

**THE WOSU STATIONS**

*A Public Telecommunications Entity  
Operated By The Ohio State University*

**FINANCIAL REPORT**  
*With Additional Information  
For The Years Ended June 30, 2003 and 2002*

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**PARMS & COMPANY, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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**Auditor of State  
Betty Montgomery**

Board of Directors  
The WOSU Stations  
2080 Blankenship Hall  
901 Woody Hayes Drive  
Columbus, Ohio 43210-4016

We have reviewed the Independent Auditor's Report of The WOSU Stations, Franklin County, prepared by Parns & Company, LLC, for the audit period July 1, 2002 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The WOSU Stations are responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

January 20, 2004

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# **THE WOSU STATIONS**

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**PARMS & COMPANY, LLC****CERTIFIED PUBLIC ACCOUNTANTS**

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**INDEPENDENT AUDITORS' REPORT**

The WOSU Stations  
The Ohio State University

We have audited the accompanying statements of net assets of The WOSU Stations, which is a part of The Ohio State University, as of June 30, 2003 and 2002, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of WOSU's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note A, the financial statements of The WOSU Stations are intended to present the financial position and results of operations of only that portion of the financial reporting entity of The Ohio State University that is attributable to the transactions of The WOSU Stations.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The WOSU Stations at June 30, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2003, on our consideration of The WOSU Stations' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis presented on pages 3 through 7 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of The WOSU Stations taken as a whole. The Supplemental Schedule of Revenues and Expenses By Telecommunication Operations for the year ended June 30, 2003, is presented for purposes of additional analysis and is not a required part of the basic financial statements of The WOSU Stations. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements of The WOSU Stations taken as a whole.

*Parms & Company, LLC*

September 15, 2003



# **THE WOSU STATIONS**

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## **Management's Discussion and Analysis Fiscal Years Ending June 30, 2003 and 2002**

### **New Accounting Standards**

In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," which established a new reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities," which applies the new reporting standards to public colleges and universities. The Ohio State University (the University) has elected to adopt these new standards in fiscal year 2002 and, as a component unit of the University, The WOSU Stations (WOSU) adopted the new standards as well.

The following discussion and analysis provides an overview of WOSU's financial activities. As required by the newly adopted accounting principles, the financial report consists of three basic statements that provide information on The WOSU Stations: the Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. Each statement will be discussed.

### **Financial Highlights**

- Total assets increased by 5% due to grant funds receivable of approximately \$142,000 and private and foundation pledges of \$300,000 related to the digital conversion campaign.
- In FY 2002 the downturn in the market resulted in a decrease in the market value of endowment investments; however, in FY 2003 our losses were significantly decreased.
- Although the Friends of WOSU membership base remained constant, WOSU saw an increase of 6% in membership income.
- Deferred support and revenue increased by 480% due to a grant received through PBS from the Digital Distribution Fund. The funds were received in this fiscal year but will be expended in FY 2004 for digital television conversion.

# THE WOSU STATIONS

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## Management's Discussion and Analysis Fiscal Years Ending June 30, 2003 and 2002

### Statements of Net Assets

The Statements of Net Assets include assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. Net assets – the difference between assets and liabilities – are one way of measuring an organization's financial health.

	<u>2003</u>	<u>2002</u>
Current assets		
Cash	\$ 11,208,793	\$ 11,464,474
Receivables	656,980	212,198
Total current assets	<u>11,865,772</u>	<u>11,676,672</u>
Non-current assets		
Endowment investments	4,528,392	4,645,013
Broadcast rights	920,776	841,411
Capital assets, net of accumulated depreciation	<u>2,806,104</u>	<u>2,021,669</u>
Total assets	20,121,045	19,184,765
Current liabilities		
Accounts payable & accrued liabilities	\$ 466,374	\$ 353,760
Deferred revenue	413,369	71,254
Total current liabilities	<u>879,743</u>	<u>425,014</u>
Net assets		
Invested in capital assets	2,806,104	2,021,669
Restricted	6,540,016	7,446,521
Unrestricted	9,895,182	9,291,561
Total net assets	<u>\$ 19,241,302</u>	<u>\$ 18,759,751</u>

In fiscal year 2003, 56% of \$20,121,045 in total assets represents our cash balance. The WOSU policy is to raise funds in the current year and expend them in the following year. This process provides the capability of meeting expenses during the summer months when cash flow is at its lowest. In addition, our CPB grants are two-year grants thereby contributing to the sizeable cash balance carried in our account. Although our statements show a large cash balance the funds are ear marked for day-to-day operations and special projects.

