Oklahoma State University Medical Center Trust
A Component Unit of the City of Tulsa, Oklahoma

Accountants' Reports and Financial Statements

June 30, 2012 and 2011

BKD LLP
CPAs & Advisors

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A Component Unit of the City of Tulsa, Oklahoma
June 30, 2012 and 2011

Contents

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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Trustees
Oklahoma State University Medical Center Trust
Tulsa, Oklahoma

We have audited the accompanying balance sheets of Oklahoma State University Medical Center Trust (the Trust), a component unit of the City of Tulsa, Oklahoma, as of June 30, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oklahoma State University Medical Center Trust as of June 30, 2012 and 2011, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2013, on our consideration of the Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require the management's discussion and analysis listed in the table of contents be presented to supplement the financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The combining information, listed in the table of contents, 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 audits 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

BKD, LLP

March 4, 2013

Oklahoma State University Medical Center Trust
A Component Unit of the City of Tulsa, Oklahoma
Management's Discussion and Analysis
Years Ended June 30, 2012 and 2011

Introduction

This management's discussion and analysis of the financial performance of Oklahoma State University Medical Center Trust (the Trust) provides an overview of the Trust's financial activities for the years ended June 30, 2012 and 2011. It should be read in conjunction with the accompanying financial statements of the Trust.

Financial Highlights

- Unrestricted cash and cash equivalents decreased in 2012 by $10,403,098 or 27% and increased in 2011 by $2,613,127 or 7%.
- Patient accounts receivable increased in 2012 by $2,852,739 or 29% and by $988,290 or 11% in 2011.
- Other current assets increased by $9,489,529 or 80% in 2012 compared to 2011.
- Capital assets, net of accumulated depreciation increased in 2012 by $18,884,448 or 106% and by $12,195,086 or 218% in 2011
- The Trust reported operating loss of $348,205 in 2012 and operating income of $23,637,923 in 2011. The operating results in 2012 decreased by $23,986,128 over the operating income reported in 2011.

Using This Annual Report

The Trust's financial statements consist of three statements—a balance sheet; a statement of revenues, expenses and changes in net assets; and a statement of cash flows. These statements provide information about the activities of the Trust, including resources held by the Trust but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Trust is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Assets

One of the most important questions asked about any organization's finances is, "Is the organization as a whole better or worse off as a result of the year's activities?" The balance sheet and the statement of revenues, expenses and changes in net assets report information about the Trust's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Trust's net assets and changes in them. The Trust's total net assets—the difference between assets and liabilities—is one measure of the Trust's financial health or financial position. Over time, increases or decreases in the Trust's net assets are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Trust's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors, should also be considered to assess the overall financial health of the Trust.

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

The Trust's Net Assets

The Trust's net assets are the difference between its assets and liabilities reported in the balance sheet. The Trust's net assets decreased by $304,971 or 1% in 2012 over 2011 and increased by $24,010,554 or 65% in 2011 over 2010 as shown in Table 1.

Table 1: Assets, Liabilities and Net Assets

	2012	2011	2010
Assets			
Cash and cash equivalents	$ 27,543,116	$ 37,946,214	$ 35,333,087
Patient accounts receivable, net	12,577,706	9,724,967	8,736,677
Other current assets	21,374,811	11,885,282	10,249,812
Capital assets, net	36,683,755	17,799,307	5,604,221
Other noncurrent assets	269,418	22,745,916	22,712,166
Total assets	$ 98,448,806	$ 100,101,686	$ 82,635,963
Liabilities			
Long-term debt (including current portion)	$ 22,578,889	$ 24,945,509	$ 31,174,880
Other current and noncurrent liabilities	15,146,943	14,128,232	14,443,692
Total liabilities	37,725,832	39,073,741	45,618,572
Net Assets			
Invested in capital assets, net of related debt	11,135,141	13,801,180	3,958,312
Restricted	976,770	-	-
Unrestricted	48,611,063	47,226,765	33,059,079
Total net assets	60,722,974	61,027,945	37,017,391
Total liabilities and net assets	$ 98,448,806	$ 100,101,686	$ 82,635,963

A significant change in the Trust's assets in 2012 is the decrease in cash and cash equivalents. This decrease was primarily due to cash used for operating activities, capital purchases associated with the planned plant renovation and acquisition of new equipment, as discussed in the *Capital Assets* section below, and an increase in days revenue in accounts receivable. Days of net revenue in patient accounts receivable increased to 48 days at June 30, 2012, compared to 41 days at June 30, 2011. The increase in patient accounts receivable was primarily attributable to the expansion or addition of new service lines. Another significant change in the Trust's financial position in 2012 includes the increase in other current assets, which is due primarily to the timing of receipt of the state Upper Payment Limit funding of $9,000,000 for 2012.

A significant change in the Trust's assets in 2011 is the increase in patient accounts receivable. Days of net revenue in patient accounts receivable increased to 41 days at June 30, 2011, compared to 38 days at June 30, 2010. The increase in patient accounts receivable was primarily attributable to the increased volume in 2011 compared to 2010. The most significant change in the Trust's financial position in 2011 was the increase in capital assets resulting from the planned plant renovation and acquisition of new equipment, as discussed in the *Capital Assets* section below.

Operating Results and Changes in the Hospital's Net Assets

In 2012, the Trust's net assets decreased by $304,971, which represents a 1% decrease from 2011. In 2011, the Trust's net assets increased by $24,010,554, which was a 65% increase. The table below represents the operating results of the Trust for the years ended June 30, 2012 and 2011, and the 14-month period ended June 30, 2010.

