

The University of Oklahoma – KGOU-FM Radio Station

Independent Auditor's Reports and Financial Statements

June 30, 2022

The University of Oklahoma – KGOU-FM Radio Station

June 30, 2022

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Independent Auditor's Report

Regents of the University of Oklahoma
The University of Oklahoma – KGOU-FM Radio Station
Norman, Oklahoma

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The University of Oklahoma – KGOU-FM Radio Station (the Station) as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Station's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Station as of June 30, 2022 and the changes in its financial position and its cash flows for the year 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Emphasis of Matters

As discussed in *Note 1* to the financial statements, in 2022, the Station adopted new accounting guidance for accounting for leases. Our opinion is not modified with respect to this matter.

As discussed in *Note 1*, the accompanying financial statements of the Station are intended to present the financial position, changes in financial position, and cash flows of only the activities of the Station. They do not purport to, and do not, present fairly the financial position of The University of Oklahoma as of June 30, 2022 and the changes in its financial position or its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities 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 GAAS 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment 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 judgment, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2022 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 solely 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.

FORVIS,LLP

Tulsa, Oklahoma
December 16, 2022

The University of Oklahoma – KGOU-FM Radio Station

Management's Discussion and Analysis

Year Ended June 30, 2022

Introduction

KGOU-FM Radio Station (the Station) is a full-service public radio station licensed to the University of Oklahoma (the University) serving the greater Oklahoma City metropolitan area and east central, western, and northwestern Oklahoma. The Station originates from studios located on the campus of the University, and its signal is delivered by five transmitters and four translators: KGOU (Norman, Oklahoma), KROU (Spencer, Oklahoma), K276ET (Seminole, Oklahoma), K250AU (Ada, Oklahoma), K295BL (Chickasha, Oklahoma), KWOU (Woodward, Oklahoma), KOUA (Ada, Oklahoma), K286BZ (Shawnee, Oklahoma), and KQOU (Clinton, Oklahoma). The Station also streams the broadcast audio over the internet and through its webpage, www.kgou.org.

The Station's format is primarily news/talk on weekdays; jazz, blues, funk and groove, and world music programs on weekends; and broadcasting programs from NPR, BBC, Native Voice One, WNYC Studios, and other public radio content providers.

Overview of the Financial Statements and Financial Analysis

Within this section of the Station's annual financial report, the Station's management provides a narrative discussion and analysis of the financial activities of the Station for the fiscal year ended June 30, 2022. The Station's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. The 2021 financial information contained herein has not been restated for the adoption of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, discussed in *Note 1* to the financial statements, because of the single-year presentation of the basic financial statements.

Financial Analysis of the Station as a Whole

The Station's total assets exceeded liabilities by \$703,038 for the June 30, 2022 fiscal year. This compares to fiscal year 2021 when assets exceeded liabilities by \$627,023.

Capital and lease assets, including property and equipment, net of accumulated depreciation and amortization, were \$286,232, an increase of 122.8% in fiscal year 2022 from \$128,440 in fiscal year 2021. The increase in fiscal year 2022 of \$157,792 was primarily due to the addition of GASB 87 lease assets.

The unrestricted net position of \$513,100 represents the portion available to maintain the Station's continuing obligations to citizens and creditors in fiscal year 2022. This is an increase of 30.3% over fiscal year 2021. The unrestricted net position in fiscal year 2021 was \$393,673.

During fiscal year 2022, total liabilities for the Station increased by 6.5% or \$33,575 to \$545,494 due primarily to the addition of the GASB 87 lease liabilities.

Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position

The statement of net position and the statement of revenues, expenses, and changes in net position report the Station's net position and how it has changed. Net position is the difference between assets plus deferred outflows and liabilities plus deferred inflows. This is one way to measure the Station's financial health or position. Over time, the increases or decreases in the Station's net position are an indicator of whether its financial health is improving or not.

These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting, which is consistent with the accounting method used by private sector institutions. All of the current year's revenues and expenses are recognized when earned or incurred regardless of when cash is received or paid.

The following table summarizes the Station's assets, liabilities, and net position as of June 30:

	2022	2021
Assets		
Current assets	\$ 962,300	\$ 1,010,502
Noncurrent assets	<u>286,232</u>	<u>128,440</u>
Total assets	<u>1,248,532</u>	<u>1,138,942</u>
Liabilities		
Current liabilities	433,354	381,477
Noncurrent liabilities	<u>112,140</u>	<u>130,442</u>
Total liabilities	<u>545,494</u>	<u>511,919</u>
Net Position		
Net investment in capital assets	110,564	128,440
Restricted – expendable	79,374	104,910
Unrestricted	<u>513,100</u>	<u>393,673</u>
Total net position	<u>\$ 703,038</u>	<u>\$ 627,023</u>

The following table summarizes the Station's revenues, expenses, and changes in net position for the fiscal years ended June 30:

	2022	2021
Operating revenues	\$ 1,556,100	\$ 1,491,729
Operating expenses	<u>2,260,927</u>	<u>2,153,408</u>
Operating loss	(704,827)	(661,679)
Nonoperating revenues (expenses)	<u>780,842</u>	<u>716,248</u>
Change in net position	<u>\$ 76,015</u>	<u>\$ 54,569</u>

Operating and Nonoperating Revenues

The following table details the operating revenues and nonoperating revenues for the Station for the fiscal years ended June 30:

	2022	2021
Operating Revenues		
CPB grant	\$ 148,862	\$ 128,718
Grants	26,165	93,400
Underwriting	622,420	565,095
In-kind underwriting	36,810	31,575
Memberships	574,273	593,010
StateImpact Oklahoma project	126,350	44,320
Miscellaneous	21,220	35,611
	<hr/>	<hr/>
Total operating revenues	1,556,100	1,491,729
	<hr/>	<hr/>
Nonoperating Revenues		
General allocations from the University	203,933	160,872
Direct administrative support	56,082	97,859
Indirect administrative support	336,032	270,434
On-behalf payments for OTRS	36,086	35,231
PPP loan forgiveness	151,861	-
CPB stabilization grant	-	151,852
	<hr/>	<hr/>
Total nonoperating revenues	783,994	716,248
	<hr/>	<hr/>
Total revenues	<u>\$ 2,340,094</u>	<u>\$ 2,207,977</u>

The Station relies on three main sources of income: an annual allocation and related in-kind support from the University, which is categorized as nonoperating revenue; operating revenue, which includes an annual grant from the Corporation for Public Broadcasting (CPB); and private donations, both cash and in-kind. Private giving includes underwriting, in-kind underwriting, capital contributions, private grants, and membership revenue and such donations are used for operating, capital expenses, and special projects. Special projects sometimes include grants and contracts.

The table above summarizes the Station's operating revenues for the years ended June 30, 2022 and 2021. Total operating revenue of \$1,556,100 in fiscal year 2022 increased \$64,371 or 4.3% compared to fiscal year 2021.

For 2022, the private giving total was \$1,259,668 and represented 53.8% of the Station's operating and nonoperating revenue. For 2021, the private giving total was \$1,283,080 and represented 58.1% of the Station's operating and nonoperating revenue.

Private giving in 2022 decreased \$23,412 or 1.8% from the previous fiscal year. Private giving in 2021 decreased \$98,797 or 7.1% over fiscal year 2020.

Membership revenue decreased 3.2% or \$18,737 in fiscal year 2022 from 2021. Membership revenue was \$574,273 in fiscal year 2022 and \$593,010 in fiscal year 2021.

Underwriting, both cash and in-kind, increased \$62,560 or 10.4% in fiscal year 2022 over 2021. Underwriting and in-kind revenue was \$659,230 in 2022 and \$596,670 in 2021.

The CPB grant increased in fiscal year 2022 from 2021. The grant increased \$20,144 to \$148,862 in 2022 from \$128,718 in 2021, approximately 15.6%. The grant was approximately 6.3% of the Station's operating and nonoperating revenue. In 2021, the grant represented 5.8% of the Station's operating and nonoperating revenue.

In fiscal year 2022, StateImpact Oklahoma was funded with \$135,451 in underwriting, which is included in the Station's underwriting totals. Related expenses in fiscal year 2022 totaled \$248,447, a decrease of 5.3% over the previous fiscal year. The decrease is mostly a result of decreased cost of obtaining business underwriting for the project.

In fiscal year 2021, StateImpact Oklahoma was funded with \$150,278 in underwriting, which is included in the Station's underwriting totals. Related expenses in fiscal year 2021 totaled \$262,543, an increase of 8.7% over the previous fiscal year. The increase is mostly a result of increased cost of obtaining business underwriting for the project.

In fiscal year 2022, the University provided \$203,933 in cash, \$336,032 of indirect administrative support, and \$56,082 in direct administrative support for a total of \$596,047. This category increased \$66,882 or 12.6% in fiscal year 2022 over 2021. In fiscal year 2021, the University provided \$160,872 in cash, \$270,434 of indirect administrative support, and \$97,859 in direct administrative support for a total of \$529,165.

Cash support from the University in fiscal year 2022 increased \$43,061 or 26.7% due to increased appropriations to the University by the State of Oklahoma. Cash support from the University in fiscal year 2021 decreased \$26,463 or 14.1% due to decreased appropriations to the University by the State of Oklahoma.

In-kind support (direct and indirect) for 2022 increased \$23,128 or 6.2%. In-kind support (direct and indirect) for 2021 increased \$97,915 or 36.2%.

Expenses

The following table details the expenses for the Station for the fiscal years ended June 30:

	2022	2021
Program Services		
Programming and production	\$ 889,812	\$ 857,056
Broadcasting	358,452	349,073
Program information	91,351	87,473
StateImpact Oklahoma project	248,447	262,543
	<u>1,588,062</u>	<u>1,556,145</u>
Total program services		
Support Services		
Fundraising and membership	150,446	116,897
Underwriting	206,570	180,262
Management and general	319,001	300,104
	<u>676,017</u>	<u>597,263</u>
Total support services		
Total expenses	<u>\$ 2,264,079</u>	<u>\$ 2,153,408</u>

Expenses in fiscal year 2022 were \$2,264,079, an increase of \$110,671 or 5.1% from the prior year. Expenses in fiscal year 2021 were \$2,153,408. The increase in expenses is mainly due to an increase in salary, benefits, the university strategic plan fee, and increased cost of programming.

All programming expenses in fiscal year 2022, including the categories of programming and production, broadcasting, program information, and StateImpact Oklahoma project, totaled \$1,588,062 or 70.1% of the Station's expenses. All programming expenses in fiscal year 2021, including the categories of programming and production, broadcasting, program information, and StateImpact Oklahoma project, totaled \$1,556,145 or 72.3% of the Station's expenses.

Fiscal year 2022 programming expenses increased by \$31,917 or 2.1% from the prior fiscal year. Fiscal year 2021 programming expenses increased by \$144,941 or 10.3% from the prior fiscal year.

All support expenses in fiscal year 2022, including the categories of management and general, fundraising and membership, and underwriting totaled \$676,017 or 29.9% of the Station's expenses. This compares to fiscal year 2021 when expenses totaled \$597,263 or 27.7% of the Station's expenses.

In fiscal year 2022, the largest category of expense, salaries, wages, and benefits, totaled \$940,364 and comprised 41.5% of all expenses. This expense was a decrease of 2.9% over the prior fiscal year or \$28,761.

In fiscal year 2021, the largest category of expense, salaries, wages, and benefits, totaled \$969,125 and comprised 45.0% of all expenses.

