

KTSU-FM RADIO
(A COMPONENT OF TEXAS SOUTHERN UNIVERSITY)

FINANCIAL STATEMENTS

For the Years Ended August 31, 2022 and 2021

KTSU-FM RADIO
(A COMPONENT OF TEXAS SOUTHERN UNIVERSITY)

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INDEPENDENT AUDITORS' REPORT

To the Executive Administration
KTSU – FM Radio
Texas Southern University
Houston, Texas

Opinion

We have audited the accompanying financial statements of KTSU-FM Radio (a nonprofit organization), which comprise the statement of financial position as of August 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KTSU-FM Radio as of August 31, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of KTSU-FM Radio and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about KTSU-FM Radio's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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 auditors' 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 auditors consider 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.

Report on Summarized Comparative Information

We have previously audited the KTSU-FM Radio's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 20, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2023, on our consideration of KTSU-FM Radio'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 KTSU-FM Radio'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 KTSU-FM Radio's internal control over financial reporting and compliance.

Bruno & Tervalon, LLP

New Orleans, LA
January 24, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

KTSU-FM RADIO
(A Component of Texas Southern University)
Management's Discussion and Analysis
For the Year Ended August 31, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report for KTSU-FM Radio (the "Station") presents our discussion and analysis of the financial performance of the Station for the year ended August 31, 2021 in comparison with prior year's financial results. This discussion and analysis have been prepared by the management along with the financial statements and related note disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. This discussion and analysis are designed to focus on current activities, resulting changes and current known facts. The financial statements, footnotes and this discussion are the responsibility of management.

We encourage readers to consider the information presented here in conjunction with the basic financial statements, which follow this section.

A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY TEXAS SOUTHERN UNIVERSITY

The Station is a broadcast service of Texas Southern University; an agency of the State of Texas governed by the Board of Regents, appointed by the Governor.

The organization is committed to:

Maintaining the highest possible professional standards of program content and present technical quality within the broadcast industry in affirmation of its leadership role in the public radio community, measured by traditional standards of audience and budget size;

Improving the quality of life for the university and the community by increasing their awareness of the beauty, richness and depth of our cultural heritage through the presentation of jazz and other music feature;

Providing its listeners with thoughtful, thorough, and well-balanced coverage of news and current events. As well as educational, social and cultural issues that impact their lives through university and community-based programs.

Improving partnerships with community organizations to advance and enrich the cultural life of metropolitan Houston through the broadcast of community-based activities;

Promoting the resources and services of the university to the community at large through educationally produced programming; and

Providing training for Texas Southern University's telecommunications students.

KTSU began operations in June of 1972 providing non-commercial schedules of jazz music and other special programming 24 hours a day.

The Station is funded by community support through membership campaigns and donations, by special events, Texas Southern University and through a grant from the Center for Public Broadcasting (CPB).

KTSU-FM RADIO
(A Component of Texas Southern University)
Management's Discussion and Analysis (continued)
For the Year Ended August 31, 2022

REPORTING ENTITY

The Station is licensed to the Board of Regents of Texas Southern University and operates within the University's Advancement Division. The assets, liabilities and net position of the Station are included within the Annual Financial Report (AFR) issued by Texas Southern University. The Texas Southern University Foundation (the Foundation) is a legally separate, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation was organized in 1947 for the purpose of raising funds to support program and activities designed to advance, promote, or otherwise benefit Texas Southern University and its various departments which include KTSU. The Foundation is the primary gift-receiving arm of KTSU; it collects membership, corporate sponsorships and special events revenue on behalf of KTSU. The Foundation also pays some of KTSU's expenses and forwards the net proceeds to the University for funding of the station's day-to-day operations. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB) and the *Principles of Accounting and Financial Reporting for Public Telecommunications Entities*.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of two sections: introductory and financial. The financial section includes notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The Station's financial report includes three financial statements: the statement of net position, the statement of revenue, expenses, and changes in net position and the statement of cash flows - direct method. The financial statements presented focus on the financial condition, the results of operation and cash flows of the Station taken as a whole. These financial statements are presented in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*.

Statement of Net Position. One of the most important questions asked about the Station's finances is "Is the Station better off or worse off as a result of the year's activities?" The Statement of Net Position includes all of the Station's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Station and assessing the liquidity and financial flexibility of the Station.

