



Financial Statements
June 30, 2020 and 2019

Rogers State University KRSU - Television

Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Financial Statements	
Statements of Net Position	8
Statements of Revenues, Expenses and Changes in Net Position.....	9
Statements of Cash Flows	10
Notes to Financial Statements	11
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 <i>Government Auditing Standards</i>	20



Independent Auditor's Report

To the Board of Regents of the University of Oklahoma
Rogers State University
Claremore, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Rogers State University KRSU - Television (the Station), a department of Rogers State University (the University), as of and for the years ended June 30, 2020 and 2019, 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 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.

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

What inspires you, inspires us. | eidebailly.com

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 thereof 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 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 the management's discussion and analysis on pages 3 through 7 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.



Oklahoma City, Oklahoma
January 12, 2021

Introduction

KRSU-TV Television Station (the "Station") is a full service public television station, licensed to Rogers State University (the "University"), serving Northeast Oklahoma, and parts of Southeast Kansas and Northwest Arkansas. Its broadcast format is primarily educational, informational, and entertainment based programs, with content provided by station-produced documentaries and local interest programs, independently produced programming, as well as programs acquired from American Public Television Network, National Educational Television Association, and PBS.

The Station's signal originates from studios located on the campus of the University and uses call letters KRSU-TV.

Overview of the Financial Statements and Financial Analysis

This section of the Station's financial statements presents management's discussion and analysis of the Station's financial performance for the fiscal years ended June 30, 2020, 2019 and 2018. 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 \$2,251,075 for the June 30, 2020 fiscal year. This compares to fiscal year 2019 and 2018 when assets exceeded liabilities by \$1,699,717 and \$1,162,735, respectively.

Capital assets, which have no related debt, including property and equipment, net of accumulated depreciation was \$895,799, an increase of 14.6% in fiscal year 2020 compared to \$781,840 in 2019 and an increase of 98% compared to \$394,753 in fiscal year 2018. The net change in capital assets during fiscal year 2020 represents equipment acquisitions and in-progress costs to date related to FCC broadcast equipment repacking of \$100,180 and depreciation expense of \$48,021.

The Unrestricted and Restricted-Expendable components of Net Position of \$502,920 and \$852,356, respectively, totaling \$1,355,276, represents the portion available to maintain the Station's continuing obligations to viewership and creditors beyond fiscal year 2020. This is an increase of 47.7% over fiscal year 2019, where Unrestricted and Restricted-Expendable Net Position totaled \$917,877, and an increase of 19.5% over fiscal year 2018, where Unrestricted and Restricted-Expendable Net Position totaled \$767,982.

As of June 30, 2020, total liabilities for the Station were 5.0% or \$6,611 more than fiscal year end June 30, 2019 and were 28.1% or \$51,500 less than fiscal year end June 30, 2018, as a result of fluctuations in short term liabilities and accrued compensated absences.

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.

Rogers State University KRSU - Television
Management's Discussion and Analysis
June 30, 2020 and 2019

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.

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.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets			
Current assets	\$ 1,493,843	\$ 1,049,833	\$ 951,438
Capital assets, net of accumulated depreciation	<u>895,799</u>	<u>781,840</u>	<u>394,753</u>
Total assets	<u>\$ 2,389,642</u>	<u>\$ 1,831,673</u>	<u>\$ 1,346,191</u>
Liabilities			
Current liabilities	<u>\$ 138,567</u>	<u>\$ 131,956</u>	<u>\$ 183,456</u>
Total liabilities	<u>138,567</u>	<u>131,956</u>	<u>183,456</u>
Net Position			
Net investment in capital assets	895,799	781,840	394,753
Restricted - expendable	852,356	575,068	564,480
Unrestricted	<u>502,920</u>	<u>342,809</u>	<u>203,502</u>
Total net position	<u>2,251,075</u>	<u>1,699,717</u>	<u>1,162,735</u>
Total liabilities and net position	<u>\$ 2,389,642</u>	<u>\$ 1,831,673</u>	<u>\$ 1,346,191</u>
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Revenues, expenses and changes in net position			
Operating revenue	\$ 1,430,394	\$ 929,574	\$ 992,071
Operating expenses	<u>1,630,719</u>	<u>1,632,321</u>	<u>1,693,722</u>
Operating loss	(200,325)	(702,747)	(701,651)
Nonoperating revenues	<u>668,999</u>	<u>822,267</u>	<u>659,266</u>
Change in net position	<u>\$ 468,674</u>	<u>\$ 119,520</u>	<u>\$ (42,385)</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.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues			
Corporation for Public Broadcasting (CPB) grants	\$ 914,295	\$ 675,879	\$ 660,628
Other grants	-	460	-
In-kind donations	6,903	6,903	169,279
Memberships	45,528	33,676	35,197
Underwriting	274,031	203,069	126,441
Continuing education	220	9,587	526
Other/Private Grants	<u>189,417</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>1,430,394</u>	<u>929,574</u>	<u>992,071</u>
Nonoperating revenues			
General University appropriations	363,580	405,885	291,651
Indirect administrative support	269,697	385,763	344,720
Capital grants	82,681	417,462	301,074
On-behalf payments for OTRS	15,755	15,017	10,510
Interest Income	<u>19,967</u>	<u>15,602</u>	<u>12,385</u>
Total nonoperating revenues	<u>751,680</u>	<u>1,239,729</u>	<u>960,340</u>
Total revenues	<u>\$ 2,182,074</u>	<u>\$ 2,169,303</u>	<u>\$ 1,952,411</u>

