

**THE BOARD OF REGENTS OF
THE UNIVERSITY OF OKLAHOMA**

June 30, 2014

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014

AUDITED FINANCIAL STATEMENTS

Independent Auditors' Report	1
Management's Discussion and Analysis	3
Statement of Net Position	12
Statement of Revenues, Expenses and Changes in Net Position	14
Statement of Cash Flows	16
Statement of Financial Position (Component Unit)	18
Statement of Activities (Component Unit)	19
Notes to Financial Statements	20
Required Supplementary Information.....	79
Supplementary Information	83

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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 <i>Government Auditing Standards</i>	89
---	----

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Board of Regents of the University of Oklahoma (the "Board of Regents"), a component unit of the State of Oklahoma, which comprise the statement of net position as of June 30, 2014, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Board of Regent's discretely presented component unit, the University of Oklahoma Foundation, Inc. (the "Foundation"). Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the 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 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Board of Regents of the University of Oklahoma and its discretely presented component unit, the University of Oklahoma Foundation, Inc., as of June 30, 2014, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, the previously reported on reporting unit for the Board of Regents was changed to include all universities under the governance of the Board of Regents of the University of Oklahoma. This addition included adding Cameron University and Rogers State University. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the combining schedule for the statement of net position by university and the combining schedule for the statement of revenues, expenses, and changes in net position by university is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, 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* in considering the University's internal control over financial reporting and compliance.

Cole & Reed P.C.

Oklahoma City, Oklahoma
December 19, 2014

Management's Discussion and Analysis
The Board of Regents of the University of Oklahoma
For the Years Ended June 30, 2014 and 2013

Overview of the Financial Statements and Financial Analysis

This report consists of Management's Discussion and Analysis (this part), the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows. These statements provide both long-term and short-term financial information on the Board of Regents of the University of Oklahoma (the "Board of Regents"), which governs the University of Oklahoma Norman Campus (the "Norman Campus"), the University of Oklahoma Law Center (the "Law Center"), the University of Oklahoma Health Sciences Center (the "Center"), Rogers State University ("Rogers"), and Cameron University ("Cameron").

The objective of the Management's Discussion and Analysis is to help readers of the Board of Regent's financial statements better understand the financial position and operating activities for the fiscal year ended June 30, 2014, with comparative information for the year ended June 30, 2013. Management has prepared this discussion and analysis.

Statement of Net Position

The Statements of Net Position present the assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources) as of the end of the fiscal year. The purpose of the Statements of Net Position is to present to the readers of the financial statements a fiscal snapshot of the Board of Regents. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting. Information related to the reporting elements included in the Statements of Net Position is included in Note 1 of the footnotes to the financial statements.

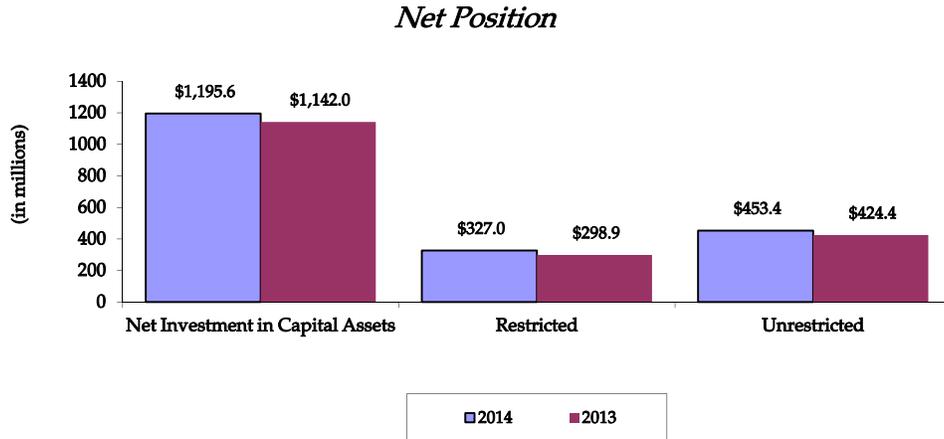
Net position, the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, is one way to measure the Board of Regent's financial health, or position. Over time, changes in the Board of Regent's net position are an indicator of its overall financial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

Net position is divided into three major categories. The first category, net investment in capital assets provides the Board of Regent's equity in property, plant, and equipment. The next category, restricted net position, provides the Board of Regent'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 net position includes assets that are available to the Board of Regents for any lawful purpose of the institution.

The Board of Regent's financial position, as a whole, improved during fiscal years ended June 30, 2014 and 2013. Net position increased approximately \$110.7 million and \$93.4 million for the years ended June 30, 2014 and 2013, respectively.

Management's Discussion and Analysis (Continued)
The Board of Regents of the University of Oklahoma
For the Years Ended June 30, 2014 and 2013

The following graph illustrates the comparative change in net position by category for fiscal years 2014 and 2013:



The following table summarizes the Board of Regent's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30, 2014 and 2013:

Net Position, End of Year (in millions)

	2014	2013
Assets:		
Current assets	\$ 1,196.1	\$ 1,110.5
Capital assets, net	2,229.6	2,109.0
Other noncurrent assets	157.0	214.3
Total assets	<u>3,582.7</u>	<u>3,433.8</u>
Deferred outflows of resources	<u>13.2</u>	<u>14.0</u>
Liabilities:		
Current liabilities	311.1	324.8
Noncurrent liabilities	1,305.9	1,257.7
Total liabilities	<u>1,617.0</u>	<u>1,582.5</u>
Deferred inflow of resources	<u>2.9</u>	<u>-</u>
Net Position:		
Net investment in capital assets	1,195.6	1,142.0
Restricted	327.0	298.9
Unrestricted	453.4	424.4
Total net position	<u>\$ 1,976.0</u>	<u>\$ 1,865.3</u>
Increase in net position	<u>\$ 110.7</u>	<u>\$ 93.4</u>

Management's Discussion and Analysis (Continued)
The Board of Regents of the University of Oklahoma
For the Years Ended June 30, 2014 and 2013

Total assets of the Board of Regents increased \$148.9 million from June 30, 2013. This increase was primarily due to an increase in capital assets, net of depreciation, of \$120.6 million and an increase in restricted and unrestricted cash and cash equivalents of \$107.3 million less the decrease in endowment investments and other long-term investments of \$76.4 million due to the liquidation of the Regent's Endowment portfolio for transfer to the University of Oklahoma Foundation. Note 2 discusses deposits and investments.

At June 30, 2014, the Board of Regents had approximately \$2.2 billion invested in capital assets, net of accumulated depreciation of \$1.1 billion. Depreciation charges for the current year totaled \$101.0 million for the year ended June 30, 2014 compared to \$96.1 million for the year ended June 30, 2013. Note 9 to the financial statements provides additional information on capital asset activities and balances.

Total liabilities of the Board of Regents increased \$34.5 million from June 30, 2013. This increase was primarily due to increases in revenue bonds payable (\$66.5 million) and post-employment benefits obligation (\$12.8 million) offset by decreases in capital lease obligations (\$20.3 million) and deposits held in custody for others (\$22.6 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, 2014, the Board of Regents had approximately \$1.1 billion in outstanding bonds, capital leases and notes payable. Additional information related to the Board of Regent's long-term liabilities is presented in Note 11 to the financial statements.

Management's Discussion and Analysis (Continued)
The Board of Regents of the University of Oklahoma
For the Years Ended June 30, 2014 and 2013

Statement of Revenues, Expenses, and Changes in Net Position

The following table summarizes the Board of Regent's revenues, expenses and changes in net position for the years ended June 30, 2014 and 2013:

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

	2014	2013
Operating revenues	\$ 1,390.1	\$ 1,264.8
Operating expenses	(1,819.7)	(1,733.5)
Operating loss	(429.6)	(468.7)
Nonoperating revenues and expenses	475.3	510.2
Income before other revenues, expenses, gains or losses	45.7	41.5
Other revenues, expenses, gains or losses	65.0	51.9
Net Increase in Net Position	\$ 110.7	\$ 93.4

Trends in the relationship between operating revenues and operating expenses are significant indicators of the Board of Regent's financial health. Operating revenues increased \$125.3 million (9.9%) from June 30, 2013 to June 30, 2014, while operating expenses increased \$86.2 million (5.0%) over the same period. The slower growth in operating expenses is a reflection of the Board of Regent'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 \$1.4 billion increased \$125.3 million (9.9%) when compared to the prior year. The following table summarizes the Board of Regent's operating revenues for the years ended June 30, 2014 and 2013:

Operating Revenues (in millions)

	2014	2013
Tuition and fees	\$ 347.6	\$ 328.4
Patient care	372.7	335.4
Grants and contracts	400.8	356.9
Sales and services of educational activities	16.7	13.8
Auxiliary enterprises	200.8	184.6
Other revenues	51.5	45.7
	\$ 1,390.1	\$ 1,264.8

Management's Discussion and Analysis (Continued)
The Board of Regents of the University of Oklahoma
For the Years Ended June 30, 2014 and 2013

For the year ended June 30, 2014, the increase in tuition and fees resulted primarily from increases in enrollment; tuition and fee rates increasing at Cameron, Rogers, and the Center; and the Norman Campus switching to a flat tuition rate. The increase in patient care resulted from increased patient volume, procedures performed and higher gross charges within the OU Physicians clinical practice. Grants and contracts increased primarily due to additional awards funded by the National Institutes of Health, increased Graduate Medical Education (GME) funding for the College of Medicine-Tulsa, and additional revenues from a contractual agreement for mission support between the Center and OU Medical Center. The increase in auxiliary revenues is primarily due to increased athletic revenues resulting from increased contributions and conference distributions.

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

Operating expenses of \$1.8 billion increased \$86.2 million (5.0%) when compared to the prior year. The following table summarizes the Board of Regent's operating expenses for the years ended June 30, 2014 and 2013:

Operating Expenses (in millions)

	2014	2013
Compensation and benefits	\$ 1,155.8	\$ 1,116.2
Contractual services	142.6	139.0
Supplies and materials	133.2	117.5
Depreciation	101.0	96.1
Utilities	61.1	56.2
Communications	15.0	13.7
Scholarships and fellowships	55.6	55.1
Other	155.4	139.7
	\$ 1,819.7	\$ 1,733.5

For the year ended June 30, 2014, the increase in compensation and benefits from the prior year resulted primarily from an increase in faculty and staff salaries during the year, as well as an increase in professional practice plan supplementation payments. There was also an increase in associated benefit costs. The increase in supplies and materials resulted from increased purchases of merchandise for resale and pharmaceutical drugs for patient care. Depreciation expense increased as a result of new buildings being put into service. The increase in utilities resulted from increased usage and rates. Other expenses increased due to settlement payments made during the year, offset by a decrease in malpractice insurance premiums.

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

Management's Discussion and Analysis (Continued)
The Board of Regents of the University of Oklahoma
For the Years Ended June 30, 2014 and 2013

Nonoperating revenues and expenses of \$475.3 million decreased \$34.9 million (6.8%) when compared to the prior year. The following table summarizes the Board of Regent's nonoperating revenues and expenses for the years ended June 30, 2014 and 2013:

Nonoperating Revenues and Expenses (in millions)

	2014	2013
State appropriations	\$ 282.4	\$ 278.3
FICA refund	-	34.9
On-behalf payments for OTRS	29.6	30.2
Endowment income	20.3	18.6
Grants and contracts	111.9	111.8
Private gifts	51.5	56.4
Student fees for capital projects	5.5	5.9
Interest on indebtedness	(46.8)	(46.0)
Investment income	20.9	20.1
	\$ 475.3	\$ 510.2

Nonoperating revenue decreased from June 30, 2013 due to a significant refund that was received in the amount of \$34.9 million related to the IRS settlement of Medical Resident FICA claims. The amount received represented refund of FICA matching payments made on Resident salaries and applicable interest. State appropriations, grants and contracts, private gifts, interest on indebtedness and investment income remained relatively stable for the year ended June 30, 2014 compared to the year ended June 30, 2013.

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

Management's Discussion and Analysis (Continued)
The Board of Regents of the University of Oklahoma
For the Years Ended June 30, 2014 and 2013

Other revenues, expenses, gains or losses of \$65.0 million decreased \$13.1 million (25.2%) when compared to the prior year. The following table summarizes the Board of Regent's other revenues, expenses, gains or losses for the years ended June 30, 2014 and 2013:

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

	2014	2013
Grants and contracts for capital purposes	\$ 4.6	\$ 1.3
State appropriations for capital purposes	7.3	8.4
Build America bonds subsidy	0.8	0.8
Private gifts for capital purposes	27.1	20.4
State school land funds	10.6	9.9
On-behalf payments for OCIA capital leases	12.5	9.0
Additions to permanent endowments	2.1	2.1
Total Other Revenues, Expenses, Gains or Losses	\$ 65.0	\$ 51.9

The increase from June 30, 2013 to June 30, 2014 is primarily due to an increase in private gifts for capital purposes for various capital projects and the on-behalf payments for OCIA capital leases due to increased principal and interest payments made on behalf of the Board of Regent's.

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 Board of Regent's overall liquidity increased during the current year, with a net increase to cash and cash equivalents of \$107.3 million.

Cash used by operating activities during fiscal year 2014 of \$286.3 million decreased \$12.8 million (4.3%) from the prior year (\$299.1 million). Major sources of operating funds were tuition and fees (\$349.7 million), patient care (\$356.7 million), grants and contracts (\$396.9 million), and auxiliary enterprises (\$203.8 million) which were offset by the payment of compensation and benefits (\$1.1 billion) and other operating expenses (\$458.6 million).

Cash provided by noncapital financing activities during fiscal year 2014 of \$441.9 million decreased \$79.0 million (15.2%) from the prior year (\$520.9 million). Major sources of noncapital financing activities were state appropriations revenues (\$282.4 million), grants and contracts (\$111.9 million), and private gifts (\$52.1 million).

Management's Discussion and Analysis (Continued)
The Board of Regents of the University of Oklahoma
For the Years Ended June 30, 2014 and 2013

Cash used in capital and related financing activities during fiscal year 2014 of \$156.2 million increased \$42.6 million (37.5%) from the prior year (\$113.6 million) due primarily to increases in principal paid on capital debt and leases and purchases of capital assets partially offset by increased proceeds from revenue bonds and capital leases. Major sources of capital and related financing activities were proceeds from revenue bonds and capital leases (\$208.7 million), utilities management agreement (\$10.0 million), and private gifts for capital assets (\$26.8 million), which were offset by purchases of capital assets (\$237.8 million) and principal and interest payments on capital debt and leases (\$149.1 million).

