

Rogers State University – KRSU-Television

Independent Auditor's Reports and Financial Statements

June 30, 2021 and 2020

Rogers State University – KRSU-Television
June 30, 2021 and 2020

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Independent Auditor's Report

Regents of the University of Oklahoma
Rogers State University – KRSU-Television
Norman, 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, 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 Statements

The 2020 financial statements, before they were restated for the matters discussed in *Note 1*, were audited by other auditors, and their report thereon, dated January 12, 2021, expressed an unmodified opinion. Our opinion is not modified with respect to these matters.

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 Rogers State 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. 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 January 14, 2022, on our consideration of the Station's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Station's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Station's internal control over financial reporting and compliance.

BKD, LLP

Rogers State University – KRSU-Television

Management’s Discussion and Analysis

June 30, 2021 and 2020

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

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. The 2020 financial statements have been restated and revised and management’s discussion and analysis has been updated to reflect those changes. There have been no changes to the fiscal 2019 information.

Financial Analysis of the Station as a Whole

The Station’s total assets exceeded liabilities by \$3,094,857 for the June 30, 2021, fiscal year. This compares to fiscal years 2020 and 2019 when assets exceeded liabilities by \$2,459,806 and \$1,699,717, respectively.

Capital assets, which have no related debt, including property and equipment, net of accumulated depreciation was \$1,125,857, an increase of 1.9% in fiscal year 2021 compared to \$1,104,530 in fiscal year 2020 and an increase of 41.3% compared to \$781,840 in fiscal year 2019. The net change in capital assets during fiscal year 2021 represents equipment acquisitions and completion of a project related to FCC broadcast equipment repacking of \$843,400 and depreciation expense of \$145,102.

The unrestricted component of net position totaled \$1,905,069 representing the portion available to maintain the Station’s continuing obligations to viewership and creditors beyond fiscal year 2021. This is an increase of 48.8% over fiscal year 2020, where unrestricted net position totaled \$1,280,276 and an increase of 273.5% over fiscal year 2019, where unrestricted net position totaled \$342,809.

As of June 30, 2021, total liabilities for the Station were 82.2% or \$113,907 more than fiscal year ended June 30, 2020, and total liabilities as of June 30, 2020, were 5.0% or \$6,611 less than fiscal year ended June 30, 2019.

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

The statement of net position and the statement of revenues, expenses, and changes in net position report the Station’s net position and how it has changed. Net position is the difference between assets plus

deferred outflows and liabilities plus deferred inflows. This is one way to measure the Station's financial health or position. Over time, the increases or decreases in the Station's net position are an indicator of whether its financial health is improving or not.

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

The following tables summarize the Station's assets, liabilities, and net position as of June 30, 2021, 2020, and 2019 and the Station's revenues, expenses, and changes in net position for the same dates.

	2021	2020 (As Restated)	2019
Assets			
Current assets	\$ 2,196,474	\$ 1,443,843	\$ 1,049,833
Noncurrent assets	1,150,857	1,154,530	781,840
Total assets	<u>3,347,331</u>	<u>2,598,373</u>	<u>1,831,673</u>
Liabilities			
Current liabilities	109,664	138,567	131,956
Noncurrent liabilities	142,810	-	-
Total liabilities	<u>252,474</u>	<u>138,567</u>	<u>131,956</u>
Net Position			
Net investment in capital assets	1,125,857	1,104,530	781,840
Restricted – expendable	63,931	75,000	575,068
Unrestricted	1,905,069	1,280,276	342,809
Total net position	<u>\$ 3,094,857</u>	<u>\$ 2,459,806</u>	<u>\$ 1,699,717</u>
Revenues and Expenses			
	2021	2020 (As Restated)	2019
Operating revenues	\$ 1,151,100	\$ 1,170,189	\$ 929,574
Operating expenses	1,596,306	1,421,985	1,632,321
Operating loss	(445,206)	(251,796)	(702,747)
Nonoperating revenues	1,080,257	1,011,885	1,239,729
Increase in net position	<u>\$ 635,051</u>	<u>\$ 760,089</u>	<u>\$ 536,982</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 (As Restated)	2019
Operating Revenues			
CPB grants	\$ 698,014	\$ 654,090	\$ 675,879
Other grants	-	-	460
In-kind contributions	6,903	6,903	6,903
Memberships	71,961	45,528	33,676
Underwriting	235,243	274,031	203,069
Continuing education	2,825	220	9,587
Other/private grants	136,154	189,417	-
	<u>1,151,100</u>	<u>1,170,189</u>	<u>929,574</u>
Nonoperating Revenues			
General university appropriations	327,556	363,580	405,885
CPB Stabilization Grant	460,760	260,205	-
Donated facilities and indirect administrative support	254,467	269,697	385,763
Capital grants	6,891	82,681	417,462
On-behalf payments for OTRS	12,337	15,755	15,017
Interest income	18,246	19,967	15,602
	<u>1,080,257</u>	<u>1,011,885</u>	<u>1,239,729</u>
Total revenues	<u>\$ 2,231,357</u>	<u>\$ 2,182,074</u>	<u>\$ 2,169,303</u>