The Station relies on three main sources of income: an annual allocation and related in-kind support from the University and the Rogers State University Foundation, which is categorized as non-operating revenue, and the operating revenue includes annual grants from the Corporation for Public Broadcasting, and private donations, both cash and in-kind. Private donations are used for operating, capital expenses and special projects. Special projects often may include grants and contracts.

The table above summarizes the Station's operating revenues for the years ended June 30, 2020, 2019 and 2018, respectively. Total operating revenue of \$1,430,394 in fiscal year 2020 increased \$500,820 or 53.9% when compared to 2019 and decreased \$62,497 or 6.3% when compared to 2018.

Public broadcasting grants for 2020 reflected an increase from the prior years as funding from the Corporation for Public Broadcasting was increased due to funds received as a result of the coronavirus pandemic.

In-kind contributions relate to the occupancy cost of the broadcast tower by the Foundation, upon which the television signal is transmitted. The current revenue represents the annual depreciation by the Foundation, whereas the prior to FY19 in-kind contributions represented the market value of the tower rental contributed by the Foundation.

Funding from Memberships and Pledge Drives totaled \$45,528, a increase of \$11,852, or 35.2% from fiscal year 2019 revenues of \$33,676. This was a decrease of \$1,521, or 4.3% from fiscal year 2018 revenues of \$35,197.

Underwriting and Production revenues associated with local productions generated \$274,031 an increase of \$70,962, or 34.9% from fiscal year 2019 revenues of \$203,069, and an increase of \$76,628 or 60.6% from fiscal year 2018 revenues of \$126,441. Increases are attributable to an increase in production activity.

The Station's Non-operating revenues reflected above includes University appropriations and donated facilities totaling \$633,277, which include personnel costs and facility support. In 2018, the Station was awarded a capital grant from the Federal Communications Commission (FCC) for repacking of the Station's broadcast signal. Revenues reporting in 2020, 2019, and 2018 represent construction-in-progress activity, concluding sometime in fiscal year 2021, at which time the change in the Station's broadcast signal will be completed.

Operating Expenses

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

	2020	2019	2018
Program services			
Programming and production	\$ 480,934	\$ 458,794	\$ 411,423
Broadcasting	323,866	361,644	573,577
Program information	430	69,032	64,496
	<u>805,230</u>	<u>889,470</u>	<u>1,049,496</u>
Support services			
Fundraising and membership	13,300	24,080	280
Underwriting	3,827	32,668	5,000
Management and general	808,362	686,103	638,946
	<u>825,489</u>	<u>742,851</u>	<u>644,226</u>
Total operating expenses	<u>\$ 1,630,719</u>	<u>\$ 1,632,321</u>	<u>\$ 1,693,722</u>

Program services expenses, which include programming and production, broadcasting and program information activities, decreased by \$84,240, or 9.5% from fiscal year 2019, and decreased \$160,026 or 15.2% from 2018, due to fluctuations in levels of activity related to program acquisitions and local production projects.

Support services expenses for fiscal year 2020 increased by \$82,638, or 11.1% from 2019, and increased 15.3%, or \$98,625 from 2018 as a result of increases associated with development of corporate underwriting support and increased production activity.

