ORAL ROBERTS UNIVERSITY

CONSOLIDATED FINANCIAL STATEMENTS

APRIL 30, 2017 and 2016

WITH

INDEPENDENT AUDITOR'S REPORT

HoganTaylor LLP
CPAs + ADVISORS

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CPAs + ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Oral Roberts University

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Oral Roberts University and affiliates (collectively, the University) which comprise the consolidated statements of financial position as of April 30, 2017 and 2016, and the related consolidated statements of activities, and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University as of April 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hogan Taylor LLP

Tulsa, Oklahoma
September 18, 2017

ORAL ROBERTS UNIVERSITY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

April 30, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	$ 27,159,053	$ 28,878,765
Accounts receivable, net	4,383,003	4,528,427
Contributions receivable, net	906,971	3,268,184
Investments	11,773,164	10,698,920
Certificates of deposit	6,510,007	9,595,584
Prepaid expenses and other assets	2,792,841	3,075,188
Student loans receivable, net	23,944,851	23,503,616
Commercial real estate, net	31,690,719	31,668,285
Educational plant, net	76,862,151	76,885,839
Beneficial interest in assets held by others	2,027,822	3,287,037
Total assets	$ 188,050,582	$ 195,389,845
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 13,816,282	$ 13,193,718
Deferred revenue	4,314,366	4,439,063
Obligations under split-interest agreements	1,343,582	1,579,807
Government advances for student loans	20,175,754	20,205,750
Total liabilities	39,649,984	39,418,338
Net assets:		
Unrestricted	79,883,005	83,080,579
Temporarily restricted	25,538,482	30,994,004
Permanently restricted	42,979,111	41,896,924
Total net assets	148,400,598	155,971,507
Total liabilities and net assets	$ 188,050,582	$ 195,389,845

ORAL ROBERTS UNIVERSITY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended April 30, 2017
(with comparative totals for the year ended April 30, 2016)

	2017				2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenues, gains and other support					
Tuition and fees	$ 75,020,799	$ -	$ -	$ 75,020,799	$ 69,917,259
Room, board and other auxiliary services	23,324,665	-	-	23,324,665	21,549,078
Less: scholarships and fellowships	(37,584,691)	-	-	(37,584,691)	(31,987,611)
Net tuition, fees and auxiliary services	60,760,773	-	-	60,760,773	59,478,726
Contributions	4,833,861	14,828,307	949,238	20,611,406	21,844,612
Investment return	171,414	916,828	68,693	1,156,935	(146,048)
Contracts and grants	1,090,754	190,358	-	1,281,112	1,261,448
Commercial real estate operations	8,345,494	-	-	8,345,494	8,579,678
Other support	7,694,070	13,227	-	7,707,297	6,918,244
Net assets transfers - Joint Venture Agreement (Note 8)	(1,743,891)	1,679,635	64,256	-	-
Net assets released from restrictions	23,083,877	(23,083,877)	-	-	-
Total revenues, gains and other support	104,236,352	(5,455,522)	1,082,187	99,863,017	97,936,660
Expenses and losses					
Education and general:					
Instruction	26,146,406	-	-	26,146,406	27,056,337
Research	232,735	-	-	232,735	55,748
Public service	3,319,351	-	-	3,319,351	5,228,739
Academic support	4,753,522	-	-	4,753,522	3,959,251
Student services	12,578,801	-	-	12,578,801	10,263,631
Institutional support	24,420,914	-	-	24,420,914	23,756,244
Room, board and other auxiliary services	22,913,504	-	-	22,913,504	20,476,286
Total education and general expenses	94,365,233	-	-	94,365,233	90,796,236
Commercial real estate operations	10,148,776	-	-	10,148,776	10,689,731
Other expenses	2,919,917	-	-	2,919,917	2,684,701
Total expenses and losses	107,433,926	-	-	107,433,926	104,170,668
Change in net assets	(3,197,574)	(5,455,522)	1,082,187	(7,570,909)	(6,234,008)
Net assets, beginning of year	83,080,579	30,994,004	41,896,924	155,971,507	162,205,515
Net assets, end of year	$ 79,883,005	$ 25,538,482	$ 42,979,111	$148,400,598	$155,971,507

See notes to consolidated financial statements.

