

ORAL ROBERTS UNIVERSITY
FINANCIAL STATEMENTS
APRIL 30, 2009 and 2008
WITH
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Oral Roberts University

We have audited the accompanying consolidated statement of financial position of Oral Roberts University (the University) as of April 30, 2009, and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of the University for the year ended April 30, 2008, before they were restated for the matters discussed in Note 14 to the financial statements were audited by other auditors whose report, dated January 30, 2009, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2009 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Oral Roberts University at April 30, 2009, and the consolidated changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We also audited the adjustments described in Note 14 that were applied to restate the 2008 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

The University changed its accounting policy for depreciation effective May 1, 2008, which increased depreciation expense by \$7,089,367 for the year ended April 30, 2009. The University also changed its policy of reporting imputed investment earnings on endowment funds as temporarily restricted net assets, effective May 1, 2008. These changes are discussed in Note 15 to the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2010, 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, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

May 28, 2010

ORAL ROBERTS UNIVERSITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

April 30, 2009 and 2008

	2009	2008 (Restated)
Assets		
Cash and cash equivalents	\$ 13,987,551	\$ 34,797,002
Accounts receivable, net	2,307,091	1,748,593
Contributions receivable	3,144,586	474,356
Prepaid expenses and other assets	5,969,347	5,755,828
Student loans receivable, net	25,831,455	24,724,128
Investments	5,040,116	5,499,597
Commercial real estate, net	36,243,931	35,400,676
Educational plant, net	69,672,024	66,145,372
Beneficial interest in assets held by others	3,272,831	2,859,292
	<hr/>	<hr/>
Total assets	\$ 165,468,932	\$ 177,404,844
	<hr/>	<hr/>
Liabilities and Net Assets		
Notes payable	\$ 7,311,577	\$ 23,729,151
Accounts payable and accrued expenses	11,150,662	12,781,763
Deferred revenue	4,673,499	5,205,315
Obligations under split-interest agreements	2,331,004	2,632,088
Government advances for student loans	20,427,192	20,117,401
	<hr/>	<hr/>
Total liabilities	45,893,934	64,465,718
	<hr/>	<hr/>
Net assets:		
Unrestricted	58,462,793	58,593,414
Temporarily restricted	21,923,421	16,394,430
Permanently restricted	39,188,784	37,951,282
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Total net assets	119,574,998	112,939,126
	<hr/>	<hr/>
Total liabilities and net assets	\$ 165,468,932	\$ 177,404,844
	<hr/>	<hr/>

ORAL ROBERTS UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended April 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other support				
Tuition and fees	\$ 50,656,606	\$ -	\$ -	\$ 50,656,606
Room, board and other auxiliary services	17,575,018	-	-	17,575,018
Less: scholarships and fellowships	(18,495,630)	-	-	(18,495,630)
Net tuition, fees, and auxiliary services	49,735,994	-	-	49,735,994
Contributions	23,448,828	19,483,130	1,179,191	44,111,149
Investment return	-	(327,447)	-	(327,447)
Federal contracts and grants	349,652	670,916	-	1,020,568
Commercial real estate operations	10,238,568	-	-	10,238,568
Other support	5,112,110	105,899	-	5,218,009
Net asset transfers - Joint Venture Agreement (Note 8)	(1,743,891)	1,685,580	58,311	-
Net assets released from restrictions	16,089,087	(16,089,087)	-	-
Total revenues, gains and other support	103,230,348	5,528,991	1,237,502	109,996,841
Expenses and losses				
Education and general:				
Instruction	21,073,104	-	-	21,073,104
Research	312,005	-	-	312,005
Public service	1,619,107	-	-	1,619,107
Academic support	3,829,056	-	-	3,829,056
Student services	8,065,101	-	-	8,065,101
Institutional support	24,784,542	-	-	24,784,542
Room, board and other auxiliary services	20,652,826	-	-	20,652,826
Total education and general expenses	80,335,741	-	-	80,335,741
Commercial real estate operations	13,126,070	-	-	13,126,070
Interest on indebtedness	427,871	-	-	427,871
Other expenses	2,381,920	-	-	2,381,920
Unusual depreciation charge	7,089,367	-	-	7,089,367
Total expenses and losses	103,360,969	-	-	103,360,969
Increase (decrease) in net assets	(130,621)	5,528,991	1,237,502	6,635,872
Net assets, beginning of year	58,593,414	16,394,430	37,951,282	112,939,126
Net assets, end of year	\$ 58,462,793	\$ 21,923,421	\$ 39,188,784	\$ 119,574,998

