Quartz Mountain Arts
And Conference Center
And Nature Park

Financial Statements

and

Independent Auditors' Report

June 30, 2013 and 2012

Contents

Independent Auditor's Report

To the Board of Trustees of the Quartz Mountain Arts
And Conference Center and Nature Park

We have audited the accompanying financial statements of the Quartz Mountain Arts and Conference Center and Nature Park (the "Center"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Center, as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 5 to 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other

The financial statements of the Center for the year ended June 30, 2012, were audited by another auditor who expressed an unmodified opinion on those statements on October 1, 2012.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Stanfield & O'Dell P.C.

Tulsa, Oklahoma
October 25, 2013

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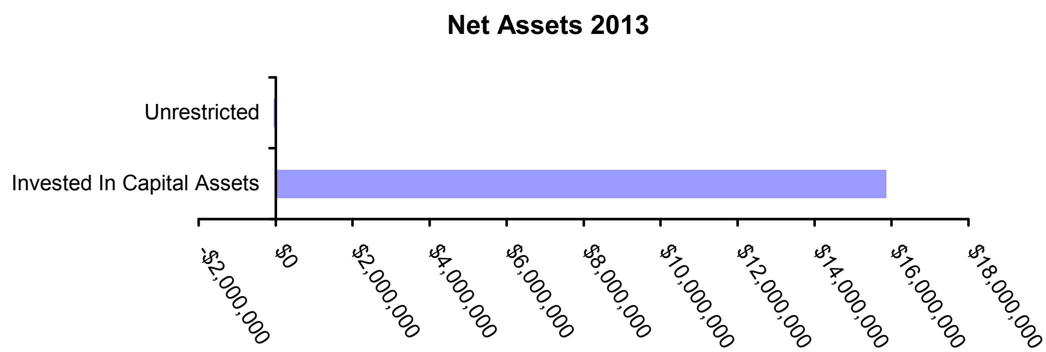
Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

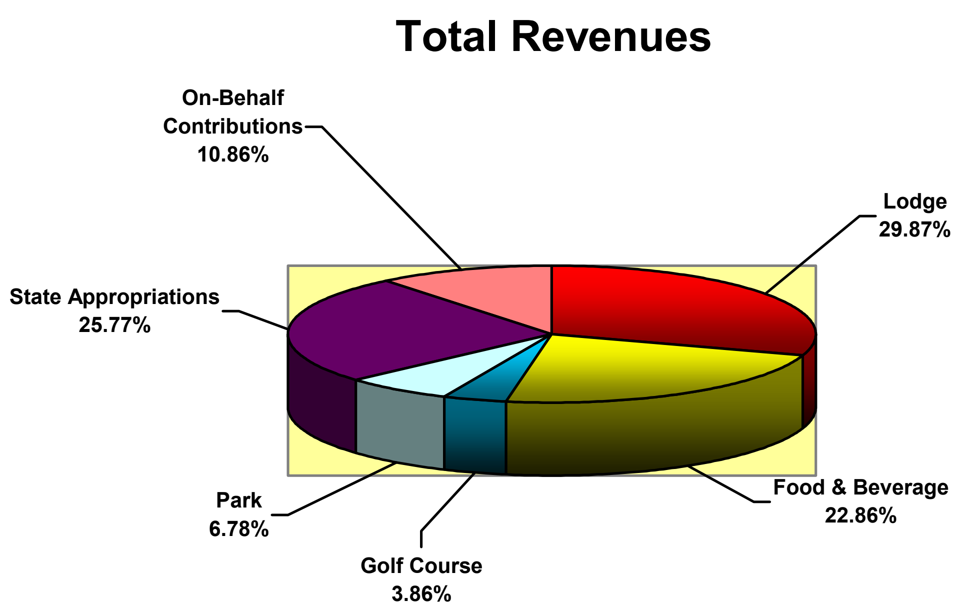
The discussion and analysis of Quartz Mountain Arts and Conference Center and Nature Park's (the "Center") financial statements provides an overview of the Center's financial activities for the year ended June 30, 2013. Since this management's discussion and analysis is designed to focus on current activities, resulting changes, and current known facts, please read it in conjunction with the Center's basic financial statements and the footnotes.

Financial Highlights

At June 30, 2013 the Center's net position is $15.8 million. Of this, -$43,413 is considered in the unrestricted category. Graphically displayed, the net assets by category for the fiscal year are shown below:



The following chart provides a graphical breakdown of revenues by category for the fiscal year ending June 30, 2013.



In the fiscal year ended June 30, 2013, Quartz Mountain Arts and Conference Center and Nature Park expenses exceeded revenues, creating a decrease in net assets of $627,432 representing a 3.8% decrease in net assets.

Using This Annual Report

The annual report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows.

The statement of net position and the statement of revenues, expenses, and changes in net position report information on the Center as a whole and on its activities. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as the Center's operating results.

These two statements report the Center's net position and changes in net position. The Center's net position - the difference between assets and liabilities - are a measurement of the Center's financial health, or financial position. Over time, increases or decreases in the Center's net position are an indicator of whether its financial health is improving or deteriorating. Numerous other non-financial factors, such as the quality of recreational services provided, the preservation of natural resources, and the condition and safety of the facilities are important in assessing the overall health of the Center.

These statements include assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The third statement, the statement of cash flows, presents detailed information about the cash activity of the Center during the year. The statement is divided into four parts. The first part presents operating cash flows and shows the net cash used by the operating activities of the Center. The second section reflects cash flows from non-capital items. The third section reflects cash flows from capital and related financing activities. The fourth section reconciles the net cash provided or used to the operating income or loss reflected on the statement of revenues, expenses, and changes in net position. The statement provides information regarding the entity's ability to generate future net cash flows, its ability to meet its obligations as they come due and its needs for external funding.

