

University of Oklahoma – KGOU-FM Radio Station

Independent Auditor's Reports and Financial Statements

June 30, 2021 and 2020

University of Oklahoma – KGOU-FM Radio Station

June 30, 2021 and 2020

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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 Financial Statements

We have audited the accompanying financial statements of KGOU-FM Radio Station (the Station), a department of the University of Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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, 2021, 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.

Emphasis of Matters

Prior Year Audited by Other Auditors

The 2020 financial statements were audited by other auditors, and their report thereon, dated January 12, 2021, expressed an unmodified opinion.

Reporting Entity

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, 2021 and 2020, and the changes in its financial position or its cash flows for the years 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 management's discussion and analysis, as listed in the table of contents, 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 also have issued our report dated December 16, 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 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.

BKD, LLP

Tulsa, Oklahoma
December 16, 2021

University of Oklahoma – KGOU-FM Radio Station

Management's Discussion and Analysis

Years Ended June 30, 2021 and 2020

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 years ended June 30, 2021 and 2020. The Station's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Analysis of the Station as a Whole

The Station's total assets exceeded liabilities by \$627,023 for the June 30, 2021, fiscal year. This compares to fiscal years 2020 and 2019 when assets exceeded liabilities by \$572,454 and \$385,646, respectively.

Capital assets, including property and equipment, net of accumulated depreciation, was \$128,440, a decrease of 10.7% in fiscal year 2021 from \$143,887 in fiscal year 2020, which was a decrease of 31.2% compared to \$209,159 in fiscal year 2019. The decrease in fiscal year 2021 of \$15,447 was due mostly to depreciation.

The unrestricted net position of \$393,673 represents the portion available to maintain the Station's continuing obligations to citizens and creditors in fiscal year 2022. This is an increase of 5.9% over fiscal year 2020 compared to a 184.3% increase in fiscal year 2020 over fiscal year 2019. The unrestricted net position in fiscal year 2020 was \$371,567 and in fiscal year 2019 totaled \$130,704.

During fiscal year 2021, total liabilities for the Station increased by 51.5% or \$174,009 to \$511,919 due primarily to the addition of the Paycheck Protection Program (PPP) loan, as well as due to reduced expenses and related payables. The PPP loan was forgiven in full subsequent to June 30, 2021. During fiscal year 2020, total liabilities decreased 2.2% or \$7,611 to \$337,910 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 table summarizes the Station's assets, liabilities, and net position as of June 30:

	2021	2020	2019
Assets			
Current assets	\$ 1,010,502	\$ 766,477	\$ 522,008
Capital assets, net of accumulated depreciation	<u>128,440</u>	<u>143,887</u>	<u>209,159</u>
Total assets	<u>1,138,942</u>	<u>910,364</u>	<u>731,167</u>
Liabilities			
Current liabilities	381,477	337,910	345,521
Long-term liabilities	<u>130,442</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>511,919</u>	<u>337,910</u>	<u>345,521</u>
Net Position			
Net investment in capital assets	128,440	143,887	209,159
Restricted – expendable	104,910	57,000	45,783
Unrestricted	<u>393,673</u>	<u>371,567</u>	<u>130,704</u>
Total net position	<u>\$ 627,023</u>	<u>\$ 572,454</u>	<u>\$ 385,646</u>

The following table summarizes the Station's revenues, expenses, and changes in net position for the fiscal years ended June 30. The amounts for fiscal year 2020 have been revised as discussed in *Note 1*.

	2021	2020	2019
Operating revenues	\$ 1,491,729	\$ 1,626,913	\$ 1,433,518
Operating expenses	<u>2,153,408</u>	<u>2,007,529</u>	<u>2,074,906</u>
Operating loss	(661,679)	(380,616)	(641,388)
Nonoperating revenues	<u>716,248</u>	<u>567,424</u>	<u>475,172</u>
Increase (decrease) in net position	<u>\$ 54,569</u>	<u>\$ 186,808</u>	<u>\$ (166,216)</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:

	2021	2020	2019
Operating Revenues			
CPB grant	\$ 128,718	\$ 148,568	\$ 151,286
Grants	93,400	15,000	1,500
Underwriting	565,095	766,711	558,258
In-kind underwriting	31,575	43,080	48,170
Memberships	593,010	557,086	551,016
StateImpact Oklahoma project	44,320	91,248	104,575
Miscellaneous	35,611	5,220	18,713
Total operating revenues	<u>1,491,729</u>	<u>1,626,913</u>	<u>1,433,518</u>
Nonoperating Revenues			
General allocations from the University	160,872	187,335	182,747
Direct administrative support	97,859	110,219	105,884
Indirect administrative support	270,434	160,159	157,000
On-behalf payments for OTRS	35,231	34,711	29,541
CPB stabilization grant	151,852	75,000	-
Total nonoperating revenues	<u>716,248</u>	<u>567,424</u>	<u>475,172</u>
Total revenues	<u>\$ 2,207,977</u>	<u>\$ 2,194,337</u>	<u>\$ 1,908,690</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, 2021, 2020, and 2019. Total operating revenue of \$1,491,729 in fiscal year 2021 decreased \$135,184 or 8.3% compared to fiscal year 2020. Total operating revenue in fiscal year 2020 was \$1,626,913, an increase of \$193,395 or 13.5% when compared to 2019.

For 2021, the private giving total was \$1,283,080 and represented 58.1% of the Station's operating and nonoperating income. For 2020, the private giving total was \$1,381,877 and represented 63.0% of the Station's operating and nonoperating income.

Private giving in 2021 decreased \$98,797 or 7.1% from the previous fiscal year. Private giving in 2020 increased \$222,933 or 19.2% over fiscal year 2019. Private giving was \$1,283,080 in fiscal year 2021, \$1,381,877 in fiscal year 2020, and \$1,158,944 in fiscal year 2019.

Membership revenue increased 6.4% or \$35,924 in fiscal year 2021 from 2020. Membership revenue increased 1.1% or \$6,070 in fiscal year 2020 from 2019. Membership revenue was \$593,010 in fiscal year 2021, \$557,086 in fiscal year 2020, and \$551,016 in fiscal year 2019.

Underwriting, both cash and in-kind, decreased \$213,121 or 26.3% in fiscal year 2021 over 2020. Underwriting increased \$203,363 or 33.5% in fiscal year 2020 over 2019. Underwriting and in-kind revenue was \$596,670 in 2021, \$809,791 in 2020, and \$606,428 in 2019.

The grant from the CPB decreased in fiscal year 2021 from 2020. The grant decreased \$19,850 to \$128,718 from \$148,568 in 2020, approximately 13.4%. The grant was approximately 5.8% of the Station's operating and nonoperating income. In 2020, the grant represented 6.8% of the Station's operating and nonoperating income. In 2019, the grant represented 7.9% of the Station's operating and nonoperating income.

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 2020, StateImpact Oklahoma was funded with payments of \$4,323 from the consortium partners, \$2,161 from the Station's own funds, and \$150,680 in underwriting, which is included in the Station's 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 year 2019, StateImpact Oklahoma received \$21,000 from the consortium partners, \$10,500 from the Station's own funds, and \$92,000 in underwriting, which is included in the Station's 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 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. This category increased \$71,452 or 15.6% in fiscal year 2021 over 2020. In fiscal year 2020, the University 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 \$12,082 or 2.7% in fiscal year 2020 over 2019.

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

In-kind support (direct and indirect) for 2021 increased \$97,915 or 36.2%. During fiscal year 2020, in-kind support increased \$7,494 or 2.9% over fiscal year 2019.

Operating Expenses

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

	2021	2020	2019
Program Services			
Programming and production	\$ 857,056	\$ 743,948	\$ 832,495
Broadcasting	349,073	354,831	367,550
Program information	87,473	70,804	110,010
StateImpact Oklahoma project	262,543	241,621	222,096
Total program services	1,556,145	1,411,204	1,532,151
Support Services			
Fundraising and membership	116,897	116,036	117,219
Underwriting	180,262	220,190	179,231
Management and general	300,104	260,099	246,305
Total support services	597,263	596,325	542,755
Total operating expenses	<u>\$ 2,153,408</u>	<u>\$ 2,007,529</u>	<u>\$ 2,074,906</u>

Operating expenses in fiscal year 2021 were \$2,153,408, an increase of \$145,879 or 7.3% from the prior year. The increase in expenses is mainly due to an increase in salary and benefits. Operating expenses in fiscal year 2020 were \$2,007,529, a decrease of \$67,377 or 3.2% over fiscal year 2019.

