THE UNIVERSITY OF OKLAHOMA

June 30, 2012

COLE + REED P.C.
CERTIFIED PUBLIC ACCOUNTANTS

THE UNIVERSITY OF OKLAHOMA

June 30, 2012

AUDITED FINANCIAL STATEMENTS

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

COLE + REED P.C.
CERTIFIED PUBLIC ACCOUNTANTS

<u>Independent Auditors' Report</u>

Board of Regents of the University of Oklahoma
The University of Oklahoma
Norman, Oklahoma

We have audited the accompanying statements of net assets of the University of Oklahoma (the "University"), a component unit of the State of Oklahoma, as of and for the years ended 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. The financial statements of the separate discretely presented component unit, The University of Oklahoma Foundation, Inc. (the "Foundation") (presented as Exhibit A) as of June 30, 2012 and 2011 were audited by other auditors, whose report dated October 26, 2012 expressed an unqualified opinion on those statements. The financial statements of the University and the Foundation collectively comprise the University's basic financial statements. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. Our opinion, insofar as it relates to the amounts included for the Foundation, is based on the report of the other auditor.

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. The financial statements of the Foundation were audited by other auditors and were not audited in accordance with *Government Auditing Standards*. 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 and the report of the other auditor provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above, present fairly, in all material respects, the financial position of the University of Oklahoma and its separately presented component unit, the University of Oklahoma Foundation, Inc., as of June 30, 2012 and 2011, and the respective changes in net assets and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (schedule of funding progress and notes to required supplementary information) as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2012 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 audits.

Cole & Reed P.C.

Oklahoma City, Oklahoma
December 17, 2012

The University of Oklahoma
Management's Discussion and Analysis
For the Years Ended June 30, 2012, 2011, and 2010

Overview of the Financial Statements and Financial Analysis

This report consists of Management's Discussion and Analysis (this part), the Statements of Net Assets, the Statements of Revenues, Expenses, and Changes in Net Assets, and the Statements of Cash Flows. These statements provide both long-term and short-term financial information on the University of Oklahoma Norman Campus, Law Center, and the Health Sciences Center (the "University") as a whole.

The University of Oklahoma Foundation, Inc.'s Statements of Financial Position, Statements of Activities, and Statements of Cash Flows have not been combined with the University's financial statements in this report.

The objective of the Management's Discussion and Analysis is to help readers of the University's financial statements better understand the financial position and operating activities for the fiscal year ended June 30, 2012, with comparative information for the years ended June 30, 2011 and June 30, 2010. Management has prepared this discussion and analysis.

Statement of Net Assets

The Statements of Net Assets present the assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities) as of the end of the fiscal year. The purpose of the Statements of Net Assets is to present to the readers of the financial statements a fiscal snapshot of the University. The difference between current and noncurrent assets is discussed in the footnotes to the financial statements. These statements include all assets and liabilities using the accrual basis of accounting, which is consistent with the accounting method used by private-sector institutions.

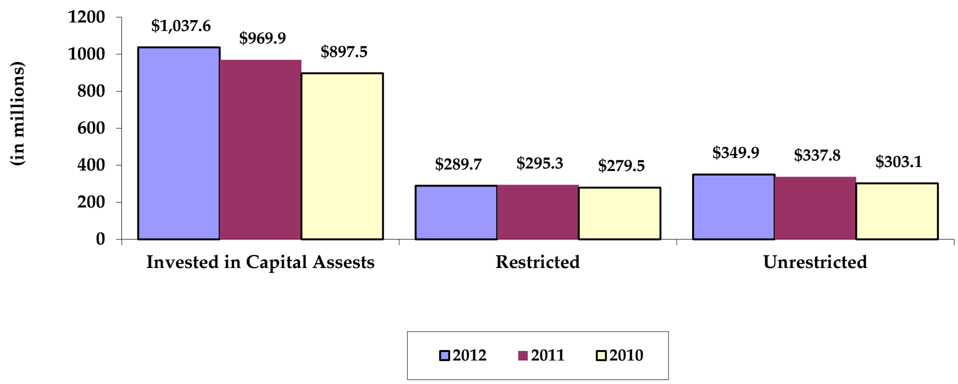
Net assets, the difference between assets and liabilities, is one way to measure the University's financial health, or position. Over time, changes in the University's net assets are an indicator of its overall financial health. Non-financial factors are also important to consider, including student recruitment, enrollment and retention, and the condition of campus facilities.

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the University's equity in property, plant, and equipment. The next category, restricted assets, provides the University's assets that must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. Unrestricted assets are available to the University for any lawful purpose of the institution.

The University's financial position, as a whole, improved during both fiscal years 2012 and 2011. Net assets increased approximately $74.2 million and $122.9 million for the years ended June 30, 2012 and 2011, respectively.

The following graph illustrates the comparative change in net assets by category for fiscal years 2012, 2011, and 2010:

Net Assets



The following table summarizes the University's assets, liabilities, and net assets as of June 30, 2012, 2011, and 2010:

Net Assets, End of Year (in millions)

	2012	2011	2010
Assets:			
Current assets	$ 953.8	$ 917.0	$ 827.5
Capital assets, net	1,915.6	1,814.7	1,686.6
Other noncurrent assets	224.8	226.1	194.1
Total assets	3,094.2	2,957.8	2,708.2
Liabilities:			
Current liabilities	278.1	271.4	261.2
Noncurrent liabilities	1,138.9	1,083.4	966.9
Total liabilities	1,417.0	1,354.8	1,228.1
Net assets:			
Invested in capital assets, net of related debts	1,037.6	969.9	897.5
Restricted	289.7	295.3	279.5
Unrestricted	349.9	337.8	303.1
Total net assets	$ 1,677.2	$ 1,603.0	$ 1,480.1
Increase in net assets	$ 74.2	$ 122.9	$ 79.4

Total assets of the University increased $136.4 million from June 30, 2011. This increase was primarily due to an increase in capital assets, net of depreciation, of $100.9 million and an increase in restricted and unrestricted cash and cash equivalents of $34.9 million.

Total assets of the University increased $249.6 million from June 30, 2010 to June 30, 2011. This increase was primarily due to an increase in capital assets, net of depreciation, of $128.1 million and an increase in unrestricted cash and cash equivalents of $118.8 million.

At June 30, 2012, the University had approximately $1.9 billion invested in capital assets, net of accumulated depreciation of $875.3 million. Depreciation charges for the current year totaled $82.4 million compared to $75.9 million and $66.1 million in the two prior years. Note 9 to the financial statements provides additional information on capital asset activities and balances.

Total liabilities of the University increased $62.2 million from June 30, 2011. This increase was primarily due to increases in revenue bonds payable ($59.0 million), and post-employment benefits obligation ($13.8 million), offset by decreases in accounts payable and accrued expenses ($9.5 million). There were also less significant increases and decreases in other liability categories that impacted the overall change. Note 11 provides additional information regarding liabilities and discusses the utilities management agreement. Note 14 discusses the OPEB reporting requirements and related information.

Total liabilities of the University increased $126.7 million from June 30, 2010. This increase was primarily due to increases in utilities management agreement liabilities ($113.7 million), and post-employment benefits obligation ($29.1 million), offset by decreases in capital leases, notes and revenue bonds payable ($26.9 million). There were also less significant increases and decreases in other liability categories that impacted the overall change. Note 11 provides additional information regarding liabilities and discusses the utilities management agreement. Note 14 discusses the OPEB reporting requirements and related information.

At June 30, 2012, the University had approximately $890.3 million in outstanding bonds, capital leases and notes payable. Additional information related to the University's long-term liabilities is presented in Note 11 to the financial statements.

Statement of Revenues, Expenses, and Changes in Net Assets

The following table summarizes the University's revenues, expenses and changes in net assets for the years ended June 30, 2012, 2011, and 2010:

Statements of Revenues, Expenses, and Changes in Net Assets (in millions)

	2012	2011	2010
Operating revenues	$ 1,207.9	$ 1,154.6	$ 1,058.7
Operating expenses	(1,612.0)	(1,530.9)	(1,468.6)
Operating loss	(404.1)	(376.3)	(409.9)
Nonoperating revenues and expenses	405.1	427.4	418.3
Income before other revenues, expenses, gains or losses	1.0	51.1	8.4
Other revenues, expenses, gains or losses	73.2	71.8	71.0
Net Increase in Net Assets	$ 74.2	$ 122.9	$ 79.4

Trends in the relationship between operating revenues and operating expenses are significant indicators of the University's financial health. Operating revenues increased $149.2 million (14.1%) from June 30, 2010 to June 30, 2012, while operating expenses increased $143.4 million (9.8%) over the same period. The slower growth in operating expenses is a reflection of the University's efforts to reduce expenses to better match anticipated revenues. These efforts will continue in the upcoming fiscal years as the State's economic outlook is still uncertain.

Operating revenues of $1.2 billion increased $53.3 million (4.6%) when compared to the prior year. Operating revenues of $1.2 billion for the year ended June 30, 2011 increased $95.9 million (9.1%) when compared to the year ended June 30, 2010. The following table summarizes the University's operating revenues for the years ended June 30, 2012, 2011, and 2010.

Operating Revenues (in millions)

	2012	2011	2010
Tuition and fees	$ 281.0	$ 267.3	$ 258.7
Patient care	352.8	323.0	278.9
Grants and contracts	342.1	348.0	321.2
Sales and services of educational activities	14.2	13.8	10.0
Auxiliary enterprises	165.8	155.9	146.8
Other revenues	52.0	46.6	43.1
	$ 1,207.9	$ 1,154.6	$ 1,058.7

For both 2012 and 2011, the increases in tuition and fees resulted primarily from increases in tuition and fee rates.

For both 2012 and 2011, the increase in patient care resulted from increased patient volume.

For the year ended June 30, 2012, the decrease in grants and contracts resulted primarily from decreases in Sponsored Programs awards funded under the American Recovery and Reinvestment Act (ARRA). For the year ended June 30, 2011, the increase in grants and contracts resulted primarily from ARRA programs and from increased funding received from the OU Medical Center for mission support.

For both 2012 and 2011, the increases in auxiliary enterprises resulted primarily from increased Housing revenues due to increased room and board rates and occupancy and miscellaneous auxiliary sales and services.

For the year ended June 30, 2012, the increase in other revenues is primarily due to an increase in pharmaceutical sales at the OU pharmacies.

There were no other significant or unexpected changes in operating revenues.

Operating expenses of $1.6 billion increased $81.1 million (5.3%) when compared to the prior year. Operating expenses of $1.5 billion for the year ended June 30, 2011 increased $62.3 million (4.2%) when compared to the year ended June 30, 2010. The following table summarizes the University's operating expenses for the years ended June 30, 2012, 2011, and 2010.

Operating Expenses (in millions)

	2012	2011	2010
Compensation and benefits	$ 1,025.4	$ 987.6	$ 954.3
Contractual services	129.3	124.8	127.3
Supplies and materials	91.9	83.2	72.6
Depreciation	82.4	75.9	66.1
Utilities	47.1	46.9	38.9
Communications	13.2	12.8	12.6
Scholarships and fellowships	33.3	33.0	35.3
Other	189.4	166.7	161.5
	$ 1,612.0	$ 1,530.9	$ 1,468.6

For 2012, the increase in compensation and benefits from the prior year resulted primarily from the pay plan that went into effect July 1, 2011, increased professional practice plan supplementation payments, and higher benefit costs.

The increase in compensation and benefits for the year ended June 30, 2011 compared to the year ended June 30, 2010 resulted primarily from a merit based salary program, increased professional practice plan supplementation payments, and higher benefit costs.

For both 2012 and 2011, the increase in supplies and materials resulted from increased purchases of merchandise for resale and pharmaceutical drugs for patient care.

For both 2012 and 2011, depreciation expense increased as a result of new buildings being put into service.

For both 2012 and 2011, the increase in other expenses resulted from significant purchases of non-capital furniture and equipment for new buildings placed in service in 2012 and 2011, higher bad debt expenses, and increased matching costs related to the Graduate Medical Education and Enhanced Medicaid Reimbursement programs.

There were no other significant or unexpected changes in operating expenses.

Nonoperating revenues and expenses of $405.1 million decreased $22.3 million (5.2%) when compared to the prior year. Nonoperating revenues (expenses) of $427.4 million for the year ended June 30, 2011 increased $9.1 million (2.1%) when compared to the year ended June 30, 2010. The following table summarizes the University's nonoperating revenues and expenses for the years ended June 30, 2012, 2011, and 2010.

Nonoperating Revenues and Expenses (in millions)

	2012	2011	2010
State appropriations	$ 240.5	$ 241.2	$ 241.1
State payments from federal ARRA revenues	-	17.0	19.6
On-behalf payments for OTRS	26.8	22.6	21.6
Endowment income	18.4	16.2	15.5
Grants and contracts	88.0	88.7	91.3
Private gifts	53.2	38.5	35.7
Student fees for capital projects	5.9	5.6	5.6
Interest on indebtedness	(36.9)	(29.7)	(32.3)
Investment income	9.2	27.3	20.2
	$ 405.1	$ 427.4	$ 418.3

Appropriations from the State of Oklahoma remained stable during fiscal year 2012, and federal funds available through the American Recovery and Reinvestment Act (ARRA) decreased $17.0 million due to the end of ARRA. During fiscal year 2011, state appropriations remained stable and federal funds available through ARRA decreased $2.6 million.

Grants and contracts remained relatively stable for the year ended June 30, 2012 compared to the year ended June 30, 2011. During fiscal year 2011, grants and contracts decreased compared to the prior year due to decreased activity.

The change in private gifts from year to year results primarily from the timing of contributions to the University.

For 2012, interest on indebtedness increased compared to the prior year primarily due to additional bonds being issued and lower capitalized interest being recorded. The expense decreased from 2010 to 2011 due to capitalization of interest payments made on debt associated with the Peggy and Charles Stephenson Oklahoma Cancer Center.

For 2012, investment income decreased due to lower market values and rates of return. For 2011, it increased due to higher rates of return and improved market conditions.

Additional information related to the University's endowments, the majority of which are held in trust by others, is presented in Note 7 to the financial statements.

There were no other significant or unexpected changes in nonoperating revenues and expenses.

Other revenues, expenses, gains or losses of $73.2 million increased $1.4 million (1.9%) when compared to the prior year. Other revenues, expenses, gains or losses of $71.8 million for the year ended June 30, 2011 increased $.8 million (1.1%) when compared to the year ended June 30, 2010. The following table summarizes the University's other revenues, expenses, gains or losses for the years ended June 30, 2012, 2011, and 2010.

Other Revenues, Expenses, Gains or Losses (in millions)

	2012	2011	2010
Grants and contracts for capital purposes	$ 7.2	$ 13.4	$ 0.6
State appropriations for capital purposes	6.8	6.4	6.5
Build America bonds subsidy	0.9	1.0	-
Private gifts for capital purposes	40.6	30.6	46.1
Federal ARRA funds for capital projects	-	7.0	-
State school land funds	11.9	9.8	10.1
On-behalf payments for OCIA capital leases	3.6	2.1	6.7
Additions to permanent endowments	2.2	1.5	1.0
Total Other Revenues, Expenses, Gains or Losses	$ 73.2	$ 71.8	$ 71.0

The Statement of Cash Flows

The primary purpose of the Statement of Cash Flows is to provide information about the cash receipts and disbursements of an entity during the year. It also aids in the assessment of an entity's ability to generate future net cash flows, ability to meet obligations as they come due, and needs for external financing.

The University's overall liquidity increased during the current year, with a net increase to cash and cash equivalents of $34.8 million. Overall liquidity also increased from June 30, 2010 to June 30, 2011, with a net increase to cash and cash equivalents of $75.8 million.

Cash used by operating activities during fiscal year 2012 of $291.5 million increased $60 million (26.0%) from the prior year ($231.5 million). Major sources of operating funds were tuition and fees ($283.9 million), patient care ($309.6 million), grants and contracts ($328.1 million), and auxiliary enterprises ($173.4 million) which were offset by the payment of compensation and benefits ($981.0 million) and other operating expenses ($413.0 million).

Cash used by operating activities during fiscal year 2011 of $231.5 million decreased $55.5 million (19.3%) from the prior year ($287.0 million). Major sources of operating funds were tuition and fees ($267.5 million), patient care ($296.2 million), grants and contracts ($357.1 million), and auxiliary enterprises ($156.3 million) which were offset by the payment of compensation and benefits ($932.5 million) and other operating expenses ($390.9 million).

Cash provided by noncapital financing activities during fiscal year 2012 of $398.7 million decreased $.9 million (.2%) from the prior year ($399.6 million). Major sources of noncapital financing activities were state appropriations revenues ($240.5 million), grants and contracts ($88.0 million), and private gifts ($53.2 million).

Cash provided by noncapital financing activities during fiscal year 2011 of $399.6 million decreased $7.1 million (1.8%) from the prior year ($406.7 million). Major sources of noncapital financing activities were state appropriations and state payments from federal ARRA revenues ($258.2 million), grants and contracts ($88.6 million), and private gifts ($38.6 million).

