

Financial statements and report of independent
certified public accountants

**Intercollegiate Athletics Program Accounts
of Oklahoma State University**

June 30, 2015 and 2014

Contents

	Page
MANAGEMENT'S DISCUSSION AND ANALYSIS	i
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1
FINANCIAL STATEMENTS	
STATEMENTS OF NET POSITION	4
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	5
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	8
COMPONENT UNIT	
COWBOY ATHLETICS, INC.	APPENDIX A
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY <i>GOVERNMENT AUDITING STANDARDS</i>	27

Intercollegiate Athletics Program Accounts of Oklahoma State University Management’s Discussion and Analysis

Overview of Financial Statements and Financial Analysis

The Intercollegiate Athletics Program Accounts of Oklahoma State University (“University Athletics Program”) presents its financial statements for fiscal year 2015, with comparative data presented for fiscal year 2014. There are three financial statements presented: the statements of net position; the statements of revenues, expenses, and changes in net position; and the statements of cash flows. This discussion and analysis of the University Athletics Program’s financial statements provides an overview of its financial activities for the year.

The statements of net position and the statements of revenues, expenses, and changes in net position report information on the University Athletics Program as a whole and on its activities. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. These two statements report the University Athletics Program’s net position and changes in them. The net position – the difference between assets and liabilities - is one way to measure financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the University Athletics Program’s financial health is improving or deteriorating.

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 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 operating activities. The second section reflects cash flows from noncapital financing activities. The third section reflects cash flows from investing activities. The fourth section reflects cash flows from capital and related financing activities. The fifth 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 position. 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.

**Intercollegiate Athletics Program Accounts
of Oklahoma State University
Management's Discussion and Analysis**

Statements of Net Position

The following summarizes the University Athletics Program's statements of net position at June 30, 2013, 2014 and 2015.

	2013	2014	2015
ASSETS			
Current assets	\$ 18,338,701	\$ 18,867,587	\$ 19,334,406
Noncurrent assets	367,277,654	362,536,024	384,091,663
Total assets	\$ 385,616,355	\$ 381,403,611	\$ 403,426,069
DEFERRED OUTFLOWS OF RESOURCES			
Deferred cost on debt restructuring	\$ -	\$ -	\$ 81,525
LIABILITIES			
Current liabilities	\$ 21,037,287	\$ 20,734,823	\$ 19,974,913
Noncurrent liabilities	89,938,689	86,163,365	84,508,674
Total liabilities	\$ 110,975,976	\$ 106,898,188	\$ 104,483,587
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue on debt restructuring	\$ -	\$ -	\$ 279,230
NET POSITION			
Invested in capital assets, net of debt	\$ 269,232,808	\$ 270,206,222	\$ 294,368,608
Unrestricted for:			
Debt service	1,305,072	1,445,659	1,440,252
Capital projects	(810,377)	(2,863,040)	(2,258,794)
Other	4,912,876	5,716,582	5,194,711
Total net position	\$ 274,640,379	\$ 274,505,423	\$ 298,744,777

In fiscal year 2015, total net position increased by \$25,899,220, or 9.4%. This increase was primarily due to the receipt of capital assets donated from Cowboy Athletics, Inc.

In fiscal year 2014, total net position had a minimal decrease of \$134,956.

Statements of Revenues, Expenses, and Changes in Net Position

The following summarizes the University Athletics Program's statements of revenues, expenses, and changes in net position for the years ended June 30, 2013, 2014 and 2015.

**Intercollegiate Athletics Program Accounts
of Oklahoma State University
Management's Discussion and Analysis**

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

	<u>2013</u>		<u>2014</u>		<u>2015</u>	
OPERATING REVENUES						
Ticket sales	\$ 22,927,357	41%	\$ 23,756,815	38%	\$ 21,126,079	33%
Conference income	21,518,842	39%	23,915,667	39%	26,163,511	41%
Multi-media	4,545,000	8%	4,795,000	8%	5,533,561	9%
Other	<u>6,515,252</u>	<u>12%</u>	<u>9,028,713</u>	<u>15%</u>	<u>11,217,487</u>	<u>17%</u>
Total operating revenues	<u>55,506,451</u>	100%	<u>61,496,195</u>	100%	<u>64,040,638</u>	100%
OPERATING EXPENSES						
Compensation and employee benefits	26,092,075	40%	27,264,189	40%	29,037,875	40%
Travel	5,749,008	9%	6,070,353	9%	6,854,617	9%
Financial aid	5,897,394	9%	6,144,250	9%	6,281,956	9%
Other	15,559,348	24%	15,811,303	23%	15,748,927	22%
Utilities	2,193,125	3%	2,912,217	4%	3,523,361	5%
Depreciation and amortization	<u>9,962,744</u>	<u>15%</u>	<u>10,409,074</u>	<u>15%</u>	<u>11,319,492</u>	<u>15%</u>
Total operating expenses	<u>65,453,694</u>	100%	<u>68,611,386</u>	100%	<u>72,766,228</u>	100%
Operating loss	<u>(9,947,243)</u>		<u>(7,115,191)</u>		<u>(8,725,590)</u>	
NONOPERATING REVENUES (EXPENSES)						
Investment income	11,852		7,757		11,141	
Athletics student fee and use tax	3,104,181		3,013,680		3,083,102	
Gifts from OSU Foundation	5,313,000		2,558,827		4,260,863	
Interest expense	<u>(3,998,127)</u>		<u>(3,776,854)</u>		<u>(3,578,104)</u>	
Total nonoperating revenues	<u>4,430,906</u>		<u>1,803,410</u>		<u>3,777,002</u>	
Capital provided by affiliates	11,616,943		5,263,782		30,876,180	
Loss on disposal of fixed assets	<u>-</u>		<u>(86,957)</u>		<u>(28,372)</u>	
	<u>11,616,943</u>		<u>5,176,825</u>		<u>30,847,808</u>	
Change in net position	<u>6,100,606</u>		<u>(134,956)</u>		<u>25,899,220</u>	
Net position, beginning of year	268,539,773		274,640,379		274,505,423	
Cumulative effect of adopting GASB 68	<u>-</u>		<u>-</u>		<u>(1,659,866)</u>	
Net position, beginning of year, adjusted	<u>268,539,773</u>		<u>274,640,379</u>		<u>272,845,557</u>	
Net position, end of year	<u>\$ 274,640,379</u>		<u>\$ 274,505,423</u>		<u>\$ 298,744,777</u>	

**Intercollegiate Athletics Program Accounts
of Oklahoma State University
Management's Discussion and Analysis**

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

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

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

For fiscal year 2015, capital provided by affiliates consisted entirely of donated capital assets from Cowboy Athletics, Inc.

For fiscal year 2014, capital provided by affiliates consisted of \$1,571,000 from plant funds and \$3,692,782 in donated capital assets from Cowboy Athletics, Inc.

Statements of Cash Flows

The following summarizes the University Athletics Program's statements of cash flows for the years ended June 30, 2013, 2014 and 2015.

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Cash provided by (used in)			
Operating activities	\$ (1,475,578)	\$ 7,641,572	\$ 873,974
Noncapital financing activities	5,313,000	2,558,827	4,260,863
Investing activities	11,582	7,757	11,585
Capital and related financing activities	<u>(3,837,476)</u>	<u>(8,008,631)</u>	<u>(5,107,905)</u>
Net increase in cash and cash equivalents	<u>11,528</u>	<u>2,199,525</u>	<u>38,517</u>
Cash and cash equivalents, beginning of year	15,402,096	15,413,624	17,613,149
Cash and cash equivalents, end of year	<u>\$ 15,413,624</u>	<u>\$ 17,613,149</u>	<u>\$ 17,651,666</u>

Cash provided by operating activities decreased by \$6,767,598, or 88.6% from the fiscal years ended June 30, 2014 to June 30, 2015. This is a result of a decrease in ticket sales and in increase in employee compensation and benefits. Cash provided by operating activities increased by \$9,117,150, or 617.9% from the fiscal years ended June 30, 2013 to June 30, 2014. The majority of the increase is due to an increase in ticket sales, conference income, and game guarantees.

Cash provided by noncapital financing increased by \$1,702,036, or 66.5% from the fiscal years ended June 30, 2014 to June 30, 2015, but decreased by \$2,754,173, or 51.8%, from the fiscal years ended June 30, 2013 to June 30, 2014. This activity is the direct result transferring athletic related funds from the Oklahoma State University Foundation to the University Athletics Program.

