Financial statements and report of independent certified public accountants

KOSU-FM Radio Station

June 30, 2016 and 2015

Contents

KOSU-FM Radio Station
Owned and Operated by Oklahoma State University
Management's Discussion and Analysis

Overview of Financial Statements and Financial Analysis

KOSU-FM Radio Station ("KOSU"), a public telecommunications entity owned and operated by Oklahoma State University (the "University"), presents its financial statements for fiscal year 2016, with comparative data presented for fiscal year 2015. 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 presents the assets, liabilities, and deferred inflows of resources and deferred outflows of resources 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.

From the data presented, readers of the Statements of Net Position are able to determine the resources available to continue the operations of KOSU. They are also able to determine how much KOSU owes vendors. Finally, the Statements of Net Position provides the amount invested in capital assets and the status of resources at the end of the fiscal year.

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 periods.

Statements of Net Position (continued)

Statements of Net Position

	2014	2015	2016
Assets			
Current assets	$ 741,744	$ 667,083	$ 345,757
Capital assets, net of accumulated depreciation	2,646,974	2,404,088	2,220,129
Other assets	-	108,658	99,733
Total assets	3,388,718	3,179,829	2,665,619
Deferred Outflows of Resources	-	28,210	74,171
Liabilities			
Current liabilities	320,981	327,145	263,948
Noncurrent liabilities	-	488,846	576,471
Total liabilities	320,981	815,991	840,419
Deferred Inflows of Resources	-	96,622	114,215
Net Position			
Net investment in capital assets	2,646,974	2,404,088	2,220,129
Restricted - nonexpendable	-	108,658	99,733
Restricted - expendable	163,128	196,019	69,605
Unrestricted	257,635	(413,339)	(604,311)
Total net position	$ 3,067,737	$ 2,295,426	$ 1,785,156

In fiscal year 2016, total assets decreased by $(514,210) or (16.17)% less than the 2015 prior year. The decrease is due to a decrease in cash and cash equivalents of $(202,047), a decrease in beneficial interest in assets held by the OSU Foundation of $(132,615) and a decrease in capital assets net of accumulated depreciation of $(183,959). These are offset by an increase in accounts receivable of $2,997 and an increase in prepaid expenses of $1,414.

In fiscal year 2015, total assets decreased by $(208,889) or (6.16)% less than the 2014 prior year. The decrease is due to a decrease in cash and cash equivalents of $(114,002), a decrease in prepaid expenses of $(5,761) and a decrease in capital assets net of accumulated depreciation of $(242,886). These are offset by an increase in accounts receivable of $39,635 and an increase in beneficial interest in assets held by the OSU Foundation of $114,125.

In fiscal year 2016, deferred outflows of resources increased by $45,961 over fiscal year 2015. This was due to an increase to deferred costs on pension programs. In fiscal year 2015, deferred outflows of resources increased by $28,210 over fiscal year 2014. This was due to the implementation of Governmental Accounting Standards Board ("GASB") 68, *Accounting and Financial Reporting for Pensions.*

Statements of Net Position (continued)

In fiscal year 2016, total liabilities increased by $24,428 or 2.99% when compared to the 2015 prior year. The increase was primarily due to an increase in bank overdraft of $69,111, an increase in accrued compensated absences of $7,027 and an increase in pension liability of $87,625. This was offset by a decrease in unearned revenue of $(118,714), a decrease in accounts payable of $(16,179) and a decrease in accrued expenses of $(4,442).

In fiscal year 2015, total liabilities increased by $495,010 or 154.22% when compared to the 2014 prior year. The increase is due to an increase in unearned revenue of $9,186, an increase in accrued compensated absences of $1,243, an increase in accrued expenses of $3,977 and the increase in pension liability because of the implementation of GASB 68, *Accounting and Financial Reporting for Pensions* of $488,846. This is offset by a decrease in accounts payable of $(8,242).

In fiscal year 2016, deferred inflows of resources increased by $17,593 over fiscal year 2015 due to the difference between projected and actual earnings on pension plan investments. In fiscal year 2015, deferred inflows of resources increased by $96,622 over fiscal year 2014. This was due to the implementation of GASB 68, *Accounting and Financial Reporting for Pensions.*

In fiscal year 2016, the combination of the decrease in total assets plus the increase in deferred outflows of resources and the decrease in total liabilities plus the increase in deferred inflows of resources nets to a decrease in total net positon of $(510,270) or (22.23)%.