Cash used in capital and related financing activities during fiscal year 2012 of $88.8 million decreased $33.7 million (27.5%) from the prior year ($122.5 million) due primarily to lower proceeds from revenue bonds and capital leases, lower proceeds from utilities management agreement, lower proceeds from state grants for capital purposes, and loss of ARRA funding partially offset by increases in private gifts for capital purposes, federal grants and contracts for capital purposes, and less principal paid on capital debt and leases. Major sources of capital and related financing activities were proceeds from revenue bonds and capital leases ($103.1 million), utilities management agreement ($13.0 million), and private gifts for capital assets ($40.3 million), which were offset by purchases of capital assets ($191.5 million) and principal and interest payments on capital debt and leases ($83.8 million).

Cash used in capital and related financing activities during fiscal year 2011 of $122.5 million increased $65.6 million (115.3%) from the prior year ($56.9 million) due primarily to increases in the utilities management agreement, state grants and contracts for capital purposes, and federal ARRA funds for capital projects, partially offset by lower proceeds from revenue bonds and capital leases and private grants for capital purposes. Major sources of capital and related financing activities were proceeds from revenue bonds and capital leases ($118.3 million), utilities management agreement ($75.0 million), and private gifts for capital assets ($31.4 million), which were offset by purchases of capital assets ($208.2 million) and principal and interest payments on capital debt and leases ($184.1 million).

Cash provided by investing activities during fiscal year 2012 of $16.4 million decreased $13.8 million (45.7%) from the prior year due to reduced investment activity.

Cash provided by investing activities during fiscal year 2011 of $30.2 million decreased $4.6 million (13.2%) from the prior year due to reduced investment activity.

The following table summarizes the University's cash flows for the years ended June 30, 2012, 2011, and 2010.

Cash Flows for the Year (in millions)

	2012	2011	2010
Cash provided (used) by:			
Operating activities	$ (291.5)	$ (231.5)	$ (287.0)
Noncapital financing activities	398.7	399.6	406.7
Capital and related financing activities	(88.8)	(122.5)	(56.9)
Investing activities	16.4	30.2	34.8
Net change in cash	34.8	75.8	97.6
Cash and cash equivalents, beginning of year	792.5	716.7	619.1
Cash and cash equivalents, end of year	$ 827.3	$ 792.5	$ 716.7

Economic Outlook

The University's economic outlook is closely related to its role as one of the State's premier comprehensive institutions and the primary facility for the training of healthcare professionals. It is dependent upon ongoing financial and political support from State government. Given the state and national economic situation, the availability of new funds from the State of Oklahoma looks to be very limited throughout FY13 and FY14, with the possibility of marginal increases in state appropriations. The University has engaged in budget allocations to better match anticipated revenues and expenses. This effort will continue in the upcoming fiscal years as we focus attention to even greater scrutiny and management of our existing resources to identify opportunities fornew efficiencies and cost savings.

Another significant factor in the University's economic position relates to its ability to recruit and retain high quality students. While current economic conditions facing our state and nation are challenging, the University's competitive position remains strong. Without increasing admissions standards, we are attracting incoming freshman classes with ever increasing academic talent while maintaining strong enrollment. Our faculty continues to compete for and win national awards, and our research expenditures continue to grow.

STATEMENTS OF NET ASSETS

THE UNIVERSITY OF OKLAHOMA

	June 30 (in thousands) 2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 620,952	$ 595,547
Restricted cash and cash equivalents	132,981	135,625
Short-term investments	1,014	1,991
Accrued interest receivable	663	577
Accounts receivable, net of allowance for doubtful accounts	184,698	167,409
Inventories and supplies, at cost	5,980	6,831
Loans to students, net of allowance for uncollectible loans	3,329	3,284
Deposits and prepaid expenses	4,158	5,765
TOTAL CURRENT ASSETS	953,775	917,029
NONCURRENT ASSETS		
Restricted cash and cash equivalents	73,414	61,313
Endowment investments	75,509	78,749
Other long-term investments	12,861	11,575
Accounts receivable, long-term portion	21,000	33,000
Investments in real estate	395	395
Loans to students, net	22,436	21,868
Deposits and prepaid expenses	19,254	19,221
Capital assets, net of accumulated depreciation	1,915,550	1,814,695
TOTAL NONCURRENT ASSETS	2,140,419	2,040,816
TOTAL ASSETS	$ 3,094,194	$ 2,957,845

STATEMENTS OF NET ASSETS--Continued

THE UNIVERSITY OF OKLAHOMA

	June 30 (in thousands) 2012	2011
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 83,902	$ 93,430
Utilities management agreement, current portion	4,720	4,720
Accrued compensated absences, current portion	50,635	48,775
Deferred revenue	72,198	65,424
Deferred revenue - long-term contracts, current portion	2,918	2,922
Accrued interest payable	15,890	12,953
Post-employment benefit obligation, current portion	8,343	8,275
Capital leases payable , notes payable, and revenue bonds payable, current portion	32,870	26,474
Deposits held in custody for others	6,652	8,464
TOTAL CURRENT LIABILITIES	278,128	271,437
NONCURRENT LIABILITIES, net of current portion		
Utilities management agreement	104,280	109,000
Accrued compensated absences	11,946	10,405
Deferred revenue - long-term contracts	4,972	6,450
Federal loan program contributions refundable	21,495	21,578
Post-employment benefits obligation	138,746	125,047
Capital lease obligations	125,749	133,071
Notes payable	1,154	1,584
Revenue bonds payable	730,549	676,225
TOTAL NONCURRENT LIABILITIES	1,138,891	1,083,360
TOTAL LIABILITIES	$ 1,417,019	$ 1,354,797
NET ASSETS		
Invested in capital assets, net of related debt	$ 1,037,596	$ 969,912
Restricted for:		
Nonexpendable	53,388	51,124
Expendable:		
Educational, general and auxiliary operations	139,432	132,001
Capital projects	53,140	70,931
Debt service	24,560	24,802
Athletics	19,120	16,417
Unrestricted	349,939	337,861
TOTAL NET ASSETS	$ 1,677,175	$ 1,603,048

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

THE UNIVERSITY OF OKLAHOMA

	For the Year Ended June 30 (in thousands) 2012	2011
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowances of $58,958 and $55,086 for 2012 and 2011, respectively)	$ 280,978	$ 267,272
Patient care (net of provisions for contractual and other adjustments of $452,196 and $456,152 for 2012 and 2011, respectively)	352,745	323,001
Federal grants and contracts (revenues of $11,225 for 2012 and $14,951 for 2011 were used as security for the Research Facilities Revenue Bonds Series 2003)	133,405	138,347
State grants and contracts (revenues of $1,951 for 2012 and $409 for 2011 were used as security for the Research Facilities Revenue Bonds Series 2003)	92,022	83,815
Private grants and contracts (revenues of $4,757 for 2012 and $1,956 for 2011 were used as security for the Research Facilities Revenue Bonds Series 2003)	116,706	125,795
Interest on student loans receivable	614	675
Sales and services of educational activities	14,186	13,844
Housing revenues (revenues are used as security for the Student Housing Revenue Bonds Series 2002 and 2004)	51,441	46,117
Athletic revenues (net of scholarship allowances of $6,121 and $4,844 for 2012 and 2011, respectively; revenues were used as security for the ODFA Public Facilities Revenue Bonds Series 2003B)	63,864	61,970
Real estate revenues (revenues are pledged as security for the Research Facility Revenue Bonds Series 2004)	7,633	7,469
Steam and chilled water plant revenues (revenues were pledged as security for the Utility System Revenue Bonds Series 1998 and 2004)	6,630	6,809
Sales and services of auxiliary enterprises--other	36,251	33,516
Other revenues	51,426	45,938
TOTAL OPERATING REVENUES	1,207,901	1,154,568
OPERATING EXPENSES		
Compensation and benefits	1,025,418	987,646
Contractual services	129,249	124,817
Supplies and materials	91,907	83,158
Depreciation	82,388	75,868
Utilities	47,120	46,885
Communications	13,177	12,804
Scholarships and fellowships	33,342	32,992
Other	189,448	166,691
TOTAL OPERATING EXPENSES	1,612,049	1,530,861
OPERATING LOSS	(404,148)	(376,293)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS--Continued

THE UNIVERSITY OF OKLAHOMA

	For the Year Ended June 30 (in thousands)	
	2012	2011
NONOPERATING REVENUES (EXPENSES)		
State appropriations	240,492	241,171
State payments from federal ARRA revenues	-	17,040
On-behalf payments for OTRS	26,842	22,603
Endowment income	18,409	16,187
Federal grants and contracts	38,486	39,797
State grants and contracts	46,068	45,433
Private grants and contracts	3,424	3,418
Private gifts	53,203	38,510
Student fees for capital projects ($3,408 for 2012 and $3,145 for 2011 revenues were pledged as security for the Student Union Revenue Bond Series 2004 and $2,505 for 2012 and $2,496 for 2011 for the Multiple Facility Revenue Bonds Series 2003)	5,913	5,641
Interest on indebtedness	(36,932)	(29,684)
Investment income	9,240	27,256
NET NONOPERATING REVENUES	405,145	427,372
INCOME BEFORE OTHER REVENUES (EXPENSES), GAINS OR (LOSSES)	997	51,079
Federal grants and contracts for capital purposes	6,596	608
State grants and contracts for capital purposes	592	12,761
Build America Bonds Subsidy	863	997
Private gifts for capital assets	40,602	30,602
Federal ARRA funds for capital projects	-	7,000
State appropriations for capital projects	6,829	6,445
State school land funds (revenues used as security for the ODFA Public Facilities Revenue Bonds Series 2003A)	11,857	9,804
On-behalf payments for OCIA capital leases	3,642	2,048
Additions to permanent endowments	2,149	1,522
NET INCREASE IN NET ASSETS	74,127	122,866
NET ASSETS AT BEGINNING OF YEAR	1,603,048	1,480,182
NET ASSETS AT END OF YEAR	$ 1,677,175	$ 1,603,048

See notes to financial statements.

STATEMENTS OF CASH FLOWS

THE UNIVERSITY OF OKLAHOMA

	For the Year Ended June 30, (in thousands)	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 283,923	$ 267,457
Patient revenues	309,612	296,205
Sales and services of educational activities	14,471	14,367
Sales and services of auxiliary enterprises	42,825	32,857
Steam and chilled water plant revenues	6,686	6,691
Housing revenues	51,591	46,066
Athletic revenues	64,625	63,243
Real estate operations revenues	7,633	7,469
Federal grants and contracts	131,324	142,588
State grants and contracts	81,465	84,234
Private grants and contracts	115,288	130,287
Interest on loans receivable	614	675
Other additions	48,470	50,218
Loans issued to students	(4,044)	(3,341)
Collection of loans	3,452	3,830
Compensation and benefits	(981,020)	(932,512)
Contractual services	(55,364)	(50,983)
Other operating expenses	(413,030)	(390,878)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(291,479)	(231,527)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	240,492	241,171
State payments from federal ARRA revenues	-	17,040
Federal grants and contracts	38,486	39,797
State grants and contracts	46,068	45,433
Private grants and contracts	3,424	3,418
Net (decrease) increase in Federal loan advances refundable	(83)	90
Direct loan/FFEL receipts	182,927	184,302
Direct loan/FFEL disbursements	(182,927)	(184,302)
Endowment income	17,119	14,102
Private gifts	53,191	38,583
NET CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	398,697	399,634
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to permanent endowment	2,149	1,522
Proceeds from revenue bonds and capital leases	103,095	118,287
Proceeds from utilities management agreement	13,000	75,000
Payments under utilities management agreement	(4,720)	-
Federal grants and contracts for capital purposes	6,596	608
State grants and contracts for capital purposes	525	12,848
Student fees for capital projects	5,913	5,641
Private gifts for capital assets	40,302	31,370
Federal ARRA funds for capital projects	-	7,000
State appropriations for capital projects	6,936	6,796
State school land funds	11,857	9,804
Build America Bonds Subsidy	863	997
Net purchases of capital assets	(191,533)	(208,225)
Principal paid on capital debt and leases	(48,851)	(149,176)
Interest paid on capital debt and leases	(34,911)	(34,936)
NET CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(88,779)	(122,464)

(Continued)

STATEMENTS OF CASH FLOWS--Continued

THE UNIVERSITY OF OKLAHOMA

	For the Year Ended June 30, (in thousands)	
	2012	2011
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	16,476	10,697
Proceeds from sales and maturities of investments	16,134	48,614
Purchase of investments	(16,187)	(29,125)
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	16,423	30,186
NET CHANGE IN CASH AND CASH EQUIVALENTS	34,862	75,829
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	792,485	716,656
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 827,347	$ 792,485
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (404,148)	$ (376,293)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	82,388	75,868
Loss on disposal of capital assets	11,528	3,104
OTRS On-behalf contributions	26,543	22,603
Change in operating assets and liabilities:		
Accounts receivable	(15,688)	6,425
Inventory	852	(349)
Student loans receivable	(613)	548
Deposits and prepaid expenses	1,295	(10,023)
Accounts payable	(11,433)	5,030
Deferred revenue	5,291	3,668
Compensated absences	3,401	2,308
Post-employment benefits obligation	13,768	29,097
Deposits held in custody for others	(4,663)	6,487
NET CASH USED IN OPERATING ACTIVITIES	$ (291,479)	$ (231,527)
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Net capitalized interest	$ 2,031	$ 5,957
Deposits and prepaids acquired via issuance of revenue bonds	352	842
Principal on capital debt paid by State Agency on behalf of the University	1,590	39
Deferred cost on OCIA lease restructure	-	3,920
Unfunded utilities management agreement	-	43,000
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET ASSETS		
Current assets		
Cash and cash equivalents	620,952	595,547
Restricted cash and cash equivalents	132,981	135,625
Noncurrent assets		
Restricted cash and cash equivalents	73,414	61,313
	$ 827,347	$ 792,485

See notes to financial statements.

NOTE 1--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity: The financial reporting entity, as defined by Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete.

The University of Oklahoma (the "University") is an agency of the state of Oklahoma governed by the University of Oklahoma Board of Regents (the "Board") and the Oklahoma State Regents for Higher Education. The accompanying financial statements include the accounts and operations of the Norman Campus and Law Center of The University of Oklahoma (hereafter referred to as the "Norman Campus"), and the Health Sciences Center (the "Center"), with campus locations in Oklahoma City and Tulsa. The University is a component unit of the state of Oklahoma and is included in the general-purpose financial statements of the state as part of the Higher Education component unit.

Faculty members in the Colleges of Medicine, Public Health, Allied Health, Dentistry, Nursing and Pharmacy may participate in Professional Practice Plans (PPP's). Faculty who participate in a PPP are primarily committed to the academic and research programs of the Center; however, they also engage in professional practice activities related to patient care and services. A significant portion of PPP revenue is generated from patient care services provided to patients through the OU Medical Center. The OU Medical Center includes Presbyterian Hospital, University Hospital and Children's Hospital of Oklahoma, all located in Oklahoma City. The financial position and operations of the PPP's are included in the accompanying financial statements of the Center.

Financial Statement Presentation: The University's financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. Under GASB Statements No. 34 and 35, the University is required to present a statement of net assets classified between current and noncurrent assets and liabilities, a statement of revenues, expenses and changes in net assets, with separate presentation for operating and nonoperating revenues and expenses, and a statement of cash flows using the direct method.

NOTE 1--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Component Units: The University of Oklahoma Foundation, Inc. (the "Foundation") is a legally separate, tax-exempt Oklahoma not-for-profit corporation organized for the purpose of receiving and administering gifts for the benefit of the University. Although the University does not control the timing or amount of funds that the University receives from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted by donors to the activities of the University. Because the restricted resources held by the Foundation can only be used for the benefit of the University, the Foundation is considered a component unit of the University as defined in GASB Statement No. 39 and is discretely presented in the University's financial statements.

The Foundation is a private nonprofit organization that reports under the Financial Accounting Standards Board ("FASB") standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences and the Foundation's financial statements have not been consolidated or combined with the University's financial statements, or modified in any respect.

Although the University is the exclusive beneficiary of the Foundation, the Foundation is independent of the University in all respects. The Foundation is not a subsidiary or affiliate of the University and is not directly or indirectly controlled by the University. Moreover, the assets of the Foundation are the exclusive property of the Foundation and do not belong to the University. The University is not accountable for, and does not have ownership of, any of the financial and capital resources of the Foundation. The University does not have the power or authority to mortgage, pledge or encumber the assets of the Foundation. The trustees of the Foundation are entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to the University. Under state law, neither the principal nor income generated by the assets of the Foundation can be taken into consideration in determining the amount of state-appropriated funds allocated to the University. Third parties dealing with the University, the Oklahoma State Regents for Higher Education and the State of Oklahoma (or any agency thereof) should not rely upon the financial statements of the Foundation for any purpose without consideration of all of the foregoing conditions and limitations.

NOTE 1--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Basis of Accounting: For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant transactions between the Norman Campus and the Center, and all significant intra-agency transactions have been eliminated.

The University has the option to apply all FASB pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected not to apply FASB pronouncements issued after the applicable date.

Cash Equivalents: For purposes of the statement of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State Treasurer's Cash Management Program are considered cash equivalents.

Deposits and Investments: The University accounts for its investments at fair value, as determined by quoted market prices, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the University has disclosed its deposit and investment policies related to the risks identified in GASB Statement No. 40. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the statements of revenues, expenses and changes in net assets.