The Station relies on three main sources of income: an annual allocation and related in-kind support from the University and Rogers State University Foundation, Inc. (the Foundation), 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 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 fiscal years ended June 30, 2021, 2020, and 2019. Total operating revenue of \$1,151,100 in fiscal year 2021 decreased \$19,089 or 1.6% when compared to 2020, and 2020 total operating revenue increased \$240,615 or 25.9% when compared to 2019.

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, prior to fiscal year 2019, in-kind contributions represented the market value of the tower rental contributed by the Foundation.

Funding from memberships and pledge drives totaled \$71,961, an increase of \$26,433 or 58.1% from fiscal year 2020 revenues of \$45,528. This was an increase of \$11,852 or 35.2% from fiscal year 2019 revenues of \$33,676.

Underwriting and production revenues associated with local productions generated \$235,243, a decrease of \$38,788 or 14.1% from fiscal year 2020 revenues of \$274,031, and an increase of \$70,962 or 34.9%

from fiscal year 2019 revenues of \$203,069. Decreases are attributable to a decrease in production activity.

The Station's nonoperating revenues reflected above include university appropriations and donated facilities totaling \$582,023, which include personnel costs and facility support. In 2018, the Station was awarded a capital grant from the FCC for repacking of the Station's broadcast signal. Revenues reporting in 2021, 2020, and 2019 represent construction-in-progress activity, concluding in fiscal year 2021, which, upon completion, was transferred to equipment.

Operating Expenses

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

	2021	2020 (As Restated)	2019
Program Services			
Programming and production	\$ 526,647	\$ 480,934	\$ 458,794
Broadcasting	415,843	323,866	361,644
Program information	19,428	430	69,032
	<u>961,918</u>	<u>805,230</u>	<u>889,470</u>
Support Services			
Fundraising and membership	19,893	13,300	24,080
Underwriting	21,714	3,827	32,668
Management and general	592,781	599,628	686,103
	<u>634,388</u>	<u>616,755</u>	<u>742,851</u>
Total expenses	<u>\$ 1,596,306</u>	<u>\$ 1,421,985</u>	<u>\$ 1,632,321</u>

Program services expenses, which include programming and production, broadcasting, and program information activities, increased by \$156,688 or 19.5% from fiscal year 2020 and decreased by \$84,240 or 9.5% from fiscal year 2019, due to fluctuations in levels of activity related to program acquisitions and local production projects.

Support services expenses for fiscal year 2021 increased by \$17,633 or 2.9% from fiscal year 2020 and decreased \$126,093 or 17.0% from fiscal year 2019 as a result of increases associated with development of corporate underwriting support and increased production activity.