Table 2: Operating Results and Changes in Net Assets

	2012	2011	2010
Operating Revenues			
Net patient service revenue	$ 117,890,351	$ 126,816,740	$ 139,594,389
Other operating revenues	11,763,380	10,898,534	28,714,948
Total operating revenues	129,653,731	137,715,274	168,309,337
Operating Expenses			
Salaries, wages and employee benefits	70,997,341	63,006,147	67,063,507
Purchased services and professional fees	18,536,554	19,818,050	21,973,769
Supplies and other	37,623,945	29,876,282	41,351,425
Depreciation and amortization	2,844,096	1,376,872	904,979
Total operating expenses	130,001,936	114,077,351	131,293,680
Operating Income (Loss)	(348,205)	23,637,923	37,015,657
Nonoperating Revenues (Expenses)			
Investment income	73,779	143,925	66,057
Interest expense	(713,626)	(1,207,671)	(1,064,323)
Total nonoperating revenues (expenses)	(639,847)	(1,063,746)	(998,266)
Excess (Deficiency) of Revenues over Expenses Before Capital Gifts and Grants	(988,052)	22,574,177	36,017,391
Gifts to Purchase Capital Assets and Other Capital Grants	683,081	1,436,377	1,000,000
Increase (Decrease) in Net Assets	$ (304,971)	$ 24,010,554	$ 37,017,391

It should be noted that Table 2 above provides a comparison of the 12-month reporting periods for 2012 and 2011 to the 14-month reporting period for 2010. In order to provide a meaningful comparison of the operating results and changes in net assets, it is necessary to compare the 2012 and 2011 periods to a similar 12-month period for 2010. Therefore, all references to 2010 in the following information considers the representation of revenues and expenses that vary by operating month as estimated for the 12-month period ended June 30, 2010.

Operating Income (Loss)

The first component of the overall change in the Trust's net assets is its operating income or loss—generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. Prior to 2012, in each of the past two years, the Trust has reported an operating income, largely the result of funding from contributions and enhanced funding from the federal matching of state contributions related to the Medicaid program. The Trust reported a loss from operations in 2012. This is consistent with the Trust's operating history as the Trust was formed and is operated primarily to serve residents of Tulsa, Oklahoma, and the surrounding area.

The operating loss for 2012 represents a $23,986,128 or 102% decrease compared to 2011. The primary component of the decreased operating results was the reduction in net patient service revenue of $8,926,389 or 7% due to a decrease in State of Oklahoma Upper Payment Limit (UPL) funds which decreased to $9,000,000 in 2012 from $34,400,000 in 2011. The UPL decrease was partially offset by an increase in another state program and net patient service revenue. The State of Oklahoma Supplemental Hospital Offset Payment Program (SHOPP) provided funding of $8,413,000 in 2012 compared to $0 in 2011; and there was an increase in net patient service revenue associated with new or expanded services, specifically surgery and interventional radiology.

Salaries, wages and employee benefits increased in 2012 by approximately 13%. This growth is primarily attributable to physician recruitment efforts, expansion of the residency program and annual merit increases. The Trust carefully plans for and administers its pay practices, which include competitive pay rates and benefits and increases based on performance.

Supplies and other expenses increased in 2012 by $7,747,663 or 26% due to the implementation of the SHOPP by the State of Oklahoma (see *Note 1*), as well as increases in patient chargeable supplies and drugs associated with the new and expanded service lines.

The operating income for 2011 decreased by $13,377,734 or 36% as compared to 2010. The primary component of the decreased operating income was the reduction in other operating revenue of $17,816,414 or 62% due to a one-time contribution of approximately $20,000,000 in 2010.

When compared to the 12-month period ended June 30, 2010, net patient service revenue increased in 2011 by approximately $1,668,000 or 1%. The slight increase in net patient service revenue in 2011 is the result of comparable inpatient and outpatient volumes, a slight increase in the intensity of services provided and a slightly favorable change in payer mix and reimbursement levels.

Salaries, wages and employee benefits increased in 2011 by approximately 6% in connection with the Trust's retention and recruitment efforts. The Trust carefully plans for and administers its pay practices, which include competitive pay rates and benefits and increases based on performance.

Expenditures for medical supplies, prescription drugs and other expenses are a major component of the Trust's costs. In 2010, these costs totaled $35,400,000 or 32% of total operating expenses. In 2011, they totaled $32,500,000 or 29% of total operating expenses, a reduction of $2,900,000 or 8% from 2010. While there were certain start-up related expenses recorded in 2010, the Trust did realize cost reductions for certain medical supplies, food and pharmaceuticals purchased in 2011 from improved contract pricing and the 340b drug program savings.

In addition, in August 2010, the Trust experienced damage from a water line break. Under the accounting requirements of Governmental Accounting Standards Board Statement No. 42, the Trust recorded a gain of approximately $1,360,000 in fiscal year 2011 as the insurance proceeds received exceeded the net book value of the damaged property.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of investment income and interest expense. Interest expense decreased by $494,045 or 41% in 2012 compared to 2011 due to the capitalization of interest on the construction projects. The Trust recognized an increase in its investment return in 2011 compared to 2010, resulting primarily from favorable changes in interest rates on short- and intermediate-term debt securities.

The Trust's Cash Flows

Changes in the Trust's cash flows are consistent with changes in operating income (loss) and nonoperating revenues and expenses for 2012 and 2011, discussed earlier. The largest impact on the reduction of net cash provided by operating activities in 2012 as compared to 2011 relates to the timing of the receipt of the $9,000,000 UPL funding from the State of Oklahoma, as mentioned earlier.