In fiscal year 2015, the combination of the decrease in total assets plus the increase in deferred outflows of resources and the increase in total liabilities minus the increase in deferred inflows of resources nets to a decrease in total net positon of $(772,311) or (25.18)%.

Statements of Revenues, Expenses, and Changes in Net Position

While the 2015–2016 comparisons are important indicators of activity during the year under audit, it is important to look at some of the operating and non-operating categories over time. One of the important measures of an organization's fiscal stability is how operating revenues compare to operating expenses.

Statements of Revenues, Expenses, and Changes in Net Position (continued)

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

Statements of Revenues, Expenses, and Changes in Net Position

	2014	2015	2016
Operating revenues	$ 1,089,112	$ 1,141,709	$ 1,182,644
Operating expenses	2,054,638	2,178,490	2,392,752
Operating loss	(965,526)	(1,036,781)	(1,210,108)
Nonoperating revenues	682,842	718,409	699,838
Loss before other revenues, expenses, gains and losses	(282,684)	(318,372)	(510,270)
Other revenues, expenses, gains and losses	1,500,012	120,422	-
Net increase (decrease) in net position	$ 1,217,328	$ (197,950)	$ (510,270)

Operating revenues of $1,182,644 in fiscal year 2016 increased $40,935 or 3.59% when compared to the 2015 prior year. The increase is due to an increase of $79,973 in journalism foundation grants for facilities and equipment and an increase of $10,858 in underwriting revenue. This is offset by a decrease in contributions of $(10,477), a decrease in in-kind contributions of $(3,428), a decrease in miscellaneous income of $(2,748), and a decrease in the community service grants of $(33,243).

Operating revenues of $1,141,709 in fiscal year 2015 increased $52,597 or 4.83% when compared to the 2014 prior year. The increase is due to an increase of $127,415 in contributions and an increase of $14,631 in in-kind contributions. This is offset by a decrease in miscellaneous income of $(19,534), a decrease in the community and rural service and journalism foundation grants of $(64,295) and a decrease in underwriting revenue of $(5,620).

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

Operating revenues

	2014	2015	2016
Contributions	$ 443,814	$ 571,229	$ 560,752
In-Kind contributions	43,329	57,960	54,532
Miscellaneous income	46,042	26,508	23,760
Community and rural service grants	346,110	281,815	248,572
Journalism foundation grants for facilities and equipment	-	-	79,973
Underwriting revenue	209,817	204,197	215,055
Total Operating Revenues	$ 1,089,112	$ 1,141,709	$ 1,182,644

Statements of Revenues, Expenses, and Changes in Net Position (continued)

Operating expenses for fiscal year 2016 increased $214,262 or 9.84% when compared to the 2015 prior year. The increase is due to an increase in compensation and employee benefits of $159,477, an increase in supplies and materials of $1,528, an increase in communications of $15,218, an increase in university facilities and administrative support of $12,132, an increase in depreciation of $3,239 and an increase in other operating expense of $55,041. The increases were offset by a decrease in professional and consulting services of $(10,831), a decrease in programming services of $(17,102), a decrease in travel of $(1,264) and a decrease in utilities of $(3,176).

Operating expenses for fiscal year 2015 increased $123,852 or 6.03% when compared to the 2014 prior year. The increase is due to an increase in compensation and employee benefits of $78,176, an increase in programming services of $48,842, an increase in travel of $5,934, an increase in communications of $17,976, an increase in utilities of $26,078, an increase in university facilities and administrative support of $8,370, an increase in depreciation of $62,200 and an increase in other operating expense of $52,597. The increases were offset by a decrease in professional and consulting services of $(7,636), a decrease in supplies and materials of $(69,605) and a decrease in payment to Public Radio Capital of $(99,080).

