Financial statements and report of independent certified public accountants

KOSU-FM Radio Station

June 30, 2015 and 2014

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OSU-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 2015, with comparative data presented for fiscal year 2014. 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

	June 30 2013	June 30 2014	June 30 2015
Assets			
Current assets	$ 1,140,458	$ 741,744	$ 667,083
Capital assets, net of accumulated depreciation	1,263,623	2,646,974	2,404,088
Other assets	-	-	108,658
Total assets	2,404,081	3,388,718	3,179,829
Deferred Outflows of Resources	-	-	28,210
Liabilities			
Current liabilities	553,672	320,981	327,145
Noncurrent liabilities	-	-	488,846
Total liabilities	553,672	320,981	815,991
Deferred Inflows of Resources	-	-	96,622
Net Position			
Net investment in capital assets	1,263,623	2,646,974	2,404,088
Restricted - nonexpendable	-	-	108,658
Restricted - expendable	386,923	163,128	196,019
Unrestricted	199,863	257,635	(413,339)
Total net position	$ 1,850,409	$ 3,067,737	$ 2,295,426

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 2014, total assets increased by $984,637 or 40.96% over the 2013 prior year. The increase was due to an increase in capital assets net of accumulated depreciation of $1,383,351 which was offset by a decrease in cash and cash equivalents of ($123,389), a decrease in prepaid expenses of $(17,745) and a decrease in beneficial interest in assets held by the OSU Foundation of $(257,580).

In fiscal year 2015, deferred outflows of resources increased by $28,210 over fiscal year 2014. This was due to the implementation of GASB 68, *Accounting and Financial Reporting for Pensions.*

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).

Statements of Net Position (continued)

In fiscal year 2014, total liabilities decreased by $(232,691) or (42.03)% when compared to the 2013 prior year. The decrease was primarily due to a decrease in unearned revenue of $(202,226), a decrease in accrued compensated absences of $(1,669), a decrease in accounts payable of $(3,642) and a decrease in payable to PRC of $(25,510). This was offset by an increase in accrued expenses of $356.

In fiscal year 2015, deferred inflows of resources increased by $96,622 over fiscal year 2015. This was due to the implementation of GASB 68, *Accounting and Financial Reporting for Pensions.*

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)%.

In fiscal year 2014, the combination of the increase in total assets and the decrease in total liabilities netted to an increase in total net position of $1,217,328 or 65.79%.

Statements of Revenues, Expenses, and Changes in Net Position

While the 2014–2015 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.

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

	Year Ended June 30, 2013	Year Ended June 30, 2014	Year Ended June 30, 2015
Operating revenues	$ 1,226,533	$ 1,089,112	$ 1,141,709
Operating expenses	1,813,027	2,054,638	2,178,490
Operating loss	(586,494)	(965,526)	(1,036,781)
Nonoperating revenues	661,503	682,842	718,409
Income (loss) before other revenues, expenses, gains and losses	75,009	(282,684)	(318,372)
Other revenues, expenses, gains and losses	-	1,500,012	120,422
Net increase (decrease) in net position	$ 75,009	$ 1,217,328	$ (197,950)

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

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).

Operating revenues of $1,089,112 in fiscal year 2014 decreased $(137,421) or (11.20)% when compared to the 2013 prior year. The decrease was due to a decrease of $(119,985) in the community and rural service and journalism foundation grants and a decrease in underwriting revenue of $(66,222). This was offset by an increase in contributions of $5,542, an increase in in-kind contributions of $13,070 and an increase in miscellaneous income of $30,174.

