

KETR-FM RADIO STATION
ANNUAL FINANCIAL REPORT
YEARS ENDED AUGUST 31, 2022 AND 2021

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KETR-FM RADIO STATION
ANNUAL AUDIT REPORT
FOR YEARS ENDED AUGUST 31, 2022 AND 2021

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Texas A&M University – Commerce
Commerce, Texas

Opinion

We have audited the accompanying financial statements of KETR-FM Radio Station ("Station") which comprise the statements of fund net position as of August 31, 2022, and 2021, and the related 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KETR-FM Radio Station as of August 31, 2022, and 2021, and the changes in its net positions and its cash flow for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Station and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Station's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

Independent Auditor's Report – Continued

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Station's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Station's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note A, the financial statements present only the KETR-FM Radio Station and do not purport to, and do not present fairly the financial position of TAMU – Commerce as of August 31, 2022 and 2021, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Station's basic financial statements. The schedules identified in the table of contents as other supplementary information are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The other supplementary schedules identified in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used in the preparation of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. 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 February 24, 2023, on our consideration of the Station's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Station's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Station's internal control over financial reporting and compliance.

Rutherford, Taylor & Company PC

February 24, 2023
Greenville, Texas

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board:

We have audited, in accordance with the 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 KETR-FM Radio Station ("Station"), as of and for the years ended August 31, 2022, and 2021 and the related notes to the financial statements, which collectively comprise the Station's basic financial statements and have issued our report thereon dated February 24, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Station's internal control over financial reporting (internal control) to determine the 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 the Station's internal control. Accordingly, we do not express an opinion on the effectiveness of the Station'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 entity'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 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 Station'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*.

Purpose of this Report

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 Station'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 Station's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rutherford, Taylor & Company PC

February 24, 2023
Greenville, Texas

**KETR-FM RADIO STATION
MANAGEMENTS DISCUSSION AND ANALYSIS
YEARS ENDED AUGUST 31, 2022 AND 2021**

This section of KETR-FM Radio Station's annual financial report presents our discussion and analysis of the Station's financial performance during the fiscal year. The fiscal year reflects a 12-month period beginning September 1 and ending August 31. This financial statement presents financial information as of August 31, 2022 and 2021 and the financial activities for the fiscal years ended August 31, 2022 and 2021. Please read it in conjunction with the Station's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of KETR-FM Radio Station exceeded its liabilities as of August 31, 2022 and 2021 by \$ 542,609 and \$ 591,446 (net position), respectively.
- The Station's total net position decreased by \$ 48,837 during the current fiscal year.
- Approximately 55% of net position, or \$ 296,172 is available for spending at the Radio Station's discretion.
- The Station has no long-term debt at year end for each fiscal period presented.

This discussion and analysis is intended to serve as an introduction to the KETR-FM Radio Station's basic financial statements. The station's basic financial statements consist of two components: 1) fund financial statements and 2) notes to the financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of KETR-FM Radio Station.

The Station operates as a proprietary fund type and presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting. As a proprietary fund, the Station's basic financial statements include:

- Statement of Fund Net Position
- Statement of Revenues, Expenses and Changes in Fund Net Position
- Statement of Cash Flows
- Notes to the Basic Financial Statements

The Statement of Fund Net Position includes all of the Station's assets and liabilities, with the difference between the two reported as net position. Net position is displayed in three categories:

- Net Investment in Capital Assets
- Restricted
- Unrestricted

OVERVIEW OF THE FINANCIAL STATEMENTS

Financial Statements – the financial statements are designed to provide readers with an overview of the Station's finances, in a manner similar to a typical private-sector business.

The *Statement of Fund Net Position* presents information on all of the Station's assets and liabilities, with the difference between the two reported as net position. Net position is displayed in three categories: (1) net investment in capital assets, (2) restricted and (3) unrestricted. Over time increases and decreases in net position can serve as a useful indicator of the long-term trend of the Station's financial position.

The *Statement of Revenue, Expenses and Changes in Fund Net Position* shows activities and changes during the fiscal year. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flow. Thus, revenues and expenses are reported for some items that will not affect cash flow until future fiscal periods (e.g. earned, but unused, vacation leave and accounts receivable for services).