Receivables include revenue received from program/production underwriting, station membership pledges, and various other earnings and grant income. Receivables increased by 310% primarily due to a one-time \$142,201 federal grant for the AM Tower replacement project and private and foundation pledges for the digital conversion campaign of \$300,000.

# THE WOSU STATIONS

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## Management's Discussion and Analysis Fiscal Years Ending June 30, 2003 and 2002

### Statements of Revenues, Expenses and Changes in Net Assets

The Statements of Revenues, Expenses and Changes in Net Assets presents the operating results of The WOSU Stations, as well as the non-operating revenues and expenses. Annual state appropriations are considered non-operating revenues according to accounting principles generally accepted in the United States of America.

	<u>2003</u>	<u>2002</u>
<b>OPERATING REVENUES</b>		
Contributed services	\$ 1,967,309	\$ 2,258,043
Grants from the Corporation for Public Broadcasting	1,452,044	1,518,841
Member contributions	2,773,384	2,617,785
Fees and services	1,363,751	1,125,895
Proceeds from auction	245,018	253,914
Federal, state and local grants	1,291,095	1,216,107
Miscellaneous	<u>75,055</u>	<u>297,619</u>
Total Operating Revenues	9,167,656	9,288,204
<b>OPERATING EXPENSES</b>		
Total program services	8,234,021	8,043,209
Total supporting services	<u>4,191,274</u>	<u>3,653,900</u>
Total Operating Expenses	<u>12,425,295</u>	<u>11,697,109</u>
<b>OPERATING LOSS</b>	(3,257,639)	(2,408,905)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Operating subsidies	1,427,759	1,394,024
Donated facilities and support – OSU	1,487,574	1,335,495
Investment income		
Interest and dividend income	551,970	546,657
Unrealized loss on investments	(274,684)	(1,009,106)
Capital grants and gifts	500,568	429,018
Additions to permanent endowments	<u>46,003</u>	<u>132,784</u>
Net Non-Operating Revenues	<u>3,739,190</u>	<u>2,828,872</u>
<b>INCREASE IN NET ASSETS</b>	481,551	419,967
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>18,759,751</u>	<u>18,339,784</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 19,241,302</u>	<u>\$ 18,759,751</u>

# THE WOSU STATIONS

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## Management's Discussion and Analysis Fiscal Years Ending June 30, 2003 and 2002

WOSU-TV's production of *Beyond the Gridiron: The Life and Times of Woody Hayes* created underwriting income of \$127,500 in support of this project. Funding for the broadcast of FY 2002 Ohio State Baseball and Ohio State Hockey were received and recorded in FY 2003. However funding for these projects were not confirmed in the year of broadcast and could not be booked. Therefore the recognition of the income is shown in FY 2003 resulting in an increase in Fees and Services income for Business and Industry.

Through a strong mail effort and ten on-air fund drives, WOSU was able to raise \$2.7 million in membership revenue. Each on-air fund drive surpassed the original goal with a 97% fulfillment rate.

### Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement also helps users assess The WOSU Stations' ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external funding.

	<u>2003</u>	<u>2002</u>
Cash Provided By (Used In):		
Operating activities	\$ (1,432,765)	\$ (925,557)
Noncapital financing activities	1,473,762	1,526,808
Capital and related financing activities	(690,585)	344,125
Investing Activities	<u>393,907</u>	<u>375,152</u>
Net Increase (decrease) in cash	(255,681)	1,320,528
Cash - Beginning of year	<u>11,464,474</u>	<u>10,143,946</u>
Cash - End of year	<u><u>\$ 11,208,793</u></u>	<u><u>\$ 11,464,474</u></u>

Member contributions, state and local grants, tower rental, television productions, and university support comprise cash receipts for operating activities. The cash used from operations in fiscal year 2003 exceeded the receipts for the year. Over the past few years WOSU has actively secured state grants to support the conversion to digital television. The cash to support this project has been held in reserve until FY 2003 when the station began procurement of the required equipment. This accounts for the deficit in cash flow from Capital Financing Activity.