Accounts Receivable: Accounts receivable consist of tuition and fee charges to students and to auxiliary enterprise services provided to students, faculty and staff, the public, and outside parties. Accounts receivable also include amounts due from the federal, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts, construction projects and unspent proceeds from capital leases. Additionally, a significant portion of the accounts receivable is comprised of amounts due for services provided through the PPP's and clinics. Accounts receivable are recorded net of contractual adjustments and estimated uncollectible amounts.

NOTE 1--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Accounts Receivable--Continued: The University determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the University's previous loss history (including historical payment trends by payors for PPP receivable balances), and the condition of the general economy and the industry as a whole. The University writes off specific accounts receivable when they become uncollectible and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

In August 2010 the Norman Campus entered into a 50 year agreement with a utility company to operate and maintain the utility systems for steam, electrical, natural gas, chilled water, potable water and waste water; this established an upfront payment of $75,000 and a receivable balance of $43,000 over the next four years. In July 2011, a concession advance of $13,000, was received, reducing the outstanding balance to $30,000.

Inventories: Inventories, consisting mainly of merchandise for resale and supplies, are stated at the lower of aggregate cost or aggregate market. Cost is determined for the various types of inventory using the first-in, first-out and average cost methods, as deemed appropriate.

Noncurrent Cash and Investments: Cash and investments that are externally restricted to make debt service payments or long-term loans to students, maintain sinking or reserve funds, or to purchase capital or other noncurrent assets, are classified as noncurrent assets in the statements of net assets.

Medical Malpractice Coverage Claims: The Center is covered for medical malpractice risks under a medical malpractice insurance policy. The Center pays a fixed premium for coverage of malpractice claims the Center might potentially incur.

Capital Assets: Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The University's capitalization policy for furniture, fixtures and equipment, includes all items with a unit cost of $5 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

NOTE 1--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Capital Assets--Continued: Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 10-20 years for infrastructure, land improvements, and library books, 3 to 18 years for equipment and 5 years for vehicles, computers and computer accessories or the duration of the lease term for capital leases.

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service. The University capitalizes interest as a component of capital assets constructed for its own use. In 2012, total interest incurred was $38,963, of which $2,031 was capitalized. In 2011, total interest incurred was $35,641, of which $5,957 was capitalized.

Intangible assets are reported with capital assets. Intangible assets subject to amortization are amortized over their respective estimated useful lives. Intangible assets with indefinite useful lives are not material to the financial statements.

Capital assets are subject to an evaluation of possible impairment when events or circumstances indicate that the related changes in carrying amounts may not be recoverable. If required, impairment losses are reported in the statement of revenues, expenses, and changes in net assets. For 2012, there were no impairment adjustments. For 2011 impairment adjustments totaled $538.

Deferred Revenue: Deferred revenue consists primarily of advance ticket sales for athletic events, summer school tuition not earned during the current year and contract advances. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned. It also consists of prepaid patient revenues on long-term contracts received during the year, but related to the subsequent accounting period.

Accrued Compensated Absences: Employees' compensated absences are accrued when earned. The liability and expense incurred are recorded at year-end as accrued compensated absences in the statements of net assets and as a component of compensation and benefit expense in the statements of revenues, expenses and changes in net assets.

Noncurrent liabilities: Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable and capital lease obligations with contractual maturities greater than one year; (2) federal loans liability; (3) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (4) amounts due on the utilities management agreement.

NOTE 1--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Net Assets: The University's net assets are classified as follows:

Invested in capital assets, net of related debt - This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets - expendable - Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted net assets - nonexpendable - Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net assets - Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that primarily provide services to the public and outside parties.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's practice is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Classification of Revenues: The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues - include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) patient revenues, (3) sales and services of educational activities and auxiliary enterprises, (4) most federal, state and local grants and contracts and federal appropriations, and (5) interest on student loans.

NOTE 1--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Classification of Revenues--Continued:

Nonoperating revenues - include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations, certain governmental and other pass-through grants, and investment income.

Scholarship Allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statements of revenues, expenses and changes in net assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance.

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 certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Tax Status: As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(1) of the Internal Revenue Code; however, income generated from activities unrelated to the University's exempt purpose is subject to income taxes under Internal Revenue Code Section 511(a)(2)(B).

Reclassifications: Certain reclassifications have been made to the 2011 financial statements to conform with the 2012 financial statement presentation. Such reclassifications have had no effect on changes in net assets as previously reported.

NOTE 1--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

New Accounting Pronouncements: The GASB has issued several new accounting pronouncements which will be effective to the University in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the University's consideration of the impact of these pronouncements are described below:

Fiscal Year Ended June 30, 2013

- Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*.

  GASB No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. The University will only be required to adopt the provisions of GASB No. 60 if it enters into an SCA, and it currently has not entered into any such arrangements.

- Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*.

  GASB No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The University does not believe that the adoption of GASB No. 61 will have a significant impact on its financial statement presentation.

- Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

  GASB No. 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. The University does not believe that the adoption of GASB No. 62 will have a significant impact on its financial position, activities or cash flows, or its financial statement presentation.

- Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

  GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Adoption of this statement will require the University to make changes in its financial statement presentation.

NOTE 1--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

New Accounting Pronouncements--Continued:

Fiscal Year Ended June 30, 2014

- Statement No. 65, *Items Previously Reported as Assets and Liabilities*

  GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses) or inflows of resources (revenues), certain items that were previously recognized as assets and liabilities. The University has not quantified the effects of adoption of GASB No. 65 on its net position.

Fiscal Year Ended June 30, 2015

- Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*

  GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and the University has not yet determined the impact that implementation will have on its net position.

NOTE 2--DEPOSITS AND INVESTMENTS

Deposits: *Custodial credit risk* for deposits is the risk that in the event of a bank failure, the University's deposits may not be returned or the University will not be able to recover collateral securities in the possession of an outside party. Generally, the University deposits its funds with the Office of the State Treasurer (OST) and those funds are pooled with funds of other state agencies and then, in accordance with statutory limitations, are placed in financial institutions or invested as the OST may determine, in the state's name. State statutes require the OST to ensure that all state funds are either insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The OST's responsibilities include receiving and collateralizing the deposit of State funds, investing State funds in compliance with statutory requirements and maintaining adequate liquidity to meet the cash flow needs of the State and all its funds and agencies. If the University deposits funds directly with financial institutions, those funds must be insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank in the University's name, or invested in U.S. government obligations in the University's name.

Some deposits with the OST are placed in the OST's internal investment pool *OK INVEST*. *OK INVEST* pools the resources of all state funds and agencies and invests them in (a) U.S. treasury securities which are explicitly backed by the full faith and credit of the U.S. government; (b) U.S. agency securities which carry an implicit guarantee of the full faith and credit of the U.S. government; (c) money market mutual funds which participates in investments, either directly or indirectly, in securities issued by the U.S. Treasury and/or agency and repurchase agreements relating to such securities; (d) investments related to tri-party repurchase agreements which are collateralized at 102% and, whereby, the collateral is held by a third party in the name of the OST; (e) collateralized certificates of deposits; (f) commercial paper; (g) obligations of state and local governments; and (h) State of Israel bonds.

Deposits with financial institutions primarily consist of money market funds that invest in U.S. Treasury bills, notes and securities backed by the full faith and credit of the U.S. Government, some of which may be subject to repurchase agreements. Repurchase agreements are collateralized with securities backed by the full faith and credit of the U.S. Government at 102% of maturity value.

June 30, 2012 and 2011 (in thousands)

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

Cash and Cash Equivalents: At June 30, 2012 and 2011, the carrying amounts of the University's deposits with the State Treasurer and other financial institutions were $827,347 and $792,485, respectively. These amounts consisted of deposits with the OST ($767,494 and $741,540), U.S. and foreign financial institutions ($20,912 and $20,756), deposits with trustees ($35,900 and $26,725), intermediate investment funds ($335 and $1,165), petty cash and change funds ($184 and $184), and other cash equivalents ($2,522 and $2,115). Of funds on deposit with the OST, amounts invested in OK INVEST total $599,128 in 2012 and $578,263 in 2011.

For financial reporting purposes, deposits with the OST that are invested in OK INVEST are classified as cash equivalents. The distribution of deposits in OK INVEST are as follows:

At June 30, 2012

OK INVEST Portfolio	Cost	Market Value
U.S. agency securities	$ 211,822	$ 212,445
Money market mutual funds	82,009	82,009
Certificates of deposit	19,351	19,351
Mortgage backed agency securities	264,446	280,963
Municipal bonds	10,747	12,260
Foreign bonds	3,015	3,015
U.S. Treasury obligations	7,738	9,654
	$ 599,128	$ 619,697

At June 30, 2011

OK INVEST Portfolio	Cost	Market Value
U.S. agency securities	$ 211,201	$ 212,895
Money market mutual funds	63,577	63,577
Certificates of deposit	27,305	27,304
Tri-party repurchase agreements	39,021	39,022
Mortgage backed agency securities	209,765	219,030
Municipal bonds	11,526	12,481
Foreign bonds	2,150	2,150
Commercial paper	5,375	5,375
U.S. Treasury obligations	8,343	9,885
	$ 578,263	$ 591,719

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

Cash and Cash Equivalents--Continued: Agencies and funds that are considered to be part of the State's reporting entity in the State's comprehensive annual financial report are allowed to participate in *OK INVEST*. Oklahoma statutes and the OST establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives which establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and meeting the State and its funds' and agencies' daily cash flow requirements.

Guidelines in the Investment Policy address credit quality requirements, diversification percentages and specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the OST website at *http://www.treasurer.state.ok.us/*. The State Treasurer, at his discretion, may further limit or restrict such investments on a day to day basis. *OK INVEST* includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to ten years. *OK INVEST* maintains an overall weighted average maturity of no more than four years. Participants in *OK INVEST* maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the OST information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk.

Interest rate risk is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher. *Credit/default risk* is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations. *Liquidity risk* is the risk that *OK INVEST* will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons. *U.S. Government securities risk* is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer's Investment Policy to mitigate those risks; however, any interest in *OK INVEST* is not insured or guaranteed by the State of Oklahoma, the Federal Deposit Insurance Corporation or any other government agency.

June 30, 2012 and 2011 (in thousands)

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

Investments: At June 30, the fair value of the University's investments consisted of the following:

	2012	2011
U.S. equities	$ 44,312	$ 43,971
International equities	8,532	14,469
Fixed income funds and bonds	30,249	27,740
Fidelity Investments	6,291	-
TIAA CREF	-	6,135
Real property	183	183
Mineral interest	212	212
	$ 89,779	$ 92,710

Information regarding the various risk categories for the University's investments and the policies for managing that risk are included below.

Credit Risk: Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligation, causing the University to experience a loss of principal. As a means of limiting exposure to losses arising from credit risk, the University limits its exposure to this risk as follows:

- State law limits investments in obligations of state and local governments to the highest rating from at least one nationally recognized rating agency acceptable to the State Treasurer.
- Short-term investments managed by the University are generally limited to direct obligations of the United States Government and its agencies, certificates of deposit and demand deposits.
- The Board has authorized endowment and similar funds to be invested in direct obligations of the United States Government and its agencies, certificates of deposit, prime commercial paper, bankers acceptances, demand deposits, corporate debt (no bond below a single A rating by Moody's Investors Service or Standard & Poor's Corporation may be purchased), convertible securities and equity securities.
- The University's fixed income securities are generally limited to holdings of high quality fixed income securities.

June 30, 2012 and 2011 (in thousands)

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

Custodial Credit Risk: As a means of limiting its exposure to losses arising from custodial credit risk, the University's investment policies limit the exposure to this risk as follows:

- Investment securities held in bond debt service reserve funds are held by the respective bond trustee for the benefit of the University and bondholders.
- Endowment investments are held in the University's name.

Concentration of Credit Risk: University investments can be exposed to a concentration of credit risk if significant amounts are invested in any one issuer. The University places no limit on the amount the University may invest in any one issuer. However, the majority of the investments are in fixed income funds and investments guaranteed by the U.S. Government.

Interest Rate Risk: While the Center has a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, the Norman Campus does not have a formal policy. The University is responsible for determining its operating cash flow requirements and to insure that adequate funds are available to maintain the University's operations. In determining liquidity needs, the appropriate mix of short-term, intermediate, and long-term investments will be evaluated. The University's investments are categorized by maturity dates to reflect the fair values that are sensitive to changes in interest rates.

Investment maturities were as follows at June 30, 2012:

	Investment Maturities (in Years)					
	Fair Value	Not Applicable	Less than One	One to Five	Six to Ten	More than Ten
U.S. equities	$ 44,312	$ 44,312	$ -	$ -	$ -	$ -
International equities	8,532	8,532	-	-	-	-
Fidelity Investment	6,291	6,291	-	-	-	-
Fixed income funds and bonds	30,249	17,138	1,014	10,021	2,076	-
Real property	183	183	-	-	-	-
Mineral interests	212	212	-	-	-	-
	$ 89,779	$ 76,668	$ 1,014	$ 10,021	$ 2,076	$ -

June 30, 2012 and 2011 (in thousands)

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

Title 70, Section 4306 of the Oklahoma statutes directs, authorizes and empowers the University's Board of Regents to hold, invest or sell donor restricted endowments in a manner which is consistent with the terms of the gift as stipulated by the donor and with the provision of any applicable laws.

The reconciliation between investments per the statements of net assets and total investments is as follows at June 30:

	2012	2011
Investment per statement of net assets		
Short-term investments	$ 1,014	$ 1,991
Endowment investments	75,509	78,749
Other long-term investments	12,861	11,575
Investments in real estate and mineral interests	395	395
Total investments per statement of net assets	$ 89,779	$ 92,710

NOTE 3--ACCOUNTS RECEIVABLE

Accounts receivable are shown net of allowances for contractual adjustments and doubtful accounts in the accompanying statements of net assets. Accounts receivable consisted of the following at June 30:

	2012	2011
Student tuition and fees	$ 39,470	$ 40,342
Federal, state and private grants and contracts	95,454	84,940
Utilities management agreement	30,000	43,000
Contributions and gifts	5,612	5,417
PPP patient billings	115,109	107,193
Auxiliary enterprises and other operating activities	8,668	6,375
	294,313	287,267
Less contractual adjustments	(57,341)	(55,984)
Less allowance for doubtful accounts	(31,274)	(30,874)
Net accounts receivable	$ 205,698	$ 200,409

Included in the amounts above is approximately $941 at June 30, 2012 and $697at June 30, 2011, which is due from the U.S. government.

NOTE 4--NET PATIENT SERVICE REVENUE

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare - Inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates that vary accordingly to the Current Procedural Terminology (CPT) code billed by the provider. These codes are established by the American Medical Association and are adopted for use by the Center for Medicaid and Medicare Services (CMS) as a basis for their provider reimbursement methodology.

Medicaid - Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed at a prospectively determined per diem rate or established fee.

Workers' Compensation - Inpatient and outpatient services rendered under workers' compensation are reimbursed according to the State of Oklahoma fee schedule or at a predetermined discount from the State of Oklahoma fee schedule.

Other Carriers - The Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates and discounts from established charges.

Differences between the Center's established patient care rates and agreed upon rates with third party payors totals $452,196 and $456,152 for the years ending June 30, 2012 and 2011, respectively, and are reflected as contractual and other adjustments to patient care revenues in the statements of revenues, expenses, and changes in net assets. The Center's bad debt expenses related to patient care services, which is determined after application of contractual and other adjustments, totals $34,863 and $32,397 for the years ending June 30, 2012 and 2011, respectively, and is included in other expenses in the statements of revenues expenses and changes in net assets.

June 30, 2012 and 2011 (in thousands)

NOTE 5--INVENTORY

Inventories consisted of the following at June 30:

	2012	2011
University Press	$ 1,144	$ 1,224
Other auxiliaries	765	736
University printing services	298	425
Facilities management (physical plant)	302	382
College of Continuing Education operations	135	338
Museum retail operations	246	239
Site support	228	215
Telecommunications	306	358
Other service units	134	127
Dental supply store	257	204
Pharmacies	745	689
Other	1,420	1,894
	$ 5,980	$ 6,831

NOTE 6--LOANS TO STUDENTS

For the Norman campus, net student loans made under the Federal Perkins Loan Program (the "Program") comprised approximately 87% of the June 30, 2012 and 2011 loan balances. Under certain conditions such loans can be forgiven at annual rates of 10% to 30% of the original balance up to maximums of 50% to 100% of the original loan. The federal government reimburses the University to the extent of the 10% of the amounts forgiven for loans originated prior to July 1, 1993 under the Program. No reimbursements are provided for loans originated after this date. Amounts refundable to the U.S. government upon cessation of the Program of approximately $14,551 and $14,687 at June 30, 2012 and 2011, respectively, are reflected in the accompanying statements of net assets as noncurrent liabilities.

The Center had student loans outstanding of $6,766 and $6,381 (net of allowance for uncollectible loans of $357 and $336) at June 30, 2012 and 2011, respectively. Student loans made under the Health Professions Student Loan Program and the Nursing Student Loan Program represented approximately $6,705 and $6,292 of these amounts. Under these programs, the U.S. Department of Health and Human Services, Bureau of Health Professions, provides funds for eight-ninths (8/9) of the loans, and the Center provides the remaining funds. At June 30, 2012 and 2011, $6,944 and $6,891, respectively, are included as federal loan program contributions refundable in the statements of net assets as these amounts are refundable to the U.S. government upon cessation of the programs.

