$ 51,296,051</u>			

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

7. DISCLOSURE OF FAIR VALUE AND FAIR VALUE MEASUREMENT, continued:

Fair values of assets measured on a recurring basis as of May 31, 2024, are, continued:

	Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments held for long-term purposes invested at WatersEdge:				
Spending policy pool	\$ 90,671,658	\$ -	\$ -	\$ 90,671,658
Domestic equity	36,436	36,436	-	-
Other investments:				
Mineral interests	3,724,054	-	-	3,724,054
	<u>94,432,148</u>	<u>36,436</u>	<u>-</u>	<u>94,395,712</u>
Beneficial interests and remainder interests:				
Held by WatersEdge:				
Beneficial interest in funds				
held by others	62,037,071	-	-	62,037,071
Charitable remainder				
interests	592,477	-	592,477	-
Held by Arvest Asset				
Management:				
Beneficial interest in funds				
held by others	1,967,483	-	-	1,967,483
Held by the Oklahoma City				
Community Foundation:				
Beneficial interest in funds				
held by others	855,660	-	-	855,660
Held by other trustees:				
Beneficial interest in funds				
held by others	1,748,729	-	-	1,748,729
	<u>67,201,420</u>	<u>-</u>	<u>592,477</u>	<u>66,608,943</u>
Total investments held for long-term purposes, beneficial interests, and remainder interests	<u>\$ 161,633,568</u>			

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

8. ENDOWMENT:

The University's endowment consists of numerous individual funds established for a variety of purposes including scholarships and operating support. The endowment includes donor-restricted endowment funds, funds designated by the board of trustees and funds designated by policy to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees or by policy to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Donor-restricted endowments are classified as net assets with donor restrictions and endowment designated by the board of trustees or by policy are classified as net assets without donor restrictions.

The board of trustees of the University has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as net assets with donor restrictions—perpetual in nature (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 as perpetual in nature is classified as net assets with donor restrictions—restricted by time or purpose until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

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

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

8. ENDOWMENT, continued:

Changes in endowment net assets for the year ended May 31, 2025:

		With Donor Restrictions		
	Without Donor Restrictions	Original Gift Amount *	Accumulated Gains (Losses) and Other **	Total
Endowment net assets, beginning of year	\$ 6,810,887	\$ 59,731,530	\$ 38,851,569	\$ 105,393,986
Investment return:				
Investment income	2,133,834	-	5,139,219	7,273,053
Net gains (realized and unrealized)	6,093,280	-	1,423,419	7,516,699
	8,227,114	-	6,562,638	14,789,752
Contributions	-	1,293,028	14,864	1,307,892
Amounts appropriated for expenditure	(1,870,265)	-	(4,186,126)	(6,056,391)
	(1,870,265)	1,293,028	(4,171,262)	(4,748,499)
Endowment net assets, end of year	\$ 13,167,736	\$ 61,024,558	\$ 41,242,945	\$ 115,435,239

* Amounts represent the portion of perpetual endowment funds that are required to be retained permanently either by explicit donor stipulations or by UPMIFA

** Amounts represent the portion of perpetual endowment funds subject to a time restriction under UPMIFA. Donor-restricted endowments may also contain gifts of net assets with donor restrictions restricted by purpose to be utilized for immediate distribution until the endowment has accumulated earnings available for distributions.

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

8. ENDOWMENT, continued:

Changes in endowment net assets for the year ended May 31, 2024:

		With Donor Restrictions		
	Without Donor Restrictions	Original Gift Amount *	Accumulated Gains (Losses) and Other **	Total
Endowment net assets, beginning of year	\$ 10,106,372	\$ 58,628,904	\$ 35,067,765	\$ 103,803,041
Investment return:				
Investment income	1,093,615	-	4,868,622	5,962,237
Net gains (losses) (realized and unrealized)	(2,424,567)	-	2,581,391	156,824
	(1,330,952)	-	7,450,013	6,119,061
Contributions	-	1,102,626	26,787	1,129,413
Amounts appropriated for expenditure	(1,964,533)	-	(3,692,996)	(5,657,529)
	(1,964,533)	1,102,626	(3,666,209)	(4,528,116)
Endowment net assets, end of year	\$ 6,810,887	\$ 59,731,530	\$ 38,851,569	\$ 105,393,986

* Amounts represent the portion of perpetual endowment funds that are required to be retained permanently either by explicit donor stipulations or by UPMIFA.