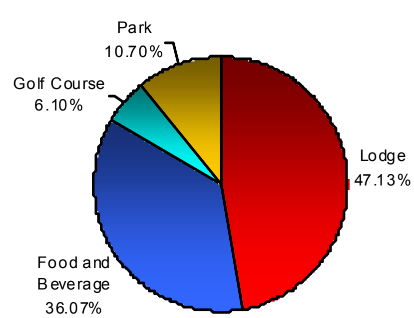
The following is a table of the Center's Statement of Net Assets for the years ended June 30, 2013, 2012 and 2011:

Statement of Net Assets, End of Year
June 30

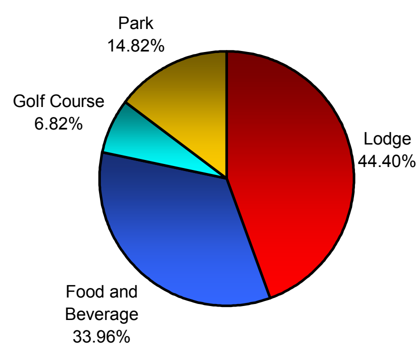
	2013	2012	2011
Current Assets	$ 641,713	$ 1,134,588	$ 1,247,318
Noncurrent Assents			
Deferred cost on OCIA Lease Restructure	101,776	135,702	169,627
Capital Assets, Net of Depreciation	19,112,672	19,747,252	20,047,949
Total Assets	19,856,161	21,017,542	21,464,894
Current Liabilities	1,202,433	1,269,774	864,996
Noncurrent Liabilities	2,834,588	3,301,196	3,648,784
Total Liabilities	4,037,021	4,570,970	4,513,780
Net Assets			
Investment in Capital Assets	15,862,553	16,149,679	16,217,841
Unrestricted	(43,413)	296,893	733,273
Restricted Expendable Net Assets	-	-	-
Total Net Assets	$ 15,819,140	$ 16,446,572	$ 16,951,114

Operating revenues and expenses for the fiscal years ended June 30, 2013, 2012 and 2011:

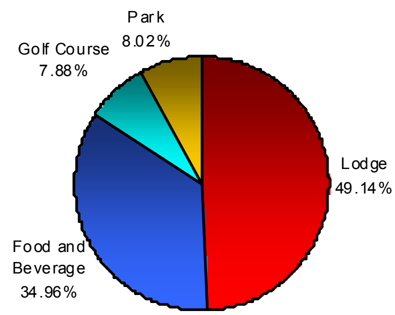
Operating Revenues 2013



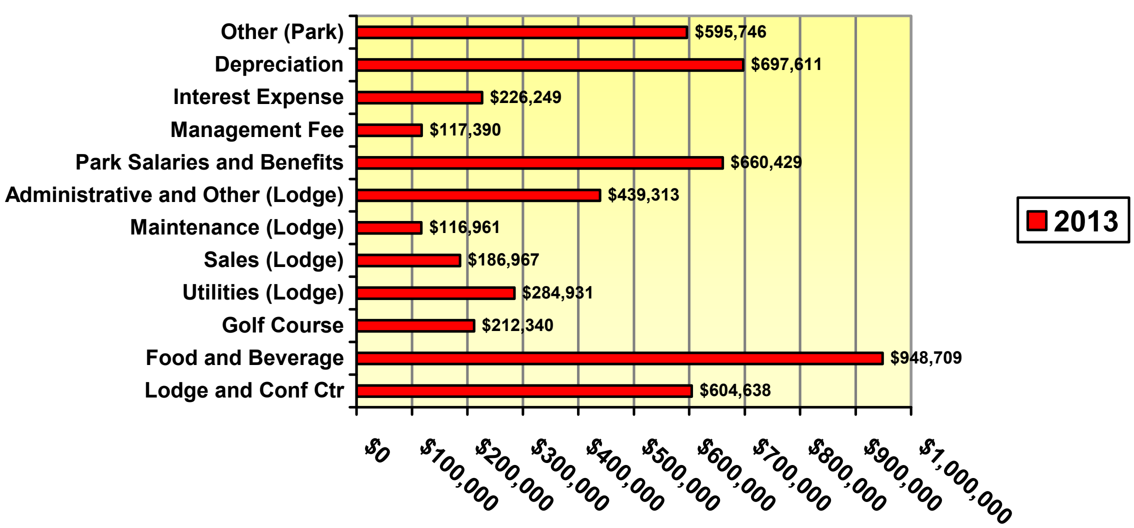
Operating Revenues 2012

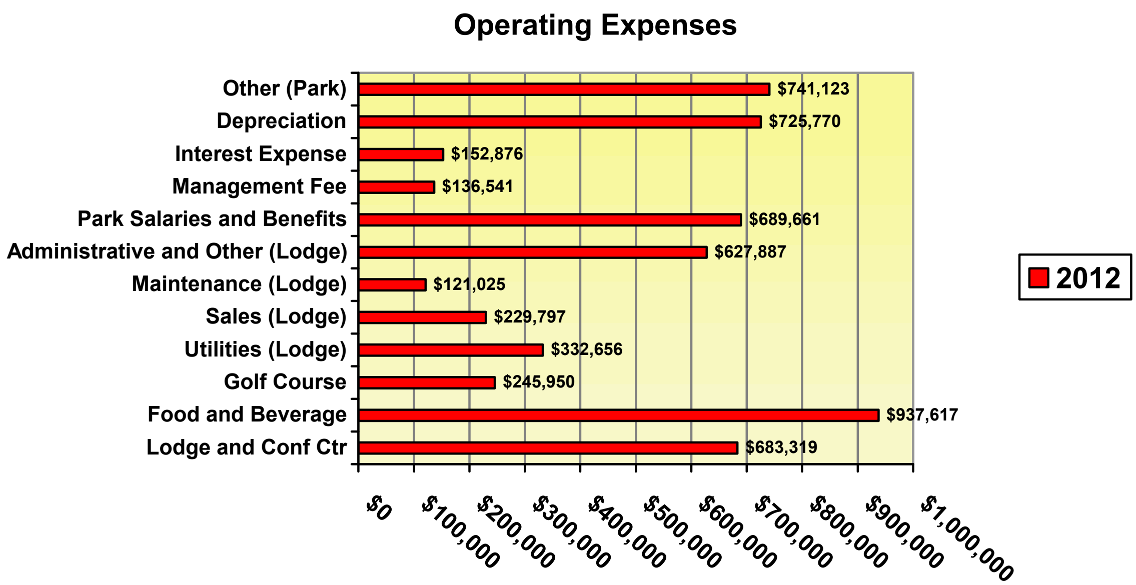


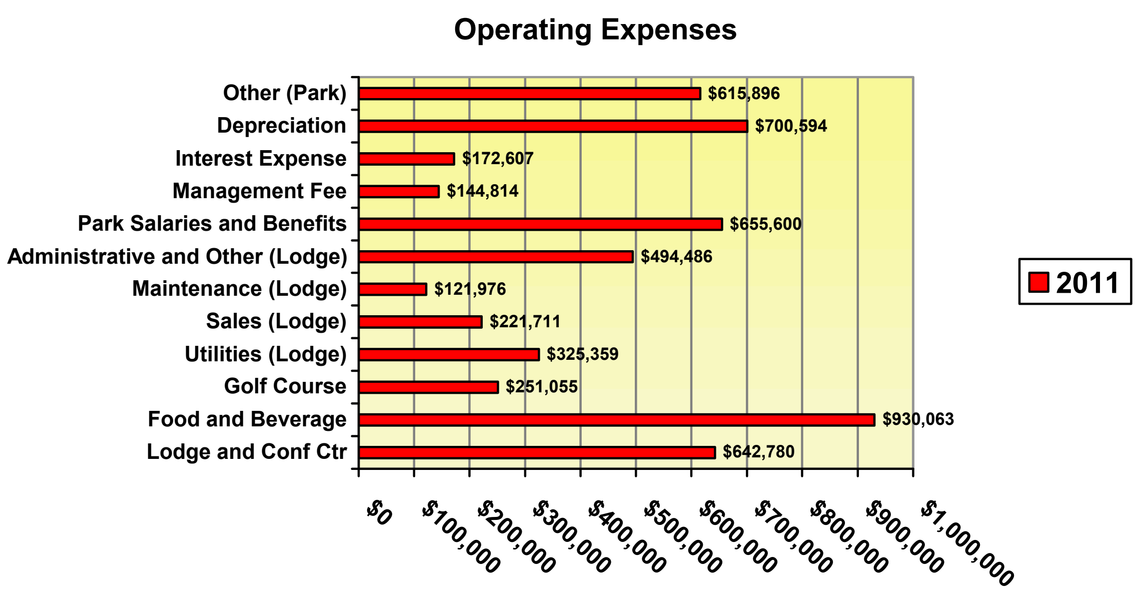
Operating Revenues 2011



Operating Expenses




Operating Expenses
Other (Park)
Depreciation
Interest Expense
Management Fee
Park Salaries and Benefits
Administrative and Other (Lodge)
Maintenance (Lodge)
Sales (Lodge)
Utilities (Lodge)
Golf Course
Food and Beverage
Lodge and Conf Ctr
$741,123
$725,770
$152,876
$136,541
$689,661
$627,887
$121,025
$229,797
$332,656
$245,950
$937,617
$683,319
$0
$100,000
$200,000
$300,000
$400,000
$500,000
$600,000
$700,000
$800,000
$900,000
$1,000,000
2012


Operating Expenses
Other (Park)
Depreciation
Interest Expense
Management Fee
Park Salaries and Benefits
Administrative and Other (Lodge)
Maintenance (Lodge)
Sales (Lodge)
Utilities (Lodge)
Golf Course
Food and Beverage
Lodge and Conf Ctr
$615,896
$700,594
$172,607
$144,814
$655,600
$494,486
$121,976
$221,711
$325,359
$251,055
$930,063
$642,780
$0
$100,000
$200,000
$300,000
$400,000
$500,000
$600,000
$700,000
$800,000
$900,000
$1,000,000
2011

Operating Results for the Years Ended
June 30

	2013	2012	2011
Operating Revenues			
Lodge and Conference Center	$ 1,299,452	$ 1,415,471	$ 1,553,060
Food and beverage	994,597	1,082,589	1,104,797
Golf course and pro shop	168,058	217,567	249,067
Park and other revenue	294,949	472,602	253,493
Total	2,757,056	3,188,229	3,160,417
Less Operating Expenses	4,865,035	5,471,346	5,104,334
Net Operating Loss	(2,107,979)	(2,283,117)	(1,943,917)
Non Operating Revenue (Expense)			
State Appropriations	1,121,219	1,175,895	1,189,531
On-behalf Contributions	491,483	392,332	401,017
Capital Contribution	-	380,257	-
Federal Grants	94,094	-	54,892
Interest Income	-	1,353	4,776
Interest Expense	(226,249)	(152,876)	(172,607)
Gain (loss) on disposal of assets	-	(18,386)	(1,911)
Total non operating revenue	1,480,547	1,778,575	1,475,698
Increase in Net Position	(627,432)	(504,542)	(468,219)
Net Position, Beginning of Year	16,446,572	16,951,114	17,419,333
Net Position, End of Year	$ 15,819,140	$ 16,446,572	$ 16,951,114

For the years ended June 30, 2013, June 30, 2012 and June 30, 2011, the Center's expenses exceeded revenues, creating a decrease in net assets of $627,432, $504,542 and $468,219 respectively.

Another way to assess the financial health of an institution is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps users assess an entity's ability to generate future net cash flows, its ability to meet its obligations as they come due and its needs for external financing.

Below is a condensed look at the statement of cash flows for fiscal years 2013, 2012 and 2011.

Cash Flows for the Years Ended June 30

	2013	2012	2011
Cash Provided (used) by:			
Operating activities	$ (1,410,606)	$ (1,219,134)	$ (1,397,759)
Noncapital financing activities	1,121,219	1,175,895	1,244,423
Capital and related financing activities	(36,104)	(2,123)	(93,585)
Net increase (decrease) in cash	(325,491)	(45,362)	(246,921)
Cash, beginning of the year	787,366	832,728	1,079,649
Cash, end of the year	$ 461,875	$ 787,366	$ 832,728

In fiscal year 2013, the Center's liquidity decreased by 41.34% as compared to a 5.45% decrease in 2012. The liquidity at year-end 2013 is reflective of a decrease in accrued expenses and receivables of approximately $249,000, which causes a short term negative impact to cash position. The liquidity at year-end 2012 is reflective of an increase in accrued expenses and payables of $471,000, which reflects a short term benefit to cash position.

Description of Capital Assets and Long-Term Debt Activity

At June 30, 2013, the Center had $19.11 million invested in capital assets, net of accumulated depreciation of $9.02 million. Net depreciation charges totaled $697,611 for the year ended June 30, 2013. Details of these assets are shown below for the years ended June 30, 2013, 2012 and 2011:

Capital Assets, Net, at Year-End June 30

	2013	2012	2011
Land	$ 278,393	$ 278,393	$ 278,393
Infrastructure	2,130,051	2,180,175	2,233,005
Land Improvements	2,546,530	2,657,162	2,818,661
Buildings	13,964,493	14,276,376	14,278,895
Equipment	193,205	278,963	363,810
Construction in Progress	-	76,183	75,185
Totals	$ 19,112,672	$ 19,747,252	$ 20,047,949

Planned capital expenditures for the fiscal year ending June 2012 were projects approved as part of the Higher Education Capital Bond Issue. Completed projects included HVAC repairs to the Performance Hall, HVAC for the Group Camp Community Building, Repairs to the Sundance Café Pergola, purchase of a golf cart storage unit, and pool repairs. In FY 2012, we saw the completion of the bond issue projects. In excess of 3.1 million dollars has been used for the following prioritized projects; Lodge remediation, Student Dormitory and Family Reunion Center design, Repair and Renovation to the Performance Hall and Arts Pavilions, completion of the Quartz Mountain Trail System, Infrastructure Improvement and ADA compliance projects, and Land Acquisition. Planned capital expenditures for FY 2013 will consist of utilizing an Oklahoma Department of Wildlife Conservation grant to refurbish the Lakeview Boat Ramp and the construction of two courtesy boat docks, along with roof repairs at the Performance Hall.

