

**OAKWOOD UNIVERSITY  
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
JUNE 30, 2019, 2018 and 2017**

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**OAKWOOD UNIVERSITY**  
**Management's Discussion of Financial Results (Unaudited)**  
**June 30, 2019, 2018 and 2017**

**Introduction**

The following discussion presents an overview of the consolidated financial position and financial activities of Oakwood University (the University), at June 30, 2019, 2018 and 2017 and for the years then ended (FYE 2019, FYE 2018, AND FYE 2017). This discussion was prepared by University management and should be read in conjunction with the consolidated financial statements and notes thereto, which follow.

**Financial Highlights**

At June 30, 2019, 2018 and 2017, the University had total consolidated assets of \$101,474,881, \$99,736,770 and \$97,726,924, respectively; total consolidated liabilities of \$16,741,379, \$16,516,728 and \$17,085,268, respectively; and consolidated net assets of \$84,733,502, \$83,220,042 and \$80,641,656, respectively. University consolidated net assets increased \$1,513,460 in FYE 2019, \$2,578,386 in FYE 2018 and \$4,466,098 in FYE 2017.

**Analysis of Financial Position and Results of Operations**

***Total Net Assets***

The consolidated statement of net assets presents the consolidated assets, liabilities, and net assets of the University at June 30, 2019, 2018, and 2017. The consolidated net assets are displayed in two parts: without donor-imposed restrictions and with donor-imposed restrictions. Net assets without donor-imposed restrictions result from revenues that were not restricted by donors or the donor-imposed restrictions have expired; as well as capital assets purchased with net assets with donor-imposed restrictions and revenues where the satisfaction of donor stipulations was satisfied when the assets were placed into operation. Net assets with donor-imposed restrictions are contributions and other inflows of assets whose use by the University is limited by donor-imposed stipulations that require the University use or expend the donated assets as specified and are satisfied either by the passage of time or by actions of the University. The consolidated statement of net assets, along with all of the University's consolidated financial statements, is prepared under the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred by the University, regardless of when cash is exchanged.

**Summary of Changes in Net Assets**

Changes in total University net assets as reported in the consolidated statement of net assets are based on the activity presented in the consolidated statement of activities and changes in net assets. The purpose of this statement is to present the change in net assets resulting from revenues earned by the University and the expenses incurred by the University.

**OAKWOOD UNIVERSITY**  
**Management's Discussion of Financial Results (Unaudited)**  
**June 30, 2019, 2018 and 2017**

**Summary of Changes in Net Assets**

The University's total consolidated net assets increased approximately \$1.5 million in fiscal 2019 primarily as a result of an increase in net tuition and fees revenue. The following table summarizes the components of the changes in total consolidated net assets.

**Condensed Consolidated Schedule of Activities and Changes in Net Assets**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating Revenues:			
Net tuition and fees	\$ 23,316,539	\$ 20,687,176	\$ 20,447,514
Contributions, private gifts, grants, and contracts	20,834,101	23,457,032	20,200,982
Other	312,015	285,963	278,716
	<u>44,462,655</u>	<u>44,430,171</u>	<u>40,927,212</u>
Operating expenses:			
Instructional	11,789,090	11,885,409	11,210,666
Institutional	12,161,990	12,197,768	11,941,430
Scholarships	6,546,376	5,767,384	5,283,916
Other	10,175,106	10,141,547	8,701,189
	<u>40,672,562</u>	<u>39,992,108</u>	<u>37,137,201</u>
Operating income	3,790,093	4,438,063	3,790,011
Other revenues (expenses)			
Depreciation	(3,868,023)	(3,830,281)	(3,694,235)
Operation and maintenance of physical plant	(4,135,022)	(3,351,599)	(3,529,813)
Investment income	1,143,752	1,371,222	2,069,529
Interest expense	(315,890)	(345,146)	(394,121)
Other, net	4,898,550	4,296,127	6,224,727
Net other revenues (expenses)	<u>(2,276,633)</u>	<u>(1,859,677)</u>	<u>676,087</u>
Changes in net assets	1,513,460	2,578,386	4,466,098
Beginning net assets	<u>83,220,042</u>	<u>80,641,656</u>	<u>76,175,558</u>
Ending net assets	<u>\$ 84,733,502</u>	<u>\$ 83,220,042</u>	<u>\$ 80,641,656</u>

**OAKWOOD UNIVERSITY**  
**Management's Discussion of Financial Results (Unaudited)**  
**June 30, 2019, 2018 and 2017**

Tuition and fees trended as follows: \$20,447,514 in FYE 2017, \$20,687,176 in FYE 2018, and \$23,316,539 in FYE 2019. Additionally, tuition and fees as a percent of total operating revenues have changed over the three fiscal years as follows: to 52% in FYE 2019, 47% in FYE 2018 and 50% in FYE 2017.

The University reports its expenses on a functional classification basis. Such University functions include instruction, research, public service, academic support, student services, institutional support, scholarships, and operation and maintenance of physical plant. Expenses related to auxiliary enterprise activities are presented separately.

In 2019, 2018 and 2017, approximately 31%, 31% and 32%, respectively, of the University's total expenses were salaries. Salaries have remained consistent over the last three years.

**Statement of Cash Flows**

The consolidated statement of cash flows presents information related to cash flows of the University. This statement presents cash flows by category: operating activities, investing activities, and financing activities. The net cash provided to, or used by, the University is presented by category.

**Capital Assets**

Total capital asset additions for the University were approximately \$5.1 million in 2019.



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Oakwood University

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Oakwood University (a nonprofit organization), Oakwood Enterprise – R1, LLC, and Oakwood Farms, LLC, which comprise the consolidated statements of financial position as of June 30, 2019, 2018, and 2017, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the 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; this includes 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Oakwood University as of June 30, 2019, 2018 and 2017, 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.

## ***Other Matters***

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and activities and changes in net assets are presented for purposes of additional analysis and are not a required part of the consolidated financial statements.

The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget (OMB's) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2019 on our consideration of Oakwood University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Oakwood University's internal control over financial reporting and compliance.



