

OKLAHOMA EDUCATIONAL TELEVISION AUTHORITY

FINANCIAL STATEMENTS

**AS OF AND FOR THE YEAR ENDED
JUNE 30, 2020**

**TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**



Oklahoma Educational Television Authority
Table of Contents
June 30, 2020

AUDITED FINANCIAL STATEMENTS

Management’s Discussion and Analysis (unaudited)	i-v
Independent Auditor’s Report.....	1-2
Financial Statements	
Statement of Net Position	3
Component Unit Statement of Financial Position (Friends of OETA).....	4
Statement of Revenues, Expenses, and Changes in Net Position	5
Component Unit Statement of Activities (Friends of OETA)	6
Statement of Cash Flows	7
Notes to Financial Statements.....	8-20

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

Schedule of OETA’s Proportionate Share of the Net Pension Liability	21
Schedule of OETA’s Contributions	21

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22-23
Schedule of Findings and Questioned Costs.....	24-25

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Oklahoma Educational Television Authority (OETA) financial performance provides an overview of the Authority’s financial activities for the fiscal year ended June 30, 2020.

OETA was created by the Oklahoma Legislature in 1953 to “make educational television services available to all Oklahoma citizens on a coordinated statewide basis”. (O.S. Title 74, section 23-101)

The Federal Communications Commission (FCC) licenses for all of the state-owned educational, non-commercial television transmitters (18) are administered through OETA. Sixteen other states have similar statewide educational television operations and support their networks through state appropriations. OETA receives approximately \$0.70 per citizen in state funding while other state networks receive as much as \$4.26 per citizen to support their educational television operations. Originally, the entire operating budget of OETA was funded by direct appropriation of state dollars. However, as equipment, broadcasting, programming and production expenses have increased and services have been expanded, the proportion of state funding has declined to 30 percent. As a state agency, the operating costs of the Authority are primarily funded through legislative appropriation and a small amount of self-generated funds. From July 1, 2018 to May 15, 2019, programming and development was supported fully by the OETA Foundation based on the 1992 Partnership Agreement between the Authority and the Foundation. Foundation-generated dollars are received from viewers, corporations, foundations and other grants. As of November 15, 2018, Friends of OETA became a legally separate and tax-exempt entity. Friends of OETA was formed to raise funds and support the activities and programs of OETA by receiving, investing, managing, and expending non-state-appropriated funds and properties. On April 23, 2019, OETA and the Friends of OETA entered into an agreement for the Friends of OETA to raise funds and support the activities of OETA. During FY-20, the Friends of OETA provided OETA with funding to cover programming, production, and equipment costs.

This report provides financial statements and related notes reflecting the general administrative, technical and programming activities of the Authority. Under Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and 34*, Friends of OETA is considered a part of the overall reporting entity and its financials are reported separately after each Authority statement. Information relating to Friends of OETA included in the Authority’s accompanying financial statements have been obtained from Friends of OETA’s separately issued audited financial statements. This management discussion and analysis will be restricted to only the Authority’s financial statements. The Authority financial statements include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows.

STATEMENT OF NET POSITION AND STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION, AND STATEMENT OF CASH FLOWS

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide an indication of the Authority’s financial condition. The Statement of Net Position includes all of the Authority’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, using the accrual basis of accounting, as well as an indication about which assets can be utilized for general purposes and which are restricted as a result of legislation and statutes.

The Statement of Revenues, Expenses and Changes in Net Position reports all of the revenues and expenses during the time periods indicated. The Statement of Cash Flows reports the sources and uses of cash.

Statement of Net Position

	FY2020	FY2019
Assets:		
Current asset	\$ 437,877	\$ 196,714
Capital assets, net	<u>4,568,598</u>	<u>5,316,542</u>
Total Assets	5,006,475	5,513,256
Deferred Outflows of Resources:		
Deferred costs on pension plan	263,159	351,649
Liabilities:		
Current liabilities	246,255	281,590
Noncurrent liabilities	<u>387,909</u>	<u>511,976</u>
Total Liabilities	634,164	793,566
Deferred Inflows of Resources:		
Deferred gain on pension plan	74,537	152,622
Net Position:		
Invested in capital assets, net	4,568,598	5,316,542
Unrestricted	<u>(7,665)</u>	<u>(397,825)</u>
Total Net Position	<u>\$ 4,560,933</u>	<u>\$ 4,918,717</u>

Statement of Revenues, Expenses, and Changes in Net Position

	FY2020	FY2019
Operating revenues:		
Grant Revenue passed through:		
OETA Foundation	\$ -	\$ 508,788
Friends of OETA	1,153,285	1,140,873
Telecasting, production and other income	<u>677,157</u>	<u>349,649</u>
Total operating revenues	2,830,442	1,999,310
Operating expenses:		
Programming and Production	1,878,688	1,631,331
Broadcasting and Technical	5,034,882	3,221,345
Depreciation	920,397	1,310,284
Administration	<u>1,551,857</u>	<u>524,249</u>
Total operating expenses	9,385,824	6,687,209
Operating loss	(7,555,382)	(4,687,899)
Non-Operating revenues (expenses):		
State appropriations	2,842,713	2,779,283

Contribution		
OETA Foundation	-	193,108
Friends of OETA, Inc.	3,569,026	38,622
Other	2,161	-
Use of facilities	<u>611,245</u>	<u>379,515</u>
Total Non-Operating revenue (expenses)	7,025,145	3,390,528
Income (loss) before other revenues or expenses	(530,237)	(1,297,371)
Other revenues and expenses:		
Capital contributions:		
Grant funds passed through:		
OETA Foundation	-	59,396
Friends of OETA	172,453	56,095
OETA Foundation capital subsidy	<u>-</u>	<u>-</u>
Total Other revenues and expenses	172,453	115,491
Changes in Net Position	<u>\$ (357,784)</u>	<u>\$ (1,181,880)</u>

Statement of Cash Flows

	FY2020	FY2019
Cash provided (used) by:		
Operating activities	\$(3,835,553)	\$(2,764,895)
Noncapital financing activities	3,794,865	2,779,283
Capital financing activities	<u>-</u>	<u>(35,382)</u>
Net Change in Cash	(40,688)	(20,994)
Cash, beginning of year	<u>178,783</u>	<u>199,777</u>
Cash, end of year	<u>\$ 138,095</u>	<u>\$ 178,783</u>

OVERALL FINANCIAL POSITION

Although considered a “Proprietary Fund” for auditing and reporting purposes under GASB 34, the Oklahoma Educational Television Authority (OETA) does not generate sufficient funding necessary for continued operations and capital equipment improvements that have been required by the Federal Communication Commission for public broadcasting. The Authority requires both public and private funding sources to support its budget.