**Intercollegiate Athletics Program Accounts
of Oklahoma State University
Management's Discussion and Analysis**

Economic Outlook

In fiscal year 2015, the University Athletics Program's key revenue sources were derived from ticket sales, donor seating, suite royalties and conference income/media rights. Expenses continued to grow in the areas of team travel, recruiting, financial aid, compensation and employee benefits, and utilities. Despite the continued escalation of expenses the University Athletics Program continues to balance its budget.

Leadership within the University Athletics Program continues to review and explore new funding opportunities that will increase revenues. These opportunities include strategies to increase season ticket sales, donor seating, suite royalties and private donations; secure beneficial partnerships; and maximize distributions through the NCAA, Big 12 Conference and media rights. The University Athletics Program forecasts continued increases in team and recruiting travel, compensation and employee benefits, student-athlete nutrition, financial aid, utilities and facilities maintenance. However, the University Athletics Program is confident that revenues will be sufficient to cover operating expenses for 2016 and beyond.



J. Mike Holder
Vice President for Athletic Programs
and Director of Intercollegiate Athletics



Jason Lewis
Executive Senior Associate
Athletic Director



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Grant Thornton LLP
211 N Robinson, Suite 1200
Oklahoma City, OK 73102-7148
T 405.218.2800
F 405.218.2801
www.GrantThornton.com

Board of Regents
Oklahoma Agricultural and Mechanical Colleges

Report on the financial statements

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 and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the University Athletic Program’s basic financial statements as listed in the table of contents.

Management’s responsibility for the financial statements

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

Auditor’s responsibility

Our responsibility is to express opinions on the financial statements based on our audits. We have also audited the financial statements of the separately presented component unit Cowboy Athletics, Inc. (“CAI”), a not-for-profit Oklahoma corporation organized to support the University, as of and for the years ended December 31, 2014 and 2013. The University Athletic Program’s financial statements referred to above do not include the financial statements of CAI. Rather, a complete set of financial statements of CAI is presented separately. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University Athletic Program and the separately presented component unit as of June 30, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of matter

As discussed in Note 1 to the financial statements, the University Athletic Program adopted new accounting guidance in 2015 related to accounting and financial reporting for pensions. Our opinion is not modified with respect to this matter.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i through v 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. 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.

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated January 7, 2016, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University Athletics Programs' internal control over financial reporting and compliance.

Grant Thornton LLP

Oklahoma City, Oklahoma
January 7, 2016

**Intercollegiate Athletics Program Accounts
of Oklahoma State University**

STATEMENTS OF NET POSITION
June 30,

	2015	2014
ASSETS		
Current assets		
Cash and cash equivalents	\$ 16,753,566	\$ 17,169,686
Accounts receivable, net of allowances	1,607,737	627,122
Prepaid expenses	973,103	1,070,779
Total current assets	19,334,406	18,867,587
Noncurrent assets		
Cash and cash equivalents	898,100	443,463
Investments	-	444
Accounts receivable - Cowboy Athletics	5,000,000	5,000,000
Accounts receivable - student fees, net of allowances	69,955	100,895
Capital assets, net of accumulated depreciation	378,123,608	356,991,222
Total noncurrent assets	384,091,663	362,536,024
TOTAL ASSETS	403,426,069	381,403,611
DEFERRED OUTFLOWS OF RESOURCES		
Deferred cost on debt restructuring	81,525	-
LIABILITIES		
Current liabilities		
Accounts payable	196,468	118,637
Due to other University funds and accounts	297,619	247,792
Accrued expenses	202,286	157,004
Accrued interest payable	1,488,173	1,520,621
Unearned revenue	14,463,137	15,445,602
Accrued compensated absences	245,612	203,549
Current portion of revenue bonds, notes payable, and lease obligations	3,081,618	3,041,618
Total current liabilities	19,974,913	20,734,823
Noncurrent liabilities		
Accrued compensated absences	2,213,440	2,066,776
Accounts payable for capital assets	-	132,473
Pension liability	1,412,735	-
Revenue bonds payable	80,685,000	83,755,000
Revenue bonds premium payable	197,499	209,116
Total noncurrent liabilities	84,508,674	86,163,365
TOTAL LIABILITIES	104,483,587	106,898,188
DEFERRED INFLOWS OF RESOURCES		
Deferred revenue on debt restructuring	279,230	-
NET POSITION		
Invested in capital assets, net of debt	294,368,608	270,206,222
Unrestricted for:		
Debt Service	1,440,252	1,445,659
Capital Projects	(2,258,794)	(2,863,040)
Unrestricted - other	5,194,711	5,716,582
TOTAL NET POSITION	\$ 298,744,777	\$ 274,505,423

The accompanying notes are an integral part of these statements.

Intercollegiate Athletics Program Accounts of Oklahoma State University

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended June 30,

	2015	2014
Revenues		
Operating revenues		
Ticket sales	\$ 21,126,079	\$ 23,756,815
Conference income	26,163,511	23,915,667
Multi-media	5,533,561	4,795,000
Concessions	724,569	618,670
Guarantees	3,697,920	2,605,757
Other operating revenues	6,701,998	5,714,286
Student activity fees	93,000	90,000
Total operating revenues	64,040,638	61,496,195
Expenses		
Operating expenses		
Compensation and employee benefits	29,037,875	27,264,189
Travel	6,854,617	6,070,353
Financial aid	6,281,956	6,144,250
Maintenance	1,960,896	2,141,332
Athletics and small equipment purchases	1,893,035	1,500,359
Guarantees	1,266,852	1,100,477
Insurance	611,900	601,403
Other operating expenses	9,835,634	10,295,752
Telephone	180,610	171,980
Utilities	3,523,361	2,912,217
Depreciation and amortization	11,319,492	10,409,074
Total operating expenses	72,766,228	68,611,386
Operating loss	(8,725,590)	(7,115,191)
Nonoperating revenues (expenses)		
Investment income	11,141	7,757
Athletics student fee and use tax	3,083,102	3,013,680
Gifts from OSU Foundation	4,260,863	2,558,827
Interest expense	(3,578,104)	(3,776,854)
Net nonoperating revenues	3,777,002	1,803,410
Loss before other revenues, expenses, gains and losses	(4,948,588)	(5,311,781)
Capital provided by affiliates	30,876,180	5,263,782
Loss on disposal of fixed assets	(28,372)	(86,957)
Net increase (decrease) in net position	25,899,220	(134,956)
Net position - beginning of year	274,505,423	274,640,379
Cumulative effect of adopting GASB 68	(1,659,866)	-
Net position - beginning of year, adjusted	272,845,557	274,640,379
Net position - end of year	\$ 298,744,777	\$ 274,505,423

The accompanying notes are an integral part of these statements.

Intercollegiate Athletics Program Accounts of Oklahoma State University

STATEMENTS OF CASH FLOWS Year Ended June 30,

	2015	2014
Cash flows from operating activities		
Ticket sales	\$ 20,181,354	\$ 23,315,972
Other operating receipts	41,927,144	42,344,702
Payments to employees for salaries and benefits	(30,463,732)	(27,130,912)
Payments to suppliers	(30,770,792)	(30,888,190)
Net cash provided by operating activities	873,974	7,641,572
Cash flows from noncapital financing activities		
Gifts	4,260,863	2,558,827
Cash flows from investing activities		
Proceeds from sales of investments	444	-
Interest received on investments	11,141	7,757
Net cash provided by investing activities	11,585	7,757
Cash flows from capital and related financing activities		
Cash paid for capital assets	(1,736,543)	(4,533,025)
Proceeds of capital debt	247,131	232,352
Proceeds from bond refunding	-	19,365,000
Repayments of capital debt and leases	(3,041,617)	(2,816,618)
Payments on bond refunding	-	(19,335,000)
Interest paid on capital debt and leases	(3,659,978)	(3,935,020)
Student fees restricted for capital projects	3,083,102	3,013,680
Net cash used by capital and related financing activities	(5,107,905)	(8,008,631)
Net increase in cash and cash equivalents	38,517	2,199,525
Cash and cash equivalents, beginning of year	17,613,149	15,413,624
Cash and cash equivalents, end of year	\$ 17,651,666	\$ 17,613,149

The accompanying notes are an integral part of these statements.