**KETR-FM RADIO STATION
MANAGEMENTS DISCUSSION AND ANALYSIS
YEARS ENDED AUGUST 31, 2022 AND 2021**

Overview of the Financial Statements (Continued)

The *Statement of Cash Flows* presents information showing the Station's cash activities, cash receipts and cash disbursements. The Statement of Cash Flows is presented in three broad categories (1) cash flows from operating activities, (2) cash flows from non-capital and related financing activities, and (3) cash flows from capital and related financing activities. The Statement of Cash Flows is a useful tool in understanding the Station's cash position and the reasons behind the position.

Notes to the Financial Statements – the accompanying notes to the financial statements provide information essential to a complete understanding of the data provided in the basic fund financial statements. The notes include information about various financial statement elements. The notes to the financial statements begin immediately following the basic financial statements.

Supplemental Information – includes is a budgetary comparison schedule to enhance the reader's understanding of the Station's operations.

FINANCIAL ANALYSIS OF THE STATION

Statement of Fund Net Position

The following condensed financial statements are presented to provide a comparative to the presented:

KETR-FM RADIO STATION'S NET POSITION			
	2022	2021	Percentage Change 2021-2022
Assets			
Current and other Assets	\$ 474,034	\$ 550,056	-13.82%
Capital Assets, net	68,575	41,390	65.68%
Total Assets	\$ 542,609	\$ 591,446	-8.26%
Liabilities			
Current Liabilities	\$ -	\$ -	0.00%
Total Liabilities	\$ -	\$ -	0.00%
Net Position			
Net Investment in Capital Assets	\$ 68,575	\$ 41,390	65.68%
Restricted	177,862	289,004	-38.46%
Unrestricted	296,172	261,052	13.45%
Total Net Position	\$ 542,609	\$ 591,446	-8.26%

**KETR-FM RADIO STATION
MANAGEMENTS DISCUSSION AND ANALYSIS
YEARS ENDED AUGUST 31, 2022 AND 2021**

Net position may serve over time as one useful indicator of the Station's financial condition. The assets of the Station exceed liabilities by \$ 542,609 and \$ 591,446 as of August 31, 2022 and 2021, respectively. The Station's net position changed by \$ (48,837) and \$ 238,160 for the fiscal years ended August 31, 2022 and 2021, respectively. The Station's net investment in capital assets represents 12.63%, or \$ 68,575, of the total net position and includes transmission equipment, tower, broadcasting equipment and furniture and fixtures. The Station uses these capital assets to provide services to listeners; consequently, these assets are not available for future spending. Although the Station's investments in capital assets are not encumbered by indebtedness, they are not available to satisfy any outstanding liabilities. An additional portion of the Station's net position, 32.78% or, \$ 177,862 represents resources that are subject to external restrictions on how they can be used. The remaining balance of \$ 296,172, represents resources that may be used for any purpose related to the operation of the Station.

Statement of Revenues, Expenses and Changes in Fund Net Position

The following condensed financial statements are presented to provide a comparative analysis of the current and preceding year:

KETR-FM RADIO STATION'S CHANGE IN NET POSITION			
	2022	2021	Percentage Change 2021-2022
Operating Revenues			
Grants from Corporation for Public Braodcasting	\$ 134,518	\$ 330,284	-59.27%
Total Revenues	\$ 134,518	\$ 330,284	-59.27%
Operating Expenses			
Program Expenses:			
Programming and Production	\$ 105,211	\$ 137,997	-23.76%
Broadcasting	212,049	137,637	54.06%
Program Information	23,061	8,649	166.63%
Depreciation	10,023	9,580	4.62%
Support Services:			
Management and General	257,645	216,823	18.83%
Fundraising	53,076	53,073	0.01%
Underwriting	55,748	15,066	270.03%
Total Expenses	\$ 716,813	\$ 578,825	23.84%
Operating Income (Loss)	\$ (582,295)	\$ (248,541)	-134.29%
Non-Operating Revenues			
University Appropriations	\$ 338,309	\$ 348,603	-2.95%
University Indirect Support	110,643	85,719	29.08%
Private Contributions	-	46,716	-100.00%
In Kind Support	20,650	-	0.00%
Underwriting Support	61,527	3,334	1745.44%
University Occupancy Support	2,329	2,329	0.00%
Total Non-Operating Revenues	\$ 533,458	\$ 486,701	9.61%
Change in Net Position	\$ (48,837)	\$ 238,160	120.51%
Net Position -September 1 (Beginning)	591,446	353,286	67.41%
Net Position - August 31 (Ending)	\$ 542,609	\$ 591,446	-8.26%

