

**OAKWOOD UNIVERSITY
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED
JUNE 30, 2020, 2019 and 2018**

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OAKWOOD UNIVERSITY
Management's Discussion of Financial Results (Unaudited)
June 30, 2020, 2019 and 2018

Introduction

The following discussion presents an overview of the consolidated financial position and financial activities of Oakwood University (the University), at June 30, 2020, 2019 and 2018 and for the years then ended (FYE 2020, FYE 2019, AND FYE 2018). 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, 2020, 2019 and 2018, the University had total consolidated assets of \$104,408,271, \$101,474,881, and \$99,736,770, respectively; total consolidated liabilities of \$19,154,713, \$16,741,379, and \$16,516,728, respectively; and consolidated net assets of \$85,253,558, \$84,733,502, and \$83,220,042, respectively. University consolidated net assets increased \$520,056 in FY 2020 \$1,513,460 in FYE 2019, and \$2,578,386 in FYE 2018.

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, 2020, 2019, and 2018. 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
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June 30, 2020, 2019 and 2018

Summary of Changes in Net Assets

The University's total consolidated net assets increased approximately \$520 thousand in fiscal 2020 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>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenues:			
Net tuition and fees	\$ 21,999,794	23,316,539	\$ 20,687,176
Contributions, private gifts, grants, and contracts	24,927,053	20,834,101	23,457,032
Other	342,249	312,015	285,963
	<u>47,269,096</u>	<u>44,462,655</u>	<u>44,430,171</u>
Operating expenses:			
Instructional	12,574,417	11,789,090	11,885,409
Institutional	11,483,380	12,161,990	12,197,768
Scholarships	7,819,661	6,546,376	5,767,384
Other	10,178,057	10,175,106	10,141,547
	<u>42,055,515</u>	<u>40,672,562</u>	<u>39,992,108</u>
Operating income	5,213,581	3,790,093	4,438,063
Other revenues (expenses)			
Depreciation	(4,069,499)	(3,868,023)	(3,830,281)
Operation and maintenance of physical plant	(3,828,579)	(4,135,022)	(3,351,599)
Investment income	611,647	1,143,752	1,371,222
Interest expense	(307,448)	(315,890)	(345,146)
Other, net	2,900,354	4,898,550	4,296,127
Net other revenues (expenses)	<u>(4,693,525)</u>	<u>(2,276,633)</u>	<u>(1,859,677)</u>
Changes in net assets	520,056	1,513,460	2,578,386
Beginning net assets	<u>84,733,502</u>	<u>83,220,042</u>	<u>80,641,656</u>
Ending net assets	<u>\$ 85,253,558</u>	<u>84,733,502</u>	<u>\$ 83,220,042</u>

OAKWOOD UNIVERSITY
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June 30, 2020, 2019 and 2018

Tuition and fees trended as follows: \$20,687,176 in FYE 2018, \$23,316,539 in FYE 2019, and \$21,999,794 in FYE 2020. Additionally, tuition and fees as a percent of total operating revenues have changed over the three fiscal years as follows: to 47% in FYE 2020, 52% in FYE 2019, and 47% in FYE 2018.

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 2020, 2019 and 2018, approximately 32%, 31% and 31%, 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 \$7.6 million in 2020.



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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, 2020, 2019, and 2018, 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, 2020, 2019 and 2018, 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

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 18, 2020 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

DiPiazza LaRocca Heeter & Co., LLC
Birmingham, Alabama

October 18, 2020

OAKWOOD UNIVERSITY
Consolidated Statements of Financial Position
As of June 30, 2020, 2019, and 2018

