

KOSU-FM Radio Station
A Public Broadcasting Entity Operated
by Oklahoma State University

Independent Auditor's Report and Financial Statements

June 30, 2018 and 2017

KOSU-FM Radio Station
A Public Broadcasting Entity Operated by
Oklahoma State University
June 30, 2018 and 2017

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Independent Auditor's Report

Board of Regents for the
Oklahoma Agricultural & Mechanical Colleges
Oklahoma State University – KOSU-FM Radio Station
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying basic financial statements of KOSU-FM Radio Station (KOSU), a Public Broadcasting Entity operated by Oklahoma State University, which are comprised of the statement of net position, as of June 30, 2018 and 2017, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the 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 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 KOSU-FM Radio Station, a Public Broadcasting Entity operated by Oklahoma State University, as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1*, the accompanying financial statements of the Station are intended to present the financial position and changes in net position and cash flows of only that portion of activities that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of Oklahoma State University as of June 30, 2018 and 2017, and the changes in its net position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 November 29, 2018, on our consideration of KOSU'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 KOSU'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 KOSU's internal control over financial reporting and compliance.

BKD, LLP

Springfield, Missouri
November 29, 2018

KOSU-FM Radio Station
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Overview of Financial Statements and Financial Analysis

KOSU-FM Radio Station (KOSU), a Public Broadcasting Entity owned and operated by Oklahoma State University (the “University”), presents its financial statements for fiscal years 2018 and 2017 with comparative data presented for fiscal year 2016. There are three financial statements presented: the Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows. This discussion and analysis of KOSU’s financial statements provides an overview of its financial activities for the year.

Statements of Net Position

The Statements of Net Position present the assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources and net position (assets minus liabilities) as of the end of the fiscal year. The purpose of the Statements of Net Position is to present to the readers of the financial statements a fiscal snapshot of KOSU. The difference between current and noncurrent assets is discussed in the footnotes to the financial statements.

From the data presented, readers of the Statements of Net Position are able to determine the assets available to continue the operations of KOSU. They are also able to determine how much KOSU owes vendors. Finally, the Statements of Net Position provide a picture of the net position (assets plus deferred outflows minus liabilities minus deferred inflows) and their availability for expenditure by KOSU.

Net position is divided into three categories. The first category, net investment in capital assets, provides KOSU’s equity in property, plant and equipment owned by the University. The next category, restricted, is divided into two categories, nonexpendable and expendable. The nonexpendable restricted resources are only available for investment purposes. Expendable restricted are available for expenditure by KOSU but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the resources. The final category is unrestricted. Unrestricted resources are available to KOSU for any lawful purpose of the station. The following chart is a summary of the Statements of Net Position over the last three fiscal years.

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Statements of Net Position

	2018	2017	2016
Assets			
Current assets	\$ 289,606	\$ 200,529	\$ 345,757
Capital assets, net of accumulated depreciation	1,767,083	1,994,440	2,220,129
Other assets	113,858	107,826	99,733
Total assets	<u>2,170,547</u>	<u>2,302,795</u>	<u>2,665,619</u>
Deferred Outflows of Resources	<u>204,238</u>	<u>327,663</u>	<u>74,171</u>
Liabilities			
Current liabilities	641,946	271,876	263,948
Noncurrent liabilities	693,567	895,662	576,471
Total liabilities	<u>1,335,513</u>	<u>1,167,538</u>	<u>840,419</u>
Deferred Inflows of Resources	<u>111,742</u>	<u>38,410</u>	<u>114,215</u>
Net Position			
Net investment in capital assets	1,767,083	1,994,440	2,220,129
Restricted – nonexpendable	113,858	107,826	99,733
Restricted – expendable	76,019	39,744	69,605
Unrestricted	<u>(1,029,430)</u>	<u>(717,500)</u>	<u>(604,311)</u>
Total net position	<u>\$ 927,530</u>	<u>\$ 1,424,510</u>	<u>\$ 1,785,156</u>

In fiscal year 2018, total assets decreased by \$132,248 or 5.74 percent over fiscal year 2017. The decrease is due to a decrease in accounts receivable of \$20,519, a decrease in prepaid expenses of \$3,639 and a decrease in capital assets net of accumulated depreciation of \$227,357. These are offset by an increase in beneficial interest in assets held by the OSU Foundation of \$119,267.

In fiscal year 2017, total assets decreased by \$362,824 or 13.61 percent over fiscal year 2016. The decrease is due to a decrease in accounts receivable of \$8,052, a decrease in beneficial interest in assets held by the OSU Foundation of \$129,949 and a decrease in capital assets net of accumulated depreciation of \$225,689. These are offset by an increase in prepaid expenses of \$866.

In fiscal year 2018, deferred outflows of resources decreased by \$123,425. This was due to a decrease to deferred costs on pension programs. In fiscal year 2017, deferred outflows of resources increased by \$253,492 over fiscal year 2016. This was due to an increase to deferred costs on pension programs.

In fiscal year 2018, total liabilities increased by \$167,975 or 14.39 percent over fiscal year 2017. The increase was due to an increase in bank overdraft of \$250,013, an increase in accounts payable of \$42,438, an increase in accrued expenses of \$3,889, an increase in accrued compensated absences of \$9,237 and an increase in unearned revenue of \$64,493. This was offset by a decrease in pension liability of \$202,095.

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In fiscal year 2017, total liabilities increased by \$327,119 or 38.92 percent over fiscal year 2016. The increase was due to an increase in bank overdraft of \$16,013, an increase in accounts payable of \$52,298, an increase in accrued expenses of \$5,037, an increase in accrued compensated absences of \$1,863 and an increase in pension liability of \$319,191. This was offset by a decrease in unearned revenue of \$67,283.

In fiscal year 2018, deferred inflows of resources increased by \$73,332 from fiscal year 2017 due to an increase in deferred inflows for pension liabilities. In fiscal year 2017, deferred inflows of resources decreased by \$75,805 from fiscal year 2016 due to a decrease in deferred inflows for pension liabilities.