DiPiazza LaRocca Heeter & Co., LLC  
Birmingham, Alabama

October 20, 2019

**OAKWOOD UNIVERSITY**  
**Consolidated Statements of Financial Position**  
**As of June 30, 2019, 2018 and 2017**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 16,959,667	\$ 20,226,680	\$ 20,852,722
Certificates of deposit	103,359	102,593	102,225
Contribution receivable, net	652,500	1,732,595	852,297
Accounts receivable, net	8,716,720	6,399,413	6,877,934
Notes receivable, net	902,304	892,060	893,985
Investments at fair value	23,444,474	21,035,583	18,814,816
Investments in real estate, net of accumulated depreciation and valuation allowance of \$240,250 in 2019, 2018 and 2017	1,681,963	1,681,963	1,681,963
Land, buildings and equipment, net	48,624,754	47,367,680	47,311,114
Deposits	286,164	286,592	293,986
Prepaid expenses and other assets	102,976	11,611	45,882
<b>Total assets</b>	<b>\$ 101,474,881</b>	<b>\$ 99,736,770</b>	<b>\$ 97,726,924</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 6,652,927	\$ 5,488,518	\$ 5,451,670
Deposits held for others	846,744	772,856	753,300
Bonds payable	8,316,721	9,340,611	9,965,555
Advances from federal government for student loans	924,987	914,743	914,743
<b>Total liabilities</b>	16,741,379	16,516,728	17,085,268
<b>Net assets:</b>			
Without donor imposed restrictions	55,874,697	55,941,853	55,675,978
With donor imposed restrictions	28,858,805	27,278,189	24,965,678
<b>Total net assets</b>	84,733,502	83,220,042	80,641,656
<b>Total liabilities and net assets</b>	<b>\$ 101,474,881</b>	<b>\$ 99,736,770</b>	<b>\$ 97,726,924</b>

*The notes to the financial statements are an integral part of these statements.*



**OAKWOOD UNIVERSITY**  
**Consolidated Statement of Activities and Changes in Net Assets**  
**For The Year Ended June 30, 2019**

	Year ended June 30, 2019		
	Without donor- imposed Restrictions	With donor- imposed Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Tuition and fees	\$ 30,313,934	\$ -	\$ 30,313,934
Less institutional awards	6,997,395	-	6,997,395
Net student tuition and fees	<u>23,316,539</u>	<u>-</u>	<u>23,316,539</u>
Contributions, private gifts, grants and contracts	8,463,396	12,370,705	20,834,101
Interest, dividend and other investment income	606,494	286,369	892,863
Other sources	1,677,859	431,782	2,109,641
Sales and service:			
Educational activities	312,015	-	312,015
Auxiliary enterprises	8,777,956	(787)	8,777,169
Independent operations	689,005	-	689,005
Net realized and unrealized gains on investments	35,235	215,654	250,889
Net unrealized loss on interest rate swap	(102,662)	-	(102,662)
Net assets released from restrictions	11,723,107	(11,723,107)	-
<b>Total revenues and other support</b>	<u>55,498,944</u>	<u>1,580,616</u>	<u>57,079,560</u>
<b>EXPENDITURES</b>			
Educational and general:			
Instructional	11,789,090	-	11,789,090
Research	723,744	-	723,744
Public service	148,201	-	148,201
Academic support	4,213,967	-	4,213,967
Student services	5,089,194	-	5,089,194
Institutional support	12,161,990	-	12,161,990
Operation and maintenance of physical plant	4,135,022	-	4,135,022
Scholarships	6,546,376	-	6,546,376
Depreciation and amortization expense	3,868,023	-	3,868,023
Auxiliary enterprises	5,474,247	-	5,474,247
Independent operations	1,100,356	-	1,100,356
Interest expense	315,890	-	315,890
<b>Total expenditures</b>	<u>55,566,100</u>	<u>-</u>	<u>55,566,100</u>
Change in net assets	(67,156)	1,580,616	1,513,460
<b>Net assets - beginning of year</b>	<u>55,941,853</u>	<u>27,278,189</u>	<u>83,220,042</u>
<b>Net assets - end of year</b>	<u>\$ 55,874,697</u>	<u>\$ 28,858,805</u>	<u>\$ 84,733,502</u>

*The notes to the financial statements are an integral part of these statements.*

**OAKWOOD UNIVERSITY**  
**Consolidated Statement of Activities and Changes in Net Assets**  
**For The Year Ended June 30, 2018**

	Year ended June 30, 2018		
	Without donor- imposed Restrictions	With donor- imposed Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Tuition and fees	\$ 27,062,598	\$ -	\$ 27,062,598
Less institutional awards	6,375,422	-	6,375,422
Net student tuition and fees	<u>20,687,176</u>	<u>-</u>	<u>20,687,176</u>
Contributions, private gifts, grants and contracts	8,554,936	14,902,096	23,457,032
Interest, dividend and other investment income	437,310	222,284	659,594
Other sources	1,560,586	328,935	1,889,521
Sales and service:		-	
Educational activities	285,963	-	285,963
Auxiliary enterprises	8,831,061	3,900	8,834,961
Independent operations	716,061	-	716,061
Net realized and unrealized gains on investments	289,090	422,538	711,628
Net unrealized gain on interest rate swap	122,732	-	122,732
Net assets released from restrictions	13,940,207	(13,940,207)	-
<b>Total revenues and other support</b>	<u>55,425,122</u>	<u>1,939,546</u>	<u>57,364,668</u>
<b>EXPENDITURES</b>			
Educational and general:			
Instructional	11,885,409	-	11,885,409
Research	777,696	-	777,696
Public service	133,812	-	133,812
Academic support	4,395,952	-	4,395,952
Student services	4,834,087	-	4,834,087
Institutional support	12,197,768	-	12,197,768
Operation and maintenance of physical plant	3,351,599	-	3,351,599
Scholarships	5,767,384	-	5,767,384
Depreciation and amortization expense	3,830,281	-	3,830,281
Auxiliary enterprises	5,807,710	-	5,807,710
Swap derivative	520,000	-	520,000
Independent operations	939,438	-	939,438
Interest expense	345,146	-	345,146
<b>Total expenditures</b>	<u>54,786,282</u>	<u>-</u>	<u>54,786,282</u>
Change in net assets	638,840	1,939,546	2,578,386
<b>Net assets - beginning of year</b>	55,675,978	24,965,678	80,641,656
Conforming transfers	(372,965)	372,965	-
<b>Net assets - end of year</b>	<u>\$ 55,941,853</u>	<u>\$ 27,278,189</u>	<u>\$ 83,220,042</u>

*The notes to the financial statements are an integral part of these statements.*

**OAKWOOD UNIVERSITY**  
**Consolidated Statement of Activities and Changes in Net Assets**  
**For The Year Ended June 30, 2017**