Cash provided by investing activities during fiscal year 2014 of \$107.9 million increased \$95.9 million (799.2%) from the prior year (\$12.0 million) due to the timing of the transition of investment managers for the Board of Regent's endowments. The following table summarizes the Board of Regent's cash flows for the years ended June 30, 2014 and 2013:

Cash Flows for the Year (in millions)

	2014	2013
Cash provided (used) by:		
Operating activities	\$ (286.3)	\$ (299.1)
Noncapital financing activities	441.9	520.9
Capital and related financing activities	(156.2)	(113.6)
Investing activities	107.9	12.0
Net change in cash	107.3	120.2
Cash and cash equivalents, beginning of year	980.7	860.5
Cash and cash equivalents, end of year	\$ 1,088.0	\$ 980.7

Economic Outlook

The Board of Regent's economic outlook is closely related to its role as the governing body of one of the State's premier comprehensive institutions and two regional universities and the primary facility for the training of healthcare professionals. It benefits from ongoing financial and political support from State government. The Board of Regent's continues to review budget allocations to better match anticipated revenues and expenses and to focus attention on the management of its existing resources.

Another significant factor in the Board of Regent's economic position relates to its ability to recruit and retain high quality students. While current economic conditions facing our state and nation are improving, the Board of Regent's competitive position remains strong. The institutions under the governance of The Board of Regent's continues to attract top students from across the nation and more than 100 countries around the world, providing a major university experience in a private college atmosphere.

Management's Discussion and Analysis (Continued)
The Board of Regents of the University of Oklahoma
For the Years Ended June 30, 2014 and 2013

The Norman Campus is considered a pacesetter for public higher education in the United States with the Norman Campus ranked by The Princeton Review among the top 10 public universities in the nation in terms of academic excellence and cost for students. The Norman Campus is number one in the nation in the number of National Merit Scholars enrolled among public universities and is in the top ten of public universities in the nation in the graduation of Rhodes Scholars.

Increases in tuition and mandatory fees for the Center are expected to produce an additional 3.2% in the current year. The professional practice plans continue to contribute significantly to the Center's financial performance and are anticipated to remain stable. Another important factor impacting the Center's economic outlook is the operation of its professional practice plans. The professional practice plans continue to contribute significantly to the Center's financial performance and are expected to remain stable.

Rogers continues to expand educational opportunities for citizens in northeast Oklahoma. Rogers will implement its first graduate degree program in fiscal year 2015, the Master of Business Administration. Given the continued growth in its undergraduate programs in combination with employer demand, the MBA is a logical step in meeting the workforce needs of northeast Oklahoma. The new Pryor Campus opened in January 2014, and will expand educational opportunities for communities in the surrounding area and for businesses located in the Mid-America Industrial Park. The institution also continues to have success with the Adult Degree Completion Program.

Rogers' financial position remains strong. Conservative management of fiscal resources has ensured cash reserves are sufficient to continue expansion of academic programs, offset cost increases, and relieve pressure to keep tuition and fee rates low. Rogers will continue to expand the energy management program in order to reduce energy costs and explore opportunities to reduce operating cost while continuing to provide quality services.

As the economy of the nation and state of Oklahoma improves, Cameron's record enrollment growth has weakened. With no increase in state funding for fiscal year 2015, it was necessary to implement a tuition and fee increase. This additional revenue, along with a reallocation of resources, will allow Cameron to continue to focus on student learning as one of its top priorities. Management continues to monitor expenditures to ensure resources are used in the most effective and efficient manner. Cameron remains fully committed to increasing and improving student success and student learning inside and outside the classroom while continuing to be an engaged partner with common education, business, industry, civic and government organizations.

STATEMENT OF NET POSITION

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (*in thousands*)

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	774,711
Restricted cash and cash equivalents		193,655
Accrued interest receivable		457
Accounts receivable, net of allowance for doubtful accounts		211,725
Inventories and supplies, at cost		5,615
Loans to students, net of allowance for uncollectible loans		3,451
Deposits and prepaid expenses		<u>6,533</u>
TOTAL CURRENT ASSETS		1,196,147

NONCURRENT ASSETS

Restricted cash and cash equivalents		119,683
Endowment investments		1,047
Other long-term investments		10,395
Investments in real estate		395
Loans to students, net		22,370
Deposits and prepaid expenses		2,555
Net pension asset		425
Capital assets, net of accumulated depreciation		<u>2,229,645</u>
TOTAL NONCURRENT ASSETS		<u>2,386,515</u>

TOTAL ASSETS \$ 3,582,662

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflow of resources on lease restructure	\$	2,319
Deferred outflow of resources on advance refunding of bonds		4,015
Deferred outflow of resources on defeasance of bonds		<u>6,918</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$	<u>13,252</u>

STATEMENT OF NET POSITION--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (*in thousands*)

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 99,674
Utilities management agreement, current portion	4,720
Accrued compensated absences, current portion	53,049
Unearned revenue	75,001
Unearned revenue - long-term contracts, current portion	2,624
Accrued interest payable	17,518
Post-employment benefit obligation, current portion	8,647
Capital leases payable, notes payable, and revenue bonds payable, current portion	44,881
Deposits held in custody for others	4,980
TOTAL CURRENT LIABILITIES	<u>311,094</u>

NONCURRENT LIABILITIES, net of current portion

Utilities management agreement	94,840
Accrued compensated absences	14,585
Unearned revenue - long-term contracts	2,435
Federal loan program contributions refundable	21,464
Post-employment benefits obligation	167,303
Capital lease obligations	154,991
Notes payable	240
Revenue bonds payable	850,027
TOTAL NONCURRENT LIABILITIES	<u>1,305,885</u>

TOTAL LIABILITIES \$ 1,616,979

DEFERRED INFLOWS OF RESOURCES

Deferred credit on OCIA lease restructure	<u>\$ 2,930</u>
---	-----------------

NET POSITION

Net investment in capital assets	\$ 1,195,623
Restricted for:	
Nonexpendable	55,722
Expendable:	
Educational, general, and auxiliary operations	165,284
Capital projects	46,588
Debt service	33,367
Athletics	26,008
Unrestricted	453,413
TOTAL NET POSITION	<u>\$ 1,976,005</u>

See notes to financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

For the Year Ended June 30, 2014 (*in thousands*)

OPERATING REVENUES

Student tuition and fees (net of scholarship allowances of \$79,591 for 2014)	\$ 347,565
Patient care (net of provisions for contractual, bad debt, and other adjustments of \$398,395 for 2014)	372,711
Federal grants and contracts	144,829
State grants and contracts	99,006
Private grants and contracts	156,954
Interest on student loans receivable	663
Sales and services of educational activities	16,747
Housing revenues (revenues are used as security for the Student Housing Revenue Bonds Series 2004)	58,568
Athletic revenues (net of scholarship allowances of \$7,506 for 2014; revenues were used as security for the ODFA Public Facilities Revenue Bonds Series 2003B)	79,832
Steam and chilled water plant revenues (revenues are pledged as security for the Utility System Revenue Bonds Series 1998A, 1998B, and 2004)	6,341
Sales and services of auxiliary enterprises--other	56,092
Other revenues	50,762
TOTAL OPERATING REVENUES	<u>1,390,070</u>

OPERATING EXPENSES

Compensation and benefits	1,155,784
Contractual services	142,563
Supplies and materials	133,182
Depreciation	101,015
Utilities	61,146
Communications	15,048
Scholarships and fellowships	55,604
Other	155,377
TOTAL OPERATING EXPENSES	<u>1,819,719</u>
OPERATING LOSS	(429,649)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

For the Year Ended June 30, 2014 (*in thousands*)

NONOPERATING REVENUES (EXPENSES)

State appropriations	282,412
On-behalf payments for OTRS	29,575
Endowment income	20,307
Federal grants and contracts	57,993
State grants and contracts	48,534
Private grants and contracts	5,388
Private gifts	51,524
Student fees for capital projects	5,457
Interest on indebtedness	(46,811)
Investment income	20,907
	475,286
	NET NONOPERATING REVENUES
	475,286
	INCOME BEFORE OTHER REVENUES
	(EXPENSES), GAINS OR (LOSSES)
	45,637
State grants and contracts for capital purposes	4,586
Build America Bonds Subsidy	801
Private gifts for capital assets	27,130
State appropriations for capital projects	7,307
State school land funds	10,608
On-behalf payments for OCIA capital leases	12,505
Additions to permanent endowments	2,130
	110,704
	NET INCREASE IN NET POSITION
	110,704
NET POSITION AT BEGINNING OF YEAR	1,865,301
NET POSITION AT END OF YEAR	\$ 1,976,005

See notes to financial statements.

STATEMENT OF CASH FLOWS

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

For the Year Ended June 30, 2014 (*in thousands*)

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 349,670
Patient revenues	356,659
Sales and services of educational activities	16,740
Sales and services of auxiliary enterprises	57,725
Steam and chilled water plant revenues	6,439
Housing revenues	56,055
Athletic revenues	83,535
Federal grants and contracts	149,540
State grants and contracts	100,543
Private grants and contracts	146,805
Interest on loans receivable	663
Other additions	46,107
Loans issued to students	(4,317)
Collection of loans	3,729
Compensation and benefits	(1,112,343)
Contractual services	(85,324)
Other operating expenses	(458,570)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	<u>(286,344)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations	282,412
FICA refunds	(22,623)
Federal grants and contracts	58,004
State grants and contracts	48,534
Private grants and contracts	5,388
Net (decrease) increase in Federal loan advances refundable	(96)
Direct loan/FFEL receipts	203,304
Direct loan/FFEL disbursements	(203,304)
Endowment income	18,207
Private gifts	52,093
NET CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>441,919</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Additions to permanent endowment	2,130
Proceeds from revenue bonds and capital leases	208,720
Proceeds from utilities management agreement	10,000
Payments under utilities management agreement	(4,720)
State grants and contracts for capital purposes	4,556
Student fees for capital projects	5,457
Private gifts for capital assets	26,830
State appropriations for capital projects	7,403
State school land funds	10,608
Build America Bonds Subsidy	801
Net purchases of capital assets	(235,687)
Principal paid on capital debt and leases	(149,057)
Interest paid on capital debt and leases	(43,200)
NET CASH FLOWS (USED) IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(156,159)</u>

STATEMENT OF CASH FLOWS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

For the Year Ended June 30, 2014 (*in thousands*)

CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	13,001
Proceeds from sales and maturities of investments	180,891
Purchase of investments	<u>(85,978)</u>
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	<u>107,914</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	107,330
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>980,719</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,088,049</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (429,649)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	101,015
Loss on disposal of capital assets	12,617
OTRS on-behalf contributions	29,575
Change in operating assets and liabilities:	
Accounts receivable	(19,476)
Inventory	(124)
Student loans receivable	(573)
Deposits and prepaid expenses	1,421
Net pension asset	58
Accounts payable	916
Unearned revenue	1,208
Compensated absences	1,497
Post-employment benefits obligation	12,734
Deposits held in custody for others	<u>2,437</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (286,344)</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES	
Net capitalized interest	\$ 1,009
Assets acquired via capital lease	28
Principal on capital debt paid by State Agency on behalf of the Board of Regents	8,774
Interest on capital debt paid by State Agency on behalf of the Board of Regents	3,731
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION	
Current assets:	
Cash and cash equivalents	774,711
Restricted cash and cash equivalents	193,655
Noncurrent assets:	
Restricted cash and cash equivalents	<u>119,683</u>
	<u>\$ 1,088,049</u>

See notes to financial statements.

STATEMENT OF FINANCIAL POSITION

COMPONENT UNIT OF THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (*in thousands*)

ASSETS

Cash and cash equivalents	\$	4,375
Receivables for investment securities sold		4,577
Pledges receivable, net		54,394
Other receivables		1,274
Investments		1,203,432
Art collections		40,365
Leasehold improvements and equipment, net		<u>2,020</u>

TOTAL ASSETS \$ 1,310,437

LIABILITIES

Accounts payable and accrued liabilities	\$	8,516
Conditional Gifts		6,580
Assets held for others		66,430
Charitable remainder trust obligations		<u>1,768</u>

TOTAL LIABILITIES \$ 83,294

NET POSITION

Unrestricted	\$	(7,453)
Temporarily restricted		324,448
Permanently restricted		<u>910,148</u>

TOTAL NET POSITION \$ 1,227,143

See notes to financial statements.

STATEMENT OF ACTIVITIES

COMPONENT UNIT OF THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

For the Year Ended June 30, 2014 (*in thousands*)

REVENUES

Contributions	\$	121,405
Investment income:		
Interest and dividends		9,043
Royalties		4,490
Net realized and unrealized gains on investments		<u>135,342</u>
Total Investment Income		148,875
Other revenues		<u>5,395</u>
	TOTAL REVENUES	<u>275,675</u>

EXPENSES

Support to the University		93,007
Student scholarships		18,741
Faculty awards		629
Operating Expenses		<u>5,225</u>
	TOTAL EXPENSES	<u>117,602</u>

NET INCREASE IN NET POSITION 158,073

NET POSITION AT BEGINNING OF YEAR 1,069,070

NET POSITION AT END OF YEAR \$ 1,227,143

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

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*, and Statement No. 61, *The Financial Reporting Entity*, 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.

The Board of Regents of the University of Oklahoma (the "Board of Regents"), a citizen board appointed by the Governor with the advice and consent of the State Senate, governs four state-supported institutions of higher learning in Oklahoma. 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"), the Health Sciences Center (the "Center"), with campus locations in Oklahoma City and Tulsa, Cameron University ("Cameron"), and Rogers State University ("Rogers"), collectively referred to "the University" throughout the notes to the consolidated financial statements. The University is part of the State of Oklahoma Higher Education System, which is under the governance of the Oklahoma State Regents for Higher Education ("State Regents"). Accordingly, the University, a part of the State of Oklahoma's Higher Education component unit, is included in the comprehensive annual financial report of the State.

The Center's 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 University.

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 position classified between current and noncurrent assets and liabilities and deferred outflows and inflows, a statement of revenues, expenses and changes in net position, with separate presentation for operating and nonoperating revenues and expenses, and a statement of cash flows using the direct method.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

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

Change in Reporting Entity: Effective July 1, 2013, the University changed its reporting entity to include all universities under the governance of the Board of Regents. This change in reporting entity added Cameron University and Rogers State University and increased net position by \$95,037 as of July 1, 2013.

Discretely Presented Component Unit: 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 Norman Campus and the Center. Although the University does not control the timing or amount of funds that the Norman Campus or the Center 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 Norman Campus and the Center. 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 State Regents 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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

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, the Center, Cameron, and Rogers, and all significant intra-agency transactions have been eliminated.

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 statement of revenues, expenses and changes in net position.

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.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

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

Accounts Receivable--Continued: 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 due over the next four years. In July 2011, a concession advance of \$13,000 was received, and in both July 2012 and 2013, an additional \$10,000 was received, reducing the outstanding balance to \$10,000.

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 statement of net position.

Medical Malpractice Coverage Claims: The Center is covered for medical malpractice risks under a medical malpractice insurance policy (See Note 8). 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.

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 2014, total interest incurred was \$47,820, of which \$1,009 was capitalized.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

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

Capital Assets--Continued: 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 position. For 2014, impairment adjustments totaled \$111.

