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**UNIVERSITY OF OKLAHOMA  
HEALTH SCIENCES CENTER**

**June 30, 2011**



UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 and 2010

AUDITED FINANCIAL STATEMENTS

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Independent Auditors' Report

Board of Regents of the University of Oklahoma  
University of Oklahoma Health Sciences Center  
Norman, Oklahoma

We have audited the accompanying statements of net assets of the University of Oklahoma Health Sciences Center (the "Center"), a component unit of the State of Oklahoma, as of June 30, 2011, and the related statements of revenues, expenses, and changes in net assets and statements of cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Center as of and for the year ended June 30, 2010, were audited by other auditors whose report, dated October 8, 2010, expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Oklahoma Health Sciences Center as of June 30, 2011, and the changes in net assets and, cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2011, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and the required supplementary information (schedule of funding progress and notes to requires supplementary information) as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Cole & Reed P.C.

Oklahoma City, Oklahoma  
October 6, 2011

**UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER**  
**Management's Discussion and Analysis**  
**Years Ending June 30, 2011 and 2010**

The discussion and analysis of The University of Oklahoma Health Sciences Center's (the "Center") financial statements provides an overview of the Center's financial activities for the years ending June 30, 2011 and 2010. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis.

**FINANCIAL HIGHLIGHTS**

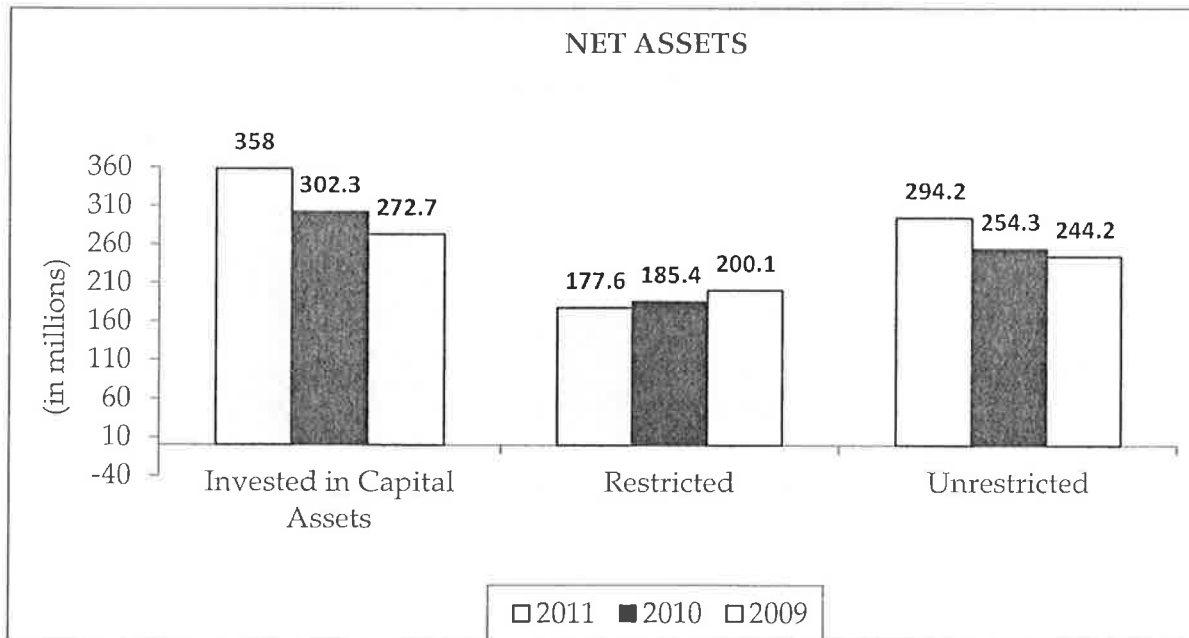
2011

The Center's financial position, as a whole, improved during the fiscal year ending June 30, 2011. Net assets increased approximately \$87.7 million or 11.8% over the previous year. The change resulted from increases in invested in capital assets of \$55.6 million, unrestricted net assets of \$39.9 million, and a decrease in restricted net assets of \$7.8 million.

2010

The Center's financial position, as a whole, improved during the fiscal year ending June 30, 2010. Net assets increased approximately \$25 million or 3.5% over the previous year. The change resulted from increases in invested in capital assets of \$29.6 million, unrestricted net assets of \$10.1 million, and a decrease in restricted net assets of \$14.7 million.

The following graph illustrates the comparative change in net assets by category for the periods ended June 30:



**UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER**  
**Management's Discussion and Analysis (Continued)**  
**Years Ending June 30, 2011 and 2010**

**OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS**

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

**THE STATEMENT OF NET ASSETS AND STATEMENT OF REVENUES,  
EXPENSES, AND CHANGES IN NET ASSETS**

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report the Center's net assets and how they have changed. Net assets—the difference between assets and liabilities—is one way to measure the Center's financial health, or position. Over time, increases or decreases in the Center's net assets are an indicator of whether its financial health is improving. Non-financial factors are also important to consider, including student enrollment, condition of campus buildings, patient census, and trends in national health care reimbursement policies.

These statements include all assets and liabilities using the accrual basis of accounting, which is consistent with the accounting used by private-sector institutions. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the Center's assets, liabilities, and net assets as of June 30, as well as, the Center's revenues, expenses, and changes in net assets for the periods ended June 30:

**NET ASSETS, END OF YEAR (in millions)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current Assets	\$ 584.7	\$ 528.6	\$ 485.4
Capital Assets, net	499.4	450.2	393.9
Other Noncurrent Assets	<u>52.3</u>	<u>51.1</u>	<u>77.3</u>
Total Assets	<b>1,136.4</b>	<b>1,029.9</b>	<b>956.6</b>
Current Liabilities	98.6	92.5	81.1
Noncurrent Liabilities	<u>208.0</u>	<u>195.4</u>	<u>158.5</u>
Total Liabilities	<b>306.6</b>	<b>287.9</b>	<b>239.6</b>
Net Assets:			
Invested in Capital Assets, net of related debt	358.0	302.3	272.7
Restricted	177.6	185.4	200.1
Unrestricted	<u>294.2</u>	<u>254.3</u>	<u>244.2</u>
Total Net Assets	<u>\$ 829.8</u>	<u>\$ 742.0</u>	<u>\$ 717.0</u>
Increase in Net Assets	<u>\$ 87.8</u>	<u>\$ 25.0</u>	



**UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER**  
**Management's Discussion and Analysis (Continued)**  
**Years Ending June 30, 2011 and 2010**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (in millions)**

	2011	2010	2009
Operating Revenues	\$ 695.3	\$ 624.9	\$ 600.5
Operating Expenses	788.4	751.0	715.8
Operating Income (Loss)	(93.1)	(126.1)	(115.3)
Net Nonoperating Revenues	145.7	139.9	135.0
Other Revenues, Expenses, and Gains or Losses	35.2	11.2	32.0
Net Change in Net Assets	87.8	25.0	51.7
Net Assets at Beginning of year	742.0	717.0	665.3
Net Assets at End of year	\$ 829.8	\$ 742.0	\$ 717.0

**OPERATING REVENUES**

Significant changes in operating revenues included the following:

2011

Student tuition and fees revenue decreased 1.2% or \$.7 million in fiscal year 2011. This was due to phasing out of the College of Nursing's ORBIS distance education program.

Patient care increased significantly over the past year with additional revenues of \$44.1 million. This was due to increased patient volume in areas such as Neurology, Orthopedic Surgery and Cancer Care.

Federal grants and contracts increased during the year by \$3.6 million. Sponsored program awards funded under the American Recovery and Reinvestment Act (ARRA) comprised the majority of the increase in activity.

Private grants and contracts increased significantly during 2011 with additional revenues of \$17.7 million. The increase was primarily due to additional funding received from the OU Medical Center for mission support.

Sales and services of auxiliary enterprises had an increase in revenues during 2011 of \$1.4 million. This was primarily due to an increase in Steam and Chilled Water sales. The increase in sales was also due to the first full year of service to the new College of Allied Health Building and partial year service for the atrium in the new Childrens' Hospital.

Other revenues increased \$3.4 million during the year. This was primarily due to an increase in pharmaceutical sales at the OU pharmacies.

**UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER**  
**Management's Discussion and Analysis (Continued)**  
**Years Ending June 30, 2011 and 2010**

**OPERATING REVENUES--Continued**

2010

Student tuition and fees revenue increased 2% or \$1.0 million in fiscal year 2010. This was due to a new technology services fee of \$40.00 per credit hour being added in the College of Allied Health and an increase in the technology services fee of \$5.00 per credit hour in the College of Dentistry. There also was a small increase in overall enrollment.

Patient care increased significantly over the past year with additional revenues of \$11.3 million. This was due to increased patient volume, primarily in the departments of Pediatrics and Anesthesiology.

Federal grants and contracts increased during the year by \$2.2 million. Sponsored program awards funded under the American Recovery and Reinvestment Act (ARRA) comprised the majority of the increase in activity.

Private grants and contracts increased significantly during 2010 with additional revenues of \$7.2 million. The increase was primarily due to increased funding received from the OU Medical Center for mission support.

Sales and services of auxiliary enterprises had a decrease in revenues during 2010 of \$1.3 million. This was primarily due to a decrease in Steam and Chilled Water sales. Lower utility costs resulted in lower revenue from this unit's sales. Completion of the network equipment and cabling project for the OU Physicians' Building in the prior fiscal year negatively impacted current year sales on a comparative basis.

Other revenues increased \$4 million during the year. This was due to a 15% increase in sales at the OU Pharmacist Care Center and a new autistic/special needs children training contract received by the department of Pediatrics.

**OPERATING REVENUES (in millions)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Tuition and Fees	\$ 56.3	\$ 56.9	\$ 55.9
Patient Care	323.0	278.9	267.6
Grants and Contracts	254.0	231.9	222.6
Sales and Services of Educational Activities	1.4	1.5	1.4
Auxiliary Enterprises	19.5	18.0	19.3
Other	41.1	37.7	33.7
Total Operating Revenues	<u>\$ 695.3</u>	<u>\$ 624.9</u>	<u>\$ 600.5</u>

**UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER**  
**Management's Discussion and Analysis (Continued)**  
**Years Ending June 30, 2011 and 2010**

**OPERATING EXPENSES**

Significant changes in operating expenses were the result of the following:

2011

Compensation and benefits expense increased 4.7% or \$24.0 million during fiscal year 2011. This was due to an increase in salaries during the year as a result of a merit based salary program, as well as, an increase in professional practice plan supplementation payments. There also was an increase in associated benefit costs.

Contractual services expense decreased approximately \$.8 million during the past year.

Supplies and materials expense showed a significant increase for the year of \$8.5 million. This was due to increased purchases of merchandise for resale and pharmaceutical drugs for patient care.

Depreciation expense increased 6.8% or \$1.4 million. The increase was due to an overall increase in the capital asset base.

Utilities expense was basically flat for the year showing an increase of only 2.4% or \$.3 million during fiscal year 2011. This was primarily due to relatively stable prices of electricity, natural gas and water.

Other expenses increased 4.4% or \$3.6 million during the year. This was primarily due to significant purchases of non-capital furniture and equipment for the new Peggy and Charles Stephenson Oklahoma Cancer Center.

2010

Compensation and benefits expense increased 5% or \$26.0 million during fiscal year 2010. The increase was attributable to increased professional practice plan supplementation payments and higher benefit costs.

Contractual services expense decreased approximately \$4.7 million during the past year. The decrease was due in part to a reduction in subrecipient activity for various grants during fiscal year 2010, a reduction in licenses and permits, and the termination of an OB/GYN contract with the Variety Health Center.

Supplies and materials expense was basically flat for the year showing an increase of only \$.2 million.

**UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER**  
**Management's Discussion and Analysis (Continued)**  
**Years Ending June 30, 2011 and 2010**

**OPERATING EXPENSES--Continued**

Depreciation expense increased 8% or \$1.5 million. The increase was due to an overall increase in the capital asset base.

Utilities expense decreased 10% or \$1.5 million during fiscal year 2010. This was primarily due to market driven decreases in the prices of electricity, natural gas and water.

Other expenses increased 21% or \$14.3 million during the year. This was primarily due to an increase in bad debt expense for clinical accounts receivable.

The following summarizes the Center's operating expenses for the periods ended June 30:

**OPERATING EXPENSES (in millions)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Compensation and Benefits	\$ 533.7	\$ 509.8	\$ 483.8
Contractual Services	59.9	60.7	65.4
Supplies and Materials	66.4	57.9	57.7
Depreciation	21.6	20.3	18.8
Utilities	12.3	12.0	13.5
Communications	6.2	6.0	6.1
Scholarships	2.7	2.4	2.9
Other	85.6	81.9	67.6
Total Operating Expenses	<u>\$ 788.4</u>	<u>\$ 751.0</u>	<u>\$ 715.8</u>

**NONOPERATING REVENUES AND EXPENSES**

Significant changes in nonoperating revenues and expenses were the result of the following:

2011

State appropriations were basically flat for the year showing a small decrease of \$.2 million in fiscal year 2011.

State payments from federal ARRA revenue decreased 13.1% or \$1.1 million during the fiscal year. This was due to the State having less stimulus funds to distribute to agencies.

On-behalf payments decreased 5% or \$.5 million during the year. This was the result of no debt payments being made by OCIA for the year offset by increased payments made by the State to the Teachers Retirement System.

**UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER**  
**Management's Discussion and Analysis (Continued)**  
**Years Ending June 30, 2011 and 2010**

**NONOPERATING REVENUES AND EXPENSES--Continued**

Private gifts increased 15.5% or \$1.4 million for the year.

Interest on indebtedness decreased 67.1% or \$3.4 million in fiscal year 2011. The decrease was primarily due to the capitalization of interest payments made on debt associated with the OU Cancer Center.

Investment income increased approximately 17% or \$2.2 million during fiscal year 2011. The increase was due to higher market values in the endowed investments which resulted in higher amounts of investment income earned.

Endowment income increased 6.8% or \$.6 million for the year.

2010

State appropriations decreased 8% or \$8.1 million in fiscal year 2010. This was due to a decrease in state appropriations to higher education and other state agencies as the result of a shortfall in general revenues.

State payments from federal ARRA revenue of \$8.2 million was received during the fiscal year offsetting the reduction in state appropriations.

On-behalf payments decreased 12% or \$1.4 million during the year. This was due to decreased payments made by the State to the Teachers Retirement System.

Private gifts increased 28% or \$2 million for the year.

Interest on indebtedness increased 81% or \$2.3 million in fiscal year 2010. The increase was primarily due to interest payments made on debt associated with the OU Cancer Center.

Investment income increased approximately 243% or \$9.1 million during fiscal year 2010. The increase was due to higher market values in the endowed investments which resulted in higher amounts of investment income earned.

Endowment income decreased 23% or \$2.5 million for the year.

**UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER**  
**Management's Discussion and Analysis (Continued)**  
**Years Ending June 30, 2011 and 2010**

**NONOPERATING REVENUES AND EXPENSES--Continued**

The following summarizes the Center's nonoperating revenues and expenses for the periods ended June 30:

**NONOPERATING REVENUES AND EXPENSES (in millions)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
State Appropriations	\$ 96.1	\$ 96.4	\$ 104.5
State Payments from Federal ARRA Revenue	7.1	8.1	-
On-behalf Payments	9.6	10.1	11.5
Private Gifts	10.5	9.1	7.1
Interest on Indebtedness	(1.6)	(5.1)	(2.8)
Investment Income	14.9	12.8	3.7
Endowment Income	9.1	8.5	11.0
Net Nonoperating Revenue	<u>\$ 145.7</u>	<u>\$ 139.9</u>	<u>\$ 135.0</u>

**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 a period. This statement 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.

2011

The Center's overall liquidity improved during the year, with a net increase to cash of \$70.5 million. Cash used in operating activities decreased approximately \$42.7 million over the prior year. This was due to higher overall revenues more than offsetting increased compensation, benefit and other operating costs. Lower contractual services had a positive impact on cash used in operating activities for the year. Significant cash flow increases incurred related to changes in patient revenues (\$44.3 million), private grant and contract revenues (\$18.7 million), federal grants and contracts revenues (\$11.8 million), other additions (\$3.3 million), state grants and contracts revenues (\$3.1 million). Lower cash flows were experienced in sales and services of educational activities. An increase in private gifts (\$1.7 million) was offset by decreases in cash flows from endowment income (\$2.5 million) and State payments from federal ARRA revenue (\$1.1 million).

**UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER**  
**Management's Discussion and Analysis (Continued)**  
**Years Ending June 30, 2011 and 2010**

**THE STATEMENT OF CASH FLOWS--Continued**

State appropriations decreased by a small amount (\$.2 million). Overall, there was a net decrease of approximately \$2 million in cash flows provided by non-capital and related financing activities. Cash flows associated with capital and related financing activities decreased by \$8.5 million. This was a result of decreases in proceeds from bonds payable (\$31.6 million), state appropriations for capital projects (\$1.6 million), and endowment gifts (\$.3 million) partially offset by increases in state grants and contracts for capital projects (\$11.4 million), private gifts for capital projects (\$8.5 million), state school land funds (\$.8 million), federal grants and contracts for capital projects (\$.4 million). A decrease in purchases of capital assets (\$7.2 million) had a positive impact on cash flows associated with capital and related financing activities. Partially offsetting this was a net increase in principal and interest paid on capital debt and lease (\$4.6 million) which negatively impacted the overall cash use during the year. A decrease in cash flows on the purchase of investments, a decrease in proceeds from sales and maturities of investments, and a decrease in investment income resulted in an overall cash decrease from investing activities of approximately \$10.5 million.

2010

The Center's overall liquidity improved during the year, with a net increase to cash of \$48.9 million. Cash used by operating activities decreased approximately \$3.8 million over the prior year. This was due to higher overall revenues more than offsetting increased compensation and benefit costs. Lower contractual services and other operating costs also had a positive impact on cash used by operating activities for the year. Significant cash flow increases occurred related to changes in private grant and contract revenues (\$10.1 million), patient revenues (\$9.5 million), state grants and contracts revenues (\$4.9 million), other additions (\$4.2 million), and sales and services of auxiliary operations (\$1.1 million). Lower cash flows were experienced in federal grants and contracts revenues (\$1.1 million) and steam and chilled water plant revenues (\$1 million). Cash flows from State payments from federal ARRA revenue (\$8.2 million) offset a decrease in state appropriations (\$8.1 million). Cash flow increases from endowment income (\$2.1 million) and private gifts (\$1.7 million) contributed to an overall net increase of approximately \$3.8 million in cash flows provided from non-capital and related financing activities. Cash flows associated with capital and related financing activities decreased by \$70.5 million. An increase in state school land funds (\$1 million), private gifts for capital projects (\$.8 million), endowment gifts (\$.2 million), and an increase in purchases of capital assets (\$.8 million) during the year was more than offset by decreased proceeds from bonds payable (\$38.9 million), state grants and contracts for capital projects (\$25.6 million), federal grants and contracts for capital projects (\$3.7 million), and state appropriations for capital projects (\$2 million). Increase in principal paid on debt and capital leases (\$2.5 million) and a decrease in interest paid on debt and capital leases (\$1.0 million) negatively impacted the overall cash use during the year. A decrease in cash flows on the purchase of investments, a decrease in proceeds from sales and maturities of investments, and a decrease in investment income resulted in an overall cash decrease from investing activities of approximately \$26.7 million.

**UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER**  
**Management's Discussion and Analysis (Continued)**  
**Years Ending June 30, 2011 and 2010**

**THE STATEMENT OF CASH FLOWS--Continued**

The following summarizes the Center's cash flows for the periods ended June 30:

**CASH FLOWS FOR THE YEAR (in millions)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cash Provided (used) by:			
Operating	\$ (30.8)	\$ (73.5)	\$ (77.3)
Noncapital Financing Activities	122.4	124.5	120.7
Capital and Related Financing Activities	(46.0)	(37.5)	32.9
Investing Activities	24.9	35.4	62.1
Net Increase in Cash	<u>70.5</u>	<u>48.9</u>	<u>138.4</u>
Cash, Beginning of the year	<u>419.8</u>	<u>370.9</u>	<u>232.5</u>
Cash, End of the year	<u>\$ 490.3</u>	<u>\$ 419.8</u>	<u>\$ 370.9</u>

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

2011

At June 30, 2011, the Center had approximately \$499.4 million invested in capital assets, net of accumulated depreciation of \$210.8 million. Depreciation charges for the current year totaled \$21.6 million compared to \$20.3 million in the prior year.

2010

At June 30, 2010, the Center had approximately \$450.2 million invested in capital assets, net of accumulated depreciation of \$192.4 million. Depreciation charges for the current year totaled \$20.3 million compared to \$18.8 million in the prior year.

Major capital projects completed during 2011 included construction of the Peggy and Charles Stephenson Oklahoma Cancer Center and the Schusterman Center Library. Major capital projects initiated during 2011 included construction of the OU Wayman Tisdale Specialty Health Center and the Enterprise Tier 2 Data Center. There was also continuing work on improvements to the Steam and Chilled Water Plant, repairs to the Stonewall Parking Garage, and remodel of the O'Donoghue Building for Geriatric Medicine. Funding for these projects included general revenue bonds, state appropriations, private gifts and other institutional funds.



**UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER**  
**Management's Discussion and Analysis (Continued)**  
**Years Ending June 30, 2011 and 2010**

**CAPITAL ASSET AND DEBT ADMINISTRATION--Continued**

**CAPITAL ASSETS--Continued**

The Center has approximately \$30 million in capital projects planned for the fiscal year ending June 30, 2012. Major projects include continuing construction and completion of the OU Wayman Tisdale Specialty Health Center and Enterprise Tier 2 Data Center. Completion of improvements to the Steam and Chilled Water Plant, repairs to the Stonewall Parking Garage, and remodel of the O'Donoghue Building for Geriatric Medicine. Construction is scheduled to begin on the Steam and Chilled Water Plant tunnel extension, Schusterman Center Founders Student Center, and Schusterman Center Data Center.

The following summarizes the Center's Capital Assets for the periods ended June 30:

**CAPITAL ASSETS, net**  
**at YEAR-END (in millions)**

	2011	2010	2009
Land and Infrastructure	\$ 30.0	\$ 30.7	\$ 31.2
Buildings	420.5	371.0	316.1
Furniture, Fixtures, and Equipment	42.1	41.6	39.8
Library Materials	6.8	6.9	6.8
Totals	<u>\$ 499.4</u>	<u>\$ 450.2</u>	<u>\$ 393.9</u>

**DEBT**

2011

At fiscal year-end 2011, the Center had approximately \$141 million in outstanding debt, a decrease of approximately \$7 million over the prior year.

The Center entered into no new long term financing arrangements during the current year. However, the Center's 2005F lease agreement with the Oklahoma Capital Improvement Authority ("OCIA") was restructured through a partial refunding of OCIA's 2005F bond debt. The lease restructuring extended certain principal payments into the future, resulting in a charge or cost on restructuring. Debt repayments and refunding of \$15.5 million were made during the year. More detailed information related to the Center's long-term liabilities is presented in Note 10 to the financial statements.

**UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER**  
**Management's Discussion and Analysis (Continued)**  
**Years Ending June 30, 2011 and 2010**

**CAPITAL ASSET AND DEBT ADMINISTRATION--Continued**

**DEBT--Continued**

2010

At fiscal year-end 2010, the Center had approximately \$148 million in outstanding debt, an increase of \$25.6 million over the prior year.

The Center entered into one new long term general obligation bond financing arrangement during the current year totaling \$31.6 million. This provided funds to refund certain prior bonds, and to construct, renovate, remodel, expand and equip certain additions and improvements to parking, utility, and data center facilities on the Center's Oklahoma City campus. This also provided funds to advance refund the majority of the series 2001 Student Center revenue bonds. Debt repayments of \$6.3 million were made. More detailed information related to the Center's long-term liabilities is presented in Note 10 to the financial statements.

The following summarizes outstanding debt by type as of June 30:

**OUTSTANDING DEBT**  
**at Year-End (in millions)**

	2011	2010	2009
General Revenue Bonds	99.9	101.1	69.6
Auxiliary Facility Revenue Bonds	6.6	11.9	16.4
Lease Obligations	32.5	31.9	32.9
Notes Payable	2.4	3.1	3.4
Totals	\$ 141.4	\$ 148.0	\$ 122.3

**UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER**  
**Management's Discussion and Analysis (Continued)**  
**Years Ending June 30, 2011 and 2010**

**ECONOMIC OUTLOOK**

The Center's economic position is closely aligned with its role as the state's primary teaching facility for the training of healthcare professionals. Future successes are largely dependent upon the ability to recruit and retain highly qualified students, faculty, and staff, as well as, ongoing financial and political support from state government. While support from state leadership remains steady, a shortfall in the State's general revenue resulted in a 5.8% decrease in state appropriations for fiscal year 2012. General revenues for fiscal year 2012 are currently exceeding state budget projections; however recovery to pre-recession funding levels may take several years.

Despite the downturn in the State's economy, the Center's overall financial position enables it to provide a consistent level of service to students, patients, the research community, and the citizens of Oklahoma. The professional practice plans continue to contribute significantly to the Center's financial performance and are anticipated to remain stable. In addition, the Center expects continued support from private funding and federal grants and contracts.

STATEMENTS OF NET ASSETS

UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

	June 30 (in thousands)	
	2011	2010
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 447,146	\$ 356,728
Restricted cash and cash equivalents	41,156	58,795
Short term investments	-	10,024
Accrued interest receivable	-	136
Accounts receivable, net of allowances	92,851	99,749
Inventories and supplies	1,602	1,487
Loans to students, net of allowance for uncollectible loans	880	956
Deposits and prepaid expenses	1,120	711
<b>TOTAL CURRENT ASSETS</b>	<b>584,755</b>	<b>528,586</b>
<b>NONCURRENT ASSETS</b>		
Restricted cash and cash equivalents	1,989	4,226
Endowment investments	40,408	35,178
Other long-term investments	-	5,026
Investments in real estate	175	175
Loans to students, net	5,501	5,722
Deposits and prepaid expenses	4,211	799
Capital assets, net	499,383	450,217
<b>TOTAL NONCURRENT ASSETS</b>	<b>551,667</b>	<b>501,343</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,136,422</b>	<b>\$ 1,029,929</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 51,328	\$ 44,647
Deferred revenue	5,577	3,634
Accrued interest payable	2,423	2,214
Deposits held in custody for others	7,333	6,355
Long-term liabilities, current portion:		
Accrued compensated absences	23,925	23,248
Post employment benefits obligation	3,038	3,427
Capital lease payable	831	1,691
Notes payable	562	734
Revenue bonds payable	3,588	6,511
<b>TOTAL CURRENT LIABILITIES</b>	<b>98,605</b>	<b>92,461</b>
<b>NONCURRENT LIABILITIES</b>		
Accrued compensated absences	6,360	5,453
Post employment benefits obligation	58,392	44,220
Federal loan program contributions refundable	6,891	6,725
Capital lease payable	31,712	30,198
Notes payable	1,777	2,339
Revenue bonds payable	102,895	106,483
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>208,027</b>	<b>195,418</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 306,632</b>	<b>\$ 287,879</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 358,018	\$ 302,359
Restricted for:		
Nonexpendable	28,592	28,591
Expendable:		
Education and general	106,903	92,552
Capital projects	28,322	49,099
Debt service	13,784	15,157
Unrestricted	294,171	254,292
<b>TOTAL NET ASSETS</b>	<b>\$ 829,790</b>	<b>\$ 742,050</b>

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

	Years Ended June 30 (in thousands)	
	2011	2010
<b>OPERATING REVENUES</b>		
Student tuition and fees (net of scholarship allowances of \$3,198 and \$3,131 for 2011 and 2010, respectively)	\$ 56,243	\$ 56,923
Patient care (net of provisions for contractual and other adjustments of \$456,152 and \$379,346 for 2011 and 2010, respectively)	323,001	278,877
Federal grants and contracts	84,224	80,617
State grants and contracts	68,600	67,733
Private grants and contracts	101,184	83,512
Sales and services of educational activities	1,396	1,469
Sales and services of auxiliary enterprises:		
Steam and chilled water plant revenues: (revenues are pledged as security for the Utility System System Revenue Bonds Series 1998A, 1998B, and 2004)	6,809	5,977
Other (including \$73 and \$65 from Student Center Revenues for 2011 and 2010 respectively)	12,700	12,081
Other revenues (including \$196 and \$190 from interest on student loans for 2011 and 2010 respectively)	41,133	37,697
<b>TOTAL OPERATING REVENUE</b>	<u>695,290</u>	<u>624,886</u>
<b>OPERATING EXPENSES</b>		
Compensation and benefits	533,723	509,745
Contractual services	59,934	60,700
Supplies and materials	66,376	57,861
Depreciation	21,644	20,274
Utilities	12,333	12,044
Communication	6,230	5,990
Scholarships	2,652	2,425
Other	85,536	81,933
<b>TOTAL OPERATING EXPENSES</b>	<u>788,428</u>	<u>750,972</u>
<b>OPERATING LOSS</b>	(93,138)	(126,086)
<b>NONOPERATING REVENUES AND EXPENSES</b>		
State Appropriations	96,130	96,371
State payments from federal ARRA revenue	7,087	8,153
On-behalf payments	9,591	10,090
Private gifts	10,496	9,091
Interest on indebtedness	(1,667)	(5,073)
Net investment income	14,929	12,765
Endowment income	9,098	8,518
<b>NET NONOPERATING REVENUES AND EXPENSES</b>	<u>145,664</u>	<u>139,915</u>
Income before other revenues, expenses, gains or losses	52,526	13,829
<b>OTHER REVENUE EXPENSES, GAINS OR LOSSES</b>		
Federal grants and contracts for capital projects	404	-
State grants and contracts for capital projects	12,761	387
State appropriations for capital projects	6,445	6,466
Private gifts for capital projects	11,988	1,614
State school land funds	3,503	2,754
Additions to permanent endowments	113	451
Unrealized gain on investments	-	(487)
<b>CHANGE IN NET ASSETS</b>	<u>87,740</u>	<u>25,014</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>742,050</u>	<u>717,036</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 829,790</u>	<u>\$ 742,050</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 and 2010 (in thousands)

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

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

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

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

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

*Unrestricted net assets:* Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the Center, 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 provide services for students, faculty and staff.

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

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

*Operating revenues:* 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, (4) sales and services of auxiliary enterprises, (5) most federal, state, and local grants and contracts, and (6) interest on student loans.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 and 2010 (in thousands)

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

Classification of Revenues--Continued:

*Nonoperating revenues:* 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 and investment income.

Scholarship Allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statements of revenues, expenses and changes in net assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the Center, 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 Center's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the Center has recorded a scholarship allowance.

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

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.

New Accounting Pronouncements: In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. GASB No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 and 2010 (in thousands)

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

New Accounting Pronouncements--Continued: In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*. GASB No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB No. 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – An Amendment of GASB Statement No. 53*. GASB No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2011. Earlier application is encouraged.

The Center is currently evaluating the effects that the above GASB Pronouncements will have on its financial statements.



NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 and 2010 (in thousands)

NOTE 2--DEPOSITS AND INVESTMENTS

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

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

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

Cash and Cash Equivalents: At June 30, 2011 and 2010, the carrying amount of the Center's deposits with the State Treasurer and other financial institutions were \$490,291 and \$419,749, respectively. These amounts consisted of deposits with the OST (\$463,754 and \$378,110), deposits with financial institutions (\$20,714 and \$32,714), deposits with trustees (\$5,779 and \$8,884), and petty cash and change funds (\$44 and \$41). Of funds on deposit with the OST, amounts invested in *OK INVEST* total \$348,590 in 2011 and \$267,676 in 2010.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 and 2010 (in thousands)

NOTE 2--DEPOSITS AND INVESTMENTS--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* are as follows:

At June 30, 2011

OK INVEST Portfolio	Cost	Market Value
U.S. agency securities	\$ 127,317	\$ 128,338
Money market mutual funds	38,326	38,326
Certificates of deposit	16,460	16,460
Tri-party repurchase agreements	23,523	23,523
Mortgage backed agency securities	126,451	132,036
Municipal bonds	6,948	7,524
Foreign bonds	1,296	1,296
Commercial paper	3,240	3,240
U.S. Treasury obligations	5,029	5,959
TOTAL	\$ 348,590	\$ 356,702

At June 30, 2010

OK INVEST Portfolio	Cost	Market Value
U.S. agency securities	\$ 102,562	\$ 104,284
Money market mutual funds	23,430	23,430
Certificates of deposit	15,225	15,225
Tri-party repurchase agreements	17,166	17,166
Mortgage backed agency securities	94,698	98,813
Municipal bonds	5,768	6,184
Foreign bonds	1,073	1,061
U.S. Treasury obligations	7,754	8,207
TOTAL	\$ 267,676	\$ 274,370

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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 and 2010 (in thousands)

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

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 investments in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to ten years. *OK INVEST* maintains an overall weighted average maturity of no more than four years. Participants in *OK INVEST* maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the OST information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk.