As noted above, **operating functions are almost entirely dependent upon State General Revenue appropriations**, while program acquisition relies solely on OETA Foundation and Friends of OETA funding. The net operating loss of (\$7,555,382) in FY20 is higher than the (\$4,687,899) in FY19. During FY19, the non-operating support from OETA’s supporting organization totaled \$231,731 and grant pass through was \$1,649,661 while FY20 includes non-operating support of \$3,569,026 and grant pass through of \$1,153,285 from OETA’s supporting organizations. There were additional capital contributions from OETA’s supporting organizations from grant pass through of \$115,491 in FY19, and grant pass through of

\$172,453 in FY20 from OETA's supporting organizations. The additional subsidies were required for operating expenses and capital improvements mostly related to maintenance repairs and equipment needs. As operating costs increase and if no additional state funding is received, this support will need to increase more each year.

FY20 operating revenues which include grants, studio and tower rentals, tape dubbing charges, royalties, and productions reimbursements, account for 20.7% while in FY19 it was 37.1%. Non-operating and other revenues which include state appropriations and contributions from OETA's supporting organizations account for 79.3% of all revenues received in FY20 and 62.9% for FY19. The operating revenues and contributions will need to continue to increase each year if state appropriations continue to decline.

Two important sources of financial support, not directly attributable to state appropriations and OETA's supporting organizations' programming expenditures are the other In-kind Contributions (Channel 9 land & tower rentals) and any other support from the supporting organizations. Both of these revenue sources are vital to the on-going operations of the network.

The Statement of Cash Flows reveals the necessity for General Revenue Appropriations from the state of Oklahoma and any support from OETA's supporting organizations. Operating activities do not generate sufficient cash to fund expenses without these crucial funding sources.

SIGNIFICANT CHANGES IN CAPITAL ASSETS

Each year as broadcasting and ancillary equipment is replaced; OETA's capital assets continue to expand. More information on total capital assets can be found in the notes to the financial statements.

A vigorous effort is made annually to reconcile the asset management system within the statewide network. A physical inventory is done annually and outdated or unusable assets are transferred to OMES – Surplus Property Division during the year for proper disposal. Unfortunately, due to limited operating funds available during each year, assets are only maintained and/or replaced on an emergency basis.

SIGNIFICANT MATTERS AFFECTING FUTURE FINANCIAL OPERATIONS

GRANT FROM CORPORATION FOR PUBLIC BROADCASTING – This grant is called the Community Collaborative for Early Learning Media and was in the amount of \$100,000 to introduce the new Ready to Learn resources to the Oklahoma market through a specific community which was the Northeast Oklahoma City area.

REPLACEMENT OF THE KOET TRANSMITTER – The KOET Channel 31 Harris Sigma CD Transmitter was installed in August of 2003. This transmitter is 15 years old. The Sigma series transmitter is a high power UHF utilizing old IOT tube technology. It is the only transmitter in the OETA network that is still using tube technology. The replacement cost of a tube is between \$36,000 to \$40,000 each. There are two of these tubes in the KOET Sigma CD Transmitter.

The Sigma Transmitter is old tube technology and is not efficient to operate compared to a solid-state transmitter of equal size. The difference in operating expense between our current Sigma transmitter and a GatesAir Solid State transmitter utilizing current solid state amp technology is approximately \$55,000 per year.

This transmitter is remotely located south of Enterprise, Oklahoma and serves the rural population of eastern Oklahoma. OETA will be including a request for one-time funds from the state legislature in the amount of \$475,000 this fiscal year to cover the cost of the KOET transmitter replacement.

OKLAHOMA LEGISLATURE - OETA was granted authority during the 2020 Legislative session to continue operating as a state agency, with appropriated funding, through June 30, 2021.

During the 2014 Legislative session, the Oklahoma State Legislature required OETA submit a plan on how OETA could operate without state appropriations over a three-year, a five-year, or seven-year period. The plan was completed and submitted to the state legislature for consideration.

The plan concludes that eliminating state funding to OETA, whether it's over three years, five years or seven years, will result in the loss of most of OETA's staff, reduced private investments and support, and a severe reduction of local programs. This would make OETA simply a "pass-through" entity of national programs. It would create a reduction in audience, the loss of infrastructure, including rural translators serving smaller Oklahoma communities, which would lead to the loss - probably permanently - of FCC licenses.

OPERATING EXPENSES EXPANDING

As stated in the financial statements and notes, there is much dependency by OETA on its supporting organizations (Friends of OETA starting in FY 19) and other private donors. OETA depends on these sources to fund purchases of programs and continuing capital endeavors. OETA has received appropriation reductions since FY09 totaling more than \$2,415,100 (47%) which makes this need more apparent. Year-to-year, OETA is relying on these sources of funds for maintenance, replacement of digital equipment and personnel cost.

OETA's supporting organizations (OETA Foundation through FY19 and Friends of OETA starting in FY 19) has continued to receive generous donations from individual viewers, foundations, and corporations on behalf of OETA. These supporters are especially pleased to contribute because of the programming they depend on from OETA. Obviously, changes in the local economy, investment returns and/or state funding will disrupt the current balance of income.