	Year ended June 30, 2017		
	Without donor- imposed Restrictions	With donor- imposed Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Tuition and fees	\$ 27,624,893	\$ -	\$ 27,624,893
Less institutional awards	7,177,379	-	7,177,379
Net student tuition and fees	<u>20,447,514</u>	<u>-</u>	<u>20,447,514</u>
Contributions, private gifts, grants and contracts	8,564,477	11,636,505	20,200,982
Interest, dividend and other investment income	302,988	137,193	440,181
Other sources	2,392,504	382,286	2,774,790
Sales and service:		-	
Educational activities	277,066	1,650	278,716
Auxiliary enterprises	9,055,854	4,790	9,060,644
Independent operations	671,124	-	671,124
Net realized and unrealized gains on investments	198,676	1,430,672	1,629,348
Net unrealized gain on interest rate swap	202,898	-	202,898
Net gain on sale of asset	15,000	-	15,000
Net assets released from restrictions	11,180,760	(11,180,760)	-
<b>Total revenues and other support</b>	<u>53,308,861</u>	<u>2,412,336</u>	<u>55,721,197</u>
<b>EXPENDITURES</b>			
Educational and general:			
Instructional	11,210,666	-	11,210,666
Research	861,463	-	861,463
Public service	113,013	-	113,013
Academic support	3,524,702	-	3,524,702
Student services	4,202,011	-	4,202,011
Institutional support	11,941,430	-	11,941,430
Operation and maintenance of physical plant	3,529,813	-	3,529,813
Scholarships	5,283,916	-	5,283,916
Depreciation and amortization expense	3,694,235	-	3,694,235
Auxiliary enterprises	5,757,976	-	5,757,976
Independent operations	741,753	-	741,753
Interest expense	394,121	-	394,121
<b>Total expenditures</b>	<u>51,255,099</u>	<u>-</u>	<u>51,255,099</u>
Change in net assets	2,053,762	2,412,336	4,466,098
<b>Net assets - beginning of year</b>	<u>53,622,216</u>	<u>22,553,342</u>	<u>76,175,558</u>
<b>Net assets - end of year</b>	<u>\$ 55,675,978</u>	<u>\$ 24,965,678</u>	<u>\$ 80,641,656</u>

*The notes to the financial statements are an integral part of these statements.*

**OAKWOOD UNIVERSITY**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended June 30, 2019, 2018 and 2017**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Change in net assets	\$ 1,513,460	\$ 2,578,386	\$ 4,466,098
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization	3,868,023	3,830,281	3,694,235
Change in allowance for uncollectible contributions receivable	(377,661)	(111,736)	266,328
Change in allowance for uncollectible accounts receivable	-	20,856	14,027
Change in unamortized discount on contributions receivable	5,095	(71,154)	(209,543)
Net realized and unrealized (gains) losses on investments	(250,889)	(711,996)	(1,629,348)
Unrealized loss on interest rate swap	102,662	(122,732)	(202,898)
Contributions restricted for long-term investment	(1,252,092)	(1,128,578)	(117,494)
Changes in operating assets and liabilities:			
Contributions receivable	1,075,000	(830,000)	50,000
Accounts receivable	(1,939,646)	590,258	195,921
Deposits	428	7,394	(24,566)
Prepaid expenses and other assets	(91,365)	34,270	38,589
Accounts payable and accrued liabilities	1,164,758	36,848	190,676
Deposits held for others	73,127	19,555	38,726
Government advances for student loans	10,244	-	-
Net cash provided by operating activities	3,901,144	4,141,652	6,770,751
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchases of investments	(2,260,670)	(1,386,406)	(815,029)
Purchases of land, buildings and equipment	(5,125,096)	(3,886,847)	(2,032,301)
Gain on disposal of fixed assets	-	-	(15,000)
Purchase of certificates of deposit	-	-	(300)
Payments on notes receivable	(10,244)	1,925	-
Net cash used in investing activities	(7,396,010)	(5,271,328)	(2,862,630)

*The notes to the financial statements are an integral part of these statements.*

**OAKWOOD UNIVERSITY**  
**Consolidated Statements of Cash Flows (Continued)**  
**For The Years Ended June 30, 2019, 2018 and 2017**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Contributions restricted for investment in endowment	38,740	32,900	109,119
Contributions restricted for investment in plant	1,213,352	1,095,678	8,375
	1,252,092	1,128,578	117,494
<b>Other financing activities:</b>			
Proceeds from bonds	-	450,000	-
Payments on notes and bonds payable	(1,023,890)	(1,074,944)	(893,334)
Change in annuity obligations	(349)	-	(544)
Total other financing activities	(1,024,239)	(624,944)	(893,878)
Net cash provided by (used in) financing activities	227,853	503,634	(776,384)
<b>Net increase (decrease) in cash and cash equivalents</b>	(3,267,013)	(626,042)	3,131,737
Cash and cash equivalents at beginning of year	20,226,680	20,852,722	17,720,985
Cash and cash equivalents at end of year	\$ 16,959,667	\$ 20,226,680	\$ 20,852,722
<b>Other information:</b>			
Cash paid for interest	\$ 315,890	\$ 345,146	\$ 394,121

*The notes to the financial statements are an integral part of these statements.*

**OAKWOOD UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019, 2018 and 2017**

**NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES**

**Reporting Entity**

Oakwood University (the University) is a non-profit organization affiliated with and under the control of the Seventh-Day Adventist Church.

The University receives most of its revenue in the form of tuition, fees and other charges. It also receives substantial subsidies from various entities of the Seventh-day Adventist Church, as well as donations from the private sector and its alumni.

Oakwood Enterprise – R1, LLC (the Enterprise) was created to purchase businesses to produce unrestricted revenue. The Enterprise owns two Edible Arrangement franchises both located in Huntsville, Alabama. The Enterprise is wholly owned by the University.

Oakwood Farms, LLC was established to operate a farm and international open-air farmers' markets that will promote a healthy lifestyle based on biblical principles and in harmony with the principles of the Seventh-Day Adventist Church. The farm is located on the campus of Oakwood University and began operating during 2017.

**Basis of Accounting**

The consolidated financial statements of Oakwood University and Oakwood Enterprise – R1, LLC have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

**Financial statement presentation**

In August 2016, the FASB issued ASU 2016-14 Presentation of Financial Statements for Not-for-Profit Entities (Topic 958), which made targeted changes to the not-for-profit financial reporting model. Under the new standard, the existing three-category classification of net assets are replaced with a simplified model that combines temporarily restricted and permanently restricted into a single category called "net assets with donor restrictions." New disclosures highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements. The standard also imposed several new requirements related to reporting expenses, including providing information about expenses by their natural classification. The University implemented ASU 2016-14 in fiscal year 2019 and has adjusted the presentation of these financial statements accordingly.

- Net assets without donor-imposed restrictions result from revenues that were not restricted by donors or the donor-imposed restrictions have expired; as well as capital assets purchased with net assets with donor-imposed restrictions and revenues where the satisfaction of donor stipulations was satisfied when the assets were placed into operation.