NOTE 6--LOANS TO STUDENTS--Continued

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The allowance for uncollectible loans only applies to University funded loans and the University portion of federal student loans, as the University is not obligated to fund the federal portion of uncollected student loans. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2012 and 2011, the allowance for uncollectible loans was approximately $1,206 and $1,228, respectively.

NOTE 7--FUNDS HELD IN TRUST BY OTHERS

Commissioners of the Land Office - Section 13/New College Funds: The University has a beneficial interest in the "Section Thirteen State Educational Institutions Fund" and the "New College Fund" held in the care of the Commissioners of the Land Office as trustees. The University has the right to receive annually 30% of the distribution of income produced by "Section Thirteen State Educational Institutions Fund" assets and 100% of the distribution of income produced by the University's "New College Fund".

The University received approximately $11,857 and $9,804 during the years ended June 30, 2012 and 2011, respectively, which is restricted to acquisition of buildings, equipment, or other capital items. Present state law prohibits the distribution of any corpus of these funds. The estimated fair value of the total trust fund for the University, held in trust by the Commissioners of the Land Office, was approximately $148,008 ($136,656 restricted corpus) and $147,388 ($135,631 restricted corpus) at June 30, 2012 and 2011, respectively. Such trust funds, held by the Commissioners of the Land Office, are not included in the financial statements of the University.

Oklahoma State Regents for Higher Education Endowment Program: In connection with the Oklahoma State Regents' Endowment Program, the State of Oklahoma has matched contributions received under the Endowment Program. The cumulative state match amount, plus any retained accumulated earnings, totaled approximately $236,046 and $243,851 at June 30, 2012 and 2011, respectively, and is invested by the Oklahoma State Regents on behalf of the University. The University is entitled to receive an annual distribution of earnings on these funds. As legal title of the State match is retained by the State Regents, only the funds available for distribution, or $10,904 and $10,123 as of June 30, 2012 and 2011, respectively, have been reflected as assets in the statements of net assets. With regard to the institutional matching funds, approximately $392,602 and $380,523 are on deposit with the Foundation for the benefit of the University as of June 30, 2012 and 2011, respectively.

NOTE 8--RELATED PARTY TRANSACTIONS

A summary of related party transactions during the years ended June 30, 2012 and 2011, including a description of the relationship, is as follows:

The University of Oklahoma Foundation

As discussed in Note 1, the Foundation is an Oklahoma not-for-profit organization organized for the purpose of receiving and administering gifts for the benefit of the University. The Foundation is governed by an independent Board of Trustees. Based on the audited financial statements of the Foundation for the years ended June 30, 2012 and 2011, net assets of the Foundation were approximately $927,028 and $941,933, respectively. The Foundation made distributions to or for the benefit of the Norman Campus and Health Sciences Center totaling approximately $97,648 in 2012 and $91,764 in 2011 for facilities and equipment, salary supplements, general educational assistance, faculty awards and scholarships, of which approximately $75,627 in 2012 and $57,123 in 2011 are reflected in the University's financial statements as revenue or private gifts and expenditures. The amounts not reflected herein consist of direct Foundation expenditures for general university educational purposes.

HCA Health Services of Oklahoma, Inc. d/b/a OU Medical Center

The Center has contracts with HCA Health Services of Oklahoma, Inc. d/b/a OU Medical Center ("HCA") for the Center's staff to provide in-service education and administrative duties within University Hospital and Children's Hospital of Oklahoma, two of the institutions comprising the OU Medical Center. In addition, the Center provides phone services and steam and chilled water for heating and cooling purposes to the OU Medical Center. Total sales and services under the above transactions were approximately $28,713 and $30,992 for 2012 and 2011, respectively. Amounts due from HCA for such transactions was $5,925 and $$4,766 as of June 30, 2012 and 2011, respectively, and is included in accounts receivable, net of allowances, on the statement of net assets.

NOTE 8--RELATED PARTY TRANSACTIONS--Continued

The Tulsa Foundation for Health Care Services, Inc.

The Tulsa Foundation for Health Care Services, Inc. (the "Tulsa Foundation") is an Oklahoma not-for-profit organization organized for the benefit of, to perform the functions of, or carry out the purposes of, the University of Oklahoma College of Medicine – Tulsa Bedlam Clinic and/or successor clinics. The purposes of the Tulsa Foundation are exclusively charitable, educational and research, specifically to receive funds from various entities to provide compassionate medical and health care services for the underserved community in the greater Tulsa area with an emphasis on caring for children and their families through the Bedlam Clinic, or its successor entities. The economic resources received and held by the Tulsa Foundation for the benefit of the Center are not significant to its overall financial position. As a result, the Tulsa Foundation is not considered a component unit of the Center under the definition of GASB Statement No. 39.

The Academic Physicians Insurance Company

The Academic Physicians Insurance Company (the "Captive"), formed in 2006, is a not-for-profit insurance company formed and domiciled in the State of Vermont as an Alternative Risk Financing Vehicle for the purpose of financing the medical professional liability insurance for College of Medicine faculty practicing as OU Physicians. Premiums paid by the Center to obtain professional liability coverage from the Captive totaled $9,043 and $8,640 for fiscal years 2012 and 20110, respectively, thus eliminating the Center's deductible expense for current and future claims. As of and for the year ended June 30, 2012, the economic resources of the Captive include total assets of $47,097, total revenue of $7,678 and total fund balance of $24,974. The Captive is not considered a component unit of the Center under the definition of GASB Statement No. 39, as the economic resources received and held by the Captive are not significant to the Center's overall financial position and the Center is not entitled to, or have the ability to otherwise access a majority of the resources received or held by the Captive.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA

June 30, 2012 and 2011 (in thousands)

NOTE 9--CAPITAL ASSETS

Capital assets activity includes the following for the year ended June 30:

	2012				
	Beginning Balance	Additions	Transfers	Deductions	Ending Balance
Capital assets not being depreciated:					
Art	$ -	$ 610	$ 107	$ -	$ 717
Land	56,246	2,029	646	(351)	58,570
Construction in progress	132,136	129,280	(136,235)	(6,859)	118,322
Total capital assets not being depreciated	188,382	131,919	(135,482)	(7,210)	177,609
Capital assets being depreciated:					
Buildings	1,687,710	6,796	116,554	(919)	1,810,141
Equipment	284,486	24,237	3,963	(10,825)	301,861
Nonstructural improvements	112,150	3,546	14,464	-	130,160
Land improvements	45,928	418	501	15	46,862
Software	45,266	16,153	-	-	61,419
Infrastructure	61,104	404	-	-	61,508
Library books	189,943	11,299	-	-	201,242
Total capital assets being depreciated	2,426,587	62,853	135,482	(11,729)	2,613,193
Less accumulated depreciation for:					
Buildings	406,758	31,840	-	(739)	437,859
Equipment	179,362	22,716	-	(6,671)	195,407
Nonstructural improvements	24,884	6,737	-	-	31,621
Land improvements	35,035	1,536	-	-	36,571
Software	22,024	9,856	-	-	31,880
Infrastructure	31,580	2,141	-	-	33,721
Library books	100,631	7,562	-	-	108,193
Total accumulated depreciation	800,274	82,388	-	(7,410)	875,252
Total capital assets being depreciated, net	1,626,313	(19,535)	135,482	(4,319)	1,737,941
Capital assets, net	$1,814,695	$ 112,384	$ -	$ (11,529)	$1,915,550

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA

June 30, 2012 and 2011 (in thousands)

NOTE 9--CAPITAL ASSETS--Continued

Capital assets activity includes the following for the year ended June 30:

	2011				
	Beginning Balance	Additions	Transfers	Deductions	Ending Balance
Capital assets not being depreciated:					
Land	$ 55,667	$ 579	$ -	$ -	$ 56,246
Construction in progress	212,006	145,944	(224,234)	(1,580)	132,136
Total capital assets not being depreciated	267,673	146,523	(224,234)	(1,580)	188,382
Capital assets being depreciated:					
Buildings	1,483,937	9,927	196,743	(2,897)	1,687,710
Equipment	266,633	22,584	2,220	(6,951)	284,486
Nonstructural improvements	85,398	5,174	21,578	-	112,150
Land improvements	45,370	34	524	-	45,928
Software	32,028	11,098	2,140	-	45,266
Infrastructure	59,613	462	1,029	-	61,104
Library books	177,418	12,525	-	-	189,943
Total capital assets being depreciated	2,150,397	61,804	224,234	(9,848)	2,426,587
Less accumulated depreciation for:					
Buildings	379,307	28,241	-	(790)	406,758
Equipment	161,989	23,649	-	(6,276)	179,362
Nonstructural improvements	19,402	5,482	-	-	24,884
Land improvements	32,842	2,193	-	-	35,035
Software	15,069	6,955	-	-	22,024
Infrastructure	29,406	2,174	-	-	31,580
Library books	93,457	7,174	-	-	100,631
Total accumulated depreciation	731,472	75,868	-	(7,066)	800,274
Total capital assets being depreciated, net	1,418,925	(14,064)	224,234	(2,782)	1,626,313
Capital assets, net	$1,686,598	$ 132,459	$ -	$ (4,362)	$1,814,695

The University maintains various collections of inexhaustible assets to which no value can be determined. Such collections include contributed works of art, historical treasures and literature.

June 30, 2012 and 2011 (in thousands)

NOTE 10--DEFERRED REVENUE

Deferred revenue consists of the following at June 30:

	2012	2011
Prepaid tuition and student fees	$ 10,574	$ 9,014
Prepaid athletic tickets sales	27,831	27,080
Auxiliary enterprises and other activities	8,624	2,768
Grants and contracts	17,549	21,055
Long-term contracts	15,510	14,879
	$ 80,088	$ 74,796

June 30, 2012 and 2011 (in thousands)

NOTE 11--LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions for the University for the years ended June 30:

	Issue Dates	Interest Rates	Maturity Through	2012 Beginning Balance	2012 Additions	2012 Deductions	2012 Ending Balance	2012 Current Portion
Bonds and capital leases		(percentages)						
Parking, Series 2001	2001	3.10-6.10	12/01/2026	$ 20,945	$ -	$ (20,945)	$ -	$ -
Student Housing, Series 2002	2002	2.00-5.04	11/01/2027	6,420	-	(260)	6,160	270
Research Facility, Series 2003	2003	2.50-4.90	03/01/2028	26,995	-	(1,100)	25,895	1,145
ODFA Public Facility, Series 2003A	2003	2.00-4.06	07/01/2016	7,200	-	(1,095)	6,105	1,130
ODFA Public Facility, Series 2003B	2003	2.00-4.06	07/01/2016	4,450	-	(680)	3,770	700
Multiple Facility, Series 2003	2003	2.50-5.00	06/01/2029	29,900	-	(1,120)	28,780	1,160
Utility System Series, 2004A&B	2004	2.61-4.85	11/01/2019	6,584	-	(615)	5,969	646
Student Union, Series 2004	2004	2.00-3.10	12/01/2012	935	-	(460)	475	475
Parking, Series 2004	2004	2.00-3.65	03/01/2016	2,405	-	(2,405)	-	-
Student Housing, Series 2004	2004	3.00-5.125	07/01/2034	75,060	-	(1,760)	73,300	1,830
Research Facility, Series 2004	2004	2.50-5.875	11/01/2034	18,015	-	(605)	17,410	635
General Revenue Bonds, Series 2006A	2006	4.00-5.00	07/01/2031	103,165	-	(2,915)	100,250	3,030
General Revenue Bonds, Series 2007A	2007	4.00-4.125	07/01/2036	26,790	-	-	26,790	-
General Revenue Bonds, Series 2007B	2007	5.30-5.60	07/01/2021	9,845	-	(730)	9,115	765
General Revenue Bonds, Series 2007C	2008	4.15-5.90	07/01/2037	34,625	-	-	34,625	-
General Revenue Bonds, Series 2007D	2008	4.15-5.90	07/01/2024	17,610	-	(920)	16,690	960
General Revenue Bonds, Series 2008A&B	2008	3.28-6.63	07/01/2036	68,399	-	(1,231)	67,168	1,281
General Revenue Bonds, Series 2009A	2009	3.00-5.00	07/01/2039	36,750	-	(620)	36,130	640
General Revenue Bonds, Series 2009B	2009	3.00-5.00	07/01/2039	2,045	-	(590)	1,455	605
General Revenue Bonds, Series 2010A	2010	2.00	07/01/2015	4,637	-	(7)	4,630	1,127
General Revenue Bonds, Series 2010B	2010	3.72-6.27	07/01/2039	42,575	-	-	42,575	-
General Revenue Bonds, Series 2010A&B	2010	1.24-5.00	07/01/2030	31,500	-	(1,741)	29,759	2,026
General Revenue Bonds, Series 2011A	2011	.70-5.00	07/01/2035	8,440	-	-	8,440	215
General Revenue Bonds, Series 2011B	2011	.75-6.39	07/01/2040	34,930	-	-	34,930	575
General Revenue Bonds, Series 2011C	2011	2.00-4.75	07/01/2036	11,270	-	-	11,270	295
General Revenue Bonds, Series 2011D	2011	.810-5.634	07/01/2041	62,620	-	-	62,620	1,050
General Revenue Bonds, Series 2011E	2012	.400-5.00	07/01/2026	-	20,995	-	20,995	1,425
General Revenue Bonds, Series 2011F	2012	.630-1.960	07/01/2016	-	1,900	-	1,900	370
General Revenue Bonds, Series 2012A	2012	2.00-5.00	07/01/2041	-	70,379	(80)	70,299	161
General Revenue Bonds, Series 2012B	2012	.950-1.450	07/01/2016	-	5,560	-	5,560	-
Total revenue bonds payable				694,110	98,834	(39,879)	753,065	22,516
Notes Payable				1,998	-	(413)	1,585	431
OCIA capital lease payable				105,489	-	(1,589)	103,900	1,887
ODFA capital lease payable				35,757	4,261	(8,246)	31,772	8,036
Total bonds and capital leases				837,354	103,095	(50,127)	890,322	32,870
Other noncurrent liabilities								
Utilities management agreement				113,720	-	(4,720)	109,000	4,720
Accrued compensated absences				59,180	26,583	(23,182)	62,581	50,635
Federal loan program contributions refundable				21,578	53	(136)	21,495	-
Deferred revenue (long-term contracts)				9,372	-	(1,482)	7,890	2,918
Post-employment benefits obligation				133,322	22,180	(8,413)	147,089	8,343
Total other noncurrent liabilities				337,172	48,816	(37,933)	348,055	66,616
Total noncurrent liabilities				$ 1,174,526	$ 151,911	$ (88,060)	$ 1,238,377	$ 99,486

June 30, 2012 and 2011 (in thousands)

