INTERCOLLEGIATE ATHLETICS PROGRAM ACCOUNTS OF OKLAHOMA STATE UNIVERSITY

June 30, 2011

COLE + REED P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INTERCOLLEGIATE ATHLETICS PROGRAM ACCOUNTS
OF OKLAHOMA STATE UNIVERSITY

June 30, 2011

Audited Financial Statements

Independent Auditors' Report

Board of Regents
Oklahoma Agricultural and Mechanical Colleges

We have audited the accompanying statements of net assets of the Intercollegiate Athletics Program Accounts of Oklahoma State University (the "University Athletics Program") as of June 30, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. We have also audited the financial statements of Cowboy Athletics, Inc., a separately presented component unit, as of December 31, 2010 and 2009 and for the years then ended, which collectively comprise the University Athletics Program's basic financial statements. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of the University Athletics Program referred to above do not include the financial information of Cowboy Athletics. Rather a complete set of financial statements of Cowboy Athletics are presented separately.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Cowboy Athletics were audited in accordance with auditing standards generally accepted in the United States of America, but not audited in accordance with *Government Auditing Standards.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University Athletics Program and the separately presented component unit as of June 30, 2011 and 2010 and the changes in its net assets and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2011, on our consideration of the University Athletics Program internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

The accompanying financial statements have been prepared from the separate records maintained by management of Oklahoma State University and may not necessarily be indicative of the conditions that would have existed or the results of operations if the University Athletics Program had been operated as an unaffiliated entity. Portions of certain revenues and expenses represent allocations made from items applicable to Oklahoma State University as a whole.

The University Athletics Program has not presented Management's Discussion and Analysis that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 14, 2011

Intercollegiate Athletics Program Accounts
of Oklahoma State University

STATEMENTS OF NET ASSETS
June 30,

	2011	2010
ASSETS		
Current assets		
Cash and cash equivalents	$ 12,066,842	$ 5,387,228
Accounts receivable, net of allowances	1,245,361	6,076,680
Prepaid expenses	877,072	817,319
Total current assets	14,189,275	12,281,227
Noncurrent assets		
Cash and cash equivalents	2,245,496	2,346,959
Investments	741	5,961
Accounts receivable - Cowboy Athletics, Inc.	5,000,000	5,000,000
Accounts receivable - student fees	69,973	65,638
Other assets	-	111,360
Capital assets, net of accumulated depreciation	364,715,684	369,933,482
Total noncurrent assets	372,031,894	377,463,400
TOTAL ASSETS	386,221,169	389,744,627
LIABILITIES		
Current liabilities		
Accounts payable	92,394	57,579
Due to other University funds and accounts	327,272	111,154
Accrued expenses	109,692	80,410
Accrued interest payable	1,748,476	1,146,480
Deferred revenue	13,294,031	12,434,453
Accrued compensated absences	135,657	121,161
Current portion of revenue bonds, notes payable, and lease obligations	2,715,000	3,329,167
Total current liabilities	18,422,522	17,280,404
Noncurrent liabilities		
Accrued compensated absences	1,821,267	1,752,321
Accounts payable for capital assets	-	342,766
Notes payable	4,995,000	5,605,000
Revenue bonds payable	87,370,000	89,475,000
Total noncurrent liabilities	94,186,267	97,175,087
TOTAL LIABILITIES	112,608,789	114,455,491
NET ASSETS		
Invested in capital assets, net of debt	269,635,684	271,524,315
Unrestricted for:		
Debt Service	508,741	873,322
Capital Projects	-	121,532
Unrestricted - other	3,467,955	2,769,967
TOTAL NET ASSETS	$ 273,612,380	$ 275,289,136

See notes to financial statements.

Intercollegiate Athletics Program Accounts
of Oklahoma State University

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended June 30,

	2011	2010
Operating revenues		
Ticket sales	$ 22,672,580	$ 23,640,296
Conference income	13,588,418	12,570,471
Multi-media	4,311,250	6,395,000
Concessions	671,484	748,270
Guarantees	488,027	249,975
Other operating revenues	4,029,840	3,964,337
Student activity fees	102,008	120,008
Total operating revenues	45,863,607	47,688,357
Operating expenses		
Compensation and employee benefits	21,561,251	20,575,919
Travel	4,731,488	4,336,502
Financial aid	5,509,320	5,113,514
Maintenance	1,563,344	1,278,729
Athletics and small equipment purchases	1,237,301	1,114,359
Guarantees	1,589,520	2,260,063
Insurance	624,998	679,382
Other operating expenses	10,126,815	9,548,004
Telephone	171,630	180,714
Utilities	1,975,831	1,371,783
Depreciation and amortization	9,788,789	5,276,634
Total operating expenses	58,880,287	51,735,603
Operating loss	(13,016,680)	(4,047,246)
Nonoperating revenues (expenses)		
Investment income	44,710	31,089
Athletics student fee and use tax	2,395,812	2,289,115
Gifts from OSU Foundation	8,613,500	2,533,000
Interest expense	(4,159,306)	(3,032,362)
Net nonoperating revenues	6,894,716	1,820,842
Loss before other revenues, expenses, gains and losses	(6,121,964)	(2,226,404)
Capital provided by affiliates	4,445,208	149,906,438
Gain on disposal of fixed assets	-	378,522
Net increase (decrease) in net assets	(1,676,756)	148,058,556
Net assets - beginning of year	275,289,136	127,230,580
Net assets - end of year	$ 273,612,380	$ 275,289,136

See notes to financial statements.

Intercollegiate Athletics Program Accounts of Oklahoma State University

STATEMENTS OF CASH FLOWS
Year Ended June 30,

	2011	2010
Cash flows from operating activities		
Ticket sales	$ 23,529,120	$ 23,226,130
Other operating receipts	28,021,049	19,429,262
Payments to employees for salaries and benefits	(21,448,527)	(20,389,667)
Payments to suppliers	(27,339,067)	(25,877,154)
Net cash provided by (used in) operating activities	2,762,575	(3,611,429)
Cash flows from noncapital financing activities		
Gifts from OSU Foundation	8,613,500	2,533,000
Cash flows from investing activities		
Purchases of investments	(1,551,039)	(3,131,759)
Proceeds from sales of investments	1,556,259	3,131,518
Interest received on investments	44,710	31,089
Net cash provided by investing activities	49,930	30,848
Cash flows from capital and related financing activities		
Cash paid for capital assets	(468,549)	(38,124,460)
Repayments of capital debt and leases	(3,329,167)	(15,847,916)
Interest paid on capital debt and leases	(3,557,310)	(3,098,165)
Proceeds of capital debt	111,360	52,500,445
Student fees restricted for capital projects	2,395,812	2,289,115
Net cash used in capital and related financing activities	(4,847,854)	(2,280,981)
Net increase (decrease) in cash and cash equivalents	6,578,151	(3,328,562)
Cash and cash equivalents, beginning of year	7,734,187	11,062,749
Cash and cash equivalents, end of year	$ 14,312,338	$ 7,734,187

Intercollegiate Athletics Program Accounts of Oklahoma State University

STATEMENTS OF CASH FLOWS
Year Ended June 30,

	2011	2010
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating loss	$ (13,016,680)	$ (4,047,246)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation and amortization	9,788,789	5,276,634
Changes in assets and liabilities		
Accounts receivable	4,826,984	(4,435,475)
Prepaid expenses	(59,753)	9,222
Accounts Payable	34,815	3,360
Due to other funds and accounts	216,118	(6,686)
Accrued payroll	29,282	6,117
Deferred revenue	859,578	(597,490)
Compensated absences	83,442	180,135
Net cash provided by (used in) operating activities	$ 2,762,575	$ (3,611,429)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS		
Cash and cash equivalents classified as current assets	$ 12,066,842	$ 5,387,228
Cash and cash equivalents classified as noncurrent assets	2,245,496	2,346,959
	$ 14,312,338	$ 7,734,187
NONCASH CAPITAL AND RELATED FINANCING TRANSACTIONS		
Fixed assets acquired by gifts from affiliates	$ 4,445,208	$ 149,906,438
Change in accounts payable for capital assets	$ (342,766)	$ 342,766

See notes to financial statements.

Intercollegiate Athletics Program Accounts
of Oklahoma State University

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The accompanying financial statements include the accounts of the intercollegiate athletics department of Oklahoma State University (the "University"). The University is governed by the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the "Board of Regents") and is a component unit of the State of Oklahoma (the "State"). For purposes of these financial statements, the intercollegiate athletics department is referred to as the "University Athletics Program".

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

Cowboy Athletics, Inc. ("CAI") is a not-for-profit Oklahoma corporation organized to support the Oklahoma State University (the "University") athletic organizations and other educational programs associated with the University. Although CAI is legally a 501(c) (3) not-for-profit organization, it follows pronouncements issued by the GASB, because it is considered a component unit of the University and its activities and operations are closely integrated with the intercollegiate athletic organizations of the University. CAI operates under a December 31 fiscal year-end. The financial statements of CAI have been separately presented.