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

Operating revenues

	Year Ended June 30, 2013	Year Ended June 30, 2014	Year Ended June 30, 2015
Contributions	$ 438,272	$ 443,814	$ 571,229
In-Kind contributions	30,259	43,329	57,960
Miscellaneous income	15,868	46,042	26,508
Community and rural service grants	241,095	346,110	281,815
Journalism foundation grants for facilities and equipment	225,000	-	-
Underwriting revenue	276,039	209,817	204,197
Total Operating Revenues	$ 1,226,533	$ 1,089,112	$ 1,141,709

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 for fiscal year 2014 increased $241,611 or 13.33% when compared to the 2013 prior year. The increase was primarily due to an increase in compensation and employee benefits of $24,289, an increase in professional and consulting services of $19,852, an increase in programming services of $30,840, an increase in supplies and materials of $39,596, an increase in depreciation $63,421 and an increase in other operating expense of $51,058.

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

Operating expenses

	Year Ended June 30, 2013	Year Ended June 30, 2014	Year Ended June 30, 2015
Compensation and employee benefits	$ 755,451	$ 779,740	$ 857,916
Professional and consulting services	83,705	103,557	95,921
Programming Services	405,011	435,851	484,693
Supplies and materials	112,019	151,615	82,010
Travel	10,957	23,163	29,097
Communications	29,652	19,456	37,432
Utilities	38,653	46,876	72,954
University facilities and administrative support	68,642	75,690	84,060
Depreciation	105,090	168,511	230,711
Payments to Public Radio Capital	103,806	99,080	-
Other operating expense	100,041	151,099	203,696
Total operating expenses	$ 1,813,027	$ 2,054,638	$ 2,178,490

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.

Non-operating revenues in fiscal year 2014 of $682,849 increased $21,346 or 3.23% when compared to the 2013 prior year. Non-operating revenues mainly consisted of allocations from the University, and donated facilities and administrative support. Allocations increased by $14,291 when compared to the 2013 prior year. Donated facilities and administrative support increased by $7,048.

Nonoperating revenues

	Year Ended June 30, 2013	Year Ended June 30, 2014	Year Ended June 30, 2015
Allocations from OSU	$ 592,861	$ 607,152	$ 632,560
Donated facilities and administrative support	68,642	75,690	84,060
Other	-	7	1,789
Total nonoperating revenues	$ 661,503	$ 682,849	$ 718,409

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.

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

Other Revenues, Expenses, Gains and Losses

	Year Ended June 30, 2013	Year Ended June 30, 2014	Year Ended June 30, 2015
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 fourth 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

	Year Ended June 30, 2013	Year Ended June 30, 2014	Year Ended June 30, 2015
Cash provided (used) by:			
Operating activities	$ 53,816	$ (686,147)	$ (948,612)
Noncapital financing activities	599,199	614,608	819,921
Investing activities	-	7	1,789
Capital and related financing activities	(226,275)	(51,857)	12,900
Net change in cash	426,740	(123,389)	(114,002)
Cash, beginning of year	12,698	439,438	316,049
Cash, end of year	$ 439,438	$ 316,049	$ 202,047

Statements of Cash Flows (continued)

In fiscal year 2015 the cash and cash equivalents, end of year, decreased by $(114,002). The difference in net (decrease) increase 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.

In fiscal year 2014 the cash and cash equivalents, end of year, decreased by $(123,389). The difference in net (decrease) increase in cash and cash equivalents from 2013 to 2014 was a decrease of $(550,129). This net decrease was generated by a decrease in net cash provided by operating activities of $(739,963), an increase in net cash provided by noncapital financing activities of $15,409, an increase in net cash provided by investing activities of $7 and an increase in net cash used by capital and related financing activities of $174,418.

Economic Outlook

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 is pursuing a proactive strategy to grow revenues from listener contributions and business underwriting in the year to come, despite a potentially challenging economic climate brought about by a significant downturn in the energy industry. Low energy prices have negatively impacted corporate investments in Oklahoma communities, as well as state tax collections, which could result in across-the-board budget cuts for higher education in the state.

Despite a listless state economic forecast, KOSU hopes to continue experiencing increases in listener membership and business underwriting. On the listener side, KOSU is more proactively communicating with new, renewing and lapsed contributors through on-air and social media campaigns, direct mail and telemarketing. The station has added two on-air membership drives, at the end of the calendar year in December and end of fiscal year in June, and will continue to focus on developing its sustaining membership and major donor programs. KOSU also continues work with a major gifts consultant and the OSU Foundation to secure major gifts from community grant-making organizations and individual philanthropists.