Intercollegiate Athletics Program Accounts of Oklahoma State University

STATEMENTS OF CASH FLOWS Year Ended June 30,

	2015	2014
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (8,725,590)	\$ (7,115,191)
Cumulative effect of adopting GASB 68	(1,659,866)	-
Adjustments to reconcile operating to net cash used by operating activities		
Depreciation and amortization	11,319,492	10,409,074
Changes in assets and liabilities		
Accounts receivable	(949,675)	4,597,815
Prepaid expenses	97,676	12,868
Accounts payable	77,831	2,769
Due to other funds and accounts	49,827	34,296
Pension liability	1,412,735	-
Accrued expenses	45,282	(26,507)
Unearned revenue	(982,465)	(433,336)
Compensated absences	188,727	159,784
	\$ 873,974	\$ 7,641,572
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and cash equivalents classified as current assets	\$ 16,753,566	\$ 17,169,686
Cash and cash equivalents classified as noncurrent assets	898,100	443,463
	\$ 17,651,666	\$ 17,613,149
NONCASH CAPITAL AND RELATED FINANCING TRANSACTIONS		
Capital assets acquired by gifts from affiliates	\$ 30,876,180	\$ 5,263,782
Change in accounts payable for capital assets	\$ (132,473)	\$ (1,102,363)

The accompanying notes are an integral part of these statements.

Intercollegiate Athletics Program Accounts of Oklahoma State University

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT 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 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 calendar 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.

Intercollegiate Athletics Program Accounts of Oklahoma State University

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Changes in Accounting Principle

For the year ended June 30, 2015, the University Athletics program adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. GASB 68 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 and establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. The implementation of GASB 68 resulted in cumulative effect adjustment of \$(1,659,866) to the beginning net position on the 2015 Statement of Revenues, Expenses and Changes in Net Position as of July 1, 2014 for the recording of pensions. The effect of retroactive application of GASB 68 was recorded effective July 1, 2014 because this was the earliest date for which restatement was practical based on the actuarial valuation.

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.

Cash Equivalents

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

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 position.

Intercollegiate Athletics Program Accounts of Oklahoma State University

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT 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 years for buildings, 15 to 20 years for land improvements and 5 to 7 years for equipment.

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service. The University Athletics Program capitalizes interest as a component of capital assets constructed for its own use. In 2015 and 2014, total interest incurred was \$3,578,104 and \$3,776,854, none of which was capitalized.

Unearned Revenue

Unearned 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 compensated absences in the statements of net position, and as a component of compensation and benefit expense in the statements of revenues, expenses and changes in net position.

Intercollegiate Athletics Program Accounts of Oklahoma State University

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

Pensions

The fiduciary net position of the Teacher Retirement System of Oklahoma (OTRS) has been determined on the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from OTRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Comprehensive disclosures are available in the University financial statements.

Net Position

The University Athletics Program's net position is 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 position - expendable: Restricted expendable net position includes 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 position: Unrestricted net position represents 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.

Intercollegiate Athletics Program Accounts of Oklahoma State University

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Taxes

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

Classification of Revenues

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

New Pronouncements

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value and takes into account the highest and best use for a nonfinancial asset. This Statement is effective for periods beginning after June 15, 2015. Earlier application is encouraged.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The requirements of the Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statements 68 should not be considered pension plan assets. This Statement is effective for fiscal years beginning after June 15, 2015. Earlier application is encouraged.

Intercollegiate Athletics Program Accounts of Oklahoma State University

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective is to improve the usefulness of information about postemployment benefits other than pensions. The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and the objective is to improve financial reporting. This Statement is effective for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is encouraged.

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

Intercollegiate Athletics Program Accounts of Oklahoma State University

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents

At June 30, 2015 and 2014, the carrying amount of the University Athletics Program's cash and cash equivalents was \$17,651,666 and \$17,613,149, respectively. This amount consisted of funds held in operating accounts (\$19,631,143 and \$20,052,782), unexpended plant funds for capital projects (\$(2,049,677) and \$(2,509,833)) and petty cash and change funds (\$70,200 and \$70,200).

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

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

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
Athletic tickets	\$ 128,419	\$ 166,159
Receivable from Cowboy Athletics, Inc.	5,000,000	5,000,000
Receivables from operations	1,500,000	516,103
Student fees	83,684	110,779
	6,712,103	5,793,041
Less allowance for doubtful accounts	34,411	65,024
	\$ 6,677,692	\$ 5,728,017

Intercollegiate Athletics Program Accounts of Oklahoma State University

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE 3 - ACCOUNTS RECEIVABLE – CONTINUED

Accounts receivable at June 30, 2015 and 2014 includes a contribution receivable from CAI of \$5,000,000 which is due in 2017. As of June 30, 2015, 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:

	<u>2015</u>	<u>2014</u>
Fund collected on behalf of the University or		
University Athletics Program	\$ 33,398,345	\$ 47,684,645
Fund disbursed to or on behalf of the University or		
University Athletics Program	20,682,361	33,336,400
Net assets held on behalf of or for the benefit of the		
University or University Athletics Program at June 30	116,016,379	101,184,811

Intercollegiate Athletics Program Accounts of Oklahoma State University

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE 4 - RELATED PARTY TRANSACTIONS - CONTINUED

Cowboy Athletics, Inc.

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

CAI is governed by a seven-member Board of Directors, three of whom serve by virtue of their association with the University. The remaining four members are elected by the members. Although the University Athletics Program does not control the timing or amount of receipts from CAI, the majority of resources or income thereon that CAI holds and invests 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 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.

CAI operates OSU Cowboy Dining, L.L.C. which provides dining services for the University's athletic department and other events as approved by management.

CAI operates Cowboy Athletic Facilities, L.L.C. which conducts construction activities for the benefit of the University.

CAI transferred improvements in Boone Pickens Stadium, Gallagher – Iba Arena, the Sherman E. Smith Training Facility, and the Outdoor Practice Fields to the University Athletics Program in June 2015 at a value of \$3,856,046, \$21,430, \$21,908,585, and \$5,090,119, respectively. The acquisitions are reflected as capital provided by affiliates in the Statement of Revenues, Expenses and Changes in Net Position of the University Athletics Program for the year ended June 30, 2015.

CAI transferred improvements in Boone Pickens Stadium, Gallagher – Iba Arena, and the softball complex to the University Athletics Program in June 2014 at a value of \$2,823,275, \$463,735, and \$266,771 respectively. The acquisitions are reflected as capital provided by affiliates in the Statement of Revenues, Expenses and Changes in Net Position of the University Athletics Program for the year ended June 30, 2014.

Net assets of CAI at December 31, 2014 and 2013 were \$22,990,000 and \$35,882,000, respectively.

Intercollegiate Athletics Program Accounts of Oklahoma State University

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE 5 - CAPITAL ASSETS

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

	2015				Balance June 30, 2015
	Balance June 30, 2014	Additions	Transfers	Disposals	
COST OF CAPITAL ASSETS					
Buildings	\$ 386,709,968	\$ 26,286,061	\$ 374,001	\$ -	\$ 413,370,030
Land improvements	15,102,254	5,090,118	70,767	(1,663,098)	18,600,041
Equipment	3,941,822	313,896	-	(150,572)	4,105,146
Land	39,120,766	785,179	-	-	39,905,945
Construction in progress	1,724,798	4,996	(444,768)	-	1,285,026
Total cost of capital assets	446,599,608	32,480,250	-	(1,813,670)	477,266,188
ACCUMULATED DEPRECIATION					
Buildings	(80,377,636)	(9,911,066)	-	-	(90,288,702)
Land improvements	(6,632,853)	(1,049,143)	-	1,634,726	(6,047,270)
Equipment	(2,597,897)	(359,283)	-	150,572	(2,806,608)
Total accumulated depreciation	(89,608,386)	(11,319,492)	-	1,785,298	(99,142,580)
NET BOOK VALUE	\$ 356,991,222	\$ 21,160,758	\$ -	\$ (28,372)	\$ 378,123,608

Intercollegiate Athletics Program Accounts of Oklahoma State University

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE 5 - CAPITAL ASSETS - CONTINUED

