



Financial Statements
June 30, 2020 and 2019
University of Oklahoma
KGOU-FM Radio Station

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Independent Auditor's Report

To the Board of Regents of the University of Oklahoma
KGOU-FM Radio Station
Norman, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of KGOU-FM Radio Station (the Station), a department of the University of Oklahoma (the University), which comprise the statements of net position as of June 30, 2020 and 2019, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Station as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the Station is considered a department of the University. The 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 as of June 30, 2020 and 2019, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2021, 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 grants 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.

Handwritten signature of Eric Sully in cursive script.

Oklahoma City, Oklahoma
January 12, 2021

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, cities in Pontotoc, Seminole, Grady, Custer, Washita and Woodward counties, from east-central to most of western and northwestern Oklahoma. Its format is primarily news/talk on weekdays, with jazz, blues, funk and groove, and world music programs on weekends, broadcasting programs from NPR, BBC, Native Voice One, WNYC Studios and other public radio content providers.

In fiscal year 2020, the staff of the Station includes 11 full-time and 3 part-time employees. The Station also employs, and houses 3 reporters employed for State Impact Oklahoma, a collaborative effort of public broadcasters in the state.

The Station originates from studios located on the campus of the University and is delivered by five transmitters and four translators to more than one million residents of central, western and northwestern Oklahoma. The Station also streams the broadcast audio over the internet and has a robust service on its webpage, www.kgou.org.

The licensee is the Board of Regents of the University of Oklahoma and includes call signs KGOU (Norman, OK), KROU (Spencer, OK), K276ET (Seminole, OK) K250AU (Ada, OK), K295BL (Chickasha, OK), KWOU (Woodward, OK), KOUA (Ada, OK), K286BZ (Shawnee, OK) and KQOU (Clinton, OK).

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 years ended June 30, 2020 and 2019. The Station's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

The Station's total assets exceeded liabilities by \$572,454 for the June 30, 2020 fiscal year. This compares to fiscal years 2019 and 2018 when assets exceeded liabilities by \$385,646 and \$551,862, respectively.

Capital assets including property and equipment, net of accumulated depreciation was \$143,887, a decrease of 31.2% in fiscal year 2019 from \$209,159 in fiscal year 2019, which was a decrease of 6.9% compared to \$224,776 in fiscal year 2018. The decrease in fiscal year 2020 of \$65,272 was due mostly to depreciation.

The Unrestricted Net Position of \$371,567 represents the portion available to maintain the Station's continuing obligations to citizens and creditors in fiscal year 2021. This is an increase of 184.3% over fiscal year 2019 and a 46.1% decrease in fiscal year 2019 over fiscal year 2018. The Unrestricted Net Position in fiscal year 2019 was \$130,704 and in fiscal year 2018 totaled \$242,290.

During fiscal year 2020, total liabilities for the Station decreased by 2.2% or \$7,611 to \$337,910 due to reduced expenses and related payables. During fiscal year 2019, total liabilities increased 2.8% or \$9,356 to \$345,521, from fiscal year 2019.

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 tables summarize the Station's assets, liabilities and net position as of June 30, 2020, 2019, and 2018 and the Station's revenue, expenses and changes in net position for the same dates.

	2020	2019	2018
Assets			
Current assets	\$ 766,477	\$ 522,008	\$ 663,251
Capital assets, net of accumulated depreciation	143,887	209,159	224,776
Total assets	<u>\$ 910,364</u>	<u>\$ 731,167</u>	<u>\$ 888,027</u>
Liabilities			
Current liabilities	\$ 337,910	\$ 345,521	\$ 336,165
Total liabilities	<u>337,910</u>	<u>345,521</u>	<u>336,165</u>
Net Position			
Net investment in capital assets	143,887	209,159	224,776
Restricted - expendable	57,000	45,783	84,796
Unrestricted	371,567	130,704	242,290
Total net position	<u>572,454</u>	<u>385,646</u>	<u>551,862</u>
Total liabilities and net position	<u>\$ 910,364</u>	<u>\$ 731,167</u>	<u>\$ 888,027</u>
	2020	2019	2018
Revenues, expenses and changes in net position			
Operating revenue	\$ 1,701,913	\$ 1,433,518	\$ 1,545,067
Operating expenses	2,007,529	2,074,906	2,016,123
Operating loss	(305,616)	(641,388)	(471,056)
Nonoperating revenues	492,424	475,172	512,311
Change in net position	<u>\$ 186,808</u>	<u>\$ (166,216)</u>	<u>\$ 41,255</u>

Operating and Non-Operating Revenues

The following table details the operating revenue and non-operating revenue for the Station for the fiscal years ending on June 30, 2020, 2019 and 2018.

	2020	2019	2018
Operating revenues			
Corporation for Public Broadcasting (CPB) grant	\$ 148,568	\$ 151,286	\$ 144,652
Other CPB Funds	75,000	-	-
Grants	15,000	1,500	75,000
Underwriting	766,711	558,258	548,357
In-kind underwriting	43,080	48,170	32,046
Memberships	557,086	551,016	558,352
StateImpact Oklahoma	91,248	104,575	180,800
Miscellaneous	5,220	18,713	5,860
Total operating revenues	<u>1,701,913</u>	<u>1,433,518</u>	<u>1,545,067</u>
Nonoperating revenues			
General allocations from OU	187,335	182,747	178,181
Direct Administrative Support	110,219	105,884	99,608
Indirect Administrative Support	160,159	157,000	210,786
On-behalf payments for OTRS	34,711	29,541	23,736
Total nonoperating revenues	<u>492,424</u>	<u>475,172</u>	<u>512,311</u>
Total revenues	<u>\$ 2,194,337</u>	<u>\$ 1,908,690</u>	<u>\$ 2,057,378</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 non-operating revenue, the operating revenue which includes an annual grant from the Corporation for Public Broadcasting, 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, 2020, 2019, and 2018. Total operating revenue of \$1,701,913 in fiscal year 2020 increased \$268,395 or 18.7% compared to fiscal year 2019. The total operating revenue in fiscal year 2019 was \$1,433,518, a decrease of \$111,549 or 7.2% when compared to 2018.