Financial Statement Presentation: As a component unit of the State of Oklahoma, the University (which includes the University Athletics Program) presents its financial statements in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB Statements No. 34 and 35 provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows.

Basis of Accounting: The University Athletics Program's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

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

Cash Equivalents: The University Athletics Program considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Investments: The University Athletics Program accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses and changes in net assets.

Accounts Receivable: Accounts receivable generally consist of amounts due from students and faculty for athletic tickets, amounts reimbursable from the Oklahoma State University Foundation (the "OSU Foundation") and other amounts related to the operations of the athletics department. Accounts receivable are recorded net of estimated uncollectible amounts.

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

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University Athletics Program's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life of greater than one year. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 50 years for buildings, 20 to 25 years for land improvements and 5 to 7 years for equipment.

Deferred Revenue: Deferred revenue consists primarily of amounts received for athletic events and activities prior to the end of the fiscal year but related to the subsequent accounting period.

Compensated Absences: The liability and expense incurred for employee vacation pay are recorded as accrued vacation payable in the statements of net assets, and as a component of compensation and benefit expense in the statements of revenues, expenses and changes in net assets.

Noncurrent Liabilities: Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable and capital lease obligations; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

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

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

Restricted net assets - expendable: Restricted expendable net assets include resources in which the University Athletics Program 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 the ongoing operations of the University Athletics Program. These resources may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University Athletics Program's policy is to use prudent decision processes to determine which resources will be applied based on availability of funding, donor intent, and returns available from idle funds

Income Taxes: The University is exempt from income taxes under Section 115(1) of the Internal Revenue Code, as amended. As a department of the University, the University Athletics Program is also exempt from income taxes.

Classification of Revenues: The University Athletics Program has classified its revenues as either operating or nonoperating revenues in accordance with the guidelines established by GASB Statement No. 34.

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 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

New Pronouncements--Continued: In 2011, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. 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 provisions 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.

Management has not yet determined the effect, if any, of adoption of these GASB statements for the financial statements.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

At June 30, 2011 and 2010, the carrying amount of the University Athletics Program's cash and cash equivalents was $14,312,338 and $7,734,187, respectively. This amount consisted of funds held in operating accounts ($11,996,842 and $5,317,228), deposits with trustees related to the various bond indenture agreements ($2,245,496 and $1,994,021), unexpended plant funds for capital projects ($0 and $352,938) and petty cash and change funds ($70,000).

By Oklahoma Statute, the State Treasurer is required to ensure that all state funds are either insured by the Federal Deposit Insurance Corporation ("FDIC"), collateralized by securities held by the cognizant Federal Reserve Bank or invested in U.S. Government obligations. Any deposits with the State Treasurer are pooled with funds of other state agencies, and then in accordance with statutory limitations, placed in financial institutions or invested as the State Treasurer may determine, in the State's name.

The University Athletics Program requires that balances on deposit with financial institutions be insured by the FDIC or collateralized by securities held by the cognizant Federal Reserve Bank, in the University Athletics Program's name.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS--Continued

<u>Investments</u>
At June 30, 2011 and 2010, the University Athletics Program had investments aggregating $741 and $5,961, respectively. These investments are held by the trustee bank as required by the bond indenture agreement. The trustee bank purchases and sells investments on behalf of the University. Investments consist of U.S. Government securities at June 30, 2011 and 2010, respectively. All investments are reported at cost, which approximates fair value.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30:

	2011	2010
Athletic tickets	$ 150,878	$ 147,840
Receivable from Cowboy Athletics, Inc.	5,000,000	5,000,000
Receivables from operations	1,150,740	5,978,090
	6,301,618	11,125,930
Less allowance for doubtful accounts	56,257	49,250
	$ 6,245,361	$ 11,076,680

Accounts receivable at June 30, 2011 and 2010 includes a contribution receivable from CAI of $5,000,000 which is due in 2012. CAI and the University Athletics Program are renegotiating the terms of this agreement. The University expects the revised due date to exceed one year and therefore the receivable is classified as non-current. As of June 30, 2011, the University knows of no impairment that would result in nonpayment of this receivable. The University Athletics Program is continually monitoring the status of this receivable, through review of the CAI financial statements and discussions with CAI management. If the University Athletics Program determines that this receivable has become impaired to the extent that collection, either in full or in part, is not likely, the University Athletics Program will provide an impairment loss at that time.

NOTE 4 - RELATED PARTY TRANSACTIONS

The Oklahoma State University Foundation

Nature of Relationship - The Oklahoma State University Foundation (the "OSU Foundation") is a not-for-profit corporation formed to promote and foster the educational, benevolent and scientific purposes of the University, and to create a fund to be used for any program, project or enterprise undertaken in the interest of the University, and to promote and foster educational and cultural interests in the State and southern and southwestern regions of the United States.

Description of Operations - The OSU Foundation acts largely as a fund-raising organization: soliciting, receiving, managing and disbursing contributions on behalf of the University. Most of the contributions received are designated by the donors to be used for specific departments, including the University Athletics Program. In these instances, it serves essentially as a conduit, making the funds available as needed. Related party transactions and funds held by the OSU Foundation on behalf of the University Athletics Program are as follows during fiscal years:

	2011	2010
Fund collected on behalf of the University or University Athletics Program	$ 41,683,368	$ 56,117,168
Fund disbursed to or on behalf of the University or University Athletics Program	22,252,880	30,885,612
Net assets held on behalf of or for the benefit of the University or University Athletics Program at June 30	86,472,959	64,220,079

In March 2005, in connection with the renovation of the football stadium, the OSU Foundation agreed to provide up to $40,000,000 to assist the University in funding the project. The OSU Foundation and the University have entered into a financing agreement that grants the OSU Foundation a right of offset in current and future pledges received by the OSU Foundation toward the project and other funds held by the OSU Foundation for the benefit of the University Athletics Program. On July 27, 2007, an amendment to the agreement was executed which reduced the total amount available from $40,000,000 to $26,162,000 and replaced the previously designated security with a guaranty from a third party guarantor. As funds are drawn down they are reflected as capital provided by affiliates in the Statements of Revenues, Expenses and Changes in Net Assets. For the years ended June 30, 2010 and 2009, the University Athletics Program did not draw down any funds. In March 2010, CAI made a $5,162,000 payment to the OSU Foundation reducing the principal to $21,000,000. In addition, this debt was transferred to CAI in May 2010 with the same third party guarantor.

NOTE 4 - RELATED PARTY TRANSACTIONS - CONTINUED

Cowboy Athletics, Inc.

Nature of Relationship - CAI is a not-for-profit Oklahoma corporation organized to support the University men's and women's golf teams, other athletic organizations affiliated with the University and other educational programs associated with the University.

CAI is governed by a seven-member Board of Directors, three of whom serve by virtue of their association with the University. The remaining four members are elected by the members. Although the University Athletics Program does not control the timing or amount of receipts from CAI, the majority of resources or income thereon that CAI holds and invests are restricted to the activities of the University Athletics Program by the donors. Because these restricted resources held by CAI can only be used by, or for the benefit of, the University Athletics Program, CAI is considered a component unit of the University Athletics Program and is separately presented.

CAI also operates a golf course ("Karsten Creek") and related facilities in Stillwater, Oklahoma. The golf course is primarily utilized as a teaching and practice facility by the University for the men's and women's golf teams. Use of the course is also open to golf course members and others based on established membership and usage fee schedules.

Net assets held on behalf of or for the benefit of the University Athletics Program by Athletics at December 31, 2011 and 2010 were $(15,040,000) and $22,851,000, respectively.