**KETR-FM RADIO STATION
MANAGEMENTS DISCUSSION AND ANALYSIS
YEARS ENDED AUGUST 31, 2022 AND 2021**

The Station received \$ 134,518 and \$ 330,284 in grant funding from the Corporation for Public Broadcasting for the years ended August 31, 2022 and 2021. The restricted fund balance at August 31, 2022 and 2021 represents the funds remaining unspent from CPB grants from the current and prior years. The radio station's private donations and corporate underwriting increased \$ 11,477 during fiscal year 2022, or 23%. The Station as a whole is primarily reliant on university appropriations, corporate and private underwriting, and grant funding from the Corporation for Public Broadcasting.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2022 and 2021, the Station had invested \$ 352,332 and \$ 315,124 respectfully, in a broad range of capital assets, including its transmitter, tower and antennae, broadcasting equipment and furniture and fixtures. Depreciation of all capital assets is estimated at \$ 10,023 and \$ 9,580 for each of the 2022 and 2021 fiscal years.

KETR-FM RADIO STATION'S CAPITAL ASSETS			
	2022	2021	Percentage Change 2021-2022
Equipment	\$ 301,193	\$ 263,985	14.09%
Furniture and Fixtures	12,330	12,330	0.00%
Infrastructure	38,809	38,809	0.00%
Accumulated Depreciation	(283,757)	(273,734)	3.66%
Total	<u>\$ 68,575</u>	<u>\$ 41,390</u>	65.68%

More detailed information about the Station's capital assets is presented in the notes to the financial statements.

Debt

The Station does not have any debt at year end.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The proposed budget for FY 2023 includes anticipated revenues and appropriations approximating the current year with no major changes in revenue or expenses.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Station's finances and to demonstrate commitment to public accountability. Additional details can be requested by mail at the following address:

KETR-FM Radio Station
Texas A&M University - Commerce

P.O. Box 3011
Commerce, Texas 75429

BASIC FINANCIAL STATEMENTS

KETR-FM RADIO STATION
STATEMENT OF FUND NET POSITION
AUGUST 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash and Investments		
Unrestricted	\$ 296,172	\$ 261,052
Restricted	<u>177,862</u>	<u>289,004</u>
Total Current Assets	<u>\$ 474,034</u>	<u>\$ 550,056</u>
Capital Assets:		
Equipment	\$ 301,193	\$ 263,985
Furniture and Fixtures	12,330	12,330
Infrastructure	38,809	38,809
Less Accumulated Depreciation	<u>(283,757)</u>	<u>(273,734)</u>
Total Capital Assets, Net	<u>\$ 68,575</u>	<u>\$ 41,390</u>
Total Assets	<u>\$ 542,609</u>	<u>\$ 591,446</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	<u>\$ -</u>	<u>\$ -</u>
Total Current Liabilities	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>
NET POSITION		
Net Investment in Capital Assets	\$ 68,575	\$ 41,390
Restricted for:		
Grant	177,862	289,004
Unrestricted	<u>296,172</u>	<u>261,052</u>
Total Net Position	<u><u>\$ 542,609</u></u>	<u><u>\$ 591,446</u></u>