NOTE 11--LONG-TERM LIABILITIES--Continued

				2011				
	Issue Dates	Interest Rates	Maturity Through	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds and capital leases		(percentages)						
Utility System Series 1998	1998	6.50-7.00	07/01/2018	$ 4,570	$ -	$ (4,570)	$ -	$ -
Parking, Series 2001	2001	3.10-6.10	12/01/2026	21,810	-	(865)	20,945	905
Student Center Series 2001	2001	4.25-5.27	06/01/2026	113	-	(113)	-	-
Student Housing, Series 2002	2002	2.00-5.04	11/01/2027	6,670	-	(250)	6,420	260
Research Facility, Series 2003	2003	2.50-4.90	03/01/2028	28,060	-	(1,065)	26,995	1,100
ODFA Public Facility, Series 2003A	2003	2.00-4.06	07/01/2016	8,255	-	(1,055)	7,200	1,095
ODFA Public Facility, Series 2003B	2003	2.00-4.06	07/01/2016	5,100	-	(650)	4,450	680
Multiple Facility, Series 2003	2003	2.50-5.00	06/01/2029	30,985	-	(1,085)	29,900	1,120
Utility System Series, 2004A&B	2004	2.61-4.85	11/01/2019	7,175	-	(591)	6,584	616
Student Union, Series 2004	2004	2.00-3.10	12/01/2012	1,375	-	(440)	935	460
Parking, Series 2004	2004	2.00-3.65	03/01/2016	2,915	-	(510)	2,405	530
Student Housing, Series 2004	2004	3.00-5.125	07/01/2034	76,760	-	(1,700)	75,060	1,760
Research Facility, Series 2004	2004	2.50-5.875	11/01/2034	18,595	-	(580)	18,015	605
General Revenue Bonds, Series 2006A	2006	4.00-5.00	07/01/2031	105,950	-	(2,785)	103,165	2,915
General Revenue Bonds, Series 2007A	2007	4.00-4.125	07/01/2036	26,790	-	-	26,790	-
General Revenue Bonds, Series 2007B	2007	5.30-5.60	07/01/2021	10,535	-	(690)	9,845	730
General Revenue Bonds, Series 2007C	2008	4.15-5.90	07/01/2037	34,625	-	-	34,625	-
General Revenue Bonds, Series 2007D	2008	4.15-5.90	07/01/2024	18,495	-	(885)	17,610	920
General Revenue Bonds, Series 2008A&B	2008	3.28-6.63	07/01/2036	69,590	-	(1,191)	68,399	1,231
General Revenue Bonds, Series 2009A	2009	3.00-5.00	07/01/2039	57,690	-	(20,940)	36,750	620
General Revenue Bonds, Series 2009B	2009	3.00-5.00	07/01/2039	8,555	-	(6,510)	2,045	590
General Revenue Bonds, Series 2009C	2009	2.00-4.00	07/01/2024	21,100	-	(21,100)	-	-
General Revenue Bonds, Series 2010Ban's	2010	1.61	11/01/2011	73,120	-	(73,120)	-	-
General Revenue Bonds, Series 2010A	2010	2.00	07/01/2015	4,644	-	(7)	4,637	7
General Revenue Bonds, Series 2010B	2010	3.72-6.27	07/01/2039	42,575	-	-	42,575	-
General Revenue Bonds, Series 2010A&B	2010	1.24-5.00	07/01/2030	31,546	-	(46)	31,500	1,741
General Revenue Bonds, Series 2011A	2011	.70-5.00	07/01/2035	-	8,440	-	8,440	-
General Revenue Bonds, Series 2011B	2011	.75-6.39	07/01/2040	-	34,930	-	34,930	-
General Revenue Bonds, Series 2011C	2011	2.00-4.75	07/01/2036	-	11,270	-	11,270	-
General Revenue Bonds, Series 2011D	2011	.810-5.634	07/01/2041	-	62,620	-	62,620	-
Total revenue bonds payable				717,598	117,260	(140,748)	694,110	17,885
Notes Payable				2,591	-	(593)	1,998	414
OCIA capital lease payable				101,287	27,311	(23,109)	105,489	244
ODFA capital lease payable				42,760	1,030	(8,033)	35,757	7,931
Total bonds and capital leases				864,236	145,601	(172,483)	837,354	26,474
Other noncurrent liabilities								
Utilities management agreement				-	118,000	(4,280)	113,720	4,720
Accrued compensated absences				56,871	25,352	(23,043)	59,180	48,775
Federal loan program contributions refundable				21,489	166	(77)	21,578	-
Deferred revenue (long-term contracts)				10,851	4	(1,483)	9,372	2,922
Post-employment benefits obligation				104,225	37,500	(8,403)	133,322	8,275
Total other noncurrent liabilities				193,436	181,022	(37,286)	337,172	64,692
Total noncurrent liabilities				$ 1,057,672	$ 326,623	$ (209,769)	$ 1,174,526	$ 91,166

June 30, 2012 and 2011 (in thousands)

NOTE 11--LONG-TERM LIABILITIES--Continued

Maturities of principal and interest requirements on revenue bonds and capital leases are as follows at June 30, 2012:

	2013	2014	2015	2016	2017	2018-2022	2023-2027	2028-2032	2033-2037	2038-2042	Total
Student Housing, Series 2002	$ 556	$ 554	$ 557	$ 554	$ 556	$ 2,764	$ 2,736	$ 544	$ -	$ -	$ 8,821
Research Facility, Series 2003	2,340	2,335	2,337	2,335	2,335	11,644	11,612	2,317	-	-	37,255
ODFA Public Facility, Series 2003	2,147	2,146	2,133	2,137	2,130	-	-	-	-	-	10,693
Multiple Facility, Series 2003	2,499	2,501	2,499	2,499	2,494	12,474	12,474	4,987	-	-	42,427
Utility System Series, 2004A&B	874	869	874	872	875	2,613	-	-	-	-	6,977
Student Union, Series 2004	481	-	-	-	-	-	-	-	-	-	481
Student Housing, Series 2004	5,391	5,385	5,378	5,376	5,353	26,694	26,506	26,271	15,621	-	121,975
Research Facility, Series 2004	1,566	1,560	1,561	1,558	1,559	7,761	7,692	2,812	1,675	-	27,744
General Revenue Bonds, Series 2006A	7,579	7,573	7,586	7,587	7,588	40,764	41,111	30,678	-	-	150,466
General Revenue Bonds, Series 2007A	1,099	1,099	1,099	1,099	1,099	6,178	11,539	11,476	11,395	-	46,083
General Revenue Bonds, Series 2007B	1,224	1,225	1,219	1,216	1,214	5,345	-	-	-	-	11,443
General Revenue Bonds, Series 2007C	1,630	1,629	1,629	1,629	1,630	8,148	12,601	17,141	16,993	3,380	66,410
General Revenue Bonds, Series 2007D	1,863	1,855	1,852	1,846	1,846	9,141	4,616	-	-	-	23,019
General Revenue Bonds, Series 2008A&B	4,822	4,819	4,806	4,805	4,804	23,945	23,899	23,868	23,745	-	119,513
General Revenue Bonds, Series 2009A	2,231	2,232	2,226	2,230	2,229	11,124	15,141	14,772	8,040	-	60,225
General Revenue Bonds, Series 2009B	637	635	225	-	-	-	-	-	-	-	1,497
General Revenue Bonds, Series 2010A	1,197	1,194	1,195	1,185	-	-	-	-	-	-	4,771
General Revenue Bonds, Series 2010B	2,465	2,465	2,465	2,465	3,630	17,805	17,070	16,064	14,336	7,504	86,269
General Revenue Bonds, Series 2010A&B	3,083	3,083	3,073	3,053	3,049	12,635	9,564	1,030	-	-	38,570
General Revenue Bonds, Series 2011A	590	589	587	585	586	2,924	2,918	2,894	2,307	-	13,980
General Revenue Bonds, Series 2011B	2,570	2,568	2,567	2,565	2,566	12,785	12,732	12,668	12,596	10,008	73,625
General Revenue Bonds, Series 2011C	720	729	732	731	729	3,623	3,606	3,567	3,529	-	17,966
General Revenue Bonds, Series 2011D	4,169	4,230	4,227	4,220	4,212	20,981	20,822	20,649	20,456	20,212	124,178
General Revenue Bonds, Series 2011E	1,993	1,769	1,779	1,783	1,321	8,657	8,734	-	-	-	26,036
General Revenue Bonds, Series 2011F	391	393	393	392	390	-	-	-	-	-	1,959
General Revenue Bonds, Series 2012A	2,914	2,914	2,914	2,914	2,914	22,238	22,097	21,975	21,864	21,489	124,233
General Revenue Bonds, Series 2012B	67	67	1,885	1,877	1,875	-	-	-	-	-	5,771
Total principal & interest	57,098	56,418	57,798	57,513	56,984	270,243	267,470	213,713	152,557	62,593	1,252,387
Less: Interest	34,582	33,820	32,983	32,067	31,054	137,996	101,650	62,231	27,645	5,294	499,322
Total principal	22,516	22,598	24,815	25,446	25,930	132,247	165,820	151,482	124,912	57,299	753,065
Capital leases	15,107	17,067	16,136	15,152	14,951	37,444	35,419	38,072	9,979	-	199,327
Less: interest	5,184	5,537	5,144	4,741	4,427	17,339	13,380	7,302	601	-	63,655
Total principal	9,923	11,530	10,992	10,411	10,524	20,105	22,039	30,770	9,378	-	135,672
Notes payable	489	489	489	245	-	-	-	-	-	-	1,712
Less: interest	58	41	23	5	-	-	-	-	-	-	127
Total principal	431	448	466	240	-	-	-	-	-	-	1,585
Total	$ 32,870	$ 34,576	$ 36,273	$ 36,097	$ 36,454	$ 152,352	$ 187,859	$ 182,252	$ 134,290	$ 57,299	$ 890,322

NOTE 11--LONG-TERM LIABILITIES--Continued

Revenue bonds payable: Beginning in FY07 with the General Revenue Bonds, Refunding Series 2006A, bonds have been issued by the Board of Regents pursuant to the Master Resolution and supplemental resolutions establishing the University of Oklahoma General Revenue Financing System. The revenue pledged as security for these obligations is any or all revenues of the University which are lawfully available for the payment of obligations, excluding revenues appropriated by the state legislature, funds whose purpose has been restricted by the donors or grantors to a purpose inconsistent with the payment of such obligations, and any funds pledged for Prior Encumbered Obligations.

Revenue bonds issued prior to the Resolution (Prior Encumbered Obligations) are payable both as to principal and interest solely from the net revenues arising from operations of the athletics department, the physical plant utilities system, student housing, real estate operations, indirect cost recoveries associated with sponsored research activities, state school land funds and certain fees all of which are pledged under the various bond indentures. At June 30, 2012 and 2011, the University had $28,449 and $22,136, respectively, of cash and investments held in trust for the bond indentures, restricted to the payment of principal and interest.

Tulsa Campus Series 2003 Defeasance

On December 5, 2006, the Board of Regents of the University of Oklahoma authorized the issuance of the $3,500 Board of Regents of the University of Oklahoma on behalf of the University of Oklahoma Health Sciences Center Refunding Revenue Note, Series 2007 (the "Series 2007 Note"). The proceeds of the Series 2007 Note along with existing Center funds were used to advance refund the remainder of the $17,770 The Board of Regents of the University of Oklahoma University of Oklahoma Tulsa Campus Revenue Bonds Series 2003A (the "Series 2003 Bonds") which was loaned to the Board of Regents of the University of Oklahoma and used in the acquisition of the Tulsa Campus located at 4502 E. 41st Street, Tulsa, Oklahoma. The Series 2007 Note is dated June 1, 2007 and is payable solely from the net revenues of the clinical operations of the Tulsa branch of the University of Oklahoma College of Medicine. The Series 2007 Note bears interest at 3.94% and is payable over 8.5 years, with annual payments of $489. The outstanding balance at June 30, 2012 and 2011 was $1,585 and $1,999, respectively. In accordance with the advance refunding, the University deposited $17,360 into an escrow fund and purchased government securities bearing interest in amounts sufficient to pay the series 2003 Bonds at January 1, 2014. Accordingly the Series 2003 Bonds are considered to have been extinguished and neither the 2003 Series Bonds nor the associated escrow fund are included in the University's statements of net assets as of June 30, 2012. The balance of the 2003 Series Bonds outstanding at June 30, 2012 and 2011 was $13,105 and $14,025, respectively.

NOTE 11--LONG-TERM LIABILITIES--Continued

Refunding

During FY10, the Series 2010A/B bonds were used to advance refund $2,535 of the Series 2001 Student Center bonds. The remaining principal balance of $113 was paid by the Center according to the bond schedule on June 1, 2011. The Series 2001 bonds were loaned to the Board of Regents of the University of Oklahoma to construct, renovate, remodel, furnish, equip and expand a Student Center, pavilion and intramural playing field on the Center's Oklahoma City campus. The applicable portion of the 2010A bonds is payable over 16 years. The outstanding balance at June 30, 2011 is $2,655. In accordance with the advanced refunding, the Center deposited $2,697 into an escrow fund and purchased government securities, bearing interest in amounts sufficient to pay the Series 2001 bonds at December 1, 2011.

Capital Lease Obligations

OCIA Capital Lease Obligations

In September 1999, the Norman Campus entered into a 20 year lease agreement with the Oklahoma Capital Improvement Authority ("OCIA") and the Oklahoma State Regents for Higher Education as beneficiary of a portion of the proceeds from the Oklahoma Capital Improvement Authority State Facilities Revenue Bonds, Series 1999A (the "OCIA Bonds"). The University received $5,850 of the proceeds for capital improvement projects on the Norman Campus as approved by the Regents. Assets under this capital lease totaled $4,612, net of accumulated depreciation of $1,238 at June 30, 2012, and $4,729, net of accumulated depreciation of $1,121, at June 30, 2011.

In the fall of 2005, the Center entered into a 25 year lease agreement with the Oklahoma Capital Improvement Authority ("OCIA") and the Oklahoma State Regents for Higher Education as beneficiary of a portion of the proceeds from the OCIA State Facilities Revenue Bonds, Series 2005F and 2005G. The Center received $26,146 of the proceeds for capital improvement projects on the Oklahoma City and Tulsa Campuses as approved by the Regents. Assets and construction in progress under these capital leases totaled $24,156 and $24,679, net of accumulated depreciation of $1,990 and $1,467 at June 30, 2012 and 2011, respectively.

NOTE 11--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations--Continued

OCIA Capital Lease Obligations--Continued

In the fall of 2005, the Norman Campus entered into a lease agreement with varying terms of repayment with the OCIA and the Oklahoma State Regents as beneficiary of a portion of the proceeds from OCIA State Facilities Revenue Bonds, Series 2005F, 2005G and 2006D. The University received $82,706 of the proceeds in addition to total investment earnings of $8,507 for capital improvement projects on the Norman Campus as approved by the Regents. Assets and construction in progress under these capital leases totaled $85,724, net of accumulated depreciation of $5,489 on the completed projects, at June 30, 2012, and $87,549, net of accumulated depreciation of $3,664 on the completed projects, at June 30, 2011.

In the summer of 2010, the Norman Campus's 2005 lease agreement with the OCIA was restructured through a partial refunding of the Series 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. Lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring debt service. Consequently, the lease agreement with OCIA automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring. A prepaid expense of $2,247 has been recorded as a deferred cost that will be amortized over a period of six years. This restructuring resulted in an aggregate debt service reduction for principal and interest between the original lease agreement and the restructured lease agreement of $1,530.

In August 2010, the Center's 2005F lease agreement with the OCIA was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. The Center's lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring debt service. Consequently, the Center's lease agreement with OCIA automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring. The Center has recorded a deferred charge of $2,295 on restructuring as a deferred cost that will be amortized over a period of six years and wrote off $623 of previously capitalized deferred costs from the refinanced 2005F agreement. During the year ended June 30, 2012, amortization of the deferred charge was $279. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of $113 which also approximates the economic cost of the lease restructuring.

June 30, 2012 and 2011 (in thousands)

NOTE 11--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations--Continued

OCIA Capital Lease Obligations--Continued

Lease payments made by the State of Oklahoma on behalf of the University are held by the OCIA for future principal and interest payments of the OCIA Bonds. The OCIA deposits the lease payments into an interest-bearing fund and may use the interest earnings to reduce the University's future lease payments.

ODFA Master Lease Obligations

The University has entered into various master lease agreements with ODFA. Proceeds of ODFA Master Leases are used by the University to fund the acquisition of major personal and real property that will provide cost efficiencies in finance and administration. The lease terms vary by the useful life of the equipment purchased, but the useful life must not exceed 20 years for personal property and 30 years on real property projects. Terms of leases outstanding as of June 30 are as follows:

					2012		2011	
ODFA Master Leases	Entity	Issued	Term	Amount Financed	Net Book Value	Accumulated Depreciation	Net Book Value	Accumulated Depreciation
ODFA 2003B	Norman Campus	August 2003	5 - 10 years	$ 4,021	$ -	$ 4,021	$ -	$ 4,021
ODFA 2005A	Norman Campus	May 2005	7 - 10 years	2,173	43	2,130	58	2,115
ODFA 2005B	Norman Campus	August 2005	3 - 10 years	3,421	-	3,421	-	3,421
ODFA 2005B	The Center	August 2005	7 years	2,300	783 **	1,347 **	992 **	1138 **
ODFA 2005C	Norman Campus	December 2005	10 years	1,466	*	*	*	*
ODFA 2006A	Norman Campus	May 2006	5 - 10 years	3,332	749	2,583	913	2,419
ODFA 2006A	The Center	May 2006	5 years	940	360	580	454	486
ODFA 2006C	Norman Campus	December 2006	5 - 10 years	3,136	2,410	726	2,555	581
ODFA 2007A	Norman Campus	May 2007	3 - 7 years	1,434	538	896	717	717
ODFA 2007B	Norman Campus	July 2007	5 - 20 years	4,605	2,806	1,799	3,166	1,439
ODFA 2007B	The Center	December 2007	15 years	6,067	5,582	485	5,703	364
ODFA 2007C	Norman Campus	November 2007	5 - 10 years	11,364	4,046	7,318	5,744	5,620
ODFA 2007C	The Center	December 2007	15 years	1,304	1,197	107	1,224	80
ODFA 2008A	Norman Campus	September 2008	3 - 10 years	15,468	7,648	7,820	9,390	6,078
ODFA 2008B	Norman Campus	December 2008	5 - 10 years	1,724	1,246	478	1,365	359
ODFA 2009A	Norman Campus	July 2009	5 - 20 years	2,759	2,195	564	2,383	376
ODFA 2009B	The Center	July 2009	5 years	333	152	181	220	113
ODFA 2009B	Norman Campus	December 2009	5 - 10 years	1,576	1,173	403	1,307	269
ODFA 2010B	Norman Campus	December 2010	5 years	1,029	917	112	973	56
ODFA 2011C	Norman Campus	November 2011	5 - 10 years	4,261	3,702 **	353 **	-	-

* All purchased items did not meet the University's capitalization threshold to be capitalized.
** Several purchased items did not meet the Center's capitalization threshold to be capitalized.

NOTE 11--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations--Continued

ODFA Master Lease Obligations--Continued

Lease payments made by the University are forwarded to the trustee bank by the State Regents for future principal and interest payments on the Master Lease bonds. The ODFA deposits the lease payments into an interest-bearing fund and may use the interest earnings to reduce the University's future lease payments.