Operating expenses	**2014**	**2015**	**2016**
Compensation and employee benefits	$ 779,740	$ 857,916	$ 1,017,393
Professional and consulting services	103,557	95,921	85,090
Programming Services	435,851	484,693	467,591
Supplies and materials	151,615	82,010	83,538
Travel	23,163	29,097	27,833
Communications	19,456	37,432	52,650
Utilities	46,876	72,954	69,778
University facilities and administrative support	75,690	84,060	96,192
Depreciation	168,511	230,711	233,950
Payments to Public Radio Capital	99,080	-	-
Other operating expense	151,099	203,696	258,737
Total operating expenses	$ 2,054,638	$ 2,178,490	$ 2,392,752

Non-operating revenues in fiscal year 2016 of $699,838 decreased $(18,571) or 2.59% when compared to the 2015 prior year. Non-operating revenues consisted of allocations from the University, donated facilities and administrative support and investment income. Allocations decreased by $(19,989) when compared to the 2015 prior year and investment income decreased by $(10,714). This was offset by an increase in donated facilities and administrative support of $12,132.

Non-operating revenues in fiscal year 2015 of $718,409 increased $35,560 or 5.21% when compared to the 2014 prior year. Non-operating revenues mainly consist of allocations from the University, and donated facilities and administrative support. Allocations increased by $25,408 when compared to the 2014 prior year. Donated facilities and administrative support increased by $8,370.

Statements of Revenues, Expenses, and Changes in Net Position (continued)

Nonoperating revenues

	2014	2015	2016
Allocations from OSU	$ 607,152	$ 632,560	$ 612,571
Donated facilities and administrative support	75,690	84,060	96,192
Investment income (loss), net	7	1,789	(8,925)
Total nonoperating revenues	$ 682,849	$ 718,409	$ 699,838

Other revenues, expenses, gains and losses of $120,422 in fiscal year 2015 mainly consists of additions to a permanent endowment in the amount of $119,697.

There was a one-time capital allocation from the University of $1,500,005 in fiscal year 2014 to fund the purchase of the KOSN station in Ketchum, Oklahoma and the associated translator stations in Bixby, Oklahoma and in Okmulgee, Oklahoma.

Other Revenues, Expenses, Gains and Losses

	2014	2015	2016
Capital allocations from OSU	1,500,005	-	-
Additions to permanent endowments	-	119,697	-
Other	-	725	-
Total other revenues, expenses, gains and losses	$ 1,500,005	$ 120,422	$ -

Statements of Cash Flows

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

The first section deals with operating cash flows and shows the net cash provided (used) by the operating activities of KOSU. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating and non-capital 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.

Statements of Cash Flows (continued)

Statements of Cash Flows

	2014	2015	2016
Cash provided (used) by:			
Operating activities	$ (686,147)	$ (948,612)	$ (807,233)
Noncapital financing activities	614,608	819,921	594,991
Investing activities	7	1,789	(8,925)
Capital and related financing activities	(51,857)	12,900	19,120
Net change in cash	(123,389)	(114,002)	(202,047)
Cash, beginning of year	439,438	316,049	202,047
Cash, end of year	$ 316,049	$ 202,047	$ -

In fiscal year 2016 the cash and cash equivalents, end of year, decreased by $(202,047). The difference in net change in cash and cash equivalents from 2015 to 2016 was a decrease of $(88,045). This net decrease was generated by an increase in net cash provided by operating activities of $141,379, a decrease in net cash provided by noncapital financing activities of $(224,930), a decrease in net cash provided by investing activities of $(10,714) and an increase in net cash used by capital and related financing activities of $6,220.

In fiscal year 2015 the cash and cash equivalents, end of year, decreased by $(114,002). The difference in net change in cash and cash equivalents from 2014 to 2015 was an increase of $9,387. This net increase was generated by a decrease in net cash used by operating activities of $(262,465), an increase in net cash provided by noncapital financing activities of $205,313, an increase in net cash provided by investing activities of $1,782 and an increase in net cash provided by capital and related financing activities of $64,757.

Economic Outlook

As a public service media, KOSU 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 pursues strategies to grow revenues from listeners and businesses.

Economic Outlook (continued)

KOSU has pursued multiple strategies to increase listening in the past year, and will continue those strategies in the year to come. The station is moving its primary spring and fall on-air fundraisers from April and October to March and September, thus removing pledge drives from the typical audience measurement periods for radio. KOSU is also an ongoing participant in NPR's Spark Initiative to build audience through heavy on-air promotion of NPR's most listened to newsmagazines. From spring 2014 to spring 2015, KOSU experienced a 123% increase in listening during Morning Edition and a 178% increase in listening during All Things Considered.