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 total operating expenses. These programming expenses in fiscal year 2020 totaled \$1,411,204 or 70.3% of the Station's total operating expenses. This compares to 2019 when programming expenses totaled \$1,532,151 or 73.8% of total expenses.

Fiscal year 2021 programming expenses increased by \$144,941 or 10.3% from the prior fiscal year. Fiscal year 2020 programming expenses increased by \$120,947 or 7.9% from fiscal year 2019.

All support expenses in fiscal year 2021, including the categories of management and general, fundraising and membership, and underwriting totaled \$597,263 or 27.7% of the Station's total operating expenses. This compares to fiscal year 2020 when these expenses totaled \$596,325 or 29.7% of the Station's total operating expenses. Fiscal year 2019 expenses totaled \$542,755 or 26.2% of the Station's operating expenses. This amount increased by \$938 or 0.1% in fiscal year 2021 from the prior fiscal year. In 2020, these expenses increased by \$53,570 or 9.9% over fiscal year 2019.

In fiscal year 2021, the largest category of expense, salaries, wages, and benefits, totaled \$969,125 and comprised 45.0% of all expenses. This expense was an increase of 16.1% over the prior fiscal year or \$134,119.

In fiscal year 2020, salaries, wages, and benefits constituted 41.6% of all expenses, a decrease over fiscal year 2019 when this category consumed 42.1% of all expenses.

The second largest category of expense is the cost of purchased programming and satellite fees. In fiscal year 2021, this category increased to \$386,867 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 cost of purchased programming and satellite fees decreased \$54,285 or 12.4% in fiscal year 2020 over 2019. In fiscal year 2020, this category of expense was 19.1% of all expenses, and in 2019, was 21.0% of all expenses.

The third largest category of expense, in-kind or indirect expenses from the University, was \$270,434 in fiscal year 2021 and represents 12.6% of all expenses. This support and related expenses increased 68.9% over the prior fiscal year. In-kind support and related expenses from the University was \$160,159 in fiscal year 2020, compared to \$157,000 in fiscal year 2019.

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.

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 represent 9.7% of all 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. 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.

University-donated electric totaled \$42,680 in fiscal year 2021 a decrease of \$4,050 from the prior fiscal year. Fiscal year 2020 totaled \$46,730, a decrease from fiscal year 2019 of \$81. 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 10.4% of all expenses in 2021, compared to 12.2% of all expenses in fiscal year 2020 and 13.8% of fiscal year 2019 expenses. The Station wrote off no bad debt in fiscal year 2021.

Capital Assets

At June 30, 2021, the Station had \$128,440 in capital assets, net of accumulated depreciation, compared to 2020 when the Station had \$143,887 in capital assets, net of accumulated depreciation. At the end of 2019, the Station had \$209,159 in capital assets, net of accumulated depreciation. Depreciation for 2021, 2020, and 2019 was \$52,279, \$71,299, and \$69,574, respectively. The Station did not have any major capital projects in fiscal years 2021, 2020, or 2019. See *Note 4* for additional information.

Other Significant Information and Future Activities

The Station continued to be the lead station and administrative partner for StateImpact Oklahoma through the OPMX journalism consortium, which is funded primarily through gifts, underwriting, and contributions from the partners. In September 2019, the partners agreed to extend the project through June 30, 2024.

During fiscal year 2020, the Station 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 2022 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 Station's studio facilities.

During fiscal year 2020, the Station received a \$50,000 private grant from the Inasmuch Foundation to fund election reporting through the Oklahoma Engaged collaborative reporting project. Grant funding allowed the Station and its partners to provide in-depth election reporting, conduct public opinion

research, and produce live community engagement call-in programs and a live virtual election night program.