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Oklahoma Educational Television Authority
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Oklahoma Educational Television Authority (“OETA” or the “Authority”), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise OETA’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have also audited the financial statements of Friends of OETA, Inc. (“Friends of OETA”), a discretely presented component unit of OETA, as of and for the year ended June 30, 2020. 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. The financial statements of Friends of OETA, a component unit, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Authority as of June 30, 2020, and the respective changes in financial position and, where

HSPG & ASSOCIATES, PC

applicable, cash flows thereof for the year 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 the management's discussion and analysis, schedule of OETA's proportionate share of the net pension liability and schedule of OETA contributions on pages i-v and 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

HSPG & Associates, P.C.

January 14, 2021

OKLAHOMA EDUCATIONAL TELEVISION AUTHORITY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2020

ASSETS

CURRENT ASSETS:

Cash	\$ 138,095
Accounts receivable	20,050
Management fee receivable - Friends of OETA	279,732
Total current assets	437,877

NONCURRENT ASSETS:

Capital assets	
Land	26,272
Buildings and improvements	5,361,586
Broadcast equipment	33,223,512
Transportation equipment	108,853
Office furniture and equipment	784,681
	39,504,904
Less: Accumulated depreciation	(34,936,306)
Total capital assets	4,568,598
Total noncurrent assets	4,568,598
Total Assets	\$ 5,006,475

DEFERRED OUTFLOWS OF RESOURCES

Deferred costs on pension plan	\$ 263,159
--------------------------------	------------

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 43,041
Deferred revenue	120,000
Accrued payroll	1,989
Compensated absences, current portion	81,225
Total current liabilities	246,255

NONCURRENT LIABILITIES:

Pension liability, net	138,788
Deferred revenue	90,000
Compensated absences	159,121
Total liabilities	\$ 634,164

DEFERRED INFLOWS OF RESOURCES

Deferred gain on pension plan due to actuarial differences	\$ 74,537
--	-----------

NET POSITION

Invested in capital assets, net	\$ 4,568,598
Unrestricted	(7,665)
Total net position	\$ 4,560,933

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

OKLAHOMA EDUCATIONAL TELEVISION AUTHORITY
COMPONENT UNIT STATEMENT OF FINANCIAL POSITION (FRIENDS OF OETA, INC.)
AS OF JUNE 30, 2020

ASSETS

Cash and cash equivalents, unrestricted	\$ 4,223,145
Restricted cash and cash equivalents	2,844,839
Pledges receivable	545,548
Other receivables	43,945
Investments	33,124,927
Prepaid expenses	91,449
Fixed assets (net)	<u>2,406,332</u>
TOTAL ASSETS	<u>\$ 43,280,185</u>

LIABILITIES

Accounts payable	<u>\$ 709,649</u>
TOTAL LIABILITIES	<u>709,649</u>

NET ASSETS

Without donor restrictions	
Undesignated	37,319,365
Net investment in fixed assets	<u>2,406,332</u>
	<u>39,725,697</u>
With donor restrictions	<u>2,844,839</u>
TOTAL NET ASSETS	<u>42,570,536</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 43,280,185</u>

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

OKLAHOMA EDUCATIONAL TELEVISION AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

OPERATING REVENUES:

Grant revenue passed through Friends of OETA	\$ 1,153,285
Telecasting, production and other income	677,157
Total operating revenues	1,830,442

OPERATING EXPENSES:

Programming and production	1,878,688
Broadcasting and technical	5,034,882
Depreciation	920,397
Administration	1,551,857
Total operating expenses	9,385,824

Operating loss	(7,555,382)
----------------	-------------

NONOPERATING REVENUES (EXPENSES):

State appropriations	2,842,713
Contributions:	
Friends of OETA	3,569,026
Other	2,161
Use of facilities	611,245

Net nonoperating revenues (expenses)	7,025,145
--------------------------------------	-----------

Income (loss) before other revenues, expenses, gains and losses	(530,237)
---	-----------

Capital contributions:

Grant funds passed through:	
Friends of OETA	172,453

Change in net position	(357,784)
------------------------	-----------

NET POSITION, BEGINNING OF YEAR	4,918,717
--	-----------

NET POSITION, END OF YEAR	\$ 4,560,933
----------------------------------	--------------

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

OKLAHOMA EDUCATIONAL TELEVISION AUTHORITY
COMPONENT UNIT STATEMENT OF ACTIVITIES (FRIENDS OF OETA, INC.)
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUES			
Contributions	\$ 5,132,525	\$ -	\$ 5,132,525
Grants	5,000	1,844,839	1,849,839
Interest and dividends	615,762	-	615,762
Realized and unrealized gain (loss)			
on investments	468,410	-	468,410
Underwriting revenues	133,653	-	133,653
Rental-affiliate	231,730	-	231,730
Royalties	140,932	-	140,932
Other	2,000	-	2,000
Release from restriction	1,325,738	(1,325,738)	-
Total support and revenues	<u>8,055,750</u>	<u>519,101</u>	<u>8,574,851</u>
EXPENSES			
Support to OETA	5,126,494	-	5,126,494
General and administrative	480,460	-	480,460
Fundraising	1,106,828	-	1,106,828
Total expenses	<u>6,713,782</u>	<u>-</u>	<u>6,713,782</u>
CHANGE IN NET ASSETS	1,341,968	519,101	1,861,069
NET ASSETS, BEGINNING OF YEAR	<u>38,383,729</u>	<u>2,325,738</u>	<u>40,709,467</u>
NET ASSETS, END OF YEAR	<u><u>\$ 39,725,697</u></u>	<u><u>\$ 2,844,839</u></u>	<u><u>\$ 42,570,536</u></u>

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

OKLAHOMA EDUCATIONAL TELEVISION AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from telecasting, production, and other income	\$ 275,306
Payments to vendors	(1,030,164)
Payments to employees	(3,080,695)
Net cash flows used in operating activities	<u>(3,835,553)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

State appropriations	2,842,713
Contributions from Friends of OETA and other	952,152
Net cash flows provided by noncapital financing activities	<u>3,794,865</u>