On the subject of listener contributions, KOSU continues communicating with new, renewing and lapsed members through on-air and social media campaigns, direct mail, telemarketing and community events. The station is more proactively soliciting listener support at the end of the calendar and fiscal year, and will continue to focus on developing its sustaining membership and major donor programs. KOSU also continues work with a consultant and the OSU Foundation to secure major gifts from community grant-making organizations and individual donors.

On the subject of business underwriting, KOSU has outsourced its corporate underwriting sales. The vendor selected to represent the station has a successful track record of public media business development because of extensive relationships with the corporate community and advertising agencies that represent larger Oklahoma companies. KOSU also continues to develop the station's small business membership program to attract support from locally owned social and nonprofit enterprises that have limited marketing budgets.

KOSU has grown significantly in the past 10 years, but the station has also experienced an increase in expenses. To address the increase in expenditures, KOSU successfully renegotiated the fees charged by key national program vendors in FY17. The station will also reduce its annual electricity costs by eliminating HD radio service at 91.7, and renegotiate or eliminate some professional service agreements.

Through the strategies outlined, as well as future collaborative opportunities, KOSU will work to sustain and expand the station's broadcast and digital media services, which are becoming an increasingly essential part of daily life for tens of thousands of weekly listeners in the region.

Kelly Burley
KOSU-FM Radio Station Director

Gary Shutt
Director of Communication Services

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Grant Thornton LLP
211 N Robinson, Suite 1200
Oklahoma City, OK 73102-7148
T 405.218.2800
F 405.218.2801
www.GrantThornton.com

Board of Regents
Oklahoma Agricultural and Mechanical Colleges

Report on the financial statements

We have audited the accompanying financial statements of KOSU-FM Radio Station (a public telecommunications entity operated by Oklahoma State University) ("KOSU"), which comprise the statements of net position as of June 30, 2016 and 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 KOSU'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 KOSU'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 telecommunications entity operated by Oklahoma State) as of June 30, 2016 and 2015, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages i to viii be presented to supplement the basic financial statements. Such information, although not a required 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. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures 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 28, 2016, 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 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 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.

Grant Thornton LLP

Oklahoma City, Oklahoma
November 28, 2016

Oklahoma State University KOSU-FM Radio Station

STATEMENTS OF NET POSITION

	June 30, 2016	June 30, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	**$ -**	$ 202,047
Accounts receivable, net	**42,632**	39,635
Prepaid expenses	**32,179**	30,765
Beneficial interest in assets held by OSU Foundation	**270,946**	394,636
Total current assets	**345,757**	667,083
Noncurrent Assets		
Beneficial interest in assets held by OSU Foundation	**99,733**	108,658
Capital assets, net of accumulated depreciation	**2,220,129**	2,404,088
Total noncurrent assets	**2,319,862**	2,512,746
TOTAL ASSETS	**2,665,619**	3,179,829
DEFERRED OUTFLOWS OF RESOURCES	**74,171**	28,210
LIABILITIES		
Current Liabilities		
Bank overdraft	**69,111**	-
Accounts payable	**39,764**	55,943
Accrued expenses	**2,924**	7,366
Accrued compensated absences	**57,471**	50,444
Unearned revenue	**94,678**	213,392
Total current liabilities	**263,948**	327,145
Noncurrent Liabilities		
Pension liability	**576,471**	488,846
Total noncurrent liabilities	**576,471**	488,846
TOTAL LIABILITIES	**840,419**	815,991
DEFERRED INFLOWS OF RESOURCES	**114,215**	96,622
NET POSITION		
Net investment in capital assets	**2,220,129**	2,404,088
Restricted		
Nonexpendable	**99,733**	108,658
Expendable	**69,605**	196,019
Unrestricted	**(604,311)**	(413,339)
TOTAL NET POSITION	**$ 1,785,156**	$ 2,295,426

The accompanying notes are an integral part of these financial statements.

