

**OAKWOOD UNIVERSITY  
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
JUNE 30, 2022, 2021 and 2020**

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**OAKWOOD UNIVERSITY**  
**Management's Discussion of Financial Results (Unaudited)**  
**June 30, 2022, 2021 and 2020**

**Introduction**

The following discussion presents an overview of the consolidated financial position and financial activities of Oakwood University (the University) at June 30, 2022, 2021, and 2020, and for the years then ended (FYE 2022, FYE 2021, AND FYE 2020). This discussion was prepared by the University management and should be read in conjunction with the consolidated financial statements and notes thereto, which follow.

**Financial Highlights**

At June 30, 2022, 2021 and 2020, the University had total consolidated assets of \$128,063,334, \$115,223,075, and \$104,408,271, respectively; total consolidated liabilities of \$43,426,280, \$21,667,855, and \$19,154,713, respectively; and consolidated net assets of \$84,637,054, \$93,555,220, and \$85,253,558, respectively. University consolidated net assets decreased \$8,918,166 in FYE 2022, and increased \$8,301,662 in FY 2021, and \$520,056 in FYE 2020.

**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, 2022, 2021, and 2020. 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, 2022, 2021 and 2020**

**Summary of Changes in Net Assets**

The University's total consolidated net assets decreased approximately \$9 million in fiscal year 2022 primarily as a result of an investment loss, as compared to income in 2021. 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>2022</u>	<u>2021</u>	<u>2020</u>
	0.39316463	0.405799882	0.465416009
Operating Revenues:			
Net tuition and fees	\$ 17,620,690	18,229,391	21,999,794
Contributions, private gifts, grants, and contracts	26,837,154	26,453,870	24,927,053
Other	359,743	238,859	342,249
	<u>44,817,587</u>	<u>44,922,120</u>	<u>47,269,096</u>
Operating expenses:			
Instructional	11,883,851	11,111,471	12,574,417
Institutional	13,494,558	11,700,926	11,483,380
Scholarships	10,278,754	5,123,638	7,819,661
Other	10,202,244	9,238,053	10,178,057
	<u>45,859,407</u>	<u>37,174,088</u>	<u>42,055,515</u>
Operating (loss) income	(1,041,820)	7,748,032	5,213,581
Other revenues (expenses):			
Depreciation	(4,809,682)	(4,487,987)	(4,069,499)
Operation and maintenance of physical plant	(3,997,304)	(3,607,024)	(3,828,579)
Investment (loss) income	(4,012,515)	6,249,004	611,647
Interest expense	(408,059)	(315,549)	(307,448)
Other, net	5,351,214	2,715,186	2,900,354
Net other revenues (expenses)	<u>(7,876,346)</u>	<u>553,630</u>	<u>(4,693,525)</u>
Changes in net assets	(8,918,166)	8,301,662	520,056
Beginning net assets	<u>93,555,220</u>	<u>85,253,558</u>	<u>84,733,502</u>
Ending net assets	<u>\$ 84,637,054</u>	<u>93,555,220</u>	<u>85,253,558</u>

**OAKWOOD UNIVERSITY**  
**Management's Discussion of Financial Results (Unaudited)**  
**June 30, 2022, 2021 and 2020**

Net tuition and fees trended as follows: \$21,999,794 in FYE 2020, \$18,229,391 in FYE 2021, and \$17,620,690 in FYE 2022. Additionally, tuition and fees as a percent of total operating revenues have changed over the three fiscal years as follows: to 39% in FYE 2022, 41% in FYE 2021, and 47% in FYE 2020.

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.

**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 \$5.15 million in 2022.



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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Oakwood University  
Huntsville, AL

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Oakwood University, Oakwood Enterprise – R1, LLC, and Oakwood Farms, LLC, and Oakwood University Community QALICB, aka: “the University” (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2022, 2021, and 2020, and the related consolidated statements of activities and change in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the University as of June 30, 2022, 2021, and 2020, and the consolidated activity and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our 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. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Oakwood University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

## ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the 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 February 24, 2023 on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

*DiPiazza LaRocca Heeter & Co., LLC*

DiPiazza LaRocca Heeter & Co., LLC

Birmingham, Alabama

February 24, 2023



**OAKWOOD UNIVERSITY**  
**Consolidated Statements of Financial Position**  
**As of June 30, 2022, 2021, and 2020**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 15,773,623	\$ 11,453,138	\$ 15,457,914
Certificates of deposit	105,278	105,278	104,941
Contribution receivable, net	241,112	336,560	549,399
Accounts receivable, net	13,780,007	11,087,365	9,127,374
Notes receivable, net	12,626,955	907,705	907,705
Investments at fair value	24,042,200	30,267,430	24,035,644
Investments in real estate, net of accumulated depreciation and valuation allowance of \$240,250 in 2022, 2021 and 2020	1,681,963	1,681,963	1,681,963
Land, buildings and equipment, net	59,412,027	58,990,086	52,164,348
Deposits	284,797	284,640	284,641
Prepaid expenses and other assets	115,372	108,910	94,342
<b>Total assets</b>	<u>\$ 128,063,334</u>	<u>\$ 115,223,075</u>	<u>\$ 104,408,271</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 11,261,214	\$ 7,335,248	\$ 8,188,496
Deposits held for others	925,455	902,580	861,998
Notes payable	14,975,920	-	-
Bonds and other notes payable	15,406,421	12,572,757	9,173,831
Advances from federal government for student loans	857,270	857,270	930,388
<b>Total liabilities</b>	43,426,280	21,667,855	19,154,713
<b>Net assets:</b>			
Without donor imposed restrictions	52,659,046	57,782,924	54,631,472
With donor imposed restrictions	31,978,008	35,772,296	30,622,086
<b>Total net assets</b>	<u>84,637,054</u>	<u>93,555,220</u>	<u>85,253,558</u>
<b>Total liabilities and net assets</b>	<u>\$ 128,063,334</u>	<u>\$ 115,223,075</u>	<u>\$ 104,408,271</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, 2022**