**OAKWOOD UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019, 2018 and 2017**

**NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Financial statement presentation (Continued)**

- Net assets with donor-imposed restrictions are contributions and other inflows of assets whose use by the University is limited by donor-imposed stipulations that require the University use or expend the donated assets as specified and are satisfied either by the passage of time or by actions of the University. Upon analysis of the detailed net asset accounts as of June 30, 2018, management made a conforming transfer increasing net assets with donor restrictions by \$372,965 with a corresponding reduction in net assets without donor-imposed restrictions. Net assets have been reclassified due to the adoption of ASU 2016-14 as of June 30, 2019, as follows:

Net Asset Classification June 30, 2018	<b>Reclassification</b>		
	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total Net Assets</b>
Unrestricted	\$ 56,314,818	\$ -	\$ 56,314,818
Temporarily restricted	-	22,788,248	22,788,248
Permanently restricted	-	4,116,976	4,116,976
Total as previously reported	56,314,818	26,905,224	83,220,042
Conforming transfers	(372,965)	372,965	-
Net assets as reported after adoption of ASU 2016-14	<u>\$ 55,941,853</u>	<u>\$ 27,278,189</u>	<u>\$ 83,220,042</u>

Net Asset Classification June 30, 2017	<b>Reclassification</b>		
	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total Net Assets</b>
Unrestricted	\$ 55,675,978	\$ -	\$ 55,675,978
Temporarily restricted	-	21,178,817	21,178,817
Permanently restricted	-	3,786,861	3,786,861
Net assets as reported after adoption of ASU 2016-14	<u>\$ 55,675,978</u>	<u>\$ 24,965,678</u>	<u>\$ 80,641,656</u>

**Basis of Combination**

The consolidated financial statements include the accounts of Oakwood University and its wholly owned companies, Oakwood Enterprise – R1, LLC and Oakwood University Farms, LLC. All material inter-organization transactions have been eliminated in consolidation.

**OAKWOOD UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019, 2018 and 2017**

**NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES – Continued**

**Estimates**

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

**Revenue Recognition**

Unconditional promises to give are recognized as revenues in the period when the underlying promises are received by the University. Pledges are recorded at their estimated net present value.

Gifts of land, buildings, equipment, and other non-monetary assets are reported as unrestricted revenues unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how assets are to be used are reported as temporarily restricted revenues. The University reports expirations of donor restrictions on gifts of long-lived assets when the donated or acquired long-lived assets are placed in service.

The expiration of a donor-imposed restriction on contributions and endowment income is recognized in the period in which the restriction is satisfied and/or expires. At that time the amounts are reclassified from temporarily restricted to unrestricted net assets. Donor restrictions are satisfied when a stipulated time restriction ends or the purpose for the restriction has been fulfilled.

**Contributed Services**

A number of volunteers have donated time and service to the University's program operations. However, such contributed services do not meet the criteria for recognition of contributed services and, accordingly, are not reflected in the accompanying consolidated financial statements.

**Cash Equivalents**

The University considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Contributions Receivable**

Unconditional promises to give that are expected to be collected within one year are recorded at estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated cash flows. The discounts on those amounts are computed using the risk-free interest rate applicable to the years in which the contributions are to be received. Amortization of the discounts is included in contributions as private gifts, grants and contracts. Conditional promises to give are not included as support until the conditions are substantially met.



**OAKWOOD UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019, 2018 and 2017**

**NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES – Continued**

**Accounts Receivable**

Accounts receivable are primarily amounts due from students of the University for tuition and fees which are recorded at estimated net realizable value. The University establishes reserves for balances determined to be impaired or otherwise uncollectible.

**Investments**

Investments are carried at fair value on the consolidated statements of financial position with the unrealized gains and losses included in the consolidated statements of activities and changes in net assets. Fair value is determined from quoted market prices or market prices of similar instruments.

**Investments in Real Estate**

Investments in real estate are carried at cost or the estimated fair value at the date of the gift less depreciation, where applicable.

**Land, Buildings and Equipment**

Depreciable assets, including equipment under capital leases, are recorded at cost less accumulated depreciation. All depreciation is computed on a straight-line basis. The useful life for each depreciable asset, which approximates the economic useful life of the asset, is determined using guidance from the Working Policy of the Seventh-Day Adventist Church, as follows: buildings 20 - 75 years; equipment 3 - 10 years; library collections 10 years. In accordance with the provisions of Financial Accounting Standards Board (FASB) ASC 350, *Intangibles – Goodwill and Other*, goodwill is amortized over 10 years.

**Income Tax Status**

The University is exempt under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended; accordingly, no provision for income taxes has been included in the accompanying consolidated financial statements.

**Uncertain Tax Positions**

The University has implemented the accounting requirements associated with uncertainty in income taxes using the provisions of FASB ASC 740, *Income Taxes*. As of June 30, 2019, the University had no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements. Previous open tax years may be subject to examination by taxing authorities.

**OAKWOOD UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019, 2018 and 2017**

**NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)**

**Fair Values of Financial Instruments**

The University's financial instruments consist of cash, investments, accounts receivable, notes receivable, accounts payable and long-term debt. Cash, accounts receivable, notes receivable and accounts payable are stated at cost which approximates fair value. Investments are recorded at fair value.

**Concentrations of Credit Risk**

The University places its temporary cash investments with high credit quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

**Fair Value Measurements**

The University has adopted ASC 820, *Fair Value Measurements and Disclosures*. In accordance with ASC 820, fair value is defined as the price that the University would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. ASC 820 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

- Level 1 – quoted prices in active markets for identical investments
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the University's own assumptions in determining the fair value of investments)

See note 5, Investments, for a summary of the inputs used as of June 30, 2019 in determining the fair value of the University's investments.

**OAKWOOD UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019, 2018 and 2017**

**NOTE 2 - CONTRIBUTIONS RECEIVABLE**

Contributions receivable are typically restricted by donors for specific purposes or include time restrictions and are due as follows:

	<b>June 30, 2019</b>	
	<b>Temporarily Restricted</b>	<b>Total</b>
Less than one year	\$ 841,669	\$ 841,669
One to five years	585,000	585,000
More than five years	-	-
	\$ 1,426,669	\$ 1,426,669
Unamortized discount		(530,417)
Allowance for uncollectible contributions receivable		(243,752)
Net contributions receivable		\$ 652,500

	<b>June 30, 2018</b>	
	<b>Temporarily Restricted</b>	<b>Total</b>
Less than one year	\$ 1,799,670	\$ 1,799,670
One to five years	585,000	585,000
More than five years	117,000	117,000
	\$ 2,501,670	\$ 2,501,670
Unamortized discount		(525,323)
Allowance for uncollectible contributions receivable		(243,752)
Net contributions receivable		\$ 1,732,595

**OAKWOOD UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019, 2018 and 2017**

**NOTE 2 - CONTRIBUTIONS RECEIVABLE**

	<b>June 30, 2017</b>	
	<b>Temporarily Restricted</b>	<b>Total</b>
Less than one year	\$ 852,670	\$ 852,670
One to five years	585,000	585,000
More than five years	234,000	234,000
	\$ 1,671,670	\$ 1,671,670
Unamortized discount		(575,622)
Allowance for uncollectible contributions receivable		(243,751)
Net contributions receivable		\$ 852,297

**NOTE 3 - ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following:

	<b>June 30</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Students' accounts	\$ 10,398,578	\$ 9,260,583	\$ 9,375,054
Less allowance for doubtful accounts	(4,332,934)	(4,710,596)	(4,822,332)
	6,065,644	4,549,987	4,552,722
Other accounts receivable	2,574,251	1,729,394	2,246,046
Loans to faculty and staff	76,825	120,032	79,166
	\$ 8,716,720	\$ 6,399,413	\$ 6,877,934

The University does not require security or other collateral from students or faculty.