For 2020, the private giving total was \$1,381,877 and represented 63.0% of the station's operating and non-operating income. For 2019, the private giving total was \$1,158,944 and represented 60.7% of the Station's operating and non-operating income.

Private giving in 2020 increased \$222,933 or 19.2% from the previous fiscal year. Private giving in 2019 decreased \$54,811 or 4.5% over fiscal year 2018. Private giving was \$1,381,877 in fiscal year 2020, \$1,158,944 in fiscal year 2019, and \$1,213,755 in fiscal year 2018.

Operating and Non-Operating Revenues Discussion (Continued)

Membership revenue increased 1.1% or \$6,070 in fiscal year 2020 from 2019. Membership revenue decreased 1.3% or \$7,336 in fiscal year 2019 over 2018. Membership revenue was \$557,086 in fiscal year 2020; \$551,016 in fiscal year 2019; and \$558,352 in fiscal year 2018.

Underwriting, both cash and in-kind, increased \$203,363 or 33.5% in fiscal year 2020 over 2019. The same underwriting total increased \$26,025 or 4.5% in fiscal year 2019 over 2018. Underwriting revenue was \$809,791 in 2020, \$606,428 in 2019, and \$580,403 in 2018.

The grant from the Corporation for Public Broadcasting decreased in fiscal year 2020 from 2019. The grant decreased \$2,718 to \$148,568 from \$151,286 in 2019, about 1.8%. The grant was about 6.8% of the Station's operating and non-operating income. In 2019, the grant represented 7.9% of the Station's operating and non-operating income. In 2018, this grant represented 7.0% of the Station's operating and non-operating income.

StateImpact Oklahoma is a journalism project led by the Station on behalf of the Oklahoma Public Media Exchange (OPMX), a journalism consortium. In fiscal year 2020, StateImpact Oklahoma was funded with payments of \$4,323 from the consortium partners, \$2,161 from KGOU's own funds, and \$150,680 in underwriting which is included in the KGOU underwriting totals. Related expenses in fiscal year 2020 totaled \$241,621, an increase of 8.8% over the previous fiscal year. The increase is mostly a result of increased cost of obtaining business underwriting for the project.

In fiscal 2019, StateImpact Oklahoma received \$21,000 from the consortium partners, \$10,500 from KGOU's own funds, and \$92,000 in underwriting which is included in the KGOU underwriting totals. Related expenses in fiscal year 2019 totaled \$222,096, a decrease of 3.9% over the previous fiscal year. The decrease is mostly a result of decreased cost of obtaining business underwriting for the project.

In fiscal 2018, StateImpact Oklahoma received \$296,674 of revenue from a variety of sources, and the Station also provided \$10,500 from its own funds, for a total of \$308,174, an increase of 29.6% over the previous fiscal year when it had \$237,802. The Station received \$21,000 from partner stations. The station also raised \$127,374 in underwriting and \$84,800 in private donations, all of which was used in the 2018 fiscal year.

In fiscal year 2020, the University of Oklahoma provided \$187,335 in cash, \$160,159 of indirect administrative support and \$110,219 in direct administrative support, for a total of \$457,713. This category increased 2.7% from the prior fiscal year, or \$12,082. In the 2019 fiscal year, the University provided \$182,747 in cash, \$157,000 in indirect administrative support and \$105,884 of direct administrative and for a total of \$445,631 in non-operating revenue and expenses. This category decreased by \$42,944 or 8.8% in fiscal year 2019 over 2018.

Cash support from the University in fiscal year 2020 increased \$4,588 or 2.5% due to increased appropriations by the State of Oklahoma. In fiscal year 2019, cash support from the University increased by \$4,566 or 2.6% over fiscal year 2018, due to increased appropriations to the University by the State of Oklahoma.

In-kind support (direct and indirect) for 2020 increased \$7,494 or 2.9%. During fiscal year 2019, in-kind support decreased \$47,510 or 15.3% over fiscal year 2018.

Operating Expenses

The following table summarizes the station's operating expenses for the years ending June 30, 2020, 2019, and 2018.

	2020	2019	2018
Operating expenses			
Program services			
Programming and production	\$ 743,948	\$ 832,495	\$ 788,884
Broadcasting	354,831	367,550	346,488
Program information	70,804	110,010	65,738
Statelmpact Oklahoma Project	241,621	222,096	231,096
Total program services	<u>1,411,204</u>	<u>1,532,151</u>	<u>1,432,206</u>
Support services			
Fundraising and membership	116,036	117,219	139,931
Underwriting	220,190	179,231	171,178
Management and general	260,099	246,305	272,808
Total support services	<u>596,325</u>	<u>542,755</u>	<u>583,917</u>
Total operating expenses	<u>\$ 2,007,529</u>	<u>\$ 2,074,906</u>	<u>\$ 2,016,123</u>

Operating expenses in fiscal year 2020 were \$2,007,529, a decrease of \$67,377 or 3.2% from the prior year. The decrease in expenses are mainly due to replacing a transmitter in fiscal year 2020. In comparison, fiscal year 2019 expenses were \$2,074,906 an increase of \$58,783 or 2.9% over fiscal year 2018.

All programming expenses in fiscal year 2020, including the categories of Programming and Production, Broadcasting, Program Information and Statelmpact Oklahoma, totaled \$1,411,204 or 70.3% of the Station's total operating expenses. These programming expenses in fiscal year 2019 totaled \$1,532,151 or 73.8% of the Station's total operating expenses. This compares to 2018 when programming expenses totaled \$1,432,206 or 71.0% of total expenses.