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

KETR-FM RADIO STATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
YEARS ENDED AUGUST 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Grants from Corporation for Public Broadcasting	\$ 134,518	\$ 330,284
Total Operating Revenue	<u>\$ 134,518</u>	<u>\$ 330,284</u>
OPERATING EXPENSES		
Program Expenses:		
Programming and Production	\$ 105,211	\$ 137,997
Broadcasting	212,049	137,637
Program Information	23,061	8,649
Depreciation	10,023	9,580
Support Services:		
Management and General	257,645	216,823
Fundraising	53,076	53,073
Underwriting	<u>55,748</u>	<u>15,066</u>
Total Operating Expenses	<u>\$ 716,813</u>	<u>\$ 578,825</u>
Operating Income (Loss)	<u>\$ (582,295)</u>	<u>\$ (248,541)</u>
NON-OPERATING REVENUES		
University Appropriations	\$ 338,309	\$ 348,603
University Indirect Support	110,643	85,719
Private Contributions	-	46,716
In Kind Support	20,650	
Underwriting Support	61,527	3,334
University Occupancy Support	<u>2,329</u>	<u>2,329</u>
Total Non-Operating Revenues	<u>\$ 533,458</u>	<u>\$ 486,701</u>
Change in Net Position	\$ (48,837)	\$ 238,160
Net Position - September 1 (Beginning)	<u>591,446</u>	<u>353,286</u>
Net Position - August 31 (Ending)	<u><u>\$ 542,609</u></u>	<u><u>\$ 591,446</u></u>

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

KETR-FM RADIO STATION
STATEMENT OF CASH FLOWS
YEARS ENDED AUGUST 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Cash Received from Grants and Underwriting	\$ 134,518	\$ 330,284
Cash Paid to Employees	(206,297)	(208,691)
Cash Paid to Suppliers	(366,872)	(272,506)
Net Cash Provided (Used) for Operating Activities	<u>\$ (438,651)</u>	<u>\$ (150,913)</u>
Cash Flows from Non-Capital Financing Activities		
University Appropriations	\$ 338,309	\$ 348,603
Cash Received as gifts	-	46,716
Cash Received for Underwriting	61,528	3,334
Net Cash Provided (Used) for Non-Capital Financing Activities	<u>\$ 399,837</u>	<u>\$ 398,653</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition of Capital Assets	\$ (37,208)	\$ -
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>\$ (37,208)</u>	<u>\$ -</u>
Net increase in Cash and Cash Equivalents	\$ (76,022)	\$ 247,740
Cash and Cash Equivalents at Beginning of Year	550,056	302,316
Cash and Cash Equivalents at End of Year	<u>\$ 474,034</u>	<u>\$ 550,056</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating Income (Loss)	\$ (582,295)	\$ (248,541)
Adjustment to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Depreciation	10,023	9,580
University Support	112,971	88,048
In Kind Support	20,650	-
Change in Assets and Liabilities:		
Increase (Decrease) in Accounts Payable	-	-
Total Adjustments	<u>\$ 143,644</u>	<u>\$ 97,628</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (438,651)</u>	<u>\$ (150,913)</u>
Supplemental Cash Flow Information:		
Non-Cash Contributions Received In-Kind	<u>\$ 133,622</u>	<u>\$ 88,048</u>

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

**KETR-FM RADIO STATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2022 AND 2021**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

KETR-FM Radio Station ("Station") began broadcasting on the air April 7, 1975. It began as a Teaching-Laboratory for students at East Texas State University. In the early 1980s, FCC approved KETR to raise the tower height and to increase power from 7,500 watts to 100,000 watts. This increased the station's broadcast range from 20 miles to 75 miles. The Station has rejoined the National Public Radio programming and has moved in the direction of online and digital programming with KETR.org and a new digital transmitter that offers the opportunity to begin HD broadcasts in the future. The Station is committed to providing the northeast Texas citizens and the Texas A&M University-Commerce community with entertaining, educational and informative programming along with serving as a learning environment for university students to pursue excellence in broadcasting.

KETR-FM Radio Station is a department of Texas A & M – Commerce University. These financial statements present only the activities and financial information of the KETR-FM Radio Station department. The Texas A & M – Commerce University business office provides the accounting processes and procedures for the Station.

The financial statements of the Station have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Generally accepted accounting principles include those prescribed by the Governmental Accounting Standards Board ("GASB") and the American institute of Certified Public Accountants in the publication entitled *State and Local Governments- Audit and Accounting guide*. The more significant accounting policies of the Station are described below.

1. Reporting Entity

The Station is a financial reporting entity as defined by GASB Statement No. 14, *"The Financial Reporting Entity"* as amended by GASB Statement No. 39, *"Determining Whether Certain Stations Are Component Units."* Under GASB Statement No. 14, component units are Stations for which the Station is financially accountable and all other Stations for which the nature and significance of their relationship with the Station are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. As of August 31, 2021, the Station does not have any component units.