Oklahoma State University KOSU-FM Radio Station

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Year Ended June 30, 2016	Year Ended June 30, 2015
Operating revenues		
Contributions	**$ 560,752**	$ 571,229
In-Kind contributions	**54,532**	57,960
Miscellaneous income	**23,760**	26,508
Community and rural service and journalism grants	**328,545**	281,815
Underwriting revenue	**215,055**	204,197
Total operating revenues	**1,182,644**	1,141,709
Operating expenses		
Compensation and employee benefits	**1,017,393**	857,916
Professional and consulting services	**85,090**	95,921
Programming services	**467,591**	484,693
Supplies and materials	**83,538**	82,010
Travel	**27,833**	29,097
Communications	**52,650**	37,432
Utilities	**69,778**	72,954
University facilities and administrative support	**96,192**	84,060
Depreciation	**233,950**	230,711
Other operating expense	**258,737**	203,696
Total operating expenses	**2,392,752**	2,178,490
Operating loss	**(1,210,108)**	(1,036,781)
Nonoperating revenues		
General allocations from OSU	**612,571**	632,560
Donated facilities & administrative support	**96,192**	84,060
Investment (loss) income	**(8,925)**	1,789
Total nonoperating revenues	**699,838**	718,409
Loss before other revenues, expenses, gains and losses	**(510,270)**	(318,372)
Capital allocations from OSU	**-**	-
Additions to permanent endowments	**-**	119,697
Other	**-**	725
Net decrease in net position	**(510,270)**	(197,950)
Net position - beginning of year	**2,295,426**	3,067,737
Cumulative effect of adopting GASB 68	**-**	(574,361)
Net position - beginning of year, adjusted	**2,295,426**	**2,493,376**
Net position - end of year	**$ 1,785,156**	$ 2,295,426

The accompanying notes are an integral part of these financial statements.

Oklahoma State University KOSU-FM Radio Station

STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2016	2015
Cash flows from operating activities		
Cash received from contributions, grants, underwriting and miscellaneous receipts	**$ 1,193,548**	$ 997,135
Cash paid to suppliers	**(1,159,002)**	(1,092,344)
Cash paid to employees	**(841,779)**	(853,403)
Net cash used by operating activities	**(807,233)**	(948,612)
Cash flows from noncapital financing and other activities		
General allocations from OSU	**527,167**	547,752
Gifts for other than capital purposes	**-**	119,697
Other	**67,824**	152,472
Net cash provided by noncapital financing and other activities	**594,991**	819,921
Cash flows from investing activities		
Investment (loss) income	**(8,925)**	1,789
Net cash (used) provided by investing activities	**(8,925)**	1,789
Cash flows from capital and related financing activities		
Change in bank overdraft	**69,111**	-
Cash paid for capital assets	**(49,991)**	(17,100)
Proceeds from the sale of fixed assets	**-**	30,000
Net cash provided by capital and related financing activities	**19,120**	12,900
Net decrease in cash and cash equivalents	**(202,047)**	(114,002)
Cash and cash equivalents at the beginning of year	**202,047**	316,049
Cash and cash equivalents at the end of year	**$ -**	$ 202,047
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	**$ (1,210,108)**	$ (1,036,781)
Cumulative effect of adopting GASB 68	**-**	(574,361)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation	**233,950**	230,711
On-behalf contribution to teachers' retirement system	**85,404**	84,808
Changes in assets and liabilities		
Accounts receivable, net	**(2,997)**	(39,635)
Prepaid expenses	**(1,414)**	5,761
Beneficial interest in assets held by OSU Foundation	**132,615**	(114,125)
Accounts payable	**(16,179)**	(8,242)
Pension liability	**87,625**	488,846
Accrued expenses	**(4,442)**	3,977
Accrued compensated absences	**7,027**	1,243
Unearned revenue	**(118,714)**	9,186
Net cash used by operating activities	**$ (807,233)**	$ (948,612)

The accompanying notes are an integral part of these financial statements.

Oklahoma State University KOSU-FM Radio Station

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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 component unit of the State of Oklahoma, 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, liabilities, net position, revenues, expenses, changes in net position and cash flows.

Changes in Accounting Principle

For the year ended June 30, 2015, KOSU adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have certain characteristics and establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. The implementation of GASB 68 resulted in cumulative effect adjustment of $(574,361) to the beginning net position on the 2015 Statement of Revenues, Expenses and Changes in Net Position as of July 1, 2014 for the recording of pensions. The effect of retroactive application of GASB 68 was recorded effective July 1, 2014 because this was the earliest date for which restatement was practical based on the actuarial valuation.