In fiscal year 2018, the combination of the decrease in total assets plus the decrease in deferred outflows of resources and the increase in total liabilities plus the increase in deferred inflows of resources nets to a decrease in total net position of \$496,980 or 34.89 percent.

In fiscal year 2017, the combination of the decrease in total assets plus the increase in deferred outflows of resources and the increase in total liabilities plus the decrease in deferred inflows of resources nets to a decrease in total net position of \$360,646 or 20.20 percent.

Statements of Revenues, Expenses and Changes in Net Position

While the 2017 - 2018 comparisons are important indicators of activity during the year under audit, it is important to look at some of the operating and nonoperating categories over time. One of the important measures of an organization's fiscal stability is how operating revenues compare to operating expenses.

The following table summarizes the revenues, expenses and changes in net position for KOSU over the last three years:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating revenues	\$ 1,268,697	\$ 1,269,434	\$ 1,182,644
Operating expenses	<u>2,500,061</u>	<u>2,338,040</u>	<u>2,392,752</u>
Operating loss	(1,231,364)	(1,068,606)	(1,210,108)
Nonoperating revenues	<u>734,364</u>	<u>707,960</u>	<u>699,838</u>
Loss before other revenues, expenses, gains and losses	(497,000)	(360,646)	(510,270)
Addition to permanent endowments	<u>20</u>	<u>-</u>	<u>-</u>
Decrease in net position	<u>\$ (496,980)</u>	<u>\$ (360,646)</u>	<u>\$ (510,270)</u>

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Operating revenues of \$1,268,697 in fiscal year 2018 decreased \$737 or 0.06 percent less than fiscal year 2017. The decrease is due to a decrease in in-kind contributions of \$12,920, a decrease in miscellaneous income of \$12,378, a decrease in community and rural service grants of \$35,819, and a decrease in private foundation and journalism grants of \$18,318. This is offset by an increase in contributions of \$39,614 and an increase in underwriting of \$39,084.

Operating revenues of \$1,269,434 in fiscal year 2017 increased \$86,790 or 7.34 percent over fiscal year 2016. The increase is due to an increase in contributions of \$129,064, and increase in miscellaneous income of \$9,577 and an increase in underwriting of \$110,781. This is offset by a decrease in in-kind contributions of \$18,738, a decrease in the community service grants of \$86,156 and a decrease in journalism foundation grants for facilities and equipment of \$57,738.

The following table summarizes the operating revenues of KOSU for the last three years:

	2018	2017	2016
Operating Revenues			
Contributions	\$ 729,430	\$ 689,816	\$ 560,752
In-kind contributions	22,874	35,794	54,532
Miscellaneous income	20,959	33,337	23,760
Community and rural service grants	126,597	162,416	248,572
Private foundation grant and journalism grants	3,917	22,235	79,973
Underwriting revenue	364,920	325,836	215,055
	<u>\$ 1,268,697</u>	<u>\$ 1,269,434</u>	<u>\$ 1,182,644</u>
Total operating revenues	<u>\$ 1,268,697</u>	<u>\$ 1,269,434</u>	<u>\$ 1,182,644</u>

Operating expenses for fiscal year 2018 increased \$162,021 or 6.93 percent over fiscal year 2017. The increase is due to an increase in compensation and employee benefits of \$81,988, an increase in programming services of \$146,670, an increase in travel of \$13,675 and an increase in communications of \$19,632. This is offset by a decrease in professional and consulting services of \$9,783, a decrease in supplies and materials of \$12,568, a decrease in utilities of \$9,929, a decrease in university facilities and administrative support of \$2,350, a decrease in depreciation of \$6,393 and a decrease in other operating expense of \$58,921.

Operating expenses for fiscal year 2017 decreased \$54,712 or 2.29 percent over fiscal year 2016. The decrease is due to a decrease in compensation and employee benefits of \$122,069, a decrease in programming services of \$56,140, a decrease in supplies and materials of \$5,334, a decrease in travel of \$6,786, a decrease in utilities of \$4,390 and a decrease in depreciation of \$200. The decreases were offset by an increase in professional and consulting services of \$121,565, an increase in communications of \$1,114, an increase in university facilities and administrative support of \$7,430 and an increase in other operating expense of \$10,098.

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	2018	2017	2016
Operating Expenses			
Compensation and employee benefits	\$ 977,312	\$ 895,324	\$ 1,017,393
Professional and consulting services	196,872	206,655	85,090
Programming services	558,121	411,451	467,591
Supplies and materials	65,636	78,204	83,538
Travel	34,722	21,047	27,833
Communications	73,396	53,764	52,650
Utilities	55,459	65,388	69,778
University facilities and administrative support	101,272	103,622	96,192
Depreciation	227,357	233,750	233,950
Other operating expense	209,914	268,835	258,737
	<u>\$ 2,500,061</u>	<u>\$ 2,338,040</u>	<u>\$ 2,392,752</u>
Total operating expenses	<u>\$ 2,500,061</u>	<u>\$ 2,338,040</u>	<u>\$ 2,392,752</u>

Nonoperating revenues in fiscal year 2018 of \$734,364 increased \$26,404 or 3.73 percent over fiscal year 2017. Nonoperating revenues consisted of allocations from the University, donated facilities and administrative support and investment income. The increase was due to an increase in allocations of \$30,834. This was offset by a decrease in facilities and administrative support of \$2,350 and a decrease in investment income of \$2,080.

Nonoperating revenues in fiscal year 2017 of \$707,960 increased \$8,122 or 1.16 percent over fiscal year 2016. Nonoperating revenues consisted of allocations from the University, donated facilities and administrative support and investment income. The increase was due to an increase in donated facilities and administrative support of \$7,430 and investment income of \$17,018. This was offset by a decrease in allocations of \$16,326.