Statement of Revenues, Expenses and Changes in Net Position. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the Station's operations over the past year and can be used to determine whether the Station has successfully recovered all its costs through its grant, membership, underwriting and university support.

KTSU-FM RADIO
(A Component of Texas Southern University)
Management's Discussion and Analysis (continued)
For the Year Ended August 31, 2022

These two statements report the Station's net position by component and changes in those components. Analyzing the Station's net position - the difference between assets and liabilities – is one way to measure the Station's financial health, or financial position. Over time, increases or decreases in the Station's net position are one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as the condition of the authority's distribution system, assess the overall health of the Station.

Statement of Cash Flows. The primary purpose of the statement is to provide information about the Station's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where cash came from, what was cash used for, and what was the change in cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE STATION

The Station's total net position decreased from \$1,752,167 to \$1,658,843 for the year ended August 31, 2022. The analysis focuses on the net position (Condensed Statement of Net Positions) and changes in net position (Combined Statement of Revenue, Expenses, and Changes in Net Position). Unrestricted net position decreased by \$560,724 from \$1,752,167 to \$1,658,843 for the year ended August 31, 2022. Unrestricted net position represents assets that can be used to finance day-to-day operations without constraint.

Condensed Statement of Net Position

	Year End 2022	Year End 2021
Current Assets	\$ 55,409	\$ 180,514
Noncurrent Assets	<u>1,724,349</u>	<u>1,571,653</u>
Total Assets	<u>1,779,758</u>	<u>1,752,167</u>
Current Liabilities	<u>120,916</u>	<u>-</u>
Total Liabilities	<u>120,916</u>	<u>-</u>
Unrestricted	<u>1,658,842</u>	<u>1,752,167</u>
Total Net Position	<u>1,658,842</u>	<u>1,752,167</u>
Total Liabilities and Net Position	<u><u>\$ 1,779,758</u></u>	<u><u>\$ 1,752,167</u></u>

KTSU-FM RADIO
(A Component of Texas Southern University)
Management's Discussion and Analysis (continued)
For the Year Ended August 31, 2022

Condensed Statement of Revenue, Expenses, and Changes in Net Position

	Year End 2022	Year End 2021
Operating Revenues	<u>\$ 1,610,564</u>	<u>\$ 2,300,806</u>
Total Revenues	<u>1,610,564</u>	<u>2,300,806</u>
Program Services	<u>1,703,889</u>	<u>1,748,428</u>
Total Expenses	<u>1,703,889</u>	<u>1,748,428</u>
Changes in Net Position	(93,325)	552,378
Beginning Net Position	<u>1,752,167</u>	<u>1,199,789</u>
Ending Net Position	<u><u>\$ 1,658,842</u></u>	<u><u>\$ 1,752,167</u></u>

Operating revenues decreased \$690,242 (43%) from \$2,300,806 to 1,610,564 for the year ended August 31, 2022, due primarily to a decrease in CAREs Stabilization Grant and the Community Service Grant provided by Corporation of Public Broadcasting.

Expenses decreased \$44,539 (3%) from \$1,748,428 to \$1,703,889 mainly due to an increase in general and administrative fees.

CONTACTING THE STATION'S FINANCE MANAGEMENT

This financial report is designed to provide our donors, members, investment managers, foundation and taxpayers with a general overview of the Station's finances and to show the Station's accountability for the funds it receives. If you have questions regarding this report or need additional financial information or data contact management at the following address: KTSU-FM Radio, 3100 Cleburne Street, Houston, TX 77004.

BASIC FINANCIAL STATEMENTS

KTSU-FM RADIO
(A Component of Texas Southern University)

STATEMENT OF NET POSTION
For the Year Ended August 31, 2022
(with comparative financial information as of August 31, 2021)