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.

Pledges

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

Accounts receivable consist of unconditional pledges receivable net of the discount and allowance.

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 and five to seven 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

Since fiscal year 1995, the Corporation for Public Broadcasting (the "CPB") determined that it would not allow in-kind contributions for programs, compact discs and volunteer services to be included for grant calculation purposes. Therefore, the CPB and the NPR have not furnished values for these in-kind contributions. These amounts have not been included in the accompanying financial statements; however, KOSU considers these in-kind contributions to be an integral part of the operations. The estimated fair value of in-kind contributions, primarily advertising, is recorded as revenue and expensed in the period received and was $54,532 and $57,960 for June 30, 2016 and 2015, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Broadcasting Tower Space

In November 1997, the Board of Regents (the “Grantor”) and an outside third party (the “Grantee”) entered into an agreement whereby the Grantor sold certain real properties and conveyed a perpetual lease to use described premises and structures to Grantee for the purpose of permitting the Grantee to construct, operate, maintain, repair, alter and replace communications facilities. The Grantor received a perpetual non-exclusive lease, license and right to operate from said premises and tower thereon radio and other broadcasting and broadcasting support equipment. For the years ended June 30, 2016 and 2015, neither KOSU nor the Grantee has assigned any value for the usage of the Tower.

Unearned Revenues

Unearned revenues include amounts received for certain auxiliary and endowment activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract 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 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.

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contributed Facilities and Indirect Administrative Support - Continued

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 $96,192 and $84,060 were recorded for the years ended June 30, 2016 and 2015, 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 invested in capital assets, net of related debt.

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.

Classification of Revenues

KOSU has classified its revenues as either operating or nonoperating revenues in accordance with the guidelines established by GASB No. 34.

New Pronouncements

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* The objective is to improve the usefulness of information about postemployment benefits other than pensions. The provisions of this Statement are effective for fiscal year beginning after June 15, 2016. Earlier application is encouraged.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

New Pronouncements - Continued

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures.* This statement requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement is effective for periods beginning after December 15, 2015. Earlier application is encouraged.

In December, 2015, GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans.* This statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that meet certain requirements. This Statement is effective for periods beginning after December 15, 2015. Earlier application is encouraged.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14.* This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39. This Statement is effective for periods beginning after June 15, 2016. Earlier application is encouraged.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* This Statement provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement is effective for periods beginning after December 15, 2016. Earlier application is encouraged.

In March 2016, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No.73.* This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee contribution requirements. This Statement is primarily effective for periods beginning after June 15, 2016, with certain exceptions noted in the Statement. Earlier application is encouraged.

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

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

At June 30, 2016 and 2015, the carrying amount of KOSU's cash and cash equivalents was $0 and $202,047, respectively. 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

Unconditional pledges receivable are expected to be collected as follows for the years ended June 30:

	2016	2015
Gross pledge receivable	$ 50,000	$ 50,000
Present value discount of 7.11%	(4,868)	(7,865)
Allowance for uncollectible pledge	(2,500)	(2,500)
Accounts receivable, net	$ 42,632	$ 39,635

The pledges receivable are expected to be received in installments of $25,000 beginning July 1, 2016 and ending July 31, 2017.

NOTE 4 - UNEARNED REVENUE

Unearned revenue consists of the following at June 30:

	2016	2015
Underwriting	$ 41,120	$ 55,200
Grants and contracts	53,558	158,192
	$ 94,678	$213,392