Capital Assets

At June 30, 2020, the Station had \$895,798 in capital assets, net of accumulated depreciation, compared to 2019 when the Station had \$781,840 in capital assets, net of accumulated depreciation. At the end of 2018, the Station had \$394,753 in capital assets, net of accumulated depreciation. Depreciation for 2020, 2019, and 2018 was \$48,021, \$46,303, and \$46,307. The Station started a major capital project in fiscal year 2018, which involves replacement of broadcast equipment pursuant to the FCC (Federal Communications Commission) mandatory broadcast repacking initiative. See Note 3 to the financial statements for additional details.

Economic Outlook

KRSU-TV's financial position continues to strengthen. Institutional funding remains stable from Rogers State University and the Rogers State University Foundation. Underwriting and production contracts that are related to station outreach initiatives are also stable, however grants have increased.

Funding to the Corporation for Public Broadcasting ("CPB") and the pass-through of those funds to the Station are subject to funding decisions of the U.S. Congress. Funding for the fiscal year 2021 Community Service Grant is estimated to be stable, with funding beyond 2021 remaining uncertain.

As the station continues to proactively reach out to its membership base and focuses on attracting new corporate partnerships for underwriting and grants, the Station will accomplish its strategic goals and fulfill its mission to provide viewers throughout Northeast Oklahoma, Southeast Kansas and Northwest Arkansas quality television programming.

Rogers State University KRSU - Television

Statements of Net Position

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,036,454	\$ 15,995
Funds held for the benefit of the Station	206,661	230,312
Accounts receivable	187,303	745,127
Prepaid expenses	<u>63,425</u>	<u>58,399</u>
Total current assets	1,493,843	1,049,833
Capital assets, net of accumulated depreciation	<u>895,799</u>	<u>781,840</u>
Total assets	<u><u>\$ 2,389,642</u></u>	<u><u>\$ 1,831,673</u></u>
Liabilities and Net Position		
Current liabilities		
Accounts payable	\$ 74,593	\$ 16,438
Accrued compensated absences	57,411	54,942
Unearned revenues	<u>6,563</u>	<u>60,576</u>
Total current liabilities	<u>138,567</u>	<u>131,956</u>
Net position		
Net investment in capital assets	895,799	781,840
Restricted - expendable	852,356	575,068
Unrestricted	<u>502,920</u>	<u>342,809</u>
Total net position	<u>2,251,075</u>	<u>1,699,717</u>
Total liabilities and net position	<u><u>\$ 2,389,642</u></u>	<u><u>\$ 1,831,673</u></u>

Rogers State University KRSU - Television
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2020 and 2019

	2020	2019
Operating revenues		
Public broadcasting grants	\$ 914,295	\$ 675,879
Federal and state grants	-	460
In-kind donations	6,903	6,903
Memberships	45,528	33,676
Underwriting	274,031	203,069
Continuing education revenues	220	9,587
Other/Private Grants	189,417	-
Total operating revenues	1,430,394	929,574
Operating expenses		
Salaries	511,852	571,311
Benefits	230,047	263,493
Contractual services	203,903	88,655
Training and travel	14,642	17,744
Supplies	275,738	220,423
Postage	974	1,921
Telecommunications	2,037	1,765
Print shop	3,148	4,635
Noncapitalizable equipment and repairs	44,920	(3,412)
Depreciation	48,021	46,303
Indirect administrative support	273,774	394,357
In-kind tower space	6,903	6,903
Utilities	14,760	18,223
Total operating expenses	1,630,719	1,632,321
Operating loss	(200,325)	(702,747)
Nonoperating revenues		
General university appropriations	363,580	405,885
Donated facilities and indirect administrative support	269,697	385,763
On-behalf payments for OTRS	15,755	15,017
Interest income	19,967	15,602
Total nonoperating revenues	668,999	822,267
Capital grants	82,681	417,462
Net increase in net position	551,355	536,982
Net position, beginning of year	1,699,717	1,162,735
Net position, end of year	\$ 2,251,072	\$ 1,699,717