Fiscal year 2020 programming expenses increased by \$120,947 or 7.9% from the prior fiscal year. Fiscal year 2019 programming expenses increased by \$99,945 or 7.0% from fiscal year 2018.

All support expenses in fiscal year 2020, including the categories of Management and General, Fundraising, Membership, and Underwriting totaled \$596,325 or 29.7% of the Station's total operating expenses. This compares to fiscal year 2019 when these expenses totaled \$542,755 or 26.2% of the Station's total operating expenses. Fiscal year 2018 expenses totaled \$583,917 or 29.0% of the Station's operating expenses. This amount increased by \$53,570 or 9.9% in fiscal year 2020 from the prior fiscal year. In 2019, these expenses decreased by \$41,162 or 7.0% over fiscal year 2018.

In the largest category of expense, Salaries, Wages and Benefits in fiscal year 2020 totaled \$835,006 and comprised 41.6% of all expenses. This expense was a decrease of 4.5% over the prior fiscal year or \$39,195.

Operating Expenses (Continued)

In fiscal year 2019, salaries, wages and fringe benefits constituted 42.1% of all expenses, an increase over fiscal year 2018 when this category consumed 43.8% of all expenses.

The second largest category of expense is the cost of purchased programming and satellite fees. In fiscal year 2020, this category decreased to \$382,362, a decrease of 12.4% or \$54,285 over the prior fiscal year. This category consumed 19.1% of all expenses. The decrease is the result of lower programming costs from program suppliers.

The cost of purchased programming and satellite fees increased about \$59,089 or 15.7% in fiscal year 2019 over 2018. In fiscal year 2019, this category of expense was 21.0% of all expenses, and in 2018, was 18.7% of all expenses.

The third largest category of expense, in-kind or indirect expenses from the University of Oklahoma, was \$160,159 in fiscal year 2020 and represents 7.9% of all expenses. This support and related expenses increased 2.0% percent over the prior fiscal year. In-kind support and related expenses from the University was \$157,000 in fiscal year 2019, compared to \$210,786 in fiscal year 2018.

Outside services in fiscal year 2020 totaled \$262,701 and increased 44.1% or \$80,368 from the prior fiscal year. This increase was due to the increase in underwriting which resulted in an increase in underwriting commissions.

Outside services in fiscal year 2019 totaled \$182,333 and decreased 6.7% or \$13,112 from the prior fiscal year. This decrease was due to the decrease in underwriting which resulted in a decrease in underwriting commissions. Outside service represents 13.1% of all expenses.

Depreciation in fiscal year 2020 totaled \$71,299 increasing \$1,725 or 2.5% from the prior fiscal year. This was a result of a few minor capital purchases in 2020 and represents 3.6% of the Station's expenses. Depreciation in fiscal year 2019 totaled \$69,574 compared to \$70,871 in 2018. This was a decrease of \$1,296 or 1.8% from 2018 because of no major equipment purchases in 2019. In fiscal year 2019, this category represents 3.4% of all expenses.

University-donated electric totaled \$46,730 in fiscal year 2020 a decrease of \$81 from the prior fiscal year. Fiscal year 2019 totaled \$46,811, an increase over fiscal year 2018 of \$6,051. This increase was due to the addition of the Clinton transmitter site late. This represents 2.3% 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 just 12.2% of all expenses in 2020, compared to 13.8% of all expenses in fiscal year 2019, and 12.0% of the fiscal year 2018 expenses. The station wrote off no bad debt in fiscal year 2020.

Capital Assets

At June 30, 2020, the Station had \$143,887 in capital assets, net of accumulated depreciation, compared to 2019 when the Station had \$209,159 in capital assets, net of accumulated depreciation. At the end of 2018, the Station had \$224,776 in capital assets, net of accumulated depreciation. Depreciation for 2020, 2019, and 2018 was \$71,299, \$69,574 and \$70,870. The Station did not have any major capital projects in fiscal years 2020, 2019 or 2018. See note 4 for additional information.

Other Significant Information and Future Activities

KGOU continued to be the lead station and administrative partner for the StateImpact Oklahoma (SIO) project which is a partnership between the Station and three other public radio stations in Oklahoma. While the project began in 2012 with a matching grant from National Public Radio (NPR), beginning in fiscal year 2014 the project has been funded by private gifts, business sponsorships (underwriting) and equal payments from each of the contributing partners. In September 2019, the partners agreed to extend the project through June 30, 2024.

During fiscal year 2020, KGOU received a \$30,000 private grant from The Anne and Henry Zarrow Foundation for the purpose of modernization of the KGOU studios. This renovation and upgrade is ongoing and will continue into fiscal year 2021 and potentially into fiscal year 2023. KGOU 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 KGOU studio facilities.

During fiscal year 2020, KGOU received a \$50,000 private grant from the Inasmuch Foundation to fund election reporting through the Oklahoma Engaged collaborative reporting project. Grant funding allowed KGOU and its collaborative partners to provide in-depth election reporting, public opinion political research, web-based election resources, live community engagement call-in programs and a live virtual election night program produced through Zoom and distributed through the Oklahoma Engaged website on the night of the General Election, November 3, 2020.

During fiscal year 2020, KGOU received a \$4,700 grant from the Center for Cooperative Media at Montclair State University to support a collaborative journalism project involving StateImpact Oklahoma and Oklahoma Watch. The Oklahoma City Peer Fund collaborative reporting project grants are supported by the Ethics and Excellence in Journalism Foundation and The Peer Learning + Collaboration (PLAC) Fund, which is made possible by financial support from Democracy Fund.

Efficiencies, risk reduction and cost savings were achieved during FY2020 by:

- Utilizing University of Oklahoma fleet services, as feasible, for out-of-town trips by reporters for KGOU and StateImpact Oklahoma.
- Continuing to purchase liability insurance for the KGOU tower location in Norman, Oklahoma.
- Obtaining grant funding for projects (outlined above).
- Deferring maintenance, as possible.