NOTE 5 - CAPITAL ASSETS

Following are the changes in capital assets for the years ended June 30:

	2011				
	Balance June 30, 2010	Additions	Transfers	Disposals	Balance June 30, 2011
COST OF CAPITAL ASSETS					
Buildings	$ 370,890,224	$ 4,445,208	$ 372,998	$ -	$ 375,708,430
Land improvements	8,483,041	-	-	-	8,483,041
Equipment	2,349,760	95,550	-	(17,012)	2,428,298
Land	39,037,764	-	-	-	39,037,764
Construction in progress	342,766	30,232	(372,998)	-	-
Total cost of capital assets	421,103,555	4,570,990	-	(17,012)	425,657,533
ACCUMULATED DEPRECIATION					
Buildings	(43,292,441)	(9,215,857)	-	-	(52,508,298)
Land improvements	(6,132,320)	(378,214)	-	-	(6,510,534)
Equipment	(1,745,311)	(194,718)	-	17,012	(1,923,017)
Total accumulated depreciation	(51,170,072)	(9,788,789)	-	17,012	(60,941,849)
NET BOOK VALUE	$ 369,933,483	$ (5,217,799)	$ -	$ -	$ 364,715,684

Intercollegiate Athletics Program Accounts of Oklahoma State University

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE 5 - CAPITAL ASSETS - CONTINUED

	2010				
	Balance June 30, 2009	Additions	Transfers	Disposals	Balance June 30, 2010
COST OF CAPITAL ASSETS					
Buildings	$ 181,605,389	$ 149,906,438	$ 39,378,397	$ -	$ 370,890,224
Land improvements	8,483,041	-	-	-	8,483,041
Equipment	2,730,984	124,586	-	(505,810)	2,349,760
Land	39,037,764	-	-	-	39,037,764
Construction in progress	1,000,000	38,721,162	(39,378,397)	-	342,765
Total cost of capital assets	232,857,178	188,752,186	-	(505,810)	421,103,554
ACCUMULATED DEPRECIATION					
Buildings	(38,580,987)	(4,711,454)	-	-	(43,292,441)
Land improvements	(5,754,106)	(378,214)	-	-	(6,132,320)
Equipment	(2,064,155)	(186,966)	-	505,810	(1,745,311)
Total accumulated depreciation	(46,399,248)	(5,276,634)	-	505,810	(51,170,072)
NET BOOK VALUE	$ 186,457,930	$ 183,475,552	$ -	$ -	$ 369,933,482

Intercollegiate Athletics Program Accounts of Oklahoma State University

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE 6 - LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2011 and 2010 is as follows:

	2011				
	Beginning balance	Additions	Reductions	Ending Balance	Current portion
Revenue bonds payable	$ 92,155,000	$ -	$ (2,680,000)	$ 89,475,000	$ 2,105,000
Notes payable	6,200,000	-	(595,000)	5,605,000	610,000
ODFA lease obligation	54,167	-	(54,167)	-	-
	98,409,167	-	(3,329,167)	95,080,000	2,715,000
Other liabilities					
Accrued compensated absences	1,873,482	219,099	(135,657)	1,956,924	135,657
Accounts payable for capital assets	342,766	-	(342,766)	-	-
	2,216,248	219,099	(478,423)	1,956,924	135,657
	$ 100,625,415	$ 219,099	$ (3,807,590)	$ 97,036,924	$ 2,850,657

	2010				
	Beginning balance	Additions	Reductions	Ending Balance	Current portion
Revenue bonds payable	$ 54,915,000	$ 52,385,000	$ (15,145,000)	$ 92,155,000	$ 2,680,000
Notes payable	6,775,000	-	(575,000)	6,200,000	595,000
ODFA lease obligation	182,083	-	(127,916)	54,167	54,167
	61,872,083	52,385,000	(15,847,916)	98,409,167	3,329,167
Other liabilities					
Accrued compensated absences	1,693,347	301,296	(121,161)	1,873,482	121,161
Accounts payable for capital assets	-	342,766	-	342,766	342,766
	1,693,347	644,062	(121,161)	2,216,248	463,927
	$ 63,565,430	$ 53,029,062	$ (15,969,077)	$ 100,625,415	$ 3,793,094

NOTE 6 - LONG-TERM LIABILITIES - CONTINUED

Revenue bonds payable consist of 1.32% to 5.01% Athletic Facilities Revenue Bonds, Series 2003 and 2004, and the General Revenue Bonds, Series 2010 A and B with an outstanding balance of $89,475,000 and $92,155,000 at June 30, 2011 and 2010, respectively, which mature in varying amounts to August 1, 2040. The Athletic Facilities Revenue Bonds, Series 2003 and 2004, and the General Revenue Bonds, Series 2010 A and B, are part of a project to construct, improve, renovate and enlarge athletic facilities.

Principal and interest on these 2003 and 2004 revenue bonds are collateralized by a pledge of revenues generated from the use and services of the University Athletics Program, dedicated use taxes, revenues derived from donor or priority seating collected by the OSU Foundation, and a security agreement extended by the OSU Foundation under which certain contributions to the OSU Foundation for athletic facilities have been pledged. The Athletic Facilities Revenue Bonds, Series 2003 and 2004, are subject to redemption prior to maturity at the option of the Board of Regents on August 1, 2013; and, August 1, 2014, respectively.

The University has secured insurance contracts with an insurance company to cover the reserve requirements in the debt agreements.

The General Revenue Bonds, Series 2010 A and B, are collateralized by a pledge of revenues of the General University. While General University revenues are pledged, the payment of these liabilities will be made by the Athletic Department.

In August 1998, the University entered into a $10,865,000 note payable agreement to fund renovations of the Gallagher-Iba Arena and the football stadium. The note was collateralized by a pledge of Section 13 and New College Funds, and is held by the Oklahoma Development Finance Authority ("ODFA"), which issued bonds to fund the renovations. This note also had a subordinate lien on the athletics revenues, subject in all respects to payments on the 1998 bonds. In August 2003, the University refunded the 1998 note payable by use of a new note payable agreement in the amount of $9,430,000. This note is also held by the ODFA and is collateralized by a pledge of Section 13 and New College Funds. It is payable in annual installments through July 1, 2018. Interest is payable semiannually each January 1 and July 1 at variable annual interest rates ranging from 3.63% to 4.35%.

NOTE 6 - LONG-TERM LIABILITIES - CONTINUED

The scheduled maturities of the revenue bonds and note payable are as follows for the years ending June 30:

	Bonds	Note	Total principal	Interest	Total Payments
2012	2,105,000	610,000	2,715,000	4,113,973	6,828,973
2013	2,170,000	635,000	2,805,000	4,034,831	6,839,831
2014	2,145,000	660,000	2,805,000	3,949,278	6,754,278
2015	2,205,000	680,000	2,885,000	3,855,927	6,740,927
2016	2,290,000	710,000	3,000,000	3,753,214	6,753,214
2017-2021	12,830,000	2,310,000	15,140,000	16,943,196	32,083,196
2022-2026	16,000,000	-	16,000,000	13,552,591	29,552,591
2027-2031	20,040,000	-	20,040,000	9,416,334	29,456,334
2032-2036	21,620,000	-	21,620,000	4,156,675	25,776,675
2037-2040	8,070,000	-	8,070,000	746,550	8,816,550
	$ 89,475,000	$ 5,605,000	$ 95,080,000	$ 64,522,569	$ 159,602,569

Defeased Revenue Bonds

In December 2004, the University defeased a portion of the Athletic Facilities Revenue Bonds, Series 1998, by placing funds in an irrevocable trust to provide future debt service payments of the defeased bonds. These bonds have been escrowed to maturity (August 1, 2018) and the principal balance of the defeased 1998 bonds at June 30, 2011 was $7,665,000.

In May 2010, the University defeased the remaining Athletic Facilities Revenue Bonds, Series 1998, with the issuance of the General Revenue Bonds, Series 2010A. The 1998 bonds were called on June 24, 2010, and the principal balance of the defeased bonds at June 30, 2010 was zero.

Oklahoma Development Finance Authority Master Lease Program

In March 2001, the ODFA issued the Oklahoma State System of Higher Education Master Lease Revenue Bonds, Series 2001A. Of the total bond indebtedness, the State Regents for Higher Education allocated $5,560,000 to Oklahoma State University, of which $2,255,000 was designated for the University Athletics Program. Of this designation, approximately $225,000 was applied to debt service reserve funds. In addition, approximately $25,000 was applied to closing costs which are being amortized over the term of the bonds. Such amounts, net of accumulated amortization, are recorded in other assets at June 30, 2011 and 2010, respectively. At June 30, 2011 and 2010, the University Athletics Program has drawn down its entire allotment and there is no receivable remaining. Also at June 30, 2011, all lease payments had been made and there are no future minimum lease payments remaining.

NOTE 7 - RISK MANAGEMENT

Due to the diverse risk exposure of the University and its constituent agencies, the insurance portfolio contains a comprehensive variety of coverage. Oklahoma Statutes require participation of all State agencies in basic tort, educator's legal liability, property and casualty programs, and fidelity bonding provided by the State of Oklahoma Department of Central Services Risk Management Division (the "SRMD"). In addition to these basic policies, the University's Department of Risk and Property Management establishes enterprise risk management guidelines for risk assessment, risk avoidance, risk acceptance and risk transfer.

The University and individual employees are provided sovereign immunity when performing official business within the scope of their employment under the Oklahoma Governmental Tort Claims Act. For risks not protected by sovereign immunity, it is the internal policy of the University's Risk and Property Management department to accept initial risk in the form of retention or deductibles only to the extent that funds are available from the University's general operations or a funded reserve to maintain this risk.