ORAL ROBERTS UNIVERSITY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended April 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support				
Tuition and fees	$ 69,917,259	$ -	$ -	$ 69,917,259
Room, board and other auxiliary services	21,549,078	-	-	21,549,078
Less: scholarships and fellowships	(31,987,611)	-	-	(31,987,611)
Net tuition, fees and auxiliary services	59,478,726	-	-	59,478,726
Contributions	5,536,572	15,889,174	418,866	21,844,612
Investment return	152,080	(352,495)	54,367	(146,048)
Contracts and grants	1,037,921	223,527	-	1,261,448
Commercial real estate operations	8,579,678	-	-	8,579,678
Other support	6,758,682	159,562	-	6,918,244
Net assets transfers - Joint Venture Agreement (Note 8)	(1,743,891)	1,673,755	70,136	-
Net assets released from restrictions	21,231,343	(21,231,343)	-	-
Total revenues, gains and other support	101,031,111	(3,637,820)	543,369	97,936,660
Expenses and losses				
Education and general:				
Instruction	27,056,337	-	-	27,056,337
Research	55,748	-	-	55,748
Public service	5,228,739	-	-	5,228,739
Academic support	3,959,251	-	-	3,959,251
Student services	10,263,631	-	-	10,263,631
Institutional support	23,756,244	-	-	23,756,244
Room, board and other auxiliary services	20,476,286	-	-	20,476,286
Total education and general expenses	90,796,236	-	-	90,796,236
Commercial real estate operations	10,689,731	-	-	10,689,731
Other expenses	2,684,701	-	-	2,684,701
Total expenses and losses	104,170,668	-	-	104,170,668
Change in net assets	(3,139,557)	(3,637,820)	543,369	(6,234,008)
Net assets, beginning of year	86,220,136	34,631,824	41,353,555	162,205,515
Net assets, end of year	$ 83,080,579	$ 30,994,004	$ 41,896,924	$155,971,507

ORAL ROBERTS UNIVERSITY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended April 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	$ (7,570,909)	$ (6,234,008)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	13,843,577	10,820,403
Realized and unrealized loss (gain) on investments	(789,892)	572,200
Loss (gain) on disposal of educational plant	57,716	(5,821)
Student loans cancelled	353,416	329,496
Provision for bad debts	1,376,424	1,263,136
Donated assets	(34,726)	(251,827)
Contributions restricted for long-term purposes	(6,408,077)	(6,336,294)
Change in:		
Accounts receivable	(390,594)	(1,282,339)
Contributions receivable	1,609,095	611,895
Prepaid expenses and other assets	293,250	135,268
Beneficial interest in assets held by others	1,259,215	124,726
Accounts payable and accrued expenses	622,564	1,131,344
Deferred revenue	(124,697)	630,710
Government advances for student loans	(29,996)	54,457
Net cash provided by operating activities	4,066,366	1,563,346
Cash Flows from Investing Activities		
Purchases of educational plant	(9,379,431)	(4,893,370)
Purchases of commercial real estate assets	(4,531,511)	(2,371,080)
Purchases of investments	(1,681,535)	(2,195,880)
Purchases of certificates of deposit	-	(4,016,000)
Proceeds from sale of investments	1,501,486	3,431,510
Proceeds from the sale of certificates of deposit	3,016,000	-
Student loan collections	2,777,579	2,708,816
Student loans granted	(3,660,518)	(3,811,425)
Net cash used in investing activities	(11,957,930)	(11,147,429)
Cash Flows from Financing Activities		
Proceeds from contributions restricted for long-term purposes	6,408,077	6,336,294
Other	(236,225)	(157,647)
Net cash provided by financing activities	6,171,852	6,178,647
Net change in cash and cash equivalents	(1,719,712)	(3,405,436)
Cash and cash equivalents, beginning of year	28,878,765	32,284,201
Cash and cash equivalents, end of year	$ 27,159,053	$ 28,878,765

See notes to consolidated financial statements.