## **THE WOSU STATIONS**

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### **Management's Discussion and Analysis Fiscal Years Ending June 30, 2003 and 2002**

#### **Economic Factors that will effect Future Economic Position and Results of Operations**

In 2004, The WOSU Stations will begin broadcasting a digital signal along with the legacy analog television signal. In doing so, WOSU/WPBO will, after two six-month FCC extensions, meet the federal mandate to broadcast in digital. The economic factors in play due to the digital transition will include higher utility bills, equipment costs, operating costs, along with marketing and staffing challenges.

WOSU has initiated a \$7 million capital campaign to secure private funding to build the television and radio infrastructure including production, post-production, studio and other areas requiring the replacement of antiquated analog equipment with digital.

The ability of The WOSU Stations to meet the challenges of digital operation are subject to many influences outside of its control, such as state, university and federal funding, and the economy. With over half of our income funds generated by individuals and businesses in central and southern Ohio, station stability is greatly affected by the marketplace.

**WOSU STATIONS**  
*A Public Telecommunications Entity Operated By The Ohio State University*  
**STATEMENTS OF NET ASSETS**  
**As of June 30, 2003 and 2002**

<b>ASSETS</b>	<b><u>2003</u></b>	<b><u>2002</u></b>
Current Assets:		
Cash	\$ 11,208,793	\$ 11,464,474
Receivables:		
Accounts receivable	75,214	39,946
Government grants	142,201	
Underwriting	50,655	123,980
Due from University	51,000	-
Pledges	<u>337,910</u>	<u>48,272</u>
Total receivables	656,980	212,198
 Total current assets	 11,865,773	 11,676,672
 Investments (Note 2)	 4,528,392	 4,645,013
Broadcast rights	920,776	841,411
Property and equipment	<u>2,806,104</u>	<u>2,021,669</u>
 <b>Total assets</b>	 <b>21,121,045</b>	 <b>19,184,765</b>
 <b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	126,155	117,041
Deferred support and revenue	413,369	71,254
Accrued compensated absence (Note 6)	337,526	233,812
Other accrued liabilities	<u>2,693</u>	<u>2,907</u>
 <b>Total current liabilities</b>	 <b>879,743</b>	 <b>425,014</b>
 <b>NET ASSETS</b>		
Invested in Capital Assets	2,806,104	2,021,669
Unrestricted	9,895,182	9,291,561
Restricted For:		
Nonexpendable		
Endowment	4,528,392	4,645,013
Expendable		
Capital Projects	<u>2,011,624</u>	<u>2,801,508</u>
 <b>Total Net Assets</b>	 <b><u>\$ 19,241,302</u></b>	 <b><u>\$ 18,759,751</u></b>

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

**THE WOSU STATIONS**  
*A Public Telecommunications Entity Operated By The Ohio State University*  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**For the Years Ended June 30, 2003 and 2002**

<b>OPERATING REVENUES</b>	<b><u>2003</u></b>	<b><u>2002</u></b>
Contributed services	\$ 1,967,309	\$ 2,258,043
Grants from the Corporation for Public Broadcasting	1,452,044	1,518,841
Member contributions	2,773,384	2,617,785
Fees and Services:		
Public broadcasting service	34,289	19,300
Business & industry	714,035	837,375
Foundations/non-profit organizations	562,691	219,756
Federal government agencies	52,736	49,464
Proceeds from auction	245,018	253,914
Federal grants	61,440	-
State and local grants	1,229,655	1,216,107
Royalties	2,683	15,755
Miscellaneous	<u>72,372</u>	<u>281,864</u>
Total operating revenues	9,167,656	9,288,204
 <b>OPERATING EXPENSES</b>		
Program services:		
Programming and production	4,778,081	4,336,479
Broadcasting	2,697,628	2,945,433
Program information	<u>758,312</u>	<u>761,297</u>
Total program services	8,234,021	8,043,209
Supporting services:		
Management & general	2,476,266	1,958,629
Depreciation	296,516	316,433
Underwriting	120,119	71,949
Fundraising	<u>1,298,373</u>	<u>1,306,889</u>
Total supporting services	<u>4,191,274</u>	<u>3,653,900</u>
Total operating expenses	<u>12,425,295</u>	<u>11,697,109</u>
 Operating loss	 (3,257,639)	 (2,408,905)
 <b>NON-OPERATING REVENUES (EXPENSES)</b>		
Operating subsidies (Note 8)	1,427,759	1,394,024
Donated facilities and support - OSU (Note 8)	1,487,574	1,335,495
Investment Income:		
Interest and dividend income	551,970	546,657
Unrealized loss on investments	(274,684)	(1,009,106)
Capital grants and gifts	500,568	429,018
Additions to permanent endowments	<u>46,003</u>	<u>132,784</u>
Net non-operating revenues	<u>3,739,190</u>	<u>2,828,872</u>
 <b>Increase in Net Assets</b>	 <b>481,551</b>	 <b>419,967</b>
<b>Net Assets, Beginning of year</b>	<b><u>18,759,751</u></b>	<b><u>18,339,784</u></b>
<b>Net Assets, End of year</b>	<b><u>\$ 19,241,302</u></b>	<b><u>\$ 18,759,751</u></b>