	2018	2017	2016
Allocations from OSU	\$ 627,079	\$ 596,245	\$ 612,571
Donated facilities and administrative support	101,272	103,622	96,192
Investment income (loss), net	6,013	8,093	(8,925)
	<u>\$ 734,364</u>	<u>\$ 707,960</u>	<u>\$ 699,838</u>
Total nonoperating revenues	<u>\$ 734,364</u>	<u>\$ 707,960</u>	<u>\$ 699,838</u>

Statements of Cash Flows

The final statement presented by KOSU is the Statements of Cash Flows. The Statements of Cash Flows present detailed information about the cash activity of the station during the year. The statement is divided into five sections.

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The first section deals with operating cash flows and shows the net cash provided by (used in) by the operating activities of KOSU. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating and noncapital financing purposes. The third section reflects the cash flows from investing activities and shows the proceeds from investing activities. The fourth section reflects cash flows from capital activities. This section deals with the cash used for the acquisition of equipment. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statements of Revenues, Expenses and Changes in Net Position.

	2018	2017	2016
Cash provided by (used in):			
Operating activities	\$ (883,978)	\$ (639,793)	\$ (807,233)
Noncapital financing activities	877,965	639,761	664,102
Investing activities	6,013	8,093	(8,925)
Capital and related financing activities	-	(8,061)	(49,991)
Net change in cash	-	-	(202,047)
Cash, beginning of year	-	-	202,047
Cash, end of year	\$ -	\$ -	\$ -

In fiscal year 2018, the cash and cash equivalents, end of year, remained at zero. There was no overall change in cash and cash equivalents from 2017 to 2018.

In fiscal year 2017, the cash and cash equivalents, end of year, remained the same as 2016. The difference in net change in cash and cash equivalents from 2016 to 2017 was an increase of \$202,047. This net increase was generated by an increase in net cash provided by operating activities of \$167,440 an increase in net cash provided by investing activities of \$17,018 and an increase in net cash provided by capital and related financing activities of \$41,930, offset by a decrease in net cash provided by noncapital financing activities of \$24,341.

Economic Outlook

KOSU is a public service media organization that receives financial support from many sources, including listener contributions, corporate sponsorship, in-kind and direct support from Oklahoma State University, foundation grants and major gifts and grants from the Corporation for Public Broadcasting. Community support continues to represent KOSU's largest single funding source, and the station will continue to pursue strategies to increase revenues from listeners and businesses.

In FY19, KOSU will communicate with new, renewing and lapsed members through on-air and social media campaigns, direct mail, tele-marketing and community events. The station has fully developed its on-air fundraising to include mini-drives at the end of the calendar and fiscal year, and will continue to focus on developing its sustaining membership, major donor and grant solicitation efforts. The station will also continue to outsource its corporate underwriting sales activities to further grow revenues through stronger corporate and agency relationships.

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Besides these ongoing efforts, KOSU is pursuing strategies to grow revenues in the digital space in FY19. The station is one of three public media organizations nationwide selected for participation in The Facebook Journalism Project: Membership Accelerator. This project is designed to help KOSU take a bold step forward in its digital membership approach and execution. Through grant funding to implement a series of acquisition marketing tactics, KOSU hopes to attract and convert more online readers/listeners into paying members.

KOSU must pursue these strategies as media consumption evolves in the digital age. And to remain relevant as a news and music resource worthy of listener financial support, the station must continue building a locally relevant broadcast and digital service. Because of limited resources to increase staff, KOSU will continue to lean heavily on content and community partnerships to grow listenership and revenue.

The station faces several challenges as it moves forward with these initiatives. The current political climate has stretched the editorial capacity of smaller stations such as KOSU while creating news fatigue for some listeners. The economy and jobs are also top concerns of Oklahomans who participated in polling as part of the station's election coverage. The giving climate also remains cloudy in our state because of an anemic energy industry and decreases in tax-based support of public institutions of higher learning. Despite these challenges, KOSU continues to make the case that a trusted news source is worthy of philanthropic support from the community, and the station will invest those dollars in the creation of public service journalism and music content that serves as the fabric of the Oklahoma experience for more than 100,000 weekly listeners.



Kelly Burley
KOSU-FM Radio Station Director



Kyle Wray
Vice President for Enrollment and Brand
Management

KOSU-FM Radio Station
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Statements of Net Position
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	2018	2017
Assets		
Current Assets		
Accounts receivable	\$ 14,061	\$ 34,580
Prepaid expenses	29,406	33,045
Beneficial interest in assets held by OSU Foundation	246,139	132,904
Total current assets	289,606	200,529
Noncurrent Assets		
Beneficial interest in assets held by OSU Foundation	113,858	107,826
Capital assets, net of accumulated depreciation	1,767,083	1,994,440
Total noncurrent assets	1,880,941	2,102,266
Total assets	2,170,547	2,302,795
Deferred Outflows of Resources		
	204,238	327,663
Liabilities		
Current Liabilities		
Bank overdraft	335,137	85,124
Accounts payable	134,500	92,062
Accrued expenses	11,850	7,961
Accrued compensated absences	68,571	59,334
Unearned revenue	91,888	27,395
Total current liabilities	641,946	271,876
Noncurrent Liabilities		
Pension liability	693,567	895,662
Total noncurrent liabilities	693,567	895,662
Total liabilities	1,335,513	1,167,538
Deferred Inflows of Resources		
	111,742	38,410
Net Position		
Net investment in capital assets	1,767,083	1,994,440
Restricted		
Nonexpendable	113,858	107,826
Expendable	76,019	39,744
Unrestricted	(1,029,430)	(717,500)
Total net position	\$ 927,530	\$ 1,424,510