Beyond acceptable retention levels, risk transfer is practiced by purchasing conventional insurance coverage directly or through the SRMD. These coverages are outlined as follows:

- The buildings and contents are insured for replacement value. Each loss incident is subject to a $500,000 deductible, of which $50,000 is the obligation of the University's Athletics Program.
- Out-of-state and out-of-country comprehensive general liability, auto liability, aircraft liability, watercraft liability, leased vehicles, equipment, and fidelity bonds are acquired by the University from the SRMD. To complement coverage provided by State Statute and to meet specific coverage requirements for special grants and/or contracts, additional coverage is purchased based on specific departmental and institutional needs and risks, but the related risks are not considered material to the University as a whole. Claim settlements have not exceeded insurance coverage in each of the past three fiscal years.

Self-Funded Programs

The University's life insurance program was self-funded through December 31, 2003. Effective January 1, 2004, life waivers for disabled employees and their dependents were all that remained in the self-funded plan. Reserves were established at the onset of disability to pay the claims. Effective January 1, 2004, the University's life coverage is handled through an insured plan.

NOTE 7 - RISK MANAGEMENT - CONTINUED

Self-Funded Programs - Continued

Through June 30, 1999, the University's health care programs were also self-funded. Effective July 1, 1999, the University terminated its self-insurance program, and participated in the State self-insurance program through December 31, 2007. Effective January 1, 2008, the University began participation in an insured program with BlueCross BlueShield of Oklahoma as the provider. The University believes that there is no exposure to pay run-off claims for the previous self-insured program at June 30, 2011.

The University's workers' compensation program is also self-funded and is administered by a third party. The University maintains a cash deposit with the administrator and reimburses the administrator for claims paid and administrative expenses on a monthly basis. Benefits provided are prescribed by State law and include lump-sum payments for rated disabilities, in addition to medical expenses and a portion of salary loss resulting from a job-related injury or illness. The University records a liability for workers' compensation in its financial statements based on annual actuarial valuations.

The University's unemployment compensation insurance program is also self-funded. Unemployment benefits that separated employees receive are determined by Oklahoma Statutes and are administered by the Oklahoma Employment Security Commission ("OESC"). As a reimbursing employer, the University is billed quarterly by the OESC for benefits paid to former employees. The Board of Regents for the Oklahoma Agricultural and Mechanical Colleges requires that the University maintain a minimum of $700,000 in reserve to cover claims. This minimum cash balance is considered each year during the rate-setting process.

NOTE 8 - COMMITMENTS AND CONTINGENT LIABILITIES

The University is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of University management, the ultimate resolution of these matters will not have a material adverse effect upon the University's or the University Athletics Program's financial position.

During fiscal year 2006, the Board of Regents approved a campus master plan for the University, which included the creation of an athletic village north of campus. The planned expansion includes approximately 100 acres of privately held property expected to be acquired by arms-length transactions. The land will be used to upgrade, recreate and expand virtually all athletic venues. The OSU Foundation transferred the Boone Pickens Stadium to the University Athletics Program in June 2010 at a value of $149,906,438. In fiscal year 2011, the final transfer was made for the Boone Pickens Stadium in the amount of $4,445,208. The acquisitions are reflected as capital provided by affiliates in the Statement of Revenues, Expenses and Changes in Net Assets of the University Athletics Program for the year ended June 30, 2011 and 2010.

APPENDIX A
COWBOY ATHLETICS, INC.

Audited Consolidated Financial Statements

COWBOY ATHLETICS, INC.

December 31, 2010

COLE + REED P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Audited Consolidated Financial Statements

COWBOY ATHLETICS, INC.

December 31, 2010

COLE + REED P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Directors
Cowboy Athletics, Inc.
Stillwater, Oklahoma

We have audited the accompanying consolidated statements of net assets of Cowboy Athletics, Inc. and its subsidiaries (collectively referred to as "the Corporation"), as of December 31, 2010 and 2009, and the related consolidated statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Cole & Reed P.C.

Oklahoma City, Oklahoma
July 6, 2011

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COWBOY ATHLETICS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (MD&A) of the activities and financial performance of Cowboy Athletics, Inc. (the "Corporation") provides an introduction to the consolidated financial statements as of and for the years ended December 31, 2010 and 2009.

The Corporation (formerly OSU Cowboy Golf, Inc.) began operations in September 2003, and is a non-profit organization under §501(c) (3) of the Internal Revenue Code. The Corporation is considered a component unit of Oklahoma State University.

FINANCIAL HIGHLIGHTS

At December 31, 2010, 2009, and 2008, the Corporation's net assets were:

	December 31, 2010	December 31, 2009	December 31, 2008
Assets	$ 82,540,000	$ 126,469,000	$ 226,442,000
Liabilities	$ 97,580,000	$ 103,618,000	$ 84,274,000
Net assets (deficit)			
Invested in capital assets	$ 14,666,000	$ 15,132,000	$ 14,229,000
Restricted -			
Expendable for OSU Athletics	2,280,000	11,482,000	150,705,000
Non-expendable	2,562,000	2,562,000	2,562,000
Unrestricted net assets	(34,548,000)	(6,325,000)	(25,328,000)
Total net assets (deficit)	$ (15,040,000)	$ 22,851,000	$ 142,168,000

For the year ended December 31, 2010, the Corporation's operating revenues were positive revenues of $4,140,000, compared to positive revenues of $42,405,000 in 2009 and negative revenues of $166,432,000 in 2008. For the year ended December 31, 2010, the Corporation experienced a decrease in net assets of $37,891,000, compared to a decrease in net assets of $119,317,000 in 2009 and a decrease in net assets of $196,946,000 in 2008.

USING THIS ANNUAL REPORT

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

The statements of net assets and the statements of revenues, expenses, and changes in net assets report information on the Corporation as a whole and on its activities. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets.

These two statements report the Corporation's net assets and changes in them. The Corporation's net assets - the difference between assets and liabilities - are one way to measure the Corporation's financial health, or financial position. Over time, increases or decreases in the Corporation's net assets are an indicator of whether its financial health is improving or deteriorating. Numerous other nonfinancial 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 financial condition of the Corporation.

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 statements of cash flows, presents detailed information about the cash activity of the Corporation during the year. The statements are divided into five parts (when applicable). The first part presents operating cash flows and shows the net cash provided by the operating activities of the Corporation. The second section reflects cash flows from capital and related financing activities. The third section reflects cash flows from investing activities. The fourth section reconciles the net cash provided by operating activities to the operating income or loss reflected on the statements of revenues, expenses, and changes in net assets. The statements provide 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.

CONDENSED STATEMENTS OF NET ASSETS

	December 31, 2010		2009		2008	
ASSETS						
Current assets	$	47,013,000	$	52,157,000	$	26,581,000
Noncurrent assets		35,527,000		74,312,000		199,861,000
Total Assets		82,540,000		126,469,000		226,442,000
LIABILITIES						
Current liabilities		40,546,000		56,685,000		20,908,000
Noncurrent liabilities		57,034,000		46,933,000		63,366,000
Total Liabilities		97,580,000		103,618,000		84,274,000
NET ASSETS (DEFICIT)						
Invested in capital assets, net		14,666,000		15,132,000		14,229,000
Restricted						
Expendable for OSU Athletics		2,280,000		11,482,000		150,705,000
Non-expendable		2,562,000		2,562,000		2,562,000
Unrestricted		(34,548,000)		(6,325,000)		(25,328,000)
Total Net Assets (Deficit)	$	(15,040,000)	$	22,851,000	$	142,168,000

At December 31, 2010, 2009 and 2008, current assets consisted primarily of cash and cash equivalents, short-term investments, and prepaid interest expense. Noncurrent assets consisted of long-term investments; cash surrender value of life insurance policies, and capital assets, net of accumulated depreciation.

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The following summarizes the Corporation's statements of revenues, expenses, and changes in net assets for the years ended December 31, 2010, 2009 and 2008:

	2010		2009		2008	
OPERATING REVENUES						
Contributions	$ 2,856,000	69.0%	$ 33,859,000	79.9%	$ 91,750,000	-55.1%
Food and beverage	1,970,000	47.6%	1,755,000	4.1%	1,527,000	-0.9%
Golf course operations	1,769,000	42.7%	1,873,000	4.4%	2,027,000	-1.2%
Investment income	(2,455,000)	-59.3%	4,918,000	11.6%	(261,736,000)	157.2%
Total Operating Revenues	4,140,000	100.0%	42,405,000	100.0%	(166,432,000)	100.0%
OPERATING EXPENSES						
Salaries and benefits	1,688,000	25.1%	1,643,000	18.9%	1,438,000	6.0%
Life insurance expense	1,113,000	16.5%	3,138,000	36.1%	12,905,000	53.5%
OSU budgetary contribution	322,000	4.8%	389,000	4.5%	6,366,000	26.4%
Depreciation	633,000	9.4%	618,000	7.1%	598,000	2.5%
Other operating expenses	2,972,000	44.2%	2,908,000	33.4%	2,802,000	11.6%
Total Operating Expenses	6,728,000	100.0%	8,696,000	100.0%	24,109,000	100.0%
Operating Income (loss)	(2,588,000)		33,709,000		(190,541,000)	
NONOPERATING EXPENSES						
Interest expense	4,148,000		2,851,000		4,715,000	
Other capital contributions to OSU	31,155,000		150,175,000		1,690,000	
Total Nonoperating Expenses	35,303,000		153,026,000		6,405,000	
Change in net assets	(37,891,000)		(119,317,000)		(196,946,000)	
Net Assets at Beginning of Year	22,851,000		142,168,000		339,114,000	
Net Assets (Deficit) at End of Year	$ (15,040,000)		$ 22,851,000		$ 142,168,000	

Operating revenues administered by the Corporation for the current period are listed with their respective percentages (as a percentage of total operating revenues).