On the business underwriting side, KOSU has hired a second underwriting sales specialist to service new and existing business underwriters in its expanded coverage areas in Ponca City and Tulsa, as well as Stillwater. KOSU's Oklahoma City underwriting sales representative continues to develop the station's small business membership program while pursuing larger corporate underwriting partnerships. The

Economic Outlook (continued)

station is also working with an underwriting consultant to increase sales, and has developed a comprehensive marketing plan to achieve annual goals.

KOSU expects to see growth in listenership and contributions in cities within its coverage area, including Ponca City, Tulsa, Oklahoma City and Stillwater. The station experienced a significant rise in contributions from Ponca City area listeners in the last quarter of FY2015 thanks to an improved broadcast signal from its new translator station, and that trend should continue in FY2016 and beyond.

Just as KOSU has demonstrated year over year growth in revenue from listener contributors since 2008, the station has also experienced an increase in expenses. Year to year, these costs are affected by a variety of factors, including higher dues and fees charged by local and national program vendors, major local news events that require significant reporting and operational support, planned broadcast and IT infrastructure expenses to meet broadcast and digital content delivery needs, and unplanned expenses to repair equipment that is either worn out by age or damaged by forces such as lightning or power surges.

Going forward, investment in digital media will be one of KOSU's top priorities as the station strives to serve a rapidly growing and shifting digital audience that relies first on non-broadcast platforms to consume content. Station management, meanwhile, is thoroughly reviewing all aspects of its media operation to explore areas of potential savings, from programming costs to infrastructure investments. Through an aggressive fundraising strategy, KOSU will continue to pursue growth in community support to sustain and expand its broadcast and digital media services for 100,000 weekly listeners in the region.

Kelly Burley
KOSU-FM Radio Station Director

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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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, 2015 and 2014, 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, 2015 and 2014, 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.

Emphasis of matter

As discussed in Note 1 to the financial statements, KOSU adopted new accounting guidance in 2015 related to accounting and financial reporting for pensions. 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 management's discussion and analysis on pages i to vii 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 23, 2015, 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 23, 2015

Oklahoma State University KOSU-FM Radio Station

STATEMENTS OF NET POSITION

	June 30, 2015	June 30, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	$ 202,047	$ 316,049
Accounts receivable, net	39,635	-
Prepaid expenses	30,765	36,526
Beneficial interest in assets held by OSU Foundation	394,636	389,169
Total current assets	667,083	741,744
Noncurrent Assets		
Beneficial interest in assets held by OSU Foundation	108,658	-
Capital assets, net of accumulated depreciation	2,404,088	2,646,974
Total noncurrent assets	2,512,746	2,646,974
TOTAL ASSETS	3,179,829	3,388,718
DEFERRED OUTFLOWS OF RESOURCES	28,210	-
LIABILITIES		
Current Liabilities		
Accounts payable	55,943	64,185
Accrued expenses	7,366	3,389
Accrued compensated absences	50,444	49,201
Unearned revenue	213,392	204,206
Total current liabilities	327,145	320,981
Noncurrent Liabilities		
Pension liability	488,846	-
Total noncurrent liabilities	488,846	-
TOTAL LIABILITIES	815,991	320,981
DEFERRED INFLOWS OF RESOURCES	96,622	-
NET POSITION		
Net investment in capital assets	2,404,088	2,646,974
Restricted		
Nonexpendable	108,658	-
Expendable	196,019	163,128
Unrestricted	(413,339)	257,635
TOTAL NET POSITION	$ 2,295,426	$ 3,067,737