The second largest category of expense is the cost of purchased programming and satellite fees. The cost of purchased programming and satellite fees decreased \$1,519 or 0.04% in fiscal year 2022 over 2021.

In fiscal year 2021, this category totaled to \$386,867 and by an increase of 1.1% or \$4,505 over the prior fiscal year. This category consumed 18.0% of all expenses. The increase is the result of a marginal increase of programming expenses.

The third largest category of expense, in-kind or indirect expenses from the University, was \$336,032 in fiscal year 2022 and represents 14.8% of all expenses. This support and related expenses, in-kind or indirect expenses from the University, was \$270,434 in fiscal year 2021 and represents 12.6% of all expenses.

Outside services in fiscal year 2022 totaled \$256,496 and increased 23.3% or \$48,557 from the prior fiscal year. This increase was due to an increase in underwriting resulting in an increase in commissions paid.

Outside services in fiscal year 2021 totaled \$207,939 and decreased 20.8% or \$54,762 from the prior fiscal year. This decrease was due to a reduction in underwriting due to COVID-19, which resulted in a decline in underwriting commissions.

Depreciation and amortization in fiscal year 2022 totaled \$86,802 increasing \$34,523 or 66.0% from the prior fiscal year. This represents 3.8% of the Station's expenses. Depreciation in fiscal year 2021 totaled \$52,279 decreasing \$19,020 or 26.7% from the prior fiscal year. This represents 2.4% of the Station's expenses.

University-donated electric totaled \$56,082 in fiscal year 2022 an increase of \$13,402 from the prior fiscal year. This represents 2.5% of the Station's expenses. The donation by the University is the electrical cost at the various transmitter sites and is not included in the indirect support category referenced in the above paragraph.

University-donated electric totaled \$42,680 in fiscal year 2021 a decrease of \$4,050 from the prior fiscal year. This decrease was due to lower cost of utilities. This represents 2.0% of the Station's expenses.

The donation by the University is the electrical cost at the various transmitter sites and is not included in the indirect support category referenced in the above paragraph.

All other categories of expenses totaled 8.8% of all expenses in 2022 compared to 10.4% of all expenses in fiscal year 2021. The Station wrote off no bad debt in fiscal year 2022.

Capital Assets and Lease Assets

At June 30, 2022, the Station had \$286,232 in capital assets and lease assets, net of accumulated depreciation and amortization, compared to 2021 when the Station had \$128,440 in capital assets, net of accumulated depreciation. Depreciation and amortization for 2022 and 2021 was \$86,802 and \$52,279, respectively. The Station did not have any major capital projects in fiscal years 2022 and 2021. See *Note 4* for additional information.

Other Significant Information and Future Activities

The Station continued to be the lead administrative partner for StateImpact Oklahoma through the Oklahoma Public Media Exchange (OPMX) journalism consortium, which is funded primarily through gifts, underwriting, and contributions from the partners. The current partnership agreement extends the partnership through June 30, 2024.

The Station is nearing completion of its studio modernization project, which has been funded primarily by a \$30,000 private grant from The Anne and Henry Zarrow Foundation, with conclusion of the project expected early in calendar year 2023. The Station also received a \$15,000 private gift from the Farzaneh Family Foundation to be used, as needed, for the purpose of modernizing and upgrading the Station's studio facilities.

During fiscal year 2021, the Station also received a significant Paycheck Protection Program (PPP) loan, which was fully forgiven in September 2021.

Efficiencies, risk reduction, and cost savings were achieved during fiscal year 2022 by:

- Utilizing University of Oklahoma fleet services, as feasible, for out-of-town trips by reporters for the Station and StateImpact Oklahoma.
- Purchasing liability insurance for the Station's tower location in Norman, Oklahoma.
- Obtaining additional outside funding (outlined above).
- Deferring maintenance, as possible.
- Replacing aging equipment in a cost-effective way to prevent disruption of services and operations and to strengthen the sustainability of current technology.

Economic Outlook

The Station's economic outlook is dependent on the Station's main sources of funding: CPB Community Service Grant, state appropriation to the University directed to the Station through University of Oklahoma Outreach/College of Continuing Education, memberships, underwriting, gifts, and grants.

CPB Grants

Approximately 6.3% of the Station's total operating and nonoperating revenue in fiscal year 2022 was from the CPB.

Approximately 12.7% of the Station's total operating and nonoperating revenue in fiscal year 2021 was from the CPB. The CPB relies on annual appropriations from the federal government. The Station submits annual reports to the CPB to receive its annual Community Service Grant funding and must comply with various grant requirements, including discrete accounting, open meeting notifications for its governing board (The University of Oklahoma Board of Regents), and completion of harassment prevention training by all employees and students. CPB funding is critical to most public radio stations, including the Station.

State Appropriation to the University of Oklahoma

Approximately 9.0% of the Station's total operating budget is through the direct cash allocation of education and general funds that are appropriated to the University by the Oklahoma state legislature. This funding is distributed to the Station through University of Oklahoma Outreach/College of Continuing Education. Station management has received no indication of changes in direct University funding in fiscal year 2022 or beyond.

Membership and Underwriting

Most of the remainder of the Station's operating revenue comes from private donations from listeners and businesses, which are directly related to the listeners' perceptions of the quality and value of the program service.

Audience figures, as measured quarterly by Nielsen, Inc., indicate the Station consistently ranked in the top 15 of all Oklahoma City area radio stations within the period. While over-the-air listening declined during fiscal year 2020 due to the coronavirus pandemic, the Station gained online (digital) users, consistent with industry trends, and over-the-air listening rebounded in fiscal years 2021 and 2022. The Station continued to increase its digital audience in fiscal year 2022. The increase in broadcast audience numbers can be attributed in large part to an increase in automobile commuting as the coronavirus threat decreased. Audience measurements are generally considered a precursor to private giving as it measures audience loyalty, brand perception, and impact of service by those who consider making a private financial gift.