** Amounts represent the portion of perpetual endowment funds subject to a time restriction under UPMIFA. Donor-restricted endowments may also contain gifts of net assets with donor restrictions restricted by purpose to be utilized for immediate distribution until the endowment has accumulated earnings available for distributions.

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

8. ENDOWMENT, continued:

As disclosed in Note 12, at May 31, 2025 and 2024, net assets restricted in time and perpetuity included the following net assets in addition to the endowment net assets disclosed above:

	Without Donor Restrictions	With Donor Restrictions	Total
May 31, 2025:			
Beneficial interests	\$ -	\$ 68,242,696	\$ 68,242,696
Future interest in remainder interests	\$ -	\$ 614,415	\$ 614,415
Held by the University for student loan programs and scholarships	\$ -	\$ 199,742	\$ 199,742
May 31, 2024:			
Beneficial interests	\$ -	\$ 65,660,924	\$ 65,660,924
Future interest in remainder interests	\$ -	\$ 491,509	\$ 491,509
Held by the University for student loan programs and scholarships	\$ -	\$ 199,742	\$ 199,742

Total endowed net assets, beneficial interests, remainder interests and funds held by the University for student loan programs and scholarships are shown below:

	May 31,	
	2025	2024
Endowed net assets	\$ 115,435,239	\$ 105,393,986
Beneficial interests	68,242,696	65,660,924
Remainder interests	614,415	491,509
Funds held by the University for student loan programs and scholarships	199,742	199,742
Total	\$ 184,492,092	\$ 171,746,161

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

8. ENDOWMENT, continued:

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 to retain as a fund of perpetual duration, due to unfavorable market fluctuations. As of May 31, 2025 and 2024, deficiencies of this nature existed in one and five donor-restricted endowment funds with original gift value of \$10,100 and \$274,251, current fair value of \$10,083 and \$270,864, and a deficiency of \$17 and \$3,386 respectively, which is reported in net assets with donor restrictions.

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity, as well as board-designated funds. Under this policy, as approved by the board, the endowment assets are invested in a manner that is intended to produce an inflation adjusted income stream to grow corpus above the inflation rate. The University expects its endowment funds, over time, to provide an average rate-of-return of approximately 9-10% annually. Actual returns in any given period may vary from this amount.

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

The spending or distribution policy of the University, as determined under a method adopted annually by the board of trustees, provides for the establishment of an annual distribution calculation based on the prior year's annual dividend adjusted for inflation. This rate will be subject to a floor of 3.5% and a cap of 4.75% of the prior December 31 pool share value. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return. From time to time, the board of trustees undesignated board-designated funds without donor restrictions to be used for certain projects. These funds are included in amounts appropriated for expenditure.

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

9. EDUCATIONAL PLANT, NET:

The components of educational plant, net are:

	May 31,	
	2025	2024
Land and improvements	\$ 11,789,356	\$ 10,775,364
Buildings	129,350,674	127,312,443
Equipment	33,192,562	32,847,341
Software	4,012,499	3,985,649
Library books	632,453	710,597
Construction in progress	27,975,300	4,001,047
	<u>206,952,844</u>	<u>179,632,441</u>
Accumulated depreciation	<u>(73,253,047)</u>	<u>(69,120,602)</u>
	<u>\$ 133,699,797</u>	<u>\$ 110,511,839</u>

The University experienced a casualty loss event on April 19, 2023, which caused significant damage to nearly every building and structure across campus. As a result, educational plant assets were impaired to account for these losses. As of May 31, 2024, the cumulative acquisition cost of buildings was impaired and reduced by \$22,529,894 offset by a reduction in accumulated depreciation of \$8,936,248. This net impairment loss was offset with insurance proceeds as described in Note 2. The majority of reconstruction projects related to the casualty loss event of 2023 were completed by May 31, 2024. As of the fiscal year ended May 31, 2025, the University capitalized repairs to educational plant assets from the casualty loss event totaling \$50,269,714.