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, **2015**	2014
Operating revenues		
Contributions	**$ 571,229**	$ 443,814
In-Kind contributions	**57,960**	43,329
Miscellaneous income	**26,508**	46,042
Community and rural service grants	**281,815**	346,110
Underwriting revenue	**204,197**	209,817
Total operating revenues	**1,141,709**	1,089,112
Operating expenses		
Compensation and employee benefits	**857,916**	779,740
Professional and consulting services	**95,921**	103,557
Programming services	**484,693**	435,851
Supplies and materials	**82,010**	151,615
Travel	**29,097**	23,163
Communications	**37,432**	19,456
Utilities	**72,954**	46,876
University facilities and administrative support	**84,060**	75,690
Depreciation	**230,711**	168,511
Payments to Public Radio Capital	**-**	99,080
Other operating expense	**203,696**	151,099
Total operating expenses	**2,178,490**	2,054,638
Operating loss	**(1,036,781)**	(965,526)
Nonoperating revenues		
General allocations from OSU	**632,560**	607,152
Donated facilities & administrative support	**84,060**	75,690
Investment income	**1,789**	7
Total nonoperating revenues	**718,409**	682,849
Loss before other revenues, expenses, gains and losses	**(318,372)**	**(282,677)**
Capital allocations from OSU	**-**	1,500,005
Additions to permanent endowments	**119,697**	-
Other	**725**	-
Net (decrease) increase in net position	**(197,950)**	1,217,328
Net position - beginning of year	**3,067,737**	1,850,409
Cumulative effect of adopting GASB 68	**(574,361)**	-
Net position - beginning of year, adjusted	**2,493,376**	**1,850,409**
Net position - end of year	**$ 2,295,426**	$ 3,067,737

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, 2015	Year Ended June 30, 2014
Cash flows from operating activities		
Cash received from contributions, grants, underwriting and miscellaneous receipts	**$ 997,135**	$ 1,144,466
Cash paid to suppliers	**(1,092,344)**	(1,117,794)
Cash paid to employees	**(853,403)**	(712,819)
Net cash used by operating activities	**(948,612)**	(686,147)
Cash flows from noncapital financing and other activities		
General allocations from OSU	**547,752**	538,918
Gifts for other than capital purposes	**119,697**	-
Other	**152,472**	75,690
Net cash provided by noncapital financing and other activities	**819,921**	614,608
Cash flows from investing activities		
Investment income	**1,789**	7
Net cash provided by investing activities	**1,789**	7
Cash flows from capital and related financing activities		
Cash paid for capital assets	**(17,100)**	(1,551,862)
Capital allocations from OSU	**-**	1,500,005
Proceeds from the sale of fixed assets	**30,000**	-
Net cash provided (used) by capital and related financing activities	**12,900**	(51,857)
Net decrease in cash and cash equivalents	**(114,002)**	(123,389)
Cash and cash equivalents at the beginning of year	**316,049**	439,438
Cash and cash equivalents at the end of year	**$ 202,047**	$ 316,049
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	**$ (1,036,781)**	$ (965,526)
Cumulative effect of adopting GASB 68	**(574,361)**	-
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation	**230,711**	168,511
On-behalf contribution to teachers' retirement system	**84,808**	68,234
Changes in assets and liabilities		
Accounts receivable, net	**(39,635)**	-
Prepaid expenses	**5,761**	17,745
Beneficial interest in assets held by OSU Foundation	**(114,125)**	257,580
Accounts payable	**(8,242)**	(3,642)
Pension liability	**488,846**	-
Accrued expenses	**3,977**	356
Accrued compensated absences	**1,243**	(1,669)
Unearned revenue	**9,186**	(202,226)
Payable to Public Radio Capital	**-**	(25,510)
Net cash used by operating activities	**$ (948,612)**	$ (686,147)

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 $57,960 and $43,329 for June 30, 2015 and 2014, 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, 2015 and 2014, 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

Oklahoma State University KOSU-FM Radio Station

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

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 $84,060 and $75,690 were recorded for the years ended June 30, 2015 and 2014, 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

New Pronouncements

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application.* This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value and takes into account the highest and best use for a nonfinancial asset. This Statement is effective for periods beginning after June 15, 2015. Earlier application is encouraged.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* The requirements of the Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statements 68 should not be considered pension plan assets. This Statement is effective for fiscal years beginning after June 15, 2015. Earlier application is encouraged.