Capital Assets

At June 30, 2021, the Station had \$1,125,857 in capital assets, net of accumulated depreciation, compared to 2020 when the Station had \$1,104,530 in capital assets, net of accumulated depreciation. At the end of fiscal year 2019, the Station had \$781,840 in capital assets, net of accumulated depreciation. Depreciation for fiscal years 2021, 2020, and 2019 was \$145,102, \$48,021, and \$46,303, respectively. The Station started a major capital project in fiscal year 2018, which involves replacement of broadcast equipment pursuant to the FCC mandatory broadcast repacking initiative. See *Note 4* to the financial statements for additional details.

Debt

During fiscal year 2021, the Station received a Paycheck Protection Program loan in the amount of \$142,810. This loan was forgiven after year-end.

Economic Outlook

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

Funding to the 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 2022 Community Service Grant is estimated to be stable, with funding beyond 2022 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, 2021 and 2020

	2021	2020 (Restated – Note 1)
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,764,572	\$ 1,036,454
Funds held for the benefit of the Station	306,811	206,661
Accounts receivable	82,698	137,303
Prepaid expenses	42,393	63,425
Total current assets	2,196,474	1,443,843
Noncurrent Assets		
Pledge receivable	25,000	50,000
Capital assets, net	1,125,857	1,104,530
Total noncurrent assets	1,150,857	1,154,530
Total assets	3,347,331	2,598,373
Liabilities		
Current Liabilities		
Accounts payable	36,527	74,593
Accrued compensated absences	62,065	57,411
Unearned revenue	11,072	6,563
Total current liabilities	109,664	138,567
Noncurrent Liabilities		
Notes payable	142,810	-
Total noncurrent liabilities	142,810	-
Total liabilities	252,474	138,567
Net Position		
Net investment in capital assets	1,125,857	1,104,530
Restricted for		
Expendable	63,931	75,000
Unrestricted	1,905,069	1,280,276
Total net position	\$ 3,094,857	\$ 2,459,806

Rogers State University – KRSU-Television
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2021 and 2020

	2021	2020 (Restated – Note 1)
Operating Revenues		
CPB grants	\$ 698,014	\$ 654,090
In-kind contributions	6,903	6,903
Memberships	71,961	45,528
Underwriting	235,243	274,031
Continuing education	2,825	220
Other/private grants	136,154	189,417
	<u>1,151,100</u>	<u>1,170,189</u>
Total operating revenues		
Operating Expenses		
Salaries	483,485	511,852
Benefits	217,397	230,047
Contractual services	82,220	203,903
Training and travel	7,274	14,642
Supplies	363,290	111,924
Postage	948	974
Telecommunications	2,180	2,037
Print shop	1,934	3,148
Noncapitalized equipment and repairs	9,904	-
Depreciation	145,102	48,021
Indirect administrative support	262,243	273,774
In-kind tower space	6,903	6,903
Utilities	13,426	14,760
	<u>1,596,306</u>	<u>1,421,985</u>
Total operating expenses		
Operating Loss	<u>(445,206)</u>	<u>(251,796)</u>
Nonoperating Revenues		
General university appropriations	327,556	363,580
CPB Stabilization Grant	460,760	260,205
Donated facilities and indirect administrative support	254,467	269,697
On-behalf payments from OTRS	12,337	15,755
Interest income	18,246	19,967
	<u>1,073,366</u>	<u>929,204</u>
Total nonoperating revenues		
Capital Grants	<u>6,891</u>	<u>82,681</u>
Change in Net Position	<u>635,051</u>	<u>760,089</u>
Net Position, Beginning of Year	<u>2,459,806</u>	<u>1,699,717</u>
Net Position, End of Year	<u>\$ 3,094,857</u>	<u>\$ 2,459,806</u>