During fiscal year 2020, the Station 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. Oklahoma City Peer Fund collaborative reporting project grants are supported by the Ethics and Excellence in Journalism Foundation (now Inasmuch Foundation) and The Peer Learning + Collaboration (PLAC) Fund, which is made possible by financial support from the Democracy Fund.

During fiscal year 2021, the Station also received significant funding from the federal CARES Act and a significant PPP loan, which was forgiven subsequent to year-end in September 2021.

Efficiencies, risk reduction, and cost savings were achieved during fiscal year 2021 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 grant funding for projects (outlined above).
- Deferring maintenance, as possible.
- Replacing aging equipment, as feasible, to prevent disruption of services and operations.
- Implementing stringent health and safety procedures to mitigate the threat of coronavirus transmission in the Station's studios and during off-site activities, including field reporting.

Economic Outlook

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

CPB Grants

Approximately 12.7% of the Station's total operating and nonoperating income 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.

For the years ended June 30, 2021 and 2020, the Station received \$151,852 and \$75,000, respectively, in stabilization grants distributed by the CPB.

State Appropriation to the University of Oklahoma

Approximately 7.3% 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. 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 income comes from private donations from listeners and businesses, which are directly related to the listeners' perceptions of the quality 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 has rebounded in fiscal year 2021. 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 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 1% to 5% in increased annual fees.

Management expects staffing, salaries, and fringe benefits to remain relatively stable in fiscal year 2022. The Station has no long-term debt other than the PPP loan, which was forgiven after year-end. The cost of maintenance and replacement of equipment and software likely presents the Station's most significant known financial challenge.

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.

University of Oklahoma – KGOU-FM Radio Station

Statements of Net Position

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash	\$ 341,959	\$ 137,542
Accounts receivable	312,129	320,461
Funds held for the benefit of the Station	<u>356,414</u>	<u>308,474</u>
Total current assets	1,010,502	766,477
Capital Assets, Net	<u>128,440</u>	<u>143,887</u>
Total assets	<u>1,138,942</u>	<u>910,364</u>
Liabilities		
Current Liabilities		
Account payable	15,703	8,754
Accrued salaries	27,379	8,212
Accrued compensated absences	89,553	70,887
Unearned revenue	227,423	250,057
Current portion of PPP loan	<u>21,419</u>	<u>-</u>
Total current liabilities	381,477	337,910
Long-Term Liabilities		
PPP loan	<u>130,442</u>	<u>-</u>
Total liabilities	<u>511,919</u>	<u>337,910</u>
Net Position		
Net investment in capital assets	128,440	143,887
Restricted		
Expendable	104,910	57,000
Unrestricted	<u>393,673</u>	<u>371,567</u>
Total net position	<u>\$ 627,023</u>	<u>\$ 572,454</u>

University of Oklahoma – KGOU-FM Radio Station
Statements of Revenues, Expenses, and Change in Net Position
Years Ended June 30, 2021 and 2020

	2021	2020
Operating Revenues		
Grants	\$ 222,118	\$ 163,568
Underwriting	565,095	766,711
In-kind contributions	31,575	43,080
Memberships	593,010	557,086
StateImpact Oklahoma project	44,320	91,248
Miscellaneous income	35,611	5,220
Total operating revenues	<u>1,491,729</u>	<u>1,626,913</u>
Operating Expenses		
Salaries and wages	708,817	605,891
Personnel benefits	260,308	229,115
Supplies	6,181	9,865
Travel	72	8,719
Communications	26,286	25,720
Other communications	3,214	5,364
Postage and shipping	4,397	5,424
Printing	6,558	5,019
Memberships and subscriptions	8,042	7,538
Outside services	207,939	262,701
Purchased programming	386,867	382,362
Advertising	15,350	25,840
Donated rent of space	26,030	26,030
Other operating expense	25	3,924
Computer expense	20,874	26,557
Equipment rental	82,667	88,118
Repairs and maintenance	24,198	9,244
Depreciation	52,279	71,299
Donated electric	42,680	46,730
Fleet	190	1,910
Indirect support	270,434	160,159
Total operating expenses	<u>2,153,408</u>	<u>2,007,529</u>
Operating Loss	<u>(661,679)</u>	<u>(380,616)</u>
Nonoperating Revenues		
General allocations from the University	160,872	187,335
Direct administrative support	97,859	110,219
Indirect administrative support	270,434	160,159
On-behalf payments for OTRS	35,231	34,711
CPB stabilization grant	151,852	75,000
Total nonoperating revenues	<u>716,248</u>	<u>567,424</u>
Change in Net Position	54,569	186,808
Net Position, Beginning of Year	<u>572,454</u>	<u>385,646</u>
Net Position, End of Year	<u><u>\$ 627,023</u></u>	<u><u>\$ 572,454</u></u>