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 years beginning after June 15, 2016. Earlier application is encouraged.

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 June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* This supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and the objective is to improve financial reporting. This Statement is effective for periods beginning after June 15, 2015, and should be applied retroactively. 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, 2015 and 2014, the carrying amount of KOSU's cash and cash equivalents was $202,047 and $316,049, respectively. These amounts consisted of deposits with the State Treasurer and U.S. financial institutions.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS – CONTINUED

Cash and Cash Equivalents - Continued

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:

	June 30, 2015
Gross pledge receivable	$ 50,000
Present value discount of 7.11%	(7,865)
Allowance for uncollectible pledge	(2,500)
Accounts receivable, net	$ 39,635

NOTE 4 - UNEARNED REVENUE

Unearned revenue consists of the following at June 30:

	2015	2014
Underwriting	$ 55,200	$ 41,078
Grants and contracts	158,192	163,128
	$ 213,392	$ 204,206

NOTE 5 - CAPITAL ASSETS

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

	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, 2015 and 2014

NOTE 5 - CAPITAL ASSETS - CONTINUED

	2014			
	Balance June 30, 2013	Additions	Disposals	Balance June 30, 2014
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	193,716	5,799	-	199,515
Office machines	1,913	-	-	1,913
Broadcast equipment	299,368	1,058	-	300,426
Fundraising equipment	18,251	-	-	18,251
Programming and production equipment	64,224	-	-	64,224
Automobiles	59,104	-	-	59,104
Towers	1,000,000	1,500,005	-	2,500,005
Transmitter facilities (building and transmitter equipment)	272,459	-	-	272,459
Total other capital assets	2,082,902	1,506,862	-	3,589,764
Accumulated depreciation				
Records and tapes	(173,867)	-	-	(173,867)
Building and leasehold improvements	(69,785)	(14,887)	-	(84,672)
Office machines	(1,913)	-	-	(1,913)
Broadcast equipment	(197,454)	(21,054)	-	(218,508)
Fundraising equipment	(18,254)	-	-	(18,254)
Programming and production equipment	(13,575)	(7,792)	-	(21,367)
Automobiles	(56,501)	(1,300)	-	(57,801)
Towers	(150,000)	(116,666)	-	(266,666)
Transmitter facilities (building and transmitter equipment)	(137,930)	(6,812)	-	(144,742)
Total accumulated depreciation	(819,279)	(168,511)	-	(987,790)
Other capital assets, net	$ 1,263,623	$ 1,338,351	$ -	$ 2,601,974
Capital asset summary				
Capital assets not being depreciated	$ -	$ 45,000	$ -	$ 45,000
Other capital assets, at cost	2,082,902	1,506,862	-	3,589,764
Total cost of capital assets	2,082,902	1,551,862	-	3,634,764
Less accumulated depreciation	(819,279)	(168,511)	-	(987,790)
Net book value	$ 1,263,623	$ 1,383,351	$ -	$ 2,646,974

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, 2015 were as follows:

Year of Grant	Grants Received		Expended as of June 30, 2015	Uncommited Balance at June 30, 2015
10/1/14-16	$ 156,878	*	$ 139,440	$ 17,438
10/1/13-15	122,315	**	101,561	20,754

* 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, 2015 there have been no expenditures against these funds. KOSU anticipates expending all of the funds in the fiscal year ending, June 30, 2016.

NOTE 7 – FUNCTIONAL EXPENSE CLASSIFICATION

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

	2015	2014
Program services		
Programming and production	$ 896,094	$ 815,695
Broadcasting	564,330	608,159
Support services		
Fund-raising	424,200	366,384
Management and general	293,866	264,400
	$ 2,178,490	$ 2,054,638

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.