**OAKWOOD UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019, 2018 and 2017**

**NOTE 4 - NOTES RECEIVABLE**

Notes receivable consisted of the following:

	<b>June 30</b>		
	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>
Notes receivable from students	\$ 6,965	\$ 6,965	\$ 6,965
Less allowance from doubtful accounts	<u>(6,965)</u>	<u>(6,965)</u>	<u>(6,965)</u>
	-	-	-
Receivable from students under the National Direct Student Loan program (loan criteria and interest rates are governed by the program)	910,986	900,742	902,667
Less allowance for doubtful accounts	<u>(8,682)</u>	<u>(8,682)</u>	<u>(8,682)</u>
	<u>\$ 902,304</u>	<u>\$ 892,060</u>	<u>\$ 893,985</u>

**NOTE 5 – INVESTMENTS**

The components of the University's investment portfolio, recorded at market, were as follows:

	<b>2019</b>	<b>June 30, 2018</b>	<b>2017</b>
Mutual funds	\$ 17,779,423	\$ 15,775,347	\$ 14,439,760
Common stocks	157,577	127,667	134,958
Commingled private investments	<u>5,507,474</u>	<u>5,132,569</u>	<u>4,240,098</u>
	<u>\$ 23,444,474</u>	<u>\$ 21,035,583</u>	<u>\$ 18,814,816</u>

The University recognized \$12,162, \$12,832 and \$7,159 in investment expense in 2019, 2018 and 2017, respectively.

**OAKWOOD UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019, 2018 and 2017**

**NOTE 5 – INVESTMENTS (Continued)**

The following is a summary of the inputs used as of June 30, 2019 in valuing the University's investments carried at fair value:

	<u>June 30, 2019</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Mutual funds	\$ 17,779,423	\$ 17,779,423	\$ -	\$ -
Common stocks	<u>157,577</u>	<u>157,577</u>	<u>-</u>	<u>-</u>
Total investments in the fair value hierarchy	17,937,000	\$ <u>17,937,000</u>	\$ <u>-</u>	\$ <u>-</u>
Investments measured at net asset value *	<u>5,507,474</u>			
Total investments	\$ <u>23,444,474</u>			

The following is a summary of the inputs used as of June 30, 2018 in valuing the University's investments carried at fair value:

	<u>June 30, 2018</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Mutual funds	\$ 15,775,347	\$ 15,775,347	\$ -	\$ -
Common stocks	<u>127,667</u>	<u>127,667</u>	<u>-</u>	<u>-</u>
Total investments in the fair value hierarchy	15,903,014	\$ <u>15,903,014</u>	\$ <u>-</u>	\$ <u>-</u>
Investments measured at net asset value *	<u>5,132,569</u>			
Total investments	\$ <u>21,035,583</u>			

**OAKWOOD UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019, 2018 and 2017**

**NOTE 5 – INVESTMENTS (Continued)**

The following is a summary of the inputs used as of June 30, 2017 in valuing the University's investments carried at fair value:

	<u>June 30, 2017</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Mutual funds	\$ 14,439,760	\$ 14,439,760	\$ -	\$ -
Common stocks	<u>134,958</u>	<u>134,958</u>	<u>-</u>	<u>-</u>
Total investments in the fair value hierarchy	14,709,678	<u>\$ 14,709,678</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at net asset value *	<u>4,240,098</u>			
Total investments	<u>\$ 18,814,816</u>			

The following is a summary of significant valuation techniques for assets and liabilities measured at fair value on a recurring basis:

**Level 1 measurements**

Mutual funds: Comprised of pools of funds managed by an investment company that invests in stocks, bonds or other assets. Valuation is based on unadjusted quoted prices for identical assets that the University can access.

Common stocks: Comprised of actively traded exchange listed U.S. and international equity securities. Valuation is based on unadjusted quoted prices for identical assets in active markets that the University can access.

\* In accordance with subtopic 820-10, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the line items present on the statement of financial position at June 30, 2019.

**OAKWOOD UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019, 2018 and 2017**

**NOTE 6 - LAND, BUILDINGS AND EQUIPMENT, NET**

Land, buildings and equipment, net consisted of the following:

	<b>June 30</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Land and improvements	\$ 5,595,127	\$ 5,228,438	\$ 4,614,049
Buildings	70,590,141	69,279,501	67,328,936
Equipment	32,561,718	29,956,423	28,832,156
Farm	791,487	295,450	169,763
Goodwill	1,137,922	791,487	791,487
	110,676,395	105,551,299	101,736,391
Less accumulated depreciation	(62,051,641)	(58,183,619)	(54,425,277)
	\$ 48,624,754	\$ 47,367,680	\$ 47,311,114

**NOTE 7 - BONDS PAYABLE**

On December 1, 2002, the University issued \$2,800,000 of variable/fixed rate revenue bonds, maturing on December 1, 2022. The bonds were issued through the Educational Building Authority of the City of Huntsville. The proceeds of the bonds were used to fund the purchase of the assets of West Oaks Apartments Corporation (see Note 1). Variable/fixed rate revenue bonds in the amount of \$2,100,000 issued by West Oaks Apartments Corporation in January 31, 2001 were redeemed with a portion of the proceeds of the \$2,800,000 bonds. The bonds initially bear interest at a variable rate, to be determined on a weekly basis, but may be converted to a fixed rate. Interest on the bonds is payable monthly. At June 30, 2019, 2018 and 2017, a variable rate of 1.87%, 1.52% and 0.93% was in effect, respectively.

These bonds are redeemable bonds; therefore, Oakwood was required to obtain a letter of credit as security to guarantee Oakwood's ability to repurchase the bonds in the absence of a third-party purchaser. The repayment terms of the letter of credit expired on December 1, 2015. The bonds require Oakwood to pay any arbitrage rebate to the Internal Revenue Service to maintain the bonds' tax-exempt status. The amount, if any, of rebate required is not considered material in relation to these consolidated financial statements. The bonds are secured by a first mortgage on the West Oaks Apartments, including land, personal property and fixtures and the assignment of all rents and leases from the property, in addition to the letter of credit described above.