	Year ended June 30, 2022		
	Without donor- imposed Restrictions	With donor- imposed Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Tuition and fees	\$ 27,063,710	\$ -	\$ 27,063,710
Less institutional awards	9,443,020	-	9,443,020
Net student tuition and fees	<u>17,620,690</u>	<u>-</u>	<u>17,620,690</u>
Contributions, private gifts, grants and contracts	18,638,002	8,199,152	26,837,154
Interest, dividend and other investment income	790,640	563,186	1,353,826
Other sources	2,079,904	330,715	2,410,619
Sales and service:			
Educational activities	359,743	-	359,743
Auxiliary enterprises	8,967,157	3,200	8,970,357
Independent operations	2,180,126	-	2,180,126
Net realized and unrealized loss on investments	(564,651)	(4,801,690)	(5,366,341)
Net unrealized gain on interest rate swap	89,962	-	89,962
Net assets released from restrictions	8,088,851	(8,088,851)	-
<b>Total revenues and other support</b>	<u>58,250,424</u>	<u>(3,794,288)</u>	<u>54,456,136</u>
<b>EXPENDITURES</b>			
Educational and general:			
Instructional	11,883,851	-	11,883,851
Research	378,053	-	378,053
Public service	497,495	-	497,495
Academic support	4,214,072	-	4,214,072
Student services	5,600,984	-	5,600,984
Institutional support	13,006,198	-	13,006,198
Operation and maintenance of physical plant	3,997,304	-	3,997,304
Scholarships	10,278,754	-	10,278,754
Depreciation and amortization expense	4,809,682	-	4,809,682
Auxiliary enterprises	5,130,454	-	5,130,454
Independent operations	3,169,396	-	3,169,396
Interest expense	408,059	-	408,059
<b>Total expenditures</b>	<u>63,374,302</u>	<u>-</u>	<u>63,374,302</u>
Change in net assets	(5,123,878)	(3,794,288)	(8,918,166)
<b>Net assets - beginning of year</b>	<u>57,782,924</u>	<u>35,772,296</u>	<u>93,555,220</u>
<b>Net assets - end of year</b>	<u>\$ 52,659,046</u>	<u>\$ 31,978,008</u>	<u>\$ 84,637,054</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, 2021**

	Year ended June 30, 2021		
	Without donor- imposed Restrictions	With donor- imposed Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Tuition and fees	\$ 26,736,415	\$ -	\$ 26,736,415
Less institutional awards	8,507,024	-	8,507,024
Net student tuition and fees	18,229,391	-	18,229,391
Contributions, private gifts, grants and contracts	18,070,338	8,383,532	26,453,870
Interest, dividend and other investment income	419,655	301,285	720,940
Other sources	1,484,457	444,163	1,928,620
Sales and service:			
Educational activities	238,859	-	238,859
Auxiliary enterprises	6,276,190	3,098	6,279,288
Independent operations	2,213,097	-	2,213,097
Net realized and unrealized gains on investments	1,059,658	4,468,406	5,528,064
Net unrealized gain on interest rate swap	62,560	-	62,560
Net assets released from restrictions	8,449,963	(8,449,963)	-
<b>Total revenues and other support</b>	<b>56,504,168</b>	<b>5,150,521</b>	<b>61,654,689</b>
<b>EXPENDITURES</b>			
Educational and general:			
Instructional	11,111,471	-	11,111,471
Research	352,256	-	352,256
Public service	147,985	-	147,985
Academic support	4,436,483	-	4,436,483
Student services	4,301,329	-	4,301,329
Institutional support	11,700,926	-	11,700,926
Operation and maintenance of physical plant	3,607,024	-	3,607,024
Scholarships	5,123,638	-	5,123,638
Depreciation and amortization expense	4,487,987	-	4,487,987
Auxiliary enterprises	4,830,178	-	4,830,178
Independent operations	2,938,201	-	2,938,201
Interest expense	315,549	-	315,549
<b>Total expenditures</b>	<b>53,353,027</b>	<b>-</b>	<b>53,353,027</b>
Change in net assets	3,151,141	5,150,521	8,301,662
<b>Net assets - beginning of year</b>	<b>54,631,472</b>	<b>30,622,086</b>	<b>85,253,558</b>
Confirming transfers	311	(311)	-
<b>Net assets - end of year</b>	<b>\$ 57,782,924</b>	<b>\$ 35,772,296</b>	<b>\$ 93,555,220</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, 2020**