At June 30, 2013, the Center had $3.25 million in debt outstanding. The table below summarizes the outstanding debt by type for the years ended June 30, 2013, 2012 and 2011.

Outstanding Debt
June 30

	2013	**2012**	**2011**
OCIA Capital Lease - Series 2005F	$ 1,088,586	$ 1,171,891	$ 1,171,891
OCIA Capital Lease - Series 2004A	1,446,612	1,643,594	1,831,320
OCIA Capital Lease - Series 2010A	442,216	442,216	442,216
OCIA Capital Lease - Series 2010B	244,372	244,372	244,372
Master Lease - ODFA	28,333	95,500	161,083
	$ 3,250,119	$ 3,597,573	$ 3,850,882

More detailed information about the Center's outstanding debt is presented in Note E of the financial statements.

Economic Factors That Will Affect the Future

Lodge and Golf Course revenues continue to weaken and were down compared to last year due to the current state of the economy, low lake levels, and extreme heat conditions this past summer. FY 2013 revenues were $2,462,107 compared to FY 2012 revenues of $2,715,627, down $253,520. As a result of the continued decline in revenue and in an attempt to control costs and operate more efficiently, the Board of Trustees for the Center has moved to terminate the management agreement with Interstate Hotels & Resorts Inc. The move is designed to reduce operating costs associated with third-party management and provide greater control regarding staffing and operational expense. The State's economy and revenue situation is improving and we are in hopes that with aggressive sales strategies we can capture additional State Agency conference business. There has been and will continue to be increased local competition from the addition of three limited service hotels in Altus, Oklahoma. The Center will need to continue to focus on sales and marketing and look for new and diverse markets to accommodate the increased local competition for transient room business. Future growth and continued success of the Center will rely on our ability to attract additional business from other State and Regional markets. Management has focused on internet sales and social media to increase regional exposure and as a tool to drive revenue.

The Center's FY 2013 budget of $1,704,388 was relatively flat compared to the FY 2012 budget of $1,703,525. The Center's budget continues to suffer from the FY 2007 state appropriation reduction of over twenty-five percent (25%) or $398,546. Realizing that we continue to face a challenging economy and declining appropriations and resources, the Center's FY 2014 budget is once again very conservative. As a result of the termination of the management agreement with Interstate Hotels, the Center's FY 2014 budget will include the revenue and expenses for the Lodge and the Golf Course for the months October 2013 through June 2014. The FY 2014 budget was enhanced by the receipt of one time funding from the Oklahoma State Regents for Higher Education in the amount of $200,000. These funds will be used for expenses relative to the termination of the management agreement and the transition to self-management. The Center will continue to work for the restoration of the 2007 budget cut of 25% while realizing the importance of revenue growth for the continued viability of the Center.

During the 2008 Oklahoma legislative session, House Bill 2462 was passed. The bill significantly changed the governance structure of the Center to include the presidents of three regional colleges and universities. The new governance structure should greatly enhance the Center's opportunities for educational programming and business related to that programming. The Center entered into an agreement with these entities for a shared commitment to program development and support of the Center as a significant tourism destination for the region. The agreement is called the Quartz Mountain Educational Compact. The Center is also working with Altus AFB to develop a new campground which will have the potential for increased Park revenue in the future.

The Center will continue to monitor resources closely and look for opportunities for additional funding through grants and other resources that may now be available to the Center, since it is an integral part of the State System of Higher Education effective January 1, 2002. The Center still maintains a fifty (50) year agreement with the Oklahoma Arts Institute ("OAI") that continues the joint development of the Quartz Mountain Center as a cultural conference center and arts park and natural area preserve for Oklahoma, and formalizes the ongoing relationship between the OAI and the Quartz Mountain Center Board of Trustees as to the use and development of the Center.

Contacting the Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Quartz Mountain Arts and Conference Center and Nature Park Director's office at 43393 Scissortail Road, Lone Wolf, Oklahoma 73655.

Statements of Net Position

June 30,

	2013	2012
Assets		
Current assets		
Cash and cash equivalents	$ 461,875	$ 787,366
Accounts receivable	124,239	303,592
Inventory	37,171	34,404
Prepaid expense	18,428	9,226
Total current assets	641,713	1,134,588
Capital assets, net	19,112,672	19,747,252
Total assets	19,754,385	20,881,840
Deferred outflows of resources		
Deferred cost on OCIA lease restructure, net of accumulated amortization of $101,776	101,776	135,702
Total assets and deferred outflows of resources	$ 19,856,161	$ 21,017,542
Liabilities and Net Position		
Current liabilities		
Accounts payable	$ 245,421	$ 365,745
Accrued expenses	311,312	381,120
Advance	120,000	120,000
Deposits	38,021	31,419
Compensated absences	23,087	24,036
Capital leases	464,592	347,454
Total current liabilities	1,202,433	1,269,774
Noncurrent liabilities		
Compensated absences	49,061	51,077
Capital leases	2,785,527	3,250,119
Total noncurrent liabilities	2,834,588	3,301,196
Total liabilities	4,037,021	4,570,970
Net Position		
Invested in capital assets, net of related debt	15,862,553	16,149,679
Unrestricted net position	(43,413)	296,893
Total net position	15,819,140	16,446,572
Total liabilities and net position	$ 19,856,161	$ 21,017,542

The accompanying notes are an integral part of these financial statements.