In May 2024, the University entered into a land exchange agreement with the St. Gregory's Abbey whereby the University received two parcels of land, totaling 134 acres, for future development, in exchange for a 74 acre property formerly known as the Green Campus. The transaction was appraised with a market value of \$2,130,000. The plant assets transferred to St. Gregory's Abbey included land and buildings with book values of \$637,298 and \$14,787,489 respectively, offset by accumulated depreciation of \$1,182,999. The resulting loss on the exchange of assets was \$12,111,788 as of May 31, 2024.

10. LONG-TERM DEBT, NET:

The University has promissory notes with the Oklahoma Baptist University Authority (the Authority) which were issued to obtain funds for projects such as the construction and renovation of buildings and the purchase of equipment for the University. The maturity dates of these promissory notes coincide with the maturity date of the related Authority debt as noted below. Assets totaling approximately \$61,737,000 have been constructed and purchased under this arrangement as of May 31, 2025. Accumulated amortization on these assets is approximately \$24,725,000 and \$23,502,000 as of May 31, 2025 and 2024, respectively. These assets are included in educational plant assets.

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

10. LONG-TERM DEBT, NET, continued:

The Authority financed these projects by issuing debt. As of May 31, 2025, there are currently four Authority bank notes outstanding, as follows: the Oklahoma Baptist University Authority Student Housing Revenue Note, Series 2012; the Oklahoma Baptist University Authority Student Housing Revenue Note, Series 2013; and the Oklahoma Baptist University Authority Refunding Revenue Notes, Series 2015A and Series 2015B, with University promissory notes to the Authority for each bank note.

In October 2011, the board of trustees approved a resolution to proceed with plans for various construction projects including additional housing for students. Funding for these construction projects consists of a combination of existing funds, future gifts and pledges, and long-term financing. The long-term financing consisted of a 20-year term \$8,000,000 bank note which was issued by the Authority in May 2012 to construct the first two apartment buildings (Series 2012). This note has a fixed interest rate of 3.23%. In November 2013, a second bank note in the amount of \$13,500,000 was issued to finance the construction of buildings 3 and 4 (Series 2013). The second bank note has a fixed interest rate of 4.4% and a term of 262 months.

In December 2015, the Authority issued a \$7,355,000 bank note to refund the remaining portion of outstanding bonds of the Oklahoma Baptist University Revenue Bonds, Series 2015. The Series 2015 bonds were originally issued to fund the construction of the University's Recreation and Wellness Center. This bank note has a fixed interest rate of 2.12% and a term of 11.5 years. Additionally, upon completion of the construction of Stavros Hall in November 2015, the Authority issued a 12-year \$3.5 million bank note to fund the remaining amount of Stavros Hall. This note has a 2.22% fixed interest rate.

In May 2025, the Authority issued a new \$25,000,000 bank note to finance the completion of ongoing construction projects. As of the fiscal year ended May 31, 2025, the University had not drawn any funds against the note. However, subsequent to the end of the fiscal year, the University requested \$10,716,467 in funds against bank note.

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

10. LONG-TERM DEBT, NET, continued:

In November 2024, the University entered into an agreement with WatersEdge Advisors for a line of credit with a principal sum up to \$7 million. The line of credit matures on November 30, 2025, and is renewable annually. The line of credit carries an interest rate of daily simple SOFR plus 1.45%. As of the fiscal year ended May 31, 2025, the University had not drawn funds against the line of credit.

All outstanding debt is secured by general revenue of the University and by a guarantee of Oklahoma Baptists.

Approximately \$53,000 of debt issuance costs is netted against the long-term debt balance as of May 31, 2025, and \$80,000 as of May 31, 2024.