	Year ended June 30, 2020		
	Without donor- imposed Restrictions	With donor- imposed Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
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)	-
<b>Total revenues and other support</b>	<b>56,405,682</b>	<b>1,957,612</b>	<b>58,363,294</b>
<b>EXPENDITURES</b>			
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
<b>Total expenditures</b>	<b>57,843,238</b>	<b>-</b>	<b>57,843,238</b>
Change in net assets	(1,437,556)	1,957,612	520,056
<b>Net assets - beginning of year</b>	<b>55,874,697</b>	<b>28,858,805</b>	<b>84,733,502</b>
Conforming transfers	194,331	(194,331)	-
<b>Net assets - end of year</b>	<b>\$ 54,631,472</b>	<b>\$ 30,622,086</b>	<b>\$ 85,253,558</b>

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

**OAKWOOD UNIVERSITY**  
**Consolidated Statement of Cash Flows**  
**For the Years Ended June 30, 2022, 2021, and 2020**

	2022	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Change in net assets	\$ (8,918,166)	\$ 8,301,662	\$ 520,056
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization	4,809,682	4,487,987	4,069,499
Change in allowance for uncollectible accounts receivable	(1,398,419)	204,465	97,802
Net realized and unrealized (gains) losses on investments	5,366,341	(5,528,064)	89,238
Unrealized loss on interest rate swap	(89,962)	(62,560)	78,134
Contributions restricted for long-term investment	(606,190)	(699,563)	(533,087)
Changes in operating assets and liabilities:			
Contributions receivable, net	95,448	212,839	103,101
Accounts receivable	(1,294,223)	(2,164,456)	(508,456)
Deposits	(157)	(336)	(59)
Prepaid expenses and other assets	(6,462)	(14,568)	8,634
Accounts payable and accrued liabilities	3,925,966	(853,194)	1,536,168
Deposits held for others	22,875	40,582	15,254
Government advances for student loans	-	(73,118)	5,401
Net cash provided by operating activities	1,906,733	3,851,676	5,481,685
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchases of investments	(4,093,994)	(641,168)	(758,542)
Proceeds from sale of investments	4,956,343	-	-
Purchases of land, buildings and equipment	(5,145,127)	(11,313,725)	(7,609,093)
Issuance of notes receivable	(11,719,250)	-	-
Payments on notes receivable	-	-	(5,401)
Net cash used in investing activities	(16,002,028)	(11,954,893)	(8,373,036)

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

**OAKWOOD UNIVERSITY**  
**Consolidated Statement of Cash Flows**  
**For the Years Ended June 30, 2022, 2021, and 2020**

	2022	2021	2020
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Contributions restricted for investment in endowment	571,941	208,408	15,336
Contributions restricted for investment in plant	34,249	491,155	517,751
	606,190	699,563	533,087
<b>Other financing activities:</b>			
Proceeds from bonds and notes payable (net of loan costs)	19,284,480	5,000,000	2,000,000
Payments on notes and bonds payable	(1,474,890)	(1,601,074)	(1,142,890)
Change in annuity obligations	-	(48)	(599)
Total other financing activities	17,809,590	3,398,878	856,511
Net cash provided by financing activities	18,415,780	4,098,441	1,389,598
 <b>Net increase (decrease) in cash and cash equivalents</b>	 4,320,485	 (4,004,776)	 (1,501,753)
 Cash and cash equivalents at beginning of year	 11,453,138	 15,457,914	 16,959,667
Cash and cash equivalents at end of year	\$ 15,773,623	\$ 11,453,138	\$ 15,457,914
 <b>Other information:</b>			
Cash paid for interest	\$ 408,059	\$ 315,549	\$ 394,121

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

**OAKWOOD UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022, 2021, and 2020**

**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.

The Oakwood University Community QALICB is an Alabama domestic nonprofit corporation under section 501(c)(3) formed in May of 2022 for the purpose of acquiring, developing, and leasing properties to Oakwood University to fulfill the University's Healthy Campus Healthy Community initiative.

**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.

**Change in accounting principle – Financial Statement of Presentation**

In September 2020, the FASB issued ASU 2020-07 *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 requires contributed nonfinancial assets, be reported as a separate line item on the statement of activities apart from contributions of cash and other financial assets. The guidance also requires disclosure of 1) qualitative information concerning the nature of the utilization of the assets, 2) any donor-imposed restrictions, 3) a description of the valuation techniques and inputs used to arrive at fair value and 4) the principal market used to arrive at the fair value. The not-for-profit entity must also disclose their policy concerning monetizing rather than utilizing contributed nonfinancial assets. ASU 2020-07 is effective for reporting periods beginning after June 15, 2021 and should be applied retrospectively. The University implemented ASU 2020-07 in fiscal year 2022, and the implementation had no impact on net assets for the years ended June 30, 2022, 2021, and 2020. Any nonfinancial contributed assets were immaterial in nature and value.

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

**Financial Statement Presentation (Continued)**

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-imposed 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.
- 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.



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

**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.

**Tuition**

In accordance with ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, tuition revenue is recognized when students have paid tuition and have received all of the benefits listed in the tuition agreement signed before payment. The contract with each student identifies the annual commitment by both the University and the student, the services to be provided and the tuition payment terms. Consideration is collected before the University performs the services listed in the contract. The agreed-upon services are provided by the University throughout the year, and revenue is recognized as the services are provided.