Rogers State University – KRSU-Television
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020 (Restated – Note 1)
Operating Activities		
Cash received from contributions, grants, underwriting, and miscellaneous receipts	\$ 1,183,362	\$ 977,875
Cash paid to employees	(677,084)	(726,210)
Cash paid to suppliers	(519,697)	(302,263)
Net cash used in operating activities	(13,419)	(50,598)
Noncapital Financing Activities		
Proceeds received from PPP loan	142,810	-
CPB Stabilization Grant	460,760	260,205
Cash received from university appropriations	327,556	363,580
Net cash provided by noncapital financing activities	931,126	623,785
Capital and Related Financing Activities		
Cash paid for capital assets	(166,429)	(370,711)
Capital grants and gifts	58,744	774,364
Net cash provided by (used in) capital and related financing activities	(107,685)	403,653
Investing Activities		
Investment income	18,246	19,967
Change in funds held for the benefit of the Station	(100,150)	23,652
Net cash provided by (used in) investing activities	(81,904)	43,619
Increase in Cash and Cash Equivalents	728,118	1,020,459
Cash and Cash Equivalents, Beginning of Year	1,036,454	15,995
Cash and Cash Equivalents, End of Year	\$ 1,764,572	\$ 1,036,454

Rogers State University – KRSU-Television
Statements of Cash Flows, continued
Years Ended June 30, 2021 and 2020

	2021	2020 (Restated – Note 1)
Reconciliation of Operating Loss to Net Cash Used in		
Operating Activities		
Operating loss	\$ (445,206)	\$ (251,796)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	145,102	48,021
On-behalf payments from OTRS	12,337	15,755
Facilities and administrative support	254,467	269,697
Changes in assets and liabilities		
Accounts receivable	27,753	(133,860)
Prepaid expenses	21,032	(5,026)
Accounts payable	(38,067)	58,155
Unearned revenue	4,509	(54,013)
Accrued compensated absences	4,654	2,469
	\$ (13,419)	\$ (50,598)

Rogers State University – KRSU-Television

Notes to Financial Statements

June 30, 2021 and 2020

Note 1: Nature of Operations and 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 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, 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.

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

Cash and Cash Equivalents

The Station considers all liquid investments with an original maturity of three months or less to be cash equivalents.

Rogers State University – KRSU-Television

Notes to Financial Statements

June 30, 2021 and 2020

Accounts Receivable

Accounts receivable consist of expenses 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 except for the grant receivable, which is due in \$25,000 increments through 2023. 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 greater than \$5,000. 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

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

Unearned Revenue

Unearned revenue at June 30, 2021 and 2020, consist of \$11,072 and \$6,563, respectively, in underwriting revenues related to amounts received by the Station that 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.

Rogers State University – KRSU-Television

Notes to Financial Statements

June 30, 2021 and 2020

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 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, 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 – These costs are allocated based upon net usable square feet.

In-Kind Contributions

In-kind revenues include the annual depreciation value of tower, as described in *Note 5*. 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 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 Revenues and Expenses

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

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

Rogers State University – KRSU-Television

Notes to Financial Statements

June 30, 2021 and 2020

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 had no such debt at June 30, 2021 or 2020.

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, 2021 and 2020, \$63,931 and \$75,000, 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 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 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. Revisions have also been made to the 2020 statement of net position related to reporting the noncurrent portion of a pledge receivable. These revisions did not have significant impacts on the financial statements or disclosures and did not impact the previously reported change in net position.

Restatement to 2020 Financial Statements

The Station restated its previously issued financial statements to appropriately account for capitalizable items that were expensed at the time of acquisition in error and to restate 2020 net position classifications due to lack of restriction of CPB funding. The impact of this error

Rogers State University – KRSU-Television

Notes to Financial Statements

June 30, 2021 and 2020

correction was to decrease previously reported 2020 operating expenses, changes in net position, and net capital and related financing activities by \$208,731 and increase assets by \$208,731. Additionally, restricted net position decreased by \$777,356 and unrestricted net position increased by \$777,356. *Notes 4 and 8* were also restated for the impacts of this error correction.

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 the 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, 2021 and 2020, the Foundation maintained cash balances on behalf of the Station totaling \$306,811 and \$206,661, respectively.