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	<u>2018</u>	<u>2017</u>
Operating Revenues		
Contributions	\$ 729,430	\$ 689,816
In-kind contributions	22,874	35,794
Miscellaneous income	20,959	33,337
Community and rural service and journalism grants	130,514	184,651
Underwriting revenue	<u>364,920</u>	<u>325,836</u>
Total operating revenues	<u>1,268,697</u>	<u>1,269,434</u>
Operating Expenses		
Compensation and employee benefits	977,312	895,324
Professional and consulting services	196,872	206,655
Programming services	558,121	411,451
Supplies and materials	65,636	78,204
Travel	34,722	21,047
Communications	73,396	53,764
Utilities	55,459	65,388
University facilities and administrative support	101,272	103,622
Depreciation	227,357	233,750
Other operating expense	<u>209,914</u>	<u>268,835</u>
Total operating expenses	<u>2,500,061</u>	<u>2,338,040</u>
Operating Loss	<u>(1,231,364)</u>	<u>(1,068,606)</u>
Nonoperating Revenues (Expenses)		
General allocations from OSU	627,079	596,245
Donated facilities and administrative support	101,272	103,622
Investment income	<u>6,013</u>	<u>8,093</u>
Total nonoperating revenues	<u>734,364</u>	<u>707,960</u>
Loss before other revenues, expenses, gains and losses	(497,000)	(360,646)
Addition to permanent endowments	<u>20</u>	<u>-</u>
Decrease in net position	(496,980)	(360,646)
Net Position – Beginning of Year	<u>1,424,510</u>	<u>1,785,156</u>
Net Position – End of Year	<u>\$ 927,530</u>	<u>\$ 1,424,510</u>

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	2018	2017
Operating Activities		
Cash received from contributions, grants, underwriting and miscellaneous receipts	\$ 1,234,441	\$ 1,340,153
Cash paid to suppliers	(1,249,314)	(1,157,535)
Cash paid to employees	(869,105)	(822,411)
Net cash used in operating activities	(883,978)	(639,793)
Noncapital Financing and Other Activities		
General allocations from OSU	526,660	520,126
Change in bank overdraft	250,013	16,013
Other	101,292	103,622
Net cash provided by noncapital financing and other activities	877,965	639,761
Investing Activities		
Investment income	6,013	8,093
Net cash provided by investing activities	6,013	8,093
Capital and Related Financing Activities		
Cash paid for capital assets	-	(8,061)
Net cash used in capital and related financing activities	-	(8,061)
Decrease in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents, Beginning of Year	-	-
Cash and Cash Equivalents, End of Year	\$ -	\$ -

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	2018	2017
Reconciliation of Operating Loss to Net		
Cash Used in Operating Activities		
Operating loss	\$ (1,231,364)	\$ (1,068,606)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	227,357	233,750
On-behalf contribution to teachers' retirement system	100,419	76,119
Changes in assets and liabilities		
Accounts receivable, net	20,519	8,052
Prepaid expenses	3,639	(866)
Beneficial interest in assets held by OSU Foundation	(119,267)	129,949
Accounts payable	42,438	52,298
Pension liability and deferrals	(5,338)	(10,106)
Accrued expenses	3,889	5,037
Accrued compensated absences	9,237	1,863
Unearned revenue	64,493	(67,283)
	<u>\$ (883,978)</u>	<u>\$ (639,793)</u>
Net cash used in operating activities	<u>\$ (883,978)</u>	<u>\$ (639,793)</u>
Supplemental Cash Flows Information		
Donated facilities and administrative support	\$ 101,272	\$ 103,622

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Notes to Financial Statements
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Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The accompanying financial statements include the accounts of the KOSU-FM Radio Station (KOSU) of Oklahoma State University. KOSU is owned and operated by Oklahoma State University (the “University”) and is not a separate corporation, but a public service entity of the University. The University is governed by the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the “Board of Regents”) and is a member of the Oklahoma State System of Higher Education, a component unit of the State of Oklahoma (the “State”).

The accompanying financial statements have been prepared from the separate records maintained by management of the University and may not necessarily be indicative of the conditions that would have existed or the results of operations if KOSU had been operated as an unaffiliated entity. Portions of certain revenues and expenses represent allocations made from items applicable to Oklahoma State University as a whole.

Financial Statement Presentation

As a member of the Oklahoma State System of Higher Education, the University (which includes KOSU) presents its financial statements in accordance with requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management 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 financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive, entity-wide perspective of KOSU’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position and cash flows.

Basis of Accounting

KOSU’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Cash Equivalents

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

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Pledges and Accounts Receivable

KOSU engages in semiannual fund-raising campaigns manifested by on-air and mail fund-raising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to KOSU for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding listeners. Uncollected pledges that are not enforceable against contributors are not shown as assets on the statement of net position.

Accounts receivable consists primarily of unconditional contributions receivable including amounts due under pledge agreements.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, KOSU's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 20 years for building improvements, 10 years for leasehold improvements and 5 to 7 years for equipment.

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.

Programming

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

In-Kind Contributions

The estimated fair value of in-kind contributions, primarily advertising, is recorded as revenue and expense in the period received and was \$22,874 and \$35,794 for June 30, 2018 and 2017, respectively.

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Deferred Outflows of Resources

KOSU reports its proportionate share of changes in net position generated by the University's defined benefit pension plan that relate to future periods as deferred outflows of resources in a separate section of its statements of net position.

Unearned Revenues

Unearned revenues include amounts received for underwriting and from grant sponsors that have not yet been earned.

Compensated Absences

The liability and expense incurred for employee vacation pay are recorded as accrued compensated absences in the statements of net position, and as a component of compensation and benefit expense in the statements of revenues, expenses and changes in net position.

Pensions

The University participates in a cost-sharing multiple-employer defined benefit pension plan. The fiduciary net position of the Teacher Retirement System of Oklahoma (OTRS) has been determined on the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense and information about assets, liabilities and additions to/deductions from OTRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources

KOSU reports its proportionate share of changes in net position generated by the University's defined benefit pension plan that relate to future periods as deferred inflows of resources in a separate section of its statements of net position.

Income Taxes

The University is exempt from income taxes under Section 115(1) of the Internal Revenue Code, as amended. As a department of the University, KOSU is also exempt from income taxes.

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Contributed Facilities and Indirect Administrative Support

KOSU occupies without charge certain premises located in and owned by the University. The estimated fair value of the premises is reported as revenue and expenditure in the period when the premises are used.