Tuition revenue is included in deferred revenue on the statement of net assets until performance by the University has fulfilled the terms of each agreement, constituting contract liabilities under Topic 606. All material contract obligations pertaining to tuition collected during 2022 were fulfilled during fiscal year 2022, 2021, and 2020, respectively. No contract liabilities or assets were necessary for the years then ended.

**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.

**OAKWOOD UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022, 2021, and 2020**

**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.

**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.

**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.

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

**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, 2022, 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. 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, 2022 in determining the fair value of the University's investments.

**OAKWOOD UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
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**NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**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.

**Recent Accounting Pronouncements**

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), increasing the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in this update are effective for fiscal years beginning after December 15, 2021. The University is currently evaluating the effect that the provisions of ASU No. 2016-02 will have on the University’s consolidated financial statements.

**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, 2022</b>	
	<b>Donor- Restricted</b>	<b>Total</b>
Less than one year	\$ 997,670	\$ 997,670
One to five years	274,000	274,000
More than five years	-	-
	\$ 1,271,670	\$ 1,271,670
Unamortized discount		(786,806)
Allowance for uncollectible contributions receivable		(243,752)
Net contributions receivable		\$ 241,112

**OAKWOOD UNIVERSITY**  
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**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, 2021</b>	
	<b>Donor- Restricted</b>	<b>Total</b>
Less than one year	\$ 838,670	\$ 838,670
One to five years	468,000	468,000
More than five years	-	-
	\$ 1,306,670	\$ 1,306,670
Unamortized discount		(726,357)
Allowance for uncollectible contributions receivable		(243,753)
Net contributions receivable		\$ 336,560

	<b>June 30, 2020</b>	
	<b>Donor- Restricted</b>	<b>Total</b>
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

**OAKWOOD UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
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**NOTE 3 - ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following:

	<b>June 30</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Students' accounts	\$ 11,926,352	\$ 12,436,774	\$ 10,292,601
Less allowance for doubtful accounts	(3,236,782)	(4,635,201)	(4,430,736)
	8,689,570	7,801,573	5,861,865
Other accounts receivable	5,042,103	3,209,312	3,187,056
Loans to faculty and staff	48,334	76,480	78,453
	\$ 13,780,007	\$ 11,087,365	\$ 9,127,374

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

**NOTE 4 - NOTES RECEIVABLE**

The Organization entered into an agreement on May 4, 2022 to lend \$11,719,250 to OU Huntsville Investment Fund, LLC (OUHI Fund). The note is secured by OUHI Fund's membership interest in Hope New Markets 18, LLC (HNM CDE), Pathway Lending CDE 5, LLC (PL CDE), and GCHP-NMTC-2019#4, LLC (GCHP CDE), (collectively the CDEs) and other cash accounts held by a secured party. The interest rate on the note is fixed at 1%. Interest is payable quarterly beginning June 2022 until June 2050. All principal and unpaid interest is due and payable in June 2050. Interest earned during fiscal year 2022 totaled \$77,152.

Notes receivable consisted of the following:

	<b>June 30</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Notes receivable from students	\$ 6,965	\$ 6,965	\$ 6,965
Less allowance from doubtful accounts	(6,965)	(6,965)	(6,965)
	-	-	-
Receivable from OU Huntsville Investment Fund	11,719,250	-	-
Receivable from students under the National Direct Student Loan program (loan criteria and interest rates are governed by the program)	916,387	916,387	916,387
Less allowance for doubtful accounts	(8,682)	(8,682)	(8,682)
	\$ 12,626,955	\$ 907,705	\$ 907,705

**OAKWOOD UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
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**NOTE 5 – INVESTMENTS**

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

	<b>June 30</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Mutual funds	\$ 18,430,923	\$ 24,029,059	\$ 18,007,955
Common stocks	228,560	211,860	178,689
Commingled private investments	5,382,717	6,026,511	5,849,000
	\$ 24,042,200	\$ 30,267,430	\$ 24,035,644

The University recognized \$16,683, \$16,954, and \$15,024 in investment expense in 2022, 2021, and 2020, respectively.

The following is a summary of the inputs used as of June 30, 2022 in valuing the University's investments carried at fair value:

	<b>June 30, 2022</b>	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
Mutual funds	\$ 18,430,923	\$ 18,430,923	\$ -	\$ -
Common stocks	228,560	228,560	-	-
Total investments in the fair value hierarchy	\$ 18,659,483	\$ 18,659,483	\$ -	\$ -
Investments measured at net asset value *	5,382,717			
Total investments	\$ 24,042,200			

**OAKWOOD UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
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**NOTE 5 – INVESTMENTS – Continued**

The following is a summary of the inputs used as of June 30, 2021 in valuing the University's investments carried at fair value:

	<u>June 30, 2021</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	\$ 24,029,059	\$ 24,029,059	\$ -	\$ -
Common stocks	<u>211,860</u>	<u>211,860</u>	<u>-</u>	<u>-</u>
Total investments in the fair value hierarchy	\$ 24,240,919	\$ <u>24,240,919</u>	\$ <u>-</u>	\$ <u>-</u>
Investments measured at net asset value *	<u>6,026,511</u>			
Total investments	\$ <u>30,267,430</u>			

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>24,035,644</u>			



**OAKWOOD UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
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**NOTE 5 – INVESTMENTS – Continued**

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.