Unearned Revenue: Unearned revenue consists primarily of advance ticket sales for athletic events, summer school tuition not earned during the current year, and contract advances. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

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 statement of net position and as a component of compensation and benefit expense in the statement of revenues, expenses and changes in net position.

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; (4) amounts due on the utilities management agreement; and (5) estimated other post-employment benefits that will not be paid within the next fiscal year.

Scholarship Allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statement of revenues, expenses and changes in net position. 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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

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

Deferred Outflows of Resources: Deferred outflows of resources are the consumption of net position by the University that are applicable to a future reporting period. At June 30, 2014, the University's deferred outflows of resources were comprised of deferred charges related to a lease restructuring, an advance refunding of bonds, and the defeasance of bonds. These deferred outflows of resources are recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Deferred Inflows of Resources: Deferred inflows of resources are the acquisition of net position by the University that are applicable to a future reporting period. At June 30, 2014, the University's deferred inflows of resources were comprised of a deferred credit related to a lease restructuring. The deferred inflows of resources are recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

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.

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.

Net Position: The University's net position is classified as follows:

Net investment in capital assets - This represents the University's investment in capital assets, net of accumulated depreciation, and related deferred outflows of resources, reduced by outstanding debt obligations and deferred inflows of resources 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 net investment in capital assets.

Restricted net position - expendable - The restricted expendable component of net position includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

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

Net Position--Continued:

Restricted net position - nonexpendable - The nonexpendable restricted component of net position consists 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 position - The unrestricted component of net position represents 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.

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).

New Accounting Pronouncements Adopted in Fiscal Year 2014: The University adopted one new accounting pronouncement during the year ended June 30, 2014 as follows:

- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*
GASB No. 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The government is required to report the guaranteed obligation until it is legally released as an obligor, and when it is legally released, it should recognize revenue as a result of this release. The adoption of GASB No. 70 did not have an impact on the University's financial statements.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

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

New Accounting Pronouncements Issued Not Yet Adopted: The GASB has also issued several new accounting pronouncements which will be effective to the University in fiscal year 2015. A description of the new accounting pronouncements and the University's consideration of the impact of these pronouncements are described below:

- 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 for 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 implementation guidance was issued in November 2013. Although the University has not yet quantified the impact that GASB No. 68 will have on its financial statements, it believes that adoption will result in a significant decrease in its net position.

- Statement No. 69, *Government Combinations and Disposals of Government Operations*

GASB No. 69 was issued in January 2013 and establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Government combinations can include a variety of transactions, including mergers, acquisitions and transfers of operations. A disposal of a government's operations results in the removal of specific activities of a government. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged. This Statement will only impact the University in the event of a government combination or disposal.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

Deposits--Continued: 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 participate 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.

Cash and Cash Equivalents: At June 30, 2014, the carrying amount of the University's deposits with the State Treasurer and other financial institutions was \$1,088,049. This amount consisted of deposits with the OST (\$919,985), U.S. and foreign financial institutions (\$21,362), deposits with trustees (\$46,084), intermediate investment funds (\$7,105), expendable investment income (\$9,722), municipal money market funds (\$83,603), and petty cash and change funds (\$188). Of funds on deposit with the OST, amounts invested in OK INVEST total \$727,796 at June 30, 2014.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

Cash and Cash Equivalents--Continued: 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 is as follows:

At June 30, 2014		
OK INVEST Portfolio	Cost	Market Value
U.S. agency securities	\$ 333,914	\$ 333,265
Mortgage backed agency securities	298,986	305,155
Money market mutual funds	35,139	35,139
Certificates of deposit	18,892	18,892
Commercial Paper	15,316	15,316
Municipal bonds	11,167	12,366
Foreign bonds	5,718	5,718
U.S. Treasury obligations	8,664	10,727
	<u>\$ 727,796</u>	<u>\$ 736,578</u>

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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

Cash and Cash Equivalents--Continued:

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.

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

	2014
Mutual funds	\$ 10,395
Fixed income funds and bonds	1,047
Real property	183
Mineral interest	212
	<u>\$ 11,837</u>

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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

Credit Risk--Continued:

- Investments in municipal money market funds are limited to funds with a rating of AAA by Standard & Poor's.
- 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.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the University will not be able to recover the value of investment or collateral securities in the possession of an outside party. 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, investments guaranteed by the U.S. Government, and municipal money market funds.

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, Cameron, and Rogers do 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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

Interest Rate Risk--Continued: Investment maturities were as follows at June 30, 2014:

	Investment Maturities (in Years)					
	Fair Value	Not Applicable	Less than One	One to Five	Six to Ten	More than Ten
Mutual Funds	\$ 10,395	\$ 10,395	\$ -	\$ -	\$ -	\$ -
Fixed income funds and bonds	1,047	497	162	388	-	-
Real property	183	183	-	-	-	-
Mineral interests	212	212	-	-	-	-
	<u>\$ 11,837</u>	<u>\$ 11,287</u>	<u>\$ 162</u>	<u>\$ 388</u>	<u>\$ -</u>	<u>\$ -</u>

Investments in municipal money market funds have a weighted average maturity of 52 days.

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.

During the March 26-27, 2014 meeting, the Board of Regents approved a change in the administration and investment management of the Regents' Fund. Effective July 1, 2014, these funds will be managed by the University of Oklahoma Foundation. In preparation for this change, the University's investments for the Regents' Fund were liquidated prior to June 30, 2014 into a municipal money market fund, which is reported as current and noncurrent restricted cash and cash equivalents on the statement of net position as of June 30, 2014.

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

	2014
Investment per statement of net position:	
Short-term investments	\$ -
Endowment investments	-
Other long-term investments	11,442
Investments in real estate and mineral interests	395
Total investments per statement of net position	<u>\$ 11,837</u>

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 3--ACCOUNTS RECEIVABLE

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

	<u>2014</u>
Student tuition and fees	\$ 45,468
Federal, state, and private grants and contracts	98,722
Utilities management agreement	10,000
Contributions and gifts	8,226
PPP patient billings	143,431
Auxiliary enterprises and other operating activities	<u>13,087</u>
	318,934
Less: contractual adjustments	(70,473)
Less: allowance for doubtful accounts	<u>(36,736)</u>
Net accounts receivable	<u>\$ 211,725</u>

Included in the amounts above is approximately \$17,246 at June 30, 2014, 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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 4--NET PATIENT SERVICE REVENUE--Continued

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 \$356,081 for the year ending June 30, 2014, and are reflected as contractual and other adjustments to patient care revenues in the statement of revenues, expenses, and changes in net position. The Center's bad debt expenses related to patient care services, which is determined after application of contractual and other adjustments, totals \$42,314 for the year ending June 30, 2014, and is included in patient care revenues in the statement of revenues, expenses, and changes in net position.

NOTE 5--INVENTORY

Inventories consisted of the following at June 30, 2014:

IT Store	\$	1,249
Pharmacies		781
University Press		765
Other auxiliaries		726
University printing services		374
Facilities management (physical plant)		294
College of Continuing Education operations		133
Museum retail operations		282
Site support		247
Telecommunications		219
Other service units		129
Dental supply store		336
Other		80
	\$	<u>5,615</u>

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 6--LOANS TO STUDENTS

For the Norman Campus, net student loans made under the Federal Perkins Loan Program (the "Program") comprised approximately 82% of the June 30, 2014 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 Norman Campus to the extent of 10% of the amounts forgiven for loans originated prior to July 1, 1993 under the Program. No reimbursements are provided for loans that originated after this date. Amounts refundable to the U.S. government upon cessation of the Program of approximately \$14,404 at June 30, 2014, are reflected in the accompanying statement of net position as noncurrent liabilities.

The Center had student loans outstanding of \$6,779, net of allowance for uncollectible loans of \$357, at June 30, 2014. Student loans made under the Health Professions Student Loan Program and the Nursing Student Loan Program represented approximately \$6,802 of the gross amount. 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, 2014, \$7,060, are included as federal loan program contributions refundable in the statement of net position as these amounts are refundable to the U.S. government upon cessation of the programs.

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, 2014, the allowance for uncollectible loans was approximately \$1,288.

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 33.7% 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."

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 7--FUNDS HELD IN TRUST BY OTHERS--Continued

Commissioners of the Land Office - Section 13/New College Funds--Continued: The University received approximately \$11,613 during the year ended June 30, 2014, 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 \$200,431 (\$178,068 restricted corpus) at June 30, 2014. 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 \$317,827 at June 30, 2014, and is invested by the 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 \$13,929 as of June 30, 2014, have been reflected as assets in the statement of net position. With regard to the institutional matching funds, approximately \$411,202 is on deposit with the Foundation for the benefit of Norman Campus and the Center as of June 30, 2014.

NOTE 8--RELATED PARTY TRANSACTIONS

A summary of related party transactions during the year ended June 30, 2014, 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 Norman Campus and the Center. The Foundation is governed by an independent Board of Trustees. Based on the audited financial statements of the Foundation for the year ended June 30, 2014, the Foundation had audited net assets of approximately \$1,227,143. The Foundation expended on behalf of the Norman Campus and the Center approximately \$112,377 in 2014 for facilities and equipment, salary supplements, general educational assistance, faculty awards and scholarships, of which approximately \$73,785 in 2014 is 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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 8--RELATED PARTY TRANSACTIONS--Continued

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 was approximately \$36,977 for 2014. Amounts due from HCA for such transactions totaled \$6,032 as of June 30, 2014, and is included in accounts receivable, net of allowances, on the statement of net position.

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 University 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 \$8,304 fiscal year 2014, thus eliminating the Center's deductible expense for current and future claims. As of and for the year ended June 30, 2014, the economic resources of the Captive include total assets of \$50,348, total revenue of \$6,773, and total equity of \$25,478. The Captive is not considered a component unit of the University under the definition of GASB Statement No. 39, as the University is not entitled to and does not have the ability to otherwise access a majority of the resources received or held by the Captive.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 8--RELATED PARTY TRANSACTIONS--Continued

Rogers State University Foundation

Rogers State University Foundation ("RSU Foundation") is a legally separate, tax-exempt component unit of Rogers. The RSU Foundation is organized for the purpose of receiving and administering gifts intended for Rogers. Although Rogers does not control the timing or amount of receipts from the RSU Foundation, the majority of resources, or income thereon, which the RSU Foundation holds and invests, is restricted to the activities of Rogers by the donors. The RSU Foundation is governed by an independent Board of Trustees.

Based on the audited financial statements of the RSU Foundation for the year ended June 30, 2014, the RSU Foundation had audited net assets of approximately \$13,552. Rogers contracts with RSU Foundation to provide limited services and office space in exchange for the support Rogers receives. Scholarships awarded by RSU Foundation are remitted to Rogers after Rogers pays the award recipient. The RSU Foundation expended on behalf of Rogers approximately \$405 in 2014 for scholarships which are reflected in the University's financial statements as revenue or private gifts and expenditures. The economic resources received and held by the RSU Foundation for the benefit of the University are not significant to its overall financial position. As a result, the RSU Foundation is not considered a component unit of the University under the definition of GASB Statement No. 39.

Cameron University Foundation

Cameron University Foundation, Inc. ("CU Foundation") is a legally separate, tax-exempt component unit of Cameron. The CU Foundation is organized for the purpose of receiving and administering gifts intended for Cameron. Although Cameron does not control the timing or amount of receipts from the CU Foundation, the majority of resources, or income thereon, which the CU Foundation holds and invests, is restricted to the activities of Cameron by the donors. The CU Foundation is governed by an independent Board of Trustees.

Based on the audited financial statements of the CU Foundation for the year ended June 30, 2014, the CU Foundation had audited net assets of approximately \$23,007. Cameron is the beneficiary of CU Foundation whose objective is the betterment of Cameron and its related activities. On July 1, 1990, Cameron entered into a written agreement with CU Foundation whereby Cameron agreed to provide certain administrative services for the benefit of CU Foundation. The CU Foundation expended on behalf of Cameron approximately \$1,169 in 2014 for general educational assistance, faculty awards and scholarships which is reflected in the University's financial statements as revenue or private gifts and expenditures. The economic resources received and held by the CU Foundation for the benefit of the University are not significant to its overall financial position. As a result, the CU Foundation is not considered a component unit of the University under the definition of GASB Statement No. 39.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 9--CAPITAL ASSETS

Capital assets activity includes the following for the year ended June 30, 2014:

	Beginning Balance	Additions	Transfers	Deductions	Ending Balance
Capital assets not being depreciated:					
Art	\$ 722	\$ -	\$ -	\$ -	\$ 722
Land	61,578	1,039	5,496	(921)	67,192
Construction in progress	111,566	181,795	(211,233)	-	82,128
Total capital assets not being depreciated	<u>173,866</u>	<u>182,834</u>	<u>(205,737)</u>	<u>(921)</u>	<u>150,042</u>
Capital assets being depreciated:					
Buildings	2,064,262	5,195	178,221	(12,930)	2,234,748
Equipment	342,231	27,913	5,244	(11,757)	363,631
Nonstructural improvements	142,612	6,789	6,515	(29)	155,887
Land improvements	58,946	77	2,007	-	61,030
Software	63,427	210	-	-	63,637
Infrastructure	74,203	1,810	13,750	-	89,763
Library books	225,642	11,602	-	(20)	237,224
Total capital assets being depreciated	<u>2,971,323</u>	<u>53,596</u>	<u>205,737</u>	<u>(24,736)</u>	<u>3,205,920</u>
Less accumulated depreciation for:					
Buildings	518,781	42,499	-	(1,600)	559,680
Equipment	227,865	26,918	-	(9,271)	245,512
Nonstructural improvements	39,573	8,120	-	(22)	47,671
Land improvements	41,425	2,108	-	-	43,533
Software	41,937	8,941	-	-	50,878
Infrastructure	40,132	3,717	-	-	43,849
Library books	126,501	8,712	-	(19)	135,194
Total accumulated depreciation	<u>1,036,214</u>	<u>101,015</u>	<u>-</u>	<u>(10,912)</u>	<u>1,126,317</u>
Total capital assets being depreciated, net	<u>1,935,109</u>	<u>(47,419)</u>	<u>205,737</u>	<u>(13,824)</u>	<u>2,079,603</u>
Capital assets, net	<u>\$2,108,975</u>	<u>\$ 135,415</u>	<u>\$ -</u>	<u>\$ (14,745)</u>	<u>\$2,229,645</u>

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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 10--UNEARNED REVENUE

Unearned revenue consists of the following at June 30, 2014:

Prepaid athletic tickets sales	\$	29,422
Prepaid tuition and student fees		15,216
Grants and contracts		16,162
Long-term contracts		11,483
Auxiliary enterprises and other activities		7,777
	\$	<u>80,060</u>

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (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, 2014:

	Campus	Issue Dates	Interest Rates	Maturity Through	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
			(percentages)						
Bonds and capital leases									
ODFA Public Facility, Series 2003AB	OU-NC	2003	2.00-4.06	07/01/2016	\$ 8,045	\$ -	\$ (8,045)	\$ -	\$ -
Multiple Facility, Series 2003	OU-NC	2003	2.50-5.00	06/01/2029	27,620	-	(27,620)	-	-
Utility System Series, 2004A&B	HSC	2004	2.61-4.85	11/01/2019	5,350	-	(675)	4,675	710
Student Housing, Series 2004	OU-NC	2004	3.00-5.125	07/01/2034	71,470	-	(69,495)	1,975	1,975
Student Housing, Series 2004	CU	2004	3.00-5.50	07/01/2034	7,740	-	(205)	7,535	215
Research Facility, Series 2004	OU-NC	2004	2.50-5.875	11/01/2034	16,775	-	(16,775)	-	-
General Rev. Refunding, Series 2006A	OU-NC	2006	4.00-5.00	07/01/2031	97,220	-	(3,150)	94,070	3,295
General Revenue Bonds, Series 2007A	OU-NC	2007	4.00-4.125	07/01/2036	26,790	-	-	26,790	-
General Revenue Bonds, Series 2007B	OU-NC	2007	5.30-5.60	07/01/2021	8,350	-	(810)	7,540	850
Student Facility, Series 2007A&B	RSU	2007	4.250-6.00	07/01/2032	9,045	-	(285)	8,760	300
General Revenue Bonds, Series 2007C	OU-NC	2008	4.15-5.90	07/01/2037	34,625	-	-	34,625	-
General Revenue Bonds, Series 2007D	OU-NC	2008	4.15-5.90	07/01/2024	15,730	-	(1,005)	14,725	1,060
General Revenue Bonds, Series 2008A&B	HSC	2008	3.28-6.63	07/01/2036	66,435	-	(1,360)	65,075	1,420
General Revenue Bonds, Series 2009A	OU-NC	2009	3.00-5.00	07/01/2039	35,490	-	(660)	34,830	675
General Revenue Bonds, Series 2009B	OU-NC	2009	3.00-5.00	07/01/2039	850	-	(625)	225	225
General Revenue Bonds, Series 2010A	OU-NC	2010	2.00	07/01/2015	3,490	-	(1,140)	2,350	1,165
General Revenue Bonds, Series 2010B	OU-NC	2010	3.72-6.27	07/01/2039	42,575	-	-	42,575	-
General Revenue Bonds, Series 2010A&B	HSC	2010	1.24-5.00	07/01/2030	27,205	-	(2,020)	25,185	2,060
General Revenue Bonds, Series 2011A	OU-NC	2011	.70-5.00	07/01/2035	8,225	-	(220)	8,005	225
General Revenue Bonds, Series 2011B	OU-NC	2011	.75-6.39	07/01/2040	34,355	-	(585)	33,770	595
General Revenue Bonds, Series 2011C	OU-NC	2011	2.00-4.75	07/01/2036	10,975	-	(310)	10,665	320
General Revenue Bonds, Series 2011D	OU-NC	2011	.810-5.634	07/01/2041	61,570	-	(1,125)	60,445	1,140
General Rev. Refunding, Series 2011E	OU-NC	2012	.400-.500	07/01/2026	19,570	-	(1,225)	18,345	1,260
General Rev. Refunding, Series 2011F	OU-NC	2012	.630-1.960	07/01/2016	1,530	-	(375)	1,155	380
General Revenue Bonds, Series 2012A	OU-NC	2012	2.00-5.00	07/01/2041	65,655	-	-	65,655	-
General Revenue Bonds, Series 2012B	OU-NC	2012	.950-1.450	07/01/2016	5,560	-	-	5,560	1,835
General Rev. Refunding, Series 2012C	OU-NC	2013	.300-3.00	07/01/2027	5,770	-	(320)	5,450	335
General Rev. Refunding, Series 2012D	OU-NC	2013	.396-3.123	07/01/2027	26,705	-	(1,575)	25,130	1,600
General Revenue Bonds, Series 2013A	OU-NC	2013	2.00-3.775	07/01/2042	11,200	-	-	11,200	-
General Revenue Bonds, Series 2013B	OU-NC	2013	.520-4.29	07/01/2042	48,945	-	-	48,945	-
ODFA Capital Improvement, Series 2013	RSU	2013	.500-4.00	11/01/2032	3,000	-	-	3,000	154
General Revenue Bonds, Series 2013A	HSC	2014	.460-6.00	07/01/2043	-	64,080	-	64,080	1,105
General Rev. Refunding, Series 2013C	OU-NC	2014	2.00-3.00	07/01/2016	-	6,100	-	6,100	2,000
General Rev. Refunding, Series 2013D	OU-NC	2014	.540-5.115	07/01/2034	-	17,195	-	17,195	935
General Revenue Bonds, Series 2014A	OU-NC	2014	2.00-4.50	07/01/2043	-	12,380	-	12,380	-
General Revenue Bonds, Series 2014B	OU-NC	2014	.583-5.173	07/01/2043	-	11,980	-	11,980	-
General Rev. Refunding, Series 2014C	OU-NC	2014	1.00-5.00	07/01/2034	-	89,185	-	89,185	2,710
Subtotal revenue bonds payable					807,865	200,920	(139,605)	869,180	28,544
Premium / (Discount)					4,792	5,575	(356)	10,011	620
Total revenue bonds payable					812,657	206,495	(139,961)	879,191	29,164
Notes Payable					1,154	-	(448)	706	466
OCIA capital lease payable					127,517	54,851	(66,752)	115,616	9,282
ODFA capital lease payable					61,917	-	(7,793)	54,124	5,842
Equipment capital lease					-	28	(8)	20	11
Subtotal capital leases payable					190,588	54,879	(75,001)	170,466	15,601
Premium / (Discount)					652	-	(170)	482	116
Total capital leases payable					191,240	54,879	(75,171)	170,948	15,717
Total bonds and capital leases					1,003,897	261,374	(215,132)	1,050,139	44,881
Other noncurrent liabilities									
Utilities management agreement					104,280	-	(4,720)	99,560	4,720
Accrued compensated absences					66,155	29,631	(28,152)	67,634	53,049
Federal loan program contributions refundable					21,560	-	(96)	21,464	-
Unearned revenue (long-term contracts)					6,590	-	(1,531)	5,059	2,624
Post-employment benefits obligation					163,159	20,651	(7,860)	175,950	8,647
Total other noncurrent liabilities					361,744	50,282	(42,359)	369,667	69,040
Total noncurrent liabilities					\$ 1,365,641	\$ 311,656	\$ (257,491)	\$ 1,419,806	\$ 113,921

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 11--LONG-TERM LIABILITIES--Continued

Maturities of principal and interest requirements on revenue bonds, capital leases, and notes payable are as follows at June 30, 2014:

	Campus	2015	2016	2017	2018	2019	2020-2024	2025-2029	2030-2034	2035-2039	2040-2044	Total
Utility System Series 2004 A&B	HSC	\$ 874	\$ 872	\$ 875	\$ 871	\$ 870	\$ 872	\$ -	\$ -	\$ -	\$ -	\$ 5,234
Student Housing, Series 2004	OU-NC	2,016	-	-	-	-	-	-	-	-	-	2,016
Student Housing, Series 2004	CU	579	580	580	579	578	2,858	2,853	2,811	574	-	11,992
General Rev. Refunding, Series 2006A	OU-NC	7,586	7,587	7,588	7,592	8,315	41,362	38,447	16,837	-	-	135,314
General Revenue Bonds, Series 2007A	OU-NC	1,099	1,099	1,099	1,099	1,099	8,603	11,515	11,449	6,822	-	43,884
General Revenue Bonds, Series 2007B	OU-NC	1,219	1,216	1,214	1,209	1,207	2,929	-	-	-	-	8,994
Student Facility Series, 2007A&B	RSU	697	698	698	684	683	3,407	3,409	2,731	-	-	13,007
General Revenue Bonds, Series 2007C	OU-NC	1,629	1,629	1,629	1,630	1,630	8,148	16,225	17,060	13,571	-	63,151
General Revenue Bonds, Series 2007D	OU-NC	1,852	1,846	1,846	1,842	1,830	9,085	1,000	-	-	-	19,301
General Revenue Bonds Series 2008 A&B	HSC	4,806	4,805	4,804	4,798	4,795	23,897	23,919	23,823	14,225	-	109,872
General Revenue Bonds, Series 2009A	OU-NC	2,226	2,230	2,229	2,227	2,228	12,384	15,685	14,008	2,545	-	55,762
General Revenue Bonds, Series 2009B	OU-NC	225	-	-	-	-	-	-	-	-	-	225
General Revenue Bonds, Series 2010A	OU-NC	1,189	1,185	-	-	-	-	-	-	-	-	2,374
General Revenue Bonds, Series 2010B	OU-NC	2,465	2,465	3,630	3,614	3,582	17,542	16,694	15,604	13,298	2,445	81,339
General Revenue Bonds Series 2010 A&B	HSC	3,073	3,053	3,049	2,903	2,900	11,365	5,548	512	-	-	32,403
General Revenue Bonds, Series 2011A	OU-NC	587	585	585	586	585	2,921	2,909	2,889	1,154	-	12,801
General Revenue Bonds, Series 2011B	OU-NC	2,567	2,565	2,566	2,564	2,558	12,761	12,708	12,644	12,559	4,995	68,487
General Revenue Bonds, Series 2011C	OU-NC	732	731	729	724	724	3,624	3,585	3,555	2,114	-	16,518
General Revenue Bonds, Series 2011D	OU-NC	4,227	4,220	4,212	4,206	4,201	20,915	20,759	20,577	20,370	12,092	115,779
General Rev. Refunding, Series 2011E	OU-NC	1,779	1,783	1,321	1,740	1,739	8,631	5,281	-	-	-	22,274
General Rev. Refunding, Series 2011F	OU-NC	393	393	390	-	-	-	-	-	-	-	1,176
General Revenue Bonds, Series 2012A	OU-NC	2,753	2,753	2,753	4,303	4,299	21,354	21,269	21,107	20,994	12,498	114,083
General Revenue Bonds, Series 2012B	OU-NC	1,885	1,877	1,875	-	-	-	-	-	-	-	5,637
General Rev. Refunding, Series 2012C	OU-NC	465	458	460	461	460	2,274	1,809	-	-	-	6,387
General Rev. Refunding, Series 2012D	OU-NC	2,137	2,134	2,137	2,131	2,129	10,612	8,454	-	-	-	29,734
General Revenue Bonds, Series 2013A	OU-NC	309	588	587	586	586	2,942	2,930	2,924	2,913	2,325	16,690
General Revenue Bonds, Series 2013B	OU-NC	1,686	2,869	2,865	2,862	2,861	14,286	14,243	14,177	14,122	11,253	81,224
ODFA Revenue Bonds 2013	RSU	241	218	219	220	218	1,092	1,097	744	-	-	4,049
General Revenue Bonds Series 2013A	HSC	4,304	4,306	4,308	4,305	4,307	21,524	21,522	21,529	21,534	21,540	129,179
General Rev. Refunding, Series 2013C	OU-NC	2,102	2,102	2,060	-	-	-	-	-	-	-	6,264
General Rev. Refunding, Series 2013D	OU-NC	1,502	1,500	1,497	1,494	1,486	7,382	5,374	2,465	485	-	23,185
General Revenue Bonds, Series 2014A	OU-NC	487	732	729	731	728	3,640	3,633	3,618	3,607	3,587	21,492
General Revenue Bonds, Series 2014B	OU-NC	544	773	775	771	771	3,856	3,837	3,824	3,807	3,781	22,739
General Rev. Refunding, Series 2014C	OU-NC	6,371	6,994	6,974	6,958	6,914	34,505	34,329	23,206	4,620	-	130,871
Total principal & interest		66,606	66,846	66,283	63,690	64,283	314,771	299,034	238,094	159,314	74,516	1,413,437
Less: Interest		38,062	37,232	36,343	35,403	34,235	150,620	109,292	67,565	29,874	5,631	544,257
Subtotal principal		28,544	29,614	29,940	28,287	30,048	164,151	189,742	170,529	129,440	68,885	869,180
Plus: Premium / (Discount)		620	609	558	545	546	2,771	2,535	1,658	156	13	10,011
Total principal		29,164	30,223	30,498	28,832	30,594	166,922	192,277	172,187	129,596	68,898	879,191
Capital leases		22,399	21,651	21,443	21,172	11,515	48,747	51,841	41,992	3,800	602	245,162
Less: Interest		7,264	6,880	6,390	5,774	5,121	22,508	15,100	5,817	523	25	75,402
Subtotal principal		15,135	14,771	15,053	15,398	6,394	26,239	36,741	36,175	3,277	577	169,760
Plus: Premium / (Discount)		116	97	85	76	46	72	23	(22)	(10)	(1)	482
Total principal		15,251	14,868	15,138	15,474	6,440	26,311	36,764	36,153	3,267	576	170,242
Notes payable		489	245	-	-	-	-	-	-	-	-	734
Less: interest		23	5	-	-	-	-	-	-	-	-	28
Total principal		466	240	-	-	-	-	-	-	-	-	706
Total		\$ 44,881	\$ 45,331	\$ 45,636	\$ 44,306	\$ 37,034	\$ 193,233	\$ 229,041	\$ 208,340	\$ 132,863	\$ 69,474	\$ 1,050,139

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

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. Total principal and interest remaining to be paid on the General Revenue Bonds is \$1,377,139 as of June 30, 2014. The total pledged revenue received in 2014 was \$1,056,076. Debt service payments, including both principal and interest, of \$57,224 were 5.4% of pledged revenue in 2014.

The Student Housing Revenue Bonds, Series 2004, 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 student housing. Total pledged housing revenue in 2014 was \$58,568. Debt service payments of \$6,000 were 10.2% of pledged revenue.

The Student Facility Revenue Bonds, Series 2007, issued prior to the Resolution (Prior Encumbered Obligations) are payable both as to principal and interest solely from the net revenues arising from student facility fees which are assessed on a credit-hour-basis. Total pledged student facility fee revenues in 2014 was \$978. Debt service payments of \$700 were 71.7% of pledged revenue.

The Utility System Revenue bonds issued prior to the Resolution (prior encumbered obligations) are payable both as to principal and interest from the net revenues arising from operations of the physical plant utilities system which are pledged under the various bond indentures. Total pledged steam and chilled water plant revenues in 2014 was \$6,341. Debt service payments of \$869 were 13.7% of pledged revenue.

At June 30, 2014, the University had \$38,710 of cash and investments held in trust for the bond indentures, restricted to the payment of principal and interest.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 11--LONG-TERM LIABILITIES--Continued

Revenue Bonds Payable--Continued:

Tulsa Campus Series 2003 Defeasance

On December 5, 2006, the Board of Regents 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 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, 2014 was \$706. 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, 2013. 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 statement of net position as of June 30, 2014.

Refunding Bonds: In December 2012, General Revenue Refunding Bonds 2012C and 2012D were issued to refund the Housing 2002 and Research Facilities 2003 Revenue Bonds having a total principal balance outstanding of \$31,785. This resulted in cash flow savings of \$6,442 and a net present value benefit of \$5,193. The total principal outstanding on the 2012C and 2012D bonds at June 30, 2014 was \$30,580.