NET CHANGE IN CASH (40,688)

CASH, beginning of year 178,783

CASH, end of year \$ 138,095

**RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH FLOWS FROM OPERATING ACTIVITIES:**

Operating loss	\$ (7,555,382)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Non-cash transactions:	
Depreciation	920,397
In-kind operating expenses	3,230,280
Changes in operating assets and liabilities:	
Accounts receivable	(281,851)
Accounts payable	4,870
Accrued payroll	(2,564)
Deferred revenue	(120,000)
Compensated absences	29,504
Pension liability and related deferred inflows and outflows	(60,807)
Net cash flows used in operating activities	<u><u>\$ (3,835,553)</u></u>

**NONCASH INVESTING, NONCAPITAL FINANCING AND CAPITAL
FINANCING ACTIVITIES:**

Capital assets received from grants passed through Friends of OETA	<u><u>\$ 172,453</u></u>
--	--------------------------

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

OKLAHOMA EDUCATIONAL TELEVISION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2020

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of organization –Oklahoma Education Television Authority (“OETA” or the “Authority”) is an agency of the State of Oklahoma with the purpose of providing public television services to Oklahoma. OETA operates from state appropriations as well as support from Friends of OETA, Inc. (“Friends of OETA”), in-kind contributions by the corporate community, and other educational institutions.

Reporting entity – The financial reporting entity, as defined in section 2600 of the Governmental Accounting Standards Board (“GASB”) Codification of Governmental Accounting and Financial Reporting Standards, includes the accounts of OETA and its discretely presented component unit, Friends of OETA.

Discretely presented component unit – Friends of OETA is a legally separate, tax-exempt component unit of OETA. Friends of OETA was formed to receive funds and support the activities and programs of OETA by receiving, investing, managing, and expending non-state-appropriated funds and properties. Friends of OETA’s board of directors are appointed by OETA and can be removed with or without cause by OETA. Although OETA does not control the timing or amount of receipts from Friends of OETA, the resources held by Friends of OETA can only be used by or on behalf of OETA. Since Friends of OETA’s efforts are to be used to support the Authority, Friends of OETA is considered a component unit of the Authority and is discretely presented in the Authority’s financial statements. Additional and selected disclosures for Friends of OETA are located in this report in Note 8. Complete financial statements for Friends of OETA may be obtained at Friends of OETA’s office at 7403 N. Kelley Avenue, Oklahoma City, Oklahoma 73111.

Friends of OETA is a private nonprofit organization that reports under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to Friends of OETA’s financial information in the Authority’s financial reporting for these differences.

Financial statement presentation – The Authority’s financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statement and Management’s Discussion and Analysis - For State and Local Governments*. The financial statement presentation required by GASB Statement No. 34 provides a comprehensive, entity-wide perspective of the Authority’s assets, liabilities, deferred inflows and outflows of resources, net position, revenues, expenses, changes in net position and cash flows.

Basis of Accounting – For financial reporting purposes, the Authority is considered a proprietary fund. As such, the financial statements use the economic resource measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering products in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of OETA are charges for production and dubbing services, charges for the use of

facilities or employees, certain subsidies or grants from or passed through Friends of OETA and the State of Oklahoma, and broadcast royalties. Operating expenses include the cost of providing these services, administrative expenses and depreciation on capital assets.

Nonoperating revenues include activities that have characteristics of nonexchange transactions as described in section 2450 *Cash Flows Statements* of the GASB Codification. State appropriations and in-kind contributions as well as transactions related to capital and financing activities, noncapital financing activities and investing activities are components of nonoperating revenues and expenses.

When OETA has both restricted or unrestricted resources available for use, it is their policy to use restricted resources first, and then unrestricted resources, as they are needed.

Cash – OETA considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State Treasurer’s Cash Management Program are considered cash equivalents. At June 30, 2020, the carrying amount of OETA’s deposit with the State Treasurer was \$138,095.

By State Statute, the State Treasurer is required to ensure that all State funds are either insured by the Federal Deposit Insurance Corporation, collateralized by securities held by the Federal Reserve Bank, or invested in U.S. government obligations. OETA’s deposits with the State Treasurer are pooled with the funds of other State agencies, and then, in accordance with statutory limitations, placed in financial institutions or invested as the Treasurer may determine in the State’s name.

Receivables and payables – OETA management considers all trade and related party receivables to be fully collectible. As such, there is no provision for potentially uncollectible accounts. Accounts payable represents trade payables payable from both restricted and unrestricted resources.

Capital assets – Capital assets include land, buildings, broadcast equipment, transportation equipment, and office furniture and equipment. Capital assets are defined as assets with an initial, individual cost of more than \$500 and an estimated useful life of at least three years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Donations received from Friends of OETA are recorded at Friends of OETA’s cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life is not capitalized. Depreciation of capital assets is provided over the estimated useful lives of the respective assets on a straight-line basis. Estimated useful lives are as follows:

Buildings and Improvements	5-40 years
Broadcast Equipment	5-15 years
Transportation Equipment	3-5 years
Office Furniture and Equipment	3-10 years

Compensated absences – It is OETA’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The maximum vacation that can be accumulated is 480 hours. There is no liability for unpaid accumulated sick leave since OETA does not have a policy to pay any amounts when employees separate from service. All vacation pay is accrued when incurred.

In-kind contributions – In-kind contributions are recorded as revenue and expenses. The contributions consist primarily of the use of land and facilities of commercial television stations and professional services. These donations are recorded at estimated fair value.

Noncurrent liabilities – Noncurrent liabilities include estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

Deferred revenue – When the Authority receives funds from third parties before they have provided goods or services to the third party, the Authority records those funds as deferred revenue. Upon providing goods or services to the third party, the Authority recognizes these funds into income.