Quartz Mountain Arts and Conference Center and Nature Park

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30,

	2013	2012
Operating revenues		
Lodge and conference center rental	$ 1,255,255	$ 1,344,401
Food and beverage	994,597	1,082,589
Golf course and pro shop	168,058	217,567
Other lodge and conference center revenue	44,197	71,070
Park revenue	294,949	472,602
Total operating revenue	2,757,056	3,188,229
Operating expenses		
Lodge and conference center rental	604,638	683,319
Food and beverage	948,709	937,617
Golf course and pro shop	212,340	245,950
Utilities - lodge and conference center	284,931	332,656
Sales - lodge and conference center	186,967	229,797
Maintenance - lodge and conference center	116,961	121,025
Administrative and other - lodge and conference center	439,313	627,887
Park and administration salaries and benefits	660,429	689,661
Management fee	117,390	136,541
Depreciation	697,611	725,770
Other park operating expenses	595,746	741,123
Total operating expenses	4,865,035	5,471,346
Net operating loss	(2,107,979)	(2,283,117)
Nonoperating revenues (expenses)		
State appropriations	1,121,219	1,175,895
On-behalf debt payments - capital leases	472,611	374,324
On-behalf pension contributions	18,872	18,008
Capital contribution	-	380,257
Federal grants and contracts	94,094	-
Interest income	-	1,353
Interest expense	(226,249)	(152,876)
Loss on disposal of assets	-	(18,386)
Net nonoperating revenues	1,480,547	1,778,575
Decrease in net position	(627,432)	(504,542)
Net position, beginning of year	16,446,572	16,951,114
Net position, end of year	$ 15,819,140	$ 16,446,572

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

Years ended June 30,

	2013	2012
Cash flows from operating activities		
Cash received from customers	$ 2,943,012	$ 3,178,735
Cash paid to vendors and suppliers	(2,708,950)	(2,679,772)
Cash paid to employees for services	(1,644,668)	(1,718,097)
Net cash used in operating activities	(1,410,606)	(1,219,134)
Cash flows from noncapital financing activities		
State appropriations	1,121,219	1,175,895
Net cash provided by noncapital financing activities	1,121,219	1,175,895
Cash flows from capital and related financing activities		
Proceeds from capital leases	-	441,336
Payment for acquisition of capital assets	(63,031)	(443,459)
Payments on capital leases	(67,167)	-
Federal grants and contracts	94,094	-
Net cash used in capital and related financing activities	(36,104)	(2,123)
Net increase (decrease) in cash	(325,491)	(45,362)
Cash and cash equivalents, beginning of year	787,366	832,728
Cash and cash equivalents, end of year	$ 461,875	$ 787,366
Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating loss	$ (2,107,979)	$ (2,283,117)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	697,611	725,770
Amortization expense	-	2,064
On-behalf pension contribution	18,872	18,008
Changes in assets and liabilities		
Accounts receivable	179,353	(9,494)
Inventory	(2,767)	15,527
Prepaid expense	(9,202)	1,609
Accounts payable and accrued expenses	(186,494)	310,499
Net cash used in operating activities	$ (1,410,606)	$ (1,219,134)

The accompanying notes are an integral part of these financial statements.

Note A - Summary of Significant Accounting Policies

The basic financial statements of Quartz Mountain Arts and Conference Center and Nature Park (the "Center") have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of significant accounting policies follows:

Reporting Entity

The Center, located in southwestern Oklahoma near Altus, is an integral part of the Oklahoma State System of Higher Education, operating under the jurisdiction of the Quartz Mountain Center Board of Trustees (the "Board") and the Oklahoma State Regents for Higher Education (the "Regents"). The Center is a component unit of the State of Oklahoma. The Center's mission is to develop, sustain, and protect a world-renowned education destination as a cultural conference center, arts park and natural preserve with recreational experiences compatible with that environment.

The Center, in its current legal form, was created by Senate Bill 567, effective January 1, 2002. This legislation transferred the Center's real property, buildings, personnel and many contractual obligations from the Oklahoma Tourism and Recreation Department to the Board.

The three main operational components are the lodge and an arts conference center (the "Lodge"), the golf course, and the nature park. The Lodge and the golf course operate under a management agreement dated March 1, 2009, with Interstate Hotels, Inc. ("Interstate"). Under the terms of the management agreement, Interstate is responsible for managing the daily operations of the Lodge and golf course, including revenue collection, payment of operating expenses, and oversight of Lodge and golf course employees. The Board is obligated to pay Interstate a base monthly management fee of 5 percent of the gross operating revenues generated by the Lodge and the golf course and to provide Interstate the necessary funds to pay the operating costs of the Lodge and golf course. During the years ended June 30, 2013 and 2012, the Center paid Interstate management fees totaling approximately $117,000 and $271,000, respectively. The agreement with Interstate was terminated subsequent to year-end.

The Oklahoma Arts Institute ("OAI") has been, and continues to be, one of the Center's primary customers. The OAI conducts the Oklahoma Summer Arts Institute, an institute for gifted and talented fine arts high school students, and the Oklahoma Fall Arts Institute, an institute for teachers and adult artists, at the Center's facilities. In 1987, the OAI and Oklahoma Tourism and Recreation Department agreed on a 20 year partnership for the joint development of the Center as an arts and conference facility. In the spring of 2002, the Board approved a new 50 year agreement similar to the prior agreement the OAI had with the Oklahoma Tourism and Recreation Department. This agreement continues the joint development of the Center as a cultural conference center and arts park and natural area preserve for Oklahoma, and formalizes the ongoing relationship between the OAI and the Board.

Note A - Summary of Significant Accounting Policies - Continued

Reporting Entity - Continued

Under the terms of the agreement, OAI has an option to lease, for its exclusive use, at its sole discretion and at a predetermined rate, the Center's facilities for a consecutive period of not more than six weeks in June or July of each year, and for up to five days (Wednesday through Sunday) in not more than four of the twelve weeks during the months of September, October and November of each year. OAI must exercise its option to lease for all, or part, of the agreed periods by January 1 of the calendar year.

Note B - Basis of Presentation

1. *Basis of Accounting*

The financial statements are presented on the accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the accounting period in which the liability is incurred. The Center has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989.

2. *Use of Estimates*

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from these estimates.

3. *Cash and Cash Equivalents*

The Center considers all demand deposit accounts and investments with original maturities of three months or less to be cash equivalents.

4. *Inventories*

Consisting primarily of Center food and beverages and the golf pro shop, inventories are stated at the lower of cost (first-in, first-out) or market.

5. *Capital Assets*

Capital assets are stated at historical cost or estimated historical cost at the date of acquisition, or fair market value at the date of donation in the case of gifts, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The useful life of buildings and infrastructure has been estimated at 50 years, land improvements at 25 years, and equipment at 7 years. Maintenance and repairs are charged to operations. The Center's policy is to capitalize purchases in excess of $500 with an estimated useful life of greater than one year.

Note B - Basis of Presentation - Continued

5. Capital Assets - Continued

Amortization expense related to assets under capital leases is included with depreciation expense. Land acquired prior to 1950 has been recorded at the estimated historical cost or estimated fair market value at the time of donation, based on land transaction documents for similar property transactions from the estimated time period the land was acquired. The estimates of historical costs of buildings constructed prior to 1995 were based on appraised value indexed to the date of acquisition.

6. Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. State employees accrue 15 to 25 days of annual vacation per year, based on length of service. Unused annual leave may be accumulated to a maximum of 480 hours. All accrued leave is payable upon termination, resignation, retirement, or death. The liability for compensated absences also includes amounts due to Interstate for its employees' accrued leave. Interstate's employees are able to carryover up to 40 hours of unused vacation time each year.

7. Accounts Receivable

Management considers all receivables as of June 30, 2013 and 2012 to be fully collectible; therefore, no allowance for doubtful accounts has been established. Receivables consist primarily of amounts due from the Oklahoma Arts Institute.

8. Net Position

Equity is classified as net position and displayed in three components:

a. *Invested in capital assets, net of related debt* - consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any notes or other borrowings attributable to those assets.
b. *Restricted net position* - consists of net position with constraints placed on the use either by external groups, laws or enabling legislation. The Center has no restricted net position.
c. *Unrestricted net position* - all other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The Center incurred a deficit in unrestricted net position as a result of the operations of its lodge.

9. Income Taxes

As a political subdivision of the State of Oklahoma, the Center is exempt from federal income taxes pursuant to Section 115(1) of the Internal Revenue Code, as amended. However, the Center may be subject to income taxes on unrelated business income under Internal Revenue Code Section 511 (a)(2)(B).

Note C - Cash

A summary of cash and cash equivalents shown in the statement of net position is as follows:

	June 30	
	2013	2012
Deposits with the State Treasurer	$ 406,877	$ 736,424
U.S. financial institutions	48,198	44,942
Petty cash and change funds	6,800	6,000
Total cash and cash equivalents	$ 461,875	$ 787,366

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, deposits may not be returned or the Center will not be able to recover collateral securities that are in the possession of an outside party.

Oklahoma Statutes require the State Treasurer to ensure that all state funds either be insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The Center's deposits with the State Treasurer are pooled with the funds of other State Agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the Treasurer may determine, in the State's name.

Deposits in financial institutions, reported as components of cash and cash equivalents, had a bank balance of $32,715 and 18,745 at June 30, 2013 and 2012. There was no custodial credit risk exposure at June 30, 2013 and 2012.

Note D - Capital Assets

A summary of property, plant, and equipment activity for fiscal 2013 is as follows:

	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Capital assets, not being depreciated:					
Land	$ 278,393	$ -	$ -	$ -	$ 278,393
Construction-in-progress	76,183	10,706	(86,889)	-	-
Total capital assets, not being depreciated	354,576	10,706	(86,889)	-	278,393
Capital assets, being depreciated:					
Buildings	19,506,141	48,900	25,643	-	19,580,684
Equipment	1,250,484	3,425	-	-	1,253,909
Infrastructure	2,911,005	-	8,261	-	2,919,266
Land improvements	4,047,359	-	52,985	-	4,100,344
Total capital assets, being depreciated	27,714,989	52,325	86,889	-	27,854,203
Total capital assets	28,069,565	63,031	-	-	28,132,596
Less accumulated depreciation for:					
Buildings	(5,229,765)	(386,426)	-	-	(5,616,191)
Equipment	(971,521)	(89,183)	-	-	(1,060,704)
Infrastructure	(730,830)	(58,385)	-	-	(789,215)
Land improvements	(1,390,197)	(163,617)	-	-	(1,553,814)
Total accumulated depreciation	(8,322,313)	(697,611)	-	-	(9,019,924)
Capital assets, net	$ 19,747,252	$ (634,580)	$ -	$ -	$ 19,112,672

Note D - Capital Assets - Continued

A summary of property, plant, and equipment activity for fiscal 2012 is as follows:

	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Capital assets, not being depreciated:					
Land	$ 278,393	$ -	$ -	$ -	$ 278,393
Construction-in-progress	75,185	998	-	-	76,183
Total capital assets, not being depreciated	353,578	998	-	-	354,576
Capital assets, being depreciated:					
Buildings	19,190,113	418,706	-	(102,678)	19,506,141
Equipment	1,245,619	18,365	-	(13,500)	1,250,484
Infrastructure	2,905,615	5,390	-	-	2,911,005
Land improvements	4,047,359	-	-	-	4,047,359
Total capital assets, being depreciated	27,388,706	442,461	-	(116,178)	27,714,989
Total capital assets	27,742,284	443,459	-	(116,178)	28,069,565
Less accumulated depreciation for:					
Buildings	(4,911,218)	(402,839)	-	84,292	(5,229,765)
Equipment	(881,809)	(103,212)	-	13,500	(971,521)
Infrastructure	(672,610)	(58,220)	-	-	(730,830)
Land improvements	(1,228,698)	(161,499)	-	-	(1,390,197)
Total accumulated depreciation	(7,694,335)	(725,770)	-	97,792	(8,322,313)
Capital assets, net	$ 20,047,949	$ (282,311)	$ -	$ (18,386)	$ 19,747,252

Note E - Long Term Liabilities

Long-term liabilities consist of capital leases and compensated absences. Activity for the years ended June 30, 2013 and 2012 are as follows:

	Year Ended June 30, 2013				
	Beginning Balance	Refinances / Additions	Refinances / Reductions	Ending Balance	Amounts Due Within One Year
Capital lease - OCIA 2005F	$ 1,171,891	$ -	$ (83,305)	$ 1,088,586	$ 87,238
Capital lease - OCIA 2004A	1,643,594	-	(196,982)	1,446,612	206,866
Capital lease - OCIA 2010A	442,216	-	-	442,216	-
Capital lease - OCIA 2010B	244,372	-	-	244,372	142,155
Master lease - ODFA	95,500	-	(67,167)	28,333	28,333
Total	3,597,573	-	(347,454)	3,250,119	464,592
Compensated absences	75,113	46,077	(49,042)	72,148	23,087
Total long-term liabilities	$ 3,672,686	$ 46,077	$ (396,496)	$ 3,322,267	$ 487,679

	Year Ended June 30, 2012				
	Beginning Balance	Refinances / Additions	Refinances / Reductions	Ending Balance	Amounts Due Within One Year
Capital lease - OCIA 2005F	$ 1,171,891	$ -	$ -	$ 1,171,891	$ 83,305
Capital lease - OCIA 2004A	1,831,320	-	(187,726)	1,643,594	196,982
Capital lease - OCIA 2010A	442,216	-	-	442,216	-
Capital lease - OCIA 2010B	244,372	-	-	244,372	-
Master lease - ODFA	161,083	-	(65,583)	95,500	67,167
Total	3,850,882	-	(253,309)	3,597,573	347,454
Compensated absences	75,311	28,525	(28,723)	75,113	24,036
Total long-term liabilities	$ 3,926,193	$ 28,525	$ (282,032)	$ 3,672,686	$ 371,490

Note E - Long Term Liabilities - Continued

In December 1995, the Oklahoma Capital Improvement Authority ("OCIA") issued State Agency Facility Revenue Bonds, Series 1995B. OCIA allocated $12,545,000 of the bond issue to the Oklahoma Tourism and Recreation Department (the "Department") for the purpose of providing recreational facilities or repairing, refurbishing, and improving existing recreational facilities. In return, the Department signed a lease agreement with OCIA to make specified monthly payments over 15 years. The Department's Quartz Mountain facility was responsible for paying approximately 29.65 percent of the total monthly payments. In 2003, OCIA refinanced years 2007-2011 of these Facility Revenue Bonds with Series 2003E.