See notes to consolidated financial statements.

ORAL ROBERTS UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended April 30, 2008 (Restated)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other support				
Tuition and fees	\$ 51,689,970	\$ -	\$ -	\$ 51,689,970
Room, board, and other auxiliary services	18,564,340	-	-	18,564,340
Less: scholarships and fellowships	(17,258,761)	-	-	(17,258,761)
Net tuition, fees and auxiliary services	52,995,549	-	-	52,995,549
Contributions	75,293,669	4,973,591	757,233	81,024,493
Investment return	(3,945)	87,145	5,588	88,788
Federal contracts and grants	340,943	765,289	-	1,106,232
Commercial real estate operations	9,787,424	-	-	9,787,424
Other sources	3,552,188	86,371	-	3,638,559
Net assets released from restrictions	5,438,529	(5,438,529)	-	-
Total revenues, gains and other support	147,404,357	473,867	762,821	148,641,045
Expenses and losses				
Education and general:				
Instruction	20,015,239	-	-	20,015,239
Research	308,154	-	-	308,154
Public service	2,004,358	-	-	2,004,358
Academic support	4,215,969	-	-	4,215,969
Student services	6,288,969	-	-	6,288,969
Institutional support	20,550,646	-	-	20,550,646
Room, board and other auxiliary services	19,899,167	-	-	19,899,167
Total education and general expenses	73,282,502	-	-	73,282,502
Commercial real estate operations	12,099,795	-	-	12,099,795
Interest on indebtedness	4,254,513	-	-	4,254,513
Provision for potentially uncollectible accounts from affiliated organization	2,005,945	-	-	2,005,945
Other expenses	1,383,359	-	-	1,383,359
Total expenses and losses	93,026,114	-	-	93,026,114
Increase in net assets	54,378,243	473,867	762,821	55,614,931
Net assets, beginning of year	4,215,171	15,920,563	37,188,461	57,324,195
Net assets, end of year	\$ 58,593,414	\$ 16,394,430	\$ 37,951,282	\$112,939,126

See notes to consolidated financial statements.

ORAL ROBERTS UNIVERSITY
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended April 30, 2009 and 2008