Indirect administrative support was provided by various offices and services of the University. This calculation included institutional support from various administrative offices of the University, physical plant operations and occupancy rental value. The amount of this support is calculated by a formula designed by the CPB. The base financial data used in the calculation is taken directly from the University's annual financial statements. Donated facilities and indirect administrative support of \$101,272 and \$103,622 were recorded for the years ended June 30, 2018 and 2017, respectively.

Net Position

KOSU's net position is classified as follows:

Net investment in capital assets: This represents KOSU's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted net position - expendable: Restricted expendable net position includes resources in which KOSU is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted net position - nonexpendable: Restricted nonexpendable net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net position: Unrestricted net position represents resources derived from the recovery of facilities and administrative costs and services of auxiliary operations. These resources are used for transactions relating to the educational and general operations of KOSU, and may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, KOSU's policy is to use prudent decision processes to determine which resources will be applied based on availability of funding, donor intent and returns available from idle funds.

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Classification of Revenues

KOSU has classified its revenues as either operating or nonoperating revenues in accordance with the guidelines established by GASB No. 34. It is the policy of KOSU to include contributions in operating revenues as contributions are a main source of funding and are used for general operating expenses.

New Pronouncements

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. This Statement is effective for periods beginning after June 15, 2018. Earlier application is encouraged.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. This Statement is effective for periods beginning after December 15, 2018. Earlier application is encouraged.

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement requires recognition of certain lease assets and liabilities that previously were classified as operating leases to be recognized as inflows of resources or outflows of resources. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is effective for periods beginning after December 15, 2019. Earlier application is encouraged.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This Statement improves disclosures related to debt, including direct borrowings and direct placements and also clarifies which liabilities governments should include when disclosing information related to debt. This Statement is effective for periods beginning after June 15, 2018. Earlier application is encouraged.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement enhances the relevance and comparability of capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. This Statement is effective for periods beginning after December 15, 2019. Earlier application is encouraged.

Management has not yet determined the effect, if any, of adoption of the new GASB statements for the financial statements.

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Note 2: Cash and Cash Equivalents and Investments

Cash and Cash Equivalents

At June 30, 2018 and 2017, the carrying amount of KOSU's cash and cash equivalents was \$0. These amounts consisted of deposits with the State Treasurer and U.S. financial institutions.

The State Treasurer requires that all state funds are either insured by the Federal Deposit Insurance Corporation (FDIC), collateralized by securities held by the cognizant Federal Reserve Bank or invested in U.S. Government obligations. KOSU'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.

KOSU requires that balances on deposit with financial institutions be insured by the FDIC or collateralized by securities held by the cognizant Federal Reserve Bank, in KOSU's name.

Note 3: Accounts Receivable

Accounts receivable includes unconditional contributions and pledges receivable that are expected to be collected within the following year as follows at June 30:

	2018	2017
Contributions and pledges receivables	\$ 11,195	\$ 34,580
Vendor reimbursements	2,866	-
Accounts receivable	\$ 14,061	\$ 34,580

Note 4: Unearned Revenue

Unearned revenue consists of the following at June 30:

	2018	2017
Underwriting	\$ 27,060	\$ 23,441
Grants and contracts	64,733	3,954
Other	95	-
	\$ 91,888	\$ 27,395

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Note 5: Capital Assets

Following are the changes in capital assets for the years ended June 30:

	June 30, 2017	2018			June 30, 2018
		Additions	Transfers	Disposals	
Cost of capital assets					
Records and tapes	\$ 173,867	\$ -	\$ -	\$ -	\$ 173,867
Building and leasehold improvements	243,977	-	-	-	243,977
Office machines	1,913	-	-	-	1,913
Broadcast equipment	320,116	-	-	-	320,116
Fundraising equipment	18,251	-	-	(18,251)	-
Programming and production equipment	64,224	-	-	-	64,224
Automobiles	47,834	-	-	-	47,834
Towers	2,473,005	-	-	-	2,473,005
Transmitter facilities (building and transmitter equipment)	272,459	-	-	-	272,459
Intangible assets	45,000	-	-	-	45,000
Total cost of capital assets	<u>3,660,646</u>	<u>-</u>	<u>-</u>	<u>(18,251)</u>	<u>3,642,395</u>
Accumulated depreciation					
Records and tapes	(173,867)	-	-	-	(173,867)
Building and leasehold improvements	(136,067)	(19,623)	-	-	(155,690)
Office machines	(1,913)	-	-	-	(1,913)
Broadcast equipment	(282,859)	(13,621)	-	-	(296,480)
Fundraising equipment	(18,254)	-	-	18,251	(3)
Programming and production equipment	(44,743)	(7,792)	-	-	(52,535)
Automobiles	(44,731)	(2,200)	-	-	(46,931)
Towers	(771,596)	(168,310)	-	-	(939,906)
Transmitter facilities (building and transmitter equipment)	(165,176)	(6,811)	-	-	(171,987)
Intangible assets	(27,000)	(9,000)	-	-	(36,000)
Total accumulated depreciation	<u>(1,666,206)</u>	<u>(227,357)</u>	<u>-</u>	<u>18,251</u>	<u>(1,875,312)</u>
Net book value	<u>\$ 1,994,440</u>	<u>\$ (227,357)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,767,083</u>