- Timely replacing aging equipment, as feasible, to prevent disruption of services and operations.
- Implementing stringent health and safety procedures to limit staffing in station facilities, conduct necessary disinfectant cleaning, provide necessary health-related supplies and instruct staff on required health and safety behaviors to mitigate the threat of coronavirus transmission in the KGOU studios and during off-site activities, including field reporting.

Economic Outlook

KGOU's economic outlook is dependent on the Station's main sources of funding: CPB Community Service Grant, state appropriation to the University of Oklahoma, membership and underwriting.

CPB Community Service Grant

About 6.8% of the Station's total operating and non-operating income in fiscal year 2020 was from the Corporation for Public Broadcasting ("CPB"). CPB in turn relies on annual appropriations from the Federal government. In December 2020, Congress approved \$475 million for the Corporation for Public Broadcasting's FY2023 advance appropriation.

The Station submits annual reports to CPB to receive its annual CSG 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 KGOU, and while some federal elected officials have proposed cutting the CPB appropriation, Congress has shown no interest doing so.

State Appropriation to the University of Oklahoma

About 8.5% 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. About 12.3% of the operating budget comes from indirect support, including fringe benefits that match certain salaries contained in the direct cash, and indirect support which include physical and general administrative support.

KGOU received \$4,588 in additional state appropriations in fiscal year 2020. However, this is considered one-time money and will not be available to the station in fiscal year 2021. Station management has received no indication of expected further cuts in direct University funding in fiscal year 2021 or beyond and does not expect any increases in such University support in the foreseeable future. Management expects institutional financial support to continue through distribution from the University of Oklahoma Outreach. Management will continue to closely monitor expenses and discretionary spending and continue to develop ways to increase private fundraising. Station management believes the University is sufficiently committed to the purpose of the station and that the support to the Station will be consistent with other units of the University.

Membership and Underwriting

The remainder of the Station's operating income comes from private donations from listeners and businesses which are directly related to the listener's perceptions of the quality of the program service.

Audience figures, as measured quarterly by Nielsen, Inc., indicate KGOU consistently ranked in the top 15 of all Oklahoma City area radio stations within the period. These 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 saw its weekly average audience fall to 69,500 different listeners in fiscal year 2020 from 80,400 average weekly listeners in fiscal year 2019. The broadcasting industry, in general, saw dips in ratings during the final quarter of fiscal year 2020 due to changes in listening behavior caused by the coronavirus and general "news fatigue." Stations, such as KGOU, which have strong morning and afternoon drive-time programs that capture large commuter listening audiences saw a significant decrease in the final quarter of fiscal year 2020 as increasing numbers of people transitioned to working at home due to the coronavirus. Public radio stations experienced these declines while also maintaining high rates of listening loyalty, according to research provided by Jacobs Media and the public broadcasting financial development consultant, Greater Public.

Ratings are expected to increase to some extent in fiscal year 2021 as effects of the coronavirus outbreak on the economy and listening habits diminish and drive-time listening returns to more normal levels. The extent to which these figures rebound is difficult to determine. These 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. Therefore, KGOU will continue to monitor these listening behaviors in the next twelve months and years ahead.

While over-the-air listening declined during fiscal year 2020, KGOU gained online (digital) users. This is consistent with industry trends which indicate that increasing numbers of media consumers are receiving their favored content through various sources, including online and "app" streaming, social media, smart speakers and digital downloads (podcasts).

KGOU's online (digital) services are evaluated using a variety of measures available from Google Analytics. Overall, year-over-year website usage (monthly users) rose 47% in FY2020 after increasing 34% in FY2019 over FY2018. During fiscal year 2020 individual pageviews increased 6% as more new users discovered KGOU's digital content. Total listening hours and average active sessions declined slightly in fiscal year 2020, with May, 2020 being the low point. This small drop was likely pandemic-related as listening habits changed. During the year, the station maintained its footprint through social media interaction on Facebook, Twitter and Instagram and through two podcasts available on Apple Podcasts and Spotify.

KGOU receives donations from slightly more than 3,000 donors who support the mission of KGOU and public service media and want to see its programming continue to be available for their families and in their communities. In addition, business sponsorships (underwriting) received from businesses and organizations that support the mission of KGOU and public service media indicate the value these organizations see with being associated with KGOU's and NPR's strong brand, trusted content and ability to reach important target audiences.

Economic Outlook (continued)

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

KGOU management continues to work with staff, public radio partners, CPB, NPR, University officials and financial supporters (current and prospective) to monitor and improve the Station's overall financial position. Management continually looks for ways to reduce costs, streamline and modernize operations (to improve efficiency and effectiveness), manage discretionary spending and increase private fundraising. Fundraising innovations, outreach and donor development are a primary goal for fiscal year 2021. This focus will be especially important as the station and its audience of listeners and supporters recover from the economic effects of the coronavirus pandemic.

These methods are all necessary to strengthen KGOU's current financial position and establish the foundation for sustained viability. Management is encouraged by the continued increased staffing by the independent business sponsorship consultant who generates private funding for KGOU and StateImpact Oklahoma. Additional growth in business sponsorships (underwriting) is especially important for the financial viability of KGOU as the costs of programming and tower leases, in particular, continue to rise. Programming costs are increasing at about 3% per year and tower lease accelerator clauses (usually tied to the Consumer Price Index) are adding 1-3% in increased annual fees. Other products and services are showing similar increases.

In addition to increased underwriting capacity, KGOU is evaluating and revising methods used in traditional membership drives. KGOU added a new live fundraising period in December 2019 and adopted a partnership with an Oklahoma City law firm to provide funding for the Regional Food Bank of Oklahoma during the month as a way to contribute to the community and raise awareness of and loyalty for KGOU's public service brand. KGOU management expects to continue and refine this community-oriented fundraising approach in 2021 with a goal of increasing the station's private financial support. Industry research indicates there is considerable additional growth possible in the station's member donations, and the addition of more days of live fundraising is a step toward increasing contributions from the station's private donors.