	2014				Balance June 30, 2014
	Balance June 30, 2013	Additions	Transfers	Disposals	
COST OF CAPITAL ASSETS					
Buildings	\$ 383,386,361	\$ 3,553,781	\$ -	\$ (230,174)	\$ 386,709,968
Land improvements	8,483,041	-	7,970,150	(1,350,937)	15,102,254
Equipment	2,802,351	1,139,471	-	-	3,941,822
Land	39,120,766	-	-	-	39,120,766
Construction in progress	5,693,755	4,001,193	(7,970,150)	-	1,724,798
Total cost of capital assets	439,486,274	8,694,445	-	(1,581,111)	446,599,608
ACCUMULATED DEPRECIATION					
Buildings	(71,089,248)	(9,509,447)	-	221,059	(80,377,636)
Land improvements	(7,266,964)	(638,984)	-	1,273,095	(6,632,853)
Equipment	(2,337,254)	(260,643)	-	-	(2,597,897)
Total accumulated depreciation	(80,693,466)	(10,409,074)	-	1,494,154	(89,608,386)
NET BOOK VALUE	<u>\$ 358,792,808</u>	<u>\$ (1,714,629)</u>	<u>\$ -</u>	<u>\$ (86,957)</u>	<u>\$ 356,991,222</u>

Intercollegiate Athletics Program Accounts of Oklahoma State University

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE 6 - LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2015 and 2014 is as follows:

	2015				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Position
Revenue bonds payable	\$ 86,785,000	\$ -	\$ (3,030,000)	\$ 83,755,000	\$ 3,070,000
Notes payable	-	-	-	-	-
	<u>86,785,000</u>	<u>-</u>	<u>(3,030,000)</u>	<u>83,755,000</u>	<u>3,070,000</u>
Other liabilities					
Revenue bond premium payable	220,734	-	(11,617)	209,117	11,618
Accrued compensated absences	2,270,325	434,339	(245,612)	2,459,052	245,612
Accounts payable for capital assets	132,473	-	(132,473)	-	-
Pension liability	-	1,412,735	-	1,412,735	-
	<u>\$ 89,408,532</u>	<u>\$ 1,847,074</u>	<u>\$ (3,419,702)</u>	<u>\$ 87,835,904</u>	<u>\$ 3,327,230</u>
	2014				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Position
Revenue bonds payable	\$ 85,200,000	\$ 19,365,000	\$ (17,780,000)	\$ 86,785,000	\$ 3,030,000
Notes payable	4,360,000	-	(4,360,000)	-	-
	<u>89,560,000</u>	<u>19,365,000</u>	<u>(22,140,000)</u>	<u>86,785,000</u>	<u>3,030,000</u>
Other liabilities					
Revenue bond premium payable	-	232,352	(11,618)	220,734	11,618
Accrued compensated absences	2,110,541	363,333	(203,549)	2,270,325	203,549
Accounts payable for capital assets	1,234,836	132,473	(1,234,836)	132,473	-
	<u>\$ 92,905,377</u>	<u>\$ 20,093,158</u>	<u>\$ (23,590,003)</u>	<u>\$ 89,408,532</u>	<u>\$ 3,245,167</u>

Intercollegiate Athletics Program Accounts of Oklahoma State University

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE 6 - LONG-TERM LIABILITIES - CONTINUED

Revenue bonds payable at June 30, 2015, consist of 2.0% to 5.01% Athletic Facilities Revenue Bonds, Series 2004, and the General Revenue Bonds, Series 2010A, 2010B and 2013B. The outstanding balance of the University Athletics Program debt is \$83,755,000 and \$86,785,000 at June 30, 2015 and 2014 respectively, which mature in varying amounts to August 1, 2039. The Athletic Facilities Revenue Bonds, Series 2004, and the General Revenue Bonds, Series 2010 A and B, are part of a project to construct, improve, renovate and enlarge athletic facilities. The proceeds of the General Revenue Bonds, Series 2013B were used to refund outstanding debt as described below.

Principal and interest on the Series 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, 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 2004, were redeemed prior to maturity at the option of the Board of Regents on July 23, 2014.

The University has secured an insurance contract with an insurance company to cover the reserve requirements in the debt agreements for the Series 2004 bonds.

Principal and interest for the General Revenue Bonds, Series 2010A, Series 2010B and 2013B, 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 University Athletics Program. The General Revenue Bonds, Series 2010A and Series 2013B are subject to redemption prior to maturity at the option of the Board of Regents on August 1, 2020, and August 1, 2023 respectively. The General Revenue Bonds, Series 2010B are not subject to optional redemption prior to maturity.

There is no reserve requirement for the General Revenue Bonds issues.

Intercollegiate Athletics Program Accounts of Oklahoma State University

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE 6 - LONG-TERM LIABILITIES - CONTINUED

General Revenue Bonds, Series 2013B

The General Revenue Refunding Bonds, Series 2013B in the par amount of \$19,365,000 closed on August 29, 2013. Gross bond proceeds, including discount and premium, totaled \$19,597,352. The refunding resulted in a premium of \$232,352 which will be amortized over the 20 year life of the bonds.

Proceeds of the Series 2013B Bonds were used to currently refund the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges Oklahoma State University Athletic Facilities Revenue Bonds, Series 2003 (Phase I Football Stadium Renovation Project) (the "2003 OSU Bonds"), in the original amount of \$19,385,000, of which \$15,635,000 were outstanding at June 30, 2013. Principal of the 2003 OSU Bonds refunded with proceeds of the 2013B Bonds was \$15,635,000 plus accrued interest to the October 1, 2013, redemption date.

Proceeds of the Series 2013B Bonds were used to currently refund the Oklahoma Development Finance Authority Public Facilities Financing Program Revenue Bonds (Oklahoma State University Athletic Facilities Project) Refunding Series 2003 (the "2003 ODFA Bonds"), in the original amount of \$9,430,000, of which \$3,700,000 were outstanding. Principal of the 2003 ODFA Bonds refunded with proceeds of the 2013B Bonds was \$3,700,000 plus accrued interest to the October 1, 2013, redemption date.

Upon closing on August 29, 2013, \$19,499,636 was wired to the Bank of New York Mellon, trustee for both the above referenced 2003 issues. The outstanding bonds for both the 2003 OSU Bonds and the 2003 ODFA Bonds were redeemed on October 1, 2013.

Refunding of the 2003 OSU Bonds and 2003 ODFA Bonds was undertaken to achieve debt service savings by reducing the debt payments currently being paid on the two issues.

Intercollegiate Athletics Program Accounts of Oklahoma State University

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

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	Interest	Total Payments
2016	3,070,000	3,530,583	6,600,583
2017	3,165,000	3,437,006	6,602,006
2018	3,260,000	3,328,590	6,588,590
2019	3,370,000	3,212,687	6,582,687
2020	2,725,000	3,101,403	5,826,403
2021-2025	15,395,000	13,705,684	29,100,684
2026-2030	19,000,000	9,970,859	28,970,859
2031-2035	23,900,000	5,179,019	29,079,019
2036-2040	<u>2,870,000</u>	<u>1,150,200</u>	<u>11,020,200</u>
	<u>\$ 83,755,000</u>	<u>\$ 46,616,031</u>	<u>\$ 130,371,031</u>

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, 2015 was \$3,885,000.

Intercollegiate Athletics Program Accounts of Oklahoma State University

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

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 Risk Management Division of the Office of Management and Enterprise Services (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 through an insurance broker or through the SRMD. These coverages are outlined as follows:

- The buildings and contents are insured for replacement value. Each loss incident is subject to a \$500,000 deductible, of which \$50,000 is the obligation of the University's Athletics Program.
- Out-of-state and out-of-country comprehensive general liability, educator's legal liability including employment practices, 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.

Intercollegiate Athletics Program Accounts of Oklahoma State University

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE 7 - RISK MANAGEMENT - CONTINUED

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, 2014. Beginning January 1, 2015, the University's health care program continued as a self-funded program. BlueCross BlueShield is the third party administrator. The University has employed Lockton Company as a consultant to assist with premium setting, development of plan features, reserve funding, and use of third party stop loss coverage insurance.

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.

Intercollegiate Athletics Program Accounts of Oklahoma State University

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

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 or changes in net 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 property acquired to be used to upgrade, recreate and expand virtually all athletic venues.

The University Athletics Program utilizes certain office space and equipment under operating leases which are one year lease agreements that get extended each year. Rent expense under operating leases was \$62,740 and \$93,307 for the years ended June 30, 2015 and 2014, respectively.