	2020	2019	2018
ASSETS			
Cash and cash equivalents	\$ 15,457,914	\$ 16,959,667	\$ 20,226,680
Certificates of deposit	104,941	103,359	102,593
Contribution receivable, net	549,399	652,500	1,732,595
Accounts receivable, net	9,127,374	8,716,720	6,399,413
Notes receivable, net	907,705	902,304	892,060
Investments at fair value	24,035,644	23,444,474	21,035,583
Investments in real estate, net of accumulated depreciation and valuation allowance of \$240,250 in 2020, 2019 and 2018	1,681,963	1,681,963	1,681,963
Land, buildings and equipment, net	52,164,348	48,624,754	47,367,680
Deposits	284,641	286,164	286,592
Prepaid expenses and other assets	94,342	102,976	11,611
Total assets	\$ 104,408,271	\$ 101,474,881	\$ 99,736,770
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable and accrued liabilities	\$ 8,188,496	\$ 6,652,927	\$ 5,488,518
Deposits held for others	861,998	846,744	772,856
Bonds and notes payable	9,173,831	8,316,721	9,340,611
Advances from federal government for student loans	930,388	924,987	914,743
Total liabilities	19,154,713	16,741,379	16,516,728
Net assets:			
Without donor imposed restrictions	54,631,472	55,874,697	55,941,853
With donor imposed restrictions	30,622,086	28,858,805	27,278,189
Total net assets	85,253,558	84,733,502	83,220,042
Total liabilities and net assets	\$ 104,408,271	\$ 101,474,881	\$ 99,736,770

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, 2020

	Year ended June 30, 2020		
	Without donor- imposed Restrictions	With donor- imposed Restrictions	Total
REVENUES AND OTHER SUPPORT			
Tuition and fees	\$ 29,367,469	\$ -	\$ 29,367,469
Less institutional awards	7,367,675	-	7,367,675
Net student tuition and fees	21,999,794	-	21,999,794
Contributions, private gifts, grants and contracts	16,067,514	8,859,539	24,927,053
Interest, dividend and other investment income	415,342	285,543	700,885
Other sources	1,470,279	1,062,353	2,532,632
Sales and service:		-	
Educational activities	342,249	-	342,249
Auxiliary enterprises	7,066,531	-	7,066,531
Independent operations	961,522	-	961,522
Net realized and unrealized gains on investments	31,750	(120,988)	(89,238)
Net unrealized gain on interest rate swap	(78,134)	-	(78,134)
Net assets released from restrictions	8,128,835	(8,128,835)	-
Total revenues and other support	56,405,682	1,957,612	58,363,294
EXPENDITURES			
Educational and general:			
Instructional	12,574,417	-	12,574,417
Research	535,510	-	535,510
Public service	149,271	-	149,271
Academic support	3,927,896	-	3,927,896
Student services	5,565,380	-	5,565,380
Institutional support	11,483,380	-	11,483,380
Operation and maintenance of physical plant	3,828,579	-	3,828,579
Scholarships	7,819,661	-	7,819,661
Depreciation and amortization expense	4,069,499	-	4,069,499
Auxiliary enterprises	5,548,331	-	5,548,331
Independent operations	2,033,866	-	2,033,866
Interest expense	307,448	-	307,448
Total expenditures	57,843,238	-	57,843,238
Change in net assets	(1,437,556)	1,957,612	520,056
Net assets - beginning of year	55,874,697	28,858,805	84,733,502
Conforming transfers	194,331	(194,331)	-
Net assets - end of year	\$ 54,631,472	\$ 30,622,086	\$ 85,253,558

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
REVENUES AND OTHER SUPPORT			
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	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)	-
Total revenues and other support	55,498,944	1,580,616	57,079,560
EXPENDITURES			
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
Total expenditures	55,566,100	-	55,566,100
Change in net assets	(67,156)	1,580,616	1,513,460
Net assets - beginning of year	55,941,853	27,278,189	83,220,042
Net assets - end of year	\$ 55,874,697	\$ 28,858,805	\$ 84,733,502

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
REVENUES AND OTHER SUPPORT			
Tuition and fees	\$ 27,062,598	\$ -	\$ 27,062,598
Less institutional awards	6,375,422	-	6,375,422
Net student tuition and fees	20,687,176	-	20,687,176
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)	-
Total revenues and other support	55,425,122	1,939,546	57,364,668
EXPENDITURES			
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
Total expenditures	54,786,282	-	54,786,282
Change in net assets	638,840	1,939,546	2,578,386
Net assets - beginning of year	55,675,978	24,965,678	80,641,656
Conforming transfers	(372,965)	372,965	-
Net assets - end of year	\$ 55,941,853	\$ 27,278,189	\$ 83,220,042

