Financial statements and report of independent certified public accountants

Intercollegiate Athletics Program Accounts of Oklahoma State University

June 30, 2012 and 2011

Contents

Grant Thornton

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Regents
Oklahoma Agricultural and Mechanical Colleges

We have audited the accompanying statement of net assets of the Intercollegiate Athletics Program Accounts of Oklahoma State University (the "University Athletic Program") as of June 30, 2012, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended, and we have also audited the financial statements of Cowboy Athletics, Inc. ("CAI"), a separately presented component unit, as of and for the year ended December 31, 2011, which collectively comprise the University Athletic Program's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University Athletics Program's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of the University Athletic Program referred to above do not include the financial information of CAI. Rather, a complete set of financial statements of CAI are presented separately. The financial statements of the University Athletic Program as of and for the year ended June 30, 2011 were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated October 14, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University Athletics Program's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2012 financial statements referred to above present fairly, in all material respects, the financial position of the University Athletic Program and the separately presented component unit as of June 30, 2012 and the changes in net assets and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2012 on our consideration of the University Athletic Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Entity's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Grant Thornton LLP

Oklahoma City, Oklahoma
October 26, 2012

Intercollegiate Athletics Program Accounts
of Oklahoma State University

STATEMENTS OF NET ASSETS

June 30,

	2012	2011
ASSETS		
Current assets		
Cash and cash equivalents	$ 12,773,328	$ 12,066,842
Accounts receivable, net of allowances	3,164,349	1,245,361
Prepaid expenses	1,025,213	877,072
Total current assets	16,962,890	14,189,275
Noncurrent assets		
Cash and cash equivalents	2,628,768	2,245,496
Investments	174	741
Accounts receivable - Cowboy Athletics	5,000,000	5,000,000
Accounts receivable - student fees	71,844	69,973
Capital assets, net of accumulated depreciation	355,801,946	364,715,684
Total noncurrent assets	363,502,732	372,031,894
TOTAL ASSETS	380,465,622	386,221,169
LIABILITIES		
Current liabilities		
Accounts payable	180,230	92,394
Due to other University funds and accounts	208,400	327,272
Accrued expenses	120,006	109,692
Accrued interest payable	1,715,490	1,748,476
Deferred revenue	15,239,841	13,294,031
Accrued compensated absences	153,827	135,657
Current portion of revenue bonds, notes payable, and lease obligations	2,805,000	2,715,000
Total current liabilities	20,422,794	18,422,522
Noncurrent liabilities		
Accrued compensated absences	1,943,055	1,821,267
Notes payable	4,360,000	4,995,000
Revenue bonds payable	85,200,000	87,370,000
Total noncurrent liabilities	91,503,055	94,186,267
TOTAL LIABILITIES	111,925,849	112,608,789
NET ASSETS		
Invested in capital assets, net of debt	263,436,946	269,635,684
Unrestricted for:		
Debt Service	583,128	508,741
Capital Projects	343,316	-
Unrestricted - other	4,176,383	3,467,955
TOTAL NET ASSETS	$ 268,539,773	$ 273,612,380

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

Intercollegiate Athletics Program Accounts of Oklahoma State University

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year Ended June 30,

	2012	2011
Revenues		
Operating revenues		
Ticket sales	$ 23,082,628	$ 22,672,580
Conference income	22,636,969	13,588,418
Multi-media	4,295,000	4,311,250
Concessions	655,878	671,484
Guarantees	390,442	488,027
Other operating revenues	5,927,260	4,029,840
Student activity fees	98,000	102,008
Total operating revenues	57,086,177	45,863,607
Expenses		
Operating expenses		
Compensation and employee benefits	24,959,949	21,561,251
Travel	5,840,872	4,731,488
Financial aid	5,708,764	5,509,320
Maintenance	2,049,931	1,563,344
Athletics and small equipment purchases	1,341,736	1,237,301
Guarantees	874,456	1,589,520
Insurance	572,511	624,998
Other operating expenses	10,110,823	10,126,815
Telephone	176,826	171,630
Utilities	2,238,128	1,975,831
Depreciation and amortization	9,788,873	9,788,789
Total operating expenses	63,662,869	58,880,287
Operating loss	(6,576,692)	(13,016,680)
Nonoperating revenues (expenses)		
Investment income (loss)	25,077	44,710
Athletics student fee and use tax	2,423,359	2,395,812
Gifts from OSU Foundation	3,136,636	8,613,500
Interest expense	(4,080,987)	(4,159,306)
Net nonoperating revenues	1,504,085	6,894,716
Loss before other revenues, expenses, gains and losses	(5,072,607)	(6,121,964)
Capital provided by affiliates	-	4,445,208
Net decrease in net assets	(5,072,607)	(1,676,756)
Net assets - beginning of year	273,612,380	275,289,136
Net assets - end of year	$ 268,539,773	$ 273,612,380