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ -	\$ 28,455
Pledges receivable from the TSU Foundation, net	26,325	64,533
Grants receivable	<u>29,084</u>	<u>87,526</u>
Total current assets	<u>55,409</u>	<u>180,514</u>
NONCURRENT ASSETS		
Assets held by others	1,667,131	1,506,613
Capital asset equipment, net	<u>57,218</u>	<u>65,040</u>
Total noncurrent assets	<u>1,724,349</u>	<u>1,571,653</u>
Total assets	<u><u>\$ 1,779,758</u></u>	<u><u>\$ 1,752,167</u></u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts payable	\$ 650	\$ -
Overdrawn cash	120,266	-
Unearned revenue	<u>-</u>	<u>-</u>
Total liabilities	<u>120,916</u>	<u>-</u>
NET POSITION		
Unrestricted net position	<u>1,658,842</u>	<u>1,752,167</u>
Total net position	<u>1,658,842</u>	<u>1,752,167</u>
Total liabilities and net position	<u><u>\$ 1,779,758</u></u>	<u><u>\$ 1,752,167</u></u>

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

KTSU-FM RADIO
(A Component of Texas Southern University)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSTION
For the Year Ended August 31, 2022
(with comparative financial information for the year ended August 31, 2021)

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Community service grant from Corporation for Public Broadcasting	\$ 195,292	\$ 427,914
CARES stabilization grant	-	218,854
Membership donations and pledges	244,599	360,562
Rental income	41,976	41,976
State appropriations and other University support	790,537	867,085
Contribution grants from TSU Foundation	<u>338,160</u>	<u>384,415</u>
 Total operating revenues	 <u>1,610,564</u>	 <u>2,300,806</u>
 OPERATING EXPENSES		
Programming and production	628,211	628,721
Broadcasting	277,319	222,723
In - kind general and administrative	790,537	867,085
Depreciation expense	7,822	12,191
Bad debt expenses	<u>-</u>	<u>17,708</u>
 Total operating expenses	 <u>1,703,889</u>	 <u>1,748,428</u>
 Operating income (loss)	 <u>(93,325)</u>	 <u>552,378</u>
 Change in net position	 (93,325)	 552,378
 Total net position, beginning	 <u>1,752,167</u>	 <u>1,199,789</u>
 Total net position, ending	 <u><u>\$ 1,658,842</u></u>	 <u><u>\$ 1,752,167</u></u>

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

KTSU-FM Radio
(A Component of Texas Southern University)

STATEMENT OF CASH FLOW
For Year Ended August 31, 2022

Cash Flows From Operating Activities:	2022	2021
Proceeds from Corporation for Public Broadcasting grants	\$ 195,292	\$ 172,132
Proceeds from membership donations and others	244,599	2,222
Proceeds from rental income	41,976	41,976
Proceeds from TSU Foundation grants	338,160	124,127
Payments to employees	(295,582)	(253,532)
Payments to vendors & other expenses	(673,167)	(195,939)
Net cash used in operating activities	<u>(148,722)</u>	<u>(109,014)</u>
 Cash Flows From Capital and Related Financing Activities		
Purchase of capital assets	<u>-</u>	<u>(56,184)</u>
Net cash used in capital activities	<u>-</u>	<u>(56,184)</u>
 Increase (decrease) in cash	(148,722)	(165,198)
Cash at beginning of year	<u>28,455</u>	<u>193,653</u>
Cash at end of year	<u><u>\$ (120,267)</u></u>	<u><u>\$ 28,455</u></u>
 Reconciliation of Operating Income to Net Cash Used in Operating Activities:		
Operating income	\$ (93,325)	\$ 552,378
Adjustments to reconcile net position to net cash used in operating activities:		
Depreciation	7,822	12,191
Decrease (increase) in grant receivable	58,442	152,473
Decrease (increase) in pledges receivable, net	38,207	(31,415)
Decrease (increase) in asset held by other	(160,518)	(758,805)
Increase (decrease) in accounts payable	650	(7,490)
Increase (decrease) in unearned revenues	28,346	(28,346)
Total adjustments	<u>(27,051)</u>	<u>(661,392)</u>
Net cash used in operating activities	<u><u>\$ (120,376)</u></u>	<u><u>\$ (109,014)</u></u>

Supplementary disclosure of cash flow information:

1. There was no interest paid during the year.
2. There was no non-cash investing or financing transactions.

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

KTSU-FM RADIO
(A Component of Texas Southern University)
Notes to the Basic Financial Statements
For the Years Ended August 31, 2022

Note 1 – Summary of Significant Accounting Policies

KTSU-FM Radio (the “Station”) is a major component of outreach for Texas Southern University, an agency of the State of Texas, in Houston, Texas providing the community-at-large with non-commercial schedules of jazz music programming and other special programming 24 hours a day. It was founded on June 23, 1972. The financial statements of KTSU-FM Radio have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The station applies all GASB pronouncements. The more significant of the stations accounting policies are described below.