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

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

	2011	2010
U.S. Government securities	\$ -	\$ 15,050
University of Oklahoma, Norman		
Campus Investment Pool	40,408	35,178
Real Property	175	175
	<u>\$ 40,583</u>	<u>\$ 50,403</u>

Investments in the University of Oklahoma Norman Campus Investment Pool consist primarily of investments in U.S. and International equity funds.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 and 2010 (in thousands)

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

Information regarding the various risk categories for the Center's deposits and 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 Center to experience a loss of principal. As a means of limiting exposure to losses arising from credit risk, the Center 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 Center are generally limited to direct obligations of the United States Government and its agencies, certificates of deposit and demand deposits.
- The Board has authorized endowment and similar funds to be invested in direct obligations of the United States Government and its agencies, certificates of deposit, prime commercial paper, bankers acceptances, demand deposits, corporate debt (no bond below a single A rating by Moody's Investors Service or Standard & Poor's Corporation may be purchased), convertible securities and equity securities.
- The Center's fixed income securities are generally limited to holdings of high quality fixed income securities. As of June 30, 2011 and 2010, the Center's investment in fixed income securities has a credit rating of at least BBB as rated by Standard & Pooers Corporation.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of a depository institution, the Center will not be able to recover deposits or will not be able to recover collateral securities in the possession of an outside party. For investments, custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the Center 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 Center'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 Center and bondholders.
- Endowment investments are pooled with the University of Oklahoma Norman Campus ("the University") and held in the University's name.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 and 2010 (in thousands)

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

Concentration of Credit Risk: Center investments can be exposed to a concentration of credit risk if significant amounts are invested in any one issuer. The Center has imposed a limit on the amount the Center may invest in any one issuer. The majority of the investments are in fixed income funds and investments guaranteed by the U.S. Government.

Interest Rate Risk: 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 Center is responsible for determining its operating cash flow requirements and to insure that adequate funds are available to maintain the Center's operations. In determining liquidity needs, the appropriate mix of short-term, intermediate, and long-term investments will be evaluated. The Center's investments are categorized by maturity dates to reflect the fair values that are sensitive to changes in interest rates.

Investment maturities were as follows at June 30, 2011:

Investment Type	Fair Value	Investment Maturities (in Years)				
		Not Applicable	Less Than One	One to Five	Six to Ten	More Than Ten
U.S. Government securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
University of Oklahoma, Norman Campus Investment Pool	40,408	40,408	-	-	-	-
Real Property	175	175	-	-	-	-
	<u>\$ 40,583</u>	<u>\$ 40,583</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

The Center has entrusted the University of Oklahoma Norman Campus with a portion of their funds totaling \$40,408 and \$35,178 for 2011 and 2010, of which \$37,542 and \$32,466 are endowment funds. These funds are held in the Regent's Fund investments on behalf of the Center.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 and 2010 (in thousands)

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

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

	<u>2011</u>	<u>2010</u>
Investments per Statement of Net Assets		
Short-term investments	\$ -	\$ 10,024
Endowment investments	40,408	35,178
Other long-term investments	-	5,026
Investments in real estate and mineral interest	<u>175</u>	<u>175</u>
Total Investments per Statement of Net Assets	<u>\$ 40,583</u>	<u>\$ 50,403</u>

NOTE 3--ACCOUNTS RECEIVABLE

Accounts receivable are shown net of contractual allowances and doubtful accounts in the accompanying statements of net assets. At June 30, the accounts receivable and allowances are as follows:

	<u>2011</u>	<u>2010</u>
Accounts receivable	\$ 154,515	\$ 157,607
Less allowance and contractual adjustments	<u>(61,664)</u>	<u>(57,858)</u>
Accounts receivable, net	<u>\$ 92,851</u>	<u>\$ 99,749</u>

The following is a breakdown of the June 30 accounts receivable balances:

	<u>2011</u>	<u>2010</u>
Auxiliary enterprises		
Accounts receivable	\$ 2,377	\$ 3,874
Less allowance	<u>(106)</u>	<u>(109)</u>
Accounts receivable, net	<u>\$ 2,271</u>	<u>\$ 3,765</u>
PPP patient billings		
Accounts receivable	\$ 107,193	\$ 101,477
Less contractual adjustments	(55,984)	(52,473)
Less allowance	<u>(5,574)</u>	<u>(5,276)</u>
Accounts receivable, net	<u>\$ 45,635</u>	<u>\$ 43,728</u>
Due from Federal, State and private grants		
Accounts receivable, no allowance	<u>\$ 43,276</u>	<u>\$ 49,707</u>
Student tuition and fees		
Accounts receivable, no allowance	<u>\$ 1,669</u>	<u>\$ 2,549</u>

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 and 2010 (in thousands)

NOTE 4--NET PATIENT SERVICE REVENUE

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

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

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

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

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

NOTE 5--INVENTORY

Inventories consisted of the following at June 30:

	2011	2010
Site support	\$ 215	\$ 216
Telecommunications	358	331
Other service units	127	136
Dental supply store	204	150
Other auxiliaries	9	7
Pharmacies	689	647
	<u>\$ 1,602</u>	<u>\$ 1,487</u>

## NOTES TO FINANCIAL STATEMENTS--Continued

### THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 and 2010 (in thousands)

#### NOTE 6--LOANS TO STUDENTS

The Center had student loans outstanding of \$6,381 and \$6,678 (net of allowance for uncollectible loans of \$336 and \$351) at June 30, 2011 and 2010, respectively. Student loans made under the Health Professions Student Loan Program and the Nursing Student Loan Program represented approximately \$6,292 and \$6,582 of these amounts. Under these programs, the U.S. Department of Health and Human Services, Bureau of Health Professions, provides funds for eight-ninths (8/9) of the loans, and the Center provides the remaining funds. At June 30, 2011 and 2010, \$6,891 and \$6,725, respectively, are included as federal loan program contributions refundable in the statements of net assets as these amounts are refundable to the U.S. government upon cessation of the programs.

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

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

The University, as a whole, received \$9,804 and \$10,125 during the years ended June 30, 2011 and 2010, respectively, which is restricted to acquisition of buildings, equipment or other capital items. Of these amounts, the Center received approximately \$3,503 and \$2,754 in 2011 and 2010, respectively. 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 \$147,388 (\$135,631 restricted corpus) and \$127,608 (\$123,985 restricted corpus) at June 30, 2011 and 2010, respectively. Such trust funds, held by the Commissioners of the Land Office, have not been reflected in the accompanying financial statements.



NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 and 2010 (in thousands)

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

In connection with the State Regents' Endowment Program, the State of Oklahoma has matched contributions received under the program. The cumulative match amount, plus any retained accumulated earnings, totaled \$130,483 and \$97,513 at June 30, 2011 and 2010, respectively, and is invested by the State Regents on behalf of the Center. The Center will receive an annual distribution of earnings on these funds; however, as legal title of the state match is retained by the State Regents, only the funds available for distribution, for which the Center has incurred allowable reimbursable expenses, or \$4,714 and \$4,542 at June 30, 2011 and 2010, respectively, have been reflected as assets in the statements of net assets. With regard to the institutional matching funds, approximately \$235,541 and \$224,856, of cumulative undisbursed contributions have been made to the OU Foundation, for the benefit of the Center, and are on deposit with the OU Foundation at June 30, 2011 and 2010, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 and 2010 (in thousands)

NOTE 8--CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, includes the following:

	Beginning Balance	Additions	Transfers	Deductions	Ending Balance
Capital assets not being depreciated:					
Land	\$ 26,115	\$ -	\$ -	\$ -	\$ 26,115
Construction in-progress	<u>100,881</u>	<u>58,139</u>	<u>(128,550)</u>	<u>(1,580)</u>	<u>28,890</u>
Total capital assets not being depreciated	<u>126,996</u>	<u>58,139</u>	<u>(128,550)</u>	<u>(1,580)</u>	<u>55,005</u>
Capital assets being depreciated:					
Improvements	13,165	34	524	-	13,723
Buildings	349,987	2,810	124,756	(2,188)	475,365
Equipment	105,122	10,210	953	(2,906)	113,379
Infrastructure	1,716	28	-	-	1,744
Leasehold improvements	17,524	1,858	2,317	-	21,699
Library materials	<u>28,113</u>	<u>1,192</u>	<u>-</u>	<u>-</u>	<u>29,305</u>
Total capital assets being depreciated	<u>515,627</u>	<u>16,132</u>	<u>128,550</u>	<u>(5,094)</u>	<u>655,215</u>
Less accumulated depreciation					
Improvements	9,643	1,238	-	-	10,881
Buildings	86,089	7,141	-	(716)	92,514
Equipment	63,499	10,277	-	(2,497)	71,279
Infrastructure	663	76	-	-	739
Leasehold improvements	11,300	1,612	-	-	12,912
Library materials	<u>21,212</u>	<u>1,300</u>	<u>-</u>	<u>-</u>	<u>22,512</u>
Total accumulated depreciation	<u>192,406</u>	<u>21,644</u>	<u>-</u>	<u>(3,213)</u>	<u>210,837</u>
Total capital assets being depreciated, net	<u>323,221</u>	<u>(5,512)</u>	<u>128,550</u>	<u>(1,881)</u>	<u>444,378</u>
Capital assets, net	<u>\$ 450,217</u>	<u>\$ 52,627</u>	<u>\$ -</u>	<u>\$ (3,461)</u>	<u>\$ 499,383</u>

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 and 2010 (in thousands)

NOTE 8--CAPITAL ASSETS--Continued

Capital asset activity for the year ended June 30, 2010, includes the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 26,045	\$ -	\$ 70	\$ -	\$ 26,115
Construction in-progress	<u>43,685</u>	<u>64,120</u>	<u>(5,927)</u>	<u>(997)</u>	<u>100,881</u>
Total capital assets not being depreciated	<u>69,730</u>	<u>64,120</u>	<u>(5,857)</u>	<u>(997)</u>	<u>126,996</u>
Capital assets being depreciated:					
Improvements	12,926	32	207	-	13,165
Buildings	344,271	1,492	4,224	-	349,987
Equipment	96,856	11,735	571	(4,040)	105,122
Infrastructure	1,142	-	574	-	1,716
Leasehold improvements	17,093	150	281	-	17,524
Library materials	<u>26,688</u>	<u>1,425</u>	<u>-</u>	<u>-</u>	<u>28,113</u>
Total capital assets being depreciated	<u>498,976</u>	<u>14,834</u>	<u>5,857</u>	<u>(4,040)</u>	<u>515,627</u>
Less accumulated depreciation					
Improvements	8,359	1,284	-	-	9,643
Buildings	79,223	6,866	-	-	86,089
Equipment	56,995	9,209	-	(2,705)	63,499
Infrastructure	597	66	-	-	663
Leasehold improvements	9,761	1,539	-	-	11,300
Library materials	<u>19,902</u>	<u>1,310</u>	<u>-</u>	<u>-</u>	<u>21,212</u>
Total accumulated depreciation	<u>174,837</u>	<u>20,274</u>	<u>-</u>	<u>(2,705)</u>	<u>192,406</u>
Total capital assets being depreciated, net	<u>324,139</u>	<u>(5,440)</u>	<u>5,857</u>	<u>(1,335)</u>	<u>323,221</u>
Capital assets, net	<u>\$ 393,869</u>	<u>\$ 58,680</u>	<u>\$ -</u>	<u>\$ (2,332)</u>	<u>\$ 450,217</u>

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 and 2010 (in thousands)

NOTE 9--DEFERRED REVENUE

Deferred revenue consists of the following at June 30:

	2011	2010
Auxiliary enterprises and other activities	\$ 70	\$ 22
Long-term contracts	5,507	3,612
	<u>\$ 5,577</u>	<u>\$ 3,634</u>

NOTE 10--LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions of the Center for the year ended June 30, 2011:

	Issue Dates	Interest Rates (In %)	Maturity Through	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds, notes and capital leases								
Revenue bonds payable:								
Utility System Series 1998	1998	6.50-7.00	7/1/2018	\$ 4,570	\$ -	\$ (4,570)	\$ -	\$ -
Student Center Series 2001	2001	4.25-5.27	6/1/2026	113	-	(113)	-	-
Utility System Series 2004 A&B	2004	2.61-4.85	11/1/2019	7,175	-	(591)	6,584	616
General Revenue Bonds Series 2008 A&B	2008	3.28-6.63	7/1/2036	69,590	-	(1,191)	68,399	1,231
General Revenue Bonds Series 2010 A&B	2010	1.24-5.00	7/1/2030	31,546	-	(46)	31,500	1,741
				<u>112,994</u>	-	<u>(6,511)</u>	<u>106,483</u>	<u>3,588</u>
Notes payable				3,073	-	(734)	2,339	562
ODFA capital leases payable				7,537	-	(1,019)	6,518	831
OCIA capital leases payable				24,352	8,936	(7,263)	26,025	-
Total bonds, notes, and capital leases				<u>147,956</u>	<u>8,936</u>	<u>(15,527)</u>	<u>141,365</u>	<u>4,981</u>
Other noncurrent liabilities								
Accrued compensated absences				28,701	1,584	-	30,285	23,925
Post employment benefits obligation				47,647	16,951	(3,168)	61,430	3,038
Federal loan program contributions refundable				6,725	166	-	6,891	-
Total other noncurrent liabilities				<u>83,073</u>	<u>18,701</u>	<u>(3,168)</u>	<u>98,606</u>	<u>26,963</u>
Total noncurrent liabilities				<u>\$ 231,029</u>	<u>\$ 27,637</u>	<u>\$ (18,695)</u>	<u>\$ 239,971</u>	<u>\$ 31,944</u>

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 and 2010 (in thousands)

NOTE 10--LONG-TERM LIABILITIES--Continued

The following is a summary of long-term obligation transactions of the Center for the year ended June 30, 2010:

	Issue Dates	Interest Rates (In %)	Maturity Through	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds, notes and capital leases								
Revenue bonds payable:								
Student Center Series 1995	1995	4.25-8.25	11/1/2015	\$ 965	\$ -	\$ (965)	\$ -	\$ -
Utility System Series 1998	1998	6.50-7.00	7/1/2018	4,925	-	(355)	4,570	4,570
Student Center Series 2001	2001	4.25-5.27	6/1/2026	2,736	-	(2,623)	113	113
Utility System Series 2004 A&B	2004	2.61-4.85	11/1/2019	7,745	-	(570)	7,175	591
General Revenue Bonds Series 2008 A&B	2008	3.28-6.63	7/1/2036	69,566	-	24	69,590	1,191
General Revenue Bonds Series 2010 A&B	2010	1.24-5.00	7/1/2030	-	31,552	(6)	31,546	46
				85,937	31,552	(4,495)	112,994	6,511
Notes payable				3,400	-	(327)	3,073	734
ODFA capital leases payable				8,167	339	(969)	7,537	1,019
O CIA capital leases payable				24,820	-	(468)	24,352	672
Total bonds, notes, and capital leases				122,324	31,891	(6,259)	147,956	8,936
Other noncurrent liabilities								
Accrued compensated absences				28,011	690	-	28,701	23,248
Post employment benefits obligation				31,262	19,366	(2,981)	47,647	3,427
Federal loan program contributions refundable				6,646	79	-	6,725	-
Total other noncurrent liabilities				65,919	20,135	(2,981)	83,073	26,675
Total noncurrent liabilities				\$ 188,243	\$ 52,026	\$ (9,240)	\$ 231,029	\$ 35,611

Revenue Bonds Payable

In FY09, General Revenue Bonds, Series 2008A and 2008B, were issued by the Board of Regents pursuant to the Master Resolution establishing the University of Oklahoma Health Sciences Center General Revenue Financing System in support of funding for the OU Cancer Institute. The revenue pledged as security for these obligations is any or all revenues of the Center which are lawfully available for the payment of obligations, excluding revenues appropriated by the state legislature (except for in certain circumstances the Dedicated Tobacco Tax Revenues), 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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 and 2010 (in thousands)

NOTE 10--LONG-TERM LIABILITIES--Continued

Revenue Bonds Payable--Continued

In FY10, General Revenue Bonds, Series 2010A and 2010B, were issued by the Board of Regents pursuant to the Master Resolution establishing the University of Oklahoma Health Sciences Center General Revenue Financing System. These bonds were issued to provide funds to refund certain prior bond issues, and to construct, renovate, remodel, expand and equip certain additions and improvements to parking, utility, and data center facilities on the Center's Oklahoma City campus. The revenue pledged as security for these obligations is any or all revenues of the Center which are lawfully available for the payment of obligations, excluding revenues appropriated by the state legislature, funds whose purpose has been restricted by the donors or grantors to a purpose inconsistent with the payment of such obligations, and any funds pledged for prior encumbered obligations.

Revenue bonds issued prior to the Resolution (Prior Encumbered Obligations) are payable both as to principal and interest from the net revenues arising from operations of the physical plant utilities system and certain student fees which are pledged under the various bond indentures. At June 30, 2011 and 2010, the Center had \$458 and \$5,850 respectively, of cash and investments held in trust for the bond indentures, restricted to the payment of principal and interest.