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

Intercollegiate Athletics Program Accounts of Oklahoma State University

STATEMENTS OF CASH FLOWS

Year Ended June 30,

	2012	2011
Cash flows from operating activities		
Ticket sales	$ 25,005,567	$ 23,529,120
Other operating receipts	32,105,561	28,021,049
Payments to employees for salaries and benefits	(24,809,677)	(21,448,527)
Payments to suppliers	(29,093,224)	(27,339,067)
Net cash provided by operating activities	3,208,227	2,762,575
Cash flows from noncapital financing activities		
Gifts	3,136,636	8,613,500
Cash flows from investing activities		
Purchases of investments	(1,573,889)	(1,551,039)
Proceeds from sales of investments	1,574,456	1,556,259
Interest received on investments	25,077	44,710
Net cash provided by investing activities	25,644	49,930
Cash flows from capital and related financing activities		
Cash paid for capital assets	(875,135)	(468,549)
Repayments of capital debt and leases	(2,715,000)	(3,329,167)
Interest paid on capital debt and leases	(4,113,973)	(3,557,310)
Proceeds of capital debt	-	111,360
Student fees restricted for capital projects	2,423,359	2,395,812
Net cash used by capital and related financing activities	(5,280,749)	(4,847,854)
Net increase in cash and cash equivalents	1,089,758	6,578,151
Cash and cash equivalents, beginning of year	14,312,338	7,734,187
Cash and cash equivalents, end of year	$ 15,402,096	$ 14,312,338

The accompanying notes are an integral part of this financial statement.

Intercollegiate Athletics Program Accounts
of Oklahoma State University

STATEMENTS OF CASH FLOWS

Year Ended June 30,

	2012	2011
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	**$ (6,576,692)**	$ (13,016,680)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation and amortization	**9,788,873**	9,788,789
Changes in assets and liabilities		
Accounts receivable	**(1,920,859)**	4,826,984
Prepaid expenses	**(148,141)**	(59,753)
Accounts payable	**87,836**	34,815
Due to other funds and accounts	**(118,872)**	216,118
Accrued payroll	**10,314**	29,282
Deferred revenue	**1,945,810**	859,578
Compensated absences	**139,958**	83,442
Net cash provided by operating activities	**$ 3,208,227**	$ 2,762,575
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS		
Cash and cash equivalents classified as current assets	**$ 12,773,328**	$ 12,066,842
Cash and cash equivalents classified as noncurrent assets	**2,628,768**	2,245,496
	$ 15,402,096	$ 14,312,338
NONCASH CAPITAL AND RELATED FINANCING TRANSACTIONS		
Fixed assets acquired by gifts from affiliates	**$ -**	$ 4,445,208
Change in accounts payable for capital assets	**$ -**	$ (342,766)

The accompanying notes are an integral part of this financial statement.

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.

The accompanying financial statements have been prepared from the separate records maintained by management of the 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 the University as a whole.

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.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

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.

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.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

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 SIGNIFICANT 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

New Pronouncements

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 March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

In March 2012, GASB issued Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements. The provisions of the Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application in encouraged.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement requires defined benefit pension plans to present two financial statements-a statement of fiduciary net position and a statement of changes in fiduciary net position. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. Earlier application is encouraged.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27*. This Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have certain characteristics. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. This Statement is effective for fiscal years beginning after June 15, 2014. 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, 2012 and 2011, the carrying amount of the University Athletics Program's cash and cash equivalents was $15,402,096 and $14,312,338, respectively. This amount consisted of funds held in operating accounts ($12,703,327 and $11,996,842), deposits with trustees related to the various bond indenture agreements ($2,285,453 and $2,245,496), unexpended plant funds for capital projects ($343,316 and $0) and petty cash and change funds ($70,000 and $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.

Investments
At June 30, 2012 and 2011, the University Athletics Program had investments aggregating $174 and $741, 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, 2012 and 2011, respectively. All investments are reported at cost, which approximates fair value.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30:

	2012	2011
Athletic tickets	$ 173,749	$ 150,878
Receivable from Cowboy Athletics, Inc.	5,000,000	5,000,000
Receivables from operations	3,052,282	1,150,740
	8,226,031	6,301,618
Less allowance for doubtful accounts	61,682	56,257
	$ 8,164,349	$ 6,245,361

NOTE 3 - ACCOUNTS RECEIVABLE - CONTINUED

Accounts receivable at June 30, 2012 and 2011 includes a contribution receivable from CAI of $5,000,000 which is due in 2017. As of June 30, 2012, 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 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:

	2012	2011
Fund collected on behalf of the University or University Athletics Program	$ 15,979,810	$ 41,683,368
Fund disbursed to or on behalf of the University or University Athletics Program	16,516,466	22,252,880
Net assets held on behalf of or for the benefit of the University or University Athletics Program at June 30	85,936,304	86,472,959

NOTE 4 - RELATED PARTY TRANSACTIONS - CONTINUED

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. 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.

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 is 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 $(16,470,000) and $(15,040,000), respectively.

NOTE 5 - CAPITAL ASSETS

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

	2012				
	Balance June 30, 2011	Additions	Transfers	Disposals	Balance June 30, 2012
COST OF CAPITAL ASSETS					
Buildings	$ 375,708,430	$ 137,988	$ -	$ -	$ 375,846,418
Land improvements	8,483,041	-	-	-	8,483,041
Equipment	2,428,299	162,460	-	-	2,590,759
Land	39,037,764	83,002	-	-	39,120,766
Construction in progress	-	491,684	-	-	491,684
Total cost of capital assets	425,657,534	875,134	-	-	426,532,668
ACCUMULATED DEPRECIATION					
Buildings	(52,508,298)	(9,219,488)	-	-	(61,727,786)
Land improvements	(6,510,534)	(378,215)	-	-	(6,888,749)
Equipment	(1,923,017)	(191,170)	-	-	(2,114,187)
Total accumulated depreciation	(60,941,849)	(9,788,873)	-	-	(70,730,722)
NET BOOK VALUE	$ 364,715,685	$ (8,913,739)	$ -	$ -	$ 355,801,946