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, 2020, 2019 and 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	\$ 520,056	\$ 1,513,460	\$ 2,578,386
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization	4,069,499	3,868,023	3,830,281
Change in allowance for uncollectible contributions receivable	-	(377,661)	(111,736)
Change in allowance for uncollectible accounts receivable	97,802	-	20,856
Change in unamortized discount on contributions receivable	-	5,095	(71,154)
Net realized and unrealized (gains) losses on investments	89,238	(250,889)	(711,996)
Unrealized loss on interest rate swap	78,134	102,662	(122,732)
Contributions restricted for long-term investment	(533,087)	(1,252,092)	(1,128,578)
Changes in operating assets and liabilities:			
Contributions receivable	103,101	1,075,000	(830,000)
Accounts receivable	(508,456)	(1,939,646)	590,258
Deposits	(59)	428	7,394
Prepaid expenses and other assets	8,634	(91,365)	34,270
Accounts payable and accrued liabilities	1,536,168	1,164,758	36,848
Deposits held for others	15,254	73,127	19,555
Government advances for student loans	5,401	10,244	-
Net cash provided by operating activities	<u>5,481,685</u>	<u>3,901,144</u>	<u>4,141,652</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of investments	(758,542)	(2,260,670)	(1,386,406)
Purchases of land, buildings and equipment	(7,609,093)	(5,125,096)	(3,886,847)
Payments on notes receivable	(5,401)	(10,244)	1,925
Net cash used in investing activities	<u>(8,373,036)</u>	<u>(7,396,010)</u>	<u>(5,271,328)</u>

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, 2020, 2019 and 2018

	2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions restricted for investment in endowment	15,336	38,740	32,900
Contributions restricted for investment in plant	517,751	1,213,352	1,095,678
	533,087	1,252,092	1,128,578
Other financing activities:			
Proceeds from bonds and notes payable	2,000,000	-	450,000
Payments on notes and bonds payable	(1,142,890)	(1,023,890)	(1,074,944)
Change in annuity obligations	(599)	(349)	-
Total other financing activities	856,511	(1,024,239)	(624,944)
Net cash provided by (used in) financing activities	1,389,598	227,853	503,634
Net increase (decrease) in cash and cash equivalents	(1,501,753)	(3,267,013)	(626,042)
Cash and cash equivalents at beginning of year	16,959,667	20,226,680	20,852,722
Cash and cash equivalents at end of year	\$ 15,457,914	\$ 16,959,667	\$ 20,226,680
Other information:			
Cash paid for interest	\$ 394,121	\$ 315,890	\$ 345,146

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

OAKWOOD UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020, 2019 and 2018

**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.

OAKWOOD UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020, 2019 and 2018

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

Financial Statement Presentation (Continued)

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.
- Net assets with donor-imposed restrictions are contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that require the Club use or expend the donated assets as specified and are satisfied either by the passage of time or by actions of the Club.

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.

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.

OAKWOOD UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020, 2019 and 2018

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

Revenue Recognition (Continued)

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.

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.

OAKWOOD UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020, 2019 and 2018

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

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.

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 of Financial Instruments

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.

OAKWOOD UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020, 2019 and 2018

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

Fair Value of Financial Instruments (Continued)

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, 2020 in determining the fair value of the University's investments.

Net Asset Value Investment (NAV)

For certain investments measured using net asset value (NAV) as the practical expedient for fair value, ASC 2015-07 exempts the inclusion of these investments from the categorization within the fair value hierarchy established by ASC 820. The University's commingled private investment accounts use NAV as a practical expedient of fair value.