Oklahoma State University KOSU-FM Radio Station

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

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:

	2015	2014
Contributions and underwriting revenue received	$ 760,595	$ 636,080
Miscellaneous income	-	17,000
Funds expended on behalf of KOSU	(61,940)	(141,561)
	698,655	511,519
Addition to permanent endowment	119,697	-
Investment income	1,789	7
Transfers to KOSU University accounts	(789,200)	(699,481)
	30,941	(187,955)
Net assets held for KOSU, beginning of year	340,646	528,601
Net assets held for KOSU, end of year	$ 371,587	$ 340,646

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.

NOTE 9 – COMMITMENTS AND CONTINGENT LIABILITIES - CONTINUED

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. As of June 30, 2015, the total monthly retainer amount paid was $6,900. 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 $59,457 and $45,342 for the years ended June 30, 2015 and 2014, respectively.

The future minimum lease payments under non-cancelable operating leases at June 30, 2015 are as follows:

Year ending June 30:	
2016	$ 61,000
2017	61,276
2018	56,725
2019	19,100
2020	4,700
2021 - 2025	1,200
	$ 204,001

NOTE 10 – EXPANSION PROJECT

Public Radio Capital ("PRC"), a nonprofit company, acquired a radio station in northeast Oklahoma (KOSN) and built a new broadcast facility in the Oklahoma City vicinity during 2005. The acquisition of the station by PRC was affected through the assignment of a certain Letter of Intent to PRC by KOSU. PRC financed the project through the issuance of revenue bonds with a face amount of $7,000,000. On January 12, 2005, KOSU entered into an option agreement with PRC under which KOSU obtained exclusive rights to acquire the station from PRC for a 20 year period at certain terms as defined in the agreement.

NOTE 10 – EXPANSION PROJECT - CONTINUED

Simultaneous with the execution of the option agreement, KOSU entered into a management agreement to operate the station on behalf of PRC. As consideration to keep the option grant in place, KOSU is required to make certain payments, equaling the debt service requirements on the bonds. During the year, ended September 30, 2010, KOSU chose not to exercise the option and terminated the agreement between KOSU and PRC.

On January 20, 2011, PRC Tulsa-I L.L.C. ("PRC Tulsa"), The Bank of New York Mellon, and Oklahoma State University entered into a Settlement Agreement. In January 2013, the same parties entered into Amendment No. 1 to the Settlement Agreement making the effective date of the Settlement Agreement January 20, 2013 and extending the termination date for the Management Agreement to January 27, 2015.

OSU agreed to continue to maintain, manage, and operate the KOSN-FM station and the two translator stations in accordance with a Restated and Amended Management Agreement for a period of two years from the effective date of the agreement or the sale of the KOSN station and equipment whichever is earlier.

On June 25, 2014, the University ("OSU") purchased the KOSN station and associated FM translator stations from PRC-Tulsa for the sum of $1,500,000 pursuant to an Asset Purchase Agreement ("APA") entered into April 28, 2014. General releases were signed by all parties with respect to any remaining claims or obligations relating to the assets, the Settlement Agreement, and the Management Agreement.

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 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.

NOTE 11 - RISK MANAGEMENT – CONTINUED

- 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. 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, 2014. Beginning January 1, 2015, the University's health care program continued as a self-funded program. 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 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, 2015 and 2014, the contribution rate for the system members of 7.00% is applied to their total compensation. The

NOTE 12 – RETIREMENT PLANS - CONTINUED

local employer contribution rate due from the University was 8.55% for the years ended June 30, 2015 and 2014. 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, 2015 and 2014, 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, 2015 and 2014, the estimated amount contributed to the OTRS by the State on behalf of KOSU was approximately $84,808 and $68,234, 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 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. 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, 2015 through November 23, 2015, the date these financial statements were available to be issued, for potential recognition or disclosure in these financial statements.

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

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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, 2015, and the related notes to the financial statements, which collectively comprise KOSU's basic financial statements, and have issued our report thereon dated November 23, 2015.

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 23, 2015