NOTE 9 – RETIREMENT PLANS

The University's full-time academic and nonacademic personnel are covered by various retirement plans depending on their job classification and the employee's choices. The plans available to University personnel include a defined benefit plan, the Oklahoma Teachers Retirement System ("OTRS"). Employees of the University Athletics Program, as OTRS members, are required to contribute to the plan at a rate established by the legislature of the State. For the years ended June 30, 2015 and 2014, the contribution rate for the system members of 7.00% is applied to their total compensation. The local employer contribution rate due from the University was 8.55% for the years ended June 30, 2015 and 2014. The University administratively pays these expenses for the University Athletics Program. These costs are included with other fringe benefits.

The fiduciary net position of the Teacher Retirement System of Oklahoma (OTRS) has been determined on the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from OTRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Comprehensive disclosures are available in the University financial statements.

Intercollegiate Athletics Program Accounts of Oklahoma State University

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE 10 – SUBSEQUENT EVENTS

The University Athletics Program has evaluated events or transactions that occurred subsequent to June 30, 2015 through January 7, 2016, the date these financial statements were available to be issued, for potential recognition or disclosure in these financial statements.

The Master Real Property Lease 2015A issued on July 23, 2015 with a par amount of \$20,749,000 to refund the Athletic Facilities Revenue Bonds, Refunding Series 2004. The \$22,338,000 gross Master Lease bond proceeds, including discount and premium, funded the optional early redemption of the 2004 Series bonds on August 24, 2015.

COMPONENT UNIT

Consolidated financial statements and report of
independent certified public accountants

Cowboy Athletics, Inc.

December 31, 2014 and 2013

Contents

	Page
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	7
FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF NET POSITION	9
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	11
CONSOLIDATED STATEMENTS OF CASH FLOWS	12
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	13
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS	26

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, 2014 and 2013.

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, 2014, 2013 and 2012, the Company's net position was:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets	\$ <u>127,055,000</u>	\$ <u>137,464,000</u>	\$ <u>121,179,000</u>
Liabilities	\$ <u>104,065,000</u>	\$ <u>101,582,000</u>	\$ <u>108,796,000</u>
Net position			
Invested in capital assets	\$ 13,444,000	\$ 13,940,000	\$ 13,997,000
Restricted			
Expendable for OSU Athletics	37,561,000	53,140,000	30,617,000
Non-expendable	2,562,000	2,562,000	2,562,000
Unrestricted	<u>(30,577,000)</u>	<u>(33,760,000)</u>	<u>(34,793,000)</u>
Total net position	\$ <u>22,990,000</u>	\$ <u>35,882,000</u>	\$ <u>12,383,000</u>

For the year ended December 31, 2014, the Company's operating revenues were \$29,267,000, compared to operating revenues of \$34,976,000 and \$44,493,000 in 2013 and 2012, respectively. For the years ended December 31, 2014, 2013 and 2012, the Company experienced a decrease in net position of \$12,892,000, an increase in net position of \$23,499,000 and a increase in net position of \$27,640,000, respectively.

Using this Annual Report

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

The statements of net position and the statements of revenues, expenses, and changes in net position 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 position. When the reverse occurs, the result is a decrease in net position.

These two statements report the Company's net position and changes in them. The Company's net position - 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 position 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 position. 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 Position

The following summarizes the Company's statements of net position at December 31, 2014, 2013 and 2012:

	2014	2013	2012
ASSETS			
Current assets	\$ 76,314,000	\$ 69,362,000	\$ 72,035,000
Noncurrent assets	50,741,000	68,102,000	49,144,000
Total assets	\$ 127,055,000	\$ 137,464,000	\$ 121,179,000
LIABILITIES			
Current liabilities	\$ 82,426,000	\$ 78,004,000	\$ 68,214,000
Noncurrent liabilities	21,639,000	23,578,000	40,582,000
Total liabilities	\$ 104,065,000	\$ 101,582,000	\$ 108,796,000
NET POSITION			
Invested in capital assets	\$ 13,444,000	\$ 13,940,000	\$ 13,997,000
Restricted			
Expendable for OSU Athletics	37,561,000	53,140,000	30,617,000
Non-expendable	2,562,000	2,562,000	2,562,000
Unrestricted	(30,577,000)	(33,760,000)	(34,793,000)
Total net position	\$ 22,990,000	\$ 35,882,000	\$ 12,383,000

At December 31, 2014, 2013 and 2012, current assets consisted primarily of cash and cash equivalents, short-term investments and receivables. Noncurrent assets consisted of long-term investments 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 position for the years ended December 31, 2014, 2013 and 2012:

	2014		2013		2012	
OPERATING REVENUES						
Contributions	\$ 24,737,000	84.5%	\$ 24,619,000	70.5%	\$ 31,630,000	71.1%
Food and beverage	2,815,000	9.6%	2,462,000	7.0%	2,467,000	5.5%
Golf course operations	1,926,000	6.6%	1,795,000	5.1%	1,717,000	3.9%
Other revenue	332,000	1.1%	180,000	0.5%	11,309,000	25.4%
Investment (loss) income	<u>(543,000)</u>	<u>-1.8%</u>	<u>5,920,000</u>	<u>16.9%</u>	<u>(2,630,000)</u>	<u>-5.9%</u>
Total operating revenues	29,267,000	100.0%	34,976,000	100.0%	44,493,000	100.0%
OPERATING EXPENSES						
Salaries and benefits	1,746,000	28.7%	1,683,000	27.1%	1,744,000	25.6%
Life insurance expense	2,000	0.0%	13,000	0.2%	433,000	6.4%
OSU budgetary contribution	100,000	1.7%	75,000	1.2%	75,000	1.1%
Depreciation	624,000	10.3%	624,000	10.0%	621,000	9.1%
Other operating expenses	<u>3,607,000</u>	<u>59.3%</u>	<u>3,821,000</u>	<u>61.5%</u>	<u>3,937,000</u>	<u>57.8%</u>
Total operating expenses	<u>6,079,000</u>	<u>100.0%</u>	<u>6,216,000</u>	<u>100.0%</u>	<u>6,810,000</u>	<u>100.0%</u>
Operating income	23,188,000		28,760,000		37,683,000	
NONOPERATING EXPENSES						
Interest expense	2,865,000		3,155,000		3,842,000	
Other capital contributions to OSU	<u>33,215,000</u>		<u>2,106,000</u>		<u>6,201,000</u>	
Total nonoperating expenses	<u>36,080,000</u>		<u>5,261,000</u>		<u>10,043,000</u>	
Change in net position	(12,892,000)		23,499,000		27,640,000	
Net position at beginning of year	35,882,000		12,383,000		(16,470,000)	
Cumulative effect of change in accounting principle.	<u>-</u>		<u>-</u>		<u>1,213,000</u>	
Net position at end of year	<u>\$ 22,990,000</u>		<u>\$ 35,882,000</u>		<u>\$ 12,383,000</u>	

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).

Non-operating expenses are primarily comprised of interest expense and capital contributions to OSU.

Cowboy Athletics, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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:

	2014	2013	2012
Cash provided by (used in)			
Operating activities	\$ 22,553,000	\$ 32,848,000	\$ 13,794,000
Investing activities	(4,396,000)	7,000	7,000
Capital financing activities	(17,867,000)	(32,343,000)	(14,687,000)
Net change in cash	290,000	512,000	(886,000)
Cash at beginning of year	3,499,000	2,987,000	3,873,000
Cash at end of year	\$ 3,789,000	\$ 3,499,000	\$ 2,987,000

Capital Assets and Debt Administration

Capital assets at December 31, 2014, 2013 and 2012

At December 31, 2014, 2013 and 2012, the Company had \$48,179,000, \$65,540,000 and \$46,582,000, respectively, invested in capital assets, net of accumulated depreciation of \$7,587,000, \$6,968,000 and \$6,498,000, respectively. Depreciation charges totaled \$624,000, \$624,000 and \$621,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

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

Outstanding debt at December 31, 2014, 2013 and 2012

At December 31, 2014, 2013 and 2012, the Company had \$90,120,000, \$88,708,000 and \$96,421,000, respectively, in debt outstanding, of which \$73,501,000, \$70,167,000 and \$60,888,000, respectively, was considered current and \$16,619,000, \$18,541,000 and \$35,533,000, respectively, was considered noncurrent. More detailed information about the Company's outstanding debt is presented in Note E of the financial statements.