	2009	2008
Cash flows from operating activities		
Increase in net assets	\$ 6,635,872	\$ 55,614,931
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	17,023,560	8,353,828
Realized and unrealized (gain) loss on investments	590,953	(335)
Loss on disposal of land and educational plant	935,621	882,672
Student loans cancelled	351,178	331,988
Provision for bad debts	405,615	1,061,655
Provision for potentially uncollectible accounts from affiliated organizations	-	1,805,570
Donated assets	(9,330)	(74,728)
Contributions restricted for long-term purposes	(1,179,191)	(757,233)
Interest added to endowment trust	11,929	1,986
(Increase) decrease in:		
Accounts receivable	(987,337)	(187,477)
Contributions receivable	(2,670,230)	1,324,487
Prepaid expenses and other assets	(213,519)	(572,458)
Beneficial interest in assets held by others	(413,539)	(579,102)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(1,631,101)	830,253
Deferred revenue	(885,671)	3,335,227
Refundable federal student loans	309,791	332,827
Net cash provided by operating activities	18,274,601	71,704,091
Cash flows from investing activities		
Purchases of educational plant	(17,870,761)	(4,504,558)
Proceeds from sale of educational plant	13,665	116,335
Purchases of commercial real estate assets	(4,471,992)	(1,764,943)
Purchases of investments	(2,075,691)	(2,174,869)
Proceeds from sale of investments	1,941,620	3,325,022
Payments received on notes receivable	5,662	32,803
Funds advanced to affiliate	-	(1,497,245)
Student loan collections	1,835,602	3,167,133
Student loans granted	(3,276,545)	(4,844,902)
Net cash used in investing activities	(23,898,440)	(8,145,224)
Cash flows from financing activities		
Proceeds from contributions restricted for long-term purposes	1,179,191	1,265,246
Other financing activities:		
Deferred revenue received for tenant improvements	353,855	(404,286)
Increase in reserves for gift annuities	(51,773)	174,946
Payments on notes payable and capital leases	(22,703,747)	(47,672,400)
Proceeds from notes payable	6,286,173	15,099,996
Payments on life loan agreements	(249,912)	(197,169)
Proceeds from life loan agreements	601	21,213
Net cash used in financing activities	(15,185,612)	(31,712,454)
Net change in cash and cash equivalents	(20,809,451)	31,846,413
Cash and cash equivalents, beginning of year	34,797,002	2,950,589
Cash and cash equivalents, end of year	\$ 13,987,551	\$ 34,797,002

See notes to consolidated financial statements.

ORAL ROBERTS UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2009 and 2008

Note 1 – Basis of Presentation and Summary of Significant Accounting Policies

Organization

Oral Roberts University was founded to educate the whole person - mind, body and spirit. ORU promises a world-class academic experience in the context of a vibrant Christ-centered community.

ORU is a comprehensive university dedicated to strong student outcomes and offers 65 undergraduate majors, many with national accreditation, as well as 14 master's-level programs and two doctoral degrees. The most popular majors include: business administration, media, pastoral Christian ministries, nursing, psychology and biology. Faculty members educated at the nation's top graduate schools serve as academic, professional and spiritual mentors to students who come to ORU from every corner of the globe.

Student population exceeds 3,000 for-credit students from 49 states and 56 countries. The alumni population consists of approximately 37,000 individuals. The ORU Golden Eagles Athletics Department is also proud to be a participant in eight NCAA Division I men's and women's varsity sports.

The accompanying consolidated financial statements include the accounts of certain entities under the financial control of Oral Roberts University. Significant balances and transactions among these entities are eliminated in consolidation. Oral Roberts University and the entities included herein are referred to as ORU or the University.

Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements reflect the activities of the University as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted Net Assets – Net assets not subject to donor-imposed restrictions and available for purposes consistent with the University's mission. Revenues are generally reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Investment returns generated by unrestricted funds are classified as changes in unrestricted net assets. Expenses are reported as decreases in unrestricted net assets.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that must be met by actions of the University and/or passage of time. Contributed assets normally fund specific expenditures of an operating or capital nature. Investment returns on endowment funds are generally classified as changes in temporarily restricted net assets. Temporarily restricted contributions or investment returns received and expended within the same fiscal year are reported as increases in temporarily restricted net assets and net assets released from restrictions, respectively, in the consolidated statements of activities.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions requiring that they be maintained permanently by the University. The University classifies the following portions of donor-restricted endowment funds as permanently restricted net assets: (a) the original value of assets contributed to permanent endowment funds, (b) subsequent contributions to such funds valued at the date of contribution, and (c) reinvested earnings on permanent endowment when specified by the donor.

Tuition and fees revenue and student financial aid

Student tuition and fees are recorded as revenue during the year the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue. Scholarships and fellowships awarded on the basis of merit or need are reported as a reduction of tuition and fee revenue. Tuition discounts granted to employees and their dependents are recorded as compensation expense in the appropriate functional expense classification.