OAKWOOD UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020, 2019 and 2018

NOTE 2 - CONTRIBUTIONS RECEIVABLE

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

	June 30, 2020	
	Donor- Restricted	Total
Less than one year	\$ 786,669	\$ 786,669
One to five years	585,000	585,000
More than five years	-	-
	\$ 1,371,669	\$ 1,371,669
Unamortized discount		(160,601)
Allowance for uncollectible contributions receivable		(661,669)
Net contributions receivable		\$ 549,399

	June 30, 2019	
	Donor- Restricted	Total
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		(112,500)
Allowance for uncollectible contributions receivable		(661,669)
Net contributions receivable		\$ 652,500

OAKWOOD UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020, 2019 and 2018

NOTE 2 - CONTRIBUTIONS RECEIVABLE

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

	June 30, 2018	
	Donor- Restricted	Total
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		(107,406)
Allowance for uncollectible contributions receivable		(661,669)
Net contributions receivable		\$ 1,732,595

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	June 30		
	2020	2019	2018
Students' accounts	\$ 10,292,601	\$ 10,398,578	\$ 9,260,583
Less allowance for doubtful accounts	(4,430,736)	(4,332,934)	(4,710,596)
	5,861,865	6,065,644	4,549,987
Other accounts receivable	3,187,056	2,574,251	1,729,394
Loans to faculty and staff	78,453	76,825	120,032
	\$ 9,127,374	\$ 8,716,720	\$ 6,399,413

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

OAKWOOD UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020, 2019 and 2018

NOTE 4 - NOTES RECEIVABLE

Notes receivable consisted of the following:

	June 30		
	<u>2020</u>	<u>2019</u>	<u>2018</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)	916,387	910,986	900,742
Less allowance for doubtful accounts	<u>(8,682)</u>	<u>(8,682)</u>	<u>(8,682)</u>
	<u>\$ 907,705</u>	<u>\$ 902,304</u>	<u>\$ 892,060</u>

NOTE 5 – INVESTMENTS

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

	June 30		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Mutual funds	\$ 18,007,955	\$ 17,779,423	\$ 15,775,347
Common stocks	178,689	157,577	127,667
Commingled private investments	<u>5,849,000</u>	<u>5,507,474</u>	<u>5,132,569</u>
	<u>\$ 24,035,644</u>	<u>\$ 23,444,474</u>	<u>\$ 21,035,583</u>

The University recognized \$15,024, \$12,162, and \$12,832 in investment expense in 2020, 2019 and 2018, respectively.

OAKWOOD UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020, 2019 and 2018

NOTE 5 – INVESTMENTS – Continued

The following is a summary of the inputs used as of June 30, 2020 in valuing the University's investments carried at fair value:

	<u>June 30, 2020</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	\$ 18,007,955	\$ 18,007,955	\$ -	\$ -
Common stocks	<u>178,689</u>	<u>178,689</u>	<u>-</u>	<u>-</u>
Total investments in the fair value hierarchy	\$ 18,186,644	\$ <u>18,186,644</u>	\$ <u>-</u>	\$ <u>-</u>
Investments measured at net asset value *	<u>5,849,000</u>			
Total investments	<u><u>24,035,644</u></u>			

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><u>23,444,474</u></u>			

OAKWOOD UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020, 2019 and 2018

NOTE 5 – INVESTMENTS – Continued

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>	-	-
Total investments in the fair value hierarchy	\$ 15,903,014	\$ <u>15,903,014</u>	\$ -	\$ -
Investments measured at net asset value *	<u>5,132,569</u>			
Total investments	<u><u>21,035,583</u></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.

Level 2 measurements

Fixed income securities:

Corporate, including privately placed: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads. Also included are privately placed securities valued using a discounted cash flow model that is widely accepted in the financial services industry and uses market observable inputs and inputs derived principally from, or corroborated by, observable market data. The primary inputs to the discounted cash flow model include an interest rate yield curve, as well as published credit spreads for similar assets in markets that are not active that incorporate the credit quality and industry sector of the issuer.

OAKWOOD UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020, 2019 and 2018

NOTE 5 – INVESTMENTS

Level 2 measurements (Continued)

Equity securities:

Comprise commingled private investments. The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads.

Net Asset Value Investment (NAV)

The University’s commingled private investments are included in multi-strategy bond funds which seek income by diversifying assets among several fixed-income sectors. Valuation of the commingled private investments is based on each account’s daily NAV which is computed using the latest sales price on the last business day of the year reported by the principal securities exchange on which the underlying security issue is traded. The University has the ability to redeem its investment with the investee at NAV at the measurement date.