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	June 30, 2016	Additions	2017		June 30, 2017
			Transfers	Disposals	
Cost of capital assets					
Records and tapes	\$ 173,867	\$ -	\$ -	\$ -	\$ 173,867
Building and leasehold improvements	235,916	8,061	-	-	243,977
Office machines	1,913	-	-	-	1,913
Broadcast equipment	320,116	-	-	-	320,116
Fundraising equipment	18,251	-	-	-	18,251
Programming and production equipment	64,224	-	-	-	64,224
Automobiles	47,834	-	-	-	47,834
Towers	2,473,005	-	-	-	2,473,005
Transmitter facilities (building and transmitter equipment)	272,459	-	-	-	272,459
Intangible assets	45,000	-	-	-	45,000
Total cost of capital assets	<u>3,652,585</u>	<u>8,061</u>	<u>-</u>	<u>-</u>	<u>3,660,646</u>
Accumulated depreciation					
Records and tapes	(173,867)	-	-	-	(173,867)
Building and leasehold improvements	(116,846)	(19,221)	-	-	(136,067)
Office machines	(1,913)	-	-	-	(1,913)
Broadcast equipment	(262,443)	(20,416)	-	-	(282,859)
Fundraising equipment	(18,254)	-	-	-	(18,254)
Programming and production equipment	(36,951)	(7,792)	-	-	(44,743)
Automobiles	(42,531)	(2,200)	-	-	(44,731)
Towers	(603,286)	(168,310)	-	-	(771,596)
Transmitter facilities (building and transmitter equipment)	(158,365)	(6,811)	-	-	(165,176)
Intangible assets	(18,000)	(9,000)	-	-	(27,000)
Total accumulated depreciation	<u>(1,432,456)</u>	<u>(233,750)</u>	<u>-</u>	<u>-</u>	<u>(1,666,206)</u>
Net book value	<u>\$ 2,220,129</u>	<u>\$ (225,689)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,994,440</u>

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Note 6: Grants

Community Service

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 (CSGs) to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated Section 396(k)(7), (1983) Supplement. In any event, each grant must be expended within two years of the initial grant authorization.

Certain guidelines must be satisfied in connection with application for and use of the CSGs 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.

The CSGs received and expended during the year ended June 30, 2018, were as follows:

Year of Grant	Grants Received	Expended as of June 30, 2018	Uncommitted Balance at June 30, 2018	Uncommitted Balance at June 30, 2017
10/1/2017 - 2019	\$ 141,292 *	\$ 122,642	\$ 18,650	\$ -
10/1/2016 - 2018	152,840 **	152,840	-	49
10/1/2015 - 2017	223,911 ***	223,911	-	3,530
10/1/2014 - 2016	156,878 ****	156,878	-	375

* These amounts were received during the year ended June 30, 2018.

** These amounts were received during the year ended June 30, 2017.

*** These amounts were received during the year ended June 30, 2016.

**** These amounts were received during the year ended June 30, 2015.

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Ethics and Excellence in Journalism Foundation

The Ethics and Excellence in Journalism Foundation (EEJF) has a mission to invest in the future of journalism by building the ethics, skills and opportunities needed to advance principled, probing news and information. The EEJF does this through contributions to media institutions and journalism schools nationwide, primarily in areas of investigative reporting, youth education, professional development and special opportunities. The EEJF awarded a grant to Oklahoma State University Foundation on behalf of KOSU in the amount of \$120,000 for the purpose of a “KOSU Hart Beat Studio broadcast infrastructure.” The funds were received in September 2014. As of June 30, 2018, expenditures were \$102,208. Remaining funds of \$17,792 were returned to EEJF during 2018.

Kirkpatrick Foundation

The Kirkpatrick Foundation awards grants to organizations with projects and programs that complement the mission of the Foundation, within its areas of interest: arts, culture, education, animal wellbeing, environmental conservation and historic preservation. On March 21, 2018, Oklahoma State University was awarded a grant from the Kirkpatrick Foundation on behalf of KOSU in the amount of \$50,000 for the project, “Oklahoma Engaged – Project Public Office.” The funds are to be used solely to support the project. As of June 30, 2018, expenditures were \$3,917.

The Kirkpatrick Foundation grant amount received and expended during the year ended June 30, 2018, were as follows:

Date Received	Grants Received	Expended as of June 30, 2018	Uncommitted Balance at June 30, 2018
3/31/2018	\$ 50,000	\$ 3,917	\$ 46,083

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Note 7: Functional Expense Classification

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

	2018	2017
Program services		
Programming and production	\$ 1,174,734	\$ 930,576
Broadcasting	515,251	531,218
Support services		
Fundraising	552,614	537,343
Management and general	257,462	338,903
	\$ 2,500,061	\$ 2,338,040

Note 8: Related Party Transactions

The Oklahoma State University Foundation

Nature of Relationship

The Foundation was formed to promote and foster the educational and cultural interest of every kind and description of the University, a public institution of higher education and a public educational corporation of the State and to create a fund to be used for any program, project or enterprise undertaken in the interest of the University and to promote and foster educational and cultural interests in the State and southern and southwestern regions of the United States.

Description of Operations

The Foundation acts largely as a fund-raising organization: soliciting, receiving, managing and disbursing contributions on behalf of the University. Most of the contributions received are designated by the donors to be used for specific purposes or by specific departments. In these instances, the Foundation serves essentially as a conduit, making the funds available as needed.

In February 2015, a gift was received at the Foundation to establish the Casey Allyn Gosnell Student Internship Endowed Fund for the purpose of establishing a scholarship to be awarded by the University Scholarship Committee to an enrolled student working as a news-reporting intern at the KOSU radio station.

Amounts reflected as beneficial interest in assets held by the Foundation represent contributions held for the sole benefit of KOSU including the endowed fund.