Capital Asset and Debt Administration

Capital Assets

At the end of 2012, the Trust had $36,683,755 invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the financial statements. In 2012, the Trust purchased new equipment and construction in progress which cost $21,728,544. In 2011, the Trust purchased new equipment and construction in progress which cost $13,571,958. Of this amount, $2,535,512 was acquired through equipment capital lease obligations.

Debt

At June 30, 2012 and 2011, the Trust had $22,578,889 and $24,945,509, respectively, in notes payable and capital lease obligations outstanding. The Trust issued new debt of $84,000 and $1,582,939 in 2012 and 2011, respectively, in addition to the capital leases initiated in 2011 of $2,535,512.

Contacting the Trust's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Trust's finances and to show the Trust's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Trust's Business Administration by telephoning 918.599.5900.

Oklahoma State University Medical Center Trust
A Component Unit of the City of Tulsa, Oklahoma
Balance Sheets
June 30, 2012 and 2011

Assets

	2012	2011
Current Assets		
Cash and cash equivalents	$ 27,543,116	$ 37,946,214
Patient accounts receivable, net of allowance; 2012 – $12,259,000, 2011 – $11,580,000	12,577,706	9,724,967
Other receivables	11,092,615	2,672,296
Supplies	4,975,547	4,211,023
Estimated amounts due from third-party payers	1,100,000	550,000
Prepaid expenses and other	4,206,649	4,451,963
Total current assets	61,495,633	59,556,463
Noncurrent Cash		
Externally restricted for capital acquisition	-	22,448,047
Capital Assets, Net	36,683,755	17,799,307
Other Assets	269,418	297,869
Total assets	$ 98,448,806	$ 100,101,686

Liabilities and Net Assets

	2012	2011
Current Liabilities		
Current maturities of long-term debt	$ 2,629,247	$ 2,480,345
Accounts payable	9,636,201	7,936,748
Accrued payroll and expenses	4,393,914	4,658,457
Accrued interest payable	441,196	488,869
Deferred credit, net of amortization	675,632	1,044,158
Total current liabilities	17,776,190	16,608,577
Long-Term Debt	19,949,642	22,465,164
Total liabilities	37,725,832	39,073,741
Net Assets		
Invested in capital assets, net of related debt	11,135,141	13,801,180
Restricted – expendable		
Capital acquisitions	683,081	-
Specific operating activities	293,689	-
Unrestricted	48,611,063	47,226,765
Total net assets	60,722,974	61,027,945
Total liabilities and net assets	$ 98,448,806	$ 100,101,686

Oklahoma State University Medical Center Trust
A Component Unit of the City of Tulsa, Oklahoma
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2012 and 2011

	2012	2011
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2012 – $24,386,872, 2011 – $22,671,209	$ 117,890,351	$ 126,816,740
Other	11,763,380	10,898,534
Total operating revenues	129,653,731	137,715,274
Operating Expenses		
Salaries and wages	57,183,835	51,192,766
Employee benefits	13,813,506	11,813,381
Purchased services and professional fees	18,536,554	19,818,050
Supplies and other expenses	33,823,904	25,848,273
Rental expense	1,148,086	972,738
Repairs and maintenance	2,651,955	3,055,271
Depreciation and amortization	2,844,096	1,376,872
Total operating expenses	130,001,936	114,077,351
Operating Income (Loss)	(348,205)	23,637,923
Nonoperating Revenues (Expenses)		
Investment income	73,779	143,925
Interest expense	(713,626)	(1,207,671)
Total nonoperating revenues (expenses)	(639,847)	(1,063,746)
Excess (Deficiency) of Revenues over Expenses Before Capital Gifts and Grants	(988,052)	22,574,177
Gifts to Purchase Capital Assets and Other Capital Grants	683,081	1,436,377
Increase (Decrease) in Net Assets	(304,971)	24,010,554
Net Assets, Beginning of Year	61,027,945	37,017,391
Net Assets, End of Year	$ 60,722,974	$ 61,027,945

Oklahoma State University Medical Center Trust
A Component Unit of the City of Tulsa, Oklahoma
Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	2012	2011
Operating Activities		
Receipts from and on behalf of patients	$ 114,487,612	$ 123,628,450
Payments to suppliers and contractors	(56,496,989)	(49,224,037)
Payments to employees	(71,261,884)	(62,685,380)
Other receipts and payments, net	3,238,222	10,392,144
Net cash provided by (used in) operating activities	(10,033,039)	22,111,177
Noncapital Financing Activities		
Principal paid on long-term debt	-	(7,825,000)
Net cash used in noncapital financing activities	-	(7,825,000)
Capital and Related Financing Activities		
Principal paid on long-term debt	(2,450,620)	(2,587,664)
Interest paid on long-term debt	(1,061,848)	(1,130,401)
Proceeds from issuance of long-term debt	84,000	1,582,939
Purchase of capital assets	(19,882,811)	(10,138,525)
Proceeds from sale of equipment	153,313	-
Capital grants and gifts	266,081	518,010
Net cash used in capital and related financing activities	(22,891,885)	(11,755,641)
Investing Activities		
Investment income received	73,779	143,925
Net cash provided by investing activities	73,779	143,925
Increase (Decrease) in Cash and Cash Equivalents	(32,851,145)	2,674,461
Cash and Cash Equivalents, Beginning of Year	60,394,261	57,719,800
Cash and Cash Equivalents, End of Year	$ 27,543,116	$ 60,394,261
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	$ 27,543,116	$ 37,946,214
Noncurrent cash	-	22,448,047
Total cash and cash equivalents	$ 27,543,116	$ 60,394,261