**OAKWOOD UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019, 2018 and 2017**

**NOTE 7 - BONDS PAYABLE (Continued)**

On November 20, 2006, the University issued \$7,000,000 of variable rate revenue bonds. The proceeds of the bonds were used to fund the construction of Holland Residential Hall. In December 2010, the University issued \$6,080,000 of variable rate revenue refunding bonds maturing December 1, 2026. The proceeds of these bonds were used to retire the 2006 revenue bonds and pay issuance costs of the 2010 series bonds. The bonds were issued through the Educational Building Authority of the City of Huntsville. The bonds bear interest at a variable rate.

To hedge their cash flow related to the variable interest payments on the bond note, the University entered into an interest rate swap agreement, dated March 13, 2007, with the bank swapping the variable rate payments on the bonds for a fixed rate payment. During December of 2017, the University issued a 4,050,000 fixed rate Series 2017 tax exempt bond maturing December 2026. The proceeds of the bond were used to refinance the outstanding principal balance of the 2010 series variable rate bonds. The bond was issued through the Educational Building Authority of the City of Huntsville. The bond bears interest at a fixed rate of 2.84%. Interest on the bond is payable monthly. Simultaneous with the issuance of the tax-exempt bond, the University received a taxable, fixed rate loan from Branch Banking and Trust Company (“BB&T”) for the purpose of paying a fee to SunTrust Bank in connection with the termination of the interest rate hedging agreement that was terminated upon the redemption of the series 2010 bonds. The loan bears interest at 0.38%. Interest on the loan is payable monthly.

On June 1, 2013, the University issued \$6,200,000 of variable rate revenue bonds. The proceeds of the bonds were used to fund the renovation of Carter Hall. The bonds were issued through the Educational Building Authority of the City of Huntsville. The bonds bear interest at a variable rate. Interest on the bonds is payable monthly. The bonds are secured by a security interest in all of the pledged revenues of the University.

Management believes it is prudent to limit the variability of its interest payments. To meet this objective, management entered into an interest rate swap to manage fluctuations in cash flows resulting from interest rate risk. The interest rate swap is accounted for as a cash flow hedge, as defined in the applicable accounting guidance for derivative instruments and hedging. The interest rate swap changes the variable-rate cash flow exposure of the variable-rate long term debt obligation to fixed-rate cash flows by entering into a receivable-variable, pay-fixed interest rate swap. Under the interest rate swap, the University receives variable interest payments and makes fixed interest payments at an interest rate of 1.91%, thereby creating fixed-rate long term debt. The interest rate swap does not qualify for the “shortcut” method of accounting for hedges, therefore, the fair value of the interest rate swap (\$74,388 at June 30, 2019) is recorded in accounts payable and accrued liabilities.

**OAKWOOD UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019, 2018 and 2017**

**NOTE 7 - BONDS PAYABLE (Continued)**

Principal is due each December 1 as follows:

2020	\$	1,042,293
2021		1,060,324
2022		1,084,426
2023		1,104,126
2024		933,902
2025 and thereafter		<u>3,091,670</u>
	\$	<u><u>8,316,721</u></u>

**NOTE 8 - DEFINED BENEFIT AND DEFINED CONTRIBUTION PLANS**

These plans are defined by the Financial Accounting Standards Board as a multi-employer plan. As such, it is not required, nor is it possible, to determine the actuarial present value of accumulated benefits or plan net assets for employees of the University apart from other plan participants. However, based on the latest actuarial valuation of the Seventh-day Adventist Retirement Plan of the North American Division, as of December 31, 1998, the actuarially computed value of accumulated plan benefits exceeded the estimated market value of plan assets for that plan. No actuarial valuation has been obtained for the Health Care Assistance Plan for Participants in the Seventh-day Adventist Retirement Plan of the North American Division.

The North American Division Committee voted to freeze the accrual of service credit in these plans effective December 31, 1999, except for employees who chose the career completion option, and to start a new defined contribution plan effective January 1, 2000. The University is scheduled to continue making contributions (at a reduced rate) to the frozen plans after December 31, 1999. Certain employees will continue to be eligible for future benefits under these plans.

**Defined Contribution Plan**

Effective January 1, 2000, the University participates in a defined contribution retirement plan known as "The Adventist Retirement Plans." This plan, which covers substantially all employees of the University, is administered by the General Conference and is exempt from the Employee Retirement Income Security Act of 1974 as a multiple-employer plan of a church-related agency. The University contributed \$1,183,087, \$1,190,077 and \$1,199,022 to the plan for the years ended June 30, 2019, 2018 and 2017, respectively, based on a stated percentage of each employee's earnings and a stated matching percentage of the employee's voluntary contributions. Investment management of the accumulated contributions designated for each employee is provided under an agreement between the General Conference and Empower Retirement.

**OAKWOOD UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019, 2018 and 2017**

**NOTE 9 - AFFILIATED ORGANIZATIONS AND RELATED PARTY TRANSACTIONS**

The following is a summary of organizations which are affiliated with the University:

<b>Organizations</b>	<b>Nature and Purpose</b>
North American Division of Seventh-day Adventists	Unincorporated organization established for the purpose of conducting and/ or coordinating various religious activities in its area. Certain officers of the North American Division serve on the University's board.
North American Division Corporation of Seventh-day Adventists	Legal corporation which conducts various activities in a fiduciary capacity.

For the years ended June 30, 2019, 2018 and 2017, the North American Division and its subsidiaries contributed operating and capital subsidies to the University totaling \$7,138,398 (\$1,179,211 NAD and \$5,959,187 Regional Constituents), \$7,171,878 and \$7,115,666, respectively.

**NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS**

Donor-imposed program restrictions on temporarily restricted net assets were satisfied as follows:

	<b>June 30</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Purpose restricted contributions used for:			
Research	\$ 574,458	\$ 675,357	\$ 652,690
Academic support	747,530	1,218,711	396,863
Public service	27,507	27,831	51,607
Instructional support	250,996	105,076	85,722
Institutional support	4,380,157	4,356,008	4,258,014
Scholarship and fellowships	4,310,318	4,591,059	4,797,864
Student services	526,973	920,229	439,684
Operation and maintenance of physical plant	905,168	2,045,944	498,316
	<u>\$ 11,723,107</u>	<u>\$ 13,940,207</u>	<u>\$ 11,180,760</u>

**OAKWOOD UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019, 2018 and 2017**

**NOTE 11 - NATURE AND AMOUNT OF NET ASSETS WITH DONOR-IMPOSED RESTRICTIONS**

Temporarily restricted net assets are available for the following purposes or periods:

	<b>June 30</b>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Purpose restricted contributions used for:			
Research	\$ 249,367	\$ 21,804	\$ 85,782
Academic support	85,685	99,356	253,437
Public service	785,772	873,896	860,813
Instructional support	196,576	263,590	93,294
Institutional support	7,652,763	7,652,739	7,538,643
Scholarship	2,769,881	2,592,817	2,219,355
Physical plant	11,923,733	10,640,922	9,488,110
Student services	643,396	643,124	639,383
	<u>\$ 24,307,184</u>	<u>\$ 22,788,248</u>	<u>\$ 21,178,817</u>

Permanently restricted net assets are available for the following purposes or periods:

	<b>June 30</b>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Physical plant	\$	\$ 303,897	\$ 210,935
Scholarships	4,120,212	3,602,138	3,290,928
Institutional support	431,409	210,941	284,998
	<u>\$ 4,551,621</u>	<u>\$ 4,116,976</u>	<u>\$ 3,786,861</u>

**NOTE 12 - COMMITMENTS**

The University had an available line of credit with BB&T Bank amounting to \$1,700,000. As of June 30, 2019, 2018 and 2017, there were no outstanding balances on the line.

**OAKWOOD UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019, 2018 and 2017**

**NOTE 13 – LIQUIDITY AND AVAILABILITY**

Operating liquidity comes from cash and cash equivalents and is monitored quarterly to ensure that the University’s expenses are paid in a timely manner. Operating surpluses are placed in cash and cash equivalents or certificates of deposit and used as approved by the Board in the University’s annual budget.

The following table details the University’s financial assets available for operating expenses within one year of the statement of financial position date:

<b><u>Financial Assets</u></b>	
Cash and cash equivalents	\$ 16,959,667
Certificates of deposit	102,593
Contributions receivable	652,500
Accounts receivable	8,716,720
Investments	<u>23,444,474</u>
Total financial assets - June 30, 2019	49,875,954
Less donor-imposed restrictions	<u>(28,858,805)</u>
Total financial assets available to meet operating expenses within one year at June 30, 2019	<u>\$ 21,017,149</u>

**NOTE 14 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through the date of the Independent Auditor’s Report, which is the date the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

**OAKWOOD UNIVERSITY**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2019**

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
<b>STUDENT FINANCIAL AID – CLUSTER</b>		
<b>U.S. Department of Education</b>		
Federal Pell Grant Program	84.063	\$ 3,556,267
Federal Supplemental Educational Opportunity Grant Program	84.007	281,741
Federal Work-Study Program	84.033	300,848
TEACH Grant	84.379	16,000
Federal Direct Student Loan Program	84.268	13,828,600
Total Student Financial Aid Cluster		<u>17,983,456</u>
<b>OTHER PROGRAMS</b>		
<b>U.S. Department of Education:</b>		
Strengthening Historically Black Colleges and Universities Program	84.031B	2,221,416
	Subtotal	<u>2,221,416</u>
<b>National Science Foundation:</b>		
Established Program to Stimulate Competitive Research		32,698
Nanacollodal Laser		111,043
Alabama Louis Stokes Alliance for Minority Participation	47.076	57,669
	Subtotal	<u>201,410</u>
<b>National Institutes of Health:</b>		
Mentored Experience in Research, Instruction, and Teaching Program	93.859	30,770
Increasing Minority Admissions to Research Institutions (IMARI)	93.859	94,850
	Subtotal	<u>125,620</u>
Total Other Programs		<u>2,548,446</u>
Total Expenditures of Federal Awards		<u>\$ 20,531,902</u>

*The accompanying notes are an integral part of this schedule.*

**OAKWOOD UNIVERSITY**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2019**

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Oakwood University (the University) under programs of the federal government for the year ended June 30, 2019. 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.

**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 are limited as to reimbursement.

**Indirect Cost Rates**

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



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

To the Board of Trustees of  
Oakwood 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 consolidated financial statements of Oakwood University (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 20, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Oakwood 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Oakwood University's internal control. Accordingly, we do not express an opinion on the effectiveness of Oakwood University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated 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 Oakwood University's consolidated 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 consolidated 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "DiPiazza LaRocca Heeter & Co., LLC". The signature is written in a cursive, flowing style.

DiPiazza LaRocca Heeter & Co., LLC  
Birmingham, Alabama

October 20, 2019

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees of  
Oakwood University

**Report on Compliance for Each Major Federal Program**

We have audited Oakwood 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 Oakwood University’s major federal programs for the year ended June 30, 2019. Oakwood University’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

***Management’s Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor’s Responsibility***

Our responsibility is to express an opinion on compliance for each of Oakwood 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 the audit 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oakwood University’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In our opinion, Oakwood 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, 2019.

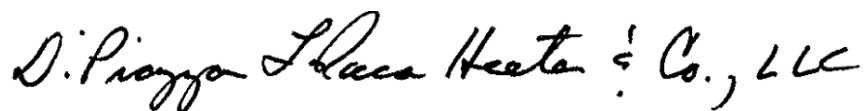
### **Report on Internal Control Over Compliance**

Management of Oakwood 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 Oakwood University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Oakwood University's internal control over compliance.

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

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

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



DiPiazza LaRocca Heeter & Co., LLC  
Birmingham, Alabama

October 20, 2019

**OAKWOOD UNIVERSITY**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2019**

**Part I - Summary of Auditor's Results**

**Financial Statement Section**

Type of auditor's report issued:	Unmodified	
	<b>Yes</b>	<b>No</b>
Internal control over financial reporting:		
Material weakness(es) identified?		X
Significant deficiencies identified not considered to be material weaknesses?		X
Noncompliance material to financial statements noted?		X

**Federal Awards Section**

	<b>Yes</b>	<b>No</b>
Internal control over major programs:		
Material weakness(es) identified?		X
Significant deficiencies identified not considered to be material weaknesses?		X
Type of auditor's report on compliance for major programs:	Unmodified	
	<b>Yes</b>	<b>No</b>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance		X

**OAKWOOD UNIVERSITY**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2019**

**Part I - Summary of Auditor's Results (Continued)**

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster	
84.063, 84.007, 84.033, 84.268, 84.379	Student Financial Aid Cluster	
84.031 B	Strengthening Historically Black Colleges and Universities Program	
Dollar threshold used to determine Type A programs:	\$750,000	
	<b>Yes</b>	<b>No</b>
Auditee qualified as low-risk auditee?	X	

**OAKWOOD UNIVERSITY**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2019**

**Part II-Financial Statement Findings Section**

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the consolidated financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