The Station receives donations from slightly more than 3,000 donors who support the mission of the Station and public service media. In addition, business sponsorships (underwriting) indicate the value these organizations see with being associated with the Station's and NPR's strong brand and ability to reach important target audiences.

Analysis of Capital Assets, Long-Term Debt, Budget Variations, and Overall Financial Position

The Station's management continues to monitor discretionary spending and increase private fundraising to improve the Station's overall financial position. Additional growth in business sponsorships (underwriting) is especially important for the financial viability of the Station as the costs of programming and tower leases continue to rise. Programming costs are increasing at approximately 3% per year and tower lease accelerator clauses (usually tied to the Consumer Price Index) are adding up to 9% in increased annual fees.

Management expects staffing, salaries, and fringe benefits to remain relatively stable in fiscal year 2023. The Station has no long-term debt. The cost of maintenance and replacement of equipment and software likely presents the Station's most significant known financial challenge. Station management is also monitoring the expected demolition of the Walker Tower dormitory on the University of Oklahoma Campus and the possible turnpike expansion project in central Oklahoma and how those will affect its 106.3 FM infrastructure. Currently, the Station's Norman transmitter tower is located on or near the projected path of a turnpike extension and the Station's small tower for studio transmission link (STL) and auxiliary FM transmitter are located atop Walker Tower.

Contacting the Station's Financial Management

This financial report is designed to provide interested parties with a general overview of the Station's finances and to demonstrate the Station's accountability for the money it receives. If you have questions about this report or need additional information, contact KGOU-FM Public Radio, 860 Van Vleet Oval, Norman, Oklahoma 73019.

The University of Oklahoma – KGOU-FM Radio Station

Statement of Net Position

June 30, 2022

Assets

Current Assets

Cash	\$ 124,782
Accounts receivable	294,716
Funds held for the benefit of the Station	<u>542,802</u>
Total current assets	962,300

Noncurrent Assets

Capital assets, net	111,288
Lease assets, net	<u>174,944</u>
Total noncurrent assets	<u>286,232</u>
Total assets	<u><u>1,248,532</u></u>

Liabilities

Current Liabilities

Accounts payable	24,139
Accrued salaries	26,975
Accrued compensated absences	92,521
Unearned revenue	223,077
Accrued interest payable	3,114
Lease liabilities – current portion	<u>63,528</u>
Total current liabilities	<u>433,354</u>

Noncurrent Liabilities

Lease liabilities	<u>112,140</u>
Total noncurrent liabilities	<u>112,140</u>
Total liabilities	<u><u>545,494</u></u>

Net Position

Net investment in capital assets	110,564
Restricted – expendable	79,374
Unrestricted	<u>513,100</u>
Total net position	<u><u>\$ 703,038</u></u>

The University of Oklahoma – KGOU-FM Radio Station

Statement of Revenues, Expenses, and Change in Net Position

Year Ended June 30, 2022

Operating Revenues

Grants	\$ 175,027
Underwriting	622,420
In-kind contributions	36,810
Memberships	574,273
StateImpact Oklahoma project	126,350
Miscellaneous income	21,220
Total operating revenues	<u>1,556,100</u>

Operating Expenses

Salaries and wages	694,242
Personnel benefits	246,122
Supplies	6,899
Travel	5,609
Communications	27,339
Other communications	3,879
Postage and shipping	5,875
Printing	8,889
Memberships and subscriptions	11,093
Outside services	256,496
Purchased programming	385,348
Advertising	15,052
Donated rent of space	26,030
Other operating expense	500
Computer expense	44,486
Equipment rental	23,215
Repairs and maintenance	14,166
Depreciation and amortization	86,802
Donated electric	56,082
Strategic Plan	6,771
Indirect support	336,032
Total operating expenses	<u>2,260,927</u>

Operating Loss (704,827)

Nonoperating Revenues (Expenses)

General allocations from the University	203,933
Direct administrative support	56,082
Indirect administrative support	336,032
On-behalf payments for OTRS	36,086
PPP loan forgiveness	151,861
Interest on leases	(3,152)
Total nonoperating revenues (expenses)	<u>780,842</u>

Change in Net Position 76,015

Net Position, Beginning of Year 627,023

Net Position, End of Year \$ 703,038

The University of Oklahoma – KGOU-FM Radio Station

Statement of Cash Flows

Year Ended June 30, 2022

Operating Activities

Cash received from contributions, grants, underwriting, and miscellaneous receipts	\$ 1,345,969
Cash paid to suppliers	(796,401)
Cash paid to employees	<u>(901,714)</u>
Net cash used in operating activities	<u>(352,146)</u>

Noncapital Financing Activities

Cash received from university appropriations	<u>203,933</u>
Net cash provided by noncapital financing activities	<u>203,933</u>

Capital and Related Financing Activities

Cash paid for capital assets	(6,762)
Principal paid on leases	<u>(62,202)</u>
Net cash used in capital and related financing activities	<u>(68,964)</u>

Change in Cash	(217,177)
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Cash, Beginning of Year	<u>341,959</u>
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Cash, End of Year	<u><u>\$ 124,782</u></u>
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Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating loss	\$ (704,827)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation and amortization	86,802
On-behalf contributions from OTRS	36,086
Facilities and administrative support expense	392,114
Changes in operating assets and liabilities	
Accounts receivable	17,413
Funds held for the benefit of the Station	(186,388)
Accounts payable	8,436
Accrued expenses	2,564
Unearned revenue	<u>(4,346)</u>
Net cash used in operating activities	<u><u>\$ (352,146)</u></u>

Noncash Noncapital Financing Activities

Gain on forgiveness of debt (PPP loan)	\$ 151,861
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The University of Oklahoma – KGOU-FM Radio Station