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

**WOSU STATIONS**  
*A Public Telecommunications Entity Operated By The Ohio State University*  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Grants from the Corporation for Public Broadcasting	1,452,044	\$ 1,518,841
Member contributions	2,783,746	2,616,171
Fees and services	1,411,923	1,073,959
Proceeds from auction	245,018	253,914
Federal grants	61,440	-
State and local grants	1,229,655	1,216,107
Royalties	2,683	15,755
Other revenues	72,372	281,864
Payments to employees	(4,491,674)	(4,302,925)
Payments to suppliers	<u>(4,199,972)</u>	<u>(3,599,243)</u>
Net cash provided by operating activities	(1,432,765)	(925,557)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Private endowment contributions	46,003	132,784
University subsidies	<u>1,427,759</u>	<u>1,394,024</u>
Net cash provided (used) by noncapital financing activities	1,473,762	1,526,808
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Capital grants and gifts received	390,367	540,949
Purchase of capital assets	<u>(1,080,952)</u>	<u>(196,824)</u>
Net cash provided (used) by capital financing activities	(690,585)	344,125
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment purchases	(158,063)	(171,505)
Interest and dividends received	<u>551,970</u>	<u>546,657</u>
Net cash provided (used) by investing activities	<u>393,907</u>	<u>375,152</u>
Net increase in cash	(255,681)	1,320,528
Cash at beginning of year	<u>11,464,474</u>	<u>10,143,946</u>
Cash at end of year	<u>\$ 11,208,793</u>	<u>\$ 11,464,474</u>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Loss	(3,257,639)	\$ (2,408,905)
Adjustments to reconcile excess additions over deductions to net cash provided by operating activities:		
Donated facilities and support	1,487,574	1,335,495
Depreciation expense	296,516	316,633
(Increase) in unamortized broadcast rights	(79,365)	(33,716)
Decrease (Increase) in receivables	(2,580)	(39,258)
Increase (Decrease) in accounts payable	9,114	(101,890)
Increase (Decrease) in deferred membership support	10,115	(14,292)
Increase in compensated absences and other accrued liabilities	<u>103,500</u>	<u>20,376</u>
Net adjustments	<u>1,824,874</u>	<u>1,483,348</u>
Net cash used by operating activities	<u>\$ (1,432,765)</u>	<u>\$ (925,557)</u>

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



## **THE WOSU STATIONS**

*A Public Telecommunications Entity Operated By The Ohio State University*

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2003 and 2002**

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Entity**

The accompanying financial statements of The WOSU Stations include the accounts and results of operations of the following non-commercial public television and radio stations:

- C WOSU-TV, Columbus, Ohio (rebroadcast in Newark and Mansfield)
- C WPBO-TV, Portsmouth, Ohio
- C WOSU-AM Radio, Columbus, Ohio
- C WOSU-FM Radio, Columbus, Ohio
- C WOSV-FM Radio, Mansfield, Ohio
- C WOSE-FM Radio, Coshocton, Ohio
- C WOSB-FM Radio, Marion, Ohio
- C WOSP-FM Radio, Portsmouth, Ohio

The WOSU Stations is a part of The Ohio State University (the University) financial reporting entity. The financial statements of the University contain more extensive disclosure of the significant accounting policies of the University as a whole.