Pensions – Employees of the Authority participate in the Oklahoma Public Employers Retirement Plan (“OPERS” or the “Plan”) which is a multiple employer, cost sharing defined benefit pension plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of OPERS and additions to/deductions from OPERS’s fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, 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.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Net position – OETA’s net position is classified as follows:

Invested in capital assets, net of debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - expendable – consists of resources in which OETA is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted net position – consists of all other net positions that do not meet the above definitions.

Types of Deferred Outflows and Inflows of Resources – Deferred outflows of resources are the consumption of net position that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position. Deferred inflows of resources are the acquisition of net position that is applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position.

2. CAPITAL ASSETS

OETA's capital assets activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Deletions	Transfers/ Adjustments	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 26,272	\$ -	\$ -	\$ -	\$ 26,272
Total capital assets not being depreciated	26,272	-	-	-	26,272
Capital assets being depreciated:					
Building and improvements	5,350,125	11,461	-	-	5,361,586
Broadcast equipment	33,098,984	124,528	-	-	33,223,512
Transportation equipment	108,853	-	-	-	108,853
Office furniture and equipment	748,217	36,464	-	-	784,681
Total capital assets being depreciated	39,306,179	172,453	-	-	39,478,632
Less accumulated depreciation for:					
Building and improvements	(3,374,308)	(111,073)	-	-	(3,485,381)
Broadcast equipment	(29,851,820)	(781,766)	-	-	(30,633,586)
Transportation equipment	(107,789)	-	-	-	(107,789)
Office furniture and equipment	(681,992)	(27,558)	-	-	(709,550)
Total accumulated depreciation	(34,015,909)	(920,397)	-	-	(34,936,306)
Total capital assets being depreciated, net	5,290,270	(747,944)	-	-	4,542,326
Total capital assets	\$ 5,316,542	\$ (747,944)	\$ -	\$ -	\$ 4,568,598

Included in the above totals is \$595,750 at June 30, 2020 in related cost from federal grants for the DTV conversion project that holds liens. OETA has granted a priority reversionary interest in this equipment back to the federal government per grant requirements. These grants expire in September 2021. The liens are for ten-year periods.

3. LEASES

The Authority is involved in various operating leases for office and production space and equipment, translator sites, satellite transponder services, transmission facilities and fiber connections. Leases are generally renewable on a monthly / annual basis or can be canceled within a short timeframe. Rental expense for the year ended June 30, 2020 was \$854,308. Included in rental expense is a subsidy of \$231,730 from OETA's Supporting Organizations for the use of the Tulsa studio. The Tulsa studio was constructed for the use of the Authority; therefore, the Authority will recognize a subsidy for the annual benefit for the use of the studio.

Future minimum lease payments for non-cancelable leases that extend more than one year as of June 30, 2020 are as follows:

2021	\$ 15,600
2022	15,600
2023	15,600
2024	15,600
2025	15,600
Thereafter	<u>1,034,000</u>
	<u>\$ 1,112,000</u>

In February 2017, the Authority entered into a lease agreement to lease the Authority’s excess capacity on various channels to a wireless communications provider at a rate of \$17,000 per month through February 2047. The February 2017 agreement included a \$600,000 incentive fee to be paid to the Authority which is to be repaid on a pro-rata basis if the contract is terminated within the first 60 months. The incentive fee was received by the Authority in July 2017. The Authority recognized \$120,000 of the fee in income during the year ended June 30, 2020. Lease income, excluding the incentive fee, earned by the Authority totaled \$204,000 during the year ended June 30, 2020. Future minimum rental income to be received by the Authority for non-cancelable leases as of June 30, 2020 includes \$204,000 to be received during the years ending through June 30, 2046 and \$119,000 for the year ended June 30, 2047.

4. LONG-TERM LIABILITIES

Long-term liabilities at June 30, 2020 and changes for the fiscal year then ended are as follows:

	Beginning			Ending	Amounts
	Balance	Additions	Reductions	Balance	Due Within
					One Year
Compensated Absences	\$ 210,842	\$ 110,729	\$ (81,225)	\$ 240,346	\$ 81,225
Deferred revenue	330,000	-	(120,000)	210,000	120,000
Pension liability	210,000		(71,212)	138,788	-
Total long-term liabilities	<u>\$ 750,842</u>	<u>\$ 110,729</u>	<u>\$ (272,437)</u>	<u>\$ 589,134</u>	<u>\$ 201,225</u>

Additional information regarding pension liability is included in note 5.

5. RETIREMENT PLANS

General Information about the Pension Plan – Plan description. The following brief description of the Oklahoma Public Employees Retirement System (the “Plan”) is provided for general information purposes only. Participants should refer to Title 74 of the Oklahoma Statutes, Sections 901 through 932 and 935, as amended, for more complete information. The Plan is a multiple employer, cost sharing public employee retirement plan, which is a defined benefit pension plan covering substantially all state of Oklahoma (“State”) employees except employees covered by seven other plans sponsored by the State and also covers employees of participating counties and local agencies. Nearly all new State employees first employed by a Plan participating employer on or after November 1, 2015, will participate in the State’s new defined contribution plan. Therefore, the Plan is closed to nearly all new State employees but remains open to new employees of participating counties and local agencies. The Plan is administered by the Oklahoma Employees Retirement System, a component

unit of the State of Oklahoma. The authority to establish and amend benefit provisions rests with the State Legislature. The supervisory authority for the management and operation of the Plan is the Plan's Board of Trustees, which acts as a fiduciary for investment of the funds and the application of Plan interpretations. The Plan issues a publicly available financial report that includes financial statements and supplementary information for the Plan which can be obtained at www.opers.ok.gov.

Benefits provided: Members qualify for full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of the member's age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member after June 30, 1992, when the member's age and years of credited service equals or exceeds 90 (Rule of 90).

Normal retirement date is further qualified to require that all members employed on or after January 1, 1983 must have six or more years of full-time equivalent employment with a participating employer before being eligible to receive benefits. Credited service is the sum of participating and prior service. Prior service includes nonparticipating service before January 1, 1975, or the entry date of the employer and active wartime military service.