In addition, GASB Statement No. 61 considers an Station that does not meet the financial accountability criteria to be included as a component unit if management's professional judgement determines it to be necessary and misleading if omitted. This evaluation includes consideration of whether a financial benefit or burden exists in the relationship between the entities. Management has not identified any additional Stations that fit these criteria.

2. Basis of Presentation, Basis of Accounting

The Station is a special purpose government engaged in only in only business-type activities. In accordance with GASB Statement 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, the Station is required to present only financial statements for enterprise funds, along with management's discussion and analysis (MD&A), notes to the financial statements and other required supplementary information (RSI).

The accounts of the Station are organized on the basis of funds and account groups, each of which is considered to be a separate entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, net position, revenues, and expenses. The fund type utilized by the Station is described below.

The Proprietary Fund is used to account for the operations of KETR-FM Radio Station as it provides broadcast programming to those in its listening area and internet radio streaming services.

**KETR-FM RADIO STATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2022 AND 2021**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Basis of Presentation, Basis of Accounting (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering services in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary fund include the cost of production, programming, broadcasting, fundraising, administration, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non – operating revenues and expense. When both restricted and unrestricted funds are available for use, it is the Station's policy to use its restricted resources first, then unrestricted resources as they are needed.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual method of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Grants and similar items are recognized as revenue as soon as all the eligibility requirements are met. Proprietary Fund financial statements follow accounting rules set forth by the Governmental Accounting Standards Board; these principles have been codified in GASB Statement No. 62.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

The Station's only operating activity is the broadcast of public radio programming to its listeners within an area limited by its broadcast signal strength. It also streams its on-air programming via its internet website. The statements, exhibits and supplemental schedule were prepared on the accrual basis of accounting except for the statement of cash flows, which is a cash basis statement.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For the purpose of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Budget

The Station's budget represents revenues, expenses, and transfers as approved by the University's Administration. The Budget is prepared using the accrual basis of accounting.

c. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities are the date of the financial statements and the reported amounts of revenue and expenses during the period, Actual results may differ from those estimates.

d. Prepaid Items

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items.

**KETR-FM RADIO STATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2022 AND 2021**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Financial Statement Amounts (Continued)

e. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value of the asset or materially extended assets lives are not capitalized. University policy is to capitalize all assets with an original cost greater \$ 5,000.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	7-10
Station and Broadcast Equipment	5-7
Furniture and Fixtures	5-7

f. Receivable and Payable Balances

The Station believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. There are no outstanding receivables as of year-end.

g. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets includes capital assets, less accumulated depreciation, less and outstanding debt used for the acquisition, construction or improvement of any asset, plus any unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Station or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. Unrestricted net position for the proprietary fund represents the net position available for future operations or distributions.

h. Comparative Data/Reclassification

Comparative total data for the current year to budget have been presented in the supplementary section of the financial statement in order to provide understanding of budget to actual. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

i. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

j. Program Revenues

Program revenues include grant funding and direct corporate underwriting.

k. Program Expenses

Certain indirect cost such as administrative costs are included in the program expense report for individual activities.

**KETR-FM RADIO STATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2022 AND 2021**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Financial Statement Amounts (Continued)

l. Indirect Costs

The costs of providing services have been summarized in the fund statements. Certain indirect cost have been allocated among the benefitting programs and support services based upon total direct operating expenses or occupied building footage.

m. Pledges and Contributions

The Station engages in periodic fundraising campaigns manifested by offering some special programs and on-air and mail fundraising appeals. These appeals encourage supporters, both individual and Stations to provide financial contributions to KETR-FM for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding listeners. Contributions including pledges and membership receipts are recognized as revenue in the period received or givens. However, uncollected pledges and membership are not enforced against the contributors. Based on KETR-FM's judgement, including such factors are prior collections, no allowance for uncollectable contributions receivable is provided. All members pledges receivable are promised to give within a year of August 31, 2022. Contributions and collected pledges are components of the unrestricted operating fund inasmuch as their usage is not limited to specific activities of KETR-FM. This usage is consistent with appeals for contributions and pledges.

n. In Kind Contributions

The estimated fair market value of contributed professional services is recorded as both revenue and expenses in the period the services are rendered.