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

Organization

Oral Roberts University (ORU or the 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 77 undergraduate majors, as well as 12 masters-level programs and two doctoral degrees. The most popular majors include: Business Administration, Nursing, Psychology, Engineering, Ministry and Leadership. 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.

The student population consists of approximately 3,800 for-credit students from all 50 states and 90 countries. The alumni population consists of approximately 43,000 individuals. The ORU Golden Eagles Athletics Department is also proud to be a participant in 16 NCAA Division I men's and women's varsity sports.

The accompanying consolidated financial statements include the accounts of University Broadcasting, Inc. (UBI), which is under the financial control of ORU. Significant balances and transactions of UBI were eliminated in consolidation. Oral Roberts University and UBI are collectively 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 herein 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 the 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.

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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

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 fundraising 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.

Investments and investment income

Investments in government and agency obligations, debt and marketable equity securities are stated at fair value. 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 consolidated financial statements.

Investment return consists of interest and dividend income and realized and unrealized gains and losses on investments, net of fees. 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.

Student loans receivable

Student loans receivable consist primarily of loans made to students under U.S. government loan programs. The loans are stated at estimated net realizable value.

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.

Educational plant

Purchased property, plant and equipment are recorded at cost, including, where appropriate, capitalized interest. Donated assets are recorded at fair value at the date of the donation. Repairs and maintenance costs are expensed as incurred. Depreciation is calculated using the straight-line method to allocate the cost of various classes of assets over their estimated useful lives. Property, plant and equipment are removed from the accounting records at the time of disposal.

Beneficial interests in assets held by others

The ORU Golden Eagle Club, Inc. receives contributions and holds assets for which the University is designated the beneficiary by the donor. The net assets of this affiliated entity, determined on a fair value basis, are reported as temporarily restricted net assets. On April 20, 2017, the Board of Directors of the ORU Alumni Foundation, Inc. (the Foundation) and the Board of Trustees of Oral Roberts University certified the Plan of Complete Liquidation and Dissolution of the Foundation and transferred approximately $1.9 million in net assets to the University as of April 30, 2017. Contributions and subsequent changes in fair value are reported within temporarily and permanently restricted net assets. Beneficial interests in trusts held by others also represent amounts held under irrevocable agreements and are carried at fair value.

Split-interest agreements

The University has received various irrevocable 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 are included with investments. These investments consist primarily of gift annuity funds. Temporarily restricted contribution revenues are recognized at the date the agreements are established for the fair value of assets received less the estimated liabilities for the present value of 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.

The University also enters into revocable life loan agreements whereby lenders place funds with the University. Interest is paid to lenders at rates of 3% to 6%. Lenders may make withdrawals or convert the principal to an irrevocable contract or an outright gift of the principal to ORU over the life of the agreement. If called, the loans must be repaid, but the University's obligation to repay a loan terminates upon the death of the lender.

The fair value of assets held under split-interest agreements was approximately $4,958,000 and $5,242,000 at April 30, 2017 and 2016, respectively, and are included in investments in the accompanying consolidated statement of financial position.

Cash paid for interest, primarily related to split-interest agreements, was approximately $232,000 and $268,000 for the years ended April 30, 2017 and 2016, respectively.

Tuition and fees revenue and scholarships and fellowships

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.

Student financial aid

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.

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 William D. Ford Federal Direct Loan Program, which includes the Direct Stafford Loan Program and the Direct PLUS Loans for parents and graduate/professional students, collectively referred to as the Direct Loan Programs. Direct Loan Programs processed through the U.S. Department of Education are made to students attending the University. Such transactions are not recorded in the consolidated financial statements of the University. The University performs certain administrative functions under the Direct Loan Programs, which if not performed timely, could result in a liability to the University.

Auxiliary services

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 service revenues and related expenses are reported as changes in unrestricted net assets.

Fundraising expense

Fundraising expense incurred was approximately $2,611,000 and $2,442,000 in years ended April 30, 2017 and 2016, respectively.