Intercollegiate Athletics Program Accounts of Oklahoma State University

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE 5 - CAPITAL ASSETS - CONTINUED

	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

NOTE 6 - LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2012 and 2011 is as follows:

	2012				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Position
Revenue bonds payable	$ 89,475,000	$ -	$ (2,105,000)	$ 87,370,000	$ 2,170,000
Notes payable	5,605,000	-	(610,000)	4,995,000	635,000
ODFA lease obligation	-	-	-	-	-
	95,080,000	-	(2,715,000)	92,365,000	2,805,000
Other liabilities					
Accrued compensated absences	1,956,924	293,785	(153,827)	2,096,882	153,827
	$ 97,036,924	$ 293,785	$ (2,868,827)	$ 94,461,882	$ 2,958,827

	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

NOTE 6 - LONG-TERM LIABILITIES - CONTINUED

Revenue bonds payable consist of 3.89% to 4.70% Athletic Facilities Revenue Bonds, Series 2003 and 2004, and the General Revenue Bonds, Series 2010 A and B with an outstanding balance of $87,370,000 and $89,475,000 at June 30, 2012 and 2011, 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 the 2003 and 2004 revenue bonds are collateralized by a pledge of revenues generated from the use and services of the University Athletics Program, a dedicated Athletics Student Activity Fee, dedicated use tax collections received from the City of Stillwater, 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.

Principal and Interest for the General Revenue Bonds, Series 2010 A and B, are secured by a pledge of the general revenues of the financing system created in fiscal year 2009. General revenues consist of all lawfully available funds excluding: (i) revenues appropriated by the Oklahoma Legislature from tax receipts; (ii) funds whose purpose has been restricted by the donors or grantors thereof to a purpose inconsistent with the payment of obligations; and (iii) funds pledged pursuant to separate bond resolutions to revenue bond issues issued and outstanding prior to the creation of the financing system. 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 3.5% 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
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	2,375,000	740,000	3,115,000	3,640,468	6,755,468
2018-2022	13,365,000	1,570,000	14,935,000	16,317,472	31,252,472
2023-2027	16,745,000	-	16,745,000	12,774,790	29,519,790
2028-2032	20,980,000	-	20,980,000	8,471,178	29,451,178
2033-2037	18,910,000	-	18,910,000	3,185,625	22,095,625
2038-2040	6,185,000	-	6,185,000	425,812	6,610,812
	$ 87,370,000	$ 4,995,000	$ 92,365,000	$ 60,408,595	$ 152,773,595

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, 2012 was $6,785,000.

NOTE 6 - LONG-TERM LIABILITIES - CONTINUED

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 has been amortized over the term of the bonds. At June 30, 2011, the University Athletics Program had 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.

NOTE 7 - RISK MANAGEMENT - CONTINUED

- 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.

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, 2012.

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 2011 acquisition is 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.

NOTE 9 – SUBSEQUENT EVENTS

The University has evaluated events or transactions that occurred subsequent to June 30, 2012 through October 26, 2012, the date these financial statements were available to be issued, for potential recognition or disclosure in these financial statements.

DISCRETELY PRESENTED COMPONENT UNIT

Consolidated financial statements and report of independent certified public accountants

Cowboy Athletics, Inc.

December 31, 2011 and 2010

Contents

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Report of Independent Certified Public Accountants

Board of Directors
Cowboy Athletics, Inc.

We have audited the accompanying consolidated statement of net assets of Cowboy Athletics, Inc. and its subsidiaries (collectively, the "Company") as of December 31, 2011, and the related consolidated statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of Cowboy Athletics, Inc. as of and for the year ended December 31, 2010 were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated July 6, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cowboy Athletics, Inc. and its subsidiaries as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2012 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Grant Thornton LLP

Oklahoma City, Oklahoma
June 18, 2012

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 "Company") provides an introduction to the consolidated financial statements as of and for the years ended December 31, 2011 and 2010.

The Company (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 Company is considered a component unit of Oklahoma State University.

Financial Highlights

At December 31, 2011, 2010 and 2009, the Company's net assets were:

	2011	2010	2009
Assets	$ 85,567,000	$ 82,540,000	$ 126,469,000
Liabilities	$ 102,037,000	$ 97,580,000	$ 103,618,000
Net assets (deficit)			
Invested in capital assets	$ 14,297,000	$ 14,666,000	$ 15,132,000
Restricted			
Expendable for OSU Athletics	23,883,000	2,280,000	11,482,000
Non-expendable	2,562,000	2,562,000	2,562,000
Unrestricted	(57,212,000)	(34,548,000)	(6,325,000)
Total net assets (deficit)	$ (16,470,000)	$ (15,040,000)	$ 22,851,000

For the year ended December 31, 2011, the Company's operating revenues were positive revenues of $9,875,000, compared to positive revenues of $4,140,000 and $42,405,000 in 2010 and 2009, respectively. For the year ended December 31, 2011, the Company experienced a decrease in net assets of $1,430,000, compared to a decrease in net assets of $37,891,000 and $119,317,000 in 2010 and 2009, respectively.