To operate in a fiscally prudent manner, KGOU maintained salaries at previous levels in fiscal year 2020, with only a slight market-adjustment increase provided for StateImpact Oklahoma. The Station achieved some cost savings due to the length of time required to fill open positions of managing editor (formerly news director), news reporter and StateImpact Oklahoma reporter. Additionally, one vacant position, engagement reporter, remained unfilled and the employment process was terminated entering fiscal year 2021. The Morning Edition host/content creator position, which formerly had been a full-time position, became a part-time position during the fiscal year.

KGOU added another part-time employee during fiscal year 2020 in order to launch a new music program, Tonic: The Funky Groove Show. This new locally-produced weekly program expands KGOU's music and entertainment offerings and is intended to serve a diverse, new audience at a reasonable additional expense. Early ratings indicate the new program is attaining its goal of growing the size of KGOU's audience. Employee retention and salary compression continue to be concerns that will be monitored and addressed as necessary and as funding is available. Management expects staffing, salaries and fringe benefits to remain relatively stable in fiscal year 2021.

Economic Outlook (Continued)

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. While KGOU replaced the KROU transmitter in fiscal year 2019, other transmitters, translators and associated equipment continue to edge toward the end of their natural life. Likewise, office and production computers and software need to be replaced periodically.

KGOU has kept these costs down as much as possible by deferring maintenance where feasible and through the practices of the Station's chief engineer, who frequently finds low-cost solutions to extend the life of equipment. The station added some additional office equipment capacity by receiving used surplus computers and printers from the University of Oklahoma Outreach. However, maintenance and replacement of necessary equipment will require continued attention, and additional funding, over the next 2-3 years.

This is a major reason KGOU senior management has been working on modernizing the Station's private fundraising model and capacity. The goal is to grow the Station's private savings account year-over-year to create the balance needed to address these expected expenditures.

The state's economic outlook for 2020-21 will influence the Station's ability to raise unrestricted donations in the next fiscal year and beyond in order to fund all its obligations.

Oklahoma traditionally features one of the lowest unemployment rates in the nation, but largely driven by the coronavirus pandemic, this rate rose from 3.2% in June 2019 to 6.4% in June 2020. The economy is driven largely by the energy and agriculture sectors. However, the energy sector, in particular, has slowed considerably. According to University of Oklahoma economist Robert Dauffenbach, depressed natural gas prices, in particular, illustrate the need to diversify the state's economy. (Source: KGOU Capitol Insider, Nov. 29, 2019)

While the state's economy has shown consistent growth over the last ten years, there are signs the economy is cooling and was further eroded by the coronavirus pandemic. Gross Receipts to the Treasury slowed in the second half of 2019, fueled by lower sales tax collections and gross production receipts.

In a report issued by Oklahoma State Treasurer Randy McDaniel, monthly Gross Receipts to the Treasury continued a downward trend, with year-over-year declines in 2019 and 2020. November 2020 monthly collections from all sources totaled \$970.5 million, which was less than the previous November's collections by \$19.1 million, reflecting a drop of 1.9% over November 2019 collections. November 2019 monthly collections stood at \$989.7 million, down 4.2% from November 2018. (Source: Gross Receipts to the Treasury Report, Dec. 7, 2020)

Compared to gross receipts from November 2019, the collections report for November 2020 showed sales tax collections dropped 4.1%, gross production taxes on oil and natural gas dropped 50.2% and motor vehicle taxes fell 5.3%. Meanwhile, use tax receipts increased 16.6% and other collections, including fuel taxes, tobacco taxes, alcoholic beverage taxes and medical marijuana taxes rose 3.1%. (Source: Gross Receipts to the Treasury Report, Dec. 7, 2020)

Economic Outlook (Continued)

The State Board of Equalization's initial certification of funds available for appropriation in fiscal year 2022 stood at \$8.5 billion, an increase of \$631.2 million or 8.1% over the \$7.8 billion actually appropriated for FY2021. That number is \$233.9 million or 2.6% less than the \$8.7 billion authorized to be spent in fiscal year 2021. However, Tax Commission Administrator Jay Doyle told board members the economy did not perform as poorly as had been expected in February 2020. (Source: eCapitol, Dec. 18, 2020).

With the possibility that fiscal year 2021 state appropriations may be less than in fiscal year 2020, and since a significant amount of KGOU's operating capital is generated by donations from listeners (whose giving tends to be driven by economic conditions), KGOU management is taking a cautious approach and will plan conservatively in fiscal year 2021.

Contacting the Department'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, OK 73019.

KGOU-FM Radio Station
Statements of Net Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash	\$ 137,542	\$ 68,064
Accounts receivable	320,461	349,357
Funds held for the benefit of the Station	<u>308,474</u>	<u>104,587</u>
Total current assets	766,477	522,008
Capital assets, net of accumulated depreciation	<u>143,887</u>	<u>209,159</u>
Total assets	<u><u>\$ 910,364</u></u>	<u><u>\$ 731,167</u></u>
Liabilities and Net Position		
Current liabilities		
Accounts payable	\$ 8,754	\$ 36,151
Accrued salaries	8,212	19,019
Accrued compensated absences	70,887	69,358
Unearned revenue	<u>250,057</u>	<u>220,993</u>
Total current liabilities	<u>337,910</u>	<u>345,521</u>
Total liabilities	<u>337,910</u>	<u>345,521</u>
Net position		
Net investment in capital assets	143,887	209,159
Restricted for		
Expendable	57,000	45,783
Unrestricted net position	<u>371,567</u>	<u>130,704</u>
Total net position	<u>572,454</u>	<u>385,646</u>
Total liabilities and net position	<u><u>\$ 910,364</u></u>	<u><u>\$ 731,167</u></u>