Operating expenses incurred by the Corporation for the current period are listed with their respective percentages (as a percentage of total operating expenses).

Nonoperating expenses are primarily comprised of interest expense and capital contributions to OSU.

CONDENSED STATEMENTS OF CASH FLOWS

The primary purpose of the statements 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 cash flows, ability to meet obligations as they come due, and needs for external financing. The following summarizes the Corporation's cash flows for the years ended December 31, 2010, 2009 and 2008:

	2010	2009	2008
Cash Provided (Used) By			
Operating activities	$ (818,000)	$ 25,817,000	$ 64,157,000
Capital financing activities	(375,000)	(6,595,000)	(163,994,000)
Investing activities	-	(21,300,000)	106,775,000
Net change in cash	(1,193,000)	(2,078,000)	6,938,000
Cash at Beginning of Year	5,445,000	7,523,000	585,000
Cash at End of Year	$ 4,252,000	$ 5,445,000	$ 7,523,000

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets at December 31, 2010, 2009 and 2008

At December 31, 2010, 2009 and 2008, the Corporation had $31,538,000, $69,220,000, and $191,588,000, respectively, invested in capital assets, net of accumulated depreciation of $5,260,000, $4,627,000, and $4,009,000, respectively. Depreciation charges totaled $633,000, $618,000, and $598,000 for the years ended December 31, 2010, 2009 and 2008, respectively.

More detailed information about the Corporation's capital assets is presented in Note D to the financial statements.

Outstanding Debt at December 31, 2010, 2009 and 2008

At December 31, 2010, 2009 and 2008, the Corporation had $89,089,000, $92,816,000, and $68,273,000, respectively, in debt outstanding, of which $37,055,000, $50,883,000, and $9,907,000, respectively, was considered current and $52,034,000, $41,933,000, and $58,366,000, respectively, was considered noncurrent.

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

CONSOLIDATED STATEMENTS OF NET ASSETS

COWBOY ATHLETICS, INC.

	December 31 2010	December 31 2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 4,252,000	$ 5,445,000
Investments	39,045,000	41,481,000
Restricted investments	2,280,000	2,644,000
Derivative instrument	968,000	651,000
Receivables, net	213,000	757,000
Inventories	126,000	155,000
Prepaid and other	129,000	1,024,000
TOTAL CURRENT ASSETS	47,013,000	52,157,000
NONCURRENT ASSETS		
Restricted investments	2,562,000	2,562,000
Cash surrender value of cancelled life insurance policies	1,427,000	2,530,000
Capital assets		
Capital assets being depreciated, net	10,420,000	10,916,000
Capital assets not being depreciated	21,118,000	58,304,000
	31,538,000	69,220,000
TOTAL NONCURRENT ASSETS	35,527,000	74,312,000
TOTAL ASSETS	82,540,000	126,469,000
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	1,032,000	2,765,000
Accrued expenses	2,159,000	397,000
Retainage payable	9,000	2,336,000
Other current liabilities	24,000	20,000
Unearned revenues	267,000	284,000
Current portion of long-term debt	37,055,000	50,883,000
TOTAL CURRENT LIABILITIES	40,546,000	56,685,000
NONCURRENT LIABILITIES		
Contribution payable to related party	5,000,000	5,000,000
Long-term debt, net of current portion	52,034,000	41,933,000
TOTAL NONCURRENT LIABILITIES	57,034,000	46,933,000
TOTAL LIABILITIES	97,580,000	103,618,000
NET ASSETS (DEFICIT)		
Invested in capital assets, net of related debt	14,666,000	15,132,000
Restricted		
Expendable for OSU Athletics	2,280,000	11,482,000
Non-expendable	2,562,000	2,562,000
Unrestricted net assets (deficit)	(34,548,000)	(6,325,000)
TOTAL NET ASSETS (DEFICIT)	$ (15,040,000)	$ 22,851,000

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

COWBOY ATHLETICS, INC.

	Year Ended December 31	
	2010	2009
OPERATING REVENUES		
Contributions - unrestricted	$ 2,856,000	$ 33,859,000
Food and beverage	1,970,000	1,755,000
Golf course rounds	370,000	386,000
Golf course pro shop	339,000	270,000
Golf course lodge	164,000	185,000
Golf course membership	653,000	776,000
Golf instruction	67,000	75,000
Other revenue	176,000	181,000
Interest and dividends	28,000	53,000
Realized and unrealized gains (losses)	(2,483,000)	4,865,000
TOTAL OPERATING REVENUES	4,140,000	42,405,000
OPERATING EXPENSES		
Food and beverage cost of goods sold	1,148,000	1,125,000
Golf course proshop cost of goods sold	216,000	170,000
Life insurance expense	1,113,000	3,138,000
Contributions to OSU for budget support	322,000	389,000
Salaries	1,688,000	1,643,000
Depreciation	633,000	618,000
Professional fees	254,000	284,000
Supplies	163,000	145,000
Insurance	217,000	233,000
Repairs and maintenance	189,000	171,000
Payroll and property taxes	144,000	145,000
Equipment rental	113,000	110,000
Utilities	183,000	168,000
Laundry service	46,000	51,000
Credit card processing fees	59,000	49,000
Fuel	20,000	15,000
Other operating expenses	220,000	242,000
TOTAL OPERATING EXPENSES	6,728,000	8,696,000
NET OPERATING INCOME (LOSS)	(2,588,000)	33,709,000
NONOPERATING EXPENSES		
Interest expense	4,148,000	2,851,000
Capital Contributions to OSU	31,155,000	150,175,000
NONOPERATING EXPENSES	35,303,000	153,026,000
CHANGE IN NET ASSETS	(37,891,000)	(119,317,000)
NET ASSETS AT BEGINNING OF PERIOD	22,851,000	142,168,000
NET ASSETS AT END OF PERIOD	$ (15,040,000)	$ 22,851,000

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

COWBOY ATHLETICS, INC.

	Year Ended December 31	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash contributions received from the OSU Foundation and others	$ 2,856,000	$ 33,859,000
Cash received from members and guests	4,266,000	3,012,000
Cash paid to suppliers and employees	(7,968,000)	(11,150,000)
Cash (paid) received for life insurance policies	-	43,000
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(846,000)	25,764,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment for acquisition of capital assets	(5,554,000)	(28,173,000)
Proceeds from OSU for sale of capital assets	38,000,000	-
Interest paid on capital debt	(2,542,000)	(2,713,000)
Acquisition of capital debt	42,229,000	40,572,000
Repayment of capital debt	(45,956,000)	(16,029,000)
Capital contributions to OSU	(26,552,000)	(252,000)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(375,000)	(6,595,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from investment income	28,000	53,000
Purchase of investments	-	(21,300,000)
NET CASH USED IN INVESTING ACTIVITIES	28,000	(21,247,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,193,000)	(2,078,000)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,445,000	7,523,000
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 4,252,000	$ 5,445,000

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS--Continued

COWBOY ATHLETICS, INC.

	Year Ended December 31	
	2010	2009
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	$ (2,588,000)	$ 33,709,000
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	633,000	618,000
Realized and unrealized (gains) losses on investments	2,483,000	(4,865,000)
Interest and dividends received	(28,000)	(53,000)
Changes in assets and liabilities:		
Accounts receivable	544,000	(608,000)
Inventory	29,000	94,000
Prepaid and other assets	895,000	(975,000)
Cash surrender value of cancelled life insurance policies	1,103,000	3,181,000
Accounts payable, accrued expenses, and other current liabilities	(3,900,000)	(5,329,000)
Unearned revenues	(17,000)	(8,000)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (846,000)	$ 25,764,000

See accompanying notes to consolidated financial statements.

NOTE A--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Cowboy Athletics, Inc. is a not-for-profit Oklahoma corporation organized to support the Oklahoma State University (the "University") athletic organizations and other educational programs associated with the University. The Corporation changed its name from OSU Cowboy Golf, Inc. effective May 9, 2006 and is the sole member or shareholder of the following wholly owned subsidiaries: OSU Cowboy Golf, L.L.C., OSU Cowboy Dining, L.L.C., Cowboy Athletic Facilities, L.L.C., and Oklahoma State University Foundation Holding Company, Inc. Cowboy Athletics, Inc. is governed by a Board of Directors, and is a component unit of the University.