Rogers State University – KRSU-Television

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	Transfers	Ending Balance
2021					
Capital assets not being depreciated					
Construction in progress	\$ 1,027,410	\$ 24,721	\$ -	\$ (1,052,131)	\$ -
Total capital assets not being depreciated	<u>1,027,410</u>	<u>24,721</u>	<u>-</u>	<u>(1,052,131)</u>	<u>-</u>
Other capital assets					
Building and tower	53,940	-	-	843,400	897,340
Leasehold improvements	150,371	-	-	-	150,371
Station equipment	<u>3,697,228</u>	<u>141,708</u>	<u>(1,296,582)</u>	<u>208,731</u>	<u>2,751,085</u>
Total other capital assets	<u>3,901,539</u>	<u>141,708</u>	<u>(1,296,582)</u>	<u>1,052,131</u>	<u>3,798,796</u>
Less accumulated depreciation					
Building and tower	(49,937)	(43,882)	-	-	(93,819)
Leasehold improvements	(147,484)	(893)	-	-	(148,377)
Station equipment	<u>(3,626,998)</u>	<u>(100,327)</u>	<u>1,296,582</u>	<u>-</u>	<u>(2,430,743)</u>
	<u>(3,824,419)</u>	<u>(145,102)</u>	<u>1,296,582</u>	<u>-</u>	<u>(2,672,939)</u>
Capital assets, net	<u>\$ 1,104,530</u>	<u>\$ 21,327</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,125,857</u>

Rogers State University – KRSU-Television

Notes to Financial Statements

June 30, 2021 and 2020

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
2020 (Restated)					
Capital assets not being depreciated					
Construction in progress	\$ 718,499	\$ 308,911	\$ -	\$ -	\$ 1,027,410
Total capital assets not being depreciated	<u>718,499</u>	<u>308,911</u>	<u>-</u>	<u>-</u>	<u>1,027,410</u>
Other capital assets					
Building and tower	53,940	-	-	-	53,940
Leasehold improvements	150,371	-	-	-	150,371
Station equipment	<u>3,635,428</u>	<u>61,800</u>	<u>-</u>	<u>-</u>	<u>3,697,228</u>
Total other capital assets	<u>3,839,739</u>	<u>61,800</u>	<u>-</u>	<u>-</u>	<u>3,901,539</u>
Less accumulated depreciation					
Building and tower	(48,225)	(1,712)	-	-	(49,937)
Leasehold improvements	(146,591)	(893)	-	-	(147,484)
Station equipment	<u>(3,581,582)</u>	<u>(45,416)</u>	<u>-</u>	<u>-</u>	<u>(3,626,998)</u>
	<u>(3,776,398)</u>	<u>(48,021)</u>	<u>-</u>	<u>-</u>	<u>(3,824,419)</u>
Capital assets, net	<u>\$ 781,840</u>	<u>\$ 322,690</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,104,530</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 and \$6,900 for the years ended June 30, 2021 and 2020, respectively, and is included as in-kind contributions and in-kind tower space expense in the accompanying statements of revenues, expenses, and changes in net position.

The Station received facility and indirect administrative support from the University of \$254,467 and \$269,697 for 2021 and 2020, respectively. The Station also received direct appropriations from the University for general operations of \$327,556 and \$363,580 in 2021 and 2020, respectively. Amounts due from the University were \$31,881 and \$19,655 as of June 30, 2021 and 2020, respectively, recorded in accounts receivable.

Rogers State University – KRSU-Television

Notes to Financial Statements

June 30, 2021 and 2020

Note 6: Retirement Programs

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

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), 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.

Plan Description

The 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. The OTRS does not provide for a cost-of-living adjustment. 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. 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, 2021 and 2020. Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2021, 2020, and 2019. 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, 2021 and 2020, were approximately \$93,000 and \$105,000, 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 2021 and 2020, 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

Rogers State University – KRSU-Television

Notes to Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020, the total amount contributed to the OTRS by the state of Oklahoma on behalf of the Station was approximately \$12,000 and \$16,000, respectively. These on-behalf payments have been recorded as nonoperating revenues and operating expenses in the accompanying statements 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 the 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, 2021 and 2020, attributable to Station employees were approximately \$7,600 and \$7,500, respectively.