NOTE 6 - LAND, BUILDINGS AND EQUIPMENT, NET

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

	June 30		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Land and improvements	\$ 5,592,910	\$ 5,574,447	\$ 5,228,438
Buildings	74,286,480	70,590,141	69,279,501
Equipment	33,754,226	32,561,718	29,956,423
Goodwill	791,487	791,487	791,487
Farm	3,841,498	1,137,922	295,450
	<u>118,266,601</u>	<u>110,655,715</u>	<u>105,551,299</u>
Less accumulated depreciation	<u>(66,102,252)</u>	<u>(62,030,961)</u>	<u>(58,183,619)</u>
	<u>\$ 52,164,348</u>	<u>\$ 48,624,754</u>	<u>\$ 47,367,680</u>

OAKWOOD UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020, 2019 and 2018

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, 2020, 2019 and 2018, a variable rate of 1.91%, 1.87%, and 1.52% 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.

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.

OAKWOOD UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020, 2019 and 2018

NOTE 7 - BONDS PAYABLE (Continued)

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 (\$78,134 at June 30, 2020) is recorded in accounts payable and accrued liabilities.

In October of 2019, the University obtained a promissory note totaling \$2,000,000 with BB&T Bank for the construction of a building for the operations of Oakwood University Farms, LLC. The note bears interest at One Month LIBOR plus 1.35% per annum, which shall be adjusted monthly on the first day of each LIBOR Interest Period. Principal payments are due on the first day of each month beginning December 1, 2019 and ending December 1, 2029. The note also included a double negative pledge agreement with BB&T Bank.

Principal is due each December 1, as follows:

2021	\$	1,236,074
2022		1,265,880
2023		1,291,477
2024		1,127,340
2025		1,149,539
2026 and thereafter		3,103,521
	\$	<u>9,173,831</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.

OAKWOOD UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020, 2019 and 2018

NOTE 8 - DEFINED BENEFIT AND DEFINED CONTRIBUTION PLANS – Continued

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 \$1,012,296, \$1,183,087, and \$1,190,077 to the plan for the years ended June 30, 2020, 2019 and 2018, 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.

NOTE 9 - AFFILIATED ORGANIZATIONS AND RELATED PARTY TRANSACTIONS

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

Organizations	Nature and Purpose
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, 2020, 2019 and 2018, the North American Division and its subsidiaries contributed operating and capital subsidies to the University totaling \$7,609,228 (\$1,423,358 NAD and \$6,185,870 Regional Constituents), \$7,138,398, \$7,171,878, respectively.

OAKWOOD UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020, 2019 and 2018

NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS

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

	June 30		
	2020	2019	2018
Purpose restricted contributions used for:			
Research	\$ 423,881	\$ 574,458	\$ 675,357
Academic support	539,551	747,530	1,218,711
Public service	71,530	27,507	27,831
Instructional support	263,438	250,996	105,076
Institutional support	400,346	4,380,157	4,356,008
Scholarship and fellowships	4,626,234	4,310,318	4,591,051
Student services	539,753	526,973	920,229
Operation and maintenance of physical plant	1,264,102	905,168	2,045,944
	<u>\$ 8,128,835</u>	<u>\$ 11,723,107</u>	<u>\$ 13,940,207</u>

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

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

	June 30		
	2020	2019	2018
Purpose restricted contributions used for:			
Research	\$ 258,357	\$ 249,367	\$ 21,804
Academic support	246,806	85,685	99,356
Public service	695,869	785,772	873,896
Instructional support	427,573	196,576	263,590
Institutional support	5,934,609	7,652,766	7,652,739
Scholarship	5,169,056	2,769,889	2,592,817
Physical plant	12,995,904	11,923,733	10,640,922
Student services	365,480	643,396	643,124
	<u>\$ 26,093,654</u>	<u>\$ 24,307,184</u>	<u>\$ 22,788,248</u>

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

	June 30		
	2020	2019	2018
Physical plant	\$ -	\$ -	\$ 303,897
Scholarships	4,307,028	4,120,212	3,602,138
Institutional support	221,404	431,409	210,941
	<u>\$ 4,528,432</u>	<u>\$ 4,551,621</u>	<u>\$ 4,116,976</u>

OAKWOOD UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020, 2019 and 2018

NOTE 12 - COMMITMENTS

The University had an available line of credit with BB&T Bank amounting to \$1,700,000. As of June 30, 2020, 2019 and 2018, there were no outstanding balances on the line.