In September 1999, OCIA issued State Facilities Revenue Bonds, Series 1999A. OCIA allocated $3,500,000 of the bond issue to the Department for the completion of the Center. In return, the Department signed a lease agreement with OCIA to make specified monthly payments over 20 years. In 2004, OCIA refinanced its State Facilities Revenue Bonds, Series 1999A for years 2010-2020 with Series 2004A.

In December 1995, the Southwestern Oklahoma Development Authority ("SWODA") issued Lease Purchase Revenue Note Series 1995 for $200,000 for the purpose of financing the construction of a building to be used as a golf pro shop at the Department's Quartz Mountain facility. In return, the Department signed a lease agreement with SWODA to make specified monthly payments for 15 years.

By law, all of these obligations were transferred to the Center as of January 1, 2002. During the years ended June 30, 2013 and 2012, all of the payments for the Series 1999A, Series 2003E and Series 2004A bonds were paid on behalf of the Center by the Regents. The Center has reflected the reduction in principal and interest expense for the payments made by the Regents in its financial statements for the years ended June 30, 2013 and 2012.

In 2005, the OCIA issued its State Facilities Revenue Bonds (Higher Education Project) Series 2005F and 2005G. Of the total bonded indebtedness, the State Regents allocated approximately $3,122,000 to the Center. Concurrently with the allocation, the Center entered into a lease agreement with OCIA for the projects being funded. The proceeds of the bonds and subsequent leases are to provide for capital improvements of the Center. In 2011, OCIA refinanced its State Facilities Revenue Bonds, Series 2005F for budgetary relief for fiscal years 2011 and 2012 by extending and restructuring debt services. OCIA issued two new State Facilities Revenue Bonds, Series 2010A and 2010B. This lease restructuring has extended certain principal payments into the future, resulting in a cost on restructuring. A deferred cost asset of $203,552, net of accumulated amortization of $101,776, is recorded in the statement of net position. The deferred cost will be amortized over 6 years. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of $837,862 which also approximates the economic cost of the lease restructuring.

Note E - Long Term Liabilities - Continued

Through June 30, 2013 and 2012, the Center has drawn down $3,628,799 of its total allotment, for expenses incurred in connection with the specific projects. During that same period, the Center has earned $548,300 in interest. Lease payments to OCIA totaling approximately $472,611 and $374,324 during the years ended June 30, 2013 and 2012, respectively, were made by the State of Oklahoma on-behalf of the Center. These on-behalf payments have been recorded in the statement of revenues, expenses and changes in net position.

In December 2008, the Center entered into a $315,000 master lease agreement with the Oklahoma Development Finance Authority ("ODFA") to fund the purchase of golf cars and other equipment.

The cost of capital assets relating to the capital leases included in the statements of net position totaled approximately $10,977,000 at June 30, 2013 and 2012 and the accumulated depreciation related to these assets was approximately $2,220,000 and $2,067,000 at June 30, 2013 and 2012, respectively.

Future minimum payments under the capital leases are as follows:

Year Ending June 30:	Principal	Interest	Total
2014	$ 464,592	$ 179,250	$ 643,842
2015	454,427	161,643	616,070
2016	373,780	114,115	487,895
2017	391,510	96,281	487,791
2018	410,530	77,279	487,809
2019 - 2023	386,409	224,159	610,568
2024 - 2028	445,018	127,031	572,049
2029 - 2032	323,853	16,639	340,492
Total	$ 3,250,119	$ 996,397	$ 4,246,516

Note F - Retirement Programs

Effective January 1, 2002, all employees were transferred from the Department to the Center. Employees who were members of the Oklahoma Public Employees Retirement System ("OPERS") or the Oklahoma Law Enforcement Retirement System ("OLERS") could elect to remain with the retirement system of which they were members, or transfer their membership to the Teachers' Retirement System of Oklahoma ("TRS"). Persons employed after January 1, 2002, are members of either TRS or OLERS, as appropriate. All employees at January 1, 2002 elected to retain their memberships in their existing retirement system.

Oklahoma Public Employees Retirement System ("OPERS")

Plan Description - OPERS is a multiple employer, cost sharing public employee defined benefit pension plan. Benefit provisions are established and can be amended by the Oklahoma Legislature. The plan provides retirement, disability, and death benefits. Title 74 of the Oklahoma statutes, Section 901 through 943, as amended, provides more complete information about the plan. OPERS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73152.

Funding Policy - The contribution rates for each member category of the plan are established by, and can be amended by, the Oklahoma Legislature and are based on an actuarial calculation performed to determine the adequacy of contributed rates. The employee contribution rate for the fiscal year ended June 30, 2013 and each of the preceding two years was 3.5 percent. The agency contribution rates applied to each participating state employee's salary for the fiscal year ended June 30, 2013 and each of the preceding two years was 16 percent.

The Center's contributions to the plan for the three years ended June 30, 2013, 2012 and 2011 of approximately $22,000, $27,000, and $29,000, respectively, were equal to the required contributions.

Oklahoma Law Enforcement Retirement System ("OLERS")

Plan Description - OLERS is a cost-sharing single-employer defined benefit pension plan. Pension benefit provisions were established by statute and can be amended by State Legislature. The plan provides participants with retirement, death and disability benefits, a deferred option plan, and supplemental health benefits. OLERS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to OLERS, 4545 N. Lincoln Boulevard, Suite 257, Oklahoma City, Oklahoma 73105-3414.