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.

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

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

	<b>June 30</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Land and improvements	\$ 5,780,055	\$ 5,592,910	\$ 5,592,910
Buildings	86,527,631	83,255,727	74,286,480
Equipment	37,590,954	35,967,615	33,754,226
Goodwill	842,831	791,487	791,487
Farm	4,069,685	3,972,587	3,841,498
	134,811,156	129,580,326	118,266,601
Less accumulated depreciation	(75,399,129)	(70,590,240)	(66,102,252)
	\$ 59,412,027	\$ 58,990,086	\$ 52,164,348

**NOTE 7 - BONDS AND NOTES 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. As of March 15, 2021, this bond was paid in full.

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.

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**NOTE 7 – BONDS AND NOTES PAYABLE – Continued**

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 (\$62,560 at June 30, 2022) is recorded in accounts payable and accrued liabilities as a reduction of the liability from prior years.

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.

In January of 2021, the University obtained a construction loan totaling \$5,000,000 with BB&T Bank (now Truist Bank) for the construction of the Community Action Center and renovations of Peterson Hall. The note bears interest at the Adjusted LIBOR rate and will be computed and charged for the actual number of days elapsed on the basis of a 360-day year. Principal payments are due on the first day of each month beginning August 1, 2021 and ending January 1, 2026

**OAKWOOD UNIVERSITY**  
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**NOTE 7 – BONDS AND NOTES PAYABLE – Continued**

In May of 2022, the University obtained a leverage loan of \$4,000,000 bearing interest at 1.8% per annum from Truist bank. The balance of the loan is due May of 2027. The balance is shown net of loan costs totaling \$4,000.

Principal on bonds and notes payable is due, as follows:

2022	\$	2,309,904
2023		2,890,603
2024		3,390,713
2025		3,434,084
2026		2,046,109
2027 and thereafter		<u>1,335,008</u>
	\$	<u><u>15,406,421</u></u>

The Oakwood University Community QALICB (the QALICB) executed a loan agreement on May 4, 2022, that provides for total borrowings of \$4,607,500, \$6,790,000 and \$4,410,000 from GCHP CDE, HNM CDE, and PL CDE, respectively. The loans are to finance the costs in connection with the renovation, expansion, redevelopment, and equipping as applicable, of three separate facilities including the Community Health Action Center located on the “CHAC property”, the Oakwood Marketplace, and the Peters Music Hall and are intended to be treated as a “qualified low-income community investment” for purposes of generating New Market Tax Credits under Section 45D of the Internal Revenue Code of 1986, as amended. The loans are secured by a property security agreement with the lenders. The QALICB shall lease the properties to the Organization to fulfill the University’s Healthy Campus, Healthy Community initiative and advance music and performing arts education.

The QALICB is required to hold funds in reserve accounts for fees paid by the QALICB on behalf of the lenders. The reserve accounts totaled 694,250 at June 30, 2022.

Each loan accrues interest at 1.068%, payable quarterly beginning in December 2022, with the principal balance due in its entirety on the stated maturity dates. QALICB is not permitted to prepay any portion of the loans until the seventh anniversary of the loan. The balances outstanding on the notes payable, maturity dates and repayment terms are as follows:

Note payable to GCHP-NMTC-2019#4, LLC, Loan A matures on May 4, 2029, with principal payments commencing in December 2022.	\$ 3,352,550
Note payable to GCHP-NMTC-2019#4, LLC, Loan B matures on May 4, 2029, with principal payments commencing in December 2022.	1,254,950
Note payable to Pathway Lending CDE, LLC, Loan A matures on May 4, 2029, with principal payments commencing in December 2022.	5,010,600

**OAKWOOD UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
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**NOTE 7 – BONDS AND NOTES PAYABLE – Continued**

Note payable to Pathway Lending CDE, LLC, Loan B matures on May 4, 2029, with principal payments commencing in December 2022.			1,779,400
Note payable to Hope New Markets 18, LLC, Loan A matures on May 4, 2029, with principal payments commencing in December 2022.			3,356,100
Note payable to Hope New Markets 18, LLC, Loan B matures on May 4, 2029, with principal payments commencing in December 2022.			<u>1,053,900</u>
Total new market tax credits notes payable	\$		15,807,500
Less loan costs			<u>(831,580)</u>
Total notes payable	\$		<u><u>14,975,920</u></u>

Interest expense for the new market tax credits payable at June 30, 2022 was \$0.