The U.S. Government awards the University funds for student financial aid under three federal programs: Federal Pell Grant (Pell), Federal Supplemental Educational Opportunity Grant (SEOG), and Federal Work Study (FWS). Pell and SEOG provide eligible students a foundation of financial aid to assist with defraying the costs of post-secondary education. The FWS program provides part-time employment to students who need the earnings to help meet their post-secondary education costs. The program is also intended to broaden the range of worthwhile job opportunities to qualified students.

Auxiliary enterprises

The University's auxiliary enterprises exist primarily to furnish goods and services to students, faculty, and staff. Managed as essentially self-supporting activities, the University's auxiliaries consist principally of residence halls, dining halls, intercollegiate athletics, and college stores. Auxiliary enterprise revenues and related expenses are reported as changes in unrestricted net assets.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the appropriate category of net assets in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Unconditional promises to give are recorded net of an allowance for uncollectible receivables. This estimate is based on such factors as prior collection history, type of contribution, and the nature of the fund-raising activity. Amounts due in more than one year are discounted using a risk-adjusted rate. Amortization of the discount is recorded as additional contribution revenue to the respective net asset class.

Bequests are recorded at the time an unassignable right to the gift has been established and the proceeds are measurable in amount. Conditional promises to give are not recorded until the conditions on which they depend are substantially met.

Cash and cash equivalents

Resources on deposit with financial institutions and short-term investments with an original maturity date of three months or less are classified as cash equivalents.

Cash paid for interest was \$427,871 and \$3,045,105 for the years ended April 30, 2009 and 2008, respectively.

Investments and investment income

Investments in government and agency obligations, debt securities and public equities are stated at fair value, which are determined primarily based on quoted market prices.

Investments are exposed to certain risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, change in the value of investment securities could occur in the near term, and these changes could materially affect the amounts reported in the accompanying financial statements.

Investment return consists of interest and dividend income and realized and unrealized gains and losses on investments. Investment return on endowment investments, after all donor-required additions to the endowment corpus, are reported as temporarily restricted until appropriated for use by the University. Any difference between the total return recognized and the amount appropriated under the University's spending rate policy is reported as temporarily restricted net assets.

Split-interest agreements

The University has received various charitable gift annuities and irrevocable charitable remainder trusts under which donors have retained rights to periodic distributions. Assets received under these agreements are recorded at fair value in the appropriate net asset category and included with investments. Temporarily restricted contribution revenues are recognized at the date the agreements are established net of liabilities for the present value of the estimated future payments to be made to the donors or their designee. The liabilities are adjusted during the terms of the agreements for changes in the value of the assets, accretion of the discounts and other changes in estimates of future benefits.

ORU also enters into revocable life loan agreements. Interest is paid to lenders at rates of 3.5% to 6.5%. If called, the loans must be repaid, but ORU's obligation to repay a loan is to be forgiven upon the death of the lender.

The fair value of assets held under split-interest agreements was approximately \$3,301,000 and \$4,016,000 at April 30, 2009 and 2008, respectively.

Educational plant

Investment in property and equipment is stated at cost, if purchased or fair value at the date of gift, if donated, less accumulated depreciation and amortization. Depreciation of buildings, building improvements, equipment and the library collection is computed using the straight-line method based on estimated lives of the assets.

Commercial real estate

Commercial real estate is comprised of a three-tower, 2.2 million square foot office complex known as CityPlex Towers (CityPlex). Rental revenue is recorded on a straight-line basis over the terms of the leases. The investment in building, tenant improvements and related assets are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method based on the estimated useful lives and is reported in expenses of commercial real estate operations.

Beneficial interests in assets held by others

The ORU Alumni Foundation, Inc. and ORU Golden Eagles Club, Inc. receive contributions and hold assets for which the University is designated the beneficiary by the donor. The assets held by these affiliated entities are reported at fair value as temporarily restricted net assets.