Note F - Retirement Programs - Continued

Oklahoma Law Enforcement Retirement System ("OLERS") - Continued

Funding Policy - The contribution rates for each member category of the plan are established by, and can be amended by, the Oklahoma Legislature. The contribution rates applied to each participating state employee's salary for the fiscal year ended June 30, 2013 and the preceding two years were 8 percent for the employee, and 10 percent for the employer. The Center's contributions to the plan for the years ended June 30, 2013, 2012, and 2011 of approximately $50,000, $43,000, and $12,000, respectively, were equal to the established required contributions.

Oklahoma Teachers' Retirement System (“OTRS")

Plan Description - The Center contributes to OTRS, a cost-sharing multiple-employer defined benefit pension plan sponsored by the State of Oklahoma. OTRS provides defined retirement benefits based on members' final compensation, age and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members.

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 117.9, as amended, assigns the authority for management and operation of the plan to the Board of Trustees of OTRS. OTRS issues a publicly available financial report that includes financial statements and supplementary information for OTRS. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Oklahoma 73152, by calling (405) 521-2387, or at the OTRS website at www.ok.gov/TRS.

Funding Policy - The Center is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate of 9.5 percent in fiscal years 2013 and 2012 is applied to annual compensation, and is determined by state statute.

Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7 percent of covered salaries and fringe benefits in 2013, 2012, and 2011. These contributions were made directly by the Center for 2013 and 2012.

Contributions to OTRS for the year ended June 30, 2013, 2012, and 2011 were approximately $41,000, $14,000, and $48,000 and equal to the required contributions. These contributions included the Center's statutory contribution and the share of the employee's contribution paid directly by the Center.

The State of Oklahoma is required to contribute 5.00 percent of state revenues from sales and use taxes and individual income taxes to OTRS on behalf of participating employers. State contributions totaled $18,872, $18,008, and $14,467 during fiscal years 2013, 2012, and 2011, respectively.

Note F - Retirement Programs - Continued

401(k) Plan

Interstate Hotels and Resorts administer a 401(k) plan for full-time and part-time associates of the Lodge and golf course. There are no eligibility requirements. Participants may elect to contribute up to 20 percent of their pre-tax wages, subject to annual IRS dollar limits. Interstate provided a 25 percent discretionary match of the first 6 percent of participant savings through December 31, 2008. The company match was discontinued for the 2009 calendar year. The match was reinstated January 2011, matching the first 2 percent of participant savings. Matching contributions vest 20 percent per year for each full year of continuous employment. Participants are immediately vested in their deferrals. During 2013, 2012, and 2011 employer contributions were $4,214, $4,505 and $1,944, respectively.

Note G - Other Postemployment Benefits

In addition to the pension benefits described in Note F, the OLERS and OPERS pay the Medicare supplement insurance premium or $105 per month, whichever is less, for all retirees who elect coverage at the time of retirement through the Oklahoma State and Education Employees Group Insurance Board.

OLERS and OPERS fund postemployment health care benefits on a pay-as-you-go basis as part of the overall retirement benefit. Expenditure and participant information is available for the state as a whole; however, information specific to the Center is not available or reasonably estimable.

Note H - Risk Management

The Risk Management Division of the state's Department of Central Services is responsible for the acquisition and administration of all insurance purchased by the state and for administration of self insurance plans and programs adopted for use by the state.

The Risk Management Division is authorized to settle claims of the state and oversee the dispensation and/or settlement of claims against a political subdivision. In no event shall self-insurance coverage provided to the state, or agency or other covered entity, exceed the limitation on the maximum dollar amount of liability specified by the Oklahoma Governmental Tort Claims Act.

The Risk Management Division also oversees the collection of liability claims owed to the state incurred as the result of a loss through the wrongful or negligent act of a private person or other entity. The Risk Management Division is also charged with the responsibility to immediately notify the Attorney General of any claims against the state presented to the Risk Management Division.

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; employee health,

Note H - Risk Management - Continued

life and accident benefits; unemployment; and natural disasters. The Center maintains commercial insurance coverage for claims arising from such matters other than torts, property, worker's compensation, and unemployment. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The Center, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program and State Insurance Fund, public entity risk pools currently operating as a common risk management and insurance program for its members. The Center pays an annual premium to the pools for its torts, property, and workers' compensation insurance overages. The Oklahoma Risk Management Pool's governing agreement specifies that the pools will be self sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

The Center is self-insured for unemployment liabilities. Payments are made to the State Employment Security Commission on a claims paid basis. No reserve for potential liability for unemployment claims has been established. Any such liability is expected to be immaterial and would be paid from current operations.

Note I - Commitments and Contingencies

During the ordinary course of business, the Center may be subjected to various lawsuits and civil action claims. There were no pending lawsuits or claims against the Center at June 30, 2013 or 2012 that management believes would result in a material loss in the event of an adverse outcome.

Note J - Concentration of Revenue

The Center receives a substantial portion of its revenue from state appropriations and would, therefore, be significantly impacted by government cutbacks in those appropriations.

Note K - Adoption of Governmental Accounting Standards Board (GASB) Statements No. 63 and 65

In 2013, the Center adopted GASB Statement No. 63 - *Financial Reporting of Deferred Outflows, Deferred Inflows of Resources and Net Position* and GASB Statement No. 65 - *Items Previously Reported as Assets and Liabilities*. Statement No. 63 establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The Statement specifies that the statement of net position should report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Statement 63 also specifies that the statement of net position should report the residual amount as net position rather than net assets. Under this statement, net position should be displayed in three components similar to those currently required for net assets; net investment in capital assets, restricted, and unrestricted.

Statement No. 65 clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Statement No. 65 reclassifies and

Note K - Adoption of Governmental Accounting Standards Board (GASB) Statements No. 63 and 65 – Continued

recognizes certain items currently being reported as assets and liabilities as one of four financial statement elements: deferred outflows of resources, outflows of resources, deferred inflows of resources, or inflows of resources. Under GASB 65, the Center is required to present the deferred cost on OCIA lease restructure described in Note E as deferred outlows of resources in the statement of net position.

Note L - New Accounting Pronouncements

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

Fiscal Year Ended June 30, 2015
- Statement No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27

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

Internal Control and Compliance Report

Stanfield & O'Dell PC
Beyond numbers. To solutions.
CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's 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***

To the Board of Trustees of the Quartz Mountain Arts
And Conference Center and Nature Park

We have audited the financial statements of Quartz Mountain Arts and Conference Center and Nature Park (the "Center") as of and for the year ended June 30, 2013, and have issued our report thereon October 25, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

This report is intended solely for the information and use of the Board of Trustees, management, and the State of Oklahoma and is not intended to be and should not be used by anyone other than these specified parties.

Tulsa, Oklahoma
October 25, 2013

Stanfield & O'Dell P.C.