	2012	2011
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	$ (348,205)	$ 23,637,923
Gain on sale of property and equipment	(153,313)	-
Depreciation and amortization	2,844,096	1,376,872
Amortization in other operating revenue	(368,526)	(368,527)
Provision for uncollectible accounts	24,386,872	22,671,209
Changes in operating assets and liabilities		
Patient accounts receivable, net	(27,239,611)	(23,659,499)
Other accounts receivable	(8,003,319)	(137,863)
Supplies and prepaid expenses	(612,110)	11,464
Estimated amounts due to/from third-party payers	(550,000)	(2,200,000)
Accounts payable and accrued expenses	11,077	779,598
Net cash provided by (used in) operating activities	$ (10,033,039)	$ 22,111,177
Supplemental Cash Flows Information		
Capital lease obligations incurred for capital assets	$ -	$ 2,535,512
Financed insurance premiums	$ 2,000,049	$ 2,092,949
Capital assets in accounts payable	$ 2,528,529	$ 1,011,796

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Oklahoma State University Medical Center Trust (the Trust) is an acute care hospital located in Tulsa, Oklahoma. The Trust is a component unit of the City of Tulsa, Oklahoma (the City) and the Mayor of the City appoints members to the Board of Trustees of the Trust with the approval of the City Council of the City. The Trust primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Tulsa, Oklahoma, area.

The Trust was formed in January 2009 to acquire, own and operate Oklahoma State University Medical Center (the Medical Center) with the general purpose of promoting and supporting the teaching and training of physicians in Tulsa and the delivery of health care services to medically indigent persons. The Trust acquired the Medical Center on May 1, 2009 (see *Note 14*) and began hospital operations on that date.

In March 2010, the OSUMC Professional Services LLC (OPS) was formed to assist the Trust with employing health care providers. During fiscal year 2011, OPS began operations by employing physicians and other health care providers. The Trust is the sole corporate member of OPS, and OPS is included as a blended component unit in the accompanying financial statements.

The Foundation for Oklahoma State University Medical Center (the Foundation) is a legally separate, tax-exempt organization that was incorporated in September 2011. The Foundation was created to advance osteopathic medical education, research and patient care by financially supporting the operations and continued growth of the Medical Center. The Foundation is presented as a blended component unit of the Trust.

Basis of Accounting and Presentation

The accompanying financial statements of the Trust have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally, federal and state grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Trust first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

The Trust prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, the Trust has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, and do not conflict with or contradict GASB pronouncements.

Use of 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.

Cash Equivalents

The Trust considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2012 and 2011, cash equivalents consisted primarily of money market accounts with brokers.

Risk Management

The Trust is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage since the inception of the Trust.

Investment Income

Investment income consists of interest income.

Patient Accounts Receivable

The Trust reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Trust provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Supplies

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Trust:

Buildings and leasehold improvements	5–40 years
Equipment	3–10 years

During the year ended June 30, 2011, the Trust incurred significant water damage that was covered under an insurance policy. Under the accounting requirements of GASB Statement No. 42, the Trust recognized a gain of approximately $1,360,000 related to the insurance recoveries, which is included in other operating revenue on the accompanying statements of revenues, expenses and changes in net assets.

The Trust capitalizes interest costs as a component of construction in progress, based on the weighted-average rates paid for long-term borrowing. Total interest incurred was:

	2012	2011
Interest costs capitalized	$ 329,000	$ -
Interest costs charged to expense	713,626	1,207,671
Total interest incurred	$ 1,042,626	$ 1,207,671

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the straight-line method.

Compensated Absences

Trust policies permit most employees to accumulate paid time off benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments, such as Social Security and Medicare taxes, computed using rates in effect at that date.

Net Assets

Net assets of the Trust are classified in the following components. Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net assets are noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Trust. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted expendable.

Net Patient Service Revenue

The Trust has agreements with third-party payers that provide for payments to the Trust at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The Trust provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Trust does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Income Taxes

As an essential government function of the City, the Trust is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Trust is subject to federal income tax on any unrelated business taxable income.

Supplemental Hospital Offset Payment Program

On January 17, 2012, the Centers for Medicare and Medicaid Services (CMS) approved the State of Oklahoma’s Supplemental Hospital Offset Payment Program (SHOPP). The SHOPP program is retroactive back to July 1, 2011, and is currently scheduled to sunset on December 31, 2014. The SHOPP program is designed to assess Oklahoma hospitals a supplemental hospital offset fee which will be placed in pools after receiving federal matching funds. The total fees and matching funds will then be allocated to hospitals as directed by legislation.

During the current year, the Trust received approximately $8,413,000 in SHOPP funds and paid approximately $3,136,000 in SHOPP assessment fees, which are the estimated annual amounts to be received and paid by the Trust over the term of the SHOPP program. The SHOPP revenue is recorded as part of net patient service revenue and the SHOPP assessment fees are recorded as part of other expenses on the accompanying statements of revenues, expenses and changes in net assets.

Reclassifications

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 financial statement presentation. These reclassifications had no effect on the change in net assets for 2011.

Note 2: Net Patient Service Revenue

The Trust has agreements with third-party payers that provide for payments to the Trust at amounts different from its established rates. These payment arrangements include:

- **Medicare** – Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain inpatient nonacute services and defined medical education costs are paid based on a cost reimbursement methodology. The Trust is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Trust and audits thereof by the Medicare administrative contractor.