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Cowboy Athletics, Inc.

Grant Thornton LLP
211 N Robinson, Suite 1200
Oklahoma City, OK 73102-7148
T 405.218.2800
F 405.218.2801
www.GrantThornton.com

Report on the financial statements

We have audited the accompanying consolidated financial statements of Cowboy Athletics, Inc. and its subsidiaries (collectively, the “Company”), which comprise the consolidated statements of net position as of December 31, 2014 and 2013, and the related consolidated statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management’s responsibility for the financial statements

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

Auditor’s responsibility

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

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

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

Opinion

In our opinion, the 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, 2014 and 2013, and the changes in their financial position and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion 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. 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.

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated July 9, 2015 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

Grant Thornton LLP

Oklahoma City, Oklahoma
July 9, 2015

Cowboy Athletics, Inc.

CONSOLIDATED STATEMENTS OF NET POSITION

December 31,

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,789,000	\$ 3,499,000
Investments	46,087,000	42,194,000
Restricted investments	2,094,000	2,071,000
Receivables, net	368,000	247,000
Contribution receivable	23,531,000	20,935,000
Inventories	215,000	235,000
Prepaid and other	230,000	181,000
Total current assets	<u>76,314,000</u>	<u>69,362,000</u>
NONCURRENT ASSETS		
Restricted investments	2,562,000	2,562,000
Capital assets		
Capital assets being depreciated, net	8,872,000	9,377,000
Capital assets not being depreciated	39,307,000	56,163,000
	<u>48,179,000</u>	<u>65,540,000</u>
Total noncurrent assets	<u>50,741,000</u>	<u>68,102,000</u>
Total assets	<u>\$ 127,055,000</u>	<u>\$ 137,464,000</u>

The accompanying notes are an integral part of these statements.

Cowboy Athletics, Inc.

CONSOLIDATED STATEMENTS OF NET POSITION - CONTINUED

December 31,

	2014	2013
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 908,000	\$ 1,987,000
Accrued expenses	7,230,000	5,109,000
Retainage payable	109,000	179,000
Other current liabilities	23,000	25,000
Unearned revenues	174,000	119,000
Derivative instrument	481,000	418,000
Current portion of long-term debt	73,501,000	70,167,000
Total current liabilities	82,426,000	78,004,000
NONCURRENT LIABILITIES		
Contribution payable to related party	5,000,000	5,000,000
Long-term debt, net of current portion	16,619,000	18,541,000
Other long-term liabilities	20,000	37,000
Total noncurrent liabilities	21,639,000	23,578,000
Total liabilities	104,065,000	101,582,000
NET POSITION		
Invested in capital assets	13,444,000	13,940,000
Restricted		
Expendable for OSU Athletics	37,561,000	53,140,000
Non-expendable	2,562,000	2,562,000
Unrestricted net position	(30,577,000)	(33,760,000)
Total net position	\$ 22,990,000	\$ 35,882,000

The accompanying notes are an integral part of these statements.

Cowboy Athletics, Inc.

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended December 31,

	2014	2013
OPERATING REVENUES		
Contributions	\$ 24,737,000	\$ 24,619,000
Food and beverage	2,815,000	2,462,000
Golf course rounds	450,000	436,000
Golf course pro shop	527,000	505,000
Golf course lodge	186,000	177,000
Golf course membership	763,000	677,000
Other revenue	332,000	180,000
Interest and dividends	4,000	6,000
Realized and unrealized (losses) gains	(547,000)	5,914,000
Total operating revenues	29,267,000	34,976,000
OPERATING EXPENSES		
Food and beverage cost of goods sold	1,898,000	1,584,000
Golf course proshop cost of goods sold	321,000	295,000
Life insurance expense	2,000	13,000
Contributions to OSU for budget support	100,000	75,000
Salaries	1,746,000	1,683,000
Depreciation	624,000	624,000
Professional fees	42,000	525,000
Supplies	127,000	209,000
Insurance	243,000	221,000
Repairs and maintenance	194,000	183,000
Payroll and property taxes	155,000	153,000
Equipment rental	104,000	96,000
Utilities	192,000	177,000
Laundry service	30,000	44,000
Credit card processing fees	62,000	52,000
Fuel	24,000	27,000
Other operating expenses	215,000	255,000
Total operating expenses	6,079,000	6,216,000
Net operating income	23,188,000	28,760,000
NONOPERATING EXPENSES		
Interest expense	2,865,000	3,155,000
Capital contributions to OSU	33,215,000	2,106,000
Nonoperating expenses	36,080,000	5,261,000
CHANGE IN NET POSITION	(12,892,000)	23,499,000
NET POSITION AT BEGINNING OF PERIOD	35,882,000	12,383,000
NET POSITION AT END OF PERIOD	\$ 22,990,000	\$ 35,882,000

The accompanying notes are an integral part of these statements.

Cowboy Athletics, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31,

	2014	2013
Cash flows from operating activities		
Cash contributions received from the OSU Foundation and others	\$ 24,659,000	\$ 22,893,000
Cash received from members and customers	2,410,000	15,496,000
Cash paid to suppliers and employees	(4,516,000)	(5,541,000)
Net cash provided by operating activities	22,553,000	32,848,000
Cash flows from investing activities		
Sale of investments	-	3,011,000
Purchase of investments	(4,400,000)	(3,010,000)
Cash received from investment income	4,000	6,000
Net cash (used in) provided by investing activities	(4,396,000)	7,000
Cash flows from capital and related financing activities		
Payment for acquisition of capital assets	(15,727,000)	(21,464,000)
Proceeds on disposition of capital assets	1,000	3,000
Interest paid on debt	(3,538,000)	(3,155,000)
Acquisition of debt	8,826,000	11,468,000
Repayment of debt and capital lease	(7,429,000)	(19,195,000)
Net cash used in capital and related financing activities	(17,867,000)	(32,343,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	290,000	512,000
Cash and cash equivalents at beginning of year	3,499,000	2,987,000
Cash and cash equivalents at end of year	\$ 3,789,000	\$ 3,499,000
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 23,188,000	\$ 28,760,000
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	624,000	624,000
Realized and unrealized losses (gains) on investments	547,000	(5,914,000)
Interest and dividends received	(4,000)	(6,000)
Noncash contribution	(78,000)	(225,000)
Gain on disposition of capital assets	(1,000)	(2,000)
Changes in assets and liabilities:		
Receivables	(2,717,000)	9,712,000
Inventory	20,000	(76,000)
Prepaid and other assets	(49,000)	(120,000)
Accounts payable, accrued expenses, retainage payable and other current liabilities	968,000	247,000
Unearned revenues	55,000	(152,000)
Net cash provided by operating activities	\$ 22,553,000	\$ 32,848,000
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS		
Capital assets contributed to Oklahoma State University	\$ (33,215,000)	\$ (2,106,000)

The accompanying notes are an integral part of these statements.

Cowboy Athletics, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 and 2013

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 Golf, 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, 2014 and 2013 and the years then ended.

Cowboy Athletics, Inc., and its 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.

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.

Cowboy Athletics, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2014 and 2013

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

3. Basis of Accounting - continued

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 position.

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. There were no unrelated business income taxes incurred in either 2014 or 2013.

The Company's subsidiary OSUF Holding Company is a for-profit organization. OSUF Holding Company did not have any assets or activity at December 31, 2014 or 2013, accordingly no provision for taxes has been made in the accompanying financial statements. Accordingly, no provision for taxes has been made in the accompanying financial statements.

Cowboy Athletics, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2014 and 2013

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 position. Changes in the fair value of these investments are reported as investment income in the consolidated statements of revenues, expenses, and changes in net position. The Company also maintains investments in equity securities, which are recorded at fair value. Investments are classified as current or noncurrent based on the expected purpose for which they will be used. Investments that are externally restricted to make debt service payments or to purchase or construct capital assets are classified as noncurrent assets in the statements of net assets. 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 position. Changes in fair value of these instruments are reported as investment income in the consolidated statements of revenues, expenses, and changes in net position.

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.