A member with a minimum of ten years of participating service may elect early retirement with reduced benefits beginning at age 55 if the participant became a member prior to November 1, 2011, or age 60 if the participant became a member on or after November 1, 2011.

Disability retirement benefits are available for members having eight years of credited service whose disability status has been certified as being within one year of the last day on the job by the Social Security Administration. Disability retirement benefits are determined in the same manner as retirement benefits, but payable immediately without an actuarial reduction.

Benefits are determined at 2% of the average annual salary received during the highest thirty-six months of the last ten years of participating service, but not to exceed the applicable annual salary cap, multiplied by the number of years of credited service. Members who join OPERS on or after July 1, 2013, will have their salary averaged over the highest 60 months of the last ten years. Normal retirement age under the Plan is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule of 90 if the participant became a member on or after November 1, 2011.

Members who elect to pay the additional contribution rate, which became available in January 2004, will receive benefits using a 2.5% computation factor for each full year the additional contributions are made. In 2004, legislation was enacted to provide an increased benefit to retiring members who were not yet eligible for Medicare. The Medicare Gap benefit option became available to members under age 65 who retired on or after May 1, 2006. Members may elect to receive a temporary increased benefit to cover the cost of health insurance premiums until the member is eligible to receive Medicare. After the member becomes eligible for Medicare, the retirement benefit will be permanently reduced by an actuarially determined amount. The option is irrevocable, must be chosen prior to retirement, and is structured to have a neutral actuarial cost to the Plan.

Members become eligible to vest fully upon termination of employment after attaining eight years of credited service, or the members' contributions may be withdrawn upon termination of employment.

Upon the death of an active member, the accumulated contributions of the member are paid to the member's named beneficiary(ies) in a single lump sum payment. If a retired member elected a joint annuitant survivor option or an active member was eligible to retire with either reduced or unreduced

benefits or eligible to vest the retirement benefit at the time of death, benefits can be paid in monthly payments over the life of the spouse if the spouse so elects.

Upon the death of a retired member, the Plan will pay a \$5,000 death benefit to the member's beneficiary or estate of the member if there is no living beneficiary. The death benefit will be paid in addition to any excess employee contributions or survivor benefits due to the beneficiary.

Legislation was enacted in 1999 which provided a limited additional benefit for certain terminated members eligible to vest as of July 1, 1998. This limited benefit is payable as an additional \$200 monthly benefit upon the member's retirement up to the total amount of certain excess contributions paid by the participant to the Plan. In April 2001, limited benefit payments began for qualified retired members.

Contributions: The contribution rates for the Plan are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates. Each member participates based on their qualifying gross salary earned, excluding overtime. There is no cap on the qualifying gross salary earned, subject to Internal Revenue Service (IRS) limitations on compensation. For 2019, state agency employers contributed 16.5% on all salary, and state employees contributed 3.5% on all salary. Members have the option to elect to increase the benefit computation factor for all future service from 2.0% to 2.5%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service. Those who make the election pay the standard contribution rate plus an additional contribution rate, 2.91% which is actuarially determined. Contributions of \$263,159, \$261,336, and \$276,423 were paid to the pension plan from OETA during the years ended June 30, 2020, 2019, and 2018. As the pension liability reflected in OETA's statements of net position are based on the previous year-end's measurement date, OETA's contributions are recorded in deferred outflows of resources in the year the contribution is paid and applied to the Plan's pension liability in the subsequent year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2020, OETA reported a liability of \$138,788 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. OETA's proportion of the net pension liability was based on the manner in which contributions are made to the Plan by OETA relative to all participating employers' contributions, excluding those to separately finance specific liabilities of an individual employer. At June 30, 2019, OETA's proportion was 0.10420487%. For the year ended June 30, 2020, OETA recognized pension expense (income) of \$202,351.

At June 30, 2020, OETA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 32,659
Net difference between projected and actual earnings on pension plan investments	-	41,878
OETA and employee contributions subsequent to the measurement date	263,159	-
Change in proportion	-	
Total	<u>\$ 263,159</u>	<u>\$ 74,537</u>

\$263,159 reported as deferred outflows of resources related to pensions resulting from OETA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (benefit) as follows:

Year ended June 30:

2021	\$ 3,612
2022	(94,755)
2023	(4,296)
2024	20,902
	<u>\$ (74,537)</u>

Actuarial assumptions: The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Investment return – 7.00% compounded annually net of investment expense and including inflation
- Salary increases – 3.5% to 9.5% per year including inflation
- Mortality rates – Active participants and nondisabled pensioners – RP-2014 Mortality Table projected to 2025 by Scale MP-2016 (disabled pensioners set forward 12 years)
- No annual post-retirement benefit increases
- Assumed inflation rate – 2.75%
- Payroll growth – 3.5%
- Actuarial cost method – Entry age
- Select period for the termination of employment assumptions – 10 years

The actuarial assumptions used in the July 1, 2019 valuation are based on the results of the most recent actuarial experience study, which covered the three-year period ending June 30, 2016. The experience study is dated April 13, 2017.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2016 experience study, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	38.0%	3.8%
U.S. Small Cap Equity	6.0%	4.9%
U.S. Fixed Income	32.0%	1.4%
Non-US Equity	24.0%	9.2%
Total	100.0%	

Discount rate: The discount rate used to measure the total pension liability was 7.00%, net of investment expenses, for 2019. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected through 2114 to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

Sensitivity of OETA’s proportionate share of the net pension liability to changes in the discount rate: The following presents OETA’s proportionate share of the net pension liability calculated using the discount rate of 7.00% for 2019, as well as what OETA’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
OETA's proportionate share of the net pension liability (asset)	\$ 1,249,774	\$ 133,698	\$ (812,521)

Pension plan fiduciary net position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued OPERS financial report.

6. RISK MANAGEMENT

OETA, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program and the state insurance fund, public risk pools. OETA pays an annual premium to the pools for its torts, property and workers compensation insurance coverage. The Oklahoma Risk Management Pool's governing agreements specifies that the Pool will be self-sustaining through member premiums and will reinsure through commercial carrier for claims in excess of specified stop-loss amounts.