##### **Basis of Presentation**

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No.34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, issued in June and November 1999, respectively. While these Statements are scheduled for a phased implementation according to the size of the governmental unit, The WOSU Stations, as part of the University, is required to adopt the Statement in the same year that the State adopts it, and the State elected adoption for the year ended June 30, 2002. The WOSU Stations reports as a special purpose government engaged solely in "business type activities" under GASB Statement No. 34.

##### **Basis of Accounting**

The financial statements of The WOSU Stations have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they are considered to be a legal or contractual obligation to pay.

##### **Cash**

Cash of The WOSU Stations is maintained by the University which commingles the funds with other University-related organizations.

## **THE WOSU STATIONS**

*A Public Telecommunications Entity Operated By The Ohio State University*

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2003 and 2002**

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

##### **Endowment Investments**

Endowment funds are handled by the Treasurer of The University who commingles the funds with other University-related organizations. Earned investment income is allocated to each organization based on its share of the total funds invested at the beginning of each year. Additions to endowment investments are recorded as nonoperating revenues in the statement of revenues, expenses and changes in net assets. Investments are recorded at their fair value. Investment income from endowment investments is unrestricted by the donors, and as such becomes a part of unrestricted net assets.

##### **Broadcast Rights**

Broadcast rights purchased by WOSU are amortized using the straight-line method over three years and are net of accumulated amortization of \$883,052 and \$842,488 as of June 30, 2003 and 2002, respectively.

##### **Capital Assets**

Capital assets with a unit cost of over \$3,000 are recorded at cost at date of acquisition, or, if donated, at fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. Expenditures for construction in progress are capitalized as incurred. Routine maintenance and repairs are charged to expenses as incurred.

##### **Revenue Recognition**

All revenues from programmatic sources are considered to be operating revenues. Included in non-operating revenues are University support, investment income, and gifts. Gifts (pledges) that are received on an installment basis are recorded at net present value.

Unrestricted Member Contributions are recorded as support when pledged. Grant funds are recorded as revenues when the grant's contractual requirements have been met.

The principal restricted resources of WOSU are contributions and grants to finance specific programming produced by WOSU. These revenues are deferred until WOSU broadcasts the specific program. At such time, the amounts are included as revenues.

##### **In-Kind Contributions**

Donated professional services and materials provided by outside organizations are recorded as revenue and expense at the fair value of the service or material at the date of donation as valued by the donor.

## **THE WOSU STATIONS**

*A Public Telecommunications Entity Operated By The Ohio State University*

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2003 and 2002**

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

##### **Donated Facilities and Administrative Support from The Ohio State University**

Donated facilities from The University consist of office and studio space together with related occupancy costs and are recorded in revenue and expense based upon the University's "modified other sponsored activities indirect cost rate" as defined by the Corporation for Public Broadcasting (CPB). Administrative support from The University consists of allocated financial, student and development department costs and certain other expenses incurred by the University on behalf of WOSU. All support received from the University is recorded as non-operating revenues.

##### **Management Estimates**

The preparation of financial statements in conformity with accounting principles, generally accepted in the United States of America, requires the use of management estimates, primarily related to collectibility of receivables and compensated absences. Actual results could differ from those estimates.

##### **Net Assets**

GASB Statement No. 34 reports equity as "Net Assets" rather than "fund balance." Net assets are classified according to external donor restrictions or availability of assets for satisfaction of College obligations. Nonexpendable restricted net assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net assets represent funds that have been gifted for specific purposes.

#### **NOTE 2: CASH AND INVESTMENTS**

The cash balance as of June 30, 2003 and 2002, are pooled funds which are held and managed by the Treasurer's Office of The University. Such funds were covered by collateral held by third party trustees in collateral pools securing all public funds on deposit with the financial institution (Category 3). Endowment investments represents WOSU's share of pooled investment funds. The following summarizes pooled shares and related values as of June 30, 2003 and 2002:

<u>Fund account</u>	<u>No. of Shares</u>	<u>Cost</u>	<u>Market Value</u>
<b>2003:</b> Friends of WOSU	399.0093	\$1,379,196	\$2,281,327
Prine Classical Music	1.3276	5,300	7,591
The WOSU Stations	391.6891	<u>2,453,958</u>	<u>2,239,474</u>
Totals		<u>\$3,838,454</u>	<u>\$4,528,392</u>
<b>2002:</b> Friends of WOSU	399.0093	\$1,379,196	\$2,435,641
Prine Classical Music	1.3276	5,300	8,104
The WOSU Stations	360.6139	<u>2,124,290</u>	<u>2,201,268</u>
Totals		<u>\$3,508,786</u>	<u>\$4,645,013</u>



## **THE WOSU STATIONS**

*A Public Telecommunications Entity Operated By The Ohio State University*

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2003 and 2002**

#### **NOTE 4: RETIREMENT PLAN**

##### **Public Employees Retirement System (OPERS)**

All employees covered under WOSU are employees of The University. Substantially all employees are covered by the Ohio Public Employees Retirement System (OPERS). This retirement program is a statewide cost-sharing multiple employer defined benefit pension plans. OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute. OPERS issues separate, publicly-available financial reports that include financial statements and required supplementary information. That report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or calling (614) 222-6705 or (800) 222-7377.

The Revised Code of Ohio (ORC) provides OPERS statutory authority for employee and employer contributions. The required contribution rates for plan members and employers for calendar year 2002 were 8.5% and 13.31% of covered payroll, respectively. Contributions made by the University on behalf of the staff of The WOSU Station, for the fiscal years ended June 30, 2003, 2002, and 2001, were \$440,899, \$427,029, and \$429,940, respectively.

##### **State Teachers Retirement System (STRS)**

WOSU also has staff covered under the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, Ohio 43215-3371 or calling (614) 227-4090 or (888) 227-7877.

Effective July 1, 2001, two new plan options were offered to selected members. New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**THE WOSU STATIONS**

*A Public Telecommunications Entity Operated By The Ohio State University*

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2003 and 2002**

**NOTE 4: RETIREMENT PLAN** (continued)

**State Teachers Retirement System (STRS)** (continued)

Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3% of their annual covered salaries. WOSU was required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Retirement Board, upon recommendations of its consulting actuary, not to exceed the statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. WOSU's required contributions for pension obligations for the fiscal years ended June 30, 2003, 2002, and 2001 were \$17,371, \$24,209, and 16,127, respectively.

**NOTE 5: OTHER POSTEMPLOYMENT BENEFITS**

**Public Employees Retirement System (OPERS)**

OPERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an other postemployment benefit (OPEB) as described in GASB Statement No. 12. "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to OPERS is set aside for funding of post retirement health care. The ORC provides statutory authority for employer contributions. The 2003 employer contribution rate for state employers was 13.31% of covered payroll; 5.0% was the portion that was used to fund health care for the year. The ORC provides statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. WOSU's contribution actually made to fund postemployment benefits was

**THE WOSU STATIONS**

*A Public Telecommunications Entity Operated By The Ohio State University*

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2003 and 2002**

**NOTE 5: OTHER POSTEMPLOYMENT BENEFITS** (continued)

**Public Employees Retirement System (OPERS)** (continued)

Assumptions:

Funding Method - An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB.

Assets Valuation Method - All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used.

Investment Return - The investment assumption rate for 2001 was 8.00%.

Active Employee Total Payroll - An annual increase of 4.00% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.3%.

Health Care - Health care costs were assumed to increase 4.00% annually.

OPEB are advanced-funded on an actuarially determined basis. An entry age normal actuarial cost method is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

As of December 31, 2001, (the latest information available), the actuarial value of the Retirement System's net assets available for OPEB payments were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively. The number of active participants was 402,041.

In December 2001, the Board of OPERS adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverages. Choices will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

**THE WOSU STATIONS**

*A Public Telecommunications Entity Operated By The Ohio State University*

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2003 and 2002**

**NOTE 5: OTHER POSTEMPLOYMENT BENEFITS (continued)**

**State Teachers Retirement System (STRS)**

STRS provides access to health care benefits for retirees who participate in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums.

Pursuant to the Ohio Revised Code, STRS has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of monthly premiums. Ohio Revised Code grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which payments for health care benefits are paid. For the fiscal year ended June 30, 2002, the board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.011 billion on June 30, 2002. For the year ended June 30, 2002, net health care costs paid by STRS were \$343,697,000. There were 105,300 eligible benefit recipients.