The following is a schedule of future minimum debt payments under the long-term notes payable:

<u>Year</u>	<u>Series 2012</u>	<u>Series 2013</u>	<u>Series 2015A</u>	<u>Series 2015B</u>	<u>Total</u>
2026	\$ 462,826	\$ 658,262	\$ 639,768	\$ 291,237	\$ 2,052,093
2027	478,213	688,235	712,243	324,540	2,203,231
2028	493,910	718,766	60,037	192,665	1,465,378
2029	510,531	752,303	-	-	1,262,834
2030	527,503	786,558	-	-	1,314,061
Thereafter	<u>1,060,550</u>	<u>4,840,716</u>	<u>-</u>	<u>-</u>	<u>5,901,266</u>
	<u>\$ 3,533,533</u>	<u>\$ 8,444,840</u>	<u>\$ 1,412,048</u>	<u>\$ 808,442</u>	<u>14,198,863</u>
Less capitalized debt issuance costs					<u>(53,250)</u>
Total long-term debt, net					<u>\$ 14,145,613</u>

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

11. POST-RETIREMENT BENEFITS OBLIGATION:

The University maintains a postretirement benefit plan for exempt employees who retired prior to May 31, 2016, had reached the age of 65, and had a minimum of fifteen years of service. Employees retiring after May 31, 2016, are not eligible to participate. Participants are eligible for term life insurance and a Medicare supplement insurance policy. In 2011, the plan was revised to provide benefits to employees who retired after August 1, 2011, up to a maximum monthly premium of \$175. The plan is not funded.

Accumulated postretirement benefit obligation as of May 31, 2025, is:

Retired participants	\$ 2,145,604
Plan assets at fair value	<u>-</u>
Accumulated postretirement benefit obligation in excess of plan assets	<u><u>\$ 2,145,604</u></u>

Net periodic postretirement benefit cost for the year ended May 31, 2025, includes:

Interest cost	\$ 109,408
Loss to the extent recognized	
Amortization of unrecognized prior service cost	<u>(5,806)</u>
	<u><u>\$ 103,602</u></u>

Accumulated postretirement benefit obligation as of May 31, 2024, is:

Retired participants	\$ 2,153,123
Plan assets at fair value	<u>-</u>
Accumulated postretirement benefit obligation in excess of plan assets	<u><u>\$ 2,153,123</u></u>

Net periodic postretirement benefit cost for the year ended May 31, 2024, includes:

Interest cost	\$ 110,952
Loss to the extent recognized	
Amortization of unrecognized prior service cost	<u>(34,156)</u>
	<u><u>\$ 76,796</u></u>

During the years ended May 31, 2025 and 2024, the University contributed and paid benefits totaling \$179,034 and \$176,489 respectively.

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

11. POST-RETIREMENT BENEFITS OBLIGATION, continued:

For measurement purposes, the following assumptions have been used to determine benefit obligations as of May 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Discount rate	5.23%	5.39%
Expected long-term health care cost increase:		
Initial rate–Post-65 (medical/rx)	5.00%/6.60%	4.30%/7.17%
Ultimate rate–Post-65 (medical/rx)	4.37%/4.87%	4.30%/4.87%
Time to ultimate rate	8 years	7 years
Weighted average life expectancy–inactive participants	8.5 years	9.4 years

As of May 31, 2025 and 2024, there were no active plan participants under the age of 65.

The following is a schedule of estimated benefit payments expected to be paid over the next 10 years:

<u>Year Ending May 31,</u>	
2026	\$ 265,132
2027	256,159
2028	246,993
2029	233,953
2030	220,944
2030-2035	<u>905,138</u>
	<u><u>\$ 2,128,319</u></u>

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

12. NET ASSETS:

Net assets with donor restrictions:

	May 31,	
	2025	2024
Purpose restrictions:		
Scholarships	\$ 32,730,027	\$ 31,349,319
Capital projects, plant maintenance, and improvements	25,029,106	23,388,646
Educational programs	3,618,017	2,939,125
Faculty positions and development	3,352,733	3,211,110
Other	4,565,527	4,770,903
	<u>69,295,410</u>	<u>65,659,103</u>
Time restrictions:		
Future interest in remainder interests held by WatersEdge	<u>191,685</u>	<u>177,795</u>
Total net assets restricted by time or purpose	<u>69,487,095</u>	<u>65,836,898</u>
Perpetual in nature:		
Held by University for student loan programs and scholarships	<u>199,742</u>	<u>199,742</u>
Invested at WatersEdge:		
Scholarships	42,803,819	42,336,090
Faculty positions and development	10,861,943	10,061,723
Educational programs	3,482,837	3,482,837
Plant maintenance and improvement	969,475	969,475
Other	2,623,929	2,598,850
	<u>60,742,003</u>	<u>59,448,975</u>
Beneficial interest held by WatersEdge:		
Scholarships	28,559,753	27,379,401
Undesignated	18,842,725	18,765,367
Faculty positions and development	7,132,667	7,069,616
Educational programs	7,586,760	7,511,894
Other	1,318,895	1,310,795
	<u>63,440,800</u>	<u>62,037,073</u>