**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 \$1,140,588, \$1,117,872, and \$1,012,296 to the plan for the years ended June 30, 2022, 2021, and 2020, 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, 2022, 2021, and 2020**

**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, 2022, 2021, and 2020, the North American Division and its subsidiaries contributed operating and capital subsidies to the University totaling \$7,669,986 (\$1,334,052 NAD and \$6,335,934 Regional Constituents), \$7,685,699, \$7,609,228, 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>2022</b>	<b>2021</b>	<b>2020</b>
Purpose restricted contributions used for:			
Research	\$ 292,123	\$ 237,662	\$ 423,881
Academic support	702,022	692,552	539,551
Public service	396,794	82,749	71,530
Instructional support	319,516	208,772	263,438
Institutional support	335,477	406,040	400,346
Scholarship and fellowships	3,909,294	3,509,823	4,626,234
Student services	527,676	343,411	539,753
Operation and maintenance of physical plant	1,529,554	2,964,376	1,264,102
Mandatory transfers	-	-	-
Auxiliary enterprises	76,395	674	-
Independent operations	-	3,904	-
Other plant expenditures	-	-	-
	<u>\$ 8,088,851</u>	<u>\$ 8,449,963</u>	<u>\$ 8,128,835</u>

**OAKWOOD UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022, 2021, and 2020**

**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>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Purpose restricted contributions used for:			
Research	\$ 406,196	\$ 466,584	\$ 258,357
Academic support	255,098	(227,546)	246,806
Public service	(10,253)	613,689	695,869
Instructional support	430,159	130,485	427,573
Institutional support	1,115,125	14,181,395	5,934,609
Scholarship	9,616,086	2,999,984	5,169,056
Physical plant	13,969,627	11,042,856	12,995,904
Student services	75,521	57,056	365,480
	<u>\$ 25,857,559</u>	<u>\$ 29,264,503</u>	<u>\$ 26,093,654</u>

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

	<b>June 30</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Physical plant	\$ -	\$ -	\$ -
Scholarships	4,613,105	5,497,029	4,307,028
Institutional support	1,507,344	1,010,764	221,404
	<u>\$ 6,120,449</u>	<u>\$ 6,507,793</u>	<u>\$ 4,528,432</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, 2022, 2021, and 2020, 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.

**OAKWOOD UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022, 2021, and 2020**

**NOTE 13 – LIQUIDITY AND AVAILABILITY – Continued**

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

<u><b>Financial Assets</b></u>	
Cash and cash equivalents	\$ 15,773,623
Accounts receivable	13,354,678
Investments at fair value	<u>24,042,200</u>
Total financial assets - June 30, 2022	53,170,501
Accounts payable	(11,261,214)
Less donor-imposed restrictions	<u>(31,978,008)</u>
Total financial assets available to meet operating expenses within one year at June 30, 2022	<u>\$ 9,931,279</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.

**NOTE 15 – FINANCIAL RESPONSIBILITY STANDARDS**

The University participates in federal Title IV student financial assistance programs, which require it to meet standards of financial responsibility based on criteria determined by the U.S. Department of Education (ED), as set forth in 34 CFR 668.171. The criteria for private institutions include the annual calculation by ED of a financial responsibility composite score, as further outlined in 34 CFR 668.172, using audited financial statements submitted through ED's eZ-Audit system. The composite score has been and will continue to be based on three ratios: Primary Reserve, Equity, and Net Income. These ratios utilize the following financial data of the Institution, which are not otherwise presented in the financial statements or other notes to the financial statements, as of and for the year ended June 30, 2022:



**OAKWOOD UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022, 2021, and 2020**

**NOTE 15 – FINANCIAL RESPONSIBILITY STANDARDS – Continued**

<u>Required input per standards</u>	<u>Ratio uses</u>	<u>Input amount</u>	<u>Related financial statement amount not used as ratio input on supplementary schedule</u>
	Net		
Change in net assets without donor restrictions	income	(5,123,878)	
Change in net assets without donor restrictions (operating)	N/A		(5,123,878)
Other revenue (confirming transfers)	N/A		-
PP&E Pre-Implementation	Primary	38,500,644	
PP&E Post-Implementation with outstanding debt	Primary	5,284,117	
PP&E Post-Implementation without outstanding debt	Primary	15,627,266	
Total property, plant & equipment, net	N/A		59,412,027
Long-term debt for long-term purposes pre- implementation	Primary	4,944,713	
Long-term debt for long-term purposes post- implementation	Primary	25,437,628	
Total long-term debt	N/A		30,382,341
Inputs directly from the consolidated statement of activities and changes in net assets:			
	Net		
Total revenues and other support	income	58,250,424	
	Net		
Other revenue (confirming transfers)	income	-	
	Net		
Total revenues and gains without donor restrictions	income	58,250,424	

**OAKWOOD UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022, 2021, and 2020**

**NOTE 16 – FUNCTIONAL EXPENSES**

Operating expenses are allocated functionally on a direct basis. Operations and maintenance expenses are based on square footage. Operating expenses by functional classification for the year ended June 30, 2022 were as follows:

	<u>Instruction and academic support</u>	<u>Research</u>	<u>Student service and support</u>	<u>Institutional support and auxiliary</u>	<u>Totals</u>
Salaries and wages	\$ 9,778,271	\$ 195,668	\$ 1,847,995	\$ 5,783,041	\$ 17,604,974
Employee benefits	4,271,274	81,405	858,467	2,741,139	7,952,285
Services purchased	752,647	7,681	1,992,830	8,137,701	10,890,858
Depreciation	1,348,171	149,797	305,486	3,006,228	4,809,682
Space and Occupancy	1,119,953	124,439	268,849	4,088,610	5,601,852
Supplies and equipment	660,456	55,192	295,755	1,719,178	2,730,580
Interest	-	-	-	408,059	408,059
Scholarships and other student awards	-	-	19,702,834	66,689	19,769,523
Other expenses and overhead allocations	<u>635,277</u>	<u>38,108</u>	<u>1,107,295</u>	<u>1,268,828</u>	<u>3,049,509</u>
Totals	<u>\$ 18,566,049</u>	<u>\$ 652,289</u>	<u>\$ 26,379,512</u>	<u>\$ 27,219,473</u>	<u>\$ 72,817,322</u>