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:

<u>Financial Assets</u>	
Cash and cash equivalents	\$ 15,457,914
Accounts receivable	5,861,865
Investments at fair value	<u>24,035,644</u>
Total financial assets - June 30, 2020	45,355,423
Less donor-imposed restrictions	<u>(30,622,086)</u>
Total financial assets available to meet operating expenses within one year at June 30, 2020	\$ <u>14,733,337</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. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact or delay anticipated future contributions and other funding. Other financial impacts could occur and are uncertain at this time.

SUPPLEMENTARY INFORMATION

OAKWOOD UNIVERSITY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
STUDENT FINANCIAL AID – CLUSTER		
U.S. Department of Education		
Federal Pell Grant Program	84.063	\$ 3,766,656
Federal Supplemental Educational Opportunity Grant Program	84.007	275,139
Federal Work-Study Program	84.033	242,265
TEACH Grant	84.379	8,000
Federal Direct Student Loan Program	84.268	20,147,522
Total Student Financial Aid Cluster		<u>24,439,582</u>
OTHER PROGRAMS		
U.S. Department of Education:		
Strengthening Historically Black Colleges and Universities Program	84.031B	<u>2,377,026</u>
	Subtotal	2,377,026
National Science Foundation:		
Established Program to Stimulate Competitive Research		50,073
Nanacollodal Laser		116,952
Alabama Louis Stokes Alliance for Minority Participation	<u>47.076</u>	<u>46,747</u>
	Subtotal	213,772
National Institutes of Health:		
Mentored Experience in Research, Instruction, and Teaching Program	<u>93.859</u>	<u>15,501</u>
	Subtotal	15,501
COVID-19 Education Stabilization Fund:		
OU Emergency Relief Student Costs – P425E201426	84.425	183,860
OU Emergency Relief Institutional Costs – P425F201426	84.425	-
OU Emergency Relief HBCU – P425J200051	<u>84.425</u>	<u>1,815,585</u>
	Subtotal	1,999,445
Total Other Programs		<u>4,605,744</u>
Total Expenditures of Federal Awards		<u>\$ 29,045,326</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, 2020

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, 2020. 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.



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**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, 2020, 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 18, 2020.

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 18, 2020



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**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, 2020. 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, 2020.

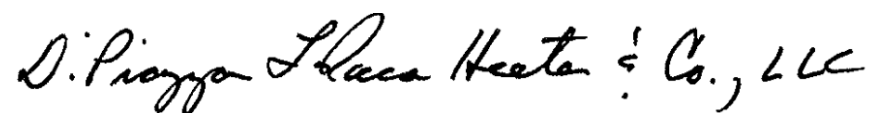
Report on Internal Control Over Compliance

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 18, 2020

OAKWOOD UNIVERSITY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Part I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued:	Unmodified	
	Yes	No
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

	Yes	No
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	
	Yes	No
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, 2020

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, 84.031B, 84.425	Student Financial Aid Cluster, Title III, COVID-19 Education Stabilization

Dollar threshold used to determine Type
A programs:

\$871,360

Yes **No**

Auditee qualified as low-risk auditee?