Notes to Financial Statements

June 30, 2022

Note 1: Summary of Significant Accounting Policies

The accompanying financial statements include the accounts of KGOU-FM Radio Station (the Station) of The University of Oklahoma (the University). The Station is licensed by the Federal Communications Commission (FCC) to the Board of Regents of the University of Oklahoma to serve the community as a public radio station. It is a unit of the College of Continuing Education and fulfills a public service mission of the University. The Station broadcasts 365 days per year, 24 hours per day with high-quality, noncommercial, public radio news, information, and entertainment. The Station and its related transmitters form a network to serve the greater Oklahoma City market, central Oklahoma, and northwest Oklahoma under the call letters KGOU (Norman, Oklahoma), KROU (Spencer, Oklahoma), K276ET (Seminole, Oklahoma), K250AU (Ada, Oklahoma), K295BL (Chickasha, Oklahoma), KWOU (Woodward, Oklahoma), KOUA (Ada, Oklahoma), K286BZ (Shawnee, Oklahoma), and KQOU (Clinton, Oklahoma).

The FCC grants the Station the exclusive right to frequencies in its Oklahoma service area for a period of eight years. The licenses for KGOU, KROU, KWOU, KOUA, and KQOU were each renewed on May 20, 2021 and will expire on June 1, 2029.

Financial Statement Presentation

The Station's financial statements are presented in accordance with the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's 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 Station is required to present a statement of net position classified between current and noncurrent assets and liabilities and deferred outflows and inflows; a statement of revenues, expenses, and changes in net position with separate presentation for operating and nonoperating revenues and expenses; and a statement of cash flows using the direct method.

The Station is a department of the University. These financial statements do not purport to, and do not, present fairly the financial position of the University as of June 30, 2022 and the changes in its financial position or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Accounting

The accompanying financial statements have been prepared 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 and Cash Equivalents

The Station considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At June 30, 2022, the Station had no cash equivalents.

The University of Oklahoma – KGOU-FM Radio Station

Notes to Financial Statements

June 30, 2022

Accounts Receivable

Accounts receivable consist of amounts due from the University, underwriting receivables, interest receivable, and grant receivables. All receivables are due in one year or less. An allowance for accounts receivable is not recorded since management believes all accounts are fully collectible.

Lease Assets

Lease assets are initially recorded as the sum of 1) the amount of the initial measurement of the lease liability, 2) lease payments made at or before the commencement of the lease term less any lease incentives received from the lessor at or before the commencement of the lease term, and 3) initial direct costs that are ancillary charges necessary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or useful life of the underlying asset.

Capital Assets

The Station follows the University's capitalization and depreciation policies except for the capitalization threshold. Capital assets are recorded at cost at the date of acquisition, or valued at the estimated acquisition value on the date of donation if acquired by gift. For broadcasting facilities and equipment, the capitalization policy includes all items with a unit cost of \$500 or more and an estimated useful life of greater than one year. Depreciation is provided over the estimated useful lives of the assets on the straight-line methods, ranging from 3 to 50 years. Routine repairs and maintenance are charged to operating expenses in the year in which the expense was incurred.

Capital Asset and Lease Asset Impairment

Capital assets and lease assets are subject to an evaluation of possible impairment when events or circumstances indicate that the related changes in carrying amounts may not be recoverable. If required, impairment losses are reported in the accompanying statement of revenues, expenses, and changes in net position. The Station did not have impairments during the year reported.

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.

Revenue Recognition

Grant funds are reported as revenue when eligibility requirements have been met. Grant funds that have been received but have not met eligibility requirements are reported as unearned revenue. Revenue from underwriting is earned when the airplay has been performed, and memberships are

The University of Oklahoma – KGOU-FM Radio Station

Notes to Financial Statements

June 30, 2022

reported as revenue when earned. Contributions from fundraising at special events are reported as operating revenue when earned.

Unearned Revenue

Unearned revenue at June 30, 2022 consisted of \$223,077 in underwriting and grant revenues related to amounts received by the Station that have not been earned.

Compensated Absences

Employees' compensated absences are accrued when earned. The liability and expense incurred are recorded at year-end as accrued compensated absences in the accompanying statement of net position and as a component of salaries and wages and personnel benefits expense in the accompanying statement of revenues, expenses, and changes in net position.

Income Taxes

As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(1) of the Internal Revenue Code, as amended. However, income generated from activities unrelated to the University's exempt purpose is subject to income taxes under Internal Revenue Code Section 511(a)(2)(B). Such amounts have historically been insignificant. As a department of the University, the Station is also exempt from income taxes.

Programming

Licensed program materials from National Public Radio (NPR) are expensed when purchased.

Donated Facilities and Indirect Administrative Support

The Station occupies without charge certain premises located in and owned by the University. The estimated fair value of the premises is reported as revenue and expenditure in the period when the premises are used. Indirect administrative support includes allocable portions of institutional support, physical plant operations, and library costs. The amount of University expenditures attributable to the Station is allocated based upon suggested formats of the CPB. For the year ended June 30, 2022, the allocation methods were as follows:

Institutional Support and Physical Plant Operations – These costs are allocated based on the licensee's indirect cost rate (the licensee's indirect costs as a percentage of direct costs) and the Station's total expenses less depreciation and amortization, in-kind contributions reported as expenses, indirect administrative support, expenses for non-broadcast activities and UBIT, and expenses not supported by the licensee.

Donated facilities and indirect administrative support of \$335,339 was recorded for the year ended June 30, 2022.

The University of Oklahoma – KGOU-FM Radio Station

Notes to Financial Statements

June 30, 2022

In-Kind Contributions

The estimated fair value of in-kind contributions, primarily advertising and translator sites, is recorded as revenue and expensed in the period used and was \$36,810 for the year ended June 30, 2022. The CPB determined that it would not allow in-kind contributions for programs, compact discs, and volunteer services to be included for grant calculation purposes. Therefore, the CPB and NPR have not furnished values for these in-kind contributions. These amounts have not been included in the accompanying financial statements; the Station does not consider these in-kind contributions to be an integral part of operations.