Concentrations

ORU has cash deposits with several financial institutions. Amounts held on deposit at April 30, 2009, exceeded federally insured limits by approximately \$8,000,000.

During the years ended April 30, 2009 and 2008, ORU received contributions of \$28,500,000 and \$71,000,000, respectively, from a single donor.

Student financial aid

The University conducts certain programs pursuant to grants and contracts funded, and subject to audit, by various federal and state agencies. Amounts questioned as a result of audits, if any, may result in refunds to these government agencies.

The University participates in the Federal Family Education Loan Program (the Program), which includes the Federal Stafford Loan Program and Federal Parents Loans for Undergraduate Students. Program loans are made by various lenders to students attending the University. Such transactions are not recorded in the financial statements of the University. The University performs certain administrative functions under the Program, which if not performed timely, could result in a liability to the University.

Estimates

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

Federal income taxes

ORU is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent of unrelated business taxable income as defined by the Internal Revenue Code. Such income has not been significant.

Continued compliance with applicable tax regulations affords ORU the opportunity to maintain its tax-exempt status. However, events or interpretations of such regulations could result in contingent tax obligations. FIN 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*, was issued to clarify the accounting for contingent income tax obligations. Management has elected to defer the application of FIN 48, which must be adopted in years beginning after December 15, 2008. ORU will continue to follow SFAS No. 5, *Accounting for Contingencies*, until it adopts FIN 48.

Fair value measurements

The University adopted SFAS No. 157, *Fair Value Measurements* (SFAS 157), effective April 30, 2009. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date.

The University utilizes the following fair value hierarchy, which prioritizes, into three broad levels, the inputs to valuation techniques used to measure fair value:

- Level 1 – Quoted prices in active markets for identical assets and liabilities,
- Level 2 – Inputs other than quoted prices that are either directly or indirectly observable, including quoted prices for similar assets or liabilities in active markets,
- Level 3 – Unobservable inputs for the asset or liability.

The fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3).

Reclassifications

Certain 2008 amounts have been reclassified to conform with 2009 presentations. These reclassifications had no impact on change in net assets.

Note 2 – Receivables

Accounts receivable at April 30 consist of the following:

	2009	2008
Student tuition and fees, net of \$1,474,210 and \$1,232,752 allowance for doubtful accounts, respectively	\$ 446,735	\$ 416,766
Contracts and grants receivable	205,863	290,783
Notes receivable	-	116,992
Rental property receivables	850,551	426,419
Other receivables	803,942	497,633
	<u>\$ 2,307,091</u>	<u>\$ 1,748,593</u>

Contributions receivable at April 30 consist of the following:

	2009	2008
Due in less than one year	\$ 3,427,470	\$ 1,981,873
Due in less than five years	342,004	423,760
	3,769,474	2,405,633
Present value discount	(66,261)	(60,454)
Allowance for uncollectible accounts	(558,627)	(1,870,823)
	<u>\$ 3,144,586</u>	<u>\$ 474,356</u>

Note 3 – Investments

The fair values of investments at April 30 consist of the following:

	2009	2008
Equity mutual funds	\$ 146,335	\$ 258,053
Bond mutual funds	1,521,826	1,605,353
Government backed securities	1,876,661	2,187,251
Corporate bonds	1,390,258	1,370,994
Corporate equity	105,036	77,946
Total	\$ 5,040,116	\$ 5,499,597

The following table presents the University's assets that are measured at fair value on a recurring basis for each hierarchy level as of April 30, 2009:

	Total	Level 1	Level 2	Level 3
Assets:				
Equity mutual funds	\$ 146,335	\$ 146,335	\$ -	\$ -
Bond mutual funds	1,521,826	1,517,942	3,884	-
Government backed security	1,876,661	1,643,205	233,456	-
Corporate bonds	1,390,258	-	1,390,258	-
Corporate equity	105,036	105,036	-	-
Total	\$ 5,040,116	\$ 3,412,518	\$ 1,627,598	\$ -