In November 2013, General Revenue Refunding Bonds 2013C and 2013D were issued to refund the ODFA Series A and B Revenue Bonds and Research 2004 Revenue Bonds having a total principal balance outstanding of \$22,260. This resulted in cash flow savings of \$1,939 and net present value benefit of \$1,249. The total principal outstanding on the 2013C and 2013D bonds was \$23,295 at June 30, 2014. Total principal outstanding on the refunded 2004 Research Facilities Revenue Bond was \$16,115 at June 30, 2014.

In May 2014, General Revenue Refunding Bond 2014C was issued to refund the Multiple Facilities 2003 Revenue Bonds and the Housing 2004 Revenue Bonds having a total principal balance outstanding of \$97,190. This resulted in cash flow savings of \$17,742 and net present value benefit of \$12,440. The total principal outstanding on the 2014C bonds was \$89,185 at June 30, 2014. Total principal outstanding on the refunded 2004 Student Housing Revenue Bond was \$69,570 at June 30, 2014.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 11--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations

OCIA Capital Lease Obligations

In the fall of 1999, the University entered into a 20 year lease agreement with the Oklahoma Capital Improvement Authority ("OCIA") and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Capital Improvement Authority State Facilities Revenue Bonds, Series 1999A (the "OCIA Bonds"). The Norman Campus received \$5,850 of the proceeds for capital improvement projects on the Norman Campus as approved by the Board of Regents. Cameron received \$1,200 of the proceeds for capital improvement projects as approved by the Board of Regents. Rogers received \$4,000 of the proceeds for capital improvement projects as approved by the Board of Regents. Assets under this capital lease totaled \$4,378, net of accumulated depreciation of \$1,472 at June 30, 2014.

In the fall of 2005, the University entered into a lease agreement with varying terms of repayment with the OCIA and the State Regents as beneficiary of a portion of the proceeds from OCIA State Facilities Revenue Bonds, Series 2005F, 2005G and 2006D. The Norman Campus 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 Board of Regents. The Center received \$26,146 of the proceeds for capital improvement projects on the Oklahoma City and Tulsa Campuses as approved by the Board of Regents. Cameron received \$12,059 of the proceeds in addition to total investment earnings of \$1,203 for capital improvement projects as approved by the Board of Regents. Rogers received \$13,923 of the proceeds for capital improvement projects as approved by the Board of Regents. Assets and construction in progress under these capital leases totaled \$105,186, net of accumulated depreciation of \$12,137 on the completed projects, at June 30, 2014.

In the summer of 2010, the University'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 deferred outflow of resources of \$6,798 was recorded that will be amortized over a period of eight 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 \$2,138, which also approximates the economic cost of the lease restructure.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 11--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations--Continued

OCIA Capital Lease Obligations--Continued

In the spring of 2014, the remaining 2005 lease agreement with OCIA was restructured through a refunding of the Series 2005F bond debt. OCIA issued a new bond, Series 2014A. The University'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 by restructuring debt service. Consequently, the University's lease agreement with OCIA automatically restructured to secure the new bond issues. This lease restructuring has reduced the principal payments. The lease restructuring resulted in a reduction in principal (\$3,044) and interest (\$4,202) between the original lease agreement and the restructured lease agreement for a total aggregate debt service reduction of \$7,246. A deferred inflow of resources of \$3,044 has been recorded that will be amortized over a period of seventeen years.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 11--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations--Continued

ODFA Master Lease Obligations--Continued

Terms of leases outstanding as of June 30, 2014 are as follows:

ODFA Master Leases	Campus	Issued	Term	Capital Asset Class	Amount Financed	Not Capitalized*	Accumulated Depreciation	Net Book Value
ODFA 2005A	Norman Campus	May 2005	7 - 10 years	Equipment	\$ 2,173	\$ -	\$ 2,159	\$ 14
ODFA 2005A	Rogers	March 2005	15 years	Equipment	145	-	90	55
ODFA 2005B	Norman Campus	August 2005	3 - 10 years	Equipment	3,421	1,530	1,891	-
ODFA 2005B	The Center	August 2005	7 years	Equipment	2,300	286	1,667	347
ODFA 2005C	Norman Campus	December 2005	10 years	Equipment	1,466	1,466	-	-
ODFA 2006A	Norman Campus	May 2006	5 - 10 years	Equipment	3,332	-	2,910	422
ODFA 2006A	Cameron	May 2006	15 years	Equipment	6,100	-	3,322	2,778
ODFA 2006A	Rogers	May 2006	20 years	Equipment	4,480	-	1,830	2,650
ODFA 2006B	Rogers	August 2007	20 years	Equipment	968	-	395	573
ODFA 2006C	Norman Campus	December 2006	5 - 10 years	Equipment	3,136	1,684	1,016	436
ODFA 2007A	Norman Campus	May 2007	3 - 7 years	Equipment	1,434	538	896	-
ODFA 2007B	Norman Campus	July 2007	5 - 20 years	Equipment	4,605	1,305	2,427	873
ODFA 2007B	The Center	December 2007	15 years	Equipment	6,067	-	728	5,339
ODFA 2007B	Cameron	December 2007	25 years	Building	7,099	-	1,869	5,230
ODFA 2007C	Norman Campus	November 2007	5 - 10 years	Equipment	11,364	605	9,452	1,307
ODFA 2007C	The Center	December 2007	15 years	Equipment	1,304	-	159	1,145
ODFA 2008A	Norman Campus	September 2008	3 - 10 years	Equipment	15,468	877	10,654	3,937
ODFA 2008B	Norman Campus	December 2008	5 - 10 years	Equipment	1,724	529	717	478
ODFA 2009A	Norman Campus	July 2009	5 - 20 years	Equipment	2,759	1,326	940	493
ODFA 2009B	The Center	July 2009	5 years	Equipment	333	-	315	18
ODFA 2009B	Norman Campus	December 2009	5 - 10 years	Equipment	1,576	-	671	905
ODFA 2010A	Rogers	September 2010	4 - 30 years	Equip. & Buildings	15,293	-	1,952	13,341
ODFA 2010B	Norman Campus	December 2010	5 years	Equipment	1,029	470	224	335
ODFA 2010B	Rogers	December 2010	15 years	Equipment	731	-	175	556
ODFA 2010C	Rogers	November 2010	24 years	Building	7,040	-	1,074	5,966
ODFA 2011A	Rogers	July 2011	25 years	Building	4,017	-	482	3,535
ODFA 2011C	Norman Campus	November 2011	5 - 10 years	Equipment	4,261	523	1,101	2,637
					<u>\$ 113,625</u>	<u>\$ 11,139</u>	<u>\$ 49,116</u>	<u>\$ 53,370</u>

* Some or all purchased items did not meet the University's capitalization threshold to be capitalized or were retired.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 11--LONG-TERM LIABILITIES--Continued

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 2015, 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 a 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, 2014 was \$48,018. Total principal outstanding on the defeased debt was \$43,790 as of June 30, 2014.

NOTE 12--OPERATING LEASES

Lessee Commitments: 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 \$11,451 for the year ended June 30, 2014.

Lessor Agreements: The Center has various non-cancelable operating leases consisting of Center owned building space or land leased to non-Center entities. The majority of the leases are for space leased at the University Research Park (URP) which was purchased by the Center in October 2013. Various other leases from other Center owned property are also in effect. The following schedule presents minimum future rentals receivable by property from these contracts (expressed in thousands):

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Thereafter</u>
University Research Park (URP)	\$ 4,728	\$ 2,726	\$ 1,755	\$ 1,520	\$ 1,520	\$ 3,250
Harold Hamm Diabetes Center (HHDC)	424	432	415	124	128	840
College of Pharmacy (COP)	4	-	-	-	-	-
Student Union (SU)	15	-	-	-	-	-
Land Leases	44	45	45	45	46	1,953
	<u>\$ 5,215</u>	<u>\$ 3,203</u>	<u>\$ 2,215</u>	<u>\$ 1,689</u>	<u>\$ 1,694</u>	<u>\$ 6,043</u>

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 12--OPERATING LEASES--Continued

The cost and carrying amount of the leased property attributed to non-cancelable leases for the year ended June 30, 2014:

	<u>URP</u>	<u>HHDC</u>	<u>COP</u>	<u>SU</u>	<u>Land</u>
Land Cost	\$ -	\$ -	\$ -	\$ -	\$ 500
Building Cost	23,272	3,544	51	108	-
Less Accumulated Depreciation	<u>(336)</u>	<u>(357)</u>	<u>(25)</u>	<u>(32)</u>	<u>-</u>
Net Leased Property	<u>\$ 22,936</u>	<u>\$ 3,187</u>	<u>\$ 26</u>	<u>\$ 76</u>	<u>\$ 500</u>

The Center also has various other leases that are cancelable or currently month-to-month. The following schedule includes the cost and carrying amount of the leased property for these leases for the year ended June 30, 2014:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Leased Property</u>
University Research Park	\$ 26,333	\$ (385)	\$ 25,948
Student Union	452	(134)	318
Family Medicine	71	(28)	43
Stephenson Cancer Center	30,264	(1,816)	28,448
O'Donoghue Building	341	(257)	84
Rogers Building	112	(30)	82
Biomedical Research Center	67	(17)	50
Basic Sciences Education Building	15	(7)	8
Tulsa Schusterman Center	2,518	(443)	2,075
Land	<u>310</u>	<u>-</u>	<u>310</u>
Net Leased Property	<u>\$ 60,483</u>	<u>\$ (3,117)</u>	<u>\$ 57,366</u>

NOTE 13--RETIREMENT PLANS

The University's academic and nonacademic personnel are covered by various retirement plans depending on job classification. The Oklahoma Teachers' Retirement System ("OTRS" or "the System") is the only retirement plan made available to the entire University system. The plans available to the Norman Campus and the Center include 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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 13--RETIREMENT PLANS--Continued

Rogers' provides a Supplemental Retirement Annuity plan which is a single-employer, defined-benefit pension plan administered by the Board of Regents. Cameron maintains two (2) Supplemental Retirement Plans (the "Plans"), for certain retired or current employees which are in substance single-employer, defined-benefit pension plans administered by Cameron.

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 year ended June 30, 2014, the contribution rate for System members of 7% is applied to their total compensation.

For the years ended June 30, 2014, 2013, and 2012, the local employer contribution rate was 8.55%. For the year ended June 30, 2014, 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 \$29,575 for the year ended June 30, 2014, 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 statement of revenues, expenses and changes in net position.

The University's contributions to OTRS, for the years ended June 30, 2014, 2013, and 2012 were approximately \$40,561, \$40,037, and \$39,542, respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 13--RETIREMENT PLANS--Continued

Defined Contribution Plan - Optional Retirement Plan

Plan Description: Employees of the Norman Campus or the Center hired after July 1, 2004, who would have been previously required to participate in OTRS, 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. Fidelity Investments currently provides 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 Board of Regents. 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, 2014, 2013 and 2012 were \$28,891, \$26,264, and \$23,301. Employees do not contribute to the ORP. The vesting period for the ORP is three years.

Defined Contribution Plan - Plan 1 and Plan 2

Plan Descriptions: For employees of the Norman Campus or the Center 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 Board of Regents. 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 \$29,178 and \$9,753, respectively, for the year ended June 30, 2014, \$29,341 and \$9,330, respectively, for the year ended June 30, 2013, and \$30,165 and \$9,276, respectively, for the year ended June 30, 2012. Employees do not contribute to Plans 1 and 2. The vesting period for both Plan 1 and Plan 2 is three years.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 13--RETIREMENT PLANS--Continued

Supplemental Benefits Plan

The Norman Campus 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, 2014, 2013 and 2012 to retired employees were \$2, \$6 and \$8, respectively. The Plan is an unfunded plan and management's estimates of the remaining pension benefit obligation under the Plan at June 30, 2014, 2013 and 2012 were approximately \$0, \$10 and \$27. 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 6.5% 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.

Supplemental Retirement Plans

Plan Descriptions: Cameron maintains two (2) Supplemental Retirement Plans (the "Plans"), for certain retired or current employees. These plans are in substance single-employer, defined-benefit pension plans administered by Cameron. They guarantee eligible employees a level of retirement benefits when considering social security, OTRS and other retirement assets. The authority to establish and amend benefit provisions rests with the Board of Regents. The Plans do not issue separate financial reports, nor are they included in the financial report of another entity.

For identification purposes below, the Plans are referred to as Plan 1 and Plan 2. Plan 1 has four participants and Plan 2 has one participant, all of whom are retired and currently receiving benefits.

Plan 1

Funding Policy: Cameron has been funding the benefits of Plan 1 on a "pay-as-you-go" basis. Benefits are not distributed to the participants until their retirement. During the years ended June 30, 2014, 2013 and 2012, Cameron contributed and paid benefits of \$136, \$136 and \$146, respectively, under Plan 1.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 13--RETIREMENT PLANS--Continued

Supplemental Retirement Plans-Continued

Plan 1--Continued

Annual Pension Cost and Net Pension Obligation: The annual required contributions for the year ended June 30, 2014, were determined as part of annual actuarial valuations as of the aforementioned dates, using the projected unit credit method. The actuarial assumptions for 2014 included (a) a discount rate of 6.5% per year to determine the present value of future benefit payments; (b) retirement at age 63; (c) a return on investments rate of 6.5%; (d) annual cost of living adjustment of 3.5%; and (e) a 6.5% interest rate for post-retirement individual annuity settlement benefits. The unfunded actuarial accrued liability is being amortized using the level dollar amortization method on a closed basis over ten years.

Components of Cameron's annual pension cost, contributions, and net pension obligation for Plan 1 for the year ended June 30, 2014, are as follows:

Annual required contribution	\$	177
Interest on net pension obligation		60
Adjustment to annual required contribution		<u>(106)</u>
Annual pension cost		131
Contributions made		<u>(136)</u>
Decrease in net pension obligation		(5)
Net pension obligation at beginning of year		<u>935</u>
Net pension obligation at end of year	\$	<u><u>930</u></u>

Funded Status and Funding Progress: The funded status of Plan 1 as of June 30, 2014 was as follows:

Actuarial accrued liability (AAL)	\$	1,765
Actuarial value of plan assets		<u>-</u>
Unfunded actuarial accrued liability (UAAL)	\$	<u><u>1,765</u></u>
Funded ratio (actuarial value of plan assets/AAL)		0.00%
Annual covered payroll (active plan members)	\$	-
UAAL as a percentage of annual covered payroll		0.00%

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 are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 13--RETIREMENT PLANS--Continued

Supplemental Retirement Plans-Continued

Plan 1--Continued

Trend Information: Three-year trend information on the percentage of the annual pension cost funded through contributions and the change in the net pension obligation (asset) is as follows for Plan 1:

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Liability
2014	\$ 131	103.8%	\$ 930
2013	136	100.4%	935
2012	159	91.8%	936

Plan 2

Funding Policy: Cameron has been funding the benefits of Plan 2 on a regular and recurring basis based upon actuarially determined amounts and as determined by management and approved by the Board of Regents. Plan 2 includes a combination of two defined benefit plans (a qualified defined plan and an excess defined benefit plan) and four defined contribution plans (two qualified defined contribution plans and two excess defined contribution plans), all of which are being used to assure the contractual benefit to the participant. Accordingly, Plan 2 is being accounted for as a Defined Benefit Plan for financial reporting purposes. During the years ended June 30, 2014, 2013 and 2012, Cameron made contributions totaling approximately \$25, \$410 and \$460, respectively, under Plan 2.