The university donates office and studio space together with related occupancy cost as well as administrative support consisting of financial and general administrative department cost. The in-kind donations are recorded both as a revenue and expense in the period in which they are utilized and recorded at their estimated cost.

B. COMPLIANCE AND ACCOUNTABILITY

1. Finance-related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "*Certain Financial Statement Note Disclosures*," violations of financial-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds saving deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>
None reported	Not applicable

**KETR-FM RADIO STATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2022 AND 2021**

C. DEPOSITS AND INVESTMENTS

Deposits and Investments

As a department of TAMU-Commerce, the Station does not maintain separate bank accounts, rather, all cash is a part of the TAMU-Commerce pooled cash system. As a part of the state of Texas Colleges and Universities Enterprise Fund, TAMU-Commerce is required to secure deposits through collateral pledged by depository banks and savings and loan institutions for all balance in excess of the amounts insured by the Federal Deposit Insurance Corporation. The Station's pooled bank balance as of August 31, 2022 and 2021 was \$ 474,034 and \$ 550,056, respectively. Of these amounts \$ 177,862 and \$ 289,004 represent restricted funds attributed to grant funds available for use as of August 31, 2022 and 2021.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfil the obligation to the holder of the investment. All of the Station's cash deposits were either fully insured with FDIC insurance or pledged securities at year end.

Custodial Credit-Deposits

To control custody and safekeeping risk, the Station (through TAMU-Commerce) collateralizes its bank deposits in accordance with the State of Texas policies. These policies require the funds be held in depository bank and saving and loans, with pledged security covering all amounts in excess of FDIC insurance limits.

Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the Station was not exposed to foreign currency risk.

D. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the financial instruments as of August 31, 2022 are as follows:

	Carrying Amount	Fair Value
Cash and Short-Term Investments	\$ 474,034	\$ 474,034
Accounts Payable	\$ 474,034	\$ 474,034

The fair value of the financial instruments as of August 31, 2021 are as follows:

	Carrying Amount	Fair Value
Cash and Short-Term Investments	\$ 550,056	\$ 550,050
Accounts Payable	\$ 550,056	\$ 550,050

KETR-FM RADIO STATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2022 AND 2021

E. CAPITAL ASSETS

Capital asset activity for the period ended August 31, 2022 was as follows:

	Beginning Balances	increases	Decreases Reclassifications	Ending Balances
Capital Assets, being depreciated				
Studio & Broadcast Equipment	\$ 263,985	\$ 37,208	\$ -	\$ 301,193
Furniture & Fixtures	12,330	-	-	12,330
Infrastructure	38,809	-	-	38,809
Total Assets being depreciated	<u>\$ 315,124</u>	<u>\$ 37,208</u>	<u>\$ -</u>	<u>\$ 352,332</u>
Accumulated Depreciation				
Studio & Broadcast Equipment	\$ 230,712	\$ 8,790	\$ -	\$ 239,502
Furniture & Fixtures	4,213	1,233	-	5,446
Infrastructure	38,809	-	-	38,809
Total accumulated depreciation	<u>\$ 273,734</u>	<u>\$ 10,023</u>	<u>\$ -</u>	<u>\$ 283,757</u>
Net Capital Assets	<u>\$ 41,390</u>	<u>\$ 10,023</u>	<u>\$ -</u>	<u>\$ 68,575</u>

Capital asset activity for the period ended August 31, 2021 was as follows:

	Beginning Balances	increases	Decreases Reclassifications	Ending Balances
Capital Assets, being depreciated				
Studio & Broadcast Equipment	\$ 263,985	\$ -	\$ -	\$ 263,985
Furniture & Fixtures	12,330	-	-	12,330
Infrastructure	38,809	-	-	38,809
Total Assets being depreciated	<u>\$ 315,124</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 315,124</u>
Accumulated Depreciation				
Studio & Broadcast Equipment	\$ 222,365	\$ 8,347	\$ -	\$ 230,712
Furniture & Fixtures	2,980	1,233	-	4,213
Infrastructure	38,809	-	-	38,809
Total accumulated depreciation	<u>\$ 264,154</u>	<u>\$ 9,580</u>	<u>\$ -</u>	<u>\$ 273,734</u>
Net Capital Assets	<u>\$ 50,970</u>	<u>\$ (9,580)</u>	<u>\$ -</u>	<u>\$ 41,390</u>