Reporting Entity

KTSU-FM Radio is licensed and operated by Texas Southern University in Houston, Texas. The station has the responsibility to establish and operate a statewide public radio network and is the license of one public radio station. All amounts contained in this report are included in the financial statements of the University. As KTSU-FM Radio is part of the University, it is exempt from federal and state income taxes. The Foundation is the primary gift-receiving arm of KTSU; it collects membership, corporate sponsorships and special events revenue on behalf of KTSU. The Foundation also pays some of KTSU’s expenses and forwards the net proceeds to the University for funding of the station’s day-to-day operations. The KTSU financial statements reflect amounts due from the TSU Foundation at the end of the fiscal year.

Basis of Accounting and Presentation

Government Accounting Standards Board Statement No. 34 requires special purpose governments engaged only in business-type activities to present only the financial statements required for Enterprise Funds. For these governments, basic financial statements and required supplementary information consist of a Management Discussion and Analysis (MD&A), Enterprise Fund financial statements, notes to financial statements, and required supplementary information other than MD&A, if applicable.

KTSU-FM Radio’s basic financial statements are presented as a single Enterprise Fund. This Enterprise Fund accounts for the acquisition, operation and maintenance of facilities and services and is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund is accounted for using the accrual basis of accounting. Its revenue is recognized when it is earned, and its expenses are recognized when they are incurred.

Required fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits in banks.

KTSU-FM RADIO
(A Component of Texas Southern University)
Notes to the Basic Financial Statements (Continued)
For the Years Ended August 31, 2022

Revenue Recognition

Revenue is recognized when earned and expenditures are recognized when the service is provided. Restricted grant revenue is recognized only to the extent expended. Operating revenue of the Station consists of general appropriations from the University, contributions, underwriting, auxiliary enterprise revenue, community service and outreach grants.

Pledge Receivable

Unconditional promises to give are recognized as revenue in the period in which a written or oral agreement to contribute cash or other assets is received. An allowance for doubtful accounts is established based on the prior collection history of pledged contributions and management's analysis of specific promises made. Promises that remain uncollected more than two year are written off unless the donors indicate that payment is merely postponed.

Assets held by others

The TSU Foundation holds funds for KTSU at the end of the fiscal year.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Assets acquired by gift or bequest are recorded at their fair market values at the date of transfer. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Depreciation has been computed on a straight-line method using composite rates based on 5 years for equipment. Depreciation expense for the years ended August 31, 2022, was \$7,822 and 2021 was \$12,191.

Compensated Absences

Employees are entitled to paid vacation, paid sick days, and personal days off depending on length of service and other factors. Other than vacation, compensated absences do not vest and are recorded as expenses when paid.

Uses 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

KTSU-FM RADIO
(A Component of Texas Southern University)
Notes to the Basic Financial Statements (Continued)
For the Years Ended August 31, 2022

Net Position

KTSU-FM Radio's net position is classified as follows:

- *Net investment in capital assets* - This represents the station's total investment in capital assets.
- *Restricted net position* - The component of net position that reports the constraints placed on the use of net assets by either external parties and/ or enabling legislation.
- *Unrestricted net position* - Unrestricted net position represents resources derived from grants, membership donations, underwriting, and University support. These resources are used for transactions relating to the educational and general operations of the station and may be used to meet current expenses or for any other purpose.

It is the station's policy to expend restricted resources first and to use unrestricted resources when the restricted resources have been depleted.

Contributions

Contributions including unconditional promises to give, and membership receipts are recognized as revenue in the period received or given. Voluntary non-exchange transactions (pledges) are recognized in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*. GASB Statement No. 33 requires recognition of the entire pledge in the first period that use is permitted, and all applicable eligibility requirements have been satisfied. Such pledges are recorded net of allowance for uncollectible pledge. However, uncollected pledges are not enforceable against contributors. Contributions are components of the unrestricted operating fund in as much as their usage is not limited to specific activities of the station. This usage is consistent with appeals for contributions.