Annual Pension Cost and Net Pension Obligation: The components that make up the funding of the contractual benefits include annual required contributions under two defined benefit plans as well as contribution to be made to the four defined contribution plans. The actuarial assumptions used to determine the contractual benefits under the total program for 2014 included (a) a discount rate of 6% for the year to determine the present value of future benefits and therefore what would be funded through the defined benefit plans and the defined contribution plans; (b) retirement at age 62; (c) an annual cost of living adjustment of 2% in the 2014 valuation; and (d) no annual salary increase percentage in the 2014 valuation.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 13--RETIREMENT PLANS--Continued

Supplemental Retirement Plans-Continued

Plan 2--Continued

Components of Cameron's annual pension cost, contributions, and net pension obligation for Plan 2 for the year ended June 30, 2014, is as follows:

Annual required contribution	\$ 194
Interest on net pension obligation	4
Adjustment to annual required contribution	(72)
Annual pension cost	<u>126</u>
Contributions made	<u>25</u>
Increase in net pension obligation	101
Net pension obligation (asset) at beginning of year	<u>72</u>
Net pension obligation (asset) at end of year	<u><u>\$ 173</u></u>

Funded Status and Funding Progress: The funded status of Plan 2 as of June 30, 2014 was as follows:

Actuarial accrued liability (AAL)	\$ 2,639
Actuarial value of plan assets	<u>2,698</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ (59)</u></u>
Funded ratio (actuarial value of plan assets/AAL)	102.24%
Annual covered payroll (active plan members)	\$ -
UAAL as a percentage of annual covered payroll	0.00%

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 are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Trend Information: Three-year trend information on the percentage of the annual pension cost funded through contributions and the change in the net pension obligation (asset) is as follows for Plan 2:

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Liability
2014	\$ 126	(71.5%)	\$ 173
2013	714	57.3%	72
2012	414	111.0%	(233)

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 13--RETIREMENT PLANS--Continued

Fidelity Investments

For all eligible full-time employees, Rogers contributes to a defined contribution pension plan administered by the Board of Regents. Pension expense is recorded for the amount of Rogers' required contributions determined in accordance with the terms of the Plan. Eligible employees are not required to make contributions to the Plan. The Plan provides retirement benefits to eligible employees or their beneficiaries. Benefit provisions and contribution requirements are contained in the Plan document and were established and can be amended by action of the Board of Regents.

Prior to December 1, 2011, Rogers contributed 15% of the base salary above \$9 for certain employees who were employed prior to January 1, 1999 and 4% of the annual base salary for all other employees in the Plan. Effective December 1, 2011, Rogers contributed 4% of the annual base salary for all employees in the Plan. Effective July 1, 2013, contributions made by Rogers were temporarily suspended. Contributions to the Plan made by Rogers for the years ended June 30, 2014, 2013, and 2012 were approximately \$0, \$630, and \$667, respectively.

Supplemental Retirement Annuity (SRA)

Plan Description: Rogers' Supplemental Retirement Annuity (the "SRA") plan is a single-employer, defined-benefit pension plan administered by the Board of Regents. The SRA was established by the Board of Regents to provide supplemental retirement and death benefits to certain eligible Rogers' employees, or to those eligible employees' beneficiaries. The authority to amend the SRA's benefit provisions rests with the Board of Regents. The SRA does not issue a stand-alone financial report nor is it included in the financial report of another entity.

Funding Policy: Eligible employees are not required to make contributions to the SRA. Rogers may contribute to the SRA an actuarially determined amount on an annual basis.

Annual Pension Cost and Net Pension Obligation (Asset): The annual required contributions for 2014 was determined as part of an actuarial valuation as of June 30, 2014, using the projected unit credit actuarial cost method. The actuarial assumptions included (a) a discount rate of 6% per year to determine the present value of future benefit payments; (b) retirement at age 62; (c) a 6% rate of return on investments; and (d) projected salary increases of 0% per year. The unfunded actuarial accrued liability is being amortized over ten years as a level-dollar amount on a closed basis.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 13--RETIREMENT PLANS--Continued

Supplemental Retirement Annuity (SRA)--Continued

Annual Pension Cost and Net Pension Obligation (Asset)--Continued: Components of Rogers' annual pension cost, contributions, and net pension obligation under the Plan for the year ended June 30, 2014, are as follows:

Annual required contribution	\$ 21
Interest on net pension obligation	(29)
Adjustment to annual required contribution	66
Annual pension cost	<u>58</u>
Contributions made	-
Increase in net pension obligation	<u>58</u>
Net pension obligation (asset) at beginning of year	<u>(483)</u>
Net pension obligation (asset) at end of year	<u><u>\$ (425)</u></u>

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2014, was as follows:

Actuarial accrued liability (AAL)	\$ 1,155
Actuarial value of plan assets	<u>967</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 188</u></u>
Funded ratio (actuarial value of plan assets/AAL)	83.75%
Annual covered payroll (active plan members)	\$ -
UAAL as a percentage of annual covered payroll	0.00%

Trend Information: Three-year trend information on the percentage of the annual pension cost funded through contributions and the change in the net pension obligation (asset) is as follows:

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2014	\$ 58	0.0%	\$ (425)
2013	67	297.0%	(483)
2012	67	0.0%	(350)

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 14--OTHER POSTEMPLOYMENT BENEFITS

Plan Description: Health and dental insurance is provided by the Board of Regents for all retirees of the Norman Campus and the Center 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 of the Norman Campus and the Center hired after January 1, 2008 may participate in the Board of Regent’s retiree insurance plan and, at their own expense, retirees may also elect the Board of Regent’s health and dental coverage for eligible dependents. The Board of Regent’s retiree insurance plan is considered a single-employer defined benefit plan. As a secondary insurance plan, retirees participating in OTRS (see Note 13) and employed at the Norman Campus or the Center 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 in 2012 which went into effect on January 1, 2013.

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%

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 14--OTHER POSTEMPLOYMENT BENEFITS—Continued

Plan Description--Continued:

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 to \$1.5.
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 Board of Regents. 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 year ended June 30, 2014, the University contributed \$7,797 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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 14--OTHER POSTEMPLOYMENT BENEFITS--Continued

Annual OPEB Cost and Net OPEB Obligation--Continued: 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 year ended:

	2014
Annual Required Contribution (ARC)	\$ 19,037
Interest on Net OPEB Obligation	8,075
Adjustment to ARC	<u>(6,677)</u>
Annual OPEB Cost	20,435
Contributions paid during year	<u>(7,797)</u>
Increase in net OPEB Obligation	12,638
Net OPEB obligation-beginning of year	<u>161,509</u>
Net OPEB obligation-end of year	<u>\$ 174,147</u>

Funded Status and Funding Progress: The unfunded actuarial accrued liability (UAAL) totaled \$275,342 as of the January 1, 2014 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 \$636,114 for 2014, and the ratio of the UAAL to the covered payroll was 43%.

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
2014	\$ 20,435	38%	\$ 174,147
2013	21,899	34%	161,509
2012	22,180	38%	147,089

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 14--OTHER POSTEMPLOYMENT BENEFITS--Continued

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, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include the following: a 5% 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% initially, reduced by decrements to 4.5% after seven years (7.75% for 2014), and a payroll annual inflation rate of 3.5%.

NOTE 15--OTHER POST-EMPLOYMENT HEALTH AND LIFE INSURANCE BENEFITS

The Rogers State University Postemployment Benefit ("RSU OPEB") Plan provides post-employment benefits to retirees under single employer, defined benefit healthcare and long-term care plan.

Plan Description: For employees hired before July 1, 2009, Rogers pays a share of the group health and all of the life insurance premiums for eligible retired employees until reaching Medicare age. A retiring employee must have been employed full-time at Rogers for not less than ten years immediately preceding the date of retirement, been a member of the OTRS during that time, and elected to receive a vested benefit under the provisions of the OTRS.

Funding Policy (not in thousands): Contribution requirements of participating employees and Rogers are established by Rogers' policy. Rogers funds these benefits on a pay-as-you-go basis and currently provides \$429 to \$431 per month for employees receiving health benefits and \$10 to \$78 per month for employees receiving life insurance benefits. Contributions are subject to change based on the rates assessed by the respective insurance provider.

Rogers' annual OPEB cost (expense) is calculated based on the annual required contribution (the "ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortized any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For the year ended June 30, 2014, the ARC is \$130 and represents 1.4% of covered payroll.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 15--OTHER POST-EMPLOYMENT HEALTH AND LIFE INSURANCE BENEFITS--
Continued

Actuarial Methods and Assumptions: Actuarial valuations of an ongoing plan are required on a biennial basis and 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 health care 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.

Projections of benefits for financial reporting purposes are based on the substantive benefits, as understood by the University and its employees, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of costs between the employee and the employees to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the actuarial valuations the projected unit actuarial cost method was used. The actuarial assumptions include a 2.3% investment rate of return and an annual health care cost trend rate of 7%.

Annual OPEB Cost and Net OPEB Obligation (Asset): Annual OPEB cost and net OPEB obligation (asset) for 2014 is as follows:

Annual required contribution	\$ 130
Interest on OPEB obligation (asset)	15
Adjustment to annual required contribution	(29)
Annual OPEB cost	<u>116</u>
Contributions made	(58)
Increase in net OPEB obligation	58
OPEB obligation at beginning of year	<u>642</u>
OPEB obligation at end of year	<u><u>\$ 700</u></u>

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 15--OTHER POST-EMPLOYMENT HEALTH AND LIFE INSURANCE BENEFITS--
Continued

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2014, was as follows:

Actuarial accrued liability (AAL)	\$	1,310
Actuarial value of plan assets		<u>601</u>
Unfunded actuarial accrued liability (UAAL)	\$	<u>709</u>
Funded ratio (actuarial value of plan assets/AAL)		45.91%
Annual covered payroll (active plan members)	\$	9,165
UAAL as a percentage of annual covered payroll		7.73%

Trend Information: Three-year trend information on the percentage of the annual OPEB cost funded through contributions and the change in the net OPEB obligation (asset) is as follows:

Year Ended June 30	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
2014	\$ 116	50.0%	\$ 700
2013	201	322.9%	642
2012	201	24.7%	1,090

NOTE 16--OTHER POST-EMPLOYMENT INSURANCE BENEFITS

Cameron provides for the payment of premiums for a \$4 life insurance policy to all eligible individuals retiring from employment. To be eligible, the individuals need only have completed the requirements to retire under the OTRS. Cameron funds the payments out of current operations and does not prefund the expenses. For the year ended June 30, 2014, the amount of expense to Cameron was approximately \$5.

Additionally, Cameron offers life insurance for all current employees in an amount equal to twice the employee's current salary. Cameron has ceded all claims over \$75 to an insurance company via the purchase of a group life insurance policy. As the employees have no vested benefit in this program and the program can be discontinued at the discretion of Cameron, Cameron has not recorded a liability in connection with any future benefit payments.

At June 30, 2014, Cameron had approximately \$1,484 of rate stabilization reserves with the administrator of the programs discussed above. The rate stabilization reserves are available upon request of Cameron and are reflected as prepaid expenses and other assets in the statement of net position.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 17--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 Division of Capital Assets Management Risk Management Division ("DCAMRMD"). 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 DCAMRMD. 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. Deductibles are not in thousands.
- 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 DCAMRMD. 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, 2014 was \$0.

Self-Funded Programs

Cameron and Rogers, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program and CompSource Oklahoma (formerly, the State Insurance Fund), public entity risk pools currently operating as a common risk management and insurance program for its members. Cameron and Rogers pay annual premiums to the pools for its tort, property, and liability insurance coverage. The pool's governing agreement specifies that the pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 17--RISK MANAGEMENT--Continued

Self-Funded Programs--Continued

Cameron also participates in the College Association of Liability Management ("CALM") Workers' Compensation Plan for its workers' compensation coverage. CALM is an interlocal cooperative act agency that was organized to provide workers' compensation coverage for participating colleges and universities through CompSource. CALM is a political subdivision of the State of Oklahoma and is governed by a board of trustees elected from members of the participating colleges and universities.

The workers' compensation program for the Norman Campus and the Center is a self-funded plan 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, 2014, the accrued workers' compensation liability totaled approximately \$5,148.

The unemployment compensation insurance program for the Norman Campus and the Center is also a self-funded plan. 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, 2014, the required reserve was \$820. The minimum cash balance is considered each year during the fringe benefit rate-setting process.

Effective July 1, 2013 the Center entered into an agreement for self-funded student health insurance. The plan is administered by a third party, and claims are processed by Blue Cross Blue Shield. The premiums for the insurance are paid by the student directly to Academic HealthPlans (AHP) into a fund managed by AHP. The claims and administrative expenses are paid as incurred directly from the fund. The Center records the cash balance of the Fund in its financial statements, as well as an actuarially determined liability for incurred but not recorded claims. As of June 30, 2014, the cash balance for the plan was \$313 and the accrued liability for claims not yet reported totaled \$64.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 18--COMMITMENTS AND CONTINGENCIES

At June 30, 2014, the University had outstanding commitments under construction contracts totaling \$22,547.

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.

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). During 2013, the IRS issued a refund to the Center of approximately \$57.5 million for FICA taxes previously paid plus statutory interest. Approximately \$23.3 million of the refund was returned to residents during the year ending June 30, 2014, reducing the deposits held in custody for others recorded in the accompanying statement of net position at June 30, 2014.

NOTE 19--SUBSEQUENT EVENTS

In July 2014, the Rogers entered into a 30 year Master Lease agreement with the ODFA and the Oklahoma State Regents for Higher Education as a beneficiary of a portion of the proceeds from the ODFA Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2014D. The net proceeds of \$11,500 will be used for the construction of a new housing facility.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 19--SUBSEQUENT EVENTS--Continued

The Norman Campus, the Center, and Cameron have evaluated events and transactions that occurred subsequent to June 30, 2014 through December XX, 2014, the date these financial statements were available to be issued, for potential recognition or disclosure in the financial statements. There were no subsequent events requiring recognition or disclosure.