KGOU-FM Radio Station
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2020 and 2019

	2020	2019
Operating revenues		
Grants	\$ 163,568	\$ 152,786
Underwriting	766,711	558,258
In-kind donations	43,080	48,170
Memberships	557,086	551,016
StateImpact Oklahoma	91,248	104,575
Miscellaneous income	80,220	18,713
Total operating revenues	<u>1,701,913</u>	<u>1,433,518</u>
Operating expenses		
Salaries and wages	605,891	642,704
Personnel benefits	229,115	231,497
Supplies	9,865	11,075
Travel	8,719	11,221
Communications	25,720	25,700
Other communications	5,364	5,280
Postage and shipping	5,424	7,846
Printing	5,019	5,366
Memberships and subscriptions	7,538	15,833
Outside services	262,701	182,333
Purchased programming	382,362	436,647
Advertising	25,840	39,158
Donated rent of space	26,030	26,030
Other operating expense	3,924	1,249
Computer expense	26,557	29,103
Equipment rental	88,118	80,893
Repairs and maintenance	9,244	27,617
Depreciation	71,299	69,574
Professional services	-	20,500
Donated electric	46,730	46,811
Fleet	1,910	1,469
Indirect support	160,159	157,000
Total operating expenses	<u>2,007,529</u>	<u>2,074,906</u>
Operating loss	<u>(305,616)</u>	<u>(641,388)</u>
Nonoperating revenues (expenses)		
General allocations from OU	187,335	182,747
Direct administrative support	110,219	105,884
Indirect administrative support	160,159	157,000
On-behalf payments for OTRS	34,711	29,541
Total nonoperating revenues	<u>492,424</u>	<u>475,172</u>
Net change in net position	186,808	(166,216)
Net position, beginning of year	<u>385,646</u>	<u>551,862</u>
Net position, end of year	<u><u>\$ 572,454</u></u>	<u><u>\$ 385,646</u></u>

KGOU-FM Radio Station
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Cash received from contributions, grant, underwriting and miscellaneous receipts	\$ 1,555,986	\$ 1,548,106
Cash paid to suppliers	(858,243)	(853,091)
Cash paid to employees	(809,573)	(852,333)
Net Cash used in Operating Activities	(111,830)	(157,318)
Cash Flows from Noncapital Financing and Other Activities		
Cash received from University allocations	187,335	182,747
Net Cash used in Noncapital Financing and Other Activities	187,335	182,747
Cash Flows from Capital and Related Financing Activities		
Cash paid for capital assets	(6,027)	(53,957)
Net Cash used in Capital and Related Financing Activities	(6,027)	(53,957)
Net Increase (Decrease) in Cash and Cash Equivalents	69,478	(28,528)
Cash and Cash Equivalents, Beginning of Year	68,064	96,592
Cash and Cash Equivalents, End of Year	\$ 137,542	\$ 68,064
Reconciliation of Operating Loss to Net Cash Used In Operating Activities		
Operating loss	\$ (305,616)	\$ (641,388)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	71,299	69,574
On-behalf contributions from OTRS	34,711	29,541
Facilities and administrative support	270,378	262,884
Changes in assets and liabilities		
Accounts receivable	28,896	(35,476)
Funds held for the benefit of the Station	(203,887)	148,191
Accounts payable	(27,397)	15,156
Accrued expenses	(9,278)	(7,673)
Unearned revenue	29,064	1,873
Total adjustments	193,786	484,070
Net Cash from Operating Activities	\$ (111,830)	\$ (157,318)

Note 1 - Summary of Significant Accounting Policies

The accompanying financial statements include the accounts of the KGOU-FM Radio Station (the Station) of the University of Oklahoma (the University). The Station is licensed by the Federal Communications Commission (the 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, OK), KROU (Spencer, OK), K276ET (Seminole, OK), K250AU (Ada, OK), K295BL (Chickasha, OK), KWOU (Woodward, OK), KOUA (Ada, OK), K286BZ (Shawnee, OK) and KQOU (Clinton, OK).

The FCC grants the Station the exclusive right to frequencies in the central and northwest Oklahoma Area for a period of eight years and the licenses to KGOU, KROU, KWOU and KOUA were renewed in June 2013 for an additional eight years, until June 1, 2021. All other licenses obtained for other translators, transmitters and related licensed installations will also expire on the same date.

Financial statement presentation

The Station's financial statements are presented in accordance with the requirements of 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, 2020, 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.

Accounts receivable

Accounts receivable consists 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.

Capital assets

The Station follows the University's capitalization and depreciation policies. Capital assets are recorded at cost at the date of acquisition, or acquisition value on the date of donation if acquired by gift. For broadcasting and office equipment, the capitalization policy includes all items with 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 10 years. Routine repairs and maintenance are charged to operating expenses in the year in which the expense was incurred.

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

Unearned revenue

Unearned revenue at June 30, 2020 and 2019 consists of \$250,057 and \$220,993, respectively, in underwriting and grant revenues related to amounts received by the Station but 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 statements of net position and as a component of compensation and benefit expense in the statements 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.

Contributed 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 are allocated based upon suggested formats of the CPB. For the year ended June 30, 2020 and 2019, the allocation methods were as follows:

Institutional support - These costs are allocated based upon the Station's salaries, wages and benefits to total direct salaries, wages and benefits of the University.

Physical plant operations - Physical plant costs are allocated based upon net usable square feet. The base financial data used in the calculation are taken directly from the University's annual financial statements.

Donated facilities and indirect administrative support of \$160,159 and \$157,000 were recorded for the years ended June 30, 2020 and 2019, respectively.