Tulsa Campus Series 2003 Defeasance

On December 5, 2006, the Board of Regents of The University of Oklahoma authorized the issuance of the \$3,500 Board of Regents of the University of Oklahoma on behalf of the University of Oklahoma Health Sciences Center Refunding Revenue Note, Series 2007 (the "Series 2007 Note"). The proceeds of the Series 2007 Note along with existing Center funds were used to advance refund the remainder of the \$17,770 The Board of Regents of the University of Oklahoma University of Oklahoma Tulsa Campus Revenue Bonds Series 2003A (the "Series 2003 Bonds") which was loaned to the Board of Regents of the University of Oklahoma and used in the acquisition of the Tulsa Campus located at 4502 E. 41<sup>st</sup> 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, 2011 and 2010 was \$1,999 and \$2,591 respectively. In accordance with the advanced refunding, the Center deposited \$17,360 into an escrow fund and purchased government securities bearing interest in amounts sufficient to pay the Series 2003 Bonds at January 1, 2014. Accordingly, the Series 2003 Bonds are considered to have been extinguished and neither the 2003 Series Bonds nor the associated escrow fund are included in the University's statements of net assets as of June 30, 2011. The balance of the 2003 Series Bonds outstanding at June 30, 2011 and 2010 was \$14,025 and \$14,910 respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 and 2010 (in thousands)

NOTE 10--LONG-TERM LIABILITIES--Continued

Revenue Bonds Payable--Continued

Refunding

During FY10, the Series 2010A/B bonds were used to advance refund \$2,535 of the Series 2001 Student Center bonds. The remaining principal balance of \$115 was paid by the Center according to the bond schedule on June 1, 2011. The Series 2001 bonds were loaned to the Board of Regents of the University of Oklahoma to construct, renovate, remodel, furnish, equip and expand a Student Center, pavilion and intramural playing field on the Center's Oklahoma City campus. The applicable portion of the 2010A bonds is payable over 16 years. The outstanding balance at June 30, 2011 is \$2,655. In accordance with the advanced refunding, the Center deposited \$2,697 into an escrow fund and purchased government securities, bearing interest in amounts sufficient to pay the Series 2001 bonds at December 1, 2011. Accordingly, the \$2,535 of the Series 2001 bonds is considered to have been extinguished and neither these bonds nor the associated escrow fund are included in the Center's statement of net assets as of June 30, 2011.

Capital Lease Obligations

ODFA Master Lease Obligations

In August 2005, the Center entered into a 7 year lease agreement with ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Master Lease Revenue Bonds Series 2005B. The Center financed \$2,300 to upgrade the parking access system. Assets under this capital lease totaled \$992 and \$1,267 net of accumulated depreciation of \$1,138 and \$1,033 at June 30, 2011 and 2010. As of June 30, 2011 assets totaling \$169 were retired with accumulated depreciation of \$151. Depreciation expense on these capital lease assets is included in depreciation expense on the statements of revenues, expenses and changes in net assets.

In May 2006, the Center entered into a 5 year lease agreement with ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Master Lease Revenue Bonds Series 2006A. The Center financed \$940 to purchase two mammography systems. Assets under this capital lease totaled \$454 and \$548 net of accumulated depreciation of \$486 and \$392 at June 30, 2011 and 2010 respectively. Depreciation expense on these capital lease assets is included in depreciation expense on the statements of revenues, expenses and changes in net assets.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 and 2010 (in thousands)

NOTE 10--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations--Continued

ODFA Master Lease Obligations--Continued

In December 2007, the Center entered into a 15 year lease agreement with ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Master Lease Revenue Bonds Series 2007B. The Center financed \$6,067 to renovate the Medical Student Education Facility on the Oklahoma City, Oklahoma campus. Assets under this capital lease totaled \$5,703 and \$5,824 net of accumulated depreciation of \$364 and \$243 as of June 30, 2011 and 2010, respectively. Depreciation expense on these capital lease assets is included in depreciation expense on the statements of revenues, expenses and changes in net assets.

In December 2007, the Center entered into a 15 year lease agreement with ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Master Lease Revenue Bonds Series 2007C. The Center financed \$1,304 to construct a cooling tower on the Tulsa Oklahoma campus. Assets under this capital lease totaled \$1,224 and \$1,250 net of accumulated depreciation of \$80 and \$54 at June 30, 2011 and 2010 respectively. Depreciation expense on these capital lease assets is included in depreciation expense on the statements of revenues, expenses and changes in net assets.

In July 2009, the Center entered into a 5 year lease agreement with ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Master Lease Revenue Bonds Series 2009B. The Center financed \$333 to purchase a Practice Management System. Assets under this capital lease totaled \$220 and \$287 net of accumulated depreciation of \$113 and \$46 at June 30, 2011 and 2010 respectively. Depreciation expense on these capital lease assets is included in depreciation expense on the statements of revenues, expenses and changes in net assets.



NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 and 2010 (in thousands)

NOTE 10--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations--Continued

OCIA Capital Lease Obligations

In the fall of 2005, the Center entered into a 25 year lease agreement with the Oklahoma Capital Improvement Authority ("OCIA") and the Oklahoma State Regents for Higher Education as beneficiary of a portion of the proceeds from the OCIA State Facilities Revenue Bonds, Series 2005F and 2005G. The Center received \$26,146 of the proceeds for capital improvement projects on the Oklahoma City and Tulsa Campuses as approved by the Regents. Assets and construction in progress under these capital leases totaled \$24,679 and \$25,196, net of accumulated depreciation of \$1,467 and \$950 at June 30, 2011 and 2010, respectively.

In August 2010, the Center's 2005F lease agreement with the OCIA was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. The Center's lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring debt service. Consequently, the Center's lease agreement with OCIA automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring. The Center has recorded a deferred charge of \$2,295 on restructuring as a deferred cost that will be amortized over a period of 6 years and wrote off \$623 of previously capitalized deferred costs from the refinanced 2005F agreement. During the year ended June 30, 2011, amortization of the deferred charge was \$279. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of \$113 which also approximates the economic cost of the lease restructuring.

Lease payments made by the State of Oklahoma on behalf of the Center 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 Center's future lease payments.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 and 2010 (in thousands)

NOTE 10--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations--Continued

Maturities of principal and interest requirements on revenue bonds payable, capital lease obligations and notes payable are as follows at June 30, 2011:

	2012	2013	2014	2015	2016	2017- 2021	2022- 2026	2027- 2031	2032- 2036	2037- 2041	Total
Utility System Series 2004A&B	873	874	869	874	872	3,489	-	-	-	-	7,851
General Revenue Bond 2008 Series A& B	4,825	4,822	4,819	4,806	4,805	23,971	23,891	23,891	23,774	4,735	124,339
General Revenue Bond 2010 Series A& B	2,829	3,083	3,083	3,073	3,053	13,412	11,339	1,525	-	-	41,397
Total principal and interest	8,527	8,779	8,771	8,753	8,730	40,872	35,230	25,416	23,774	4,735	173,587
Less: interest	4,939	4,827	4,699	4,545	4,368	18,721	12,905	8,172	3,813	115	67,104
Total principal	3,588	3,952	4,072	4,208	4,362	22,151	22,325	17,244	19,961	4,620	106,483
Capital leases	1,382	1,084	2,518	3,672	3,633	15,029	9,405	9,730	-	-	46,453
Less: interest	551	574	1,291	1,240	1,158	4,688	3,109	1,299	-	-	13,910
Total principal	831	510	1,227	2,432	2,475	10,341	6,296	8,431	-	-	32,543
Notes payable	659	702	489	489	245	-	-	-	-	-	2,584
Less: interest	97	79	41	23	5	-	-	-	-	-	245
Total principal	562	623	448	466	240	-	-	-	-	-	2,339
Total	\$ 4,981	\$ 5,085	\$ 5,747	\$ 7,106	\$ 7,077	\$ 32,492	\$ 28,621	\$ 25,675	\$ 19,961	\$ 4,620	\$ 141,365

NOTE 11--OPERATING LEASES

The Center has entered into certain other operating leases for equipment, office space, vehicles and other miscellaneous items. All operating leases are for a one-year term with an option to renew based on available funding. Rental expenditures under all operating leases were approximately \$8,484 and \$7,813 for 2011 and 2010, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 and 2010 (in thousands)

NOTE 12--RETIREMENT PLANS

The Center's academic and nonacademic personnel are covered by various retirement plans depending on job classification. The plans available to Center personnel include the Oklahoma Teacher's Retirement System, the University of Oklahoma Defined Contribution Plan, and the University of Oklahoma Defined Contribution Plan for Hourly Employees who are not participants of the Oklahoma Teachers' Retirement System.

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

Defined Benefit Plan – Oklahoma Teachers Retirement System

Plan Description: The Center contributes to the Oklahoma Teachers' Retirement System (the "OTRS" or the "System"), a cost-sharing multiple-employer public employee retirement system which is self-administered. The OTRS provides retirement, disability, and death benefits to plan members and beneficiaries. The 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 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 for the OTRS. That annual report may be obtained by writing to the OTRS, P.O. 53524, Oklahoma City, OK 73152 or by calling (405)-521-2387, or at the OTRS website at [www.trs.state.ok.us](http://www.trs.state.ok.us).

Funding Policy: The System members and the Center are required to contribute at a rate set by statute. The contribution requirements of the System members and the Center are established and may be amended by the legislature of the State of Oklahoma.

For the years ended June 30, 2011 and 2010, the contribution rate for System members of 7% is applied to their total compensation.

For all of 2011 the local employer contribution rate was 8.55% while in 2010, the local employer contribution rate due from the Center was 8.05% for Jul-Dec 2009 and 8.55% for Jan-Jun 2010. For the years ended June 30, 2011 and 2010, the State contributed 5% of State revenues from sales and use taxes and individual income taxes. Contributions made by the State from the dedicated taxes are considered on-behalf payments for the Center's employees. The amount benefiting the Center's employees is estimated at \$9,591 and \$8,470 for the years ended June 30, 2011 and 2010, respectively, based on an allocation of the Center's covered payroll to total payroll for the OTRS.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 and 2010 (in thousands)

NOTE 12--RETIREMENT PLANS--Continued

The Center's contributions to the System for the years ended June 30, 2011, 2010, and 2009 were approximately \$12,612, \$12,399, and \$11,661, respectively, and were equal to the required contributions for each year.

Defined Contribution Plans – Optional Retirement Plan

Plan Description: Monthly employees, hired July 1, 2004 or later, who would have been previously required to participate in OTRS, now have the option to elect either OTRS (along with Plans 1 or 2 described below) or the Optional Retirement Plan (ORP) within the first 90 days of employment. This is a one-time election and if an employee does not make an election, the employee defaults into OTRS and will also participate in Plan 1 or 2 of the Defined Contribution Plan noted below. Hourly employees not participating in OTRS are also included in this plan; however their option to not participate in OTRS is revocable and can be changed upon their request.

Under the ORP, the Center contributes, at the direction of the participating employee, to four separate retirement investment firms. The four firms are: 1) the Teachers Insurance Annuity Association - College Retirement Equities Fund, 2) Fidelity Investments Company, 3) ING (Aetna) Retirement Plans, and 4) The Vanguard Group of Investment Companies. The ORP is a non-contributory defined contribution plan and the four participating retirement investment firms are separately managed. The authority for contributing to the Defined Contribution plans is contained in the following policy document, "University of Oklahoma Defined Contribution Retirement Plan", amended and restated July 2004.

Funding Policy: The ORP provisions and contribution requirements are established and may be amended by the Center. The Center's contribution rate is 9% of covered payroll and is determined by the previously mentioned plan document. The Center's contributions to the ORP for the years ended June 30, 2011, and 2010, were approximately \$15,061 and \$13,242, respectively. Employees do not contribute to the ORP. The vesting period for the ORP is three years.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 and 2010 (in thousands)

NOTE 12--RETIREMENT PLANS--Continued

*Defined Contribution Plan --Plan 1 and Plan 2*

Plan Descriptions: For employees participating in OTRS, contributions to the defined contribution plan fall into Plan 1 or Plan 2 depending upon the employee's participation date. The Center contributes at the direction of the participating employee, to four separate retirement investment firms. The four firms are: 1) the Teachers Insurance Annuity Association - College Retirement Equities Fund, 2) Fidelity Investments Company, 3) ING (Aetna) Retirement Plans, and 4) The Vanguard Group of Investment Companies. Plans 1 and 2 are non-contributory defined contribution plans and the four participating retirement investment firms are separately managed. The authority for contributing to the Defined Contribution plans is contained in the following policy document, "University of Oklahoma Defined Contribution Retirement Plan", amended and restated July 2004.

Funding Policy: Plan 1 and Plan 2 provisions and contribution requirements are established and may be amended by the Center. The Center'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 \$11,680 and \$5,802, respectively, for the year ended June 30, 2011. Total contributions to Plans 1 and 2 were \$11,829 and \$5,829, respectively, for the year ended June 30, 2010. Employees do not contribute to Plans 1 and 2. The vesting period for both Plan 1 and Plan 2 is three years.

NOTE 13--OTHER POST-EMPLOYMENT BENEFITS

Plan Description: Health and dental insurance is provided by the Center for all retirees who began employment prior to January 1, 2008, and meet specific age and service requirements. Employees hired on or after January 1, 2008, have the ability to continue to participate in the medical and dental plans at the group rates at the retiree's own expense. Retirees may also elect the Center's health and dental coverage for eligible dependents at their own expense. The Center has the authority to establish and amend the benefit provisions offered to retirees. The Center's retiree insurance plan is considered a single-employer defined benefit plan. After retirees become eligible for Medicare primary coverage, those participating in the OTRS (see Note 12) are provided with the Oklahoma State and Education Employees Group health plan as a secondary plan. For retirees not participating in OTRS, the Center's insurance continues in a secondary role. The Center's plan does not issue a standalone financial report.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 and 2010 (in thousands)

NOTE 16--AFFILIATES AND RELATED PARTY TRANSACTIONS--Continued

*The Tulsa Foundation for Health Care Services, Inc.*

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

*The Academic Physicians Insurance Company*

The Academic Physicians Insurance Company (the "Captive"), formed in 2006, is a not-for-profit insurance company formed and domiciled in the State of Vermont as an Alternative Risk Financing Vehicle for the purpose of financing the medical professional liability insurance for College of Medicine faculty practicing as OU Physicians. Premiums paid by the Center to obtain professional liability coverage from the Captive totaled \$8,640 and \$9,989 for fiscal years 2011 and 2010 respectively, thus eliminating the Center's deductible expense for current and future claims. As of and for the year ended June 30, 2011, the economic resources of the Captive include total assets of \$43,500, total revenue of \$7,389 and total fund balance of \$20,757. The Captive is not considered a component unit of the Center under the definition of GASB Statement No. 39, as the economic resources received and held by the Captive are not significant to the Center's overall financial position and the Center is not entitled to, or have the ability to otherwise access a majority of the resources received or held by the Captive.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 and 2010 (in thousands)

NOTE 16--AFFILIATES AND RELATED PARTY TRANSACTIONS--Continued

*University of Oklahoma Norman Campus*

As discussed in Note 1, the University of Oklahoma Norman Campus ("Norman Campus") is an agency of the State of Oklahoma governed by The Board of Regents of the University of Oklahoma and the Oklahoma State Regents for Higher Education. The Norman Campus is a distinct operational entity from the Center. However, Norman Parking and Transportation/CART had incurred two bond system obligations, each of which a portion was used to benefit the Center's Parking and Transportation. Although there is no legal note obligation that the Center must reimburse Norman Campus for their portion of the principal and interest payments of the related bond obligations, the Center has agreed to reimburse Norman Campus for their portion of the debt service. This is reflected in the financial statements as a note payable, with current and noncurrent portions separately stated. With respect to the 2004 Parking Refunding bonds, during the years ended 2011 and 2010, the Center made principal and interest payments of \$168 and \$167 to Norman Campus, leaving a balance due of \$340 and \$483 at June 30, 2011 and 2010, respectively.

*The University of Oklahoma Foundation*

The OU Foundation is a private foundation organized to receive and administer gifts for the benefit of the Norman Campus and the Center. At June 30, 2011 and 2010, the OU Foundation had audited net assets of approximately \$941,933 and \$748,830, respectively. The OU Foundation expended on behalf of the Norman Campus and the Center approximately \$91,764 in 2011 and \$117,867 in 2010 for facilities and equipment, salary supplements, general educational assistance, faculty awards and scholarships. Of these expenditures, \$23,771 in 2011 and \$10,603 in 2010 are reflected in the Center's financial statements as revenue or private gifts and expenditures. The amounts not reflected herein consist of direct OU Foundation expenditures for general university educational purposes and amounts reflected in the Norman Campus financial statements.

As discussed in Note 1, the OU Foundation is not considered a component unit of the Center under the definition of GASB Statement No. 39 because the resources received and held by the OU Foundation are not entirely or almost entirely held for the benefit of the Center.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 and 2010 (in thousands)

NOTE 17--SEGMENT INFORMATION

The following financial information represents identifiable activities for which one or more revenue bonds are outstanding. These activities provide student facilities and utilities for the Center.