OSU Cowboy Golf, L.L.C. ("Golf") is a not-for-profit Oklahoma limited liability company organized to operate a golf course ("Karsten Creek") and related facilities in Stillwater, Oklahoma. The golf course is primarily utilized as a teaching and practice facility by the University. Use of the course is also open to golf course members and others based on established membership and usage fee schedules. Golf Spirit, Inc. is a not-for-profit Oklahoma corporation organized for the benefit of OSU Cowboy Dining, L.L.C.

OSU Cowboy Dining, L.L.C. ("Dining") is a not-for-profit Oklahoma limited liability company which is organized to provide dining services for the University's athletic department and other events as approved by management. Cowboy Spirit, Inc. is a not-for-profit Oklahoma corporation organized for the benefit of OSU Cowboy Dining, L.L.C.

Cowboy Athletic Facilities, L.L.C. ("Facilities") is a not-for-profit Oklahoma limited liability company organized to conduct construction activities for the benefit of the University.

Oklahoma State University Foundation Holding Company, Inc. ("OSUF Holding Company") is a for-profit Oklahoma corporation organized to provide financial oversight of its wholly owned subsidiary, Cowboy Land Development, Inc. ("Land"). Land is a corporation organized to acquire, develop and sell real estate surrounding Karsten Creek.

Cowboy Athletics, Inc., and it subsidiaries are hereafter collectively referred to as the "Corporation".

Reporting Entity: The financial reporting entity, as defined by Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, includes the consolidated accounts of the Corporation. The Corporation has no component units. The Corporation is a component unit of the University, and its financial statements are discretely presented in the financial statements of the University.

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

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

Although the Corporation is legally a 501(c) (3) not-for-profit organization, the Corporation follows pronouncements issued by the GASB, because it is considered a component unit of the University and its activities and operations are closely integrated with the intercollegiate athletic organizations of the University. The Corporation has the option to apply all Financial Accounting Standards Board ("FASB") pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Corporation has elected to not apply FASB pronouncements issued after the applicable date.

Use of Estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosed contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

Revenue Recognition: The Corporation's revenues consist primarily of contributions from the private sector, including individuals and corporations, green fees, pro shop sales, food and beverage sales, and membership fees. Under the terms of an agreement between the University, OSU Foundation ("Foundation") and the Corporation, all charitable gifts made for use by the University's Department of Intercollegiate Athletics will continue to be received, processed and administered by the Foundation. Upon the written direction of the Vice President for Athletic Programs and Director of Intercollegiate Athletics, such contributions may be transferred to the Corporation at which time the Corporation recognizes contribution revenue. Other contributions are recorded when received or when a donor has announced an intention to give, and the Corporation believes that collection is probable. Green fees are recognized when earned. Food, beverage, and pro shop sales are recorded when a sale is made - essentially on the cash basis. Membership fees are assessed on a calendar year basis, are non-refundable and are recognized in the year for which they apply. Membership fees received prior to the year for which they apply are recorded as unearned revenues in the consolidated statements of net assets.

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

Tax Status: The Corporation, as a non-profit organization, is excluded from federal income taxes under Section 501(a) of the Internal Revenue Code.

Cash and Cash Equivalents: The Corporation considers all demand deposit accounts to be cash or cash equivalents. Investments with original maturities of 90 days or less are also considered to be cash equivalents; however, other similar investments which are maintained in investment accounts are considered investments.

Investments: Through an investment manager that is also on the board of directors, the Corporation primarily invests in limited partnerships to promote growth of the Corporation's investments. Investments in the limited partnerships are reported at fair value in the consolidated statements of net assets. Changes in the fair value of these investments are reported as investment income in the consolidated statements of revenues, expenses, and changes in net assets. The Corporation also maintains investments in equity securities, which are recorded at fair value. Investments are classified as current or noncurrent based on management's intent of selling such investments during the year following the consolidated statements of net assets date and the expected purpose for which they will be used. Investments that management expects may be sold in the year following the consolidated statements of net assets date are presented as current investments. Investments which are expected to be used to fund capital assets or held for permanent endowment are presented as noncurrent investments. See further discussion of these investments at Note B.

Derivative Instruments: The Corporation invests in investment derivative instruments, primarily commodity futures contracts, which are recorded at fair market value based on quoted market prices in the consolidated statements of net assets. Changes in fair value of these instruments are reported as investment income in the consolidated statements of revenues, expenses, and changes in net assets.

Inventories: Inventories are stated at the lower of cost (first in, first out method) or market (net realizable sales value).

Capital Assets, Net: Capital assets are recorded at cost at the date of acquisition, or fair market value at the contribution date if donated. The Corporation's capitalization policy includes all items with a unit cost of $750 or more, and an estimated useful life of greater than one year. Renovations to building, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

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

Capital Assets, Net--Continued: Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 5-40 years for buildings and improvements and 3-10 years for furniture, fixtures, and equipment.

Cash Surrender Value of Cancelled Life Insurance Policies: Based upon the representations made by certain life insurance agents generally regarding a charitable endowment program funded with life insurance, the Corporation purchased universal life insurance policies in 2007 from a life insurance company on twenty-seven participating donors naming the Corporation as the beneficiary of the insurance policies which had initial death benefits of $10,000,000 per policy. The insurance company issued individual contracts for each insured when the policies were purchased. Thereafter the Corporation timely elected to cancel the subject life insurance contracts pursuant to the terms of such contracts but the insurance company refused such cancellations and has instead continued to provide the Corporation with annual statements of values for these cancelled life insurance contracts. During 2010, the Corporation initiated litigation with the provider of these policies and certain of its agents seeking equitable and monetary relief, including having these policies voided and premiums refunded. The insurer has sued the Corporation and one of its board members regarding such cancellations also seeking equitable and monetary relief. No additional premiums have been paid during 2009 or 2010. Given the pendency of this litigation and the insurance company's continued refusal to cancel the life insurance contracts, the cash surrender values of these policies as of December 31, 2010 and 2009 has continued to be reported as provided by the policy provider as is consistent with the treatment in prior periods. Cash surrender values of the life insurance policies represents the value of funds ostensibly available to the Corporation if the policies had not been cancelled previously. Under such circumstances and according to the life insurance company, such values at December 31, 2010 and 2009 were $1,427,000 and $2,530,000, respectively. The cash surrender value reported by the life insurer at December 31, 2010 is attributable to one policy.

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

Invested in capital assets, net of related debt: This represents the Corporation's total investment in capital assets, net of outstanding debt obligations related to those capital assets. Construction in progress which is to be contributed to the University upon completion based on donors' restrictions is included in restricted net assets - expendable.

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

Net Assets--continued:

Restricted net assets - expendable: Restricted expendable net assets include resources in which the Corporation is legally or contractually obligated to spend resources in accordance with restrictions imposed by donors.

Restricted net assets – non-expendable: Restricted non-expendable net assets include resources in which the Corporation is legally or contractually obligated to maintain in perpetuity. Generally, the donors of these assets permit the Corporation to use all or part of the income earned on any related investments for general or specific purposes.

Unrestricted net assets: Unrestricted net assets represent resources that may be used at the discretion of the governing board to meet current expenses for any purpose.

Classification of Revenues: The Corporation has classified its revenues as either operating or nonoperating revenues. Operating revenues include transactions that constitute the Corporation's principal ongoing operations, such as contributions to support University athletics, investment income, membership fees, and green fees. Nonoperating revenues consist of other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.* At December 31, 2010 and 2009, the Corporation had no nonoperating revenues.

Risk Management: The Corporation manages its exposure to various risks of loss through the purchase of commercial insurance coverage, including commercial property, comprehensive general liability, environmental impairment liability, automobile liability, workers' compensation, employer's liability and liquor liability.

NOTE B--DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. The Corporation has cash and cash equivalents on deposit in financial institutions of $787,000 and $940,000 at December 31, 2010 and 2009, respectively, that are fully insured by the Federal Depository Insurance Corporation ("FDIC").

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Custodial Credit Risk – Deposits--continued: At December 31, 2010 and 2009, the Corporation has cash and cash equivalents on deposit with a financial institution of $3,236,000 and $1,661,000, respectively, which are in excess of FDIC limits. The financial institution has collateralized the deposits with a pool of securities held in the financial institution's name. The Corporation has deposits in repurchase agreements of $235,000 and $3,022,000 at December 31, 2010 and 2009, respectively, which are not insured by the FDIC but are secured by the respective financial institution with securities of the United States Government.