Operating Revenues and Expenses

The Station distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Station's principal ongoing operations. The principal operating revenues of the Station are grants for public broadcasting entities, including grants to enhance the quality of programming and expand the scope of public broadcasting services, as well as revenues received from underwriting and memberships and contributions from donors.

Operating expenses include cost of services, payments to suppliers and employees, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Net Position

The Station's net position is classified as follows:

Net Investment in Capital Assets – This represents the Station's total investment in capital assets and lease assets, net of accumulated depreciation and amortization and related deferred outflows of resources, reduced by outstanding debt and lease obligations related to those assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted Net Position – Expendable – The restricted – expendable net position includes resources in which the Station 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 Station. These resources may be used at the discretion of the governing board to meet current expenses for any purpose.

It is the Station's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

The University of Oklahoma – KGOU-FM Radio Station

Notes to Financial Statements

June 30, 2022

Deferred Outflows of Resources

Deferred outflows of resources are the consumption of net position by the Station that is applicable to a future reporting period. At June 30, 2022, the Station had no deferred outflows of resources.

Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Station that is applicable to a future reporting period. At June 30, 2022, the Station had no deferred inflows of resources.

New Accounting Pronouncements Adopted in Fiscal Year 2022

In June 2017, GASB issued Statement No. 87, *Leases*. GASB 87 requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. GASB 87 is now effective for reporting periods beginning after June 15, 2021.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. A portion of this standard provides additional information on interpreting and applying GASB 87 by clarifying the definition of a lease term and further explaining what is included and excluded in the term. GASB 99 also provides additional guidance on short-term leases, variable payments, and lease incentives.

The Station recorded the cumulative effect of adopting GASB 87 and GASB 99, which resulted in recognizing activity associated with lessee agreements. The adoption resulted in no impact to beginning net position as of July 1, 2021.

New Accounting Pronouncements Issued Not Yet Adopted

GASB has also issued several new accounting pronouncements that will be effective for the Station in subsequent years. A description of the new accounting pronouncements and the fiscal year in which they are effective are described below:

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA) for government end users. GASB 96 defines a SBITA, establishes that a SBITA results in a right-to-use subscription intangible asset and a corresponding liability, provides the capitalization criteria for outlays other than subscription payments, and requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on standards established in GASB 87. GASB 96 is effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. A portion of this standard provides additional information on interpreting and applying GASB 96 by clarifying the definition of the

The University of Oklahoma – KGOU-FM Radio Station

Notes to Financial Statements

June 30, 2022

SBITA term and further explaining what is included and excluded in the term. GASB 99 also provides additional guidance on short-term SBITAs and the remeasurement of a subscription liability.

Station management is currently evaluating the impact these new standards will have on its financial statements.

Note 2: Cash and Funds Held for the Benefit of the Station

The University acts as a depository for funds received from the CPB and other sources for the benefit of the Station. These grant monies are pooled with other University funds for investment purposes and are invested with the State Cash Management System.

The state treasurer requires that all state funds are either insured by federal deposit insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The University's 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 requires that balances on deposit with financial institutions be insured by federal deposit insurance or collateralized by securities held by the cognizant Federal Reserve Bank in the University's name.

Funds held for the benefit of the Station are pooled within the net assets of University of Oklahoma Foundation, Inc. (the Foundation). The Foundation is a private foundation organized for the purpose of receiving and administering gifts intended for the benefit of the University. At June 30, 2022, the Foundation maintained cash balances on behalf of the Station totaling \$542,802.

Note 3: Accounts Receivable

At June 30, 2022, accounts receivable consisted of underwriting and StateImpact Oklahoma receivables of \$292,216 and grants receivable of \$2,500. All underwriting accounts receivable and grants receivable are due in one year or less.

During the year ended June 30, 2022, management did not write off any underwriting receivables as uncollectible. An allowance for accounts receivable is not recorded at June 30, 2022 since management believes all accounts are fully collectible. If amounts are subsequently determined to be uncollectible, they will be charged to expense when that determination is made.

The University of Oklahoma – KGOU-FM Radio Station

Notes to Financial Statements

June 30, 2022

Note 4: Capital Assets and Lease Assets

A summary of the changes in capital assets and lease assets for the year ended June 30, 2022 is as follows:

	Beginning Balance (As Restated)	Additions	Retirements	Ending Balance
Broadcasting facilities and equipment	\$ 1,860,035	\$ 3,837	\$ -	\$ 1,863,872
Office equipment	209,923	2,925	-	212,848
Lease asset towers	237,832	-	-	237,832
Total capital assets and lease assets	2,307,790	6,762	-	2,314,552
Less accumulated depreciation				
Broadcasting facilities and equipment	(1,747,698)	(18,250)	-	(1,765,948)
Office equipment	(193,820)	(5,664)	-	(199,484)
Less accumulated amortization				
Lease asset towers	-	(62,888)	-	(62,888)
Total accumulated depreciation and amortization	(1,941,518)	(86,802)	-	(2,028,320)
Capital assets and lease assets, net	\$ 366,272	\$ (80,040)	\$ -	\$ 286,232

Note 5: Noncurrent Liabilities

Compensated absence and lease activity for the year ended June 30, 2022 was as follows:

	Beginning Balance (As Restated)	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 89,278	\$ 92,521	\$ (89,278)	\$ 92,521	\$ 92,521
Compensated time banked	275	-	(275)	-	-
Leases	237,832	-	(62,164)	175,668	63,528
Total noncurrent liabilities	\$ 327,385	\$ 92,521	\$ (151,717)	\$ 268,189	\$ 156,049