- **Medicaid** – Inpatient services provided to the state's Medicaid program beneficiaries are reimbursed on a prospective per discharge method with no retroactive adjustments. Outpatient services are reimbursed on a fee schedule basis with no retroactive adjustments. These payment rates vary according to a patient classification system that is based on clinical, diagnostic and other factors.

Approximately 60% and 64% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2012 and 2011, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Trust has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Trust under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

The Trust received approximately $9,000,000 and $34,400,000 in fiscal 2012 and 2011, respectively, from the State of Oklahoma Medicaid Upper Payment Limit (UPL) program. Upper payment limit programs are often an area considered for cost reductions by both federal and state legislators, and there is no guarantee that UPL payments will continue at their current levels in future years.

Note 3: Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure a government's deposits may not be returned to it. The Trust's deposit policy for custodial credit risk requires compliance with the provisions of state law, which requires collateralization of all deposits with federal depository insurance (FDIC) and other acceptable collateral in specific amounts.

For financial institutions opting out of the FDIC's Transaction Account Guarantee Program or interest-bearing cash accounts, the FDIC's insurance limits were permanently increased to $250,000 effective July 21, 2010. Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing cash transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions.

At June 30, 2012 and 2011, approximately $20,814,000 and $52,235,000, respectively, of the Trust's bank balances of approximately $29,846,000 and $61,686,000 were exposed to custodial credit risk as uninsured with collateral held by the pledging financial institution.

Investments

The Trust may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest, to a limited extent, in corporate bonds and equity securities. The Trust had no investments at June 30, 2012 or 2011.

Summary of Carrying Values

The carrying values of deposits are included in the accompanying balance sheets as follows:

	2012	2011
Included in the following balance sheet captions		
Cash and cash equivalents	$ 27,543,116	$ 37,946,214
Noncurrent cash	-	22,448,047
	$ 27,543,116	$ 60,394,261

Note 4: Patient Accounts Receivable

The Trust grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at June 30, 2012 and 2011, consisted of:

	2012	2011
Medicare	$ 3,261,003	$ 2,753,820
Medicaid	1,474,002	815,218
Other third-party payers	7,860,010	6,386,258
Patients	12,241,691	11,349,671
	24,836,706	21,304,967
Less allowance for uncollectible accounts	12,259,000	11,580,000
	$ 12,577,706	$ 9,724,967

Note 5: Capital Assets

Capital assets activity for the years ended June 30, 2012 and 2011, was:

	2012				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 100	$ -	$ -	$ -	$ 100
Buildings and leasehold improvements	2,721,869	96,192	-	645,025	3,463,086
Equipment	13,771,784	13,565,501	(264,777)	70,384	27,142,892
Construction in progress	3,587,405	8,066,851	-	(715,409)	10,938,847
	20,081,158	21,728,544	(264,777)	-	41,544,925
Less accumulated depreciation					
Buildings and leasehold improvements	28,119	100,009	-	-	128,128
Equipment	2,253,732	2,744,087	(264,777)	-	4,733,042
	2,281,851	2,844,096	(264,777)	-	4,861,170
Capital assets, net	$ 17,799,307	$ 18,884,448	$ -	$ -	$ 36,683,755

	2011				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 100	$ -	$ -	$ -	$ 100
Buildings and leasehold improvements	422,766	1,789,188	-	509,915	2,721,869
Equipment	5,983,042	7,481,694	-	307,048	13,771,784
Construction in progress	103,292	4,301,076	-	(816,963)	3,587,405
	6,509,200	13,571,958	-	-	20,081,158
Less accumulated depreciation					
Buildings and leasehold improvements	9,085	19,034	-	-	28,119
Equipment	895,894	1,357,838	-	-	2,253,732
	904,979	1,376,872	-	-	2,281,851
Capital assets, net	$ 5,604,221	$ 12,195,086	$ -	$ -	$ 17,799,307

Note 6: Medical Malpractice Claims

The Trust purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Trust's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 7: Long-Term Obligations

The following is a summary of long-term obligation transactions for the Trust for the years ended June 30, 2012 and 2011:

	2012				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Note payable, bank (B)	$ 20,987,104	$ -	$ (1,534,871)	$ 19,452,233	$ 1,607,366
Note payable, bank (C)	1,524,697	84,000	(353,155)	1,255,542	428,163
Capital lease obligations	2,433,708	-	(562,594)	1,871,114	593,718
Total long-term debt	$ 24,945,509	$ 84,000	$ (2,450,620)	$ 22,578,889	$ 2,629,247

	2011				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Note payable (A)	$ 7,825,000	$ -	$ (7,825,000)	$ -	$ -
Discount on note payable (A)	(64,842)	-	64,842	-	-
Note payable, bank (B)	22,500,000	-	(1,512,896)	20,987,104	1,542,597
Note payable, bank (C)	286,372	1,582,939	(344,614)	1,524,697	375,155
Capital lease obligations	628,350	2,535,512	(730,154)	2,433,708	562,593
Total long-term debt	$ 31,174,880	$ 4,118,451	$ (10,347,822)	$ 24,945,509	$ 2,480,345

Notes Payable

(A) Due August 31, 2010, principal payable at maturity. Loan was an interest-free loan with an imputed discount of $500,000 at issuance that is amortized over the term of the note. Collateralized by proceeds and rights under an Interlocal Agreement (see *Note 13*). This loan was paid in full during the year ended June 30, 2011.