Oklahoma State University KOSU-FM Radio Station

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE 5 - CAPITAL ASSETS

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

	2016				
	Balance June 30, 2015	Additions	Transfers	Disposals	Balance June 30, 2016
Cost of capital assets					
Records and tapes	$ 173,867	$ -	$ -	$ -	$ 173,867
Building and leasehold improvements	199,515	36,401	-	-	235,916
Office machines	1,913	-	-	-	1,913
Broadcast equipment	306,526	13,590	-	-	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	3,602,594	49,991	-	-	3,652,585
Accumulated depreciation					
Records and tapes	(173,867)	-	-	-	(173,867)
Building and leasehold improvements	(99,849)	(16,997)	-	-	(116,846)
Office machines	(1,913)	-	-	-	(1,913)
Broadcast equipment	(239,603)	(22,840)	-	-	(262,443)
Fundraising equipment	(18,254)	-	-	-	(18,254)
Programming and production equipment	(29,159)	(7,792)	-	-	(36,951)
Automobiles	(40,331)	(2,200)	-	-	(42,531)
Towers	(434,976)	(168,310)	-	-	(603,286)
Transmitter facilities (building and transmitter equipment)	(151,554)	(6,811)	-	-	(158,365)
Intangible assets	(9,000)	(9,000)	-	-	(18,000)
Total accumulated depreciation	(1,198,506)	(233,950)	-	-	(1,432,456)
Net book value	$ 2,404,088	$ (183,959)	$ -	$ -	$ 2,220,129

NOTE 5 - CAPITAL ASSETS – CONTINUED

	2015				
	Balance June 30, 2014	Additions	Transfers	Disposals	Balance June 30, 2015
Capital assets not being depreciated					
Construction in progress	$ 45,000	$ -	$ (45,000)	$ -	$ -
Total capital assets not being depreciated	$ 45,000	$ -	$ (45,000)	$ -	$ -
Other capital assets					
Records and tapes	$ 173,867	$ -	$ -	$ -	$ 173,867
Building and leasehold improvements	199,515	-	-	-	199,515
Office machines	1,913	-	-	-	1,913
Broadcast equipment	300,426	6,100	-	-	306,526
Fundraising equipment	18,251	-	-	-	18,251
Programming and production equipment	64,224	-	-	-	64,224
Automobiles	59,104	11,000	-	22,270	47,834
Towers	2,500,005	-	-	27,000	2,473,005
Transmitter facilities (building and transmitter equipment)	272,459	-	-	-	272,459
Intangible assets	-	-	45,000	-	45,000
Total other capital assets	3,589,764	17,100	45,000	49,270	3,602,594
Accumulated depreciation					
Records and tapes	(173,867)	-	-	-	(173,867)
Building and leasehold improvements	(84,672)	(15,177)	-	-	(99,849)
Office machines	(1,913)	-	-	-	(1,913)
Broadcast equipment	(218,508)	(21,095)	-	-	(239,603)
Fundraising equipment	(18,254)	-	-	-	(18,254)
Programming and production equipment	(21,367)	(7,792)	-	-	(29,159)
Automobiles	(57,801)	(2,525)	-	(19,995)	(40,331)
Towers	(266,666)	(168,310)	-	-	(434,976)
Transmitter facilities (building and transmitter equipment)	(144,742)	(6,812)	-	-	(151,554)
Intangible assets	-	(9,000)	-	-	(9,000)
Total accumulated depreciation	(987,790)	(230,711)	-	(19,995)	(1,198,506)
Other capital assets, net	$ 2,601,974	$ (213,611)	$ 45,000	$ 29,275	$ 2,404,088
Capital asset summary					
Capital assets not being depreciated	$ 45,000	$ -	$ (45,000)	$ -	$ -
Other capital assets, at cost	3,589,764	17,100	45,000	49,270	3,602,594
Total cost of capital assets	3,634,764	17,100	-	49,270	3,602,594
Less accumulated depreciation	(987,790)	(230,711)	-	(19,995)	(1,198,506)
Net book value	$ 2,646,974	$ (213,611)	$ -	$ 29,275	$ 2,404,088

Oklahoma State University KOSU-FM Radio Station

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

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, 2016 were as follows:

Year of Grant	Grants Received		Expended as of June 30, 2016	Uncommited Balance at June 30, 2016
10/1/15-17	$223,911	*	$ 212,127	$ 11,784
10/1/14-16	156,878	**	155,131	1,747
10/1/13-15	122,315	***	122,315	-

* These amounts were received during the year ended June 30, 2016
** These amounts were received during the year ended June 30, 2015
*** These amounts were received during the year ended June 30, 2014

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, 2016, expenditures were $79,973 with an uncommitted balance of $40,027.

Oklahoma State University KOSU-FM Radio Station

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE 7 – FUNCTIONAL EXPENSE CLASSIFICATION

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

	2016	2015
Program services		
Programming and production	$ 1,019,075	$ 896,094
Broadcasting	612,838	564,330
Support services		
Fund-raising	518,198	424,200
Management and general	242,641	293,866
	$ 2,392,752	$ 2,178,490

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.