See Notes to Financial Statements

University of Oklahoma – KGOU-FM Radio Station

Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Activities		
Cash received from contributions, grants, underwriting, and miscellaneous receipts	\$ 1,429,487	\$ 1,480,986
Cash paid to suppliers	(756,762)	(858,243)
Cash paid to employees	(896,061)	(809,573)
	<u>(223,336)</u>	<u>(186,830)</u>
Net cash used in operating activities		
Noncapital Financing Activities		
Proceeds received from PPP loan	151,861	-
CPB stabilization grant	151,852	75,000
Cash received from university appropriations	160,872	187,335
	<u>464,585</u>	<u>262,335</u>
Net cash provided by noncapital financing activities		
Capital and Related Financing Activities		
Cash paid for capital assets	(36,832)	(6,027)
	<u>(36,832)</u>	<u>(6,027)</u>
Net cash used in capital and related financing activities		
Change in Cash	204,417	69,478
Cash, Beginning of Year	<u>137,542</u>	<u>68,064</u>
Cash, End of Year	<u><u>\$ 341,959</u></u>	<u><u>\$ 137,542</u></u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (661,679)	\$ (380,616)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	52,279	71,299
On-behalf contributions from OTRS	35,231	34,711
Facilities and administrative support expense	368,293	270,378
Changes in operating assets and liabilities		
Accounts receivable	8,332	28,896
Funds held for the benefit of the Station	(47,940)	(203,887)
Accounts payable	6,949	(27,397)
Accrued expenses	37,833	(9,278)
Unearned revenue	(22,634)	29,064
	<u>(22,634)</u>	<u>29,064</u>
Net cash used in operating activities	<u><u>\$ (223,336)</u></u>	<u><u>\$ (186,830)</u></u>

University of Oklahoma – KGOU-FM Radio Station

Notes to Financial Statements

June 30, 2021 and 2020

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 (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, 2021 and 2020, and the changes in its financial position or its cash flows for the years 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.

University of Oklahoma – KGOU-FM Radio Station

Notes to Financial Statements

June 30, 2021 and 2020

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.

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.

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

Unearned Revenue

At June 30, 2021 and 2020, unearned revenue of \$227,423 and \$250,057, respectively, consisting of 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 accompanying statements of net position and as a component of salaries and wages and personnel benefits expense in the accompanying statements of revenues, expenses, and changes in net position.

University of Oklahoma – KGOU-FM Radio Station

Notes to Financial Statements

June 30, 2021 and 2020

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 are allocated based upon suggested formats of the CPB. For the years ended June 30, 2021 and 2020, 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.

Donated facilities and indirect administrative support of \$270,434 and \$160,159 were recorded for the years ended June 30, 2021 and 2020, respectively.

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 \$31,575 and \$43,080 for the years ended June 30, 2021 and 2020, 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 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

University of Oklahoma – KGOU-FM Radio Station

Notes to Financial Statements

June 30, 2021 and 2020

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

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, 2021 and 2020, 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, 2021 and 2020, the Station had no deferred inflows of resources.

Revisions

Certain immaterial revisions have been made to the 2020 statement of revenues, expenses, and changes in net position and statement of cash flows related to the change in presentation of COVID-19 relief funding from operating to nonoperating revenues as well as to *Note 10* related to the amount of prior year rent expense. These revisions did not have significant impacts on the

University of Oklahoma – KGOU-FM Radio Station

Notes to Financial Statements

June 30, 2021 and 2020

financial statements or disclosures and did not impact the previously reported change in net position.