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Related party transactions, summary financial information and funds held by the Foundation on behalf of KOSU are as follows for the fiscal year ended June 30:

	2018	2017
Contributions and underwriting revenue received	\$ 1,074,670	\$ 999,452
Journalism grants for facilities and equipment	-	22,235
Private foundation grant for election coverage	3,917	-
Funds expended on behalf of KOSU	<u>(186,155)</u>	<u>(201,520)</u>
	892,432	820,167
Addition to permanent endowment	20	-
Investment income (loss), net	6,013	8,093
Spending policy distribution	2,990	3,260
Transfers to KOSU University accounts	<u>(900,525)</u>	<u>(902,516)</u>
	930	(70,996)
Net assets held for KOSU, beginning of year	<u>255,066</u>	<u>326,062</u>
Net assets held for KOSU, end of year	<u><u>\$ 255,996</u></u>	<u><u>\$ 255,066</u></u>

Below are activities related to the noncash portion of beneficial interest in assets held by the Foundation on behalf of KOSU related to the endowment fund for the fiscal year ended June 30:

	2018	2017
Balance, beginning of year	<u>\$ 107,826</u>	<u>\$ 99,733</u>
Change in endowment fund during the year		
Addition to permanent endowment	<u>20</u>	<u>-</u>
Investment return		
Investment gain, net	3,421	6,531
Unrealized gains	<u>5,581</u>	<u>4,822</u>
Total investment return	<u>9,002</u>	<u>11,353</u>
Amounts appropriated for expenditures	<u>(2,990)</u>	<u>(3,260)</u>
Total changes	<u>6,032</u>	<u>8,093</u>
Balance, end of year	<u><u>\$ 113,858</u></u>	<u><u>\$ 107,826</u></u>

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Note 9: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2018 and 2017:

Description	Total	2018		
		Level 1	Level 2	Level 3
Interest in pooled investment fund of the Foundation	\$ 113,858	\$ -	\$ -	\$ 113,858

Description	Total	2017		
		Level 1	Level 2	Level 3
Interest in pooled investment fund of the Foundation	\$ 107,826	\$ -	\$ -	\$ 107,826

Interest in Pooled Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in

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Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Fair value is estimated by the Foundation based on active markets, estimated prices of similar assets or NAV as provided to them by fund managers. KOSU classified their interest as Level 3 due to the limited details available on specific investments within the pool.

Note 10: Commitments and Contingent Liabilities

KOSU participates in certain federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes KOSU has complied with grant requirements and that disallowances, if any, will not be material.

In January of 2011, PRC Tulsa-1 LLC assigned to KOSU a 55 year land lease with the Commissioners of the Land Office of the State of Oklahoma as Administrator of the Oklahoma School Lands Trust for the location of a tower. Rent expense was \$11,900 for both years ended June 30, 2018 and 2017.

On August 15, 2018, KOSU renewed their lease agreement with Hart Partners, LLC for the purpose of leasing 4,074 square feet of space and 826 square feet of common area for a total usable space of 4,900 square feet at 720 W. Sheridan Avenue, in the Film Row art district in downtown Oklahoma City. As part of the lease agreement, KOSU will be responsible for the prorated triple net (NNN) costs based off their percentage of occupancy space which is 11.9 percent. Electricity is metered separately and billed monthly. The term of the lease is for five years from September 1, 2018 through August 31, 2023. There is an option to renew the lease at the same NNN terms for another five-year term at \$16.50 per sq. ft. KOSU officially opened their new offices and studios in the Hart building on September 20, 2013. Rent expense was \$35,000 for both years ended June 30, 2018 and 2017.

On June 25, 2014, PRC Tulsa-1 LLC assigned to KOSU a 20-year land lease and easement agreement with Mary Lou Crupper for the location of a tower, a three year tower and equipment space license agreement with GTP Acquisition Partners II, LLC for a translator station and a three year tower attachment license agreement with Southern Towers, Inc. for a translator station. In January 2015, the three-year tower attachment license agreement with Southern Towers, Inc. for a translator station was sold. Payments for the land lease and easement agreement were \$1,200 for both years ended June 30, 2018 and 2017. Payments for the agreement with GTP Acquisition Partners II, LLC for a translator station for the years ended June 30, 2018 and 2017, were \$7,463 and \$7,176, respectively.

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On June 25, 2014, PRC Tulsa-1 LLC assigned to KOSU an annual tower management agreement with Griffin Tower Company (Manager) to manage the KOSN tower located in Ketchum, Oklahoma. In accordance with the agreement, the Manager agrees to use its commercially reasonable efforts to obtain tenants for vacant tower space. The Manager is responsible for maintenance and lighting on the tower. As compensation for brokering vacant tower space, KOSU will pay the Manager a commission as well as reimburse the Manager for any reasonable and necessary out-of-pocket expenses incurred in connection with the brokerage activities. In regard to maintenance and lighting, KOSU will pay the Manager a monthly retainer for eight hours of maintenance per month with any hours exceeding those eight hours being billed at an hourly rate. KOSU will pay the Manager for any reasonable and necessary out-of-pocket expenses incurred in connection with the maintenance of the KOSN tower. The total monthly retainer amount paid was \$1,684 and \$7,200 for each of the years ended June 30, 2018 and 2017, respectively. No additional amounts were paid in relation to the assigned annual tower management agreement. The agreement was terminated August 26, 2018.

On September 22, 2014, KOSU entered into an antenna collocation lease agreement with The City of Ponca City, Oklahoma, a Municipal Corporation for the purpose of installing, operating and maintaining a translator station. The initial term of the lease is for a period of five years commencing on February 1, 2015. KOSU has the option to renew the lease every five years with an increase in the annual rent by 15 percent of the annual rent rate in place prior to the renewal. Rent expense was \$6,000 for both years ended June 30, 2018 and 2017.

Total rent expense under operating leases was \$61,555 and \$61,268 for the years ended June 30, 2018 and 2017, respectively.

The future minimum lease payments under noncancelable operating leases at June 30, 2018, are as follows:

Year ending:	
2019	\$ 89,854
2020	81,372
2021	76,034
2022	68,600
2023	68,600
	<hr style="border-top: 1px solid black;"/>
	\$ 384,460
	<hr style="border-top: 3px double black;"/>

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Note 11: Risk Management

Due to the diverse risk exposure of the University and its constituent agencies including KOSU, the insurance portfolio contains a comprehensive variety of coverage. Oklahoma Statutes require participation of all State agencies in basic tort, educator's legal liability, property and casualty programs and fidelity bonding provided by the Risk Management Division of the Office of Management and Enterprise Services (the "SRMD"). In addition to these basic policies, the University's Department of Risk and Property Management establishes enterprise risk management guidelines for risk assessment, risk avoidance, risk acceptance and risk transfer.