NOTE 20--UNIVERSITY OF OKLAHOMA FOUNDATION

The following are significant disclosures of the University of Oklahoma Foundation:

NATURE OF OPERATIONS AND CONSOLIDATIONS

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 of the Foundation include the following wholly owned subsidiaries:

- University North Park, LLC
- UNP Realty Investors, LLC
- Avilla Principis, LLC
- L.W. Cary Investors, LLC
- Hamm Family Diabetes Center, LLC
- University Amphora (Amphora), LLC
- Santa Chiara SRL (Santa Chiara)

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.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 20--UNIVERSITY OF OKLAHOMA FOUNDATION--Continued

NATURE OF OPERATIONS AND CONSOLIDATIONS--Continued

Pledges Receivable--Continued: 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.

Investments: Investments in equity and 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, net of investment fees, 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.

Conditional Gifts: The Foundation receives contributions with terms that provide for the return of the contribution to the donor on the occurrence of specified future 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 become unconditional.

Assets Held For Others: The Foundation recognizes a liability for the net asset value of the Consolidated Investment Fund units held by other not-for-profit organizations.

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 \$3,296 as of June 30, 2014.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 20--UNIVERSITY OF OKLAHOMA FOUNDATION--Continued

PLEDGES RECEIVABLE--Continued

The scheduled discounted and undiscounted payment amounts as of June 30, 2014 are as follows:

Year	Temporarily Restricted	Permanently Restricted	Total Discounted	Total Undiscounted
2015	\$ 23,686	\$ 8,933	\$ 32,619	\$ 33,207
2016	11,061	1,378	12,439	12,901
2017	9,375	1,026	10,401	10,975
2018	5,240	630	5,870	6,316
2019	3,176	101	3,277	3,603
Thereafter	6,089	274	6,363	7,263
	58,627	12,342	70,969	74,265
Less: allowance for doubtful accounts	9,891	6,684	16,575	16,575
Total pledges receivable, net	\$ 48,736	\$ 5,658	\$ 54,394	\$ 57,690

INVESTMENTS

Investment consisted of the following at June 30, 2014:

Investments measured at fair value:	
Equity securities	\$ 229,085
Corporate bonds	114
U.S. government securities	98,251
Mutual funds	151,949
Master trusts	287,614
Money market funds	31,955
Alternative investments	388,106
	1,187,074
Investments measured at carrying value:	
Real estate	13,353
Other investments	3,005
	16,358
	\$ 1,203,432

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 20--UNIVERSITY OF OKLAHOMA FOUNDATION--Continued

INVESTMENTS--Continued

The Foundation paid approximately \$3,200 in custodial and investment advisory fees during the year ended June 30, 2014. These fees as well as additional investment fees reported net of earnings to the Foundation are netted against realized and unrealized gains on investments in the consolidated statement of activities for the year ended June 30, 2014.

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 consist of liquid money market funds, mutual funds, equities and separate accounts holding U.S. government and corporate fixed income securities.

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 unit holders 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:

Consolidated investment fund	\$	919,980
Expendable investment pool		176,979
Nonpooled investments		106,473
	\$	<u>1,203,432</u>

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 \$1.00. Investments in equity securities with readily determinable fair values and all investments in debt securities are subsequently remeasured at fair value.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 20--UNIVERSITY OF OKLAHOMA FOUNDATION--Continued

INVESTMENTS--Continued

Carrying Values of Investments—Continued: 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.

ASSETS HELD FOR OTHERS

Pursuant to an investment agreement dated October 15, 2010, certain endowment assets of Presbyterian Health Foundation (PHF) have been placed with the Foundation for a fee and invested in the Foundation's Consolidated Investment Fund (CIF). The PHF investment in the CIF is subject to the same investment management and distribution policies as the Foundation investments in the CIF. Investment performance results of the CIF are allocated to PHF on a pro rata basis based on the number of CIF units held by PHF. The initial term of the agreement ended 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 CIF units held by PHF 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.

Subsequent Event

Pursuant to an investment and administrative services agreement dated July 1, 2014, certain endowed and nonendowed assets of The Board of Regents of The University of Oklahoma (Board of Regents) have been placed with the Foundation for a fee and invested in the Foundation's Consolidated Investment Fund and Expendable Investment Pool (EIP). The total of such assets invested in the CIF and EIP as of July 1, 2014, was \$84,673 and \$45,725, respectively. The Board of Regents investment funds are subject to the same investment management policies as the Foundation investments.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 20--UNIVERSITY OF OKLAHOMA FOUNDATION--Continued

ASSETS HELD FOR OTHERS--Continued

Subsequent Event--Continued

The initial term of the agreement ends June 30, 2016, with a provision to automatically renew annually thereafter. The Board of Regents is independent of the Foundation in all respects. The Board of Regents is not a subsidiary or affiliate of the Foundation and is not directly or indirectly controlled by the Foundation. Moreover, the assets are the exclusive property of the Board of Regents and do not belong to the Foundation. The Foundation does not have ownership of any of the financial and capital resources of the Board of Regents. The directors and trustees of the Board of Regents are entitled to make all decisions regarding the business affairs of the Board of Regents. Neither the principal nor income generated by the net assets of The Board of Regents can be taken into consideration in determining the amount of net assets of the Foundation. The Board of Regents does not have an ownership interest, beneficial or outright, in, or any voting rights with respect to the Foundation.

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, 2014.

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. 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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 20--UNIVERSITY OF OKLAHOMA FOUNDATION--Continued

RELATED PARTY TRANSACTIONS--Continued

In September 2003, North Park purchased from the University undeveloped real property (the "Property") for \$13,324. The Foundation 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. The present value of this profit interest, calculated using the expected future rate of return on the consolidated investment fund, was \$6,500 as of July 1, 2012, with annual payments made to the University over four years. As of June 30, 2014, the Foundation had paid \$2,750 to the University.

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. As of June 30, 2014, UNP Realty had advanced \$0. Effective August 31, 2013, the TIF Loan was paid in full, and no further monies will be advanced on the note.

ENDOWMENT

The Foundation's endowment consists of approximately 3,450 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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 20--UNIVERSITY OF OKLAHOMA FOUNDATION--Continued

ENDOWMENT--Continued

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, and 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, 2014, the fair value of endowment investments for approximately 500 endowment funds were less than the value of the original gift by approximately \$4,600. 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 30, 2014 is \$57,027.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 20—UNIVERSITY OF OKLAHOMA FOUNDATION—Continued

ENDOWMENT--Continued

Changes in Endowment Net Assets for the year ended June 30, 2014:

	Board Designated	Donor Restricted	Total
Endowment net assets, beginning of year	\$ 15,991	\$ 782,903	\$ 798,894
Investment return:			
Investment income	201	8,694	8,895
Net appreciation	2,546	125,941	128,487
Total investment return	2,747	134,635	137,382
Contributions	5	31,679	31,684
Reinvestment of endowment distributions and donor redesignations	1	4,429	4,430
Distributions	(765)	(43,498)	(44,263)
Endowment net assets, end of year	<u>\$ 17,979</u>	<u>\$ 910,148</u>	<u>\$ 928,127</u>

Endowment funds were comprised of the following assets as of June 30, 2014:

Pledges receivable	\$ 5,658
Investments	882,104
Art collections	40,365
Total endowment funds	<u>\$ 928,127</u>

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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 20--UNIVERSITY OF OKLAHOMA FOUNDATION--Continued

FAIR VALUE MEASUREMENT--Continued

Investments measured at fair value on a recurring basis at June 30, 2014, are summarized as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities	\$ 229,085	\$ 156,701	\$ -	\$ 72,384
Debt securities	98,365	98,365	-	-
Mutual funds	151,949	151,949	-	-
Master trusts	287,614	-	287,614	-
Money market funds	31,955	31,955	-	-
Alternative investments	388,106	-	-	388,106
Total	<u>\$ 1,187,074</u>	<u>\$ 438,970</u>	<u>\$ 287,614</u>	<u>\$ 460,490</u>

There were no transfers into or out of Levels 1, 2 or 3 measurements for the years ended June 30, 2014.

Following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated statement of financial position at June 30, 2014, using significant unobservable (Level 3) inputs:

	<u>Closely Held Common Stock</u>	<u>Alternative Investments</u>	<u>Total</u>
Balance at July 1, 2013	\$ 70,868	\$ 298,432	\$ 369,300
Total realized and unrealized gains	2,266	53,823	56,089
Purchases	-	99,970	99,970
Contributions	-	-	-
Sales	(750)	(64,119)	(64,869)
Balance at June 30, 2014	<u>\$ 72,384</u>	<u>\$ 388,106</u>	<u>\$ 460,490</u>

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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 20--UNIVERSITY OF OKLAHOMA FOUNDATION--Continued

FAIR VALUE MEASUREMENT--Continued

Closely Held Common Stock: The closely held common stock consists of Class C nonvoting shares of an Oklahoma-based company. The fair value of the stock has been estimated using a weighting of various valuation criteria, which were utilized based on the importance or reliability of the criteria used to determine fair value. The primary criteria and respective weighting of the valuation method included: market value of invested capital to EBITDA - 35%; capitalization of earnings - 30%; capitalization of cash flow - 30%; market value of invested capital to book value - 20%; and market value to invested capital with private transactions - 15%. These criteria are considered Level 3 inputs. The stock is adjusted to fair value annually based upon the impact that significant factors, events and assumptions have on fair value, including the company's improving or deteriorating operating performance, market outlook, financial condition and other relevant inputs. The company intends to purchase approximately \$500 of stock from the Foundation annually.

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, 2014 consist of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Equity long/short hedge funds (a)	\$ 199,523	\$ 253,551	\$ -	Quarterly - 3 years	30 - 90 days
Real estate funds (b)	15,526	18,538	15,720	N/A	N/A
Private equity funds (c)	<u>73,723</u>	<u>116,017</u>	<u>120,901</u>	N/A	N/A
Total	<u>\$ 288,772</u>	<u>\$ 388,106</u>	<u>\$ 136,621</u>		

(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, 2014, 84% 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 2% 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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (in thousands)

NOTE 20—UNIVERSITY OF OKLAHOMA FOUNDATION—Continued

FAIR VALUE MEASUREMENT—Continued

Alternative Investments--Continued:

(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 fund managers or 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.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (*in thousands*)

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
1/1/2012	\$ -	\$ 251,782	\$ 251,782	\$ -	\$ 588,692	42.8%
1/1/2013	-	279,390	279,390	-	580,345	48.1%
1/1/2014	-	275,342	275,342	-	636,114	43.3%

The University obtains an actuarial valuation annually.

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.

REQUIRED SUPPLEMENTARY INFORMATION--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (*in thousands*)

Cameron University Supplemental Retirement Plans

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)
Plan 1						
6/30/2012	\$ -	\$ 1,770	\$ 1,770	0.0%	\$ -	0.0%
6/30/2013	-	1,811	1,811	0.0%	-	0.0%
6/30/2014	-	1,765	1,765	0.0%	-	0.0%
Plan 2						
6/30/2012	\$ 1,898	\$ 2,151	\$ 252	88.2%	\$ 373	67.6%
6/30/2013	2,492	2,675	183	93.2%	375	48.8%
6/30/2014	2,698	2,639	(59)	102.2%	-	0.0%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Annual Required Contributions: See Note 13 for actuarial assumptions and other information used to determine the annual required contributions (ARC) for the plan.

Benefit Provisions: See Note 13 for a complete description of the plan.

REQUIRED SUPPLEMENTARY INFORMATION--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (*in thousands*)

Rogers State University Supplemental Retirement Plan

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)
6/30/2012	\$ 870	\$ 1,190	\$ 156	73.1%	\$ -	0.0%
6/30/2013	1,017	1,173	156	86.7%	-	0.0%
6/30/2014	967	1,155	188	83.7%	-	0.0%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Annual Required Contributions: See Note 13 for actuarial assumptions and other information used to determine the annual required contributions (ARC) for the plan.

Benefit Provisions: See Note 13 for a complete description of the plan.

REQUIRED SUPPLEMENTARY INFORMATION--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014 (*in thousands*)

Rogers State University Health and Life Insurance Benefits

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)
6/30/2012	\$ -	\$ 1,754	\$ 1,754	0.0%	\$ 10,970	16.0%
6/30/2013	600	1,754	1,154	34.2%	10,970	10.5%
6/30/2014	601	1,310	709	45.9%	9,165	7.7%

The University obtains an actuarial valuation annually.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Annual Required Contributions: See Note 15 for actuarial assumptions and other information used to determine the annual required contributions (ARC) for the plan.

Benefit Provisions: See Note 15 for a complete description of the plan.

SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

STATEMENT OF NET POSITION - INFORMATION BY INSTITUTION (in thousands)

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014

	Norman Campus	Health Science Center	Rogers State University	Cameron University	Eliminations	Total
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 189,232	\$ 564,144	\$ 14,054	\$ 7,281	\$ -	\$ 774,711
Restricted cash and cash equivalents	162,238	30,806	611	-	-	193,655
Accrued interest receivable	455	-	-	2	-	457
Accounts receivable, net of allowance for doubtful accounts	64,025	143,112	1,878	3,321	(611)	211,725
Inventories and supplies, at cost	3,892	1,723	-	-	-	5,615
Loans to students, net of allowance for uncollectible loans	2,320	1,131	-	-	-	3,451
Deposits and prepaid expenses	2,074	2,691	-	1,768	-	6,533
TOTAL CURRENT ASSETS	<u>424,236</u>	<u>743,607</u>	<u>16,543</u>	<u>12,372</u>	<u>(611)</u>	<u>1,196,147</u>
NONCURRENT ASSETS						
Restricted cash and cash equivalents	114,669	-	3,197	1,817	-	119,683
Endowment investments	-	40,588	-	1,047	(40,588)	1,047
Other long-term investments	9,671	724	-	-	-	10,395
Investments in real estate	395	175	-	-	(175)	395
Loans to students, net	16,722	5,648	-	-	-	22,370
Deposits and prepaid expenses	407	2,032	-	116	-	2,555
Net pension asset	-	-	425	-	-	425
Capital assets, net of accumulated depreciation	1,496,752	587,331	72,928	72,634	-	2,229,645
TOTAL NONCURRENT ASSETS	<u>1,638,616</u>	<u>636,498</u>	<u>76,550</u>	<u>75,614</u>	<u>(40,763)</u>	<u>2,386,515</u>
TOTAL ASSETS	<u>\$ 2,062,852</u>	<u>\$ 1,380,105</u>	<u>\$ 93,093</u>	<u>\$ 87,986</u>	<u>\$ (41,374)</u>	<u>\$ 3,582,662</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflow of resources on lease restructure	\$ 1,284	\$ 558	\$ 141	\$ 336	\$ -	\$ 2,319
Deferred outflow of resources on advance refunding of bonds	4,015	-	-	-	-	4,015
Deferred outflow of resources on defeasance of bonds	6,918	-	-	-	-	6,918
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 12,217</u>	<u>\$ 558</u>	<u>\$ 141</u>	<u>\$ 336</u>	<u>\$ -</u>	<u>\$ 13,252</u>

SUPPLEMENTARY INFORMATION

STATEMENT OF NET POSITION - INFORMATION BY INSTITUTION (in thousands)--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014