Note 4 – Educational Plant

Net investment in educational plant at April 30 consists of the following:

	2009	2008 (Restated)	Estimated Useful Lives
Land and land improvements	\$ 9,339,246	\$ 9,077,739	20 years
Buildings and improvements	85,287,681	84,877,075	20-50 years
Equipment	46,790,844	37,880,095	3-10 years
Vehicles	1,404,661	1,383,745	5 years
Library books	7,983,517	8,440,679	20 years
	150,805,949	141,659,333	
Less accumulated depreciation	(89,281,059)	(76,773,943)	
	61,524,890	64,885,390	
Construction in progress	8,147,134	1,259,982	
	\$ 69,672,024	\$ 66,145,372	

Note 5 – Commercial Real Estate

The carrying value of CityPlex Towers at April 30 consists of the following:

	2009	2008
Land	\$ 2,815,144	\$ 2,815,144
Buildings and improvements	88,863,837	84,774,451
Equipment	28,128,994	28,108,885
Tenant improvements	3,032,165	5,754,390
	<u>122,840,140</u>	<u>121,452,870</u>
Less accumulated depreciation	(86,596,209)	(86,052,194)
	<u>\$ 36,243,931</u>	<u>\$ 35,400,676</u>

Operations of CityPlex Towers for the years ended April 30 are summarized as follows:

	2009	2008
Tenant rental income	\$ 10,238,568	\$ 9,787,424
Operating expenses:		
Property management	360,599	410,946
Leasing commissions	242,715	210,937
Utilities	4,401,762	4,124,718
Operations and maintenance	3,832,962	3,605,986
Interest on indebtedness	682,934	1,624,079
Depreciation	3,605,098	3,747,208
Total operating expenses	<u>13,126,070</u>	<u>13,723,874</u>
Net operating loss	<u>\$ (2,887,502)</u>	<u>\$ (3,936,450)</u>

The building is depreciated over 50 years. Tenant improvements are amortized over the term of the related leases. Leasing commissions paid to a member of the consolidated group are expensed as incurred. Leasing commissions paid to third parties are capitalized and amortized over the term of the related lease.

Minimum future rentals under noncancellable lease agreements as of April 30, 2009, are as follows:

2010	\$ 8,169,274
2011	6,618,919
2012	5,385,437
2013	4,127,572
2014	2,738,757
Thereafter	<u>6,211,158</u>
Total	<u>\$ 33,251,117</u>

Note 6 – Notes Payable

Notes payable at April 30 consist of the following:

	<u>2009</u>	<u>2008</u>
Note payable with interest at 4.00%; interest only due monthly; collateralized by certain real estate	\$ 3,733,853	\$ 23,583,863
Line-of-credit with interest at 5.00% or 1.00% below the prime rate of a New York bank (3.25% at April 30, 2009); interest only due monthly; collateralized by certain real estate	3,486,173	-
Other	91,551	145,288
Notes payable, net	<u>\$ 7,311,577</u>	<u>\$ 23,729,151</u>

Annual maturities of notes payable are as follows:

2010	\$ 7,267,257
2011	33,308
2012	11,012
Total	<u>\$ 7,311,577</u>

Note 7 – Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of the following at April 30:

	<u>2009</u>	<u>2008</u> (Restated)
Charitable gift annuity funds	\$ 4,369,007	\$ 4,974,188
Scholarships	5,467,859	1,975,902
Equipment	845,574	1,993,963
Beneficial interests in assets held by others	3,272,831	2,859,292
Contributions receivable	3,144,586	474,356
Other purpose restrictions	4,823,564	4,116,729
Total temporarily restricted net assets	<u>\$ 21,923,421</u>	<u>\$ 16,394,430</u>

In years prior to 2008, proceeds of temporarily restricted contributions were borrowed and used for unrestricted purposes. At April 30, 2009, the balance of inter-fund borrowings owed to temporarily restricted funds is approximately \$7,000,000.