At December 31, 2010 and 2009, the Corporation had the following investments:

	2010	2009
Energy equity fund limited partnerships	$ 27,216,000	$ 26,557,000
Energy fund limited partnerships	4,887,000	5,664,000
Equity securities	3,738,000	4,786,000
Money market fund	8,046,000	9,680,000
	$ 43,887,000	$ 46,687,000

Interest Rate Risk: The Corporation does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At December 31, 2010, the Corporation is not invested in any instruments with stated maturities.

Credit Risk: The Corporation's investments are primarily managed by BP Capital, owned by one of the Board members. In accordance with the Corporation's conflict of interest policy, BP Capital does not charge the Corporation a management fee for its investment advisory services. The Corporation's investments are not restricted to an investment asset allocation policy.

Investments in money market funds and publicly traded equity securities are recorded at fair value, as determined by quoted market prices.

The investments in the limited partnerships are recorded at the Corporation's initial investment in the partnerships, adjusted for a portion of the partnerships' investment performance allocated to the Corporation, as reported by the investment manager. Investments held in these partnerships are not evidenced by securities that exist in physical or book entry form. The objective of the energy equity fund limited partnerships is to achieve capital appreciation through investments in securities of, or related to companies engaged in the energy, energy-dependent, and natural resources industries and energy-related commodities.

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Credit Risk--continued: The objective of the energy fund limited partnership is to engage in speculative trading of energy and energy-related commodities, futures contracts, swaps, options on futures contracts and physical commodities, spot (cash) commodities, and any rights pertaining thereto and interests therein approved by the Commodities Futures Trading Commission ("CFTC") for investment in customer funds.

The Corporation's lack of diversification in investments significantly increases the risk that, in the event of a prolonged downturn in the energy equities or commodity markets, the Corporation's investments and their return on investments could be significantly affected. These limited partnerships have received an unqualified report from their independent auditors for the years ended December 31, 2010 and 2009.

NOTE C--DERIVATIVE INSTRUMENTS

The Corporation has entered into various commodity futures contracts which are considered investment derivative instruments. Following is a summary of the open commodity futures contracts at December 31, 2010.

	2010				
Description	Number of Open Contracts	Average Purchase Price per unit	Fair Market Value per unit at December 31, 2010	Change in Fair Value during 2010	Fair Market Value at December 31, 2010
February 2011 NY Lt Crude	20	$ 88.89	$ 91.38	$ 50,000	$ 50,000
February 2011 NYM Nat Gas	12	4.09	4.41	38,000	38,000
February 2011 IPE Brent Crude	80	90.43	94.59	345,000	345,000
December 2012 NY Lt Crude	20	82.54	93.66	222,000	222,000
December 2013 NY Lt Crude	100	89.45	92.58	313,000	313,000
Total				$ 968,000	$ 968,000

NOTE C--DERIVATIVE INSTRUMENTS--Continued

Following is a summary of the open commodity futures contracts at December 31, 2009.

	2009				
Description	Number of Open Contracts	Average Purchase Price per unit	Fair Market Value per unit at December 31, 2009	Change in Fair Value during 2009	Fair Market Value at December 31, 2009
June 2010 NY Lt Crude	155	$ 79.84	$ 81.59	$ 271,000	$ 271,000
December 2010 NY Lt Crude	50	78.93	84.13	260,000	260,000
December 2011 NY Lt Crude	20	81.03	87.05	120,000	120,000
Total				$ 651,000	$ 651,000

Investment income, including unrealized gains and losses, related to investment derivative instruments totaled ($1,319,000) and ($363,000) for the years ended December 31, 2010 and 2009, respectively.

Credit Risk: The Corporation's derivative instruments are managed by one of the Board members through an account with Rosenthal Collins Group LLC, a regulated Futures Commission Merchant. In accordance with the Corporation's conflict of interest policy, the Corporation is not charged a management fee for the investment advisory services received. The Corporation's investments are not restricted to an investment asset allocation policy. The Corporation's investment in commodity futures contracts is speculative and changes in the fair market value of such investments may fluctuate significantly, and may do so in the near term.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

COWBOY ATHLETICS, INC.

December 31, 2010

NOTE D--CAPITAL ASSETS, NET

Capital asset activity for the year ended December 31, 2010 was as follows:

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Non-Depreciable Assets:					
Land	$ 1,895,000	$ -	$ -	$ -	$ 1,895,000
Non-depreciable golf course equipment	2,442,000	-	-	-	2,442,000
Construction in process - projects to be transferred to the University	53,957,000	5,417,000	(42,603,000)	-	16,771,000
Construction in process - ongoing operations	10,000	-	-	-	10,000
Total non-depreciable assets	58,304,000	5,417,000	(42,603,000)	-	21,118,000
Capital Assets being Depreciated:					
Buildings	9,275,000	70,000	-	-	9,345,000
Depreciable golf course improvements	3,570,000	8,000	-	-	3,578,000
Furniture & equipment	866,000	53,000	-	-	919,000
Golf course equipment	1,832,000	6,000	-	-	1,838,000
Total capital assets being depreciated	15,543,000	137,000	-	-	15,680,000
Less accumulated depreciation:					
Buildings	1,080,000	258,000	-	-	1,338,000
Depreciable golf course improvements	1,836,000	142,000	-	-	1,978,000
Furniture & equipment	492,000	70,000	-	-	562,000
Golf course equipment	1,219,000	163,000	-	-	1,382,000
Total accumulated depreciation	4,627,000	633,000	-	-	5,260,000
Net depreciable assets	10,916,000	(496,000)	-	-	10,420,000
Capital assets, net	$ 69,220,000	$ 4,921,000	$ (42,603,000)	$ -	$ 31,538,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

COWBOY ATHLETICS, INC.

December 31, 2010

NOTE D--CAPITAL ASSETS, NET--Continued

Capital asset activity for the year ended December 31, 2009 was as follows:

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Non-Depreciable Assets:					
Land	$ 1,774,000	$ 121,000	$ -	$ -	$ 1,895,000
Non-depreciable golf course equipment	2,442,000	-	-	-	2,442,000
Construction in process - projects to be transferred to the University	176,953,000	26,927,000	(149,923,000)	-	53,957,000
Construction in process - ongoing operations	1,138,000	995,000	-	(2,123,000)	10,000
Total non-depreciable assets	182,307,000	28,043,000	(149,923,000)	(2,123,000)	58,304,000
Capital Assets being Depreciated:					
Buildings	7,359,000	9,000	-	1,907,000	9,275,000
Depreciable golf course improvements	3,545,000	25,000	-	-	3,570,000
Furniture & equipment	670,000	41,000	-	155,000	866,000
Golf course equipment	1,716,000	55,000	-	61,000	1,832,000
Total capital assets being depreciated	13,290,000	130,000	-	2,123,000	15,543,000
Less accumulated depreciation:					
Buildings	858,000	222,000	-	-	1,080,000
Depreciable golf course improvements	1,697,000	139,000	-	-	1,836,000
Furniture & equipment	418,000	74,000	-	-	492,000
Golf course equipment	1,036,000	183,000	-	-	1,219,000
Total accumulated depreciation	4,009,000	618,000	-	-	4,627,000
Net depreciable assets	9,281,000	(488,000)	-	-	10,916,000
Capital assets, net	$ 191,588,000	$ 27,555,000	$ (149,923,000)	$ -	$ 69,220,000

NOTE E--LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Long-term debt					
Promissory note	$ 40,000,000	$ -	$ (6,667,000)	$ 33,333,000	$ 6,667,000
Promissory note	8,500,000	-	-	8,500,000	-
Note payable	11,977,000	14,179,000	-	26,156,000	26,156,000
Note payable	32,208,000	2,050,000	(34,258,000)	-	-
Note payable	-	26,000,000	(5,000,000)	21,000,000	4,200,000
Note payable	131,000	-	(31,000)	100,000	32,000
Total long-term debt	92,816,000	42,229,000	(45,956,000)	89,089,000	37,055,000
Other liabilities					
Contributions payable	5,000,000	-	-	5,000,000	-
Total long-term liabilities	$ 97,816,000	$ 42,229,000	$ (45,956,000)	$ 94,089,000	$ 37,055,000

Long-term liability activity for the year ended December 31, 2009 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Long-term debt					
Promissory note	$ 49,878,000	$ 122,000	$ (10,000,000)	$ 40,000,000	$ 6,667,000
Promissory note	8,500,000	-	-	8,500,000	-
Note payable	-	11,977,000	-	11,977,000	11,977,000
Note payable	9,735,000	28,473,000	(6,000,000)	32,208,000	32,208,000
Note payable	160,000	-	(29,000)	131,000	31,000
Total long-term debt	68,273,000	40,572,000	(16,029,000)	92,816,000	50,883,000
Other liabilities					
Contributions payable	5,000,000	-	-	5,000,000	-
Total long-term liabilities	$ 73,273,000	$ 40,572,000	$ (16,029,000)	$ 97,816,000	$ 50,883,000

NOTE E--LONG-TERM LIABILITIES--Continued

The Corporation purchased a parcel of land adjacent to the golf course from an individual for $350,000. The purchase agreement required a $25,000 down payment with the remaining $325,000 to be paid in annual payments, including interest, of approximately $41,000 through January 1, 2012. The note bears interest at a rate of 5% through January 1, 2008, increasing to 8% thereafter. The note payable balance as of December 31, 2010 and 2009 was $100,000 and $131,000, respectively. The note is secured by the land and related improvements. The purchase agreement also provided the seller would maintain a life tenancy interest in the property and its related improvements. The seller is responsible for all repairs, maintenance, and insurance for the property during the life tenancy interest.