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

12. NET ASSETS, continued:

	May 31,	
	2025	2024
Perpetual in nature, continued:		
Beneficial interest held by others:		
Scholarships	4,003,796	3,809,641
Lectureships, educational programs, and faculty positions	553,975	528,519
Undesignated	244,125	233,713
	<u>4,801,896</u>	<u>4,571,873</u>
Future interest in remainder interests held by WatersEdge that are perpetual in nature	<u>422,730</u>	<u>414,682</u>
Total net assets perpetual in nature	<u>129,607,171</u>	<u>126,672,345</u>
Total net assets with donor restrictions	<u>\$ 199,094,266</u>	<u>\$ 192,509,243</u>

13. NET TUITION AND FEES:

Net tuition and fees consist of the following:

	Year Ended May 31,	
	2025	2024
Tuition	\$ 39,537,607	\$ 36,985,845
Fees	5,059,665	4,897,822
Gross tuition and fees	<u>44,597,272</u>	<u>41,883,667</u>
Less scholarships funded from operations	<u>(24,640,551)</u>	<u>(23,122,217)</u>
Net tuition and fees after scholarships funded by operations	19,956,721	18,761,450
Less scholarships funded by endowment income	<u>(3,968,010)</u>	<u>(3,576,725)</u>
Net tuition and fees	<u>\$ 15,988,711</u>	<u>\$ 15,184,725</u>

14. TULSA ROYALTIES COMPANY:

The value of the mineral interests held by the Company are \$7,314,936 and \$7,298,085, respectively, as of May 31, 2025 and 2024, and are included in investments with the other mineral interests held by the University. Royalties earned by the Company and included in the University's consolidated financial statements were \$1,433,775 and \$1,636,270, respectively, for the years ended May 31, 2025 and 2024. These amounts are reported as operating revenue with donor restrictions in accordance with the original donor's intent that the funds be used for specified purposes.

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

15. INVESTMENT AND ENDOWMENT INCOME:

Investment and endowment income consists primarily of interest, dividends, gains, and appreciation (depreciation) from funds held by others, excluding changes in the value of beneficial interests.

The following is the composition of investment and endowment income:

	Year Ended May 31,	
	2025	2024
Unrealized realized gains (losses) on investments (minerals)	\$ 6,492,871	\$ (14,587,623)
Unrealized realized gains on investments (non-minerals)	1,963,229	4,099,026
Distributions from funds held by others	4,409,143	5,557,475
Distributions from beneficial interests	2,902,308	2,695,871
Interest, dividends, and other	1,608,578	1,794,006
Mineral income	629,191	638,162
	<u>\$ 18,005,320</u>	<u>\$ 196,917</u>

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

16. FUNCTIONAL ALLOCATION OF EXPENSE:

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the University. These expenses include depreciation and amortization, interest, the president's office, media production, information technology, and facilities operations and maintenance. Depreciation is allocated base on square footage and interest is allocated based on usage of space related to the debt. Costs of other categories were allocated on estimates of time and effort.