Note 8 – Endowment

Permanently restricted net assets are categorized at April 30 as follows:

	2009	2008 (Restated)
Earnings of the following funds are restricted to:		
School of Business	\$ 281,295	\$ 272,437
School of Theology	2,517,825	2,498,755
School of Education	547,910	546,076
School of Arts and Sciences	1,485,617	1,474,361
School of Nursing	21,649,949	22,358,448
General scholarships	8,783,010	7,920,555
General activities of University	3,923,178	2,880,650
Total permanently restricted net assets	<u>\$ 39,188,784</u>	<u>\$ 37,951,282</u>

The University's endowment trust consists of approximately 240 individual funds established for a variety of purposes. The Board of Trustees of the University has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the state of Oklahoma, as requiring the preservation of the fair value of the original gifts as of the gift dates of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of all gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument.

The endowment trust was established in 1973. After a period of inactivity, it was reactivated in 1988 by creation of the Anna Vaughn Benz Trust Fund for the School of Nursing. During the 1990's, the University experienced periods of financial need which were met, in part, by borrowings from the endowment trust. As of April 30, 2008, the fund balance of the University's endowment trust was \$37,951,282. Endowment trust assets at that date consisted of marketable securities of \$236,117, a note receivable from University Village, Inc. of \$2,725,156, and the remainder in receivables from the University's unrestricted fund, some of which were evidenced by collateralized mortgage notes on CityPlex.

In recognition of the University's obligations to the endowment trust and certain temporarily restricted funds, effective May 1, 2008, and amended on April 28, 2010, the endowment trust and the University entered into an agreement (the Joint Venture Agreement) whereby, among other things, they made the following agreements:

- CityPlex ownership and operations will remain vested in and the responsibility of the University
- The endowment fund's interest in the promissory notes were contributed to the joint venture
- All annual operating income of CityPlex (as defined) is split between the University and the Endowment Trust. According to the agreement, the University guarantees the endowment fund will receive the greater of \$1,743,891, or 53.66% of the annual operating income of CityPlex
- The agreed value of CityPlex is \$65 million. In the event of a sale of CityPlex, proceeds will be allocated as follows:
 - First \$34,877,825 of net proceeds to the endowment fund
 - Proceeds in excess of \$34,877,825, to \$65 million, first to temporarily restricted fund accounts from which the University had borrowed funds, then to the University's unrestricted fund
 - Proceeds in excess of \$65 million, if any, 53.66% to endowment fund and the remainder to the University's unrestricted fund

For the year ended April 30, 2009, CityPlex's income before depreciation and amortization was \$717,196. The guaranteed 5% return of \$1,743,891 is reported in the statement of activities and changes in net assets as a transfer from unrestricted net assets to temporarily restricted net assets of \$1,685,580 and permanently restricted net assets of \$58,311. Guaranteed payments credited to temporarily restricted income were subsequently released from restrictions.

Endowment trust assets at April 30, 2009, consist of marketable securities of \$2,084,987, a note receivable from University Village, Inc. of \$2,725,156 (included in prepaid expenses and other assets), and the remainder in the Joint Venture Agreement discussed above. The note receivable was repaid subsequent to April 30, 2009.

Note 9 – Retirement Plans

Full-time faculty and staff are eligible after specified periods of employment to participate in a contributory retirement and annuity program through the Teachers Insurance and Annuity Association and the College Retirement Equities Funds (TIAA/CREF). The University has no liability for the funds other than current contributions, which equal the employees' contribution as detailed in the Plan.

Note 10 – Disclosures About the Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents, Short-Term Investments, Accounts and Pledges Receivable, Beneficial Interest in Assets, Life Loans, Reserves for Gift Annuities and Accounts Payable – The carrying amounts approximate fair value because of the short maturity of those instruments or as a result of the discount recorded for the net present value considerations for long-term instruments.