In-kind contributions

The estimated fair value of in-kind contributions, primarily advertising and translator sites, are recorded as revenue and expensed in the period used and was \$43,080 and \$48,170 for the years ended June 30, 2020 and 2019, respectively. 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 the NPR have not furnished values for these in-kind contributions. These amounts have not been included in the accompanying financial statements; and the Station does not consider these in-kind contributions to be an integral part of the operations

Operating revenue 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 investment in capital assets, net of accumulated depreciation, and related deferred outflows of resources, reduced by outstanding debt obligations and related deferred inflows of resources related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net position-expendable - The restricted expendable component of 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.

Deferred outflows of resources

Deferred outflows are the consumption of net position by the Station that are applicable to a future reporting period. At June 30, 2020 and 2019, the Station did not have any deferred outflows of resources.

Deferred inflows of resources

Deferred inflows are the acquisition of net position by the Station that are applicable to a future reporting period. At June 30, 2020 and 2019, the Station did not have any deferred inflows of resources.

Note 2 - Cash and Funds held for the Benefit of the Station

The University acts as 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 Treasurer's 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 the 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, 2020 and 2019, the Foundation maintained cash balances on behalf of the Station totaling \$308,474 and \$104,587, respectively.

Note 3 - Accounts Receivable

Accounts receivable consists of underwriting receivables of \$320,461 and \$349,357 at June 30, 2020 and 2019, respectively. All underwriting accounts receivable and grants receivable are due in one year or less.

During the years ended June 30, 2020 and 2019, management did not write off any underwriting receivables as uncollectable. An allowance for accounts receivable is not recorded at June 30, 2020 and 2019 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.

Note 4 - Capital Assets

Following are the changes in capital assets for the years ended June 30, 2020 and 2019:

	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020
Cost of capital assets				
Broadcasting equipment	\$ 1,825,402	\$ -	\$ -	\$ 1,825,402
Office Equipment	201,697	6,027	-	207,724
Total cost of capital assets	<u>\$ 2,027,099</u>	<u>\$ 6,027</u>	<u>\$ -</u>	<u>\$ 2,033,126</u>
Less accumulated depreciation				
Broadcasting equipment	(1,637,206)	\$ (64,442)	-	(1,701,648)
Office equipment	(180,734)	(6,857)	-	(187,591)
Total accumulated depreciation	<u>(1,817,940)</u>	<u>(71,299)</u>	<u>-</u>	<u>(1,889,239)</u>
Capital assets, net	<u>\$ 209,159</u>	<u>\$ (65,272)</u>	<u>\$ -</u>	<u>\$ 143,887</u>

	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019
Cost of capital assets				
Broadcasting equipment	\$ 1,774,394	\$ 51,008	\$ -	\$ 1,825,402
Office Equipment	198,748	2,949	-	201,697
Total cost of capital assets	<u>\$ 1,973,142</u>	<u>\$ 53,957</u>	<u>\$ -</u>	<u>\$ 2,027,099</u>
Less accumulated depreciation				
Broadcasting equipment	(1,574,083)	\$ (63,123)	\$ -	(1,637,206)
Office equipment	(174,283)	(6,451)	-	(180,734)
Total accumulated depreciation	<u>(1,748,366)</u>	<u>(69,574)</u>	<u>-</u>	<u>(1,817,940)</u>
Capital assets, net	<u>\$ 224,776</u>	<u>\$ (15,617)</u>	<u>\$ -</u>	<u>\$ 209,159</u>

Note 5 - Compensated Absences

The compensated balances and activity for the years ended June 30, 2020 and 2019 were as follows:

	June 30, 2019	Additions	Reductions	June 30, 2020	Amount Due Within One Year
Compensated absences	\$ 69,358	\$ 70,727	\$ 69,358	\$ 70,727	\$ 70,727
Compensated time banked	-	160		160	160
Total long-term liabilities	<u>\$ 69,358</u>	<u>\$ 70,887</u>	<u>\$ 69,358</u>	<u>\$ 70,887</u>	<u>\$ 70,887</u>

	June 30, 2018	Additions	Reductions	June 30, 2019	Amount Due Within One Year
Compensated absences	\$ 78,037	\$ 69,358	\$ 78,037	\$ 69,358	\$ 69,358
Total long-term liabilities	<u>\$ 78,037</u>	<u>\$ 69,358</u>	<u>\$ 78,037</u>	<u>\$ 69,358</u>	<u>\$ 69,358</u>

Note 6 - Functional Expense Classification

The Station's operating expenses by functional classification were as follows for the years ended June 30, 2020 and 2019:

	2020	2019
Program services		
Programming and production	\$ 743,948	\$ 832,495
Program information	70,804	110,010
Broadcasting	354,831	367,550
StateImpact Oklahoma	241,621	222,096
	<u>1,411,204</u>	<u>1,532,151</u>
Support services		
Fundraising and membership	116,036	117,219
Underwriting	220,190	179,231
Management and general	260,099	246,305
	<u>596,325</u>	<u>542,755</u>
	<u>\$ 2,007,529</u>	<u>\$ 2,074,906</u>

Note 7 - Retirement Plans

The Station's employees are University employees and are covered, through the University, by the Oklahoma Teachers Retirement System (OTRS or the System), 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 plans, to which the University contributes 8 percent 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 services. 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 OTRS. The System 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.

Funding policy - System members and the University are required to contribute at a rate set by statute. The contribution requirements of system members and the University are established and may be amended by the legislature of the state of Oklahoma. For the years ended June 30, 2020 and 2019, the contribution rate for System members of 7 percent was applied to their total compensation.

For fiscal years 2020 and 2019, the local employer contribution rate was 8.55 percent. For the years ended June 30, 2020 and 2019, the State contributed 5 percent of State revenues from sales and use taxes and individual income taxes. Contributions made by the State from dedicated taxes are considered on-behalf payments for the University's employees.