In January 2006, the Corporation entered into an $8,500,000 promissory note with a financial institution. The note had an original maturity of January 4, 2007, but has been re-financed to a maturity date of January 4, 2012. At December 31, 2010 and 2009, the outstanding principal on the note is $8,500,000 each year. Accrued interest on outstanding principal amounts are payable quarterly with unpaid principal and interest accrued due at maturity. The note bears interest at the greater of the Wall Street Journal prime rate minus one percent or four percent (4% at December 31, 2010) and is personally guaranteed by a related party.

In October 2007, the Corporation entered into a $50,000,000 promissory note with a financial institution which matured in March 2009 at which time $40,000,000 was renewed for repayment to begin in 2010 with final maturity in March 2015. At December 31, 2010 and 2009, the outstanding principal on the note was $33,333,000 and $40,000,000, respectively. Accrued interest on outstanding principal amounts under the renewed note are payable monthly with annual principal payments of $6,667,000 due each March until 2015. The note bears interest at the greater of the Wall Street Journal prime rate plus one percent or six percent (6% at December 31, 2010) and is personally guaranteed by a related party and collateralized with the life insurance policies that the Corporation cancelled in 2009 and which are the object of ongoing litigation.

In December 2008, the Corporation entered into a promissory note with the Foundation to borrow funds up to $38,000,000 which was paid-off in May 2010. At December 31, 2010 and 2009, the outstanding principal on the note was $0 and $32,208,000, respectively. Accrued interest on outstanding principal amounts under the note was payable quarterly with unpaid principal and interest accrued due at maturity. The note bears interest at seven and one-tenth percent (7.1%) per annum through June 30, 2010.

NOTE E--LONG-TERM LIABILITIES--Continued

The Corporation has entered into various demand promissory notes with Mr. T. Boone Pickens which have an aggregate outstanding balance of $26,156,000 and $11,977,000 at December 31, 2010 and 2009, respectively. These notes have a maturity date of the earlier to occur of demand for payment or various dates from February 28, 2011 to March 31, 2011. In May 2011, the Corporation received a letter of intent from Mr. T. Boone Pickens to renew all promissory notes with no principal or interest due as of the current maturity dates. All notes bear interest at the Plains Capital Bank stated prime rate (3.25% at December 31, 2010) and are not collateralized.

In 2010, the Corporation entered into an agreement to assume a note from the Foundation of $26,000,000 on behalf of OSU, to mature May 2015. $5,000,000 of the note was repaid in 2010 with the remaining principal to be repaid in five equal annual principal payments of $4,200,000 with the first annual payment due on May 31, 2011 and successive payments due on each anniversary date thereafter. Interest shall be payable annually when principal payments are made, and the note will bear interest at an annual rate equal to the greater of seven and one-tenth percent (7.1%) or the Wall Street Journal prime rate plus two percent (7.1% at December 31,2010). This note is collateralized by any funds owned by the Corporation and held by the Foundation for the benefit of Boone Pickens Stadium (excluding certain revenues as discussed in the agreement), 500,000 shares of common stock in SandRidge Energy, Inc., real property located at Karsten Creek Golf Course and related residential lots, Scholar's Inn property and property at the Northeast corner of Duck and Hall of Fame, and is personally guaranteed by a related party. The note payable balance was $21,000,000 as of December 31, 2010.

In June 2007, the Corporation and the University entered into an agreement for the Corporation to receive and hold a $5,000,000 contribution until no later than June 2012 at which time the $5,000,000 would be transferred to the University. This amount is recorded as a contribution payable to related party in the accompanying consolidated statements of net assets.

NOTE E--LONG-TERM LIABILITIES--Continued

As of December 31, 2010, debt service requirements of the long-term liabilities, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate interest payments will vary.

	Principal	Interest	Total
Years Ending December 31:			
2011	$ 37,055,000	$ 3,578,000	$ 40,633,000
2012	19,434,000	2,374,000	21,808,000
2013	10,867,000	1,670,000	12,537,000
2014	10,867,000	972,000	11,839,000
2015	10,866,000	524,000	11,390,000
	$ 89,089,000	$ 9,118,000	$ 98,207,000

NOTE F--RELATED PARTY TRANSACTIONS

In 2010, the Corporation paid-off a note payable with the Foundation they had entered into during 2008, which had an outstanding balance of $32,208,000 at December 31, 2009. In 2010, the Corporation also assumed a $26,000,000 note payable from the University payable to the Foundation on which $5,000,000 was repaid in 2010 (see Note E).

The Corporation entered into various demand promissory notes with Mr. T. Boone Pickens, member of the Corporation's Board of Directors, in 2010 and 2009 which have an outstanding balance of $26,155,000 and $11,977,000 as of December 31, 2010 and 2009, respectively (see Note E).

As discussed in Note E, at December 31, 2010 and 2009, the Corporation has recorded a contribution payable to the University totaling $5,000,000 for use in the University's athletic department.

During 2010, the University purchased capital assets totaling $38,000,000, from the Corporation. The Corporation contributed an additional $4,603,000 of capital assets to University in 2010, and $149,923,000 of capital assets in 2009.

NOTE G--COMMITMENTS AND CONTINGENCIES

At December 31, 2010, Facilities had significant construction in process on several projects which will be contributed or sold to the University upon completion. Approximately $16,771,000 has been spent on projects still in progress at December 31, 2010 and is included in capital assets in the accompanying statements of net assets. Management's estimated cost to complete these projects is approximately $20,746,000.

In connection with the various projects that Facilities is constructing on behalf of the University, a workers' compensation claim has been filed and Facilities' insurance provider has made payments for the claim and requested deductible reimbursement from Facilities in the amount of $408,000. Management is disputing the amount to be reimbursed to the insurance provider and has accrued $125,000 in the accompanying statements of net assets for payment on these deductible reimbursements representing the management's estimate of the deductible owed. Once this dispute has been resolved, any difference in the amount ultimately paid to the insurance provider will be recorded in that period as a revision of the estimate.

The Corporation is a party to various matters of litigation. Management believes that the ultimate outcome of the matters, other than as identified below, will not have a material adverse effect on the Corporation's financial position or results of operations. As discussed in Note A, litigation regarding the Corporation's cancelled life insurance policies is pending, the outcome of which may be material.

NOTE H--GOING CONCERN CONSIDERATIONS

Going concern considerations for the Corporation primarily relate to its ability to meet debt payment obligations as they become due. At December 31, 2010, the Corporation's long-term liabilities total $94,089,000 as compared to its unrestricted cash, cash equivalents and investments of $49,406,000. The Corporation's current maturities of long-term liabilities is $37,055,000, including $26,156,000 due to Mr. T. Boone Pickens who has provided a letter of intent to renew the promissory notes due to him with no principal or interest due as of the current maturity dates (see Note E). Based on discussions with Mr. T. Boone Pickens, management of the Corporation does not expect to be required to repay all outstanding promissory notes due to Mr. T. Boone Pickens before December 31, 2011. As such, management believes the Corporation will continue as a going concern and has the ability to meet its debt obligations as they come due.

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
Oklahoma Agricultural and Mechanical Colleges

We have audited the financial statements of the Intercollegiate Athletics Program Accounts of Oklahoma State University (the "University Athletics Program") as of and for the year ended June 30, 2011 and the separately presented component unit as of and for the year ended December 31, 2010 which collectively comprise the University Athletics Program's basic financial statements and have issued our report thereon dated October 14, 2011. Our report was modified to include an explanatory paragraph stating that the University Athletics Program has not presented Management's Discussion and Analysis. Cowboy Athletics, Inc. (referred to as "Cowboy Athletics", formerly OSU Cowboy Golf, Inc.), a not-for-profit Oklahoma corporation organized to support the University Athletics Program is a component unit of the University Athletics Program as defined by Governmental Accounting Standards Board ("GASB") Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The financial statements of the University Athletics Program referred to above do not include the financial information of Cowboy Athletics. Rather a complete set of financial statements of Cowboy Athletics are presented separately. 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 University Athletics Program's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University Athletics Program's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University Athletics Program's internal control over financial reporting

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University Athletics Program'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 Fiscal Affairs Committee and 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 those specified parties.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 14, 2011