	Year Ended May 31, 2025							
	Program Activities				Support Services			2025 Total Expense
	Educational Activities	Student Services	Auxiliaries	Total Program	Administrative Support	Operation & Maintenance	Fundraising	
Salaries and wages	\$ 9,668,908	\$ 4,812,680	\$ 508,040	\$ 14,989,628	\$ 3,177,194	\$ 1,138,976	\$ 688,399	\$ 19,994,197
Employee benefits	1,818,311	937,381	67,723	2,823,415	1,469,045	228,848	117,772	4,639,080
Services, supplies, and other	2,523,465	4,578,151	3,861,312	10,962,928	3,565,559	504,905	860,601	15,893,993
Occupancy and maintenance	1,682,522	973,930	2,497,678	5,154,130	76,357	74,770	23,202	5,328,459
Depreciation	1,499,746	777,896	1,843,947	4,121,589	97,225	69,235	21,485	4,309,534
Interest	21,700	76,667	513,431	611,798	5,204	(65,343)	-	551,659
	<u>17,214,652</u>	<u>12,156,705</u>	<u>9,292,131</u>	<u>38,663,488</u>	<u>8,390,584</u>	<u>1,951,391</u>	<u>1,711,459</u>	<u>50,716,922</u>
Facilities operation and maintenance	<u>679,097</u>	<u>352,237</u>	<u>834,954</u>	<u>1,866,288</u>	<u>75,374</u>	<u>(1,951,391)</u>	<u>9,729</u>	<u>-</u>
Total expenses	<u>\$ 17,893,749</u>	<u>\$ 12,508,942</u>	<u>\$ 10,127,085</u>	<u>\$ 40,529,776</u>	<u>\$ 8,465,958</u>	<u>\$ -</u>	<u>\$ 1,721,188</u>	<u>\$ 50,716,922</u>

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

16. FUNCTIONAL ALLOCATION OF EXPENSE, continued:

	Year Ended May 31, 2024							
	Program Activities				Support Services			2024 Total Expense
	Educational Activities	Student Services	Auxiliaries	Total Program	Administrative Support	Operation & Maintenance	Fundraising	
Salaries and wages	\$ 8,429,661	\$ 4,668,275	\$ 496,349	\$ 13,594,285	\$ 3,077,990	\$ 1,011,268	\$ 782,895	\$ 18,466,438
Employee benefits	1,543,853	873,541	66,976	2,484,370	1,294,778	209,098	136,807	4,125,053
Services, supplies, and other	2,118,204	4,595,399	3,816,593	10,530,196	3,306,171	454,224	497,402	14,787,993
Occupancy and maintenance	1,964,049	1,204,129	2,718,674	5,886,852	104,006	91,386	28,359	6,110,603
Depreciation	1,318,501	741,371	1,678,301	3,738,173	82,312	62,257	19,319	3,902,061
Interest	28,523	82,603	433,872	544,998	2,725	33,628	-	581,351
	<u>15,402,791</u>	<u>12,165,318</u>	<u>9,210,765</u>	<u>36,778,874</u>	<u>7,867,982</u>	<u>1,861,861</u>	<u>1,464,782</u>	<u>47,973,499</u>
Facilities operation and maintenance	<u>629,120</u>	<u>353,744</u>	<u>800,798</u>	<u>1,783,662</u>	<u>68,981</u>	<u>(1,861,861)</u>	<u>9,218</u>	<u>-</u>
Total expenses	<u>\$ 16,031,911</u>	<u>\$ 12,519,062</u>	<u>\$ 10,011,563</u>	<u>\$ 38,562,536</u>	<u>\$ 7,936,963</u>	<u>\$ -</u>	<u>\$ 1,474,000</u>	<u>\$ 47,973,499</u>

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

17. RETIREMENT PLAN:

Pension Plan: The University provides a defined contribution plan (the Plan) that covers all of its full-time employees. Under the Plan, the University may match an employee's contribution up to 7.5% of an employee's salary. For fiscal years ended May 31, 2025 and 2024, the actual matching contribution percentage was 3.5% and 2.5%, respectively. Employee contributions are voluntary. Total pension contributions for the years ended May 31, 2025 and 2024, were approximately \$543,455 and \$226,000, respectively.

18. COMMITMENTS AND CONTINGENCIES:

Activity related to student financial assistance programs is subject to audit both by independent certified public accountants and by representatives of the administering agencies regarding compliance with applicable regulations. Any resultant findings of noncompliance could potentially result in the required return of related funds received and/or the assessment of fines or penalties, or the discontinuation of eligibility for participation. In the opinion of management, audit adjustments, if any, will not have a significant effect on the financial position or results of activities of the University.