CONDENSED STATEMENT OF NET ASSETS

	Student Center Revenue Bonds Series 1995, 2001		Utility System Revenue Bonds Series 1998, 2004A, 2004B	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>				
Current assets	\$ 750	\$ 789	\$ 4,397	\$ 9,586
Non-current assets			41	61
Capital assets	<u>5,033</u>	<u>5,175</u>	<u>24,003</u>	<u>24,750</u>
TOTAL ASSETS	<u>5,783</u>	<u>5,964</u>	<u>28,441</u>	<u>34,397</u>
<b>LIABILITIES</b>				
Current liabilities	-	114	677	5,373
Long-term liabilities	<u>-</u>	<u>-</u>	<u>5,968</u>	<u>6,583</u>
TOTAL LIABILITIES	-	114	6,645	11,956
<b>NET ASSETS</b>				
Invested in capital assets net of related debt	5,033	5,061	17,420	13,006
Restricted:				
Expendable:				
Capital projects	197	279	605	589
Debt service	-	57	464	5,710
Unrestricted	<u>553</u>	<u>453</u>	<u>3,307</u>	<u>3,136</u>
TOTAL NET ASSETS	<u>\$ 5,783</u>	<u>\$ 5,850</u>	<u>\$ 21,796</u>	<u>\$ 22,441</u>



NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 and 2010 (in thousands)

NOTE 17--SEGMENT INFORMATION--Continued

CONDENSED STATEMENT OF REVENUES  
EXPENSES AND CHANGES IN NET ASSETS

	Student Center Revenue Bonds Series 1995, 2001		Utility System Revenue Bonds Series 1998, 2004A, 2004B	
	2011	2010	2011	2010
Operating revenues	\$ 859	\$ 832	\$ 12,595	\$ 11,713
Operating expenses:				
Depreciation expense	(161)	(161)	(856)	(836)
Other expenses	(447)	(359)	(9,925)	(9,576)
Net operating income	251	312	1,814	1,301
Nonoperating expenses	(318)	3,229	(2,459)	4,035
CHANGE IN NET ASSETS	(67)	3,541	(645)	5,336
NET ASSETS AT BEGINNING OF YEAR	5,850	2,309	22,441	17,105
NET ASSETS AT END OF YEAR	\$ 5,783	\$ 5,850	\$ 21,796	\$ 22,441

CONDENSED STATEMENT OF CASH FLOWS

	Student Center Revenue Bonds Series 1995, 2001		Utility System Revenue Bonds Series 1998, 2004A, 2004B	
	2011	2010	2011	2010
Net cash flows in operating activities	\$ 250	\$ 312	\$ 1,672	\$ 1,292
Net cash flows in capital and related activities	(300)	(291)	(7,069)	2,843
Net cash flows in investing activities	11	9	49	55
NET CHANGE IN CASH AND CASH EQUIVALENTS	(39)	30	(5,348)	4,190
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	786	756	9,060	4,870
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 747	\$ 786	\$ 3,712	\$ 9,060

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 and 2010 (in thousands)

NOTE 18--SUBSEQUENT EVENTS

The Center has evaluated events and transactions that occurred subsequent to June 30, 2011 through October 6, 2011, the date these financial statements were available to be issued, for potential recognition or disclosure in the financial statements.

NOTE 19--FUNCTIONAL CLASSIFICATIONS

For the years ended June 30, 2011 and 2010, the following table represents operating expenses within functional classification:

Function	<u>2011</u>	<u>2010</u>
Instruction	\$ 182,655	\$ 175,102
Research	84,986	80,509
Public service	31,630	31,637
Academic support	42,888	40,154
Student services	3,738	3,599
Institutional support	29,872	31,349
Operations and maintenance of plant	24,830	23,876
Scholarships/Fellowships	2,303	2,300
Clinical operations	356,516	340,911
Agency	10	10
Auxiliary enterprises	3,182	3,256
Service unit	15,752	13,060
Plant	10,066	5,209
Total Operating Expenses	<u>\$ 788,428</u>	<u>\$ 750,972</u>

REQUIRED SUPPLEMENTARY  
INFORMATION



REQUIRED SUPPLEMENTARY INFORMATION

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

June 30, 2011 (in thousands)

University of Oklahoma Health Sciences Center 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)	Percentage of Covered Payroll ((b-a)/c)
1/1/2008	\$ -	\$ 127,932	\$ 127,932	\$ -	\$ 225,632	57%
1/1/2010	\$ -	\$ 152,003	\$ 152,003	\$ -	\$ 195,857	78%
1/1/2011	\$ -	\$ 154,808	\$ 154,808	\$ -	\$ 185,802	83%

The Center obtains actuarial valuation biannually in accordance with the provisions of GASB No. 45.

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.

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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 Health Sciences Center  
Norman, Oklahoma

We have audited the financial statements of the University of Oklahoma Health Sciences Center (the "Center"), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 6, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

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

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

Cole & Reed P.C.

Oklahoma City, Oklahoma  
October 6, 2011



Independent Auditors' Report on Compliance with  
Requirements That Could Have a Direct and Material  
Effect on Each Major Program and on Internal Control  
Over Compliance in Accordance With OMB Circular A-133  
and on the Schedule of Expenditures of Federal Awards

Board of Regents of the University of Oklahoma  
University of Oklahoma Health Sciences Center  
Norman, Oklahoma

Compliance

We have audited the University of Oklahoma Health Sciences Center (the "Center") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Center's management. Our responsibility is to express an opinion on the Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Center's compliance with those requirements.

In our opinion, the University of Oklahoma Health Sciences Center complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

The management of the Center is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Center as of and for the year ended June 30, 2011, and have issued our report thereon dated October 6, 2011. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Cola & Reed P.C.

Oklahoma City, Oklahoma  
October 6, 2011

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

Year Ended June 30, 2011

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Expenditures</u>
Research and Development	
Department of Health and Human Services - ARRA	\$ 7,667,902
Department of Health and Human Services	55,871,093
Department of Defense	1,894,058
National Science Foundation	230,646
Department of Education	223,197
Other Federal Agencies	<u>77,607</u>
Total Research and Development	65,964,502
Training	
Department of Health and Human Services - ARRA	795,285
Department of Health and Human Services	4,979,549
Department of Education	244,763
Other Federal Agencies	<u>383,450</u>
Total Training	6,403,047
Other	
Department of Education - ARRA	7,491,189
Department of Health and Human Services	11,015,388
Department of Education	1,461,879
Department of Justice	<u>6,198</u>
Total Other	19,974,654
Student Financial Aid	
Department of Education	74,487,480
Department of Health and Human Services	<u>1,090,940</u>
Total Student Financial Aid	<u>75,578,420</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS	<u>\$ 167,920,623</u>

See notes to schedule of expenditures of federal awards.

DETAILED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

For the Year Ended June 30, 2011

<u>Program</u>	<u>Federal Agency</u>	<u>Flow Thru Entity</u>	<u>CFDA</u>	<u>Expenditures</u>	<u>Title</u>	<u>OU Agency ID</u>
Research and Development Expenditures - ARRA Direct						
Department of Health and Human Services						
Rsrch	DHHS		93.701	\$	A Longitudinal Analysis of Gender, Youth Assets and Adol	R03DA025265
Rsrch	DHHS		93.701	83,749	Blood Flow Oscillations and Early Detection of Pressure	1R21HD065073-01
Rsrch	DHHS		93.701	591,214	Combinatorial Use of Three Novel Therapies to Prevent Re	3P20RR017703-08S1
Rsrch	DHHS		93.701	84,180	Cytokine Regulation of Photoreceptor Gene Expression	3R01EY016459
Rsrch	DHHS		93.701	86,620	Development of a Genetic System in Veillonella	1R15DE019940-01
Rsrch	DHHS		93.701	548,713	Dynamics of Therapeutic Response Within the TREAT	R01AI084200-02
Rsrch	DHHS		93.701	55,399	Genetic Variations in the HPA (Hypothalamic-Pituitary Ad	5R21HL092363-02
Rsrch	DHHS		93.701	126,569	HIV-Central Nervous System (CNS) Diseases and Parasitic	1R21TW008434-01A2
Rsrch	DHHS		93.701	785,606	Implementation of Asthma Guidelines in Primary Care; Com	1R01HL091827
Rsrch	DHHS		93.701	610,166	Lipoproteins and Pigment Epithelial Derived Factor	5R01DK080043-02
Rsrch	DHHS		93.701	473,328	Mentoring Diabetes Research in Oklahoma (Lipoprotein-Rel	3P20RR024215-03S1
Rsrch	DHHS		93.701	(47)	Metabolic Signals Regulating GLUT4 Expression in vivo	1R56DK081545-01A1
Rsrch	DHHS		93.701	128,587	Native Navigation Across the Cancer Continuum in Comanch	1R15NR012195
Rsrch	DHHS		93.701	573,274	Oklahoma IdeA Network of Biomedical Research Excellence	3P20RR016478
Rsrch	DHHS		93.701	54,341	Power Seat Function Usage on Tissue Viab	1R03HD060751
Rsrch	DHHS		93.701	372,100	Prevention of Inherited Retinal Diseases by Therapeutic	5R01EY018724-02
Rsrch	DHHS		93.701	51,297	Proteomics of Auditory Brainstem Circuitry During Develo	7R21DC010033
Rsrch	DHHS		93.701	161,825	Regulation of Calcium Signaling by the pkd2 Gene Product	2R56DK059599-09
Rsrch	DHHS		93.701	347,006	Retinal Degeneration Caused By Alterations In Protein O-	R01EY018137
Rsrch	DHHS		93.701	22,488	RNA Binding Protein CUGBP2 in Intestinal Epithelium	2R01DK062265-07A2
Rsrch	DHHS		93.701	74,318	Structural and Functional Specificity of Rab GTPases	3R01GM074692-04S1
Rsrch	DHHS		93.701	389,386	The Wnt Signaling Pathway in Choroidal Neovascularizatio	5R01EY018659-02
Rsrch	DHHS		93.701	54,718	Three Reagents Requested for the Kidney Research Communi	3R01DK078209-04S1
Rsrch	DHHS		93.701	423,004	Tyrosine Kinase JAK2 and Myeloproliferative Disorders	1R01HL094591-01A1
Rsrch	DHHS		93.701	201,928	University of Oklahoma Community Networks Program	3U01CA114626
Rsrch	DHHS		93.710	539,929	Leveraging Practice Based Research Networks to Accelerat	1R18HS019945
				<u>6,912,943</u>		
Total Research and Development - ARRA Direct						

DETAILED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

For the Year Ended June 30, 2011

Program	Federal Agency	Flow Thru Entity	CFDA	Expenditures	Title	OU Agency ID
Research and Development Expenditures - Direct						
Department of Health and Human Services						
Rsrch	DHHS		93.000	109,764	Cross-Cultural Differences of Inattention, Impulsivity a	200200618912
Rsrch	DHHS		93.000	26,452	Expansion of the PBRN 'Stay at Home Influenza Tool Kit'	HHSA290200710009I
Rsrch	DHHS		93.000	132,042	Integrating Primary Care Practices and Community-Based P	HHSA290200710009I
Rsrch	DHHS		93.000	2,117	Primary Care - Practice Based Research Networks (PBRNs)	HHSA290200710009
Rsrch	DHHS		93.000	211,899	Using Health Information Technology to Improve Healthcar	HHSA290200710009I
Rsrch	DHHS		93.061	432,917	Cascading Diffusion of an Evidence-Based Child Maltreatm	5R18CE001334-03
Rsrch	DHHS		93.110	27,938	Interventions to Promote Adolescent Immunizations	1R40MC21522
Rsrch	DHHS		93.110	9,714	Secondary Data Analysis of PRAMS and Postpartum Depressi	1R40MC21521
Rsrch	DHHS		93.121	75,058	Degradation of Nanoscale Topography of Resin	1R15DE019566-01A1
Rsrch	DHHS		93.121	143,849	Examining Multilevel Associations in Dental Research	R03DE019805
Rsrch	DHHS		93.121	9,056	Genetic and Biochemical Studies of Competence Regulation	1R03DE018725-01
Rsrch	DHHS		93.121	120,846	Host Immune Response to E. (Enterococcus) faecalis Biofi	1R21DE020928-01
Rsrch	DHHS		93.121	230,627	Interspecies Streptococcal Antagonism in Oral Biofilms	4R00DE018400-03
Rsrch	DHHS		93.121	229,300	Mechanism of Immunoreceptor Tyrosine-Based Activation	5R01DE019398-03
Rsrch	DHHS		93.121	14,843	Molecular basis of interspecies recognition and interact	1R21DE017349-01A1
Rsrch	DHHS		93.121	235,217	Sjogren's Model with Anti-Ro/La and Salivary Pathology	5R01DE017561-05
Rsrch	DHHS		93.121	467,540	The irvA Dependent Pathway: A Link Between Stress Adapt	1R01DE018893-01A1
Rsrch	DHHS		93.127	125,007	Emergency Medical Services for Children State Partnershi	H33MC06689
Rsrch	DHHS		93.135	3,723	University of Oklahoma Prevention Research Center (OUPRC	5U48DP000026
Rsrch	DHHS		93.136	214,744	PCIT Implementation Project	5U49CE001065
Rsrch	DHHS		93.173	78,691	Estrogen Modulation of Auditory Processing	1R01DC010181
Rsrch	DHHS		93.213	315,674	Role of SIRT1 in Vasoprotection	1R01AT006526
Rsrch	DHHS		93.226	85,160	Impact of a Wellness Portal on the Delivery of Patient-C	5R18HS017188-03
Rsrch	DHHS		93.226	87,479	Modeling Prioritization of Health Care for Complex Patie	5R21HS017633-02
Rsrch	DHHS		93.226	79,654	Using Health Risk Appraisal to Prioritize Primary Care I	5K08HS016470
Rsrch	DHHS		93.242	100,850	Developing Multi-Component Evidence Based Practice in Ch	5R34MH076972-02A2
Rsrch	DHHS		93.262	70,456	The role of IL-6 in jet fuel irritant dermatitis	1R030H00966201
Rsrch	DHHS		93.273	55,267	Neuroimaging in the Oklahoma Family Health Patterns Proj	1R01AA01969101A1
Rsrch	DHHS		93.273	491,730	Preventing Fetal Alcohol Syndrome	5R01AA016234-04
Rsrch	DHHS		93.273	338,763	Psychophysiological Precursors of Alcoholism	2R01AA012207

DETAILED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

For the Year Ended June 30, 2011

Program	Federal Agency	Flow Thru Entity	CFDA	Expenditures	Title	OU Agency ID
Rsrch	DHHS		93.307	1,347,852	Oklahoma Center for American Indian Diabetes Health Dis	5P20MD000528-08
Rsrch	DHHS		93.361	(0)	Fostering Post-Treatment Transitions in African American	5R21NR009776
Rsrch	DHHS		93.389	1,264,637	Baboon Research Resource Program	5P40RR012317
Rsrch	DHHS		93.389	501,698	Baboon Research Resource Specific Pathogen Free (SPF) Gr	1G20RR024796-01A1
Rsrch	DHHS		93.389	378	Biofilm Formation and Metabolism on Dental Surfaces	5P20RR018741
Rsrch	DHHS		93.389	153,249	Define Biomarkers of Risk for Progressive Cervical Neopl	N02-CP-31102
Rsrch	DHHS		93.389	962,213	Development of SPF Baboon Colony	5R24RR016556-08
Rsrch	DHHS		93.389	297,205	Functional Genomic/Proteomic Analysis of Bacterial-Host	5P20RR015564
Rsrch	DHHS		93.389	1,836,562	INBRE - OK Idea Network of Biomedical Research Excellenc	5P20RR016478
Rsrch	DHHS		93.389	500,000	Increasing Housing Capacity of the Rodent Barrier Facili	1G20RR029782-01
Rsrch	DHHS		93.389	159,888	Magnetic Injector for Targeted Delivery of Therapeutics	1R21RR026228
Rsrch	DHHS		93.389	2,280,921	Mentoring Diabetes Research in Oklahoma (COBRE)	5P20RR024215-04
Rsrch	DHHS		93.389	1,937,060	Mentoring Vision Research in Oklahoma - CORE	5P20RR017703-09
Rsrch	DHHS		93.389	1,950,687	Oklahoma IDeA Network of Biomedical Research Excellence	5P20RR016478-11
Rsrch	DHHS		93.389	1,461,873	Preclinical Efficacy and Intermediate Endpoint Assays-WA	HHSN261200533000C
Rsrch	DHHS		93.392	4,637	Selective KGFR Antagonists for the Prevention of Cancer	1R15CA125493-01A1
Rsrch	DHHS		93.393	306,103	Beta-Catenin/NF-kB in Hyperplasia/Neoplasia of Colonic C	5R01CA131413
Rsrch	DHHS		93.393	78,726	Dietary Prevention of Cancer	2R01CA109269-06A1
Rsrch	DHHS		93.393	252,756	Enterococcus faecalis, Colorectal Cancer, and Bystander	R01CA127893
Rsrch	DHHS		93.393	56,124	HMG-CoA (Hydroxy-3methyl Glutaryl-Coenzyme A) Reductase	2R01CA94962-07
Rsrch	DHHS		93.393	39,394	Pancreatic Cancer Therapy with GRP Receptor-Targeted Ima	1R03CA143614
Rsrch	DHHS		93.393	201,350	Pancreatic Stem Cells and Cancer	1R21CA137482
Rsrch	DHHS		93.393	54,291	RNA Binding Proteins in Cancer	1R01CA135559-01A1
Rsrch	DHHS		93.393	126,560	University of Oklahoma Community Networks Project (OUCNP	5U01CA114626
Rsrch	DHHS		93.395	35,256	Mechanism of SHctA2 in Ovarian Cancer	5R01CA106713
Rsrch	DHHS		93.395	155,842	Significance of GGT Expression in Tumors	2R56CA057530-18
Rsrch	DHHS		93.396	348,422	G Proteins and Their Receptors in Tumor Cell Metastasis	5R01CA116984
Rsrch	DHHS		93.396	(17,799)	G-Protein Signaling in Pancreatic Cancer	7R21CA125752-03
Rsrch	DHHS		93.396	473,709	Regulation of JNK (Jun N-Terminal Kinase)-Signaling Mole	7R01CA123233
Rsrch	DHHS		93.399	175,881	Prevention of CRC by Inos and COX-2 Selective Inhibitors	5R01CA109247
Rsrch	DHHS		93.670	246,113	Evidence-Based Child Maltreatment Prevention for High Ri	90CA1764
Rsrch	DHHS		93.837	405,749	AMP-activated kinase in diabetic complications	5R01HL080499-04