Utilities Management Agreement: In August 2010 the Norman Campus entered into a 50 year agreement with a utility company to operate and maintain the utility systems for steam, electrical, natural gas, chilled water, potable water and waste water. At the time the contract was signed, an advance of $75,000 was received. Additional proceeds will be received through fiscal year 2014, bringing the proceeds to a total of $118,000. This total advance will be repaid to the third party over the next 25 years.

Of the advance received, $55,387 was transferred to trustees to purchase escrow securities for the defeasement of the portion of the General Revenue Bonds Series 2009A (36.29%), General Revenue Bonds Series 2009B (76.05%), and General Revenue Bonds, Refunding Series 2009C (100%). These bonds were used for utility system acquisitions and improvements. Total principal defeased was $47,415. The funds transferred for defeasance will remain in escrow until the final call date of July 1, 2024. The escrow balance at June 30, 2012, was $52,363.

Refunding Bonds: In October 2011, General Revenue Bonds 2011E and 2011F were issued to refund the 2001 and 2004 Parking Revenue Bonds having a total principal balance outstanding of $22,445. This resulted in cash flow savings of $2,816, and a net present value benefit of $2,200.

NOTE 12--OPERATING LEASES

The University has entered into certain operating leases for equipment (including copiers and other office furniture and equipment), office space, bus charters, vehicle rentals and other miscellaneous items. All operating leases are for a one-year term with an option to renew based on available funding. Rental expenditures from operating leases were approximately $11,077 and $11,106, respectively, for the years ended June 30, 2012 and 2011.

NOTE 13--RETIREMENT PLANS

The University's academic and nonacademic personnel are covered by various retirement plans depending on job classification. The plans available to University personnel include the Oklahoma Teachers' Retirement System ("OTRS" or "the System"), and the following defined contribution plans: Optional Retirement Plan ("ORP"), the University of Oklahoma Defined Contribution Plan ("Plan 1"), and the University of Oklahoma Defined Contribution Plan for Hourly Employees who are Non-OTRS Participants ("Plan 2"). If the previously mentioned plans do not provide a computed minimum amount of retirement benefits, the University provides the difference under the Supplemental Benefits Plan for those employees hired on or before June 30, 1991.

A summary of significant data for each of the retirement plans follows:

Defined Benefit Plan - Oklahoma Teachers Retirement System

Plan Description: The University contributes to the OTRS, a cost-sharing multiple-employer public employee retirement system that is self-administered. OTRS provides retirement, disability, and death benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by the legislature of the state of Oklahoma. Title 70 of the Oklahoma Statutes, Sections 17-101 through 17-116.9, as amended, assigns the authority for management and operation of the Plan to the Board of Trustees of the System.

The System issues a publicly available annual financial report that includes financial statements and required supplementary information. That annual report may be obtained by writing to the OTRS, P.O. 53524, Oklahoma City, OK 73152, by calling (405) 521-2387, or at the OTRS website at www.trs.state.ok.us.

Funding Policy: System members and the University are required to contribute at a rate set by statute. The contribution requirements of system members and the University are established and may be amended by the legislature of the state of Oklahoma. For the years ended June 30, 2012 and 2011, the contribution rate for System members of 7% is applied to their total compensation.

NOTE 13--RETIREMENT PLANS--Continued

Funding Policy--Continued: For FY12 and FY11 the local employer contribution rate was 8.55%. For the years ended June 30, 2012 and 2011, the State contributed 5% of State revenues from sales and use taxes and individual income taxes. Contributions made by the State from dedicated taxes are considered on-behalf payments for the University's employees. The amount benefiting the University's employees is estimated at $26,543 and $22,603 for the years ended June 30, 2012 and 2011, respectively, based on an allocation of the University's covered payroll to the total covered payroll for the OTRS. These on-behalf payments have been recorded as both revenues and expenses in the statements of revenues, expenses and changes in net assets.

The University's contributions to OTRS, for the years ended June 30, 2012, 2011, and 2010 were approximately $32,828 and $31,586 and $30,695, respectively, equal to the required contributions for each year.

Defined Contribution Plan - Optional Retirement Plan

Plan Description: Monthly employees, hired July 1, 2004 or later, who would have been previously required to participate in OTRS, now have the option to elect either OTRS (along with Plans 1 or 2 described below) or the Optional Retirement Plan (ORP) within the first 90 days of employment. This is a one-time election and if an employee does not make an election, the employee defaults into OTRS and will also participate in Plan 1 or Plan 2 of the Defined Contribution Plan noted below. During fiscal year 2012, changes were made to the Optional Retirement Plan in order to meet new federal regulations for retirement plans offered by public sector plan sponsors. Fidelity Investments was chosen to provide record-keeping services for all of the University's defined contribution plans. Under the ORP, the University contributes, at the direction of the participating employee, to any of a variety of different fund options and companies, which are organized in a four tier structure.

The authority for contributing to the ORP is contained in the following policy document, "University of Oklahoma Optional Retirement Plan," adopted July 2004.

Funding Policy: The ORP provisions and contribution requirements are established and may be amended by the University. The University's contribution rate is 9% of covered payroll and is determined by the previously mentioned plan document. The University's contributions to the ORP for the years ended June 30, 2012, 2011 and 2010 were $23,301, $21,176 and $19,003. Employees do not contribute to the ORP. The vesting period for the ORP is three years.

NOTE 13--RETIREMENT PLANS--Continued

Defined Contribution Plan - Plan 1 and Plan 2

Plan Descriptions: For employees participating in OTRS, contributions to the defined contribution plan fall into Plan 1 or Plan 2 depending upon the employer's participation date. The University contributes through Fidelity Investments, at the direction of the participating employee, to any of a variety of different fund options and companies. Plans 1 and 2 are non-contributory defined contribution plans. The authority for contributing to Plans 1 and 2 is contained in the following policy document, "University of Oklahoma Defined Contribution Retirement Plan," amended July 2004.

Funding Policy: Plan 1 and Plan 2 provisions and contribution requirements are established and may be amended by the University. The University's contribution rate is 15% for Plan 1 and 8% for Plan 2 of covered payroll and is determined by the previously mentioned plan document. Total contributions to Plans 1 and 2 were $30,165 and $9,276, respectively, for the year ended June 30, 2012, $29,665 and $8,683, respectively, for the year ended June 30, 2011, and $28,967 and $8,538, respectively, for the year ended June 30, 2010. Employees do not contribute to Plans 1 and 2. The vesting period for both Plan 1 and Plan 2 is three years.

Supplemental Benefits Plan

The University has a Supplemental Benefits Plan (the "Plan"), which provides for supplemental retirement benefits to employees who do not receive a calculated minimum amount from other Benefits Plans and Social Security. Eligibility for this Supplemental Plan is limited to employees hired on or before June 30, 1991.

Under the current provisions of the Plan, it is management's opinion that no current employee will qualify for the Plan. Benefits paid under this Plan during the years ended June 30, 2012, 2011 and 2010 to retired employees were $8, $28 and $30, respectively. The Plan is an unfunded plan and management's estimates of the remaining pension benefit obligation under the Plan at June 30, 2012, 2011 and 2010 were approximately $27, $67 and $134. The pension benefit obligation was determined as a part of an actuarial valuation at year end. Significant actuarial assumptions used include (a) a discount rate of 8.0% per year compounded annually, (b) projected post-retirement benefit increases of 3.5% per year compounded annually, attributable to inflation and (c) the Internal Revenue Code "Ordinary Life Annuities" tables.

June 30, 2012 and 2011 (in thousands)

NOTE 14--OTHER POSTEMPLOYMENT BENEFITS

Plan Description: Health and dental insurance is provided by the University of Oklahoma for all University retirees meeting specified ages and service requirements hired prior to January 1, 2008, with varying premium subsidies based on retirement age and years of service as described below. Retirees hired after January 1, 2008 may participate in the University's retiree insurance plan and, at their own expense, retirees may also elect the University's health and dental coverage for eligible dependents. The University's retiree insurance plan is considered a single-employer defined benefit plan. As a secondary insurance plan, retirees participating in OTRS (see Note 13) are covered by the Oklahoma State and Education Employees Group Insurance Fund. For retirees not participating in OTRS, University insurance continues. After retirees become eligible for Medicare, the OTRS' Oklahoma State and Education Employees Group Insurance Fund and the University insurance plans become secondary plans. The University's plan does not issue a stand-alone financial report. The University has the authority to establish and amend the benefit provisions offered to retirees. The Board of Regents approved the following changes to the University's Retiree Medical Benefits Plan at their May 2012 meeting.

1. As part of these changes, two eligibility groups were established for future subsidized University retiree medical benefits:

   Group 1- Current retirees, employees currently eligible to retire, and those who will meet eligibility for University retirement on or before December 31, 2015.

   Group 2- Current employees hired on or before January 1, 2008 who will meet eligibility requirements on or after January 1, 2016.

2. The University will continue to provide a 100% premium subsidy for Group 1 retirees.

3. An insurance premium subsidy for Group 2 was established as follows:

Retirement Age	Years of Service			
	10-14	15-19	20-24	25+
Under 55	Employees can retire with 25 years of service. No university subsidy until age 55.			
55-61	Not eligible	55%-must meet rule of 80	65%-must meet rule of 80	75%
62-64	55%	65%	75%	85%
65+	65%	75%	85%	100%

4. For University Medicare Plan participants who retired on or after July 1, 1995, an individual deductible will be phased in beginning January 1, 2013. Effective January 1, 2016, the Medicare coordination method will be changed to "exclusion" and the annual out-of-pocket maximum will be reduced from $3,000 to $1,500.

June 30, 2012 and 2011 (in thousands)

NOTE 14--OTHER POSTEMPLOYMENT BENEFITS--Continued

Plan Description--Continued:

5. Beginning January 1, 2013, retirees will be allowed a one-time opportunity to opt-out of OU retiree medical plan coverage if the individual is enrolled in other coverage. The retiree may return to the University's plan if medical coverage is maintained during the opt-out period.

Funding Policy: For the University's plan, the contribution requirement is based on a projected pay-as-you-go basis. The funding policy may be amended by the Regents of the University of Oklahoma. The University pays the premiums for the retirees hired prior to January 1, 2008, with varying premium subsidies based on retirement age and years of service. At their own expense, retirees may also elect health or dental coverage for eligible dependents. For the years ended June 30, 2012 and 2011, the University contributed $8,413 and $8,403 respectively for current retirees.

Annual OPEB Cost and Net OPEB Obligation: The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed by the University, and changes in the University's net OPEB obligation for the years ended:

	2012	2011
Annual Required Contribution (ARC)	$ 21,026	$ 36,819
Interest on Net OPEB Obligation	6,666	5,211
Adjustment to ARC	(5,512)	(4,530)
Annual OPEB Cost	22,180	37,500
Contributions paid during year	(8,413)	(8,403)
Increase in net OPEB Obligation	13,767	29,097
Net OPEB obligation-beginning of year	133,322	104,225
Net OPEB obligation-end of year	$ 147,089	$ 133,322

June 30, 2012 and 2011 (in thousands)

NOTE 14--OTHER POSTEMPLOYMENT BENEFITS--Continued

Funded Status and Funding Progress: The unfunded actuarial accrued liability (UAAL), totaled $251,782 as of the January 1, 2012 actuarial valuation date. The initial UAAL is being amortized over an open period of thirty years using the level percentage of projected covered payroll amortization method. The covered payroll (annual payroll of active employees covered by the plan) was $606,948 and $582,277 for 2012 and 2011, respectively, and the ratio of the UAAL to the covered payroll was 41 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information, as available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Trend Information:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Liability
2012	$ 22,180	38%	$ 147,089
2011	37,500	22%	133,322
2010	43,499	19%	104,225

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the Retirement Policy document, amended as of July 1, 2002. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in reported amounts and reflect a long-term perspective of the calculations. In the January 1, 2012 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include the following: a 5 percent investment rate of return, which is based on the expected long-term investment returns of the University's own investments, an annual healthcare cost trend rate of 9 percent initially, reduced by decrements to 4.5 percent after seven years, and a payroll annual inflation rate of 3.5 percent.

NOTE 15--RISK MANAGEMENT

Due to the diverse risk exposure of the University, the insurance portfolio contains a comprehensive variety of coverage. Oklahoma Statutes require participation of all State agencies in basic general liability, tort claim coverage, directors and officers liability, and property and casualty programs provided by the State of Oklahoma Department of Central Services Risk Management Division ("DCSRMD"). In addition to these basic policies, the University's Department of Risk Management establishes guidelines in risk assessment, risk avoidance, risk acceptance and risk transfer.

The University and individual employees are provided sovereign immunity when performing official business within the scope of their employment under the Oklahoma State Tort Claims Act.

Beyond acceptable retention levels, complete risk transfer is practiced by purchasing conventional insurance coverage either directly from a provider or through DCSRMD. These coverages are as follows:

- The buildings and contents are insured for replacement value. Each loss incident is subject to either a $750 (Norman Campus) or $500 (Center) deductible.
- General liability and tort claim coverages (including comprehensive general liability, auto liability, personal injury liability, aircraft liability, watercraft liability, leased vehicles and equipment) are purchased by the University from DCSRMD. To complement coverage provided by State Statute, additional coverage is purchased based on specific departmental and institutional needs and risks, but the related risks are not considered material to the University as a whole. Aircraft claims filed as of June 30, 2012 and 2011 were $0.

Self-Funded Programs

The University's workers' compensation program is self-funded and is administered by a third party. The University maintains a cash deposit with the administrator and reimburses the administrator for claims paid on a monthly basis and administrative expenses are paid on a quarterly basis. Benefits provided are prescribed by State Statute and include lump sum payments for rated disabilities, in addition to medical expenses and a portion of salary loss, resulting from an on-the-job injury or illness. The University records a liability for workers' compensation in its financial statements based on annual actuarial valuations. As of June 30, 2012 and 2011, the accrued workers' compensation liability totaled approximately $4,796 and $5,301, respectively.

NOTE 15--RISK MANAGEMENT--Continued

Self-Funded Programs--Continued

The University's unemployment compensation insurance program is also self-funded. Unemployment benefits that separated employees receive are determined by Oklahoma Statutes and are administered by the Oklahoma Employment Security Commission ("OESC"). As a reimbursing employer, the University is billed quarterly by the OESC for benefits paid to former employees. The University's reserve with the OESC is the average claims paid over the past three years. As of June 30, 2012 and 2011, the required reserve was $1,000 and $897, respectively. The minimum cash balance is considered each year during the fringe benefit rate-setting process.

NOTE 16--COMMITMENTS AND CONTINGENCIES

At June 30, 2012 and 2011, the University had outstanding commitments under construction contracts totaling $53,432 and $122,781, respectively.

The University is a party in several lawsuits; however, University officials are of the opinion, based on advice of in-house legal counsel, that the ultimate outcome of all litigation will not have a material effect on the future operations or financial position of the University.

As a result of legislation, the University, as an agency of the state of Oklahoma, is subject to the state of Oklahoma's self-insurance program with regard to comprehensive general liability, comprehensive auto liability, personal injury and general property insurance. Also, the University is self-insured relative to workers' compensation and unemployment insurance. Reserves relating to the University's self insurance are calculated based on projected claims. These areas include stop-loss provisions that limit the University's exposure.

In the normal course of operations, the University receives grants and other forms of reimbursement from various federal and state agencies. These activities are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing such funds. Management believes that the liability, if any, for any reimbursement that may arise as the result of audits, would not be material.

June 30, 2012 and 2011 (in thousands)

NOTE 16--COMMITMENTS AND CONTINGENCIES--Continued

In March 2010, the Internal Revenue Service (IRS) announced that for periods ending before April 1, 2005, medical residents are excepted from the Federal Insurance Contributions Act (FICA) taxes based on the student exception under IRC section 3121 (b)(10). The IRS has indicated that they will issue a refund for FICA taxes previously paid plus statutory interest. The University filed a refund claim in November 2010, for the periods January 1994 – March 2005. The employer portion of the refund claim equals $16,557. The IRS has not indicated when the refund may be issued, and no amounts are reflected in the Center’s financial statements due to uncertainties regarding timing and ultimate collection of the balances.

NOTE 17--SUBSEQUENT EVENTS

On September 19, 2012, the Board of Regents gave the Center the authority to enter into an agreement to acquire, for $85 million, real property which includes the Presbyterian Health Foundation Research Park. The property is in close proximity to the Center and includes more than 700,000 square feet of modern biomedical research lab and office space. The agreement is subject to due diligence procedures and financing approval. The financing arrangements and purchase are anticipated to be completed in fiscal year 2014.

NOTE 18--FUNCTIONAL CLASSIFICATIONS

The University’s operating expenses by functional classification were as follows for the years ended June 30:

	2012	2011
Instructional	$ 410,160	$ 397,054
Research	172,135	169,988
Public service	88,161	82,865
Academic support	121,328	105,771
Student services	25,439	24,908
Institutional support	54,227	65,341
Operation and maintenance of plant	138,510	130,043
Scholarships/fellowships	1,650	2,271
Clinical operations	400,349	356,231
Student aid	31,760	30,906
Other	3,101	2,712
Auxiliary	140,800	139,151
Service unit	12,479	13,600
Plant	11,950	10,020
	$ 1,612,049	$ 1,530,861

EXHIBIT A

THE UNIVERSITY OF OKLAHOMA FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012 and 2011

WITH

INDEPENDENT AUDITORS' REPORT

HoganTaylor LLP
CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
The University of Oklahoma Foundation, Inc.