As of May 31, 2025, the University had commitments as part of signed contracts for general contract services related to the renovation of the following campus buildings: Shawnee Hall, Thurmond Hall, and Raley Chapel. The total remaining commitment amounts to \$38,599,764.

19. RISKS AND UNCERTAINTIES:

In July 2023, the University received \$5.7 million in funds from the federal government related to an employee retention tax credit filing (ERTC). Those amounts were fully accrued as income in the consolidated statement of activities and as a receivable in the consolidated statement of financial position as of May 31, 2023. The ERTC filing comprised of amended payroll filings for the first three quarters of the calendar year 2021. The amounts for 1Q, 2Q & 3Q 2021 were \$1.95 million, \$1.96 million and \$1.79 million respectively. The statute of limitations for these funds to be audited by the Internal Revenue Service is generally three years. However, under IRC section 7405(b), the timeframe for the 3Q 2021 ERTC filing was extended an additional two years to April 15, 2027.

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

20. RELATED PARTY TRANSACTIONS:

Related party transactions consisted of the following as of and for the year ended May 31, 2025:

Related Party	Location	Nature	Revenue (Expense)	Asset (Liability)	Other
Oklahoma Baptists	Oklahoma City, OK	Appropriations	\$ 2,420,570		Member of denomination
Oklahoma Baptists	Oklahoma City, OK	Debt guarantee			\$ 14,145,613
Oklahoma Baptist University Authority	Oklahoma City, OK	Debt holder		\$ (14,145,613)	Debt issuer
WatersEdge Ministry Services	Oklahoma City, OK	Investment custodian Tenant	\$ 7,880	\$ 197,621,511	Denominational institution

Related party transactions consisted of the following as of and for the year ended May 31, 2024:

Related Party	Location	Nature	Revenue (Expense)	Asset (Liability)	Other
Oklahoma Baptists	Oklahoma City, OK	Appropriations	\$ 2,422,505		Member of denomination
Oklahoma Baptists	Oklahoma City, OK	Debt guarantee			\$ 16,191,456
Oklahoma Baptist University Authority	Oklahoma City, OK	Debt holder		\$ (16,191,456)	Debt issuer
WatersEdge Ministry Services	Oklahoma City, OK	Investment custodian Tenant	\$ 15,362	\$ 206,274,903	Denominational institution

OBU was created by action of the Baptist General Convention of Oklahoma (Oklahoma Baptists) in 1909 to function as an independent, nonprofit University under the supervision of a board of trustees elected by Oklahoma Baptists. Oklahoma Baptists established a Cooperative Program in which receipts are distributed to affiliated entities.

The Oklahoma Baptist University Authority (the Authority) was created as a public trust and an agency of the City of Shawnee on February 28, 1969, under the provisions of Title 60, Oklahoma Statutes 1981, the Oklahoma Trust Act, and other applicable statutes and laws. The Authority was created to promote the development of OBU and as such has issued notes payable to construct, remodel, or purchase buildings and equipment on the campus of OBU. OBU pays the Authority funds sufficient to meet the annual debt service requirements of the outstanding notes. The Oklahoma Baptists guarantees all the outstanding notes issued by the Authority. See Note 10 for a detailed description of the outstanding notes.

OKLAHOMA BAPTIST UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

20. RELATED PARTY TRANSACTIONS, continued:

The Baptist Foundation of Oklahoma, dba WatersEdge Ministry Services (WatersEdge) is a private nonprofit religious association chartered by the State of Oklahoma on October 31, 1946. Its creation was approved by the Oklahoma Baptists to administer funds and property received for investment purposes to promulgate the furtherance of the Oklahoma Baptists. As an affiliated entity, WatersEdge administers invested assets on behalf of OBU in both a custodial and trustee capacity. WatersEdge leased office space on the OBU campus for the entirety of the fiscal year ended May 31, 2024. However, that lease contract ended in November 2024 and was not renewed.

21. SUBSEQUENT EVENTS:

Subsequent events were evaluated through November 14, 2025, which is the date the consolidated financial statements were available to be issued.