	Norman Campus	Health Science Center	Rogers State University	Cameron University	Eliminations	Total
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable and accrued expenses	\$ 44,414	\$ 53,024	\$ 2,141	\$ 706	\$ (611)	\$ 99,674
Utilities management agreement, current portion	4,720	-	-	-	-	4,720
Accrued compensated absences, current portion	27,121	24,898	520	510	-	53,049
Unearned revenue	65,026	8,037	619	1,319	-	75,001
Unearned revenue - long-term contracts, current portion	2,624	-	-	-	-	2,624
Accrued interest payable	13,468	3,866	-	184	-	17,518
Post-employment benefit obligation, current portion	4,912	3,598	-	137	-	8,647
Capital leases payable, notes payable, and revenue bonds payable, current portion	31,819	8,164	3,079	1,819	-	44,881
Deposits held in custody for others	40,694	4,659	177	213	(40,763)	4,980
TOTAL CURRENT LIABILITIES	234,798	106,246	6,536	4,888	(41,374)	311,094
NONCURRENT LIABILITIES, net of current portion						
Utilities management agreement	94,840	-	-	-	-	94,840
Accrued compensated absences	5,555	8,299	378	353	-	14,585
Unearned revenue - long-term contracts	2,256	-	179	-	-	2,435
Federal loan program contributions refundable	14,404	7,060	-	-	-	21,464
Post-employment benefits obligation	88,543	77,094	700	966	-	167,303
Capital lease obligations	72,322	26,770	37,820	18,079	-	154,991
Notes payable	-	240	-	-	-	240
Revenue bonds payable	679,426	152,043	11,238	7,320	-	850,027
TOTAL NONCURRENT LIABILITIES	957,346	271,506	50,315	26,718	-	1,305,885
TOTAL LIABILITIES	\$ 1,192,144	\$ 377,752	\$ 56,851	\$ 31,606	\$ (41,374)	\$ 1,616,979
DEFERRED INFLOWS OF RESOURCES						
Deferred credit on OCIA lease restructure	\$ 1,440	\$ 771	\$ 381	\$ 338	\$ -	\$ 2,930
NET POSITION						
Net investment in capital assets	\$ 729,621	\$ 399,901	\$ 19,708	\$ 46,393	\$ -	\$ 1,195,623
Restricted for:						
Nonexpendable	27,064	28,592	-	66	-	55,722
Expendable:						
Educational, general, and auxiliary operations	24,350	138,816	1,530	588	-	165,284
Capital projects	26,278	17,808	608	1,894	-	46,588
Debt service	23,693	9,674	-	-	-	33,367
Athletics	26,008	-	-	-	-	26,008
Unrestricted	24,471	407,349	14,156	7,437	-	453,413
TOTAL NET POSITION	\$ 881,485	\$ 1,002,140	\$ 36,002	\$ 56,378	\$ -	\$ 1,976,005

See notes to financial statements.

SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - INFORMATION BY INSTITUTION (in thousands)

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014

	Norman Campus	Health Science Center	Rogers State University	Cameron University	Eliminations	Total
OPERATING REVENUES						
Student tuition and fees (net of scholarship allowances of \$79,591 for 2014)	\$ 257,952	\$ 57,648	\$ 12,578	\$ 19,387	\$ -	\$ 347,565
Patient care (net of provisions for contractual, bad debt, and other adjustments of \$398,395 for 2014)	-	372,711	-	-	-	372,711
Federal grants and contracts	61,388	80,684	1,332	1,425	-	144,829
State grants and contracts	10,904	88,540	99	208	(745)	99,006
Private grants and contracts	24,797	130,639	826	692	-	156,954
Interest on student loans receivable	463	200	-	-	-	663
Sales and services of educational activities	14,924	1,285	-	538	-	16,747
Housing revenues (revenues are used as security for the Student Housing Revenue Bonds Series 2004)	56,131	-	-	2,437	-	58,568
Athletic revenues (net of scholarship allowances of \$7,506 for 2014; revenues were used as security for the ODFA Public Facilities Revenue Bonds Series 2003B)	79,832	-	-	-	-	79,832
Steam and chilled water plant revenues (revenues are pledged as security for the Utility System Revenue Bonds Series 1998A, 1998B, and 2004)	-	6,341	-	-	-	6,341
Sales and services of auxiliary enterprises--other	28,896	21,120	3,930	2,146	-	56,092
Other revenues	13,086	49,995	136	277	(12,732)	50,762
TOTAL OPERATING REVENUES	548,373	809,163	18,901	27,110	(13,477)	1,390,070
OPERATING EXPENSES						
Compensation and benefits	481,551	610,917	25,029	38,291	(4)	1,155,784
Contractual services	79,156	66,536	3,410	4,845	(11,384)	142,563
Supplies and materials	27,167	98,581	3,781	4,205	(552)	133,182
Depreciation	66,530	26,721	3,216	4,548	-	101,015
Utilities	44,564	13,590	1,335	1,657	-	61,146
Communications	7,691	6,820	421	266	(150)	15,048
Scholarships and fellowships	34,617	2,307	7,325	11,905	(550)	55,604
Other	88,957	64,518	2,864	2,599	(3,561)	155,377
TOTAL OPERATING EXPENSES	830,233	889,990	47,381	68,316	(16,201)	1,819,719
OPERATING LOSS	(281,860)	(80,827)	(28,480)	(41,206)	2,724	(429,649)

SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - INFORMATION BY INSTITUTION (in thousands)--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014

	Norman Campus	Health Science Center	Rogers State University	Cameron University	Eliminations	Total
NONOPERATING REVENUES (EXPENSES)						
State appropriations	148,370	97,900	14,358	21,784	-	282,412
On-behalf payments for OTRS	15,167	11,321	1,209	1,878	-	29,575
Endowment income	8,062	11,849	85	311	-	20,307
Federal grants and contracts	35,840	-	8,217	13,936	-	57,993
State grants and contracts	46,673	-	2,086	-	(225)	48,534
Private grants and contracts	5,388	-	-	-	-	5,388
Private gifts	39,417	12,107	-	-	-	51,524
Student fees for capital projects	5,457	-	-	-	-	5,457
Interest on indebtedness	(34,859)	(8,375)	(2,237)	(1,340)	-	(46,811)
Investment income	9,602	11,085	178	42	-	20,907
NET NONOPERATING REVENUES	279,117	135,887	23,896	36,611	(225)	475,286
INCOME BEFORE OTHER REVENUES (EXPENSES), GAINS OR (LOSSES)						
	(2,743)	55,060	(4,584)	(4,595)	2,499	45,637
State grants and contracts for capital purposes	-	4,586	-	-	-	4,586
Build America Bonds Subsidy	801	-	-	-	-	801
Private gifts for capital assets	23,165	2,135	1,830	-	-	27,130
State appropriations for capital projects	-	5,749	437	1,121	-	7,307
State school land funds	10,608	2,499	-	-	(2,499)	10,608
On-behalf payments for OCIA capital leases	7,806	1,565	1,813	1,321	-	12,505
Additions to permanent endowments	2,130	-	-	-	-	2,130
NET INCREASE IN NET POSITION	41,767	71,594	(504)	(2,153)	-	110,704
NET POSITION AT BEGINNING OF YEAR	839,718	930,546	36,506	58,531	-	1,865,301
NET POSITION AT END OF YEAR	\$ 881,485	\$ 1,002,140	\$ 36,002	\$ 56,378	\$ -	\$ 1,976,005

See notes to financial statements.

SUPPLEMENTARY INFORMATION

STATEMENT OF CASH FLOWS - INFORMATION BY INSTITUTION (in thousands)

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014

	Norman Campus	Health Science Center	Rogers State University	Cameron University	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Tuition and fees	\$ 259,066	\$ 57,721	\$ 12,944	\$ 19,939	\$ -	\$ 349,670
Patient revenues	-	356,659	-	-	-	356,659
Sales and services of educational activities	14,606	1,487	-	647	-	16,740
Sales and services of auxiliary enterprises	28,940	20,356	3,756	4,673	-	57,725
Steam and chilled water plant revenues	-	6,439	-	-	-	6,439
Housing revenues	56,055	-	-	-	-	56,055
Athletic revenues	83,535	-	-	-	-	83,535
Federal grants and contracts	65,133	80,615	1,332	2,460	-	149,540
State grants and contracts	14,502	86,687	99	-	(745)	100,543
Private grants and contracts	26,456	119,651	698	-	-	146,805
Interest on loans receivable	463	200	-	-	-	663
Other additions	8,374	50,107	135	223	(12,732)	46,107
Loans issued to students	(2,767)	(1,550)	-	-	-	(4,317)
Collection of loans	2,586	1,143	-	-	-	3,729
Compensation and benefits	(458,394)	(593,027)	(23,587)	(37,339)	4	(1,112,343)
Contractual services	-	(66,182)	(16,927)	(13,599)	11,384	(85,324)
Other operating expenses	(286,627)	(164,851)	-	(11,905)	4,813	(458,570)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(188,072)	(44,545)	(21,550)	(34,901)	2,724	(286,344)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
State appropriations	148,370	97,900	14,358	21,784	-	282,412
FICA refunds	-	(22,623)	-	-	-	(22,623)
Federal grants and contracts	35,840	-	8,217	13,947	-	58,004
State grants and contracts	46,673	-	2,086	-	(225)	48,534
Private grants and contracts	5,388	-	-	-	-	5,388
Net (decrease) increase in Federal loan advances refundable	(74)	(22)	-	-	-	(96)
Direct loan/FFEL receipts	107,836	64,539	11,001	19,928	-	203,304
Direct loan/FFEL disbursements	(107,836)	(64,539)	(11,001)	(19,928)	-	(203,304)
Endowment income	7,888	10,319	-	-	-	18,207
Private gifts	39,203	12,890	-	-	-	52,093
NET CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	283,288	98,464	24,661	35,731	(225)	441,919
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Additions to permanent endowment	2,130	-	-	-	-	2,130
Proceeds from revenue bonds and capital leases	144,123	62,181	2,248	168	-	208,720
Proceeds from utilities management agreement	10,000	-	-	-	-	10,000
Payments under utilities management agreement	(4,720)	-	-	-	-	(4,720)
State grants and contracts for capital purposes	-	4,556	-	-	-	4,556
Student fees for capital projects	5,457	-	-	-	-	5,457
Private gifts for capital assets	23,165	1,835	1,830	-	-	26,830
State appropriations for capital projects	-	5,845	437	1,121	-	7,403
State school land funds	10,608	2,499	-	-	(2,499)	10,608
Build America Bonds Subsidy	801	-	-	-	-	801
Net purchases of capital assets	(117,320)	(112,903)	(3,779)	(1,685)	-	(235,687)
Principal paid on capital debt and leases	(142,099)	(5,041)	(1,499)	(418)	-	(149,057)
Interest paid on capital debt and leases	(34,684)	(5,615)	(1,529)	(1,372)	-	(43,200)
NET CASH FLOWS (USED) IN CAPITAL AND RELATED FINANCING ACTIVITIES	(102,539)	(46,643)	(2,292)	(2,186)	(2,499)	(156,159)

SUPPLEMENTARY INFORMATION

STATEMENT OF CASH FLOWS - INFORMATION BY INSTITUTION (in thousands)--Continued

THE BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA

June 30, 2014

	Norman Campus	Health Science Center	Rogers State University	Cameron University	Eliminations	Total
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income	4,809	7,908	239	45	-	13,001
Proceeds from sales and maturities of investments	179,524	997	-	370	-	180,891
Purchase of investments	(85,583)	(10)	-	(385)	-	(85,978)
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	<u>98,750</u>	<u>8,895</u>	<u>239</u>	<u>30</u>	<u>-</u>	<u>107,914</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>91,427</u>	<u>16,171</u>	<u>1,058</u>	<u>(1,326)</u>	<u>-</u>	<u>107,330</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>374,712</u>	<u>578,779</u>	<u>16,804</u>	<u>10,424</u>	<u>-</u>	<u>980,719</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 466,139</u>	<u>\$ 594,950</u>	<u>\$ 17,862</u>	<u>\$ 9,098</u>	<u>\$ -</u>	<u>\$ 1,088,049</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES						
Operating loss	\$ (281,860)	\$ (80,827)	\$ (28,480)	\$ (41,206)	\$ 2,724	\$ (429,649)
Adjustments to reconcile operating loss to net cash used in operating activities:						
Depreciation expense	66,530	26,721	3,216	4,548	-	101,015
Loss on disposal of capital assets	1,135	9,615	1,867	-	-	12,617
OTRS on-behalf contributions	15,167	11,321	1,209	1,878	-	29,575
Change in operating assets and liabilities:						
Accounts receivable	8,266	(28,957)	124	480	611	(19,476)
Inventory	81	(205)	-	-	-	(124)
Student loans receivable	(187)	(386)	-	-	-	(573)
Deposits and prepaid expenses	1,705	(758)	-	474	-	1,421
Net pension asset	-	-	58	-	-	58
Accounts payable	(9,068)	11,184	460	(1,049)	(611)	916
Unearned revenue	1,555	(220)	(59)	(68)	-	1,208
Compensated absences	1,338	106	53	-	-	1,497
Post-employment benefits obligation	6,926	5,712	-	96	-	12,734
Deposits held in custody for others	340	2,149	2	(54)	-	2,437
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (188,072)</u>	<u>\$ (44,545)</u>	<u>\$ (21,550)</u>	<u>\$ (34,901)</u>	<u>\$ 2,724</u>	<u>\$ (286,344)</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES						
Net capitalized interest	\$ 861	\$ 148	\$ -	\$ -	\$ -	\$ 1,009
Assets acquired via capital lease	-	28	-	-	-	28
Principal on capital debt paid by State Agency on behalf of the Board of Regents	5,791	699	1,451	833	-	8,774
Interest on capital debt paid by State Agency on behalf of the Board of Regents	2,015	866	362	488	-	3,731
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION						
Current assets:						
Cash and cash equivalents	189,232	564,144	14,054	7,281	-	774,711
Restricted cash and cash equivalents	162,238	30,806	611	-	-	193,655
Noncurrent assets:						
Restricted cash and cash equivalents	114,669	-	3,197	1,817	-	119,683
	<u>\$ 466,139</u>	<u>\$ 594,950</u>	<u>\$ 17,862</u>	<u>\$ 9,098</u>	<u>\$ -</u>	<u>\$ 1,088,049</u>

See notes to financial statements.

REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

**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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Board of Regents of the University of Oklahoma (the "Board of Regents"), a component unit of the State of Oklahoma, which comprise the statement of net position as of June 30, 2014, and the related statement of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2014. Our report includes a reference to other auditors who audited the financial statements of the University of Oklahoma Foundation, Inc. (the "Foundation"), the Board of Regent's discretely presented component unit, as described in our report on the Board of Regent's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board of Regent's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board of Regent's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Board of Regent's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board of Regent's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board of Regent's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board of Regent's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cole & Reed P.C.

Oklahoma City, Oklahoma
December 19, 2014