(B) Due December 18, 2021, principal and interest at 4.12% payable annually, principal payments to be funded in accordance with provisions of a certain Academic Affiliation Agreement between Oklahoma State University (the University) and the Trust and are guaranteed by a certain lease agreement with the University (see *Note 13*).

(C) There are currently two notes payable under a Master Financing Agreement. The notes payable are due in January 2015 and April 2015. Payments are due monthly, including interest of 4.40% to 4.78% and the notes are secured by certain property and equipment. During the year ended June 30, 2012, the Trust refinanced one of the notes payable in order to obtain additional loan proceeds and to receive a slightly lower interest rate.

The debt service requirements as of June 30, 2012, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2013	$ 2,900,263	$ 2,035,529	$ 864,734
2014	2,900,263	2,122,370	777,893
2015	2,812,632	2,125,040	687,592
2016	2,425,145	1,818,451	606,694
2017	2,425,145	1,894,802	530,343
2018–2022	12,100,993	10,711,583	1,389,410
	$ 25,564,441	$ 20,707,775	$ 4,856,666

Capital Lease Obligations

The Trust is obligated under leases for equipment that are accounted for as capital leases. Assets under capital leases at June 30, 2012 and 2011, totaled approximately $2,938,000, net of accumulated depreciation of approximately $812,000 and $185,000, respectively. The following is a schedule by year of future minimum lease payments under the capital leases, including interest at rates of 2.33% to 5.65% together with the present value of the future minimum lease payments as of June 30, 2012:

Year Ending June 30,	
2013	$ 665,883
2014	646,936
2015	574,586
2016	123,665
Total minimum lease payments	2,011,070
Less amount representing interest	139,956
Present value of future minimum lease payments	$ 1,871,114

Note 8: Uncompensated Care

In support of its mission, the Trust voluntarily provides free care to patients who lack financial resources and are deemed to be medically indigent. Because the Trust does not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient service revenue. In addition, the Trust provides services to other medically indigent patients under certain government-reimbursed public aid programs. Such programs pay providers amounts which are less than established charges for the services provided to the recipients and many times the payments are less than the cost of rendering the services provided.

The Trust implemented a new uncompensated care policy after June 30, 2010, to more appropriately capture the cost associated with care for which the Trust is uncompensated. The new policy expands the eligibility criteria for patients to qualify for charity care and includes a component related to presumptive charity care qualification based on various factors, including job status and resident status. The Trust has estimated the cost associated with uncompensated care for the years ended June 30, 2012 and 2011, under the new policy with the approximate costs as follows:

	2012	2011
Cost of uncompensated care to uninsured and charity care patients	$ 13,570,000	$ 12,900,000
Cost of uncompensated care to Medicaid patients	10,980,000	7,400,000
	$ 24,550,000	$ 20,300,000

In addition to uncompensated charges, the Trust also commits significant time and resources to endeavors and critical services which meet otherwise unfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable. Such programs include health screening and assessments, prenatal education and care, hospice programs, community educational services and various support groups.

Note 9: Pension Plan

The Trust contributes to a defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the Trust’s required contributions, determined in accordance with the terms of the plan. The plan is administered by the Board of Trustees. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Trust’s governing body. Contribution rates for plan members and the Trust expressed as a percentage of covered payroll were 6.1% and 2.8%, respectively, for 2012 and 6.2% and 2.9%, respectively, for 2011. Contributions actually made by plan members and the Trust aggregated approximately $1,261,900 and $591,100, respectively, during 2012 and $1,202,800 and $510,000, respectively, during 2011.

Note 10: Restricted Net Assets

At June 30, 2012, restricted expendable net assets were available for the following purposes:

Capital acquisitions	$ 683,081
Special population in need program	293,689
	$ 976,770

Note 11: Risks and Uncertainties

Current Economic Conditions

The current economic environment continues to present health care providers with difficult circumstances and challenges, which in some cases have resulted in large declines in the fair values of investments and other assets, large declines in contributions, constraints on liquidity and difficulty obtaining financing. The accompanying financial statements have been prepared using values and information currently available to the Trust.

Current economic conditions, including the high unemployment rate, have made it difficult for certain of the Trust's patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Trust's future operating results. Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the accompanying financial statements could change rapidly, resulting in material future adjustments in allowances for accounts receivable and other assets that could negatively impact the Trust's ability to maintain sufficient liquidity.

Note 12: Contingencies

Litigation

In the normal course of business, the Trust is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Trust's commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Trust evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Note 13: Community Support

In connection with the creation of the Trust, several entities made commitments to the Trust to assist in providing support and funds for the Trust to keep operating the Medical Center. These commitments ranged from direct financial support to indirect community support. Below is a recap of various community support received by the Trust:

State of Oklahoma

The State of Oklahoma (the State) provided the Trust with approximately $9,000,000 and $34,400,000 in funds during the years ended June 30, 2012 and 2011, respectively, related to the UPL program. This state-operated program includes direct allocation of funds to the Trust in addition to statewide fund allocations.

The State also committed to the following financial support for the Trust. These items were detailed in an Interlocal Agreement (the Agreement) between multiple entities, including the Trust. Among the commitments made by the State in the Agreement were:

- Maintain funding levels for indirect medical education and graduate medical education for the Trust at the same levels the Medical Center received in 2009.
- Provide the Trust up to $25,000,000 in funding for capital needs during the first year of operations. The funding was provided by a commercial bank loan (see *Note 7*) guaranteed by the University.
- Provide funding for other health care-related activities and programs, such as federally qualified health centers, in the Tulsa area. This funding would not directly benefit the Trust and would not be received directly by the Trust. However, the objective of this funding is to reduce the uninsured and indigent patient population in the greater Tulsa area.