Cowboy Athletics, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2014 and 2013

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

11. Capital Assets, Net - Continued

Costs incurred during construction of long-lived assets are recorded as construction in process and are not depreciated until placed in service. The Company allocates and capitalizes interest for other constructed assets by applying the cost of borrowing rate to qualifying assets. The Company capitalized approximately \$673,000 and \$803,000 to construction work in progress for 2014 and 2013, respectively. In 2014 and 2013, total interest incurred was approximately \$3,538,000 and \$3,958,000. In 2014 and 2013, \$2,106,000 and \$107,000 of capitalized interest was contributed to the University with completed capital contributions.

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.

12. Life Insurance Receivable

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 were paid during 2011 or 2010. During March 2012, a judge dismissed the case, but the Company appealed that decision, and in April 2013, the appeal was dismissed. As a result of the dismissal of the case in 2013, the Company recorded a receivable for the life insurance proceeds of a covered donor who passed away in December 2012 for approximately \$11,200,000. The receivable was collected in May 2013.

13. Net Assets

The Company's net position is classified as follows:

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

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

Cowboy Athletics, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2014 and 2013

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

13. Net Assets - Continued

Restricted net position - non-expendable: Restricted non-expendable net position 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 position: Unrestricted net position represents resources that 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 Company'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.

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, 2014 and 2013, 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 \$2,347,000 and \$2,453,000 at December 31, 2014 and 2013, respectively, that are fully insured by the Federal Depository Insurance Company ("FDIC").

At December 31, 2014 and 2013, the Company has cash and cash equivalents on deposit with a financial institution of \$1,439,000 and \$1,042,000, 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.

Cowboy Athletics, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2014 and 2013

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

1. Custodial Credit Risk – Deposits - Continued

At December 31, 2014 and 2013, the Company had the following investments:

	<u>2014</u>	<u>2013</u>
Energy equity fund limited partnerships	\$ 21,927,000	\$ 23,396,000
Energy fund limited partnerships	8,280,000	7,202,000
Equity securities	1,647,000	2,603,000
Money market fund	<u>18,889,000</u>	<u>13,626,000</u>
	<u>\$ 50,743,000</u>	<u>\$ 46,827,000</u>

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, 2014 and 2013, 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, 2014 and 2013.

Cowboy Athletics, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2014 and 2013

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, 2014.

Description	Number of Contracts	Average Purchase Price Per Unit	Fair Market Value Per unit at December 31, 2014	Change in Fair Value During 2014	Fair Market Value at December 31, 2014
December 2016 NYM Nat Gas	46	4.37	3.72	(249,000)	(298,000)
December 2016 NYM Nat Gas	24	4.48	3.72	-	(183,000)
Total				<u>\$ (249,000)</u>	<u>\$ (481,000)</u>

Following is a summary of the open commodity futures contracts at December 31, 2013.

Description	Number of Contracts	Average Purchase Price Per Unit	Fair Market Value Per unit at December 31, 2013	Change in Fair Value During 2013	Fair Market Value at December 31, 2013
February 2014 NY LT Crude	69	\$ 98.38	\$ 98.42	\$ 3,000	\$ 3,000
February 2014 NYM Nat Gas	46	4.37	4.23	(65,000)	(65,000)
February 2014 NYM Nat Gas	46	4.44	4.23	(98,000)	(98,000)
February 2014 NYM Nat Gas	23	4.25	4.23	(4,000)	(4,000)
January 2015 NYM Nat Gas	1	6.09	4.40	-	(17,000)
February 2015 NYM Nat Gas	1	6.07	4.37	-	(17,000)
March 2015 NYM Nat Gas	1	5.99	4.31	-	(17,000)
April 2015 NYM Nat Gas	1	5.74	4.03	-	(17,000)
May 2015 NYM Nat Gas	1	5.75	4.01	-	(17,000)
June 2015 NYM Nat Gas	1	5.80	4.03	(1,000)	(18,000)
July 2015 NYM Nat Gas	1	5.82	4.05	(1,000)	(18,000)
August 2015 NYM Nat Gas	1	5.86	4.06	(1,000)	(18,000)
September 2015 NYM Nat Gas	1	5.87	4.05	(1,000)	(18,000)
October 2015 NYM Nat Gas	1	5.94	4.08	(2,000)	(19,000)
November 2015 NYM Nat Gas	1	6.07	4.12	(2,000)	(20,000)
December 2015 NYM Nat Gas	1	6.28	4.23	(2,000)	(20,000)
December 2016 NYM Nat Gas	46	4.37	4.26	(49,000)	(49,000)
February 2014 IPE BRENT Crude	69	110.64	110.80	<u>11,000</u>	<u>11,000</u>
Total				<u>\$ (212,000)</u>	<u>\$ (418,000)</u>

Cowboy Athletics, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2014 and 2013

NOTE C - DERIVATIVE INSTRUMENTS - CONTINUED

Investment income, including unrealized gains and losses, related to investment derivative instruments totaled \$799,000 and \$2,737,000 for the years ended December 31, 2014 and 2013, 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, 2014 was as follows:

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Non-depreciable assets:					
Land	\$ 2,120,000	\$ -	\$ -	\$ -	\$ 2,120,000
Non-depreciable golf course equipment	2,442,000	-	-	-	2,442,000
Construction in process - projects to be transferred to the University	51,591,000	16,283,000	(33,139,000)	-	34,735,000
Construction in process - ongoing operations	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Total non-depreciable assets	<u>56,163,000</u>	<u>16,283,000</u>	<u>(33,139,000)</u>	<u>-</u>	<u>39,307,000</u>
Capital assets being depreciated:					
Buildings	9,441,000	22,000	-	-	9,463,000
Depreciable golf course improvements	3,737,000	28,000	-	-	3,765,000
Furniture and equipment	1,037,000	25,000	(3,000)	-	1,059,000
Golf course equipment	<u>2,130,000</u>	<u>44,000</u>	<u>(2,000)</u>	<u>-</u>	<u>2,172,000</u>
Total capital assets being depreciated	16,345,000	119,000	(5,000)	-	16,459,000
Less accumulated depreciation:					
Buildings	2,144,000	269,000	-	-	2,413,000
Depreciable golf course improvements	2,419,000	152,000	-	-	2,571,000
Furniture and equipment	781,000	65,000	(3,000)	-	843,000
Golf course equipment	<u>1,624,000</u>	<u>138,000</u>	<u>(2,000)</u>	<u>-</u>	<u>1,760,000</u>
Total accumulated depreciation	<u>6,968,000</u>	<u>624,000</u>	<u>(5,000)</u>	<u>-</u>	<u>7,587,000</u>
Net depreciable assets	<u>9,377,000</u>	<u>(505,000)</u>	<u>-</u>	<u>-</u>	<u>8,872,000</u>
Capital assets, net	<u>\$ 65,540,000</u>	<u>\$ 15,778,000</u>	<u>\$ (33,139,000)</u>	<u>\$ -</u>	<u>\$ 48,179,000</u>

Cowboy Athletics, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2014 and 2013

NOTE D - CAPITAL ASSETS, NET - CONTINUED

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Non-depreciable assets:					
Land	\$ 1,895,000	\$ 225,000	\$ -	\$ -	\$ 2,120,000
Non-depreciable golf course equipment	2,442,000	-	-	-	2,442,000
Construction in process - projects to be transferred to the University	32,575,000	21,122,000	(2,106,000)	-	51,591,000
Construction in process - ongoing operations	10,000	-	-	-	10,000
Total non-depreciable assets	<u>36,922,000</u>	<u>21,347,000</u>	<u>(2,106,000)</u>	<u>-</u>	<u>56,163,000</u>
Capital assets being depreciated:					
Buildings	9,432,000	9,000	-	-	9,441,000
Depreciable golf course improvements	3,716,000	21,000	-	-	3,737,000
Furniture and equipment	1,014,000	23,000	-	-	1,037,000
Golf course equipment	1,996,000	289,000	(155,000)	-	2,130,000
Total capital assets being depreciated	16,158,000	342,000	(155,000)	-	16,345,000
Less accumulated depreciation:					
Buildings	1,874,000	270,000	-	-	2,144,000
Depreciable golf course improvements	2,268,000	151,000	-	-	2,419,000
Furniture and equipment	717,000	64,000	-	-	781,000
Golf course equipment	1,639,000	139,000	(154,000)	-	1,624,000
Total accumulated depreciation	<u>6,498,000</u>	<u>624,000</u>	<u>(154,000)</u>	<u>-</u>	<u>6,968,000</u>
Net depreciable assets	<u>9,660,000</u>	<u>(282,000)</u>	<u>(1,000)</u>	<u>-</u>	<u>9,377,000</u>
Capital assets, net	<u>\$ 46,582,000</u>	<u>\$ 21,065,000</u>	<u>\$ (2,107,000)</u>	<u>\$ -</u>	<u>\$ 65,540,000</u>