DETAILED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

For the Year Ended June 30, 2011

Program	Federal Agency	Flow Thru Entity	CFDA	Expenditures	Title	OU Agency ID
Rsrch	DHHS		93.837	558,362	AMPK as a Redox Sensor and Modulator	5R01HL089920-02
Rsrch	DHHS		93.837	444,461	Angiotensin-1I, GTPCHI and 26S Proteasomes	1R01HL096032-01
Rsrch	DHHS		93.837	585,840	Autoimmune Determinants of Human Cardiac Myosin	5R01HL056267-11
Rsrch	DHHS		93.837	250,818	Hemodynamic Forces Regulate BMPs (Bone Morphogenic Prote	7R01HL077256
Rsrch	DHHS		93.837	428,059	Intermittent cold Exposure on the Endothelin System	5R01HL077490-03
Rsrch	DHHS		93.837	97,684	Molecular Mechanisms of Conduit Arterial Stiffening	1R01HL105302
Rsrch	DHHS		93.837	448,118	Native Healthy Lifestyle: A Return to Balance	5U01HL087354
Rsrch	DHHS		93.837	305,780	Oxidant Stress and Diabetic Endothelial Dysfunction	2R01HL074399
Rsrch	DHHS		93.837	333,332	Prevention of High Fat Diet-Induced Vascular Injury	1R01HL105157-01
Rsrch	DHHS		93.837	506,081	Reactive Nitrogen Species and Accelerated Artherosclerosis	5R01HL079584-08
Rsrch	DHHS		93.837	76,361	Regulation of Blood Pressure by Klotho	1R01HL102074
Rsrch	DHHS		93.837	123,056	Ribosome Biogenesis: A Molecular Checkpoint for Cardiac	5R01HL077814-05
Rsrch	DHHS		93.837	1,900,121	Strong Heart Study, Phase V	5U01HL041654
Rsrch	DHHS		93.837	404,245	Systemic Events in Clostridium Difficile Assoc Disease	5R01HL084489-4
Rsrch	DHHS		93.839	8,815	Biologic Evaluation of Liposome-Encapsulated Hemoglobin	1R01HL104286
Rsrch	DHHS		93.839	265,453	Oklahoma-University of Texas Southwestern Hemostasis Con	5U01HL072283-09
Rsrch	DHHS		93.839	79,148	Tyrosine Phosphatase PTP-MEG2 and Hematopoiesis	5R01HL079441
Rsrch	DHHS		93.846	117,178	Microarray-Based Biomarkers in Juvenile Idiopathic Arthr	1R01AR060604
Rsrch	DHHS		93.846	206,128	The X Chromosome in Systemic Lupus Erythematosus	5R01AR053734
Rsrch	DHHS		93.847	236,006	AATF and Renal Protection	5R01DK079057-02A1
Rsrch	DHHS		93.847	167,310	Bladder Transcriptome in Experimental Inflammation	2R56DK066101-06A1
Rsrch	DHHS		93.847	38,419	Gene & Proteins of Urothelial-ECM Interaction	5R01DK069808
Rsrch	DHHS		93.847	735,526	Genome-Wide Association Scan to Identify Risk Genes	5R01DK082766-02
Rsrch	DHHS		93.847	326,951	Isolation and Characterization of Intestinal Stem Cells	5U01DK085508-02
Rsrch	DHHS		93.847	159,877	Mechanism of Catheter Associated Urinary Tract Infection	1R21DK089377-01
Rsrch	DHHS		93.847	311,730	Metabolic Signals Regulating GLUT4 Expression In Vivo	1R01DK081545
Rsrch	DHHS		93.847	171,723	Polycystin2 Function in Zebrafish and Medaka	7R01DK078209
Rsrch	DHHS		93.847	204,087	Prenatal Conditions and the Pathway to Obesity/Diabetes	1R01DK089034-01
Rsrch	DHHS		93.847	2,736	Role of Tamm-Horsfall Protein in Urinary Tract Infection	5R01DK068474
Rsrch	DHHS		93.847	75,655	Regulation of Calcium Signaling by the pkd2 Gene Product	5R01DK059599-08
Rsrch	DHHS		93.853	499,306	EFECAB: Improving Pig Management to Prevent Epilepsy in	R01INS064901
Rsrch	DHHS		93.853	332,391	Effects of Radiation on Brain Microvasculature and Cogni	5R01INS056218



DETAILED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

For the Year Ended June 30, 2011

Program	Federal Agency	Flow Thru Entity	CFDA	Expenditures	Title	OU Agency ID
Rsrch	DHHS		93.853	167,017	Properties & determinants of GAA repeat instability	2R01NS047596
Rsrch	DHHS		93.853	133,600	RNA-Induced Transcriptional Gene Silencing in Friedreich	1R01NS072418
Rsrch	DHHS		93.855	170,917	Bacteriophage Control of DNA Repair in Streptococcus Pyo	2R15AI072718
Rsrch	DHHS		93.855	240,905	Control of Toxoplasma gondii Growth by the Host Cell Tra	5R01AI069986
Rsrch	DHHS		93.855	489,666	Development of an Antimicrobial Peptide Therapeutic for	5U01AI075391
Rsrch	DHHS		93.855	418,318	Discovery and Targeting of HIV-1 Associated Antigens	1R01AI090672-01
Rsrch	DHHS		93.855	1,076,765	Discovery and Targeting of West Nile Virus Epitopes	5U01AI082057-02
Rsrch	DHHS		93.855	303,227	Haemophilus Influenzae Iron/Heme Regulon	2R01AI029611
Rsrch	DHHS		93.855	415,784	Human & Mouse Antibodies Against Influenza Virus	5R01AI050933
Rsrch	DHHS		93.855	158,559	Identification of Host Genes Important for Growth of the	1R21AI087485
Rsrch	DHHS		93.855	45,358	IL-21 Polymorphisms in Systemic Lupus Erythematosus	5R03AI076729-02
Rsrch	DHHS		93.855	1,602	Outer membrane lipoproteins of Borrelia burgdorferi	5R01AI059373
Rsrch	DHHS		93.855	350,720	Pore Formation by Cholesterol Dependent Cytolysins	2R01AI037657
Rsrch	DHHS		93.855	0	Protein-DNA Interactions in V (D)J Recombination	5R01AI054467
Rsrch	DHHS		93.855	344,285	Regulation of Humoral Immunity by Natural Killer T (NKT)	1R01AI078993-01A1
Rsrch	DHHS		93.855	16,322	Specificity of Streptococcus mutans sugar transporters	5R03AI078238
Rsrch	DHHS		93.855	180,921	Surface Lipoproteins and Serum Resistance in Borrelia bu	R21AI085310
Rsrch	DHHS		93.855	103,226	The Neuroimmunology of Viral Infection	5R01AI053108
Rsrch	DHHS		93.855	124,743	The Role of CXCL9 in Genital HSV-2 Infection	5R01AI067309-03
Rsrch	DHHS		93.856	2,100	Role of E. faecalis Esp in Biofilms and UTI	5R01AI059673
Rsrch	DHHS		93.859	217,864	Cytosolic Glycosylation	5R01GM037539
Rsrch	DHHS		93.859	185,629	Fibroblast Differentiation in Wound Healing	5R01GM060651-A1
Rsrch	DHHS		93.859	435,101	Glycoregulation of Skp1 in the Cytoplasm and Nucleus	1R01GM084383-01A1
Rsrch	DHHS		93.859	(4,453)	Protein Interactions & Initiation by RNA Polymerase I	5R01GM069841-4
Rsrch	DHHS		93.859	148,303	Regulation of EGFR (Epidermal Growth Factor Receptor) Si	1R01GM092874-01A1
Rsrch	DHHS		93.859	187,536	Structural and Functional Specificity of Rab GTPases	5R01GM074692-02
Rsrch	DHHS		93.859	293,708	Structure and Function of Hyaluronan Synthases	2R01GM035978-23A2
Rsrch	DHHS		93.859	190,098	Structure-Function of Anti-apo	5R01GM062964-07
Rsrch	DHHS		93.859	(545)	Structure-Function of the HA Receptor for Endocytosis	5R01GM069961
Rsrch	DHHS		93.865	194,080	A Longitudinal Multi-Level Analysis of Health Disparitie	1R21HD061306-01
Rsrch	DHHS		93.865	228,248	In Utero Programming of Corticotropin Releasing Factor	1R01HD050620-04
Rsrch	DHHS		93.865	117,497	Prone Locomotion in Infants with or at Risk for Disabili	1R21HD061678-01A1

DETAILED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

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Program	Federal Agency	Flow Thru Entity	CFDA	Expenditures	Title	OU Agency ID
Rsrch	DHHS		93.866	121,513	Biological Aging Mitochondrial Variants and Coronary Art	1K01AG034259-01
Rsrch	DHHS		93.866	313,049	Cognitive Decline and Protein Expression in Aging	5R01AG026607
Rsrch	DHHS		93.866	888	Growth Hormone and IGF-1 in Central Nervous System (CNS)	5P01AG011370-15
Rsrch	DHHS		93.866	1,030,930	Growth Hormone and IGF-1 in Central Nervous System (CNS)	5P01AG011370
Rsrch	DHHS		93.866	266,698	Home-based vs Supervised Exercise for Claudicants	5R01AG024296
Rsrch	DHHS		93.866	43,425	Novel Approaches for Regulation of IGF-1 Levels Througho	1R01AG038747
Rsrch	DHHS		93.866	151,430	Vasoprotection by Caloric Restriction Mimetics in Aging	1K08AG031085-01A1
Rsrch	DHHS		93.867	553,675	A New Pathogenic Mechanism for Diabetic Retinopathy	1R01EY019309
Rsrch	DHHS		93.867	390,059	CAP37 and Ocular Inflammation	1R01EY015534-04
Rsrch	DHHS		93.867	356,131	Compacted DNA Nanoparticles for Ocular Therapy	1R01EY018656
Rsrch	DHHS		93.867	211,016	Corneal Lymphatics and Adaptive Immunity	1R01EY021238
Rsrch	DHHS		93.867	246,313	Cytokine Regulation of Photoreceptor Gene Expression	2R01EY016459-05
Rsrch	DHHS		93.867	90,795	Detoxification Role of Retinol Dehydrogenases RDH11 and	1R21EY018907-01A1
Rsrch	DHHS		93.867	339,500	ER (Endoplasmic Reticulum) Stress & Diabetic Retinopathy	1R01EY019949-01A1
Rsrch	DHHS		93.867	303,392	Light Activation of Retinal Insulin Receptor Signaling	2R01EY016507-05
Rsrch	DHHS		93.867	495,842	Lipid Metabolism in the Retina	5R01EY04149
Rsrch	DHHS		93.867	286,853	Mechanism of Cone Degeneration Resulting from CNG	1R01EY019490-01A2
Rsrch	DHHS		93.867	404,065	Mechanism of Photoreceptor Cell Degeneration in Animal	5R01EY010609-14
Rsrch	DHHS		93.867	108,161	Ocular Lymphangiogenesis	1R21EY018834-01A1
Rsrch	DHHS		93.867	11,871	P30-Core Grant for Vision Research	3P30EY012190-10S1
Rsrch	DHHS		93.867	389,348	Pathogenesis and Chemotherapy of Bacillus Endophthalmiti	5R01EY012985
Rsrch	DHHS		93.867	95,807	Pharmacokinetics of Therapeutic Nanoparticles in the Cen	5R21EY018306-03
Rsrch	DHHS		93.867	(6)	Proteomic Trajectory Mapping of Retinopathy of Prematuri	5R21EY017888-2
Rsrch	DHHS		93.867	386,801	Regulation of Scleral and Remodeling in Myopia	5R01EY009391-19
Rsrch	DHHS		93.867	374,063	Role of Caveolin-1 in the Maintenance of Blood-Retinal B	5R01EY019494
Rsrch	DHHS		93.867	336,839	Second Messengers in the Retina	5R01EY00871
Rsrch	DHHS		93.867	384,059	Studies of RPE65 (Retinal Pigment Epithelium-Specific 65	2R01EY012231-12
Rsrch	DHHS		93.867	197,566	Study of the Retinal Pigment Epithelium (RPE) Barrier	1R01EY020900-01
Rsrch	DHHS		93.887	111,126	Simulation Center of OU Tulsa	1C76HF09112-01-00
Rsrch	DHHS		93.946	12,465	Prospective Study of Youth Assets and Teen Pregnancy	5U01DP000132
Rsrch	DHHS		93.989	44,493	Role of Mucin-Type O-Glycosylation in Trypanosoma cruzi	R03TW008725
				47,519,739		

DETAILED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

For the Year Ended June 30, 2011

Program	Federal Agency	Flow Thru Entity	CFDA	Expenditures	Title	OU Agency ID
Department of Defense						
Rsrch	DOD		12.000	22,307	Fibroblast Activation Protein-Alpha, A Serine Protease t	W81XWH0810588
Rsrch	DOD		12.000	325,873	Optimizing Vaccines by Activating NKT Cells with CD1d Li	1-08-C-0013
Rsrch	DOD		12.420	114,096	Blockade of nicotin signaling reduces biochemical, st	W81XWH-09-1-0443
Rsrch	DOD		12.420	110,733	Hyaluronan Oligosaccharides for the Promotion of Remyeli	W81XWH-10-1-0968
Rsrch	DOD		12.420	187,054	Improved Therapeutic Regimens	W81XWH-07-1-0280
Rsrch	DOD		12.420	178,048	Molecular Mechanism of Chronic Pain and its Modulation b	W81XWH-11-2-0077
Rsrch	DOD		12.420	128,696	Neurofibromatosis 1 in Old Age: Intrnational Interdiscip	W81XWH-06-1-0465
Rsrch	DOD		12.420	230,661	Role of ETV1 in Prostate Cancer	W81XWH-08-1-0177
Rsrch	DOD		12.420	94,524	Targeted Delivery and Remote-Controlled Release of Chemo	W81XWH-09-1-0071
Rsrch	DOD		12.420	381,657	The Role Neupiliand and Vascular Endothelium Growth Fa	W81XWH-09-1-0445
Rsrch	DOD		12.630	48,798	Adv in Biotechnology & Biological Sci - Warfighter Protec	FA8650-05-2-6523
				1,822,447		
Other						
Rsrch	NSF		47.074	53,922	Estradiol's Modulation of Central Auditory Processing	IOS-1064684
Rsrch	NSF		47.074	9,300	Molecular Biology of the Terminal Nerve	IOS-0347336
Rsrch	NSF		47.075	20,875	Collaborative Research: Hypothesis Generation and Feedba	SES-0624136
Rsrch	DOE		84.327	223,197	Learning Early Travel Skills: Effects of Power Mobility	H327A080006A
				307,295		
Total Research and Development Exp - Direct				56,562,423		
Research and Development Expenditures - ARRA Flow Through						
Department of Health and Human Services						
Rsrch	DHHS	TEXTECHHSC	93.701	148,689	Experimental Molecular Vaccines for Schistosomiasis	3R01AI071223-03S2
Rsrch	DHHS	HARVARDMED	93.701	103,588	Immunopathogenesis of Adenovirus Keratitis	3R01EY013124
Rsrch	DHHS	UMICHIGAN	93.701	3,548	Quality of Life in Intersexuality: A Pediatric Clinical	3001503931
Rsrch	DHHS	SUNY	93.701	506	RIVUR-Randomized Intervention for Children with VesicoUr	3U01DK074063-05-S1
Rsrch	DHHS	DUQUESNE	93.701	66,283	Single Agents with Designed Combination Chemotherapy Pot	G0900085
Rsrch	DHHS	GEORGEWASH	93.701	13,760	TODAY Comparative Effectiveness Study - Echocardiograms	23438-10-CCL540015F
Rsrch	DHHS	OMRF	93.701	304,766	Validation of Extracellular Histones as Biomarker and Th	1RC1GM091739
Rsrch	DHHS	OUNORMAN	93.701	113,819	Automated Fluorescence In-Situ Hybridization (FISH) Imag	1R01CA136700
Total Research and Development Exp - ARRA Flow Through				754,959		