<u>Federal program information:</u>	<input type="text" value="None noted"/>
<u>Criteria or specific requirement (including statutory, regulatory or other citation):</u>	<input type="text"/>
<u>Condition:</u>	<input type="text"/>
<u>Questioned costs:</u>	<input type="text"/>
<u>Context:</u>	<input type="text"/>
<u>Effect:</u>	<input type="text"/>
<u>Recommendation:</u>	<input type="text"/>
<u>Management's response:</u>	<input type="text"/>

**OAKWOOD UNIVERSITY**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2019**

**Part III-Federal Award Findings and Questioned Costs Section**

<u>Federal program information:</u>	None noted
<u>Criteria or specific requirement (including statutory, regulatory or other citation):</u>	
<u>Condition:</u>	
<u>Effects:</u>	
<u>Recommendation:</u>	
<u>Management's response</u>	



**OAKWOOD UNIVERSITY**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2019**

**Part IV-Prior Year Federal Award Findings and Questioned Costs Section**

<u>Federal program information:</u>	None noted
<u>Criteria or specific requirement (including statutory, regulatory or other citation):</u>	
<u>Condition:</u>	
<u>Effects:</u>	
<u>Recommendation:</u>	
<u>Management's response</u>	

## **OTHER FINANCIAL INFORMATION**

**OAKWOOD UNIVERSITY  
OAKWOOD ENTERPRISE - R1, LLC  
AND OAKWOOD FARMS, LLC  
Consolidating Schedule of Financial Position  
June 30, 2019**

	<u>Oakwood University</u>	<u>Oakwood Enterprise - R1, LLC</u>	<u>Oakwood University Farm</u>	<u>Elimination Entries</u>	<u>Consolidated Totals</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 16,517,747	\$ 271,115	\$ 170,805	\$ -	\$ 16,959,667
Certificates of deposit	103,359	-	-	-	103,359
Contribution receivable, net	652,500	-	-	-	652,500
Accounts receivable, net	8,714,491	3,143	(914)	-	8,716,720
Notes receivable, net	902,304	-	-	-	902,304
Investments at fair value	23,444,474	-	-	-	23,444,474
Investment in subsidiary	295,799	-	-	(295,799)	-
Investments in real estate, net of accumulated depreciation and valuation allowance of \$240,250 in 2019, 2018 and 2017	1,681,963	-	-	-	1,681,963
Land, buildings and equipment, net	47,098,011	444,474	1,082,269	-	48,624,754
Deposits	283,768	2,396	-	-	286,164
Prepaid expenses and other assets	94,665	4,619	3,692	-	102,976
<b>Total assets</b>	<u>\$ 99,789,081</u>	<u>\$ 725,747</u>	<u>\$ 1,255,852</u>	<u>\$ (295,799)</u>	<u>\$ 101,474,881</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 4,967,127	\$ 95,756	\$ 1,590,044	\$ -	\$ 6,652,927
Deposits held for others	846,744	-	-	-	846,744
Bonds payable	8,316,721	-	-	-	8,316,721
Advances from federal government for student loans	924,987	-	-	-	924,987
<b>Total liabilities</b>	15,055,579	95,756	1,590,044	-	16,741,379
<b>Net Assets:</b>					
Without donor-imposed restrictions	55,874,697	629,992	(334,193)	(295,799)	55,874,697
With donor imposed restrictions	28,858,805	-	-	-	28,858,805
<b>Total net assets</b>	<u>84,733,502</u>	<u>629,992</u>	<u>(334,193)</u>	<u>(295,799)</u>	<u>84,733,502</u>
<b>Total liabilities and net assets</b>	<u>\$ 99,789,081</u>	<u>\$ 725,748</u>	<u>\$ 1,255,851</u>	<u>\$ (295,799)</u>	<u>\$ 101,474,881</u>

*See auditor's report.*

**OAKWOOD UNIVERSITY  
OAKWOOD ENTERPRISE - R1, LLC  
AND OAKWOOD FARMS, LLC**  
**Consolidating Schedule of Activities and Changes in Net Assets**  
**For the year ended June 30, 2019**

	<b>Oakwood University</b>	<b>Oakwood Enterprise - R1 - LLC</b>	<b>Oakwood University Farm</b>	<b>Elimination Entries</b>	<b>Consolidated Totals</b>
<b>REVENUES AND OTHER SUPPORT</b>					
Tuition and fees	\$ 30,313,934	\$ -	\$ -	\$ -	\$ 30,313,934
Less institutional awards	\$ 6,997,395	-	-	-	6,997,395
Net student tuition and fees	23,316,539	-	-	-	23,316,539
Contributions, private gifts, grants and contracts	20,833,725	-	376	-	20,834,101
Interest, dividend and other investment income	468,123	-	-	424,740	892,863
Other sources	2,109,641	-	-	-	2,109,641
Sales and service:					
Educational activities	312,015	-	-	-	312,015
Auxiliary enterprises	8,777,169	-	-	-	8,777,169
Independent operations	45,046	506,871	137,088	-	689,005
Net realized and unrealized gains on investments	250,889	-	-	-	250,889
Net unrealized loss on interest rate swap	(102,662)	-	-	-	(102,662)
<b>Total revenues and other support</b>	<b>56,010,485</b>	<b>506,871</b>	<b>137,464</b>	<b>424,740</b>	<b>57,079,560</b>
<b>EXPENDITURES</b>					
Educational and general:					
Instructional	11,789,090	-	-	-	11,789,090
Research	723,744	-	-	-	723,744
Public service	148,201	-	-	-	148,201
Academic support	4,213,967	-	-	-	4,213,967
Student services	5,089,194	-	-	-	5,089,194
Institutional support	12,161,990	-	-	-	12,161,990
Operation and maintenance of physical plant	4,135,022	-	-	-	4,135,022
Scholarships	6,546,376	-	-	-	6,546,376
Depreciation and amortization expense	3,756,912	80,092	31,019	-	3,868,023
Auxiliary enterprises	5,474,247	-	-	-	5,474,247
Independent operations	142,392	522,771	435,193	-	1,100,356
Interest expense	315,890	-	-	-	315,890
<b>Total expenditures</b>	<b>54,497,025</b>	<b>602,863</b>	<b>466,212</b>	<b>-</b>	<b>55,566,100</b>
Change in net assets	1,513,460	(95,992)	(328,748)	424,740	1,513,460
<b>Net assets - beginning of year</b>	<b>83,220,042</b>	<b>725,984</b>	<b>(5,445)</b>	<b>(720,539)</b>	<b>83,220,042</b>
<b>Net assets - end of year</b>	<b>\$ 84,733,502</b>	<b>\$ 629,992</b>	<b>\$ (334,193)</b>	<b>\$ (295,799)</b>	<b>\$ 84,733,502</b>

*See auditor's report.*