Rogers State University KRSU - Television

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	\$ 1,238,080	\$ 981,018
Cash paid to employees	(726,210)	(814,295)
Cash paid to suppliers	(510,994)	(456,137)
Net Cash provided by (used in) Operating Activities	876	(289,414)
Cash Flows from Noncapital Financing and Other Activities		
Cash received from University allocations	363,580	405,885
Cash Flows from Capital and Related Financing Activities		
Cash paid for capital assets	(161,980)	(433,390)
Capital grants and gifts	774,364	-
Net capital and related financing activities	612,384	(433,390)
Cash Flows from Investing Activities		
Investment income	19,967	15,602
Change in funds held for the benefit of the Station	23,652	(75,885)
Net cash provided by (used in) investing activities	43,619	(60,283)
Net Increase (Decrease) in Cash and Cash Equivalents	1,020,459	(377,202)
Cash and Cash Equivalents, Beginning of Year	15,995	393,197
Cash and Cash Equivalents, End of Year	\$ 1,036,454	\$ 15,995
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:		
Operating loss	\$ (200,325)	\$ (702,747)
Adjustments to reconcile operating loss to net cash used in Operating Activities		
Depreciation	48,021	46,303
On-behalf contributions from OTRS	15,755	15,017
Facilities and administrative support	269,697	385,763
Changes in assets and liabilities		
Accounts receivable	(133,857)	23,071
Prepaid expenses	(5,026)	(5,321)
Accounts payable	58,155	(98,496)
Unearned revenue	(54,013)	38,076
Accrued compensated absences	2,469	8,920
Total adjustments	201,201	413,333
Net Cash used in Operating Activities	\$ 876	\$ (289,414)

Note 1 - Summary of Significant Accounting Policies**Nature of Operations**

Rogers State University KRSU–Television (the Station) is a public telecommunications entity owned and operated by Rogers State University (the University). The Station conducts operations from the University’s campus located in Claremore, Oklahoma. The financial activities of the Station are accounted for by the University. The Station does not maintain a separate set of self-balancing financial records. The financial statements of the Station are prepared from the financial records maintained by the University.

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*. Under GASB Statements No. 34 and 35, 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 non-operating 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.

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.

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 expense accrued for payroll and benefits reimbursable from the University, underwriting receivables, interest receivable and a grant receivable. 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 practice of capitalizing all major expenditures for land, buildings, equipment, and leasehold improvements. Such assets are recorded at cost, or if acquired by gift, at acquisition value at date of receipt. Depreciation is provided over the estimated useful lives of the assets on the straight-line methods, ranging from 5 to 31 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.

Compensated absences

Employees' compensated absences are accrued when earned. The obligation and expenditure incurred during the year are recorded as accrued compensated absences in the statement of net position and as an operating expense in the statement of revenues, expenses and changes in net position.

Unearned revenue

Unearned revenue at June 30, 2020 and 2019, consist of \$6,563 and \$60,576, respectively, in underwriting revenues related to amounts received by the Station but have not been earned.

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

Donated facilities consist of certain premises located in and owned by the University that are occupied by the Station without charge. The allocable portion of the premises is reported as both a revenue and as an expense in the period when the premises are used.

Indirect administrative support includes allocable portions of institutional support and physical plant operations. The amount of University expenditures attributable to the Station are allocated based upon suggested formats of the Corporation for Public Broadcasting (the "CPB"). For the years 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 the Stations net usable square feet to net usable square feet of the University.

In-kind contributions

In-kind revenues include the annual depreciation value of tower, as described in Note 4. Since fiscal year 1995, 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; however, the Station considers 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 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. The Station as no such debt at June 30, 2020 or 2019.

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. As of June 30, 2020 and 2019, \$852,356 and \$575,068, respectively, were considered to be restricted-expendable.

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 - Deposits and Investments

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 in 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.

Note 3 - Funds Held for Benefit of the Station

Funds held for the benefit of the Station are pooled within the net assets of Rogers State University 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. As of June 30, 2020 and 2019, the Foundation maintained cash balances on behalf of the Station totaling \$206,661 and \$230,312, respectively.