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 Company 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 Company's net assets and changes in them. The Company's net assets - the difference between assets and liabilities - are one way to measure the Company's financial health, or financial position. Over time, increases or decreases in the Company'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 Company.

Cowboy Athletics, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Using this Annual Report - Continued

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 Company 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 Company. 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

The following summarizes the Company's statements of net assets at December 31, 2011, 2010 and 2009:

	2011	2010	2009
ASSETS			
Current assets	$ 44,999,000	$ 47,013,000	$ 52,157,000
Noncurrent assets	40,568,000	35,527,000	74,312,000
Total assets	85,567,000	82,540,000	126,469,000
LIABILITIES			
Current liabilities	69,437,000	40,546,000	56,685,000
Noncurrent liabilities	32,600,000	57,034,000	46,933,000
Total liabilities	102,037,000	97,580,000	103,618,000
NET ASSETS (DEFICIT)			
Invested in capital assets, net	14,297,000	14,666,000	15,132,000
Restricted			
Expendable for OSU Athletics	23,883,000	2,280,000	11,482,000
Non-expendable	2,562,000	2,562,000	2,562,000
Unrestricted	(57,212,000)	(34,548,000)	(6,325,000)
Total net assets (deficit)	$ (16,470,000)	$ (15,040,000)	$ 22,851,000

At December 31, 2011, 2010 and 2009, 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.

Cowboy Athletics, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Condensed Statements of Revenues, Expenses and Changes in Net Assets

The following summarizes the Company's statements of revenues, expenses, and changes in net assets for the years ended December 31, 2011, 2010 and 2009:

	2011		2010		2009	
OPERATING REVENUES						
Contributions	$ 7,489,000	75.8%	$ 2,856,000	69.0%	$ 33,859,000	79.9%
Food and beverage	2,341,000	23.7%	1,970,000	47.6%	1,755,000	4.1%
Golf course operations	1,832,000	18.6%	1,769,000	42.7%	1,873,000	4.4%
Investment income	(1,787,000)	(18.1%)	(2,455,000)	-59.3%	4,918,000	11.6%
Total operating revenues	9,875,000	100.0%	4,140,000	100.0%	42,405,000	100.0%
OPERATING EXPENSES						
Salaries and benefits	1,633,000	24.9%	1,688,000	25.1%	1,643,000	18.9%
Life insurance expense	999,000	15.2%	1,113,000	16.5%	3,138,000	36.1%
OSU budgetary contribution	103,000	1.6%	322,000	4.8%	389,000	4.5%
Depreciation	621,000	9.4%	633,000	9.4%	618,000	7.1%
Other operating expenses	3,207,000	48.9%	2,972,000	44.2%	2,908,000	33.4%
Total operating expenses	6,563,000	100.0%	6,728,000	100.0%	8,696,000	100.0%
Operating income (loss)	3,312,000		(2,588,000)		33,709,000	
NONOPERATING EXPENSES						
Interest expense	4,742,000		4,148,000		2,851,000	
Other capital contributions to OSU	-		31,155,000		150,175,000	
Total nonoperating expenses	4,742,000		35,303,000		153,026,000	
Change in net assets	(1,430,000)		(37,891,000)		(119,317,000)	
Net assets at beginning of year	(15,040,000)		22,851,000		142,168,000	
Net assets (deficit) at end of year	$ (16,470,000)		$ (15,040,000)		$ 22,851,000	

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

Operating expenses incurred by the Company 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 Company's cash flows for the years ended December 31, 2011, 2010 and 2009:

	2011	2010	2009
Cash provided by (used in)			
Operating activities	$ 6,466,000	$ (846,000)	$ 25,817,000
Capital financing activities	(6,857,000)	(375,000)	(6,595,000)
Investing activities	12,000	28,000	(21,300,000)
Net change in cash	(379,000)	(1,193,000)	(2,078,000)
Cash at beginning of year	4,252,000	5,445,000	7,523,000
Cash at end of year	$ 3,873,000	$ 4,252,000	$ 5,445,000

Capital Assets and Debt Administration

Capital assets at December 31, 2011, 2010 and 2009
At December 31, 2011, 2010 and 2009, the Company had $37,575,000, $31,538,000 and $69,220,000, respectively, invested in capital assets, net of accumulated depreciation of $5,881,000, $5,260,000 and $4,627,000, respectively. Depreciation charges totaled $621,000, $633,000 and $618,000 for the years ended December 31, 2011, 2010 and 2009, respectively.

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

Outstanding debt at December 31, 2011, 2010 and 2009
At December 31, 2011, 2010 and 2009, the Company had $92,712,000, $89,089,000 and $92,816,000, respectively, in debt outstanding, of which $60,112,000, $37,055,000 and $50,883,000, respectively, was considered current and $32,600,000, $52,034,000 and $41,933,000, respectively, was considered noncurrent. More detailed information about the Company's outstanding debt is presented in Note E of the financial statements.

Cowboy Athletics, Inc.