Investments – ORU accounts for its investments in debt securities at fair value. Investments in equity securities with readily determinable fair values are periodically remeasured to fair value determined by quoted market prices, if available, or by a reasonable estimate of fair value provided by an investment manager.

Notes Payable – The carrying amount approximates fair value because of known factors relating to financing occurring subsequent to year-end.

Loans to Students – Determination of the fair value of student loan receivables, which include donor-restricted and federally-sponsored student loans with mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition, could not be made without incurring excessive costs.

Note 11 – Leases

ORU leases copying equipment, production equipment, and satellite transmission service under operating lease contracts. The future minimum lease payments under these agreements at April 30, 2009, are as follows:

2010	\$ 411,641
2011	59,908
2012	<u>55,188</u>
Future minimum lease payments	<u>\$ 526,737</u>

Terms of the lease contracts provide for services under noninterest-bearing lease obligations. For the years ended April 30, 2009 and 2008, expenses incurred relating to operating lease agreements amounted to \$554,679 and \$495,054, respectively.

Note 12 – Commitments and Contingencies

ORU is involved in various litigation arising in the ordinary course of business. After reviewing these actions with counsel, management does not believe that any resulting liability will be material to the financial statements taken as a whole.

Note 13 – Transactions with Related Parties

Historically, ORU and Oral Roberts Evangelistic Association, Inc. (OREA) had certain officers and key employees who simultaneously served in those positions for both organizations. In addition, ORU and OREA performed certain services on behalf of and charged to the other entity. ORU provided financial, accounting and administrative services to OREA, whereas OREA provided correspondence and fundraising services to ORU.

In November 2007, the former ORU Board of Regents unanimously voted to completely separate the functions and operations of ORU and OREA in all areas, including financial, operational, governance and legal. As of December 31, 2007, no individual simultaneously served as an officer, director or key employee of both ORU and OREA. ORU ceased performing any services for OREA, including financial and administrative services effective April 30, 2008.

All OREA receivables were fully reserved by ORU and have been subsequently released and have no financial impact on the April 30, 2009 financial statements.

Note 14 – Correction of Educational Plant and Restricted Net Assets

Prior to 2009, ORU did not regularly compare fixed assets reflected in its accounting records with the physical assets. The University conducted such a comparison and analysis during 2009. It also updated its records of accumulated depreciation, using the same lives and salvage values that had been used historically. The University determined that assets with a cost of approximately \$13,452,000 and accumulated depreciation of approximately \$2,553,000 were no longer in service. Consequently, management determined that a restatement of previously issued 2008 financial statements was necessary to correctly report the carrying value of educational plant. The net effect of this correction is a decrease of unrestricted net assets as of May 1, 2007, of approximately \$10,899,000.

During 2009, the University conducted an exhaustive study and analysis of its records supporting permanently restricted and temporarily restricted net assets. The study and analysis determined that as of May 1, 2007, permanently restricted net assets were understated by \$3,827,867 and temporarily restricted net assets were understated by \$473,867. These corrections are included in these financial statements effective May 1, 2007.

Note 15 – Change in Accounting Policy

Effective May 1, 2008, the University changed its depreciation policy to adjust the estimated lives of certain assets and to eliminate salvage value in calculating depreciation expenses. The net impact of this change in policy was to increase depreciation expense by \$7,089,367 in 2009. This change in the 2009 financial statements resulted from assets that were at or near the end of their estimated useful lives for which estimated salvage value was no longer considered appropriate.

Prior to fiscal year 2009, the University accrued investment income on the historical amount of endowment funds, reporting the cumulative amounts accrued in temporarily restricted net assets, when the endowment fund investments produced little or no actual investment income. Effective fiscal year 2009, the University eliminated the practice of reporting imputed interest on unfunded endowment balances. The effect of this change was to reverse the imputed interest earnings and the related interfund accounts receivable balance for prior years that totaled approximately \$5,700,000.