F. GRANT FROM THE CORPORATION FOR PUBLIC BROADCASTING

The Station received grant income from the Corporation for Public Broadcasting ("CPB") in the amount of \$ 134,518 and \$ 330,284 during the years ended August 31, 2022 and 2021, respectively. Eligibility for the Community Service Grant from CPB is allowed on a continuing basis, but is evaluated periodically for applicability. There is no assurance that awards or that reductions in grant awards will not be encountered in future years. During the fiscal years presented, the Station has utilized its grant funding in accordance to the terms and conditions set forth.

Funds received include the following identified grants:

	2022	2021
Community Service Grant	134,518	128,860
American Rescue Act Stabilization	-	201,424

**KETR-FM RADIO STATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2022 AND 2021**

G. CONTINGENT LIABILITIES

The Station participated in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant program are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Station has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired in the opinion of the Station, there are no significant contingent liabilities related to compliance with the rules and regulations governing the respective grants; there for, no provision has been recorded in the accompanying financial statements for such contingencies.

H. FEDERAL INCOME TAX

KETR-FM Radio Station is a local government entity and as such is exempt from the payment of Federal Income Taxes under provisions of the Internal Revenue Code, Section 170.

I. LITIGATION, CLAIMS & JUDGEMENT

Station management is unaware of any pending claims and assessments as of August 31, 2022 or 2021 or the fiscal year then ended.

J. SUBSEQUENT EVENTS

The Station has evaluated all events or transactions that occurred after August 31, 2022 up through February 24, 2023, the date the financial statements were available to be issued. During this period, management did not take note of any events requiring disclosure.

SUPPLEMENTARY INFORMATION

KETR-FM RADIO STATION
BUDGETARY COMPARISON SCHEDULE - PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2022

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Grants from Corporation for Public Broadcasting	\$ 140,000	\$ 140,000	\$ 134,518	\$ (5,482)
University Appropriations	350,000	350,000	338,309	(11,691)
Private Contributions and Underwriting	63,000	63,000	61,527	(1,473)
In-kind Contributions	-	-	20,650	20,650
Donated Facilities & Administrative University Support	116,000	116,000	112,972	(3,028)
Total Revenue	<u>\$ 669,000</u>	<u>\$ 669,000</u>	<u>\$ 667,976</u>	<u>\$ (1,024)</u>
EXPENSES				
Program Services:				
Programming and Production	\$ 110,000	\$ 110,000	\$ 105,211	\$ 4,789
Broadcasting	200,000	200,000	212,049	(12,049)
Program Information	15,000	15,000	23,061	(8,061)
Depreciation	9,000	9,000	10,023	(1,023)
Total Program Services	<u>\$ 334,000</u>	<u>\$ 334,000</u>	<u>\$ 350,344</u>	<u>\$ (16,344)</u>
Supporting Services:				
Management and General	\$ 267,000	\$ 267,000	\$ 257,645	\$ 9,355
Fundraising	53,000	53,000	53,076	(76)
Underwriting	15,000	15,000	55,748	(40,748)
Total Supporting Services	<u>\$ 335,000</u>	<u>\$ 335,000</u>	<u>\$ 366,469</u>	<u>\$ (31,469)</u>
Total Expenses	<u>\$ 669,000</u>	<u>\$ 669,000</u>	<u>\$ 716,813</u>	<u>\$ (47,813)</u>
Change in Net Position	\$ -	\$ -	\$ (48,837)	\$ (48,837)
Net Position, September 1 (Beginning)	<u>591,446</u>	<u>591,446</u>	<u>591,446</u>	<u>-</u>
Net Position, August 31 (Ending)	<u><u>\$ 591,446</u></u>	<u><u>\$ 591,446</u></u>	<u><u>\$ 542,609</u></u>	<u><u>\$ (48,837)</u></u>