CONSOLIDATED STATEMENTS OF NET ASSETS

December 31,

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 3,873,000**	$ 4,252,000
Investments	**38,714,000**	39,045,000
Restricted investments	**1,759,000**	2,280,000
Derivative instrument	**98,000**	968,000
Receivables, net	**284,000**	213,000
Inventories	**134,000**	126,000
Prepaid and other	**137,000**	129,000
Total current assets	**44,999,000**	47,013,000
NONCURRENT ASSETS		
Restricted investments	**2,562,000**	2,562,000
Cash surrender value of cancelled life insurance policies	**431,000**	1,427,000
Capital assets		
Capital assets being depreciated, net	**10,026,000**	10,420,000
Capital assets not being depreciated	**27,549,000**	21,118,000
	37,575,000	31,538,000
Total noncurrent assets	**40,568,000**	35,527,000
Total assets	**$ 85,567,000**	$ 82,540,000

The accompanying notes are an integral part of these statements.

Cowboy Athletics, Inc.

CONSOLIDATED STATEMENTS OF NET ASSETS - CONTINUED

December 31,

	2011	2010
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	**$ 1,065,000**	$ 1,032,000
Accrued expenses	**2,892,000**	2,159,000
Retainage payable	**132,000**	9,000
Other current liabilities	**17,000**	24,000
Unearned revenues	**219,000**	267,000
Contribution payable to related party	**5,000,000**	-
Current portion of long-term debt	**60,112,000**	37,055,000
Total current liabilities	**69,437,000**	40,546,000
NONCURRENT LIABILITIES		
Contribution payable to related party	**-**	5,000,000
Long-term debt, net of current portion	**32,600,000**	52,034,000
Total noncurrent liabilities	**32,600,000**	57,034,000
Total liabilities	**102,037,000**	97,580,000
NET ASSETS (DEFICIT)		
Invested in capital assets, net of related debt	**14,297,000**	14,666,000
Restricted		
Expendable for OSU Athletics	**23,883,000**	2,280,000
Non-expendable	**2,562,000**	2,562,000
Unrestricted net assets (deficit)	**(57,212,000)**	(34,548,000)
Total net assets (deficit)	**$ (16,470,000)**	$ (15,040,000)

The accompanying notes are an integral part of these statements.

Cowboy Athletics, Inc.

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year ended December 31,

	2011	2010
OPERATING REVNUES		
Contributions - unrestricted	**$ 7,489,000**	$ 2,856,000
Food and beverage	**2,341,000**	1,970,000
Golf course rounds	**345,000**	370,000
Golf course pro shop	**466,000**	339,000
Golf course lodge	**129,000**	164,000
Golf course membership	**707,000**	653,000
Golf instruction	**10,000**	67,000
Other revenue	**175,000**	176,000
Interest and dividends	**12,000**	28,000
Realized and unrealized losses	**(1,799,000)**	(2,483,000)
Total operating revenues	**9,875,000**	4,140,000
OPERATING EXPENSES		
Food and beverage cost of goods sold	**1,319,000**	1,148,000
Golf course proshop cost of goods sold	**267,000**	216,000
Life insurance expense	**999,000**	1,113,000
Contributions to OSU for budget support	**103,000**	322,000
Salaries	**1,633,000**	1,688,000
Depreciation	**621,000**	633,000
Professional fees	**79,000**	254,000
Supplies	**160,000**	163,000
Insurance	**204,000**	217,000
Repairs and maintenance	**242,000**	189,000
Payroll and property taxes	**152,000**	144,000
Equipment rental	**114,000**	113,000
Utilities	**188,000**	183,000
Laundry service	**51,000**	46,000
Credit card processing fees	**49,000**	59,000
Fuel	**25,000**	20,000
Other operating expenses	**357,000**	220,000
Total operating expenses	**6,563,000**	6,728,000
Net operating income (loss)	**3,312,000**	(2,588,000)
NONOPERATING EXPENSES		
Interest expense	**4,742,000**	4,148,000
Capital contributions to OSU	**-**	31,155,000
Nonoperating expenses	**4,742,000**	35,303,000
CHANGE IN NET ASSETS	**(1,430,000)**	(37,891,000)
NET ASSETS AT BEGINNING OF PERIOD	**(15,040,000)**	22,851,000
NET ASSETS AT END OF PERIOD	**$ (16,470,000)**	$ (15,040,000)

The accompanying notes are an integral part of these statements.

Cowboy Athletics, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31,

	2011	2010
Cash flows from operating activities		
Cash contributions received from the OSU Foundation and others	$ 7,412,000	$ 2,856,000
Cash received from members and customers	4,054,000	4,266,000
Cash paid to suppliers and employees	(5,000,000)	(7,968,000)
Net cash provided by (used in) operating activities	6,466,000	(846,000)
Cash flows from investing activities		
Cash received from investment income	12,000	28,000
Net cash provided by investing activities	12,000	28,000
Cash flows from capital and related financing activities		
Payment for acquisition of capital assets	(6,658,000)	(5,554,000)
Proceeds from OSU for sale of capital assets	-	38,000,000
Interest paid on capital debt	(3,822,000)	(2,542,000)
Acquisition of capital debt	14,522,000	42,229,000
Repayment of capital debt	(10,899,000)	(45,956,000)
Capital contributions to OSU	-	(26,552,000)
Net cash used in capital and related financing activities	(6,857,000)	(375,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(379,000)	(1,193,000)
Cash and cash equivalents at beginning of year	4,252,000	5,445,000
Cash and cash equivalents at end of year	$ 3,873,000	$ 4,252,000

The accompanying notes are an integral part of these statements.