As of June 30, 2012 and 2011, the State has fulfilled its commitment for the current year and no receivable has been recorded for future funding as that funding is dependent on future actions.

Oklahoma State University

Oklahoma State University (the University) has operational control over Oklahoma State University Center for Health Sciences (OSUCHS) in Tulsa. OSUCHS provides interns and residents in the Tulsa area. The University has entered into a 10-year lease agreement with the Trust that provides for annual funding of $2,500,000 if certain events occur.

Oklahoma State University Medical Authority

In 2009, the Oklahoma State University Medical Authority (OSUMA) received approximately $25,000,000 of funding from the State. Effective April 30, 2009, OSUMA entered into the Agreement with the Trust. Among other things, the Agreement provided for OSUMA to reimburse the Trust a sum not to exceed $25,000,000 for the operations of the Medical Center. During the 14-month period ended June 30, 2010, OSUMA provided approximately $20,000,000 of funding to the Trust to assist with the closing of the purchase from Ardent Medical Services, Inc. (see *Note 14*), satisfy funding needs for the UPL program with the Oklahoma Health Care Authority, support operations and reimburse uncompensated care provided to patients of the Medical Center.

St. John Health System

St. John Health System (SJHS) has entered into a management agreement with the Trust through St. John Owasso, Inc. d/b/a St. John Health System Management Services, Inc. The management agreement began on May 1, 2009, and was terminated effective December 31, 2012.

In addition, SJHS has committed to provide support to the Trust at the level of approximately $2,333,000 per year for five years to support the operations of the Medical Center. This support will take various forms, including raising funds from local foundations and providing direct and indirect financial support to the Trust.

Local Foundation

As part of the commitments made to the Trust to support the operations of the Medical Center, a local foundation committed to provide the Trust with direct and indirect financial support of approximately $2,333,000 per year for five years and to assist in raising an additional $2,333,000 per year for five years. For the years ended June 30, 2012 and 2011, the local foundation provided the following benefits:

- Reimbursement for uncompensated care for qualified indigent patients of approximately $713,000 and $1,096,000 in 2012 and 2011, respectively, to the Trust.

In addition to these benefits, the foundation assisted with raising funds from other local charitable organizations for the direct or indirect support of the Trust.

Note 14: Acquisition of the Medical Center

On March 18, 2009, the Trust entered into a Purchase Agreement with Ardent Medical Services, Inc. (AMS) and related parties for the acquisition of the Medical Center. The acquisition was effective as of May 1, 2009. The Trust acquired certain working capital, which primarily consisted of inventory supplies and accrued paid time off obligations, and received approximately $3,000,000 from AMS. Approximately half of the $3,000,000 related to Oklahoma indirect medical education payments received by AMS were intended to cover calendar 2009 medical education services. In connection with the acquisition, the Trust paid AMS approximately $2,826,000 to cover the losses incurred by AMS subsequent to delays in closing the transaction.

The Trust recorded a deferred credit of approximately $1,843,000 as part of this transaction, which represents the value of the assets received, net of liabilities assumed, in excess of the cash paid by the Trust. The deferred credit is being amortized over a five-year period with the amortization recorded in other operating revenue on the accompanying statements of revenues, expenses and changes in net assets.

As part of the Purchase Agreement with AMS, the Trust agreed to make certain payments to AMS based on future events. These events primarily relate to funding levels received by the Trust and AMS from the State related to the State's indirect medical education plan (IME Plan). Based on future funding amounts under the State's IME Plan, the Trust may be obligated to provide up to $12,500,000 in payments to AMS. As of June 30, 2012, the Trust has paid approximately $1,862,000 to settle its current liability.

Oklahoma State University Medical Center Trust
A Component Unit of the City of Tulsa, Oklahoma
Combining Schedule – Balance Sheet Information
June 30, 2012

	Oklahoma State University Medical Center Trust		Foundation for Oklahoma State University Medical Center		Total		Eliminations		Combined Balance	
Assets										
Current Assets										
Cash and cash equivalents	$	27,543,116	$	-	$	27,543,116	$	-	$	27,543,116
Patient accounts receivable, net of allowance – $12,259,000		12,577,706		-		12,577,706		-		12,577,706
Other receivables		10,675,615		417,000		11,092,615		-		11,092,615
Supplies		4,975,547		-		4,975,547		-		4,975,547
Estimated amounts due from third-party payers		1,100,000		-		1,100,000		-		1,100,000
Prepaid expenses and other		4,206,649		-		4,206,649		-		4,206,649
Due from related party		253,574		291,862		545,436		(545,436)		-
Total current assets		61,332,207		708,862		62,041,069		(545,436)		61,495,633
Capital Assets, Net		36,683,755		-		36,683,755		-		36,683,755
Other Assets		269,418		-		269,418		-		269,418
Total assets	$	98,285,380	$	708,862	$	98,994,242	$	(545,436)	$	98,448,806