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, 2021 and 2020, the Foundation maintained cash balances on behalf of the Station totaling \$356,414 and \$308,474, respectively.

Note 3: Accounts Receivable

Accounts receivable consist of underwriting receivables of \$307,428 and \$320,461 at June 30, 2021 and 2020, respectively, and \$4,700 of grants receivable at June 30, 2021. All underwriting accounts receivable and grants receivable are due in one year or less.

During the years ended June 30, 2021 and 2020, management did not write off any underwriting receivables as uncollectible. An allowance for accounts receivable is not recorded at June 30, 2021 and 2020, 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.

University of Oklahoma – KGOU-FM Radio Station

Notes to Financial Statements

June 30, 2021 and 2020

Note 4: Capital Assets

A summary of the changes in capital assets for the years ended June 30 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
2021				
Broadcasting facilities and equipment	\$ 1,825,402	\$ 34,633	\$ -	\$ 1,860,035
Office equipment	207,724	2,199	-	209,923
	<u>2,033,126</u>	<u>36,832</u>	<u>-</u>	<u>2,069,958</u>
Less accumulated depreciation				
Broadcasting facilities and equipment	(1,701,648)	(46,050)	-	(1,747,698)
Office equipment	(187,591)	(6,229)	-	(193,820)
	<u>(1,889,239)</u>	<u>(52,279)</u>	<u>-</u>	<u>(1,941,518)</u>
Capital assets, net	<u>\$ 143,887</u>	<u>\$ (15,447)</u>	<u>\$ -</u>	<u>\$ 128,440</u>
2020				
Broadcasting facilities and equipment	\$ 1,825,402	\$ -	\$ -	\$ 1,825,402
Office equipment	201,697	6,027	-	207,724
	<u>2,027,099</u>	<u>6,027</u>	<u>-</u>	<u>2,033,126</u>
Less accumulated depreciation				
Broadcasting facilities and equipment	(1,637,206)	(64,442)	-	(1,701,648)
Office equipment	(180,734)	(6,857)	-	(187,591)
	<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>

University of Oklahoma – KGOU-FM Radio Station

Notes to Financial Statements

June 30, 2021 and 2020

Note 5: Compensated Absences

Compensated absence activity for the years ended June 30 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2021					
Compensated absences	\$ 70,727	\$ 89,278	\$ (70,727)	\$ 89,278	\$ 89,278
Compensated time banked	160	275	(160)	275	275
Total compensated absences	<u>\$ 70,887</u>	<u>\$ 89,553</u>	<u>\$ (70,887)</u>	<u>\$ 89,553</u>	<u>\$ 89,553</u>
2020					
Compensated absences	\$ 69,358	\$ 70,727	\$ (69,358)	\$ 70,727	\$ 70,727
Compensated time banked	-	160	-	160	160
Total compensated absences	<u>\$ 69,358</u>	<u>\$ 70,887</u>	<u>\$ (69,358)</u>	<u>\$ 70,887</u>	<u>\$ 70,887</u>

Note 6: Functional Expense Classification

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

	2021	2020
Program services		
Programming and production	\$ 857,056	\$ 743,948
Program information	87,473	70,804
Broadcasting	349,073	354,831
StateImpact Oklahoma project	<u>262,543</u>	<u>241,621</u>
Total program services	<u>1,556,145</u>	<u>1,411,204</u>
Support services		
Fundraising and membership	116,897	116,036
Underwriting	180,262	220,190
Management and general	<u>300,104</u>	<u>260,099</u>
Total support services	<u>597,263</u>	<u>596,325</u>
	<u>\$ 2,153,408</u>	<u>\$ 2,007,529</u>

University of Oklahoma – KGOU-FM Radio Station

Notes to Financial Statements

June 30, 2021 and 2020

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 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 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.

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 years ended June 30, 2021 and 2020, the contribution rate for OTRS members of 7% was applied to their total compensation.

For fiscal years 2021 and 2020, the local employer contribution rate was 8.55%. For the years ended June 30, 2021 and 2020, the State contributed 5.0% 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 the OTRS for the Station's employees for the years ended June 30, 2021 and 2020, were \$35,231 and \$34,711, 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.