DETAILED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

For the Year Ended June 30, 2011

Program	Federal Agency	Flow Thru Entity	CFDA	Expenditures	Title	OU Agency ID
Research and Development Expenditures - Flow Through						
Department of Health and Human Services						
Rsrch	DHHS	WESTAT	93.000	31,500	A Study to Understand Cervical Cancer Early Endpoints an	N02-CP-2008-00029
Rsrch	DHHS	UMICHIGAN	93.000	148,190	AOM Induced Rat Colon Cancer	N01-CN-35110
Rsrch	DHHS	TELESAGE	93.000	(0)	Brief Depression Screener Developed Using IRT for Antena	1R44MH082485-01A1
Rsrch	DHHS	BAYLORCM	93.000	11,004	Conformational Structure of Hemagglutinin in Avian Vacci	N01AI30039
Rsrch	DHHS	AUCD	93.000	33,019	Helping Family Practitioners Improve Developmental Serv	U01DD000231
Rsrch	DHHS	OHSU	93.000	249,970	Large Scale T Cell Epitope Discovery	HHSN2722009000053C
Rsrch	DHHS	OICA	93.000	108,770	OKPOWER	90AP2665
Rsrch	DHHS	MICHSTUNIV	93.000	1,863	Prevention of Clostridium Difficile Infection with Probi	N01-AI-30058
Rsrch	DHHS	ALBERTEHN	93.000	1,069	Randomized Placebo Phase Study of Rilnoncept in the Trea	HHSN268200700015C
Rsrch	DHHS	OMRF	93.000	(220)	Responses to influenza vaccination in systemic lupus	HHSN266200500026C
Rsrch	DHHS	NERI	93.000	21,300	Study of TTP and Rituximab: A Randomized Clinical Trial	
Rsrch	DHHS	ALZHEIMER	93.051	20,928	Alzheimer's Caregiver Strain Study	
Rsrch	DHHS	ODMH	93.087	243,437	New Directions	
Rsrch	DHHS	HARVARDUNI	93.113	60,398	Community-Centered Assessment of Mercury Exposure from F	90CU0038 / 04
Rsrch	DHHS	WAYNESTATE	93.136	32,097	A Computer Based Intervention to Augment Scope of Work	1R21ES017941
Rsrch	DHHS	UCSD	93.136	53,416	Dynamic Adaptation to Implement an Evidence based Child	5U49CE001078
Rsrch	DHHS	WVIRGINIAU	93.136	16,769	Examination of Medicaid Data from 14 States	1R01CE001556-01
Rsrch	DHHS	HOUGH	93.173	(858)	Cochlear Therapy Through Magnetic Targeted Drug Delivery	R49CE001170
Rsrch	DHHS	HOUGH	93.173	172	Cochlear Therapy Through Magnetic Targeted Drug Delivery	5R54DC009679-02
Rsrch	DHHS	MUSC	93.185	12,989	Provider Reminders: Improving Vaccine Delivery in Office	5R21DC009679-02
Rsrch	DHHS	UALABAMABI	93.226	6,363	Deep South Musculoskeletal (DSM) CERTs-Subcontract NSAID	5U01IP000146-02
Rsrch	DHHS	WVIRGINIAU	93.226	15,636	Linking Medicare, West Virginia Medicaid, and West Virgi	295444-006
Rsrch	DHHS	UCSD	93.242	0	Mixed Methods Study of a Statewide Evidence-Based Practi	05-333A-OU
Rsrch	DHHS	DARTMOUTH	93.242	7,742	National Center for Disaster Mental Health Research	5R01MH072961
Rsrch	DHHS	OMRF	93.389	30,802	Antigen-Specific T Cells in Sjogren's Syndrome	5P60MH082598-02
Rsrch	DHHS	UWASHINGTO	93.389	271,238	Cerebrovascular Disease in American Indians: Prevalence,	5P20RR020143-07
Rsrch	DHHS	UNVWISCMAD	93.389	122,331	Immunogenetics of Macaques Used in Biodefense and AIDS R	5R01HL093086-02
Rsrch	DHHS	OMRF	93.389	17,245	Interdisciplinary Research in Vascular Biology	2R24RR021745-06
Rsrch	DHHS	UNVWISCMAD	93.389	138,556	MHC-Bound, SIV-Derived, CTL and HTL Epitopes	2P20RR018758-06A2
Rsrch	DHHS	OMRF	93.389	163,579	Responses to Influenza Vaccination and Infectious Diseases	2R24RR015371-11
Rsrch	DHHS		93.389			HHSN266200500026C

DETAILED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

For the Year Ended June 30, 2011

Program	Federal Agency	Flow Thru Entity	CFDA	Expenditures	Title	OU Agency ID
Rsrch	DHHS	USFLORIDA	93.389	24,052	Type I Diabetes TrailNet (Trial Net)	1-U01-DK61055
Rsrch	DHHS	OMRF	93.389	105,616	Understanding the Role of Alternative Splicing in the TN	5P20RR020143
Rsrch	DHHS	UNIVKANMED	93.393	230,024	Culturally-Tailored Smoking Cessation for Amer Indians	
Rsrch	DHHS	UNIVKANMED	93.393	15,132	Dietary Prevention of Cancer	7R01CA109269
Rsrch	DHHS	OUNORMAN	93.394	103,732	Computer aided chromosome Imaging Technique for Cancer d	1R01CA115320-01-A1
Rsrch	DHHS	NCHILDCAFD	93.395	14,834	Associate Chair Children's Oncology Group	5U10CA098543
Rsrch	DHHS	CALGBFND	93.395	17,811	CALBG Membership Support of Cancer and Leukemia Group B	CALGB-2694
Rsrch	DHHS	STJUDE	93.395	9,857	Childhood Cancer Survivor Study	5U24CA055727-15
Rsrch	DHHS	NCHILDCAFD	93.395	186,627	Children's Oncology Group Chair Grant	5U10CA098543-08
Rsrch	DHHS	GOG	93.395	1,589,638	NIH Subcontract Participation in Gynecologic Oncology Protoc	27469-083
Rsrch	DHHS	RTOG	93.395	115,310	Radiation Therapy Oncology Group	U10CA021661
Rsrch	DHHS	NCHILDCAFD	93.395	47,394	Sarcoma Review for Children's Oncology Group	5U10CA98543
Rsrch	DHHS	HOPEFOUND	93.399	39,618	Selenium and Vitamin E Cancer Prevention Trial	CA37429
Rsrch	DHHS	OSDH	93.670	298,462	Evidence-Based Child Maltreatment Prevention for High-Ri	
Rsrch	DHHS	MEDUNIOHIO	93.837	1,861	Cardiovascular Outcomes in Renal Atherosclerotic Lesions	U01 HL071556
Rsrch	DHHS	THOMJEFFUN	93.837	1,650	Effectiveness of Hydroxyurea and Magnesium Pidolate Alon	5U54HL070588
Rsrch	DHHS	CHILDHPHIL	93.837	106,893	Genetic Engineering of Apolipoproteins	2P01HL022633
Rsrch	DHHS	CINCINCHMC	93.837	44,109	Mechanisms for Immunopathology in HLHS (Hypoplastic Left	1R01HL098634
Rsrch	DHHS	UVIRGINIA	93.838	27,456	S-Nitrosothiol breakdown by airway epithelial Cells	2R01HL059337
Rsrch	DHHS	NMDP	93.839	27,100	A Phase III Randomized, Multicenter Trial Comparing Siro	1U01HL69294
Rsrch	DHHS	DUKECLINIC	93.839	28,420	Bridging Anticoagulation in Patients who Require Tempora	1U01HL087229
Rsrch	DHHS	RENSSELAER	93.839	40,540	Chemoenzymatic Synthesis of Glycosaminoglycan Oligos	5R01HL062244-06
Rsrch	DHHS	NERI	93.839	6,837	Plado Study- Thru NERI	U01HL072268
Rsrch	DHHS	CHRMCM	93.846	(6,318)	Juvenile Idiopathic Arthritis	1R01AR049762-01A2
Rsrch	DHHS	OMRF	93.846	73,183	TNFAIP3 (A20) A Novel SIE Susceptibility Gene	5R01AR056360-02
Rsrch	DHHS	UNEBLINC	93.847	101,803	Biotin Deficiency Impairs Silencing of Repeat Regions an	24-6236-0051-003
Rsrch	DHHS	BOSTONUMC	93.847	1,773	Novel Globin Gene Modulators	5R01DK52962
Rsrch	DHHS	SUNY	93.847	560	POET Study: A Randomized Multi-institutional Clinical T	75U01DK074063
Rsrch	DHHS	SUNY	93.847	151,357	Randomized Intervention for Children with VesicoUreteral	2U01DK074063-06
Rsrch	DHHS	MTSINAI	93.847	16	Revascularization in Diabetes Mellitus Patients	1R01HL071988-A1
Rsrch	DHHS	OMRF	93.847	5,219	Role of Mucin-Type O-Glycans of Intestinal Inflammation	R01DK085691
Rsrch	DHHS	GEORGEWASH	93.847	973,430	STOPP-T2D Adolescents and Youth	2U01DK061230

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

Year Ended June 30, 2011

1. The purpose of the Schedule of Expenditures of Federal Awards (the "Schedule") is to present a summary of the activities of the University of Oklahoma Health Sciences Center (the "Center") which have been financed by the U.S. Government for the year ended June 30, 2011.

For purposes of the Schedule, federal awards have been classified into two types:

- Direct federal awards consisting of federal assistance and federal student financial aid, and
- Pass-through funds received from non-federal organizations made under federally sponsored programs conducted by those organizations.

Because the schedule presents only a selected portion of the activities of the Center, it is not intended to and does not present the financial position, changes in fund balances or the revenues, expenditures and other changes of the Center.

Complete Catalog of Federal Domestic Assistance ("CFDA") numbers are presented for those programs for which such numbers were available. CFDA prefixes and other identifying numbers are presented for programs for which a complete CFDA is not available.

The Center passes through certain Funds to subgrantee organizations. Expenditures incurred by the subgrantees and reimbursed by the Center are included in the Schedule.

The Center is also the subrecipient of Federal funds that are reported as expenditures and included in the Schedule. The Detailed Schedule of Federal Award Expenditures denotes funding sources for pass-through funds. Federal awards other than those indicated as pass-through are denoted as Federal direct funds.

2. For purposes of the Schedule, expenditures for Federal award programs are recognized on a cash basis of accounting. Expenditures are recognized when paid.
3. Federal awards provided through the Center to subrecipients are treated as expenditures when paid to the subrecipient. Of the Federal expenditures presented in the Schedule, the Center provided Federal awards to subrecipients as follows:

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

Year Ended June 30, 2011

<u>Program</u>	<u>Federal Agency</u>	<u>Federal Sub Agency</u>	<u>Subrecipient</u>	<u>CFDA</u>	<u>Expenditure</u>
Research and Development -ARRA					
Department of Health and Human Services					
Rsch	DHHS	NIH	OMRF-002	93.701	\$ 57,204
Rsch	DHHS	NIH	UNIVERSITY-040	93.701	23,521
Rsch	DHHS	NIH	WALTER SIS-001	93.701	10,000
Rsch	DHHS	NIH	RESEARCH F-005	93.701	195,629
Rsch	DHHS	NIH	WESTAT INC-001	93.701	393,118
Rsch	DHHS	NIH	CARES-001	93.701	65,095
Rsch	DHHS	NIH	GEORGE WAS-004	93.701	22,589
Rsch	DHHS	NIH	MEDICAL UN-004	93.701	24,400
Rsch	DHHS	NIH	CHILDRENS-069	93.701	3,550
Rsch	DHHS	NIH	OMRF-002	93.701	44,666
Rsch	DHHS	NIH	MEDICAL UN-004	93.701	42,312
Rsch	DHHS	NIH	OU-001	93.701	8,265
Rsch	DHHS	NIH	TULSA COMM-005	93.701	346,345
Rsch	DHHS	AHRQ	BD OF REGE-001	93.710	36,499
Rsch	DHHS	AHRQ	COMMUNITY-047	93.710	121,234
Rsch	DHHS	AHRQ	UNIV OF MN-001	93.710	66,620
Rsch	DHHS	AHRQ	WESTAT INC-001	93.710	124,222
Total Department of Health and Human Services					1,585,266
Research and Development					
Department of Health and Human Services					
Rsch	DHHS	AHRQ	UNIV OF TX-003	93.000	14,993
Rsch	DHHS	AHRQ	OKPRN-001	93.000	5,000
Rsch	DHHS	AHRQ	OSU-001	93.000	42,345
Rsch	DHHS	CDC	GEORGIA ST-001	93.061	74,977
Rsch	DHHS	CDC	UCSD-001	93.061	257,324
Rsch	DHHS	NIH	OMRF-002	93.121	32,004
Rsch	DHHS	NIH	OMRF-002	93.121	24,537
Rsch	DHHS	NIH	UNIVERSITY-035	93.121	42,340
Rsch	DHHS	CDC	UNIV OF WA-013	93.136	61,181
Rsch	DHHS	NIH	FAMILY AND-001	93.242	42,700
Rsch	DHHS	NIH	NORTH CARE-002	93.242	7,223
Rsch	DHHS	NIH	UNIV OF CA-024	93.242	21,828
Rsch	DHHS	NIH	NIZHYNY NO-001	93.273	17,880
Rsch	DHHS	NIH	ST PETERSB-001	93.273	8,000
Rsch	DHHS	NIH	UNIV OF TX-003	93.273	43,090
Rsch	DHHS	NIH	CHICKASAW-007	93.307	31,374
Rsch	DHHS	NIH	CHOCTAW NA-004	93.307	81,191

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

Year Ended June 30, 2011

<u>Program</u>	<u>Federal Agency</u>	<u>Federal Sub Agency</u>	<u>Subrecipient</u>	<u>CFDA</u>	<u>Expenditure</u>
Rsch	DHHS	NIH	UNIV OF WA-013	93.389	322,215
Rsch	DHHS	NIH	UT MD ANDE-001	93.389	204,616
Rsch	DHHS	NIH	OSU-001	93.389	103,330
Rsch	DHHS	NIH	OMRF-002	93.389	87,180
Rsch	DHHS	NIH	OSU-001	93.389	72,309
Rsch	DHHS	NIH	OU-001	93.389	81,889
Rsch	DHHS	NIH	OSU-001	93.389	132,683
Rsch	DHHS	NIH	TEXAS TECH-006	93.389	104,869
Rsch	DHHS	NIH	UNIVERSITY-069	93.389	76,870
Rsch	DHHS	NIH	CAMERON U-001	93.389	40,000
Rsch	DHHS	NIH	COMANCHE N-001	93.389	43,078
Rsch	DHHS	NIH	LANGSTON U-003	93.389	58,632
Rsch	DHHS	NIH	NORTHEASTE-013	93.389	405,628
Rsch	DHHS	NIH	OCCC-001	93.389	39,449
Rsch	DHHS	NIH	OMRF-002	93.389	360,089
Rsch	DHHS	NIH	ORAL ROBER-001	93.389	7,000
Rsch	DHHS	NIH	OSU-001	93.389	8,739
Rsch	DHHS	NIH	REDLANDS C-003	93.389	14,600
Rsch	DHHS	NIH	SOUTHEASTE-012	93.389	39,356
Rsch	DHHS	NIH	SWOSU-001	93.389	240,717
Rsch	DHHS	NIH	TULSA COMM-005	93.389	62,404
Rsch	DHHS	NIH	UCO-001	93.389	364,608
Rsch	DHHS	NIH	UNIV OF TU-005	93.389	10,000
Rsch	DHHS	NIH	CHOCTAW NA-002	93.393	7,475
Rsch	DHHS	NIH	OU-001	93.393	8,525
Rsch	DHHS	NIH	UNIV OF TE-046	93.393	7,707
Rsch	DHHS	NIH	CEDAR SINA-001	93.396	1,759
Rsch	DHHS	ACF	LATINO COM-002	93.670	116,200
Rsch	DHHS	NIH	MAYO CLINI-007	93.837	49,087
Rsch	DHHS	NIH	UNIV OF TX-004	93.839	39,943
Rsch	DHHS	NIH	OMRF-002	93.846	13,342
Rsch	DHHS	NIH	MASSACHUSE-008	93.847	22,868
Rsch	DHHS	NIH	UNIVERSITY-024	93.847	25,111
Rsch	DHHS	NIH	BRUNEL UNI-001	93.853	17,280
Rsch	DHHS	NIH	VA POLYTEC-001	93.853	67,579
Rsch	DHHS	NIH	AFRICSANTE-001	93.853	265,399
Rsch	DHHS	NIH	INSTITUTE-051	93.853	68,385
Rsch	DHHS	NIH	TEXAS A &-001	93.855	125,282
Rsch	DHHS	NIH	RECEPTOR L-002	93.855	294,909
Rsch	DHHS	NIH	WASHINGTON-034	93.855	313,961



NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

Year Ended June 30, 2011

<u>Program</u>	<u>Federal Agency</u>	<u>Federal Sub Agency</u>	<u>Subrecipient</u>	<u>CFDA</u>	<u>Expenditure</u>
Rsch	DHHS	NIH	BIOLYTX PH-001	93.855	34,343
Rsch	DHHS	NIH	TEXAS TECH-006	93.855	96,368
Rsch	DHHS	NIH	LOUISIANA-014	93.859	20,967
Rsch	DHHS	NIH	UGA RESEAR-001	93.859	79,917
Rsch	DHHS	NIH	UNIVERSITY-055	93.859	18,095
Rsch	DHHS	NIH	OU-001	93.865	38,421
Rsch	DHHS	NIH	VIRGINIA C-006	93.865	25,617
Rsch	DHHS	NIH	PENN STATE-002	93.866	133,721
Rsch	DHHS	NIH	WAKE FORES-002	93.866	22,734
Rsch	DHHS	NIH	WAKE FORES-002	93.866	449,074
Rsch	DHHS	NIH	RESEARCH F-005	93.867	50,994
Rsch	DHHS	NIH	UNIVERSITY-040	93.867	12,351
Rsch	DHHS	NIH	MASSACHUSE-011	93.867	18,097
Rsch	DHHS	NIH	RESEARCH F-005	93.867	31,459
Rsch	DHHS	NIH	FUNDACAO E-001	93.989	21,000
Rsch	DHHS	GOG	ARIZONA BO-001	93.395	5,295
Rsch	DHHS	GOG	BAYLOR RES-001	93.395	7,720
Rsch	DHHS	GOG	CANCER CAR-007	93.395	36,741
Rsch	DHHS	GOG	CARILION C-001	93.395	63,610
Rsch	DHHS	GOG	FEINSTEIN-001	93.395	75,103
Rsch	DHHS	GOG	SARAH CANN-001	93.395	8,250
Rsch	DHHS	GOG	UNIV OF AR-020	93.395	28,978
Rsch	DHHS	GOG	UNIV OF MI-054	93.395	499
Rsch	DHHS	GOG	WASHINGTON-036	93.395	570
Rsch	DHHS	OSDH	LATINO COM-002	93.670	160,867
Rsch	DHHS	GEORGEWASH	ABSENTEE S-003	93.847	4,920
Rsch	DHHS	CHILDHPHIL	INOVEON CO-002	93.867	189,358
Total Department of Health and Human Services - Non ARRA					6,768,127
Department of Defense					
Rsch	DOD	ARMY	INSTITUTE-049	12.420	12,875
Rsch	DOD	AIRFORCE	KETTERING-001	12.630	13,879
Rsch	DOD	ARMY	UNIVERSITY-008	12.420	13,712
Total Department of Defense					40,466
National Science Foundation					
Rsch	NSF	OSU	OU-001	47.080	18,194
Rsch	NSF	OSU	UNIV OF TU-005	47.080	21,044
Total National Science Foundation					39,237

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

Year Ended June 30, 2011

<u>Program</u>	<u>Federal Agency</u>	<u>Federal Sub Agency</u>	<u>Subrecipient</u>	<u>CFDA</u>	<u>Expenditure</u>
US Homeland Security					
Rsch	USHOMELND	UMARYLAND	MARICOPA C-001	97.061	<u>(1,529)</u>
Total Research and Development					8,431,567
Training					
Department of Health and Human Services - ARRA					
Trng	DHHS	HRSA	OSU-001	93.403	10,803
Training					
Department of Health and Human Services					
Trng	DHHS	HRSA	OU-001	93.110	22,480
Trng	DHHS	HRSA	UNIV OF KA-013	93.110	241
Trng	DHHS	HRSA	WARREN CAN-001	93.110	6,550
Trng	DHHS	HRSA	DEPARTMENT-013	93.110	9,041
Trng	DHHS	HRSA	UNIVERSITY-018	93.110	13,289
Trng	DHHS	HRSA	MISSOURI D-002	93.110	76,257
Trng	DHHS	HRSA	SANFORD CH-001	93.110	18,569
Trng	DHHS	HRSA	KU ENDOWME-001	93.110	24,000
Trng	DHHS	HRSA	UNIVERSITY-035	93.110	24,825
Trng	DHHS	HRSA	ARKANSAS C-004	93.110	62,639
Trng	DHHS	HRSA	UNIV OF MN-001	93.247	40,045
Trng	DHHS	HRSA	UNIVERSITY-055	93.247	47,520
Trng	DHHS	HRSA	TULSA CITY-003	93.516	23,830
Trng	DHHS	ACF	UNIV OF TU-005	93.632	10,527
Trng	DHHS	ACF	CAMERON U-001	93.632	5,300
Trng	DHHS	ACF	EAST CENTR-004	93.632	10,599
Trng	DHHS	HRSA	EAST CENTR-004	93.969	6,027
Trng	DHHS	HRSA	LANGSTON U-003	93.969	13,074
Trng	DHHS	HRSA	OSU-001	93.969	24,094
Trng	DHHS	HRSA	OSU-CENTER-002	93.969	51,801
Trng	DHHS	HRSA	UCO-001	93.969	<u>4,422</u>
Total Department of Health and Human Services					495,129
Department of Agriculture					
Trng	DOA	ODHS	OU-001	10.561	<u>88,523</u>
Total Training					594,455

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

Year Ended June 30, 2011

<u>Program</u>	<u>Federal Agency</u>	<u>Federal Sub Agency</u>	<u>Subrecipient</u>	<u>CFDA</u>	<u>Expenditure</u>
Other					
Department of Health and Human Services					
Other	DHHS	HRSA	LATINO COM-002	93.153	34,132
Other	DHHS	SAMHSA	MARICOPA C-001	93.243	19,718
Other	DHHS	SAMHSA	UNIV OF KA-012	93.243	24,566
Other	DHHS	SAMHSA	UNIVERSITY-014	93.243	15,105
Other	DHHS	PARKLANDHL	ASSN OF AM-014	93.145	23,409
Total Department of Health and Human Services					116,929
Total Other					116,929
Total Amounts Provided to Subrecipients					<u>\$ 9,142,953</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

Year Ended June 30, 2011

4. The accompanying Detailed Schedule of Expenditures of Federal Awards for the Center is an integral part of the Schedule of Expenditures of Federal Awards.
5. The University of Oklahoma Norman Campus administers the Pell, Supplemental Education Opportunity Grants and College Work Study student award programs for students attending the Norman and Health Sciences Center Campuses. Grant revenues and expenditures under such programs for students attending these campuses are included in the financial statements of the Norman Campus. Therefore, the Norman Campus Schedule of Expenditures of Federal Awards includes expenditures under such programs for students attending both campuses.
6. Under the Federal Direct Student Loan Program ("Direct Loan Program"), the U.S. Department of Education makes loans to enable a student or parent to pay the costs of the student's attendance at a postsecondary school. The Direct Loan Program enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly from the U.S. Department of Education rather than through private lenders. The Center began participation in the Direct Loan Program on July 1, 2010. The Center administers the origination and disbursement of the loans to eligible students or parents. The Center is not responsible for the collection of these loans. Outstanding loans at June 30, 2011 under the Health Professions Student Loan Program (HPSL, PCL, LDS) and the Nursing Student Loan Program are \$6,292,012 and \$5,318,289, respectively.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

Year Ended June 30, 2011

**Section I--Summary of Auditors' Results**

*Financial statements*

Type of auditors' report issued:

*Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
  - Significant deficiency(ies) identified that are not considered to be material weakness(es)?  yes  none reported
- Noncompliance material to financial statements noted?  yes  no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  yes  none reported

Type of auditors' report issued on compliance for major programs:

*Unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

yes  no

Identification of major programs:

<u>Program</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	*
Research and Development Cluster	*
ARRA-State Fiscal Stabilization Fund	84.394
Medical Assistance Program	93.778

\* See Detailed Schedule of Expenditures of Federal Awards for identification of CFDA numbers applicable to the major programs.

Dollar threshold used to distinguish between type A and type B programs: \$2,802,994

Auditee qualified as low-risk auditee?  yes  no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

Year Ended June 30, 2011

**Section II--Findings Required to be Reported in Accordance with *Government Auditing Standards*:**

None to report for the June 30, 2011 period.

**Section III--Finding Required to be Reported in Accordance with OMB Circular A-133:**

None to report for the June 30, 2011 period.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

Year Ended June 30, 2011

#### **Finding 2010-1:**

Criteria: An entity's internal control process should be designed to provide reasonable assurance concerning the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. 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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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.

Condition: Accounting guidance provides for the capitalization of costs incurred to acquire software licenses as well as any ancillary costs incurred necessary to place the asset into its intended location and condition for use. Such costs should then be amortized over the expected useful life of the underlying assets. Other costs, such as training, should be expensed as incurred. The Center has consistently capitalized the costs of the software licenses acquired. However, during 2010, in conjunction with a software implementation, the Center incurred significant consulting costs related to data conversion and other services required to make the software operational in addition to training costs. We have been informed by management that they were aware of the accounting considerations of the costs being incurred and intended to perform a review of such costs to ensure appropriate capitalization. However, this specific review and evaluation of the software implementation costs incurred was not added to the annual closing process. As a result, no such review was performed by the accounting department or by those approving the costs to distinguish between those capitalizable and those which should have been expensed prior to closing the books and records. In addition, the closing review of general ledger account fluctuations was not at a level of precision to enable management to identify the accounts for further investigation. Upon inquiry, management evaluated the costs incurred and determined that certain costs which should have been capitalized were expensed resulting in an understatement of capital assets and an overstatement of contractual service expenses of approximately \$3,800,000.

Cause: Incorrect application of accounting standards related to ancillary costs incurred necessary to make acquired computer software operational.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

Year Ended June 30, 2011

Finding 2010-1--Continued:

Effect: Understatement of capital assets and overstatement of contractual service expense by approximately \$3,800,000.

Recommendation: We recommend the Center evaluate their controls over the recording, reconciliation and reporting process specifically as it relates to the acquisition and implementation of new software systems and take steps ensure such controls are operational.

View of Responsible Official(s): We agree and are in the process of developing a solution which will identify these costs on a continual basis throughout the fiscal year. Once these costs are identified they will be reviewed to determine if capitalization is necessary.

Auditor Follow-Up: The corrective action plan was implemented. No similar finding was noted in the current year.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

Year Ended June 30, 2011

**Finding 2010-2:**

Federal Programs: Research and Development Cluster

Federal Agency: Department of Health and Human Services/National Institute of Health

CFDA: 93.307

Federal Award Number(s) Year(s): 5P20MD000528-08

Criteria: OMB Circular A-133 requires known fraud affecting a Federal award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for Federal awards.

Condition: Upon receipt of information from an employee of the American Indian Diabetes Prevention Center, the Center's internal audit department began an investigation into alleged fraud related to transcription services provided by independent contractors. The Business Administrator, with approval from the Principal Investigator, hired his wife's company to perform transcription services for the grant. During the course of the investigation, it was discovered that falsified invoices and invoices in excess of fair market value were submitted to the Center for payment. The internal audit department had identified a total of \$45,730 that was paid for transcription services to the aforementioned entity. During the course of their investigation, internal audit notified the appropriate law enforcement agency regarding the suspected fraud. Law enforcement's investigation has not yet been completed.

Known questioned costs: Unknown.

Cause: Failure to implement controls to ensure appropriate review and approval of expenditures submitted for grant reimbursement.

Effect: Unallowable costs may have to be repaid to the Federal program.

Recommendation: We recommend that management evaluate the current controls over the review and approval of independent contractor invoices submitted for reimbursement under grant agreements, particularly as it relates to transcription services.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

Year Ended June 30, 2011

Finding 2010-2--Continued:

View of Responsible Official(s): We have strengthened our internal control structure regarding the establishment of related party and insider type vendors. As these potential conflicts are identified, cost comparisons are required to help ensure adequate pricing. A written plan is also required detailing the managing of the potential conflicts.

The Center has reported this issue to the sponsoring agency. This continues to be an on-going investigation by law enforcement. We will refine our corrective action plan as developments in the investigation progress. Further we will work with the sponsoring agency and refund questioned costs as necessary.

Auditor Follow-Up: The corrective action plan was implemented. No similar finding was noted in the current year.

# APPENDIX A



## SCHEDULE OF AGENCY ACRONYMS

### THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

<u>SPONSOR</u>	<u>DESCRIPTION</u>
AAMC	Assoc. American Medical Colleges
ACADPEDIAA	Academic Pediatric Association
ALBERTEHN	Albert Einstein Healthcare Network
ALZHEIMER	Alzheimer's Association
AMAFNDTN	American Medical Association Foundation
AUCD	Assn University Centers on Disabilities
BAYERHLCR	Bayer HealthCare LLC
BAYLORCM	Baylor College of Medicine
BOSTONUMC	Boston University Medical Center
CALGBFND	Cancer and Leukemia Group B Foundation
CASEWESTER	Case Western Reserve University
CHICKASAW	Chickasaw Nation Health System
CHILDHPHIL	Children's Hospital of Philadelphia
CHRM	Seattle Children's Hospital
CINCINCHMC	Cincinnati Children's Hospital Med Ctr
COLUMBIAUN	Columbia University
DARTMOUTH	Dartmouth Medical School
DNORTONLCC	Dee Norton Lowcounty Children's Center
DUKECLINIC	Duke Clinical Research Institute
DUQUESNE	Duquesne University
GEORGEWASH	George Washington University
GOG	Gynecologic Oncology Group
HAM-TMC	Houston Academy of Med-Texas Med Ct
HARVARDMED	Harvard Medical School
HARVARDUNI	Harvard University
HOPEFOUND	HOPE Foundation
HOUGH	Hough Ear Institute
LOMALINDAU	Loma Linda University
MEDUNIOHIO	Medical University of Ohio
MICHSTUNIV	Michigan State University
MTSINAI	Mt Siani School of Medicine
MUSC	Medical University of South Carolina
NCHILDCAFD	National Childhood Cancer Foundation
NERI	New England Research Institute
NMDP	National Marrow Donor Program
NORTHCARE	NorthCare
ODDC	Oklahoma Developmental Disabilities Cncl
ODHS	Oklahoma Department of Human Services

SCHEDULE OF AGENCY ACRONYMS--Continued

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

SPONSOR	DESCRIPTION
ODMH	Oklahoma Department of Mental Health
OHCA	Oklahoma Health Care Authority
OHSU	Oregon Health Science University
OICA	Oklahoma Institute for Child Advocacy
OMRF	Oklahoma Medical Research Foundation
OSDED	Oklahoma State Department of Education
OSDH	Oklahoma State Department of Health
OSDHHS	Oklahoma State Department of Health and Human Services
OSU	Oklahoma State University
OUNORMAN	University of Oklahoma
PARKLANDHL	Parkland Health and Hospital System
RENSELAER	Rensselaer Polytechnic Institute
RTOG	Radiation Therapy Oncology Group
STJUDE	Saint Jude Children's Research Hospital
STLOUISUNI	Saint Louis University
SUNY	State University of New York
TELESAGE	TeleSage, Inc
TEXTTECHHSC	Texas Tech Univ Health Sciences Center
THOMJEFFUN	Thomas Jefferson University
UALABAMABI	University of Alabama Birmingham
UCFLORIDA	University of Central Florida
UCLOSANGEL	University of California Los Angeles
UCSD	University of California - San Diego
UMARYLAND	University of Maryland
UMICHIGAN	University of Michigan
UNEBLINC	University of Nebraska - Lincoln
UNIVKANMED	University of Kansas Medical Center
UNWISCMAD	Univeristy of Wisconsin - Madison
USFLORIDA	University of South Florida
UTEXASHSC	University of Texas Health Sciences Center
UVIRGINIA	University of Virginia
UWASHINGTON	University of Washington
WASHINGTON	Washington University in St. Louis
WAYNESTATE	Wayne State University
WESTAT	WESTAT, Inc
WISCONSIN	University of Wisconsin-Madison
WVIRGINIAU	West Virginia University
YALEUNIV	Yale University

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