**SUPPLEMENTARY INFORMATION**

**OAKWOOD UNIVERSITY**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2022**

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	\$ 3,200,362
Federal Supplemental Educational Opportunity Grant Program	84.007	249,942
Federal Work-Study Program	84.033	108,809
TEACH Grant	84.379	-
Federal Direct Student Loan Program	84.268	7,142,853
Total Student Financial Aid Cluster		10,701,966
<b>OTHER PROGRAMS</b>		
<b>U.S. Department of Education:</b>		
Strengthening Historically Black Colleges and Universities Program	84.031B	2,051,669
Minority Science and Engineering Improvement Program	84.120	188,949
	Subtotal	2,240,618
<b>National Science Foundation:</b>		
Established Program to Stimulate Competitive Research		21,354
Nanacollodal Laser		151,589
Alabama ADVANCE Partnership		47,453
Alabama Louis Stokes Alliance for Minority Participation	47.076	42,509
	Subtotal	262,905
<b>National Institutes of Health:</b>		
Instrumentation for Research and Education		
Mentored Experience in Research, Instruction, and Teaching Program	93.859	31,383
	Subtotal	31,383
<b>COVID-19 Education Stabilization Fund:</b>		
OU Higher Education Emergency Relief Fund Program	84.425	2,600,288
OU Emergency Relief Student Costs – P425E201426	84.425	2,691,489
OU Emergency Relief Institutional Costs – P425F201426	84.425	-
OU Emergency Relief HBCU – P425J200051	84.425	4,549,860
	Subtotal	9,841,637
Total Other Programs		12,376,543
Total Expenditures of Federal Awards		\$ 23,078,509

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

**OAKWOOD UNIVERSITY**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2022**

**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, 2021. 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.

**OAKWOOD UNIVERSITY**  
**Schedule of Financial Responsibility Data**  
**For the Year Ended June 30, 2022**

<u>Location in financial statements or related notes</u>	<u>Financial element</u>	<u>GAAP financial statement line item or disclosure</u>	<u>Amount used as ratio input</u>
<b><u>Primary Reserve Ratio: Expendable Net Assets</u></b>			
Statement of financial position	Net assets without donor restrictions	52,659,046	52,659,046
Statement of financial position	Net assets with donor restrictions	31,978,008	31,978,008
Note 16, Financial Responsibility Standards	PP&E Pre-Implementation		38,500,644
Note 16, Financial Responsibility Standards	PP&E Post-Implementation with outstanding debt		5,284,117
Note 16, Financial Responsibility Standards	PP&E Post-Implementation without outstanding debt		15,627,266
Note 16, Financial Responsibility Standards	Long-term debt for long-term purposes pre-implementation		4,944,713
Note 16, Financial Responsibility Standards	Long-term debt for long-term purposes post-implementation		25,437,628
<b><u>Primary Reserve Ratio: Expenses and Losses</u></b>			
Statement of activities	Total expenses and losses without donor restrictions	63,374,302	63,374,302
<b><u>Equity Ratio: Modified Net Assets</u></b>			
Statement of financial position	Net assets without donor restrictions	52,659,046	52,659,046
Statement of financial position	Net assets with donor restrictions	31,978,008	31,978,008
Statement of financial position	Total assets	128,063,334	128,063,334
<b><u>Net Income Ratio:</u></b>			
Note 16, Financial Responsibility Standards	Change in net assets without donor restrictions		(5,123,878)
Note 16, Financial Responsibility Standards	Total revenues and gains without donor restrictions		58,250,424



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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, 2022, 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 February 24, 2023.

**Report on 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.

## **Report on 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.

*DiPiazza LaRocca Heeter & Co., LLC*

DiPiazza LaRocca Heeter & Co., LLC

Birmingham, Alabama

February 24, 2023





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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**

***Opinion on 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, 2022. 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.

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, 2022.

***Basis for Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent to be independent of ABC Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, provisions, and the terms and conditions of the federal awards applicable to Oakwood University's federal programs.

### ***Auditor's Responsibility for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Oakwood University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Oakwood University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Oakwood University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Oakwood University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Oakwood University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## ***Report on 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.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed

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*

DiPiazza LaRocca Heeter & Co., LLC

Birmingham, Alabama

February 24, 2023

**OAKWOOD UNIVERSITY**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2022**

**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)**  
**For the Year Ended June 30, 2022**

**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, COVID-19 Education Stabilization

Dollar threshold used to determine Type  
 A programs:

\$750,000

**Yes**                      **No**

Auditee qualified as low-risk auditee?