Note 4 - Capital Assets

A summary of the changes in capital assets for the years ended June 30, 2020 and 2019, is as follows:

	Balance, June 30, 2019	Additions	Disposals	Balance, June 30, 2020
Capital assets not being depreciated:				
Construction in progress	\$ 718,499	\$ 100,180	\$ -	\$ 818,679
Total capital assets not being depreciated	<u>718,499</u>	<u>100,180</u>	<u>-</u>	<u>818,679</u>
Other capital assets:				
Building and tower	\$ 53,940	\$ -	\$ -	\$ 53,940
Leasehold improvements	150,371	-	-	150,371
Station equipment	3,635,428	61,800	-	3,697,228
Total other capital assets	<u>3,839,739</u>	<u>61,800</u>	<u>-</u>	<u>3,901,539</u>
Less accumulated depreciation for:				
Building and tower	\$ (48,225)	\$ (1,712)	\$ -	\$ (49,937)
Leasehold improvements	(146,591)	(893)	-	(147,484)
Station equipment	(3,581,582)	(45,416)	-	(3,626,998)
Less total accumulated depreciation	<u>(3,776,398)</u>	<u>(48,021)</u>	<u>-</u>	<u>(3,824,419)</u>
Capital assets, net	<u>\$ 781,840</u>	<u>\$ 113,959</u>	<u>\$ -</u>	<u>\$ 895,799</u>

Rogers State University KRSU - Television

Notes to Financial Statements

June 30, 2020 and 2019

	Balance, June 30, 2018	Additions	Disposals	Balance, June 30, 2019
Capital assets not being depreciated:				
Construction in progress	\$ 285,109	\$ 433,390	\$ -	\$ 718,499
Total capital assets not being depreciated	<u>285,109</u>	<u>433,390</u>	<u>-</u>	<u>718,499</u>
Other capital assets:				
Building and tower	\$ 53,940	\$ -	\$ -	\$ 53,940
Leasehold improvements	150,371	-	-	150,371
Station equipment	<u>3,967,734</u>	<u>-</u>	<u>(332,306)</u>	<u>3,635,428</u>
Total other capital assets	<u>4,172,045</u>	<u>-</u>	<u>(332,306)</u>	<u>3,839,739</u>
Less accumulated depreciation for:				
Building and tower	\$ (46,513)	\$ (1,712)	\$ -	\$ (48,225)
Leasehold improvements	(145,699)	(892)	-	(146,591)
Station equipment	<u>(3,870,189)</u>	<u>(43,699)</u>	<u>332,306</u>	<u>(3,581,582)</u>
Less total accumulated depreciation	<u>(4,062,401)</u>	<u>(46,303)</u>	<u>332,306</u>	<u>(3,776,398)</u>
Capital assets, net	<u>\$ 394,753</u>	<u>\$ 387,087</u>	<u>\$ -</u>	<u>\$ 781,840</u>

Note 5 - Related Party Transactions

The Station leases building and tower space from the Foundation without cost. The annual depreciation value of the building and tower space donated by the Foundation was approximately \$6,900 for the year ended June 30, 2020, and \$6,900 for 2019, representing a change in reporting of in-kind contributions by the Foundation, and are included as in-kind donations and in-kind tower space expense in the statements of revenues, expenses and changes in net position.

The Station received facility and indirect administrative support from the University of \$269,697 and \$385,763 for 2020 and 2019, respectively. The Station also received direct appropriations from the University for general operations of \$363,580 and \$405,885 in 2020 and 2019, respectively. Amounts due from the University were \$19,655 and \$17,193 as of June 30, 2020 and 2019, respectively, recorded in accounts receivable.

Note 6 - Retirement Programs

Defined Benefit Plan

The Station, through the University, currently provides a pension plan to its employees. The plan available to University personnel is the Oklahoma Teachers' Retirement System (OTRS or the System), which is a defined benefit plan offered to all eligible faculty and staff.

The liability has not been recorded at the department level of the Station as this liability does not represent a direct liability of the Station. Only the estimated expenses associated with contributions made during the year by the Station and the State on behalf of the University are recognized as expense.

The University's academic and nonacademic personnel are covered by various retirement plans depending on job classification. The plans available to University personnel include:

Plan Description: OTRS is a cost-sharing multiple-employer defined benefit pension plan sponsored by the State of Oklahoma. The OTRS provides defined retirement benefits based on members' final compensation, age and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. The benefit provisions are established and may be amended by the legislature of the state of Oklahoma. Title 70, Sections 17-101 through 17-116-9, as amended, of the Oklahoma Statutes define all retirement benefits. OTRS does not provide for a cost-of-living adjustment. OTRS issues a publicly available financial report that includes financial statements and supplementary information for OTRS. That annual report may be obtained by writing to the OTRS, P.O. 53524, Oklahoma City, OK 73152, by calling (405) 521-2387, or at the OTRS website at www.ok.gov/TRS/.