Note 7: 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.

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, 2021 and 2020, the University made benefit payments of \$110,000 and \$136,000, respectively, for current retirees.

The University recognized a net OPEB liability (asset) of approximately \$(19,000) and \$290,000 as of June 30, 2021 and 2020, respectively. The liability (asset) has not been recorded at the department level of the Station as this liability (asset) does not represent a direct liability (asset) of the Station. Only the estimated expenses associated with contributions made during the year by the Station are recognized as expense.

Rogers State University – KRSU-Television

Notes to Financial Statements

June 30, 2021 and 2020

Note 8: Functional Expenses Classification

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

	2021	2020 (As Restated)
Program services		
Programming and production	\$ 526,647	\$ 480,934
Broadcasting	415,843	323,866
Program information	19,428	430
	<u>961,918</u>	<u>805,230</u>
Total program services		
Support services		
Fundraising and membership	19,893	13,300
Underwriting	21,714	3,827
Management and general	592,781	599,628
	<u>634,388</u>	<u>616,755</u>
Total support services		
Total	<u>\$ 1,596,306</u>	<u>\$ 1,421,985</u>

Note 9: Grants

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

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

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

Rogers State University – KRSU-Television

Notes to Financial Statements

June 30, 2021 and 2020

For the year ended June 30, 2021, the Station received \$698,014 and expended \$640,309 in grant revenue in relation to CSGs. For the year ended June 30, 2020, the Station received \$654,090 and expended \$670,820 in grant revenue in relation to CSGs. For the years ended June 30, 2021 and 2020, the Station also received stabilization grants, which are considered nonoperating as they are the result of federal subsidies through the CARES Act and the American Rescue Plan Act, in the amounts of \$460,760 and \$260,205, respectively.

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 Pools' governing agreement specifies that the Pools 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.

Note 11: Paycheck Protection Program (PPP) 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 expense. The Station received a PPP loan of \$142,810 in April 2021. The loan has an interest rate of 1% with monthly payments of approximately \$2,719 starting six months after the receipt of the loan. The loan, if not forgiven, matures in April 2026. The Station anticipates the loan will be fully forgiven and has made a policy election to present the entire balance of the PPP loan as long-term on the accompanying statement of net position, as the loan is expected to be fully forgiven and no payments are expected to become due.

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 acceptable by the U.S. Department of Treasury, SBA, or lender; as a result of such audit,

Rogers State University – KRSU-Television

Notes to Financial Statements

June 30, 2021 and 2020

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	\$ -	\$ 142,810	\$ -	\$ 142,810	\$ -

**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
Rogers State University – KRSU-Television
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 Rogers State University – KRSU-Television (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 January 14, 2022. Our report contained *Emphasis of Matter* paragraphs regarding the reporting entity, a correction to prior year statements, 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-001, that we consider to be a material weakness.

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*.

The Station’s Response to the Finding

The Station’s response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Station’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Tulsa, Oklahoma
January 14, 2022

Rogers State University – KRSU-Television
Schedule of Findings and Responses
Year Ended June 30, 2021

Reference Number	Finding
2021-001	<p>Criteria or Specific Requirement – Management is responsible for designing, establishing, and maintaining effective internal controls to promote accurate recording and classification of accounting transactions.</p> <p>Condition – Audit adjustments were identified that were necessary for the current and prior year financial statements to be presented in accordance with generally accepted accounting principles.</p> <p>Effect – The 2020 financial statements were restated to correct material misstatements that were not previously identified by management. In addition, several audit adjustments were proposed to correct the 2021 financial statements.</p> <p>Cause – All transactions from the Foundation and University were not appropriately identified to create the Station’s financial statements.</p> <p>Recommendation – Management should ensure that controls are adequate to properly evaluate and record accounting entries.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management agrees with the finding and is reviewing internal controls surrounding transactions by and between the Foundation and the Station. No later than March 31, 2022, new controls will be implemented ensuring adequate review of all transactions.</p>