X

**OAKWOOD UNIVERSITY**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2022**

**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*.

Federal program information:

None noted

Criteria or specific requirement (including statutory, regulatory or other citation):

Condition:

Effects:

Recommendation:

Management's response

**OAKWOOD UNIVERSITY**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2022**

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

Federal program information:

None noted

Criteria or specific requirement (including statutory, regulatory or other citation):

Condition:

Effects:

Recommendation:

Management's response

**OAKWOOD UNIVERSITY**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2022**

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

Federal program information:

None noted

Criteria or specific requirement (including statutory, regulatory or other citation):

Condition:

Effects:

Recommendation:

Management's response



## **OTHER FINANCIAL INFORMATION**

**OAKWOOD UNIVERSITY  
OAKWOOD ENTERPRISE - R1, LLC  
AND OAKWOOD FARMS, LLC  
Consolidating Schedule of Financial Position  
June 30, 2022**

	<u>Oakwood University</u>	<u>Oakwood University Farm</u>	<u>OU Community QALICB</u>	<u>Elimination Entries</u>	<u>Consolidated Totals</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 8,129,420	\$ 150,564	\$ 7,493,639	\$ -	\$ 15,773,623
Certificates of deposit	105,278	-	-	-	105,278
Contribution receivable, net	241,112	-	-	-	241,112
Accounts receivable, net	20,802,964	(3,394)	-	(7,019,563)	13,780,007
Notes receivable, net	12,626,955	-	-	-	12,626,955
Investments at fair value	24,042,200	-	-	-	24,042,200
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	48,315,309	3,572,141	7,524,577	-	59,412,027
Deposits	284,797	-	-	-	284,797
Prepaid expenses and other assets	10,419	104,953	-	-	115,372
<b>Total assets</b>	<u>\$ 116,240,417</u>	<u>\$ 3,824,264</u>	<u>\$ 15,018,216</u>	<u>\$ (7,019,563)</u>	<u>\$ 128,063,334</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 13,132,180	\$ 5,106,301	\$ 42,296	\$ (7,019,563)	\$ 11,261,214
Deposits held for others	925,455	-	-	-	925,455
Notes payable	-	-	14,975,920	-	14,975,920
Bonds and other notes payable	13,535,520	1,870,901	-	-	15,406,421
Advances from federal government for student loans	857,270	-	-	-	857,270
<b>Total liabilities</b>	28,450,425	6,977,202	15,018,216	(7,019,563)	43,426,280
<b>Net Assets:</b>					
Without donor-imposed restrictions	55,811,984	(3,152,938)	-	-	52,659,046
With donor imposed restrictions	31,978,008	-	-	-	31,978,008
<b>Total net assets</b>	<u>87,789,992</u>	<u>(3,152,938)</u>	<u>-</u>	<u>-</u>	<u>84,637,054</u>
<b>Total liabilities and net assets</b>	<u>\$ 116,240,417</u>	<u>\$ 3,824,264</u>	<u>\$ 15,018,216</u>	<u>\$ (7,019,563)</u>	<u>\$ 128,063,334</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, 2022**

	<b>Oakwood University</b>	<b>Oakwood University Farm</b>	<b>OU Community QALICB</b>	<b>Consolidated Totals</b>
<b>REVENUES AND OTHER SUPPORT</b>				
Tuition and fees	\$ 27,063,710	\$ -	\$ -	\$ 27,063,710
Less institutional awards	\$ 9,443,020	-	-	\$ 9,443,020
Net student tuition and fees	17,620,690	-	-	17,620,690
Contributions, private gifts, grants and contracts	26,786,304	50,850	-	26,837,154
Interest, dividend and other investment income	1,353,826	-	-	1,353,826
Other sources	2,410,228	391	-	2,410,619
Sales and service:				
Educational activities	359,743	-	-	359,743
Auxiliary enterprises	8,970,357	-	-	8,970,357
Independent operations	1,406,868	773,258	-	2,180,126
Net realized and unrealized gains on investments	(5,366,341)	-	-	(5,366,341)
Net unrealized loss on interest rate swap	89,962	-	-	89,962
<b>Total revenues and other support</b>	<b>53,631,637</b>	<b>824,499</b>	<b>-</b>	<b>54,456,136</b>
<b>EXPENDITURES</b>				
Educational and general:				
Instructional	11,883,851	-	-	11,883,851
Research	378,053	-	-	378,053
Public service	497,495	-	-	497,495
Academic support	4,214,072	-	-	4,214,072
Student services	5,600,984	-	-	5,600,984
Institutional support	13,006,198	-	-	13,006,198
Operation and maintenance of physical plant	3,997,304	-	-	3,997,304
Scholarships	10,278,754	-	-	10,278,754
Depreciation and amortization expense	4,635,869	173,813	-	4,809,682
Auxiliary enterprises	5,130,454	-	-	5,130,454
Independent operations	1,374,520	1,794,876	-	3,169,396
Interest expense	332,645	75,414	-	408,059
<b>Total expenditures</b>	<b>61,330,199</b>	<b>2,044,103</b>	<b>-</b>	<b>63,374,302</b>
Change in net assets	(7,698,562)	(1,219,604)	-	(8,918,166)
<b>Net assets - beginning of year</b>	<b>95,488,554</b>	<b>(1,933,334)</b>	<b>-</b>	<b>93,555,220</b>
<b>Net assets - end of year</b>	<b>\$ 87,789,992</b>	<b>\$ (3,152,938)</b>	<b>\$ -</b>	<b>\$ 84,637,054</b>

*See auditor's report.*