**NOTE 6: COMPENSATED ABSENCES**

The WOSU Station employees earn vacation and sick leave on a monthly basis. Classified civil service employees may accrue vacation benefits up to a maximum of three years credit. Administrative and professional staff and faculty may accrue vacation benefits up to a maximum of 240 hours. For all classes of employees, any earned but unused vacation benefit is payable upon termination.

Sick leave may be accrued without limit. However, earned but unused sick leave benefits are payable only upon retirement from the University with ten or more years of state service. The amount of sick leave benefit payable at retirement is one fourth of the accrued but unused sick leave up to a maximum of 240 hours.



**THE WOSU STATIONS**

*A Public Telecommunications Entity Operated By The Ohio State University*

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2003 and 2002**

**NOTE 6: COMPENSATED ABSENCES** (continued)

The WOSU Stations follows the University's policy for accruing sick leave liability. WOSU accrues a sick leave liability for those employees who are currently eligible to receive termination payments along with other employees who are expected to become eligible to receive such payments. This liability is calculated using the "termination payment method" which is set forth in Appendix C, Example 4 of the GASB Statement No. 16, *Accounting for Compensated Absences*. Under the termination method, The WOSU Stations utilizes the University's calculated rate, Sick Leave Termination Cost Per Year Worked, that is based on the University's actual historical experience of sick leave payouts to terminated employees. This ratio is then applied by The WOSU Stations to the total year-of-service for WOSU current employees.

As of June 30, 2003 and 2002, accrued vacation and sick leave liability was \$320,194 and \$215,696, respectively.

**NOTE 7: CORPORATION FOR PUBLIC BROADCASTING GRANT AWARDS**

The WOSU Stations received grant funds from the Corporation for Public Broadcasting (CPB) to assist in the operations of the stations. During 2002, the following summarizes grant funds earned during the fiscal year:

<u>CPB Grant</u>	<u>WOSU-AM</u>	<u>WOSU-FM</u>	<u>WOSU-TV</u>	<u>TOTAL</u>
Community Service	\$ 173,230	173,231	1,081,047	\$ 1,427,508
Interconnection Grant	<u>-</u>	<u>-</u>	<u>24,536</u>	<u>24,536</u>
Total	\$ <u>173,230</u>	<u>173,231</u>	<u>1,105,583</u>	\$ <u>1,452,044</u>

**NOTE 8: UNIVERSITY SUPPORT**

The operations of The WOSU Stations are supported in part by the general revenues of the University. The University provides for the general operating costs of WOSU operations. The University's direct support amounted to \$1,427,759 and \$1,394,024, for the years ended June 30, 2003 and 2002, respectively. In addition, the University provided \$1,494,409 and 1,341,278 in indirect administrative support during fiscal years 2003 and 2002, respectively.

**THE WOSU STATIONS**

*A Public Telecommunications Entity Operated By The Ohio State University*

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2003 and 2002**

**NOTE 9: INCOME BENEFICIARY**

The WOSU Stations is an income beneficiary of certain funds administered and maintained by The University. The WOSU Stations receives income generated from the Donald R. Glancy Endowed Fund in excess of \$7,000 per year to support television and radio programming needs. The WOSU Stations received \$38,473 and \$39,696 from this fund during fiscal years 2003 and 2002, respectively. In addition, The WOSU Stations receives ten percent of the income generated from the John McKitrick Family Fund. During fiscal years 2003 and 2002, The WOSU Stations received \$151 and \$161 from this fund, respectively. All income received by The WOSU Stations as an income beneficiary have been included in the statement of revenues, expenses and changes in net assets for the years ended June 30, 2003 and 2002.