Federal income taxes

ORU is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), except to the extent of unrelated business taxable income as defined by the Code. Such taxable income has not been significant. Continued compliance with applicable tax regulations affords ORU the opportunity to maintain its tax-exempt status.

Concentrations

ORU has cash and cash equivalents with several financial institutions that generally exceed federally insured limits by significant amounts. It has not experienced any losses in such accounts.

During the years ended April 30, 2017 and 2016, ORU received contributions of approximately $14,360,000 and $13,000,000, respectively, from a single donor or entities affiliated with the donor.

Fair value measurements

The Financial Accounting Standards Board 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 – Significant other observable inputs,
- Level 3 – Significant unobservable inputs.

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).

New accounting pronouncement

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU simplifies and improves how a not-for-profit entity (NFP) classifies its net assets, as well as the information it presents in financial statements and notes concerning liquidity, financial performance and cash flows. Among other requirements, this ASU primarily requires NFPs to present on the face of the statement of financial position amounts for two classes of net assets (i.e., net assets with donor restrictions and net assets without donor restrictions) rather than the currently required three classes. ASU 2016-14 is to be applied retrospectively, and is effective for years beginning after December 15, 2017, with early adoption permitted. The University will be evaluating the impact this standard will have on its financial statements and related disclosures.

Subsequent events

Management has evaluated subsequent events through September 18, 2017, the date the consolidated financial statements were available to be issued.

Note 2 – Receivables

Accounts receivable at April 30 consist of the following:

	2017	2016
Student tuition and fees, net of $2,501,235 and $2,066,399 allowance for doubtful accounts, respectively	$ 1,095,076	$ 1,079,994
Contracts and grants receivable	130,118	24,847
Rental property receivables, net of $19,505 and $650,117 allowance for doubtful accounts, respectively	1,588,520	1,254,204
Other receivables	1,569,289	2,169,382
	$ 4,383,003	$ 4,528,427

Contributions receivable at April 30 are due as follows:

	2017	2016
One year or less	$ 3,460,289	$ 4,239,674
One to five years	1,034,081	1,740,817
More than five years	282,023	374,587
	4,776,393	6,355,078
Allowance for uncollectible accounts	(3,869,422)	(3,086,894)
	$ 906,971	$ 3,268,184

Note 3 – Investments and Fair Value Disclosures

The following tables present the University's investments that are measured at fair value on a recurring basis for each hierarchy level as of April 30:

	2017			
	Total	Level 1	Level 2	Level 3
Assets:				
Equity mutual funds	$ 7,354,521	$ 7,354,521	$ -	$ -
Bond mutual funds	3,365,172	3,365,172	-	-
Government-backed securities	122,210	62,551	59,659	-
Corporate bonds	62,203	-	62,203	-
Corporate equities	440,003	440,003	-	-
Real estate trusts and other	429,055	289,054	140,001	-
	$ 11,773,164	$ 11,511,301	$ 261,863	$ -

	2016			
	Total	Level 1	Level 2	Level 3
Assets:				
Equity mutual funds	$ 6,057,548	$ 6,057,548	$ -	$ -
Bond mutual funds	3,366,608	3,366,608	-	-
Government-backed securities	202,750	136,021	66,729	-
Corporate bonds	202,979	-	202,979	-
Corporate equities	413,295	413,295	-	-
Real estate trusts and other	455,740	315,739	140,001	-
	$ 10,698,920	$ 10,289,211	$ 409,709	$ -

Investments classified as Level 2 in the fair value hierarchy include corporate bonds and certain government backed securities. These assets do not trade at a sufficient frequency to provide market close pricing and therefore require utilization of like asset activity inputs entered into a pricing matrix.

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 equivalents, accounts and contributions receivable, and accounts payable – The carrying amounts approximate fair value because of the short maturity of those instruments.

Student loans receivable and obligations under split-interest agreements – Determination of the fair values cannot be made without incurring excessive costs.

Beneficial interests in assets held by others consist primarily of cash and certificates of deposit and are therefore classified as Level 1 in the fair value hierarchy.