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 \$376,881,000 and \$309,430,000 as of June 30, 2021 and 2020, 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

University of Oklahoma – KGOU-FM Radio Station

Notes to Financial Statements

June 30, 2021 and 2020

estimated expenses associated with contributions made during the year by the Station and the State 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 years ended June 30, 2021 and 2020, the University made benefit payments in the amount of \$4.9 million and \$7.7 million, respectively, 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 \$178,747,000 and \$297,417,000 as of June 30, 2021 and 2020, respectively, 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.

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:

	2021	2020
In-kind support		
Benefits	\$ 55,179	\$ 63,489
Budget support from other university units	42,680	46,730
Facility and administrative support	270,434	160,159
Total in-kind support	368,293	270,378
Cash support	160,872	187,335
Direct allocation	\$ 529,165	\$ 457,713

University of Oklahoma – KGOU-FM Radio Station

Notes to Financial Statements

June 30, 2021 and 2020

Included in accounts receivable was \$64,754 and \$53,125 due from University departments and colleges as of June 30, 2021 and 2020, respectively. There were no amounts included in accounts payable due to University departments and colleges as of June 30, 2021 or 2020.

Note 10: Leases

The Station leases seven spaces for broadcasting towers. Most of the leases have options to renew, with rentals to be negotiated. Rent expense was \$68,198 and \$70,523 for the years ended June 30, 2021 and 2020, respectively. The following is a schedule of future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2021:

2022	\$	62,930
2023		64,311
2024		65,740
2025		31,998
2026		32,702
Thereafter		<u>65,922</u>
	\$	<u><u>323,603</u></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 \$26,030 for the years ended June 30, 2021 and 2020, is included in in-kind contributions in the accompanying statements of revenues, expenses, and changes in net position.

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.

University of Oklahoma – KGOU-FM Radio Station

Notes to Financial Statements

June 30, 2021 and 2020

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 years ended June 30, 2021 and 2020, the Station received and expended \$128,718 and \$148,568, 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 Oklahoma Statutes, 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 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, 2021

University of Oklahoma – KGOU-FM Radio Station

Notes to Financial Statements

June 30, 2021 and 2020

and 2020, the University's accrued workers' compensation liability totaled approximately \$998,000 and \$1,208,000, 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, 2021 and 2020, the University's required reserves were \$417,000 and \$326,000, 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, 2021, the University's cash balance for the plan was approximately \$29,446,000 and the accrued liability for claims not yet reported totaled approximately \$4,118,000.

Changes in the claims liability for the University from July 1, 2019 to June 30, 2021, are as follows:

	Workers' Compensation	Health Care	Total
Claims liability and related payables, July 1, 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	1,208,000	4,046,000	5,254,000
Claims incurred and changes in estimates	887,000	55,757,000	56,644,000
Claims paid	<u>(1,097,000)</u>	<u>(55,685,000)</u>	<u>(56,782,000)</u>
Claims liability and related payables, June 30, 2021	<u>\$ 998,000</u>	<u>\$ 4,118,000</u>	<u>\$ 5,116,000</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.

University of Oklahoma – KGOU-FM Radio Station

Notes to Financial Statements

June 30, 2021 and 2020

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 CARES 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. The loan has an interest rate of 1%, with monthly payments of approximately \$2,900 starting six months after the receipt of the loan. The loan, if not forgiven, matures in April 2026.

The Station is accounting for the PPP loan in accordance with GASB Statement No. 62. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan will be recognized as a gain in the financial statements in the period the debt is legally released. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, SBA, or lender; as a result of such audit, adjustments could be required to any gain recognized. Subsequent to year-end, the Station received notice of forgiveness of the loan and accrued interest.

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2021					
PPP loan	\$ -	\$ 151,861	\$ -	\$ 151,861	\$ 21,419

**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 KGOU-FM Radio Station (the Station), which comprise the statement of net position as of June 30, 2021, 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, 2021. Our report contained emphasis of matter paragraphs regarding the reporting entity and a reference to other auditors who audited the prior year.

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 may exist that have not been identified.

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

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.

BKD, LLP

Tulsa, Oklahoma
December 16, 2021