Cowboy Athletics, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

Year ended December 31,

	2011	2010
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	$ 3,312,000	$ (2,588,000)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	621,000	633,000
Realized and unrealized losses on investments	1,799,000	2,483,000
Interest and dividends received	(12,000)	(28,000)
Investment contribution	(77,000)	-
Changes in assets and liabilities:		
Accounts receivable	(71,000)	544,000
Inventory	(8,000)	29,000
Prepaid and other assets	(8,000)	895,000
Cash surrender value of cancelled life insurance policies	996,000	1,103,000
Accounts payable, accrued expenses, and other current liabilities	(38,000)	(3,900,000)
Unearned revenues	(48,000)	(17,000)
Net cash provided by (used in) operating activities	$ 6,466,000	$ (846,000)

The accompanying notes are an integral part of these statements.

Cowboy Athletics, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Operations

Cowboy Athletics, Inc. is a not-for-profit Oklahoma Company organized to support the Oklahoma State University (the "University") athletic organizations and other educational programs associated with the University. The Company 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's 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. Golf Spirit, Inc. is a not-for-profit Oklahoma Company 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 Company 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 Company organized to provide financial oversight of its wholly owned subsidiary, Cowboy Land Development, Inc. ("Land"). Land is a Company organized to acquire, develop and sell real estate surrounding Karsten Creek. OSUF Holding Company and Land do not have any assets or activity at December 31, 2011 and 2010 and the years then ended.

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

2. 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 Company. The Company has no component units. The Company 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

3. Basis of Accounting

For financial reporting purposes, the Company is considered a special purpose government engaged only in business-type activities. Accordingly, the Company'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 Company is legally a 501(c)(3) not-for-profit organization, the Company 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 Company has the option to apply all Financial Accounting Standards Board ("FASB") pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Company has elected to not apply FASB pronouncements issued after the applicable date.

4. 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.

5. Revenue Recognition

The Company's revenues consist primarily of contributions from the private sector, including individuals and Companies, 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 Company, 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 Company at which time the Company recognizes contribution revenue. Other contributions are recorded when received or when a donor has announced an intention to give, and the Company 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.

6. Tax Status

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

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

7. Cash and Cash Equivalents

The Company 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.

8. Investments

Through an investment manager that is also on the board of directors, the Company primarily invests in limited partnerships to promote growth of the Company'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 Company 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.

9. Derivative Instruments

The Company 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.

10. Inventories

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

11. 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 Company'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.

Costs incurred during construction of long-lived assets are recorded as construction in process and are not depreciated until placed in service. The Company capitalizes interest as a component of capital assets. In 2011 and 2010, total interest incurred was $4,767,000 and $4,993,000, of which $25,000 and $845,000 were capitalized in 2011 and 2010, respectively.

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.

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

12. 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 Company purchased universal life insurance policies in 2007 from a life insurance company on twenty-seven participating donors naming the Company 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 Company 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 Company with annual statements of values for these cancelled life insurance contracts. During 2010, the Company 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 Company and one of its board members regarding such cancellations also seeking equitable and monetary relief. No additional premiums have been paid during 2011 or 2010. During March 2012, a judge dismissed the case, but the Company has appealed that decision, which is currently pending before the 5th Circuit Court of Appeals. 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, 2011 and 2010 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 Company if the policies had not been cancelled previously. Under such circumstances and according to the life insurance company, such values at December 31, 2011 and 2010 were $431,000 and $1,427,000, respectively. The cash surrender value reported by the life insurer at December 31, 2011 is attributable to one policy.

13. Net Assets

The Company's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the Company'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.

Restricted net assets - expendable: Restricted expendable net assets include resources in which the Company 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 Company is legally or contractually obligated to maintain in perpetuity. Generally, the donors of these assets permit the Company 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.

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

14. Classification of Revenues

The Company has classified its revenues as either operating or nonoperating revenues. Operating revenues include transactions that constitute the Company'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, 2011 and 2010, the Company had no nonoperating revenues.

15. Risk Management

The Company 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

1. Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Company's deposits may not be returned to it. The Company has cash and cash equivalents on deposit in financial institutions of $2,669,000 and $787,000 at December 31, 2011 and 2010, respectively, that are fully insured by the Federal Depository Insurance Company ("FDIC").

At December 31, 2011 and 2010, the Company has cash and cash equivalents on deposit with a financial institution of $1,202,000 and $3,236,000, 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 Company has deposits in repurchase agreements of $235,000 at December 31 2010, 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, 2011 and 2010, the Company had the following investments:

	2011	2010
Energy equity fund limited partnerships	$ 24,436,000	$ 27,216,000
Energy fund limited partnerships	4,991,000	4,887,000
Equity securities	4,157,000	3,738,000
Money market fund	9,451,000	8,046,000
	$ 43,035,000	$ 43,887,000

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

2. Interest Rate Risk

The Company 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, 2011, the Company is not invested in any instruments with stated maturities.

3. Credit Risk

The Company's investments are primarily managed by BP Capital, owned by one of the Board members. In accordance with the Company's conflict of interest policy, BP Capital does not charge the Company a management fee for its investment advisory services. The Company'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 Company's initial investment in the partnerships, adjusted for a portion of the partnerships' investment performance allocated to the Company, 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.

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 Company'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 Company'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, 2011 and 2010.

NOTE C - DERIVATIVE INSTRUMENTS

The Company 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, 2011.