The following summarizes the value of these funds as of June 30, 2003 and 2002:

<u>Fund Name</u>	<u>2003</u>	<u>2002</u>
	<u>Market</u>	<u>Market</u>
	<u>Value</u>	<u>Value</u>
Donald R. Glancy Endowed Fund	\$586,641	\$604,989
John McKitrick Family Fund	<u>2,295</u>	<u>12,251</u>
Total Income Beneficiary Funds	<u>\$588,936</u>	<u>\$617,240</u>

**NOTE 10: PRIOR PERIOD ADJUSTMENT**

In connection with the implementation of GASB Statements No. 34 and No. 35, the following adjustments have been made to reflect the cumulative effect of this accounting change:

Recording of accumulated depreciation on capital assets	\$ (4,355,065)
Capital assets written off due to implementation of capitalization policy	<u>(6,079,514)</u>
Total adjustments	(10,434,579)
Fund balance as previously reported June 30, 2001	<u>28,774,363</u>
Restated net assets as of July 1, 2001	<u>\$18,339,784</u>

**THE WOSU STATIONS**  
*A Public Telecommunications Entity Operated By The Ohio State University*  
**Supplemental Schedule of Revenues and Expenses By Telecommunication Operations**  
**For The Year Ended June 30, 2003**

<b><u>REVENUES AND OTHER SUPPORT</u></b>	<b><u>Radio</u></b>			<b><u>Television</u></b>	<b><u>Totals</u></b>
	<b><u>AM</u></b>	<b><u>FM</u></b>	<b><u>Total</u></b>		
The Ohio State University direct support	\$ 279,875	280,136	560,011	867,748	\$ 1,427,759
Contributed services	93,074	138,828	231,902	1,735,407	1,967,309
Donated facilities and support - OSU	301,982	235,972	537,954	949,620	1,487,574
Grants from the CPB	173,230	173,231	346,461	1,105,583	1,452,044
Member contributions	553,307	558,252	1,111,559	1,661,825	2,773,384
Fees and Services:					
PBS	960	240	1,200	33,089	34,289
B&I	151,489	135,698	287,187	426,848	714,035
Foundations/NPO's	187,324	81,580	268,904	293,787	562,691
Federal Govt.	-	10,400	10,400	42,336	52,736
Proceeds from auction	-	-	-	245,018	245,018
Federal grants	30,720	30,720	61,440	-	61,440
State and local grants	253,238	119,337	372,575	857,080	1,229,655
Investment Income:					
Interest and dividend income	102,699	102,699	205,398	346,572	551,970
Unrealized Gains(Loss) on Investments	(54,937)	(54,937)	(109,874)	(164,810)	(274,684)
Endowment Contributions	9,201	9,201	18,402	27,601	46,003
Capital Campaign	-	-	-	500,568	500,568
Royalties	26	254	280	2,403	2,683
Other	11,716	13,279	24,995	47,377	72,372
<b>Total support, revenue, and other additions</b>	<b>2,093,904</b>	<b>1,834,890</b>	<b>3,928,794</b>	<b>8,978,052</b>	<b>12,906,846</b>
 <b><u>EXPENSES</u></b>					
Program Services:					
Programming and Production	874,419	494,706	1,369,125	3,408,956	4,778,081
Broadcasting	435,390	444,560	879,950	1,817,678	2,697,628
Program Information	135,157	131,196	266,353	491,959	758,312
Total program services	1,444,966	1,070,462	2,515,428	5,718,593	8,234,021
Supporting services:					
Management & General	444,542	413,443	857,985	1,618,281	2,476,266
Fundraising	252,567	251,873	504,440	793,933	1,298,373
Underwriting	13,811	14,951	28,762	91,357	120,119
Depreciation	59,303	59,303	118,606	177,910	296,516
Total supporting services	770,223	739,570	1,509,793	2,681,481	4,191,274
<b>Total expenses</b>	<b>2,215,189</b>	<b>1,810,032</b>	<b>4,025,221</b>	<b>8,400,074</b>	<b>12,425,295</b>
<b>Excess (Deficit) of Revenues and Other Support Over Expenses</b>	<b>\$ (121,285)</b>	<b>24,858</b>	<b>(96,427)</b>	<b>577,978</b>	<b>\$ 481,551</b>

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The WOSU Stations  
The Ohio State University

We have audited the financial statements of The WOSU Stations (a part of The Ohio State University) as of and for the year ended June 30, 2003, and have issued our report thereon dated September 15, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether The WOSU Stations' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The WOSU Stations' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the use of the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Parms & Company, LLC*

September 15, 2003



**Auditor of State  
Betty Montgomery**

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**THE WOSU STATIONS**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 3, 2004**