The University and individual employees are provided sovereign immunity when performing official business within the scope of their employment under the Oklahoma Governmental Tort Claims Act. For risks not protected by sovereign immunity, it is the internal policy of the University's Risk and Property Management department to accept initial risk in the form of retention or deductibles only to the extent that funds are available from the University's general operations or a funded reserve to maintain this risk.

Beyond acceptable retention levels, risk transfer is practiced by purchasing conventional insurance coverage directly or through the SRMD. These coverages are outlined as follows:

- The buildings and contents are insured for replacement value. Each loss incident is subject to a \$500,000 deductible, of which \$50,000 is the obligation of KOSU.
- Out-of-state and out-of-country comprehensive general liability, educator's legal liability including employment practices, auto liability, aircraft liability, watercraft liability, leased vehicles, equipment and fidelity bonds are acquired by the University from the SRMD. To complement coverage provided by State Statute and to meet specific coverage requirements for special grants and/or contracts, additional coverage is purchased based on specific departmental and institutional needs and risks, but the related risks are not considered material to the University as a whole. Claim settlements have not exceeded insurance coverage in each of the past three fiscal years.

Self-Funded Programs

The University's life insurance program for the University and its constituent agencies including KOSU, was self-funded through December 31, 2003. Effective January 1, 2004, life waivers for disabled employees and their dependents were all that remained in the self-funded plan. Reserves were established at the onset of disability to pay the claims. In 2009, the University reached an agreement to apportion the remaining reserve between the University and the former TPA, American Fidelity Assurance. American Fidelity Assurance assumed all liability for all runoff claims. Effective January 1, 2004, the University's life coverage is handled through an insured plan.

KOSU-FM Radio Station

A Public Broadcasting Entity Operated by

Oklahoma State University

Notes to Financial Statements

June 30, 2018 and 2017

Through June 30, 1999, the University's health care programs were also self-funded. Effective July 1, 1999, the University terminated its self-insurance program, and participated in the State self-insurance program through December 31, 2007. Effective January 1, 2008, the University began participation in an insured program with BlueCross BlueShield of Oklahoma as the provider. The University believes that there is no exposure to pay run-off claims for the previous self-insured program at June 30, 2018. Beginning January 1, 2015, the University's health care program again became self-funded. BlueCross BlueShield is the third-party administrator. The University has employed Lockton Company as a consultant to assist with premium setting, development of plan features, reserve funding and use of third-party stop loss coverage insurance.

The University's workers' compensation program is self-funded and is administered by a third party. The University maintains a cash deposit with the administrator and reimburses the administrator for claims paid and administrative expenses on a monthly basis. Benefits provided are prescribed by State law and include lump-sum payments for rated disabilities, in addition to medical expenses and a portion of salary loss resulting from a job-related injury or illness. The University records a liability for workers' compensation in its financial statements based on annual actuarial valuations.

The University's unemployment compensation insurance program is also self-funded. Unemployment benefits that separated employees receive are determined by Oklahoma Statutes and are administered by the Oklahoma Employment Security Commission (OESC). As a reimbursing employer, the University is billed quarterly by the OESC for benefits paid to former employees. The Board of Regents for the Oklahoma Agricultural and Mechanical Colleges requires that the University maintain a minimum of \$700,000 in reserve to cover claims. This minimum cash balance is considered each year during the rate-setting process.

Accruals for these self-funded programs are not reflected on the statements of net position as these costs are not allocated to KOSU by the University.

Note 12: Retirement Plans

The University's full-time academic and nonacademic personnel are covered by various retirement plans depending on their job classification and the employee's choices. The plans available to University personnel include a defined benefit plan, the Oklahoma Teachers Retirement System (OTRS). Employees of KOSU, as OTRS members, are required to contribute to the plan at a rate established by the legislature of the State. For the years ended June 30, 2018, 2017 and 2016, the contribution rate for the system members of 7 percent is applied to their total compensation. The local employer contribution rate due from the University was 8.55 percent for the years ended June 30, 2018, 2017 and 2016. The University administratively pays these expenses for KOSU. These costs are included with other fringe benefits.

The State is also required to contribute to the OTRS on behalf of participating employers. For the years ended June 30, 2018, 2017 and 2016, the State contributed 5 percent of State revenues from sales and use taxes and individual income taxes to the OTRS on behalf of participating employers.

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KOSU has estimated the amounts contributed to the OTRS by the State on its behalf by multiplying its direct OTRS contributions to the ratio of State contributions to University contributions. For the years ended June 30, 2018, 2017 and 2016, the estimated amount contributed to the OTRS by the State on behalf of KOSU was approximately \$100,419, \$76,119 and \$85,404, respectively. These on-behalf payments have been recorded as both revenue and expense in the statement of revenues, expenses and changes in net position.

The fiduciary net position of the OTRS has been determined on the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from OTRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Comprehensive disclosures are available in the University financial statements.

Note 13: Subsequent Events

KOSU has evaluated events or transactions that occurred subsequent to June 30, 2018, through November 29, 2018, the date these financial statements were available to be issued, for potential recognition or disclosure in these financial statements.

**Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of the Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

Board of Regents for the
Oklahoma Agricultural & Mechanical Colleges
Oklahoma State University
Oklahoma City, 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 KOSU-FM Radio Station, a Public Broadcasting Entity operated by Oklahoma State University (KOSU), which comprise the statement of net position, as of June 30, 2018, 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 November 29, 2018. Our report contained an emphasis of matter paragraph indicating the financial statements present only the activity of KOSU and not the University as a whole.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered KOSU's internal control over financial reporting (internal control) to determine the 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 KOSU's internal control. Accordingly, we do not express an opinion on the effectiveness of KOSU'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.

Board of Regents for the
Oklahoma Agricultural & Mechanical Colleges
Oklahoma State University

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether KOSU's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

BKD, LLP

Springfield, Missouri
November 29, 2018

KOSU-FM Radio Station
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Schedule of Findings and Responses
June 30, 2018

**Reference
Number**

Finding

No matters are reportable.