We have audited the accompanying consolidated statements of financial position of The University of Oklahoma Foundation, Inc. (the Foundation) as of June 30, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the consolidated financial position of The University of Oklahoma Foundation, Inc. as of June 30, 2012 and 2011, and the consolidated results of their activities and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

HoganTaylor LLP

October 26, 2012

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THE UNIVERSITY OF OKLAHOMA FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2012 and 2011

	2012	2011
Assets		
Cash and cash equivalents	$ 14,704,069	$ 8,137,049
Receivable for investment securities sold	37,860,307	73,014
Pledges receivable, net	48,544,640	54,226,470
Other receivables	1,051,746	2,090,040
Investments	873,896,073	935,621,887
Art collections	38,820,017	38,809,416
Leasehold improvements and equipment, net	2,189,059	2,290,814
Total assets	$ 1,017,065,911	$ 1,041,248,690
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	$ 8,138,737	$ 7,513,226
Conditional gifts	16,580,334	21,580,334
Assets held for others	61,873,439	66,027,740
Charitable remainder trust obligations	3,445,441	4,194,443
Total liabilities	90,037,951	99,315,743
Net assets:		
Unrestricted	(21,489,967)	(21,320,814)
Temporarily restricted	237,915,538	223,687,781
Permanently restricted	710,602,389	739,565,980
Total net assets	927,027,960	941,932,947
Total liabilities and net assets	$ 1,017,065,911	$ 1,041,248,690

See notes to consolidated financial statements.

THE UNIVERSITY OF OKLAHOMA FOUNDATION, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Contributions	$ 90,213	$ 74,832,818	$ 21,425,026	$ 96,348,057
Investment income:				
Interest, dividends and rent	5,180,766	262,491	6,194,516	11,637,773
Royalties	266,810	53,362	1,794,480	2,114,652
Net realized and unrealized losses on investments	(1,272,539)	(48,468)	(18,487,409)	(19,808,416)
Total investment income (loss)	4,175,037	267,385	(10,498,413)	(6,055,991)
Other revenues	44,898	752,859	751,469	1,549,226
Endowment distributions	8,424,901	26,928,503	(35,353,404)	-
Reinvestment of endowment distributions and donor redesignations	(1,801,937)	3,544,582	(1,742,645)	-
Net assets released from restrictions	95,644,014	(92,098,390)	(3,545,624)	-
Total revenues	106,577,126	14,227,757	(28,963,591)	91,841,292
Expenses				
The University of Oklahoma:				
General university educational assistance	21,933,502	-	-	21,933,502
Salary supplements	23,229,308	-	-	23,229,308
Facilities and equipment	32,941,735	-	-	32,941,735
Student scholarships	19,050,696	-	-	19,050,696
Faculty awards	493,026	-	-	493,026
Operating expenses	4,711,468	-	-	4,711,468
Investment fees	4,386,544	-	-	4,386,544
Total expenses	106,746,279	-	-	106,746,279
Increase (decrease) in net assets	(169,153)	14,227,757	(28,963,591)	(14,904,987)
Net assets, beginning of year	(21,320,814)	223,687,781	739,565,980	941,932,947
Net assets, end of year	$ (21,489,967)	$ 237,915,538	$ 710,602,389	$ 927,027,960

THE UNIVERSITY OF OKLAHOMA FOUNDATION, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Contributions	$ 78,096	$ 73,629,285	$ 71,412,592	$ 145,119,973
Investment income:				
Interest, dividends and rent	4,884,974	215,119	9,350,524	14,450,617
Royalties	219,243	56,009	1,802,677	2,077,929
Net realized and unrealized gains on investments	5,439,040	575,104	122,328,896	128,343,040
Total investment income	10,543,257	846,232	133,482,097	144,871,586
Other revenues	566,767	2,874,849	207,983	3,649,599
Endowment distributions	8,145,085	25,458,839	(33,603,924)	-
Reinvestment of endowment distributions and donor redesignations	(495,119)	(8,806,944)	9,302,063	-
Net assets released from restrictions	91,936,288	(88,641,339)	(3,294,949)	-
Total revenues	110,774,374	5,360,922	177,505,862	293,641,158
Expenses				
The University of Oklahoma:				
General university educational assistance	23,512,680	-	-	23,512,680
Salary supplements	18,776,515	-	-	18,776,515
Facilities and equipment	35,852,491	-	-	35,852,491
Student scholarships	13,066,730	-	-	13,066,730
Faculty awards	555,188	-	-	555,188
Operating expenses	4,420,160	-	-	4,420,160
Investment fees	4,354,691	-	-	4,354,691
Total expenses	100,538,455	-	-	100,538,455
Increase in net assets	10,235,919	5,360,922	177,505,862	193,102,703
Net assets, beginning of year	(31,556,733)	218,326,859	562,060,118	748,830,244
Net assets, end of year	$ (21,320,814)	$ 223,687,781	$ 739,565,980	$ 941,932,947

See notes to consolidated financial statements.

THE UNIVERSITY OF OKLAHOMA FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Increase (decrease) in net assets	$ (14,904,987)	$ 193,102,703
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Contributions restricted for endowment	(19,682,381)	(80,714,655)
Endowment distributions	35,353,404	33,603,924
Endowment investment loss (income)	10,498,413	(133,482,097)
Net realized and unrealized losses (gains) on nonendowment investments	1,321,007	(6,014,144)
Depreciation expense	184,878	234,258
Change in assets and liabilities:		
Pledges receivable	5,919,402	6,290,063
Other receivables	1,038,294	(397,516)
Accounts payable and accrued liabilities	134,846	(846,060)
Assets held for others	(4,154,301)	-
Charitable remainder trust obligations	(749,002)	1,339,887
Net cash provided by operating activities	14,959,573	13,116,363
Cash Flows from Investing Activities		
Purchase of investments	(167,100,936)	(249,685,517)
Proceeds from sale of investments	179,948,282	174,423,038
Endowment distributions	(35,353,404)	(33,603,924)
Capital expenditures	(83,123)	(129,491)
Net cash used in investing activities	(22,589,181)	(108,995,894)
Cash Flows from Financing Activities		
Proceeds from contributions restricted for endowment	14,196,628	40,741,273
Proceeds from agency transactions	-	60,195,900
Net cash provided by financing activities	14,196,628	100,937,173
Net increase in cash and cash equivalents	6,567,020	5,057,642
Cash and cash equivalents, beginning of year	8,137,049	3,079,407
Cash and cash equivalents, end of year	$ 14,704,069	$ 8,137,049

See notes to consolidated financial statements.

Note 1 – Nature of Operations and Consolidation

The University of Oklahoma Foundation, Inc. (the Foundation) is a not-for-profit corporation organized and operated for the purpose of receiving and administering gifts for the benefit of The University of Oklahoma (the University). The consolidated financial statements include the accounts of the Foundation and its wholly owned subsidiaries: University North Park, LLC (North Park), a not-for-profit limited liability company that owns undeveloped real property; UNP Realty Investors, LLC (UNP Realty), a not-for-profit limited liability company that provides financing for activities related to North Park's investments in real property; Avilla Principis, LLC, a limited liability company that conducts certain real estate loan transactions; University Amphora, LLC (Amphora), a not-for-profit limited liability company that enters into real-estate agreements; and Santa Chiara SRL (Santa Chiara) a foreign, wholly owned subsidiary of Amphora that owns certain real estate. Also included in the accompanying consolidated financial statements are the accounts of Foundation for Engineering at the University of Oklahoma, Inc., a supporting organization of the Foundation. The by-laws of the supporting organization require that a majority of the members of the Board of Directors be appointed by the Foundation.

Although the University is the exclusive beneficiary of the Foundation, the Foundation is independent of the University in all respects. The Foundation is not a subsidiary or affiliate of the University and is not directly or indirectly controlled by the University. Moreover, the assets of the Foundation are the exclusive property of the Foundation and do not belong to the University. The University is not accountable for, and does not have ownership of, any of the financial and capital resources of the Foundation. The University does not have the power or authority to mortgage, pledge or encumber the assets of the Foundation. The Board of Trustees of the Foundation is entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to the University. Under State law, neither the principal nor income generated by the assets of the Foundation can be taken into consideration in determining the amount of the state-appropriated funds allocated to the University. Third parties dealing with the University, the Oklahoma State Regents for Higher Education and the State of Oklahoma (or any agency thereof) should not rely upon the financial statements of the Foundation for any purpose without consideration of all of the foregoing conditions and limitations.

Distributions of amounts held in funds by the Foundation are subject to the approval of the Foundation's Board of Trustees. General university educational assistance includes expenditures made in accordance with the fund purpose ranging from general supplies to specific projects within a department or school of the University. Salary supplements are processed through the University's payroll system. Upon receiving adequate documentation, the Foundation will reimburse the University for such expenditures. Student and faculty awards are based on program guidelines established by the donors.

Note 2 – Summary of Significant Accounting Policies

Cash and cash equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents.

Pledges receivable

Unconditional promises to give are recorded as contributions in the period in which a written or oral agreement to contribute cash or other assets is received. Credit losses are provided for based on periodic assessments of outstanding pledges, particularly those pledges which are past due as well as historical trends related to the collection of pledges receivable. The Foundation's periodic evaluation of credit losses is based on known and inherent risks in the portfolio, adverse situations that may affect the donor's ability to pay and current economic conditions. The Foundation's periodic assessment of pledges receivable and credit loss provisions are based on the Foundation's best estimates of pledges which may not be recoverable. Pledges are written off when deemed uncollectible.

Unconditional promises to give expected to be collected within one year are reported at their net realizable value. Unconditional promises to give expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discounts are amortized and reported in contribution revenue.

Investments

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Real estate is valued at the lower of cost or fair value at time of donation. Investment return includes dividend, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value, and realized gains and losses on other investments.

Art collections

All collections of works of art, historical treasures and similar assets are carried at the lower of cost or fair value at the time of donation.

Leasehold improvements and equipment

Equipment is depreciated on a straight-line basis over the estimated useful life of each asset. Assets under leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Conditional gifts

The Foundation receives contributions with terms that require return of the contribution to the donor on the occurrence of specified future and uncertain events. The Foundation reports such contributions as liabilities until the likelihood of not meeting the condition is remote. Conditional promises to give are not recorded as assets and revenue until the conditions are substantially met and the gift becomes unconditional.

Assets held for others

The Foundation recognizes a liability for the fair value of investments it maintains and manages on behalf of other not-for-profit organizations.

Charitable remainder trusts

The Foundation receives gifts of the future interests in charitable remainder trusts. Under the related agreements, the donors retain the rights to periodic distributions from the trusts for specified terms. At the end of the trusts' terms, the assets of the trusts become the property of the Foundation. Charitable remainder trust contributions are recorded as gifts in the year received. The contribution amounts recorded represent the difference between the fair market value of the assets donated and the present value of future expected distributions to the donors. Related liabilities for the present value of the future expected distributions to the donors are recorded as liabilities under charitable remainder trusts.

Temporarily and permanently restricted net assets

Contributions received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor-stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions restricted by the donor in which the restriction is met in the same year are recorded as temporarily restricted and then released from restriction.

Investment return is reflected in the statement of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor-imposed restrictions.

Income taxes

The Foundation and supporting organization are nonprofit corporations and are exempt from income taxes under Internal Revenue Code Section 501(c)(3). However, the Foundation is subject to federal income tax on any unrelated business taxable income. No provision for income taxes is included in the accompanying financial statements.

The accounting for income taxes may, at times, involve some degree of uncertainty, and as such, lead to uncertain tax positions having been taken. Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Generally, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years prior to 2009.

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.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year's financial statement presentation. These reclassifications did not affect the previously reported change in net assets.

Subsequent events

Subsequent events have been evaluated through October 26, 2012, the date the financial statements were available to be issued.

Note 3 – Pledges Receivable

Pledges receivable are recorded at present values based on the payment schedules indicated by the donors. Present value is calculated using a risk-free interest rate estimated based on the yield of U.S. Treasury securities with a five-year maturity. The total present value discount, which is reflected in the following schedules, was $1,133,170 and $2,463,362 as of June 30, 2012 and 2011, respectively.

The scheduled discounted and undiscounted payment amounts as of June 30 are as follows:

	2012			
Year	Temporarily Restricted	Permanently Restricted	Total Discounted	Total Undiscounted
2013	$ 16,062,658	$ 6,473,599	$ 22,536,257	$ 22,696,266
2014	5,395,338	2,790,175	8,185,513	8,302,160
2015	4,865,151	2,562,975	7,428,126	7,587,471
2016	4,158,239	2,333,313	6,491,552	6,677,884
2017	3,160,117	2,259,720	5,419,837	5,614,993
Thereafter	3,362,127	2,711,684	6,073,811	6,389,492
	37,003,630	19,131,466	56,135,096	57,268,266
Less: allowance for doubtful accounts	7,101,594	488,862	7,590,456	7,590,456
Total pledges receivable, net	$ 29,902,036	$ 18,642,604	$ 48,544,640	$ 49,677,810

	2011			
Year	Temporarily Restricted	Permanently Restricted	Total Discounted	Total Undiscounted
2012	$ 24,058,557	$ 11,870,594	$ 35,929,151	$ 36,481,032
2013	5,437,390	2,105,572	7,542,962	7,783,203
2014	2,521,325	1,696,923	4,218,248	4,421,368
2015	2,141,338	1,389,471	3,530,809	3,759,300
2016	1,846,519	1,173,714	3,020,233	3,266,490
Thereafter	4,235,004	3,716,469	7,951,473	8,944,845
	40,240,133	21,952,743	62,192,876	64,656,238
Less: allowance for doubtful accounts	4,418,697	3,547,709	7,966,406	7,966,406
Total pledges receivable, net	$ 35,821,436	$ 18,405,034	$ 54,226,470	$ 56,689,832

Note 4 – Investments

Investments consisted of the following at June 30:

	2012	2011
Investments measured at fair value:		
Equity securities	$ 148,270,652	$ 120,993,693
Corporate bonds	144,355	1,972,944
U.S. government securities	91,723,963	80,435,845
Mutual funds	142,693,372	161,336,673
Master trusts	219,279,654	289,256,655
Money market funds	16,852,695	28,569,399
Alternative investments	234,383,918	230,590,862
	853,348,609	913,156,071
Investments measured at other carrying value:		
Real estate	17,557,699	19,530,008
Other investments	2,989,765	2,935,808
	20,546,464	22,465,816
	$ 873,896,073	$ 935,621,887

Pooled investments

The Foundation's investments are pooled for investment management purposes as follows:

Consolidated Investment Fund – Investments in this pool consist primarily of equity securities, U.S. government securities, corporate bonds and alternative holdings.

Expendable Investment Pool – Investments in this pool primarily include U.S. government securities and money market holdings.

Ownership interests in each pool are unitized. The Foundation calculates the net asset value per unit monthly based on the value of the underlying assets in each pool. New investments and withdrawals from these pools for the benefit of the various internal funds and investments held for others are transmitted at the net asset value per unit on the monthly valuation dates. With the exception of alternative investments, the pooled funds are held in the custody of the Bank of New York-Mellon.

Investments not included in the pooled investment funds consist of U.S. government securities, corporate and other bonds, equity securities, mutual funds, money market funds, real property, student loans, and cash surrender value of life insurance policies.

Investments are included in the following pools at June 30:

	2012	2011
Consolidated Investment Fund	$ 669,368,351	$ 746,357,331
Expendable Investment Pool	159,170,752	132,225,657
Nonpooled investments	45,356,970	57,038,899
	$ 873,896,073	$ 935,621,887

Carrying values of investments

Investments are initially recorded at their acquisition cost (including brokerage and other transaction fees) if they were purchased or at fair value at the date of contribution if they were received as contributions. Securities contributed to the Foundation for which a value cannot be reasonably determined are recorded at a nominal amount of $1. Investments in equity securities with readily determinable fair values and all investments in debt securities are subsequently remeasured at fair value. Fair value is determined by quoted market prices, if available, or by a reasonable estimate of fair value for certain debt securities. Nonmarketable investments, consisting primarily of real property, are initially recorded at appraised value on the date donated or at cost. They are subsequently reported at the lower of cost or fair value.

Note 5 – Leasehold Improvements and Equipment

Leasehold improvements and equipment consist of the following at June 30:

	2012	2011
Computer equipment and software	$ 692,762	$ 630,346
Buildings and leasehold improvements	1,978,008	1,978,008
Other equipment	337,144	370,726
Furniture and fixtures	465,872	465,872
	3,473,786	3,444,952
Less accumulated depreciation and amortization	(1,284,727)	(1,154,138)
	$ 2,189,059	$ 2,290,814

Note 6 – Conditional Gifts

The 1988 Oklahoma Legislature approved funding to the Oklahoma State Regents for Higher Education for the purpose of establishing an endowment matching program to support the establishment of faculty chairs and professorships to improve the quality of instruction and research at colleges and universities of The Oklahoma State System of Higher Education. Some of the endowed faculty position agreements with the Foundation include a clawback provision that states that if the Public Matching Funds have not been placed in the State Regents' Endowment Account on or before three years after the date of the agreement, then the Donors shall have the right to request and receive a full refund of the amount contributed by the Donors to the Foundation Endowment Account. Other endowed faculty positions agreements with the Foundation include clawback provisions that are not related to the Public Matching Funds but to the occurrence of specified future and uncertain events. The total of such conditional gifts as of June 30, 2012 and 2011, is $16,580,334 and $21,580,334, respectively. No refunds have been requested by donors.