Description	Number of Open Contracts	Average Purchase Price Per Unit	Fair Market Value Per Unit at December 31, 2011	Change in Fair Value during 2011	Fair Market Value at December 31, 2011
February 2012 NY Lt Crude	94	$ 100.08	$ 98.83	$ 118,000	$ 118,000
January 2015 NYM Nat Gas	1	6.09	4.73	(14,000)	(14,000)
February 2015 NYM Nat Gas	1	6.07	4.71	(14,000)	(14,000)
March 2015 NYM Nat Gas	1	5.99	4.62	(14,000)	(14,000)
April 2015 NYM Nat Gas	1	5.74	4.44	(13,000)	(13,000)
May 2015 NYM Nat Gas	1	5.75	4.45	(13,000)	(13,000)
June 2015 NYM Nat Gas	1	5.80	4.48	(13,000)	(13,000)
July 2015 NYM Nat Gas	1	5.82	4.52	(13,000)	(13,000)
August 2015 NYM Nat Gas	1	5.86	4.54	(13,000)	(13,000)
September 2015 NYM Nat Gas	1	5.87	4.54	(13,000)	(13,000)
October 2015 NYM Nat Gas	1	5.94	4.58	(14,000)	(14,000)
November 2015 NYM Nat Gas	1	6.07	4.67	(14,000)	(14,000)
December 2015 NYM Nat Gas	1	6.28	4.88	(14,000)	(14,000)
February 2012 IPE BRENT Crude	98	108.36	107.38	96,000	96,000
March 2012 IPE BRENT Crude	80	107.00	106.87	(10,000)	(10,000)
March 2012 ICE WTI LSCRD	80	99.70	99.00	56,000	56,000
Total				$ 98,000	$ 98,000

NOTE C - DERIVATIVE INSTRUMENTS - CONTINUED

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

Investment income, including unrealized gains and losses, related to investment derivative instruments totaled $536,000 and $(1,319,000) for the years ended December 31, 2011 and 2010, respectively.

1. Credit Risk

The Company'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 Company's conflict of interest policy, the Company is not charged a management fee for the investment advisory services received. The Company's investments are not restricted to an investment asset allocation policy. The Company'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.

NOTE D - CAPITAL ASSETS, NET

Capital asset activity for the year ended December 31, 2011 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	16,771,000	6,431,000	-	-	23,202,000
Construction in process - ongoing operations	10,000	-	-	-	10,000
Total non-depreciable assets	21,118,000	6,431,000	-	-	27,549,000
Capital assets being depreciated:					
Buildings	9,345,000	72,000	-	-	9,417,000
Depreciable golf course improvements	3,578,000	41,000	-	-	3,619,000
Furniture and equipment	919,000	47,000	-	-	966,000
Golf course equipment	1,838,000	67,000	-	-	1,905,000
Total capital assets being depreciated	15,680,000	227,000	-	-	15,907,000
Less accumulated depreciation:					
Buildings	1,338,000	266,000	-	-	1,604,000
Depreciable golf course improvements	1,978,000	144,000	-	-	2,122,000
Furniture and equipment	562,000	78,000	-	-	640,000
Golf course equipment	1,382,000	133,000	-	-	1,515,000
Total accumulated depreciation	5,260,000	621,000	-	-	5,881,000
Net depreciable assets	10,420,000	(394,000)	-	-	10,026,000
Capital assets, net	$ 31,538,000	$ 6,037,000	$ -	$ -	$ 37,575,000

NOTE D - CAPITAL ASSETS, NET - CONTINUED

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 and 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 and 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

NOTE E - LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Long-term debt					
Promissory note	$ 33,333,000	$ -	$ (6,666,000)	$ 26,667,000	$ 6,667,000
Promissory note	8,500,000	-	-	8,500,000	8,500,000
Note payable	26,156,000	14,522,000	-	40,678,000	40,678,000
Note payable	21,000,000	-	(4,200,000)	16,800,000	4,200,000
Note payable	100,000	-	(33,000)	67,000	67,000
Total long-term debt	89,089,000	14,522,000	(10,899,000)	92,712,000	60,112,000
Other liabilities					
Contributions payable	5,000,000	-	-	5,000,000	5,000,000
Total long-term liabilities	$ 94,089,000	$ 14,522,000	$ (10,900,000)	$ 97,712,000	$ 65,112,000

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

In October 2007, the Company 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, 2011 and 2010, the outstanding principal on the note was $26,667,000 and $33,333,000, 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, 2011) and is personally guaranteed by a related party and collateralized with the life insurance policies that the Company cancelled in 2009 and which are the object of ongoing litigation. (Promissory note was refinanced in January 2012. See Note H.)

NOTE E - LONG-TERM LIABILITIES - CONTINUED

In January 2006, the Company 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, 2011 and 2010, 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, 2011) and is personally guaranteed by a related party. (Promissory note was refinanced in January 2012. See Note H.)

The Company has entered into various demand promissory notes with Mr. T. Boone Pickens which have an aggregate outstanding balance of $40,678,000 and $26,156,000 at December 31, 2011 and 2010, respectively. These notes have a maturity date of the earlier to occur of demand for payment or various dates from February 28, 2012 to March 31, 2012. In February and March of 2012, Mr. T. Boone Pickens renewed all the demand promissory notes with a maturity date of December 31, 2012. All notes bear interest at the Plains Capital Bank stated prime rate (3.25% at December 31, 2011) and are not collateralized.