Total investment return is included in the consolidated statements of activities and consists of the following for the years ended April 30:

	2017	2016
Interest and dividends	$ 367,043	$ 426,152
Realized and unrealized gain (loss) on investments	789,892	(572,200)
	$ 1,156,935	$ (146,048)

Note 4 – Commercial Real Estate

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

	2017	2016	Estimated Useful Lives
Land	$ 2,815,144	$ 2,815,144	-
Buildings and improvements	120,027,991	107,408,984	20-50 years
Equipment	19,126,129	29,014,362	3-10 years
Tenant improvements	4,521,326	3,939,165	various
	146,490,590	143,177,655	
Less accumulated depreciation	(116,309,399)	(111,778,525)	
	30,181,191	31,399,130	
Construction in progress	1,509,528	269,155	
	$ 31,690,719	$ 31,668,285	

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

	2017	2016
Tenant rental income	$ 8,345,494	$ 8,579,678
Operating expenses:		
Property management	360,000	360,000
Leasing commissions	191,034	248,076
Utilities	1,340,282	1,539,712
Operations and maintenance	3,748,383	4,745,396
	5,639,699	6,893,184
Operating income before depreciation	2,705,795	1,686,494
Depreciation	4,509,077	3,796,547
Net operating loss	$ (1,803,282)	$ (2,110,053)

Tenant improvements are amortized over the term of the related lease. Leasing commissions paid to third parties are capitalized and amortized over the term of the related lease.

Minimum future rentals under noncancelable lease agreements as of April 30, 2017, are as follows:

2018	$ 9,067,998
2019	9,448,247
2020	8,232,674
2021	7,962,700
2022	4,876,493
Thereafter	29,143,995
	$ 68,732,107

Note 5 – Educational Plant

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

	2017	2016	Estimated Useful Lives
Land and improvements	$ 13,288,745	$ 12,341,513	20 years
Buildings and improvements	134,515,592	128,909,791	20-50 years
Equipment	48,194,413	45,226,556	3-10 years
Vehicles	1,820,975	1,839,687	5 years
Library books	8,825,756	8,710,548	20 years
	206,645,481	197,028,095	
Less accumulated depreciation	(131,462,542)	(122,620,422)	
	75,182,939	74,407,673	
Construction in progress	1,679,212	2,478,166	
	$ 76,862,151	$ 76,885,839	

Depreciation expense related to educational plant was approximately $9,335,000 and $7,024,000 for the years ended April 30, 2017 and 2016, respectively.

The University has various operating leases for vehicles and office equipment. Total rent expense for all vehicle and office equipment leases was approximately $142,000 and $148,000 for the years ended April 30, 2017 and 2016, respectively. The future minimum lease payments under noncancelable operating leases are as follows as of April 30, 2017:

2018	$ 128,246
2019	85,996
2020	70,231
	$ 284,473

Note 6 – Line of Credit

On October 27, 2016, the University entered into an amended agreement to extend the line-of-credit through October 27, 2017. The amended agreement includes an interest rate equal to LIBOR plus 2.45% and maximum borrowings of $15,000,000. There were no outstanding balances under the line-of-credit at April 30, 2017 or 2016.

Note 7 – Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at April 30:

	2017	2016
Academic programs	$ 4,947,528	$ 5,341,925
Split-interest agreements	3,618,931	3,684,234
Capital investment	3,523,123	3,468,344
Scholarships	3,308,852	2,655,495
Public service	2,674,783	2,756,038
Beneficial interests in assets held by others	2,027,822	3,287,037
Athletics	616,507	249,102
Other purpose restrictions	4,820,936	9,551,829
Total temporarily restricted net assets	$ 25,538,482	$ 30,994,004

Net assets temporarily restricted for capital investment consist primarily of contributions designated for on-campus construction projects and CityPlex refurbishment.

Note 8 – Endowment

Permanently restricted net assets are composed of the University's permanent endowments with earnings restricted for the following purposes at April 30:

	2017	2016
College of Business	$ 482,107	$ 458,429
College of Theology	2,677,411	2,335,769
College of Education	598,465	597,490
College of Arts and Sciences	1,511,193	1,352,806
College of Nursing	21,663,062	21,659,481
General scholarships	10,734,612	10,681,197
General activities of the University	5,312,261	4,811,752
Total permanently restricted net assets	$ 42,979,111	$ 41,896,924

The University's endowment trust consists of approximately 250 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 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.