X

OAKWOOD UNIVERSITY
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2020

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, 2020

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, 2020

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, 2020**

	Oakwood University	Oakwood Enterprise - R1, LLC	Oakwood University Farm	Memorial Gardens	Elimination Entries	Consolidated Totals
ASSETS						
Cash and cash equivalents	\$ 15,185,285	\$ 181,399	\$ 62,214	\$ 29,016	\$ -	\$ 15,457,914
Certificates of deposit	104,941	-	-	-	-	104,941
Contribution receivable, net	549,399	-	-	-	-	549,399
Accounts receivable, net	12,892,022	95,070	(914)	-	(3,858,804)	9,127,374
Notes receivable, net	907,705	-	-	-	-	907,705
Investments at fair value	24,035,644	-	-	-	-	24,035,644
Investment in subsidiary	-	-	-	-	-	-
Investments in real estate, net of accumulated depreciation and valuation allowance of \$240,250 in 2020, 2019 and 2018	1,681,963	-	-	-	-	1,681,963
Land, buildings and equipment, net	48,125,125	364,382	3,674,841	-	-	52,164,348
Deposits	282,245	2,396	-	-	-	284,641
Prepaid expenses and other assets	14,090	1,632	78,620	-	-	94,342
Total assets	\$ 103,778,419	\$ 644,879	\$ 3,814,761	\$ 29,016	\$ (3,858,804)	\$ 104,408,271
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable and accrued liabilities	\$ 8,142,723	\$ 1,038,288	\$ 2,817,057	\$ 49,232	\$ (3,858,804)	\$ 8,188,496
Deposits held for others	861,998	-	-	-	-	861,998
Bonds payable	7,274,449	-	1,899,382	-	-	9,173,831
Advances from federal government for student loans	930,388	-	-	-	-	930,388
Total liabilities	17,209,558	1,038,288	4,716,439	49,232	(3,858,804)	19,154,713
Net Assets:						
Without donor-imposed restrictions	55,946,777	(393,410)	(901,679)	(20,216)	-	54,631,472
With donor imposed restrictions	30,622,086	-	-	-	-	30,622,086
Total net assets	86,568,863	(393,410)	(901,679)	(20,216)	-	85,253,558
Total liabilities and net assets	\$ 103,778,421	\$ 644,878	\$ 3,814,760	\$ 29,016	\$ (3,858,804)	\$ 104,408,271

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, 2020

	Oakwood University	Oakwood Enterprise - R1 - LLC	Oakwood University Farm	Memorial Gardens	Consolidated Totals
REVENUES AND OTHER SUPPORT					
Tuition and fees	\$ 29,367,469	\$ -	\$ -	\$ -	\$ 29,367,469
Less institutional awards	7,367,675	-	-	-	7,367,675
Net student tuition and fees	21,999,794	-	-	-	21,999,794
Contributions, private gifts, grants and contracts	24,917,834	-	9,219	-	24,927,053
Interest, dividend and other investment income	700,885	-	-	-	700,885
Other sources	2,532,632	-	-	-	2,532,632
Sales and service:					
Educational activities	342,249	-	-	-	342,249
Auxiliary enterprises	7,066,531	-	-	-	7,066,531
Independent operations	236,875	462,671	144,184	117,792	961,522
Net realized and unrealized gains on investments	(89,238)	-	-	-	(89,238)
Net unrealized loss on interest rate swap	(78,134)	-	-	-	(78,134)
Total revenues and other support	57,629,428	462,671	153,403	117,792	58,363,294
EXPENDITURES					
Educational and general:					
Instructional	12,574,417	-	-	-	12,574,417
Research	535,510	-	-	-	535,510
Public service	149,271	-	-	-	149,271
Academic support	3,927,896	-	-	-	3,927,896
Student services	5,565,380	-	-	-	5,565,380
Institutional support	11,483,380	-	-	-	11,483,380
Operation and maintenance of physical plant	3,828,579	-	-	-	3,828,579
Scholarships	7,819,661	-	-	-	7,819,661
Depreciation and amortization expense	3,878,403	80,092	111,004	-	4,069,499
Auxiliary enterprises	5,548,331	-	-	-	5,548,331
Independent operations	799,379	524,855	571,624	138,008	2,033,866
Interest expense	269,187	-	38,261	-	307,448
Total expenditures	56,379,394	604,947	720,889	138,008	57,843,238
Change in net assets	1,250,034	(142,276)	(567,486)	(20,216)	520,056
Net assets - beginning of year	85,318,829	(251,134)	(334,193)	-	84,733,502
Net assets - end of year	\$ 86,568,863	\$ (393,410)	\$ (901,679)	\$ (20,216)	\$ 85,253,558

See auditor's report.