In 2010, the Company 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 31,2011). This note is collateralized by any funds owned by the Company 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 $16,800,000 and $21,000,000 as of December 31, 2011 and 2010, respectively. (Note payable was refinanced in January 2012. See Note H.)

The Company 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, with a final payment of approximately $72,000 in January 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, 2011 and 2010 was $67,000 and $100,000, 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 June 2007, the Company and the University entered into an agreement for the Company 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, 2011, 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
Year ending December 31:			
2012	$ 60,112,000	$ 4,933,000	$ 65,045,000
2013	10,867,000	1,793,000	12,660,000
2014	10,867,000	1,095,000	11,962,000
2015	10,866,000	397,000	11,263,000
	$ 92,712,000	$ 8,218,000	$ 100,930,000

NOTE F - RELATED PARTY TRANSACTIONS

In 2010, the Company 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 Company also assumed a $26,000,000 note payable from the University payable to the Foundation on which $5,000,000 was repaid in 2010 and $4,200,000 in 2011 (see Note E).

The Company entered into various demand promissory notes with Mr. T. Boone Pickens, member of the Company's Board of Directors, in 2011 and 2010 which have an outstanding balance of $40,678,000 and $26,156,000 as of December 31, 2011 and 2010, respectively (see Note E).

As discussed in Note E, at December 31, 2011 and 2010, the Company 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 Company. The Company contributed an additional $4,603,000 of capital assets to University in 2010.

NOTE G - COMMITMENTS AND CONTINGENCIES

The Company leases certain equipment under operating leases expiring at various dates through 2013. Rent expense for the years ended December 31, 2011 and 2010 was approximately $114,000 and $113,000, respectively. At December 31, 2011, future minimum lease payments for these leases are as follows:

Year ending December 31:	
2012	$ 98,000
2013	34,000
	$ 132,000

NOTE G - COMMITMENTS AND CONTINGENCIES - CONTINUED

At December 31, 2011, Facilities had significant construction in process on several projects which will be contributed or sold to the University upon completion. Approximately $23,202,000 has been spent on projects still in progress at December 31, 2011 and is included in capital assets in the accompanying statements of net assets. Management's estimated cost to complete these projects is approximately $11,754,000.

In connection with the various projects that Facilities is constructing on behalf of the University, a workers' compensation claim was filed and Facilities' insurance provider made payments for the claim and requested deductible reimbursement from Facilities in the amount of $408,000. Management disputed the amount to be reimbursed to the insurance provider and accrued $125,000 at December 31, 2010 in the accompanying statements of net assets for payment on these deductible reimbursements representing the management's estimate of the deductible owed. During 2011, Facilities settled with the insurance provider for $305,000.

The Company 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 Company's financial position or results of operations. As discussed in Note A, litigation regarding the Company's cancelled life insurance policies is pending, the outcome of which may be material.

NOTE H - GOING CONCERN CONSIDERATIONS

Going concern considerations for the Company primarily relate to its ability to meet debt payment obligations as they become due. At December 31, 2011, the Company's long-term liabilities totaled $97,712,000 as compared to its unrestricted cash and cash equivalents and investments of $42,587.000. The Company's current maturities of long-term liabilities is $60,112,000, including $40,678,000 due to Mr. T. Boone Pickens who renewed the promissory notes due to him with no principal or interest due until the earlier of demand for payment or December 31, 2012 (see Note E). Mr. T. Boone Pickens provided a letter of intent to not exercise the demand for payment on the promissory notes during 2012 and fully intends to extend the maturity dates of the promissory notes. Additionally, the Company refinanced the $26,666,000 promissory note, the $8,500,000 promissory note, and the $16,800,000 note payable (all balances as of December 31, 2011) with one bank on January 17, 2012 for $51,967,000 with a final maturity date of January 17, 2017. Payments are due quarterly and the current balance due for 2012 is $6,830,000. As such, management believes the Company will continue as a going concern and has the ability to meet its debt obligations as they become due.

NOTE I - SUBSEQUENT EVENTS

The Company has evaluated events and transactions that occurred subsequent to December 31, 2011 through June 18, 2012, the date these financial statements were available to be issued, for potential recognition or disclosure in these financial statements.

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Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting And On Compliance And Other Matters

Board of Directors
Cowboy Athletics, Inc.

We have audited the consolidated financial statements of the Cowboy Athletics, Inc. (the "Company") as of and for the year ended December 31, 2011, and have issued our report thereon dated June 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants 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 Company's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

A deficiency in internal control over financial reporting 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 a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the Company's internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company'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 management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Grant Thornton LLP

Oklahoma City, Oklahoma
June 18, 2012

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Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance And Other Matters

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, 2012, and the separately presented component unit as of and for the year ended December 31, 2011, which collectively comprise the University Athletics Program's basic financial statements, and have issued our report thereon dated October 26, 2012. Cowboy Athletics, Inc. (referred to as "CAI"), 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 CAI. Rather, a complete set of financial statements of CAI are presented separately. Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information. We conducted our audit in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants 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 audit procedures for the purpose of expressing an 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 express no such opinion.

A deficiency in internal control over financial reporting 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 a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the University Athletics Program's internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

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 management, the Board of Regents, others within the University Athletics Program, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Grant Thornton LLP

Oklahoma City, Oklahoma
October 26, 2012