NOTE 8 – RELATED PARTY TRANSACTIONS - CONTINUED

The Oklahoma State University Foundation - Continued

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:

	2016	2015
Contributions and underwriting revenue received	$ 757,084	$ 760,595
Journalism grants for facilities and equipment	79,973	-
Funds expended on behalf of KOSU	(39,099)	(61,940)
	797,958	698,655
Addition to permanent endowment	-	119,697
Investment (loss) income, net	(8,925)	1,789
Spending policy distribution	3,220	-
Transfers to KOSU University accounts	(837,778)	(789,200)
	(45,525)	30,941
Net assets held for KOSU, beginning of year	371,587	340,646
Net assets held for KOSU, end of year	$ 326,062	$ 371,587

Below are activities related to the non-cash 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:

	2016	2015
Balance, beginning of year	$ 108,658	$ -
Changes in endowment fund during the year:		
Additions to permanent endowment	-	119,697
Investment return:		
Investment (loss) gain, net	(502)	2,628
Unrealized losses	(5,203)	(1,260)
Total investment (loss) return	(5,705)	1,368
Other activity to endowment	-	(12,407)
Amount appropriated for expenditures	(3,220)	-
Total changes	(8,925)	108,658
Balance, end of year	$ 99,733	$ 108,658

NOTE 9 – 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.

On October 15, 2012, KOSU entered into a lease agreement with Hart Partners, LLC for the purpose of leasing 4,029 square feet of space 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 10%. Electricity is metered separately and billed monthly. The term of the lease is for five
years. KOSU began occupancy on June 18, 2013 when construction was substantially complete. KOSU has options to renew the lease at the same NNN terms. An option to renew for years six through ten at a 61% increase per square foot above the current rate, and an option to renew for years eleven through fifteen at an 18% additional increase. KOSU officially opened their new offices and studios in the Hart building on September 20, 2013.

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.

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 $7,200 and $6,900 for the years ended June 30, 2016 and 2015, respectively. No additional amounts were paid in relation to the assigned annual tower management agreement.

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% of the annual rent rate in place prior to the renewal.

Rent expense under operating leases was $60,992 and $59,457 for the years ended June 30, 2016 and 2015, respectively.

NOTE 9 – COMMITMENTS AND CONTINGENT LIABILITIES – CONTINUED

The future minimum lease payments under non-cancelable operating leases at June 30, 2016 are as follows:

Year ending June 30:	
2017	$ 61,276
2018	56,725
2019	19,100
2020	4,700
2021	1,200
2022 - 2026	-
	$ 143,001

NOTE 10 - 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.

NOTE 10 - RISK MANAGEMENT – CONTINUED

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.

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, 2016. 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.

NOTE 11 – 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, 2016 and 2015, the contribution rate for the system members of 7.00% is applied to their total compensation. The local employer contribution rate due from the University was 8.55% for the years ended June 30, 2016 and 2015. 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, 2016 and 2015, the State contributed 5% of State revenues from sales and use taxes and individual income taxes to the OTRS on behalf of participating employers. 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, 2016 and 2015, the estimated amount contributed to the OTRS by the

NOTE 11 – RETIREMENT PLANS -CONTINUED

State on behalf of KOSU was approximately $85,404 and $84,808, 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 12 – SUBSEQUENT EVENTS

KOSU has evaluated events or transactions that occurred subsequent to June 30, 2016 through November 28, 2016, the date these financial statements were available to be issued, for potential recognition or disclosure in these financial statements.

Grant Thornton LLP
211 N Robinson, Suite 1200
Oklahoma City, OK 73102-7148

T 405.218.2800
F 405.218.2801
www.GrantThornton.com

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Board of Regents
Oklahoma Agricultural and Mechanical Colleges

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 (a public telecommunications entity operated by Oklahoma State University) ("KOSU") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise KOSU's basic financial statements, and have issued our report thereon dated November 28, 2016.

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 design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 KOSU's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in KOSU's 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 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 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*.

Intended purpose

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 KOSU's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KOSU's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Oklahoma City, Oklahoma
November 28, 2016