Note 7 – Assets Held for Others

The Foundation holds and invests certain endowment funds in trust on behalf of the Presbyterian Health Foundation (PHF). Pursuant to an investment agreement dated October 15, 2010, certain PHF endowment assets have been placed with the Foundation and invested in the Foundation's Consolidated Investment Fund. The PHF investment funds are subject to the same investment management and distribution policies as the Foundation investments. The initial term of the agreement ends October 31, 2012, with a provision to automatically renew annually thereafter. PHF is independent of the Foundation in all respects. PHF is not a subsidiary or affiliate of the Foundation and is not directly or indirectly controlled by the Foundation. Moreover, the endowment assets are the exclusive property of PHF and do not belong to the Foundation. The Foundation does not have ownership of any of the financial and capital resources of PHF. The directors or trustees of PHF are entitled to make all decisions regarding the business and affairs of PHF. Neither the principal nor income generated by the net assets of PHF can be taken into consideration in determining the amount of net assets of the Foundation. PHF does not have an ownership interest, beneficial or outright, in, or any voting rights with respect to the Foundation.

Note 8 – Related Party Transactions

The Foundation makes certain purchases through the University, and the University provides certain services to the Foundation. The Foundation's management believes that the purchases made and services received were at prices and terms comparable to those that would be obtained in similar transactions with unrelated parties. In addition, the Foundation reimburses the University for various individuals' time and expenses relating to fund-raising activities. Substantially all amounts due for such transactions were paid to the University prior to June 30, 2012 and 2011.

On September 10, 2010, the Foundation, via Amphora, acquired 100% of the shares of Santa Chiara, whose sole asset is a monastery in Arezzo, Italy. The purchase price was $2,706,350. The acquisition cost was funded from private funds, and renovations to the property will be funded by the University. The University entered into a lease agreement with Santa Chiara and Amphora for the monastery. The monastery will be used for academic programs and unique educational experiences in Europe for University students.

In September 2003, North Park purchased from the University undeveloped real property (the Property) for $13,324,475. The Foundation has agreed that after North Park has recovered its investment (including the initial purchase price and all costs incurred in connection with the ownership, development and disposition of the Property) in the Property either through a sale of the Property, or through leasing the Property at a specified rate of return, all remaining revenues generated from the Property would be deposited by the Foundation in a permanent, unrestricted endowment fund for the benefit of the University.

Effective July 1, 2012, the University agreed to monetize and sell to the Foundation its future profit interest from the sale of the Property. Payments to the University will be made annually over the course of four years as follows:

Year	Amount
2013	$ 1,250,000
2014	1,500,000
2015	1,750,000
2016	2,000,000
	$ 6,500,000

As of July 1, 2012, the present value of this profit interest, calculated using the expected future return of the Consolidated Investment Fund, was $5,700,000.

In June 2009, UNP Realty entered into a Tax Increment Revenue Note with the Norman Tax Increment Finance Authority, a public trust created pursuant to the laws of the state of Oklahoma, to advance funds that will be used to pay certain project costs authorized by the Project Plan for the University North Park Project (the TIF Loan). The maximum amount to be advanced under the TIF Loan shall be $14,560,000. As of June 30, 2012 and 2011, UNP Realty had advanced $6,175,153 and $5,789,454, respectively.

Note 9 – Endowment

The Foundation's endowment consists of approximately 2,900 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (board-designated endowment funds). The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

The Foundation has a policy (the spending policy) of distributing to beneficiaries each year a percentage of the endowment fund's average fair value over the prior 12 quarters through the year-end preceding the year in which expenditure is planned. In establishing the percentage for distribution, the Foundation considers the long-term expected return on its endowment. The Foundation has established a distribution rate of 5% for beneficiaries and also distributes 1% annually into its operating fund for administrative expenses. Over the long term, the Foundation expects the current spending policy will allow its endowment to grow at an average of 3% annually. Actual returns in any given year will vary from the amount distributed. This spending policy supports the Foundation's objective to maintain the purchasing power of endowment assets. The spending policy is reviewed annually by the Foundation's Board of Trustees.

Due to the difference in the long-term rate of return objectives used in determining the spending policy and actual short term investment returns, as of June 30, 2012, the fair value of endowment investments for approximately 1,500 endowment funds were less than the value of the original gift by approximately $54,000,000. At June 30, 2011, there were approximately 1,100 endowment funds less than the original gift value by approximately $28,000,000. The Foundation monitors these conditions and, if necessary, will take appropriate steps including modifying distributions to the beneficiaries of the affected endowment funds in order to maintain their long-term fiscal health.

Some of the individual endowment funds were created under agreements that provide for the permanent retention of investment returns in excess of or less than endowments distributions made available to the endowments' beneficiaries. For all other endowments, the Foundation's Board of Trustees has interpreted the State of Oklahoma Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the purchasing power of the original gift. Under the Foundation's investment return objectives and spending policy, over the long term, the Foundation expects that the real value of the endowment will be maintained in perpetuity. As a result of explicit endowment agreements and interpretation of donor intent, the Foundation classifies as permanently restricted net assets (a) the original value of all gifts donated to the endowment, (b) accumulation of investment returns in excess of or less than amounts distributed under the Foundation's spending policy, and (c) endowment distributions that are returned to the endowment fund.

Endowment fund distributions are placed in separate accounts maintained in short-term highly liquid investments and are distributed to beneficiaries as they are expended. Unexpended endowment fund distributions are reported as either unrestricted or temporarily restricted net assets depending on donor stipulations. The fair value of unexpended endowment distributions available for expenditure by endowment beneficiaries as of June 20, 2012 and 2011, are $46,421,581 and $45,563,101, respectively.

Changes in endowment net assets for the years ended June 30 were:

	Board Designated	Donor Restricted	Total
2012:			
Endowment net assets, beginning of year	$ 15,558,870	$ 739,565,980	$ 755,124,850
Investment return:			
Investment income	321,573	7,988,996	8,310,569
Net depreciation	(1,268,923)	(18,487,409)	(19,756,332)
Total investment loss	(947,350)	(10,498,413)	(11,445,763)
Contributions	40,282	22,176,495	22,216,777
Reinvestment of endowment distributions and donor redesignations	-	(1,742,645)	(1,742,645)
Distributions	(678,404)	(35,353,404)	(36,031,808)
Investment fees	-	(3,545,624)	(3,545,624)
Endowment net assets, end of year	$ 13,973,398	$ 710,602,389	$ 724,575,787
2011:			
Endowment net assets, beginning of year	$ 13,007,437	$ 562,060,118	$ 575,067,555
Investment return:			
Investment income	549,100	11,153,201	11,702,301
Net appreciation	1,999,833	122,328,896	124,328,729
Total investment return	2,548,933	133,482,097	136,031,030
Contributions	2,500	71,620,575	71,623,075
Reinvestment of endowment distributions and donor redesignations	-	9,302,063	9,302,063
Distributions	-	(33,603,924)	(33,603,924)
Investment fees	-	(3,294,949)	(3,294,949)
Endowment net assets, end of year	$ 15,558,870	$ 739,565,980	$ 755,124,850

Endowment funds were comprised of the following assets at June 30:

	2012	2011
Pledges receivable	$ 18,642,604	$ 18,405,034
Investments	667,113,166	697,910,400
Art collections	38,820,017	38,809,416
	$ 724,575,787	$ 755,124,850

Note 10 – Operating Lease

In the early 1980s, the Foundation raised funds through a special fund drive to construct a building currently occupied by the Foundation on land owned by the University. Upon completion, the building was given to the University. The Foundation leases the land and related improvements from the University for $1 per year. The lease has been prepaid through the expiration date in 2083.

Note 11 – Retirement Plan

The Foundation has a defined contribution 401(k) plan covering all eligible employees. Under this plan, the Foundation contributes 10% of an employee's annual salary plus 100% of the employee's elective deferrals up to 3%. Contribution expense was $251,363 and $237,607 for 2012 and 2011, respectively.

Note 12 – Fair Value Measurement

The Financial Accounting Standards Board Accounting Standards Codification established a consistent framework for measuring fair value and fair value hierarchy based on the observability of inputs used to measure fair value. These inputs are summarized in three broad levels:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

<u>Investments</u>

Investments measured at fair value on a recurring basis at June 30, are summarized as follows:

2012	Fair Value	Level 1	Level 2	Level 3
Equity securities:				
Consumer	$ 43,253,380	$ 43,253,380	$ -	$ -
Energy, materials and industrial	35,295,120	25,323,158	-	9,971,962
Technology	19,812,211	19,812,211	-	-
Healthcare	13,485,339	13,485,339	-	-
Financial	10,507,062	10,507,062	-	-
Other	25,917,540	25,917,540	-	-

2012	Fair Value	Level 1	Level 2	Level 3
Debt securities:				
Corporate bonds	144,355	144,355	-	-
U.S. government securities	91,723,963	91,723,963	-	-
Mutual funds:				
Fixed income	67,538,154	67,538,154	-	-
Large cap	62,056,007	62,056,007	-	-
International	9,132,421	9,132,421	-	-
Other	3,966,790	3,966,790	-	-
Master trusts:				
Fixed income	28,360,352	-	28,360,352	-
International	174,297,404	-	174,297,404	-
Commodities	16,621,898	-	16,621,898	-
Money market funds	16,852,695	16,852,695	-	-
Alternative investments	234,383,918	-	-	234,383,918
Total	$ 853,348,609	$ 389,713,075	$ 219,279,654	$ 244,355,880

2011	Fair Value	Level 1	Level 2	Level 3
Equity securities:				
Consumer	$ 43,882,296	$ 43,882,296	$ -	$ -
Energy, materials and industrial	29,097,728	29,097,728	-	-
Technology	20,754,753	20,754,753	-	-
Healthcare	13,695,390	13,695,390	-	-
Other	13,563,526	13,563,526	-	-
Debt securities:				
Corporate bonds	1,972,944	1,972,944	-	-
U.S. government securities	80,435,845	80,435,845	-	-
Mutual funds:				
Fixed income	72,476,241	72,476,241	-	-
Large cap	66,929,540	66,929,540	-	-
International	11,697,676	11,697,676	-	-
Other	10,233,216	10,233,216	-	-
Master trusts:				
Fixed income	27,681,447	-	27,681,447	-
Large cap	30,219,609	-	30,219,609	-
International	200,972,725	-	200,972,725	-
Commodities	30,382,874	-	30,382,874	-
Money market funds	28,569,399	28,569,399	-	-
Alternative investments	230,590,862	-	-	230,590,862
Total	$ 913,156,071	$ 393,308,554	$ 289,256,655	$ 230,590,862

Following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated statements of financial position at June 30, 2012 and 2011, using significant unobservable (Level 3) inputs:

	Mortgage Backed Securities	Closely Held Common Stock	Alternative Investments	Total
Balance at June 30, 2010	$ 7,017,449	$ -	$ 134,115,979	$ 141,133,428
Total realized and unrealized gains	-	-	23,078,993	23,078,993
Purchases	-	-	80,305,516	80,305,516
Sales	(7,017,449)	-	(6,909,626)	(13,927,075)
Balance at June 30, 2011	-	-	230,590,862	230,590,862
Total realized and unrealized losses	-	-	(1,142,537)	(1,142,537)
Purchases	-	-	46,063,272	46,063,272
Contributions	-	10,472,000	-	10,472,000
Sales	-	(500,038)	(41,127,679)	(41,627,717)
Balance at June 30, 2012	$ -	$ 9,971,962	$ 234,383,918	$ 244,355,880

Master trusts

The fair value of Master trusts has been estimated using the net asset value as reported by the fund managers. Master trust balances are redeemable on the valuation date at the net asset value. The fund managers estimate net asset value based on the fair value of the underlying investments of the master trusts, which are primarily valued with Level 1 inputs.

Alternative investments

The fair value of alternative investments has been estimated using the net asset value per share of the investments as reported by the fund managers.

Alternative investments held at June 30 consist of the following:

2012	Cost	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity long/short hedge funds (a)	$ 173,872,312	$ 163,413,908	$ -	Quarterly – 3 years	30 – 90 days
Real estate funds (b)	7,024,618	7,964,656	13,985,458	N/A	N/A
Private equity funds (c)	54,736,109	63,005,354	83,436,506	N/A	N/A
	$ 235,633,039	$ 234,383,918	$ 97,421,964		
2011					
Equity long/short hedge funds (a)	$ 173,641,550	$ 186,151,497	$ -	Quarterly – 3 years	30 – 90 days
Real estate funds (b)	4,773,209	4,974,728	9,954,475	N/A	N/A
Private equity funds (c)	35,228,646	39,464,637	59,037,712	N/A	N/A
	$ 213,643,405	$ 230,590,862	$ 68,992,187		

(a) This class, whose purpose in the overall portfolio is to provide diversification and reduce volatility of returns, includes investments in two broad types of hedge funds referred to as long/short equity funds and absolute return funds. Hedge funds take both long and short positions, primarily in common stocks, credit securities and arbitrage trades. Management of the funds has the ability to shift investments among differing strategies according to their specific mandate. Some of the funds in this class are subject to lock-up periods where funds cannot be redeemed (without being subjected to a penalty) for as long as three years after the anniversary date of the investment. As of June 30, 2012, 82% of the funds in the hedge fund category can be redeemed in less than 12 months and only 7% of the funds could not be redeemed within two years. Of that portion, approximately 4% are in illiquid side pockets with an indefinite redemption period. Side pockets can only be redeemed upon realization of the underlying investment which is entirely at the discretion of the hedge fund manager. Fund managers calculate net asset value based on the fair value of the underlying assets, which are primarily valued with Level 1 inputs.

(b) This class includes real estate limited partnerships that invest in diversified portfolios of real property. These investments cannot be redeemed, and are subject to the terms of the individual funds. The funds typically have lives of up to ten years (with the potential for extensions if necessary), and distributions are at the discretion of the general partners and are usually only made after the liquidation of the properties within the fund. The general partners calculate net asset value based on the fair value of the underlying investments, which are primarily valued with Level 3 inputs.

(c) This class includes private equity limited partnerships which may be more specifically referred to as private equity buyout funds, venture capital funds, distressed-for-control funds, mortgage-backed securities funds, natural resource funds or energy funds. The fund managers or general partners typically invest in the equity or debt of privately held companies with the anticipation of selling them to another party or taking them public in future years. These investments cannot be redeemed and are subject to the terms of the individual funds. The funds typically have lives of up to ten years (with the potential for extensions if necessary), and distributions are at the discretion of the general partners and are usually only made after the realization of investments within the fund. The general partners calculate net asset value based on the fair value of the underlying investments, which are valued with Level 1, 2, and 3 inputs.

Assets held for others

The fair value of assets held for others is based on the net asset value of the Consolidated Investment Fund, a Level 3 input. The underlying investments of the Consolidated Investment Fund include significant amounts of Level 1, 2 and 3 inputs. The investment agreement related to the assets held for others includes restrictions and notice requirements for redemptions.

Other financial instruments

The carrying amounts of other financial instruments, including cash, cash equivalents, receivables, accounts payable and cash value of life insurance policies approximates fair value due to the short-term maturity of these instruments.

Note 13 – Significant Estimates and Concentrations

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist primarily of cash, pledges receivable and investments. Concentrations of credit risk with respect to pledges receivable are limited due to the large number of donors comprising the Foundation's donor base. The Foundation's three largest donors with pledges receivable, net of allowance accounted for 49% and 51% of total pledges receivable, net of allowance as of June 30, 2012 and 2011, respectively. At times, bank deposit balances may exceed FDIC insurance limits.

All investments are managed within established guidelines which limit the amounts which may be invested with one issuer. The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

THE UNIVERSITY OF OKLAHOMA

($ in thousands)

June 30, 2012

University of Oklahoma Retiree Health/Dental Insurance

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) --entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2010	$ -	$ 378,884	$ 378,884	$ -	$ 487,814	70.0%
1/1/2011	-	377,728	377,728	-	582,277	65.0%
1/1/2012	-	251,782	251,782	-	606,948	41.0%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Annual Required Contributions

See Note 14 for actuarial assumptions and other information used to determine the annual required contributions (ARC) for the plan.

Benefit Provisions: During the year ended June 30, 2012, the University's Board of Regents approved significant changes to the University's retiree health/dental insurance plans. A more complete description of changes is included in Note 14 to the financial statements.

REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

COLE + REED P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Regents of the University of Oklahoma
University of Oklahoma
Norman, Oklahoma

We have audited the financial statements of the University of Oklahoma (the "University"), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2012, and have issued our report thereon dated December 17, 2012. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the University of Oklahoma Foundation, Inc. (the "Foundation"), the University's separately presented component unit, as described in our report on the University's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the University'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 University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis.

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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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatements, we performed tests of 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 and other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the use of the Board of Regents, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cole & Reed P.C.

Oklahoma City, Oklahoma
December 17, 2012