	Oklahoma State University Medical Center Trust	Foundation for Oklahoma State University Medical Center	Total	Eliminations	Combined Balance
Liabilities and Net Assets					
Current Liabilities					
Current maturities of long-term debt	$ 2,629,247	$ -	$ 2,629,247	$ -	$ 2,629,247
Accounts payable	9,636,201	-	9,636,201	-	9,636,201
Accrued payroll and expenses	4,393,914	-	4,393,914	-	4,393,914
Accrued interest payable	441,196	-	441,196	-	441,196
Deferred credit, net of amortization	675,632	-	675,632	-	675,632
Due to related party	291,862	253,574	545,436	(545,436)	-
Total current liabilities	18,068,052	253,574	18,321,626	(545,436)	17,776,190
Long-Term Debt	19,949,642	-	19,949,642	-	19,949,642
Total liabilities	38,017,694	253,574	38,271,268	(545,436)	37,725,832
Net Assets					
Invested in capital assets, net of related debt	11,135,141	-	11,135,141	-	11,135,141
Restricted – expendable					
Capital acquisitions	-	683,081	683,081	-	683,081
Specific operating activities	293,689	-	293,689	-	293,689
Unrestricted	48,838,856	(227,793)	48,611,063	-	48,611,063
Total net assets	60,267,686	455,288	60,722,974	-	60,722,974
Total liabilities and net assets	$ 98,285,380	$ 708,862	$ 98,994,242	$ (545,436)	$ 98,448,806

Oklahoma State University Medical Center Trust
A Component Unit of the City of Tulsa, Oklahoma
Combining Schedule – Statement of Revenues, Expenses and Changes in Net Assets Information
Year Ended June 30, 2012

	Oklahoma State University Medical Center Trust	Foundation for Oklahoma State University Medical Center	Total
Operating Revenues			
Net patient service revenue, net of provision for uncollectible accounts – $24,386,872	$ 117,890,351	$ -	$ 117,890,351
Other	11,737,599	25,781	11,763,380
Total operating revenues	129,627,950	25,781	129,653,731
Operating Expenses			
Salaries and wages	57,103,027	80,808	57,183,835
Employee benefits	13,796,861	16,645	13,813,506
Purchased services and professional fees	18,504,956	31,598	18,536,554
Supplies and other expenses	33,814,841	9,063	33,823,904
Rental expense	1,148,086	-	1,148,086
Repairs and maintenance	2,651,955	-	2,651,955
Depreciation and amortization	2,844,096	-	2,844,096
Total operating expenses	129,863,822	138,114	130,001,936
Operating Income (Loss)	(235,872)	(112,333)	(348,205)
Nonoperating Revenues (Expenses)			
Investment income	73,779	-	73,779
Interest expense	(713,626)	-	(713,626)
Total nonoperating revenues (expenses)	(639,847)	-	(639,847)
Excess (Deficiency) of Revenues over Expenses Before Capital Gifts and Grants	(875,719)	(112,333)	(988,052)
Gifts to Purchase Capital Assets and Other Capital Grants	-	683,081	683,081
Increase (Decrease) in Net Assets	(875,719)	570,748	(304,971)
Net Assets, Beginning of Year	61,143,405	(115,460)	61,027,945
Net Assets, End of Year	$ 60,267,686	$ 455,288	$ 60,722,974

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Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Oklahoma State University Medical Center Trust
Tulsa, Oklahoma

We have audited the financial statements of Oklahoma State University Medical Center Trust (the Trust) as of and for the year ended June 30, 2012, and have issued our report thereon dated March 4, 2013. 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.

Internal Control over Financial Reporting

Management of the Trust is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Trust's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control over financial reporting.

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 Trust's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of findings and responses as items 2012-01 and 2012-02 that we consider to be significant deficiencies in internal control over financial reporting. 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.

Board of Trustees
Oklahoma State University Medical Center Trust

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's 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 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*.

We also noted certain matters that we reported to the Trust's management in a separate letter dated March 4, 2013.

The Trust's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Trust's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the governing body, management and others within the Trust and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

March 4, 2013

Oklahoma State University Medical Center Trust
A Component Unit of the City of Tulsa, Oklahoma
Schedule of Findings and Responses
Year Ended June 30, 2012

Reference Number	Finding
2012-01	Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting. Condition – Management's procedures for properly accounting for certain transactions and preparing sufficient estimates of receivables did not produce materially accurate results. Context – The accounting for restricted donations was inconsistent with generally accepted accounting principles and the estimated amount due from third-party payers was materially misstated. Effect – Potentially material misstatements in the financial statements could occur. Cause – The timing of revenue recognition for restricted donations was not consistent with the appropriate accounting standards. In addition, the process of preparing estimated amounts due from third-party payers were inadequate. Recommendation – Management should evaluate the procedures in place related to accounting for restricted donations and making significant estimates in the financial statements. Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding and recommendation. Management will take steps to adjust the accounting for restricted donations and to periodically evaluate the methodologies used to make material estimates in the financial statements.

Oklahoma State University Medical Center Trust
A Component Unit of the City of Tulsa, Oklahoma
Schedule of Findings and Responses
Year Ended June 30, 2012

Reference Number	Finding
2012-02	Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting. Condition – Reconciliation of certain general ledger accounts, including a cash account, were not performed in a timely manner during the year. Context – The standard monthly reconciliation process in place for certain balance sheet accounts, including cash, was not performed consistently on a timely basis during the year. Effect – Potentially material misstatements in the financial statements or material misappropriation of assets due to error or fraud could occur and not be prevented or detected and corrected in a timely manner. Cause – Recording and monitoring procedures in the internal control over financial reporting process were not performed timely. Recommendation – Management should revise the monthly reconciliation process for balance sheet accounts to ensure accounts are properly and timely recorded and reconciled to the general ledger. Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding and recommendation. Management will take steps to ensure all material balance sheet accounts are properly and timely recorded and reconciled to the general ledger.