7. GRANTS FROM CORPORATION FOR PUBLIC BROADCASTING

OETA receives several grants from the Corporation for Public Broadcasting. Funds from these grants, including the Community Service Grant ("CSG"), are received by Friends of OETA as they have been designated the alternate payee by OETA. As the alternate payee, Friends of OETA receives the funds and disburses them at the discretion of OETA. OETA authorizes certain of its expenses to be paid directly by Friends of OETA from the grant funds received. Authorized disbursements paid by Friends of OETA on behalf of OETA are recorded as revenue by OETA and included in the line item labeled grant revenue passed through Friends of OETA with the offsetting related expenses recorded in the statement of revenues, expenses and changes in net position or in fixed assets on the statement of net position as appropriate. Cash received by OETA from Friends of OETA to pay expenses is recorded in the cash flow statement as cash flows from operating activities. OETA received no grant-funded cash from Friends of OETA during the year ended June 30, 2020.

Cash from grants received by Friends of OETA, but not yet disbursed, is recognized on Friends of OETA's statement of financial position as restricted cash. This cash has not been recognized on OETA's Statement of Net Position. The amount of revenue recognized related to the CSG for the year ended June 30, 2020 totaled \$1,325,738. The restricted cash reported on the Supporting Organization's statement of financial position held on-behalf of OETA at June 30, 2020 totaled \$2,844,839.

8. FRIENDS OF OETA, INC. – DISCRETELY PRESENTED COMPONENT UNIT

Nature of Organization and Summary of Significant Accounting Policies

Organization and nature of activities – Friends of OETA, Inc. (the "Organization" or "Friends of OETA") was incorporated November 13, 2018. The Organization was formed to raise funds and support the activities and programs of the Oklahoma Educational Television Authority ("OETA") by receiving, investing, managing, and expending non-state-appropriated funds and properties. The Organization's board of directors are appointed by OETA and can be removed with or without cause by OETA.

Basis of accounting – The financial statements of the Organization have been prepared utilizing the accrual basis of accounting and accordingly reflect all significant receivables, payables, and liabilities.

Basis of presentation – Net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Organization reports information regarding its financial position and activities as follows:

Net assets without donor restrictions - Net assets available for use in general operations that are not subject to donor-imposed restrictions.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At June 30, 2020, all net assets with donor restrictions are from grant revenues received from the Corporation for Public Broadcasting.

Contributions and promises to give – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization provides for probable uncollectible amounts through a provision for bad debt and an adjustment to a valuation allowance based on its assessment of the current status of the individual pledges.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Accounting Estimates – Estimates that are particularly susceptible to significant change include the allowance for doubtful accounts and valuation of investments. The allowance for doubtful accounts is subject to credit risk. Investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with these financial instruments, it is reasonably possible that changes in the values of these assets will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements. Significant fluctuations in fair values could occur from year to year and the amounts the Organization will ultimately realize could differ materially.

Cash and cash equivalents – For purposes of the statement of cash flows, the Organization considers all highly liquid investments not included in the Organization’s investment accounts with an initial maturity of three months or less to be cash equivalents.

Restricted cash and cash equivalents – Restricted cash represents funds received from third parties who require such funds to be maintained separately for restricted use as directed by the third parties.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or use) in the reporting period in which the income and gains are recognized.

Fixed assets and depreciation – Fixed assets include transportation equipment, furniture, computers and equipment, and buildings and improvements. Expenditures for major additions and improvements are capitalized as determined on a case-by-case basis by the Executive Director with minor replacements, maintenance, and repairs charged to expense as incurred. Fixed assets are stated at cost or, in the case of donated fixed assets, at their estimated fair value at the date of receipt.

Depreciation of fixed assets is provided over the estimated useful lives of the respective assets on a straight-line basis. Estimated useful lives of fixed assets are as follows:

Transportation equipment	3 years
Furniture, computers and equipment	3-15 years
Buildings and improvements	5-40 years

Fair Value Measurements – The Organization follows ASC Topic 820, Fair Value Measurements, which provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The inputs to the three levels of the fair value hierarchy under Topic 820 are described as follows:

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from, or corroborated by, observable market data by correlation to other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Unobservable and significant to the fair value measurement.

Financial assets subject to fair value measurement disclosure requirements include investments. The Organization has no liabilities carried at fair value on a recurring basis and no assets or liabilities carried at fair value on a non-recurring basis at June 30, 2020.

Functional allocation of expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Costs are reported as support to OETA, general and administrative, and fundraising based on evaluations of the related activities. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Concentration of credit risk – The Organization’s cash and cash equivalents held in bank deposit accounts, at times, may exceed federally insured limits. At June 30, 2020, the Organization had \$6,571,689 of deposits in excess of FDIC insured limits. The Organization has not experienced any losses on such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

For the period ended June 30, 2020, substantially all of the Organization’s grant revenue was received from the Corporation for Public Broadcasting.

Income Taxes – The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for any income that the Organization generates from an unrelated trade or business which is subject to federal corporate taxes on income. The Organization is classified as a Type I supporting organization of OETA under internal revenue code section 509(a)(3).

Subsequent events – The Organization has evaluated subsequent events through January 14, 2021, which is the date the financial statements were available to be issued.

Pledges Receivable

Pledges receivable are unrestricted. These unconditional promises to give are expected to be received by the Organization in less than one year and are reported net of an allowance of \$167,586 at June 30, 2020. Unconditional promises to give are primarily from individuals located throughout the state of Oklahoma.