In Kind Contributions

Contributed materials, supplies, facilities, and property are recorded at their estimated fair value at the date of donation. The station reports gifts of equipment, professional services, materials, and other nonmonetary contributions as unrestricted revenue in the accompanying statements of revenue, expenses, and changes in net position.

If the fair value of contributed materials, supplies, facilities, and property cannot be reasonably determined they are not recorded. Donated personal services of nonprofessional volunteers, as well as national and local programming services, are not recorded as revenue and expense as there is no objective basis available to measure the value of such services.

Rental Income

The Station receives rental income by renting space on the radio tower.

KTSU-FM RADIO
(A Component of Texas Southern University)
Notes to the Basic Financial Statements (Continued)
For the Years Ended August 31, 2022

Donated Materials and Services

Donated materials are recorded at fair market value at the date of the donation. Donated services that create or enhance nonfinancial assets or require specialized skills are recognized as revenues and corresponding expenses. Donated services that do not meet the above conditions are not recognized.

Corporation for Public Broadcasting Community Service Grants

The Corporation for Public Broadcasting (“CPB”) is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities 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). In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years.

Certain *General Provisions* must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These *General Provisions* pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

The CSGs are reported on the accompanying financial statements as increases in temporarily restricted net position until satisfaction of the time and purpose restrictions, after which they are reported as a release from temporarily restricted net position and an increase in unrestricted net position.

Program and Production Underwriting

Revenue for program underwriting is recorded on a pro-rata basis for the period covered, and for production underwriting on an estimated percentage-of-completion basis.

Operating Activities

The Station’s policy for defining operating activities as reported on the statement of revenues, expenses, and changes in net position are those that generally result from the provision of public broadcasting and from the production of program material for distribution in those services. Revenues associated with, or restricted by donors to use for, capital improvements, and revenues and expenses that result from financing and investing activities are recorded as non - operating revenues.

Note 2 – Cash and Cash Equivalents

On August 31, 2022, the Station’s share of pooled cash maintained by the University was \$0.

Note 3 – Pledges Receivable

Pledges receivable represents unconditional promises to give to the Station via the TSU Foundation and as of August 31, 2022, net pledges receivable totaled \$26,325.

KTSU-FM RADIO
(A Component of Texas Southern University)
Notes to the Basic Financial Statements (Continued)
For the Years Ended August 31, 2022

Note 4 – Grant Receivable

The Station received funding from Corporation for Public Broadcasting. As of August 31, 2022, grant receivable totaled \$29,084.

Note 5 – Capital Assets

Capital asset activity for the year ending August 31, 2022, was as follows:

Capital Assets Being Depreciated	Beginning Balance	Additions	Deductions	Ending Balance
Property, plant and equipment	\$ 319,141	\$ -	\$ -	\$ 319,141
Less: Accumulated Depreciation	(254,101)	(7,822)	-	(261,923)
Total property, plant and equipment, net	<u>\$ 65,040</u>	<u>\$ (7,822)</u>	<u>\$ -</u>	<u>\$ 57,218</u>

Note 6 – Unearned Revenue

As of August 31, 2022, the Station had no unearned revenue.

Note 7 – Nonfederal Financial Support (NFFS)

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on NFFS. NFFS is defined as the total value of cash and the fair market value of property and services received as either a contribution or a payment and meeting all of the respective criteria for each.

A “contribution” is cash, property or services given to a public broadcasting entity for general operations purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution or dissemination of educational television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

A “payment” is cash, property or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state, and educational institution or organization or a nonprofit entity; (2) the form of the payment must be appropriations or contract payment in exchange for specific services or materials; (3) the purpose must be for a related activity of the public broadcast station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

KTSU-FM RADIO
(A Component of Texas Southern University)
Notes to the Basic Financial Statements (Continued)
For the Years Ended August 31, 2022

Note 8 - Community Service Grant (CSG)

The station receives a Community Service Grant (CSG) from the Corporation for Public Broadcasting annually. The Community Service Grants received and expended during the most recent fiscal years are as follows:

Year of Grant	Grants Received	Expended			Uncommitted Balance at Year End
		2020	2021	2022	
2020	\$ 142,776	\$ 114,430	\$ -	\$ -	\$ 28,346
2021	172,173	28,346	172,173	-	-
2022	195,200	-	-	195,292	-

Note 9 - State Appropriations

State appropriations and other university support include financial resources provided to the station through budgetary authorizations of Texas Southern University. The resources utilized were as follows:

	<u>2022</u>	<u>2021</u>
Texas Southern University	\$ 790,537	\$ 867,085

Note 10 - Contributed Support

Contributed support represents expenses paid on behalf of the station by others outside the station, and includes contributed professional services, donated materials or facilities, and indirect administrative support. The amount of contributed services is reflected as revenues in the accompanying statement of revenues, expenses and changes in net position. As expenses of an equivalent amount are also recognized, there is no impact on net position.

University Support

Texas Southern University provided funding and support to the Station during 2022. KTSU- FM Radio occupies a separate building provided by the University. Management estimates the value of the use of the building to be \$13,101 per month (\$157,212 annual). This amount is reported as rent expense for each year. In addition, the University pays the electricity for the building occupied by KTSU-FM.

A total of \$50,993 are reported in the 2022 financials as utility expense, respectively. The University provides State funded support and local fund support in the amount of \$582,322 to KTSU-FM Radio for 2022.

These amounts are reported in the various expense categories including personnel and benefit costs.

KTSU-FM RADIO
(A Component of Texas Southern University)
Notes to the Basic Financial Statements (Continued)
For the Years Ended August 31, 2022

<u>Expense</u>	<u>2022</u>
Personnel (paid for with TSU Funds)	\$ 582,322
Utilities	50,993
Rent	157,212
Total	<u>\$ 790,527</u>

In-kind Support

In exchange for radio advertising, KTSU-FM Radio obtained in-kind services in the amount of \$0 from program underwriters during the fiscal year 2022. The value of the revenue recorded is determined by the fair market value of the services provided as determined by management.

Note 11 – Defined Benefit Pension Plan

No provision has been made in these financial statements for a defined benefit pension liability. Any liability is provided for on the University's financial statements.

Note 12 - Risk Management and Litigation

The Station is subject to litigation in the normal course of business. Management does not believe that the station is party to any pending litigation, which would have a material adverse effect on its financial statements or future operations.

Note 13 – Tax Status

The Organization is a component of Texas Southern University is exempt from federal income tax. No provisions for such have been included in the accompanying financial statements.

**INDEPENDENT AUDITORS' 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 Executive Administration
KTSU – FM Radio
Texas Southern University
Houston, Texas

We have audited, in accordance with the 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 the business-type activities of KTSU-FM Radio (a component unit), as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise KTSU-FM Radio's basic financial statements, and have issued our report thereon dated January 24, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered KTSU-FM Radio'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KTSU-FM Radio's internal control. Accordingly, we do not express an opinion on the effectiveness of KTSU-FM Radio'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether KTSU-FM Radio'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*.

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.

Bruno & Tervalon, LLP

New Orleans, LA

January 24, 2023

FINDINGS AND RESPONSES

KTSU-FM RADIO
(A COMPONENT OF TEXAS SOUTHERN UNIVERSITY)
SUMMARY OF AUDITORS' REPORT
For the Year Ended August 31, 2022

I. Summary of Auditors' Report

a. Financial Statements

1. The auditors' report expresses an unmodified opinion on the financial statements of the business-type activities of KTSU-FM Radio (A component of Texas Southern University).
2. No deficiencies were disclosed during the audit of the financial statements or reported in the *Independent Auditors' 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*.
3. No instances of noncompliance material to the financial statements of KTSU-FM Radio (A component of Texas Southern University) were reported in the *Independent Auditors' 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*.

b. Federal Awards

1. N/A

c. Management Letter

No management letter was issued in connection with the audit for the year ended August 31, 2022.

KTSU-FM RADIO
(A COMPONENT OF TEXAS SOUTHERN UNIVERSITY)
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended August 31, 2022

II. Summary of Findings

There were no current findings.

KTSU-FM RADIO
(A COMPONENT OF TEXAS SOUTHERN UNIVERSITY)
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
For the Year Ended August 31, 2022

III. Summary of Prior Year Findings

There were no prior year findings.