The endowment trust was established in 1973. After a period of inactivity, it was reactivated in 1988 by creation of the Anna Vaughn Benz Fund for the School of Nursing. During the 1990s, the University experienced periods of financial need which were met, in part, by borrowings from the endowment trust.

In recognition of the University's obligations for borrowing from the endowment trust, 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 certain promissory notes receivable from the University 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
- 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, if any, then to the University's unrestricted fund
    - Proceeds in excess of $65 million, if any, 53.66% to the endowment fund and the remainder to the University's unrestricted fund

For the years ended April 30, 2017 and 2016, CityPlex's income before depreciation and amortization was approximately $2,706,000 and $1,686,000, respectively. The guaranteed 5% return of $1,743,891 for 2017 and 2016, is reported in the consolidated statement of activities as a transfer from unrestricted net assets to temporarily and permanently restricted net assets. Net assets released from restrictions in 2017 include appropriation by the board of trustees of all endowment earnings which were used for the restricted purposes as scheduled above.

Endowment trust assets consisting of cash and cash equivalents and marketable securities are summarized in the table below:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Investments, April 30, 2015	$ 51,764	$ 2,726,997	$ 6,475,729	$ 9,254,490
Investment return:				
Investment income	416	93,616	54,367	148,399
Net realized and unrealized depreciation	(1,178)	(419,174)	-	(420,352)
Total investment return	(762)	(325,558)	54,367	(271,953)
Joint venture agreement income	368,032	1,305,723	70,136	1,743,891
Contributions	-	-	418,866	418,866
Appropriation of endowment assets for expenditure	(366,423)	(1,188,591)	-	(1,555,014)
Investments, April 30, 2016	52,611	2,518,571	7,019,098	9,590,280
Investment return:				
Investment income	422	96,632	11,203	108,257
Net realized and unrealized appreciation	2,166	495,874	57,490	555,530
Total investment return	2,588	592,506	68,693	663,787
Joint venture agreement income	369,825	1,309,810	64,256	1,743,891
Contributions	-	-	949,238	949,238
Appropriation of endowment assets for expenditure	(368,907)	(1,249,375)	-	(1,618,282)
Investments, April 30, 2017	$ 56,117	$ 3,171,512	$ 8,101,285	$ 11,328,914

Note 9 – Employee Benefit Plans

Certain employees or University employees, except for employees who are eligible to participate in the 401(k) plan sponsored by the University, students and nonresident aliens, are eligible after specified periods of employment to participate in a contributory retirement and annuity program through TIAA-CREF. Effective as of May 1, 2012, the University provides a 50% matching contribution on deferrals up to 6% of the eligible employees' compensation. The University's portion of the contribution for the years ended April 30, 2017 and 2016, was approximately $683,000 and $653,000, respectively.

Effective January 1, 2015, the University implemented a group medical plan for its comprehensive major medical insurance which is self-insured with per claim stop-loss coverage of $125,000 in 2017 and 2016. The University paid claims and premiums of approximately $3,949,000 and $3,737,000 during the years ended April 30, 2017 and 2016, respectively. At April 30, 2017 and 2016, the University accrued approximately $793,000 and $370,000, respectively, for the estimated liability for employee benefit claims reported but not yet paid and claims incurred but not yet reported. This estimate is based on payment reporting patterns available at the time of the estimate. Although such estimates are the University's best estimates of the expected values, the actual results may vary from these values.

Note 10 – 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 consolidated financial statements taken as a whole.

Note 11 – Transactions with Related Parties

The University has adopted a Conflict of Interest Policy by which a proposed transaction with a related party is to be reviewed by the Audit Committee of the Board of Trustees to confirm that a more advantageous transaction is not reasonably possible; the transaction is in the University's best interest; for the University's benefit; and fair and reasonable. The University entered into a limited number of transactions with related parties which are individually and in the aggregate immaterial to the consolidated financial statements.