Fair Value Measurements

Fair values of assets measured on a recurring basis at June 30, 2020, are as follows:

	Carrying Value	Total Fair Total	Fair Value Measurements		
			Level 1	Level 2	Level 3
ASSETS					
Investments:					
Cash and money market funds	\$ 198,608	\$ 198,608	\$ -	\$ -	\$ -
Mutual funds:					
Equity	19,052,244	19,052,244	19,052,244	-	-
Fixed income	7,468,707	7,468,707	7,468,707	-	-
Alternative	4,757,024	4,757,024	4,757,024	-	-
Cash and cash equivalents	1,648,344	1,648,344	1,648,344	-	-
Total Investments	33,124,927	33,124,927	32,926,319	-	-
Total assets accounted for at fair value	\$ 33,124,927	\$ 33,124,927	\$ 32,926,319	\$ -	\$ -

Investments: Level 1, the fair values of mutual funds are based on quoted market prices for active markets, where available. There were no transfers between classes.

* * * * *

OKLAHOMA EDUCATIONAL TELEVISION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION -- UNAUDITED
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

SCHEDULE OF OETA'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Fiscal year ended	OETA's proportion of the net pension liability	OETA's proportionate share of the net pension liability	OETA's covered- employee payroll	OETA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
6/30/2020	0.1042%	\$ 138,788	\$ 2,046,844	6.78%	98.63%
6/30/2019	0.1077%	210,000	1,891,703	11.10%	97.96%
6/30/2018	0.1044%	564,719	1,875,176	30.12%	94.28%
6/30/2017	0.1096%	1,087,088	1,688,489	64.38%	89.48%
6/30/2016	0.1284%	461,981	1,969,206	23.46%	96.00%
6/30/2015	0.1286%	236,029	2,275,912	10.37%	97.90%

SCHEDULE OF OETA'S CONTRIBUTIONS

Fiscal year ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	OETA's covered- employee payroll	Contributions as a percentage of covered-employee payroll
6/30/2020	\$ 263,159	\$ (263,159)	-	\$ 2,046,844	12.86%
6/30/2019	261,336	(261,336)	-	1,891,703	13.81%
6/30/2018	276,423	(276,423)	-	1,875,176	14.74%
6/30/2017	284,251	(284,251)	-	1,688,489	16.83%
6/30/2016	322,459	(322,459)	-	1,969,206	16.38%
6/30/2015	371,848	(371,848)	-	2,275,912	16.34%
6/30/2014	359,437	(359,437)	-	2,153,255	16.69%
6/30/2013	372,047	(372,047)	-	2,236,757	16.63%
6/30/2012	371,047	(371,047)	-	2,235,945	16.59%
6/30/2011	387,079	(387,079)	-	2,474,962	15.64%

See independent auditor's report.



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

To the Board of Directors
Oklahoma Educational Television Authority
Oklahoma City, Oklahoma

We have audited the financial statements and discretely presented component unit of the Oklahoma Educational Television Authority (“OETA” or the “Authority”), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated January 14, 2021. 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. The financial statements of Friends of OETA, Inc. (“Friends of OETA”) were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Friends of OETA.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2020-001 and 2020-002, that we consider to be material weaknesses.

HSPG & ASSOCIATES, PC

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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*.

Authority's Response to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

HSPG & Associates, P.C.

January 14, 2021

OKLAHOMA EDUCATIONAL TELEVISION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

2020-001

Finding: The Authority's financial statements were materially misstated for reporting in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP).

Criteria: Reporting in accordance with US GAAP requires recognition of economic transactions beyond a cash basis of accounting including appropriate accrual of accounts receivable, accounts payable and other liabilities, fixed assets, in-kind contributions, etc.

Condition: The Authority did not implement their fiscal year-end close process for the year ended June 30, 2020, to record entries necessary to convert the Authority's day-to-day cash basis accounting records to an accrual basis of accounting in accordance with U.S. GAAP.

Cause: The Authority did not implement its year end procedures to record all necessary adjustments to convert from cash to accrual basis of accounting.

Effect: Material misstatements were pervasive throughout the Authority's financial statements for reporting in accordance with U.S. GAAP.

Recommendation: The Authority should consider reviewing, updating as necessary, and implementing their annual financial statement close procedures to ensure materially accurate financial reporting in accordance with U.S. GAAP.

Response and Corrective Action Plan: OETA management agrees with the above finding. During FY-20, OETA focused its efforts on implementing a general ledger system for the Friends of OETA. In February 2020, OETA ended a third-party administrator agreement for accounts payable, claims processing, vendor payments, monthly reconciliation, and other accounting services. OETA hired an account clerk and created a system for the services previously provided by the third-party administrator. In addition, all activities (including monthly investment activities) became a part of the monthly reconciled general ledger. During FY-21, OETA plans to contract with a CPA specialist to review the Friends of OETA and OETA current systems and make recommendations for an annual financial reporting close schedule to implement for the next annual financial statement audit to help correct this situation.

OKLAHOMA EDUCATIONAL TELEVISION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

2020-002

Finding: The Authority's general ledger cash accounts were understated by \$90,342 as of June 30, 2020.

Criteria: The cash balances in the general ledger should be reconciled to third party statements provided by Office of State Finance on a monthly basis.

Condition: As of June 30, 2020, the Authority's cash general ledger balances did not reconcile to the Office of State Finance.

Cause: Based on research during the June 30, 2020 audit, the cash audit adjustment provided to the Authority at the conclusion of the June 30, 2019 audit was recorded twice.

Effect: Cash was materially understated as of June 30, 2020.

Recommendation: As part of a month-end financial reporting close process, the Authority should reconcile the cash accounts per their general ledger to the cash reported as available by the Office of State Finance.

Response and Corrective Action Plan: OETA management agrees with the above finding. During FY-20, OETA focused its efforts on implementing a general ledger system for the Friends of OETA. In February 2020, OETA ended a third-party administrator agreement for accounts payable, claims processing, vendor payments, monthly reconciliation, and other accounting services. OETA hired an account clerk and created a system for the services previously provided by the third-party administrator. In addition, all activities (including monthly investment activities) became a part of the monthly reconciled general ledger. During FY-21, OETA plans to contract with a CPA specialist to review the Friends of OETA and OETA current systems and make recommendations for an annual financial reporting close schedule to implement for the next annual financial statement audit to help correct this situation.