The University of Oklahoma – KGOU-FM Radio Station

Notes to Financial Statements

June 30, 2022

Note 6: Functional Expense Classification

The Station's expenses by functional classification were as follows for the year ended June 30, 2022:

Program services	
Programming and production	\$ 889,812
Program information	91,351
Broadcasting	358,452
StateImpact Oklahoma project	<u>248,447</u>
Total program services	<u>1,588,062</u>
Support services	
Fundraising and membership	150,446
Underwriting	206,570
Management and general	<u>319,001</u>
Total support services	<u>676,017</u>
	<u><u>\$ 2,264,079</u></u>

Note 7: Retirement Plans

The Station's employees are University employees and are covered, through the University, by the Oklahoma Teachers' Retirement System (the OTRS), which is a State of Oklahoma public employees' retirement system. The University does not maintain the accounting records, hold the investments for, or administer the OTRS plan. In addition, employees can participate in the Teachers Insurance Annuity Association-College Retirement Equities Fund (TIAA-CREF), a defined contribution plan, to which the University contributes 8% of base pay over \$9,000.

Oklahoma Teachers' Retirement System

Plan Description

The University contributes to the OTRS, a cost-sharing multiple-employer defined benefit pension plan sponsored by the State of Oklahoma. The OTRS provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. The benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 70 of the Oklahoma Statutes, Sections 17-101 through 17-116.9, as amended, assigns the authority for management and operation of the plan to the board of trustees of the OTRS. The OTRS issues a publicly available financial report that includes financial statements and supplementary information for the OTRS. That annual report may be obtained by writing to the OTRS, P.O. Box 53524, Oklahoma City, OK 73152, by calling 405.521.2387, or at the OTRS website at www.trs.state.ok.us.

The University of Oklahoma – KGOU-FM Radio Station

Notes to Financial Statements

June 30, 2022

Funding Policy

OTRS members and the University are required to contribute at a rate set by statute. The contribution requirements of OTRS members and the University are established and may be amended by the legislature of the State of Oklahoma. For the year ended June 30, 2022, the contribution rate for OTRS members of 7% was applied to their total compensation.

For fiscal year 2022, the local employer contribution rate was 8.55%. For the year ended June 30, 2022, the State of Oklahoma contributed 5.0% of state revenues from sales and use taxes and individual income taxes. Contributions made by the State of Oklahoma from dedicated taxes are considered on-behalf payments for the University's employees.

The University's contributions to the OTRS for the Station's employees for the year ended June 30, 2022 were \$36,086, which were equal to the required contributions for the year. These contributions included the University's statutory contribution and the share of the employee's contribution paid directly by the University.

The University follows GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB 68*. The University recognized a net pension liability of approximately \$181,352,000 as of June 30, 2022. The liability has not been recorded at the department level of the Station as this liability does not represent a direct liability of the Station. Only the estimated expenses associated with contributions made during the year by the Station and the State of Oklahoma on behalf of the University are recognized as expense.

Note 8: Other Postemployment Benefits

The University's retiree insurance plan is considered a single-employer defined benefit plan and does not issue a stand-alone financial report. The University has the authority to establish and amend the benefit provisions offered to retirees. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The University's plan is funded on a pay-as-you-go cash basis. The funding policy may be amended by the Regents of the University of Oklahoma. For the year ended June 30, 2022, the University made benefit payments of approximately \$5,100,000 for current retirees.

Effective July 1, 2017, the University implemented GASB 75. GASB 75 was issued in June 2015 and replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for other postemployment benefits (OPEB). The University recognized a total OPEB liability of approximately \$158,171,000 as of June 30, 2022 under GASB 75. The liability has not been recorded at the department level of the Station as this liability does not represent a direct liability of the Station.

The University of Oklahoma – KGOU-FM Radio Station

Notes to Financial Statements

June 30, 2022

Note 9: Related Parties

The Station is operated by and on behalf of the University. The University provided the following support to the Station for the year ended June 30, 2022:

In-kind support	
Budget support from other university units	\$ 56,082
Facility and administrative support	<u>336,032</u>
Total in-kind support	392,114
Cash support	<u>203,933</u>
Direct allocation	<u><u>\$ 596,047</u></u>

Included in accounts receivable was \$8,335 due from University departments and colleges as of June 30, 2022. Included in accounts payable was \$1,909 due to University departments and colleges as of June 30, 2022.

Note 10: Leases

Lease Liabilities

The Station has entered into leases of broadcasting towers, the terms of which expire in various years through 2027. Variable payments of certain leases are based on the Consumer Price Index (Index). These leases were measured based upon the Index at lease commencement. Variable payments based upon future performance of the lessee or usage of the underlying asset are not included in the lease liability because they are not fixed in substance.

During the year ended June 30, 2022, the Station did not recognize rental expense for variable payments (residual value guarantees or termination penalties) not previously included in the measurement of the lease liability.

The following is a schedule by year of payments under the leases as of June 30, 2022:

Year Ending June 30,	Total to be Paid	Principal	Interest
2023	\$ 66,662	\$ 63,528	\$ 3,134
2024	43,474	41,361	2,113
2025	33,290	31,924	1,366
2026	33,290	32,536	754
2027	<u>6,450</u>	<u>6,319</u>	<u>131</u>
	<u><u>\$ 183,166</u></u>	<u><u>\$ 175,668</u></u>	<u><u>\$ 7,498</u></u>

The University of Oklahoma – KGOU-FM Radio Station

Notes to Financial Statements

June 30, 2022

Note 11: Grants

The CPB is a private, nonprofit, grant-making organization responsible for funding more than 1,000 television and radio stations. The CPB distributes annual Community Service Grants (CSG) to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the *Communications Act*, 47 United States Code Annotated Section 396(k)(7), (1983) Supplement. In any event, each grant must be expended within two years of the initial grant authorization.