Defined Benefit Plan Funding: The University is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate, as determined by state statute, was 8.55% applicable for the fiscal years ended June 30, 2020 and 2019. Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7 percent of covered salaries and fringe benefits in 2020, 2019 and 2018. The University makes all contributions on behalf of the employees.

The University's contributions to the OTRS for the Station's employees for the years ended June 30, 2020 and 2019, were approximately \$105,000 and \$114,000, respectively, equal to the required contributions for each year. These contributions included the University's statutory contribution and the employee's contribution paid directly by the University.

The state of Oklahoma is also required to contribute to the OTRS on behalf of participating employers. For 2020 and 2019, the state of Oklahoma contributed 5% of state revenues from sales and use taxes and individual income taxes to the OTRS on behalf of participating employers. The University has estimated the amounts contributed to the OTRS by the state of Oklahoma on its behalf by multiplying the ratio of the Station's covered salaries to total covered salaries for the OTRS for the year by the applicable percentage of taxes collected during the year.

For the year ended June 30, 2020 and 2019, the total amount contributed to the OTRS by the state of Oklahoma on behalf of the Station was approximately \$16,000 and \$15,000, respectively. These on-behalf payments have been recorded as non-operating revenues and operating expenses in the statement of revenues, expenses, and changes in net position.

Defined Contribution Plan

Plan Description: The plan is a Section 401(a) defined contribution plan that became effective January 1, 2015, for certain FLSA nonexempt employees. The purpose of the plan is to provide retirement benefits for the participants and to distribute the funds accumulated to the participants of the eligible beneficiaries.

All nonexempt employees hired after the effective date are allowed a one-time election between participation in OTRS or the defined contribution plan.

Funding Policy: The required contribution rate is 9.0% of pensionable compensation. The University contributes the required amounts for participating members. The University's contributions for the year ended June 30, 2020 and 2019, attributable to Station employees were approximately \$7,500 and \$7,000, respectively.

Note 7 - 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.

The University's plan is funded on a pay-as-you-go 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 of \$136,000 and \$132,000, respectively, for current retirees.

The University recognized a net OPEB liability of approximately \$290,000 and \$379,000 as of June 30, 2020 and 2019. The liability has not been recorded at the department level of the Station as this liability does not represent a direct liability of the Station. Only the estimated expenses associated with contributions made during the year by the Station are recognized as expense.

Note 8 - Functional Expense Classification

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

	<u>2020</u>	<u>2019</u>
Program services		
Programming and production	\$ 480,934	\$ 458,794
Broadcasting	323,866	361,644
Program information	430	69,032
	<u>805,230</u>	<u>889,470</u>
Support services		
Fundraising and membership	13,300	24,080
Underwriting	3,827	32,668
Management and general	808,362	686,103
	<u>825,489</u>	<u>742,851</u>
	<u>\$ 1,630,719</u>	<u>\$ 1,632,321</u>

Note 9 - Grants

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 (CSG's) to qualifying public telecommunications entities. CSG's 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 which complies with the grant restrictions. In addition, the grants may be used to sustain activities begun with CSG's awarded in prior years.

Certain guidelines must be satisfied in connection with application for and use of the CSG's to maintain eligibility and 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 year ended June 30, 2020, the Station received \$654,090 and expended \$670,820 in grant revenue in relation to CSG's. For the year ended June 30, 2019, the Station also received a stimulus grant in the amount of \$260,205. For the year ended June 30, 2019, the Station received \$675,879 and expended \$714,752 in grant revenue in relation to CSG's.

Note 10 - Risk Management

The University is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruptions; errors and/or omission; employee injuries and/or illnesses; natural disasters; and employee health, life, and accident benefits. Through the University, commercial insurance coverage is purchased for claims arising from such matters other than torts, property, and workers' compensation. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The University, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program and Comp Source Oklahoma, public entity risk pools (the "Pools") currently operating as a common risk management and insurance program for its members. The University pays annual premiums to the pools for its tort, property, and liability insurance coverage. The Pool's governing agreement specifies that the Pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

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 its liabilities to 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
Rogers State University KRSU – Television Station
Claremore, 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 Rogers State University KRSU - Television (the Station), a department of the Rogers State University (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.

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. 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.

What inspires you, inspires us. | eidebailly.com

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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Oklahoma City, Oklahoma
January 12, 2021