The University's contributions to OTRS for the Station's employees for the years ended June 30, 2020 and 2019 were \$34,711 and \$29,541, respectively, equal to the required contributions for each year. These contributions included the University's statutory contribution and the share of the employee's contribution paid directly by the University. 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 recognizes a net pension liability of approximately \$309,430,000 and \$277,494,000 as of June 30, 2020 and 2019, respectively. 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 Department and the State on behalf of the University are recognized as expense.

Note 8 - Other Post-Employment Benefits (OPEB)

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 No. 75.

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 years ended June 30, 2020 and 2019, the University made benefit payments in the amount of \$7.7 million and \$6.7 million, respectively, for current retirees.

Effective July 1, 2017, the University implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75). GASB No. 75 was issued in June 2015 and replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45), and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. The University recognized a net OPEB liability of approximately \$297,417,000 and \$277,747,000 as of June 30, 2020 and 2019 under GASB 75, respectively. 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.

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 years ended June 30, 2020 and 2019:

	2020	2019
In-kind support		
Benefits	\$ 63,489	\$ 59,075
Budget support from other University units	46,730	46,809
Facility and administrative support	160,159	157,000
Total in-kind support	270,378	262,884
Cash support		
Direct allocation	187,335	182,747
	<u>\$ 457,713</u>	<u>\$ 445,631</u>

Included in accounts receivable was \$53,125 and \$45,175 due from University departments and colleges as of June 30, 2020 and 2019, respectively. There were no amounts included in accounts payable due to University departments and colleges as of June 30, 2020 or 2019.

Note 10 - Leases

The Station leases six spaces for broadcasting towers. Most of the leases have options to renew, with rentals to be negotiated. Rent expense was approximately \$64,468 and \$68,800 for the years ended June 30, 2020 and 2019, respectively. The following is a schedule of future minimum lease payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2020:

2021	\$ 38,404
2022	39,326
2023	40,276
2024	41,254
Thereafter	21,763
	<u>\$ 181,023</u>

In addition to the broadcasting towers listed above, the Station leases three locations without cost. The Ada translator is housed rent-free on the East Central University campus, the Chickasha translator is housed rent-free on the University of Science and Arts of Oklahoma campus, and High Plains Technology Center in Woodward hosts equipment related to signal delivery for the transmitter in Woodward, Oklahoma. The estimated fair value of these leases of approximately \$26,030 for the years ended June 30, 2020 and 2019, are included in-kind contributions in the statements of revenues, expenses and changes in net position.

Note 11 - Grants

Corporation for Public Broadcasting - The Corporation for Public Broadcasting (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 (CSGs) 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 fiscal year 2020 grant guidelines classify the 2020 grant as 73 percent unrestricted and 27 percent restricted; there are no restricted funds remaining at June 30, 2020. 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 Federal Communications Commission. Management believes these are routine requirements and do not provide any restrictions on the grants. For the years ended June 30, 2020 and 2019, the Station received and expended \$148,568 and \$151,286, respectively, 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 State Statute, additional coverage is purchased based on specific departmental and institutional needs and risks, but the related risks are not considered material to the University as a whole.

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 State Statute 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, 2020 and 2019, the University's accrued workers' compensation liability totaled approximately \$1,208,000 and \$1,621,000, respectively.

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, 2020 and 2019, the University's required reserves were \$326,000 and \$278,000, respectively. 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, 2020, the University's cash balance for the plan was approximately \$18,137,000 and the accrued liability for claims not yet reported totaled approximately \$4,046,000.

Changes in the claims liability for the University from July 1, 2018 to June 30, 2020 are as follows:

	Workers' Compensations	Healthcare	Total
Claims liability and related payables, June 30, 2018	\$ 1,948,000	\$ 5,652,000	\$ 7,600,000
Claims incurred and changes in estimates	1,487,000	49,261,000	50,748,000
Claims paid	<u>(1,814,000)</u>	<u>(50,036,000)</u>	<u>(51,850,000)</u>
Claims liability and related payables, June 30, 2019	1,621,000	4,877,000	6,498,000
Claims incurred and changes in estimates	989,000	50,665,000	51,654,000
Claims paid	<u>(1,402,000)</u>	<u>(51,496,000)</u>	<u>(52,898,000)</u>
Claims liability and related payables, June 30, 2020	<u>\$ 1,208,000</u>	<u>\$ 4,046,000</u>	<u>\$ 5,254,000</u>

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.



**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***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of KGOU-FM Radio Station (the Station), a department of the University of Oklahoma (the University), which comprise the statement of net position as of June 30, 2020, 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 January 12, 2021. Our report includes an emphasis of matter paragraph stating that the Station is a department of the University and these financial statements reflect only the assets, liabilities and revenues and expenses of the Station and not the University as a whole.

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.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described below as item 2020-001 that we consider to be a material weakness.

2020-001 Financial Reporting
Material Weakness in Internal Control over Financial Reporting

Criteria: Proper controls should be in place to ensure accurate financial reporting under Generally Accepted Accounting Principles.

Condition: We noted certain grants with a designated purpose were fully recognized as revenue where the funds for that purpose had not yet been expended by the Station as of June 30, 2020. As such, the accounting requirements to recognize as revenue had not yet been met and such funds should have been recorded as unearned revenue until those funds are spent in future periods.

Cause: Grant receipts were fully recognized as revenue before the related grantor purposes were met.

Effect: Revenue and unearned revenue balances were misstated for the year ended June 30, 2020 and an audit adjustment was necessary for approximately \$84,000.

Recommendation:
We recommend that management evaluate controls around grant revenue recognition to ensure revenue is recorded in the proper period.

Views of Responsible Officials:

Management acknowledges the finding and in response will ensure that grant funds not expended at the end of the fiscal year will be characterized as unearned revenue.

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*.

KGOU-FM Radio Station's Response to the Finding

The Station's response to the findings identified in our audit are described above. The Station's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma
January 12, 2021