According to the *Communications Act*, funds may be used at the discretion of recipients. The Station uses these funds for the acquisition of programming. The grants may be used to sustain activities begun with CSGs awarded in prior years.

Certain guidelines must be satisfied in connection with application for and use of the CSGs to maintain eligibility and meet compliance requirements. These guidelines pertain to the use of CSG funds, record-keeping, audits, financial reporting, and licensee status with the FCC. Management believes these are routine requirements and do not provide any restrictions on the grants.

For the year ended June 30, 2022, the Station received and expended \$148,862 in grant revenue in relation to CSGs.

Note 12: Risk Management

Due to the diverse risk exposure of the University, the insurance portfolio contains a comprehensive variety of coverage. Oklahoma Statutes require participation of all state agencies in basic general liability, tort claim coverage, directors and officers liability, and property and casualty programs provided by the State of Oklahoma Division of Capital Assets Management Risk Management Division (DCAMRMD). In addition to these basic policies, the University's Department of Risk Management establishes guidelines in 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 State Tort Claims Act*.

Beyond acceptable retention levels, complete risk transfer is practiced by purchasing conventional insurance coverage either directly from a provider or through DCAMRMD. These coverages are as follows:

- The buildings and contents are insured for replacement value. Each loss incident is subject to a \$750,000 deductible.
- General liability and tort claim coverages (including comprehensive general liability, auto liability, personal injury liability, aircraft liability, watercraft liability, leased vehicles, and equipment) are purchased by the University from DCAMRMD. To complement coverage provided by Oklahoma Statutes, additional coverage is purchased based on specific

The University of Oklahoma – KGOU-FM Radio Station

Notes to Financial Statements

June 30, 2022

departmental and institutional needs and risks, but the related risks are not considered material to the University as a whole.

Settled claims have not exceeded coverage in any of the three preceding years.

Self-Funded Programs

The University's workers' compensation program is 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 on a monthly basis and administrative expenses are paid on a quarterly basis. Benefits provided are prescribed by Oklahoma Statutes and include lump-sum payments for rated disabilities, in addition to medical expenses and a portion of salary loss, resulting from an on-the-job injury or illness. The University records a liability for workers' compensation in its financial statements based on annual actuarial valuations. As of June 30, 2022, the University's accrued workers' compensation liability totaled approximately \$725,000.

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 University's reserve with the OESC is the average claims paid over the past three years. As of June 30, 2022, the University's required reserves were \$370,000. The minimum cash balance is considered each year during the fringe benefit rate-setting process.

Effective January 1, 2015, the University entered into an agreement for self-funded employee health insurance. The self-funded plan applies to non-HMO employee health coverage. The premiums for the insurance are collected and recorded in a self-insurance fund at the University. The claims and administrative expenses are paid as incurred directly from the fund. The University records the cash balance of the fund in its financial statements, as well as an actuarially determined liability for incurred but not reported claims. As of June 30, 2022, the University's cash balance for the plan was approximately \$37,121,000 and the accrued liability for claims not yet reported totaled approximately \$5,842,000.

Changes in the claims liability for the University from July 1, 2021 to June 30, 2022 are as follows:

	Workers'		
	Compensation	Healthcare	Total
Claims liability and related payables, July 1, 2021	\$ 998,000	\$ 4,118,000	\$ 5,116,000
Claims incurred and changes in estimates	822,000	67,766,000	68,588,000
Claims paid	<u>(1,095,000)</u>	<u>(66,042,000)</u>	<u>(67,137,000)</u>
Claims liability and related payables, June 30, 2022	<u>\$ 725,000</u>	<u>\$ 5,842,000</u>	<u>\$ 6,567,000</u>

The University of Oklahoma – KGOU-FM Radio Station

Notes to Financial Statements

June 30, 2022

As a result of legislation, the University, as an agency of the State of Oklahoma, is subject to the State of Oklahoma's self-insurance program with regard to comprehensive general liability, comprehensive auto liability, personal injury, and general property insurance. Also, the University is self-insured relative to workers' compensation and unemployment insurance. Reserves relating to the University's self-insurance are calculated based on projected claims. These areas include stop-loss provisions that limit the University's exposure.

The Station participates in the insurance programs described above by virtue of it being a department of the University. The University does not separately allocate any of these liabilities to the Station as it does not represent a direct liability of the Station. Accordingly, no portion of these liabilities are reflected in the Station's financial statements.

Note 13: Paycheck Protection Program Loan

The *Coronavirus Aid, Relief, and Economic Security Act* and other subsequent legislation also provides a Small Business Administration (SBA) loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The PPP loans will be forgiven if all employee retention criteria are met and the funds are used for eligible expenses. The Station received a PPP loan of \$151,861 in April 2021. Interest accrues at a fixed rate of 1% up to the point forgiveness is granted. The Station is accounting for the PPP loan in accordance with GASB Statement No. 62.

In September 2021, the Station received full forgiveness from the SBA, extinguishing the debt in the full amount of \$151,861 plus associated accrued interest. A gain on extinguishment of the PPP loan was recognized as nonoperating revenue for the year ended June 30, 2022.

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
PPP loan	\$ 151,861	\$ -	\$ (151,861)	\$ -	\$ -

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

Independent Auditor's Report

Regents of the University of Oklahoma
The University of Oklahoma – KGOU-FM Radio Station
Norman, Oklahoma

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 The University of Oklahoma – KGOU-FM Radio Station (the Station), which comprise the Station's statement of net position as of June 30, 2022 and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated December 16, 2022, which contained "Emphasis of Matters" paragraphs regarding discussion of the reporting entity and a change in accounting principles.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 or significant deficiencies may exist that were not identified.

Regents of the University of Oklahoma
The University of Oklahoma – KGOU-FM Radio Station

Report on 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 financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS,LLP

Tulsa, Oklahoma
December 16, 2022