Cowboy Athletics, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2014 and 2013

NOTE E - LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Long-term debt					
Note payable	\$ 62,752,000	\$ 8,826,000	\$ -	\$ 71,578,000	\$ 71,578,000
Note payable	<u>25,956,000</u>	<u>-</u>	<u>(7,414,000)</u>	<u>18,542,000</u>	<u>1,923,000</u>
Total long-term debt	88,708,000	8,826,000	(7,414,000)	90,120,000	73,501,000
Other liabilities					
Contributions payable	5,000,000	-	-	5,000,000	-
Other long-term liabilities	<u>49,000</u>	<u>-</u>	<u>(15,000)</u>	<u>34,000</u>	<u>14,000</u>
Total long-term liabilities	\$ <u>93,757,000</u>	\$ <u>8,826,000</u>	\$ <u>(7,429,000)</u>	\$ <u>95,154,000</u>	\$ <u>73,515,000</u>

Long-term liability activity for the year ended December 31, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Long-term debt					
Note payable	\$ 51,284,000	\$ 11,468,000	\$ -	\$ 62,752,000	\$ 62,752,000
Note payable	<u>45,137,000</u>	<u>-</u>	<u>(19,181,000)</u>	<u>25,956,000</u>	<u>7,415,000</u>
Total long-term debt	96,421,000	11,468,000	(19,181,000)	88,708,000	70,167,000
Other liabilities					
Contributions payable	5,000,000	-	-	5,000,000	-
Other long-term liabilities	<u>63,000</u>	<u>-</u>	<u>(14,000)</u>	<u>49,000</u>	<u>12,000</u>
Total long-term liabilities	\$ <u>101,484,000</u>	\$ <u>11,468,000</u>	\$ <u>(19,195,000)</u>	\$ <u>93,757,000</u>	\$ <u>70,179,000</u>

Cowboy Athletics, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2014 and 2013

NOTE E - LONG-TERM LIABILITIES - CONTINUED

The Company has entered into various demand promissory notes with Mr. T. Boone Pickens which have an aggregate outstanding balance of \$71,578,000 and \$62,752,000 at December 31, 2014 and 2013, respectively. These notes had a maturity date of the earlier to occur of demand for payment or various dates from February 28, 2015 to March 31, 2015. In February and March of 2015, Mr. T. Boone Pickens renewed all the demand promissory notes with maturity dates of various dates from February 28, 2016 to March 31, 2016. All notes bear interest at the Plains Capital Bank stated prime rate (3.25% at December 31, 2014) and are not collateralized.

In January 2012, the Company executed a note payable with Interbank for \$51,967,000 to mature on January 1, 2017. The outstanding balance of the note payable at December 31, 2014 and 2013 was \$18,542,000 and \$25,956,000, respectively. Payments, including 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 plus one percent or 6% (6% at December 31, 2014). The note is collateralized by any funds owned by the Company and held by the Foundation as part of the agency agreement between the two parties which is recorded as a contribution receivable of \$23,531,000 and \$20,935,000 at December 31, 2014 and 2013, respectively, in the consolidated statements of net position.

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. In June 2012, the Company and the University amended the agreement to defer payment of the contribution until June 2017. This amount is recorded as a contribution payable in the accompanying consolidated statements of net position.

As of December 31, 2014, 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.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending December 31:			
2015	\$ 73,501,000	\$ 8,037,000	\$ 81,538,000
2016	7,993,000	733,000	8,726,000
2017	<u>8,626,000</u>	<u>25,000</u>	<u>8,651,000</u>
	<u>\$ 90,120,000</u>	<u>\$ 8,795,000</u>	<u>\$ 98,915,000</u>

NOTE F - RELATED PARTY TRANSACTIONS

The Company entered into various demand promissory notes with Mr. T. Boone Pickens, a member of the Company's Board of Directors, in 2014 and 2013 which have an outstanding balance of \$71,578,000 and \$62,752,000 as of December 31, 2014 and 2013, respectively (see Note E).

As discussed in Note E, at December 31, 2014 and 2013, the Company has recorded a contribution payable to the University totaling \$5,000,000 for use in the University's athletic department.

Cowboy Athletics, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2014 and 2013

NOTE F - RELATED PARTY TRANSACTIONS - CONTINUED

The Company contributed \$33,215,000 and \$2,106,000 of capital assets to the University in 2014 and 2013, respectively.

As discussed in Note E, the Company has recorded a contribution receivable from the Foundation at December 31, 2014 and 2013 as part of the agency agreement between both parties due to the debt agreement the Company has with Interbank. This receivable consists of donations on football and basketball season tickets and the cash is held by the Foundation indefinitely until the Company requests the funds for operations. Management has determined that substantially all of the donations received relate to athletic events occurring prior to December 31, 2014 and 2013, and, as such, the revenue associated with the receivable has been recognized in the accompanying statements of revenues, expenses and changes in net position for the respective periods.

NOTE G - COMMITMENTS AND CONTINGENCIES

The Company leases certain equipment under operating leases expiring at various dates through 2017. Rent expense for the years ended December 31, 2014 and 2013 was approximately \$104,000 and \$96,000, respectively. At December 31, 2014, future minimum lease payments for these leases are as follows:

Year ending December 31:		
2015	\$	95,000
2016		95,000
2017		43,000

At December 31, 2014, Facilities had significant construction in process on several projects which will be contributed to the University upon completion. Approximately \$34,735,000 has been spent on projects still in progress at December 31, 2014 and is included in capital assets in the accompanying statements of net position. Management's estimated cost to complete these projects is approximately \$5,734,000.

The Company offers a simple IRA plan to eligible employees. Pursuant to the plan provisions, employee contributions can be made to the plan up to maximum amount allowable by law. The Company matches employee contributions up to 3% of the respective employee's salary. Employer contributions vest immediately. The Company paid \$23,000 and \$22,000 in contributions to the simple IRA plan in 2014 and 2013, respectively.

The Company is a party to various matters of litigation. Management believes that the ultimate outcome of the matters will not have a material adverse effect on the Company's financial position or results of operations.

Cowboy Athletics, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2014 and 2013

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, 2014, the Company's long-term liabilities from Note E totaled \$95,154,000 as compared to its unrestricted cash and cash equivalents and investments of \$49,876,000. The Company's current maturities of long-term liabilities is \$73,515,000, including \$71,578,000 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 various dates from February 28, 2016 to March 31, 2016 (see Note E). Mr. T. Boone Pickens provided a letter of intent to not exercise the demand for payment on the promissory notes during 2015 and fully intends to extend the maturity dates of the promissory notes. 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, 2014 through July 9, 2015, the date these financial statements were available to be issued, for potential recognition or disclosure in these financial statements.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT
AUDITING STANDARDS

Grant Thornton LLP
211 N Robinson, Suite 1200
Oklahoma City, OK 73102-7148
T 405.218.2800
F 405.218.2801
www.GrantThornton.com

Board of Directors
Cowboy Athletics, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Cowboy Athletics, Inc. (the “Company”) which comprise the consolidated statement of net position as of December 31, 2014, and the related consolidated statement of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated July 9, 2015.

Internal control over financial reporting

In planning and performing our audit of the consolidated financial statements, we considered the Company’s internal control over financial reporting (“internal control”) to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the Company’s internal control.

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

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

Compliance and other matters

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

Intended purpose

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

Grant Thornton LLP

Oklahoma City, Oklahoma
July 9, 2015



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT
AUDITING STANDARDS

Grant Thornton LLP
211 N Robinson, Suite 1200
Oklahoma City, OK 73102-7148
T 405.218.2800
F 405.218.2801
www.GrantThornton.com

Board of Regents
Oklahoma Agricultural and Mechanical Colleges

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Intercollegiate Athletics Program Accounts of Oklahoma State University (the "University Athletics Program") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise University Athletics Program's basic financial statements, and have issued our report thereon dated January 7, 2016.

Internal control over financial reporting

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

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

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

Compliance and other matters

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

Intended purpose

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

Grant Thornton LLP

Oklahoma City, Oklahoma
January 7, 2016