

THE WOSU STATIONS

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

FINANCIAL REPORT
*With Additional Information
For The Years Ended June 30, 2005 and 2004*

PARMS & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS



**Auditor of State
Betty Montgomery**

Board of Trustees
The Ohio State University's WOSU Stations
Columbus, Ohio

We have reviewed the *Independent Auditors' Report* of The Ohio State University's WOSU Stations, Franklin County, prepared by Parns & Company, LLC, for the audit period July 1, 2004 through June 30, 2005. 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 Ohio State University's WOSU Stations is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

December 28, 2005

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THE WOSU STATIONS

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

■ 585 South Front Street
Suite 220
Columbus, Ohio 43215■ Office (614) 224-3078
Fax (614) 224-4616**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, 2005 and 2004, and the related statements of revenues, expenses and changes in net assets and cash flows for the years 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, 2005 and 2004, 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 November 17, 2005, 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, 2005, 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.

Farms & Company, LLC

November 17, 2005

THE WOSU STATIONS

Management's Discussion and Analysis Fiscal Year Ending June 30, 2005

New Accounting Standards

In June 1999, the Governmental Accounting Standard's 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) elected to adopt these new standards in fiscal year 2002 and, as a part of the University; The WOSU Stations 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 Financial Position; Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. Each statement will be discussed.

Financial Highlights

- Total cash increased by 19% due to the funds that were advanced to the Stations for the renovation of the new Radio studios.
- Total liabilities increased by 277% due to the expense of the new Radio studios and the line of credit provided by The Ohio State University to the stations for construction and renovation costs.
- The digital conversion and the radio studio construction accounts for most of the changes in our financial statements as well as timing of monies received and expended. Affecting the categories of receivables, payables, and capital projects.

THE WOSU STATIONS

Management's Discussion and Analysis Fiscal Year Ending June 30, 2005

Statement of Financial Position

The Statement of Financial Position includes 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>2005</u>	<u>2004</u>	<u>2003</u>
Current assets			
Cash	\$ 10,881,295	\$ 9,153,627	\$ 11,208,793
Receivables	345,261	1,177,495	656,980
Total current assets	<u>11,226,556</u>	<u>10,331,122</u>	<u>11,865,773</u>
Non-current assets			
Endowment investments	5,267,849	5,137,864	4,528,392
Broadcast rights	1,068,261	998,230	920,776
Property and equipment	4,251,318	3,393,465	2,064,261
Total assets	<u>21,813,984</u>	<u>19,860,681</u>	<u>19,379,202</u>
Current liabilities			
Accounts payable	\$ 729,036	\$ 456,807	\$ 146,180
Deferred support and revenue	484,502	130,890	413,369
Due University	1,090,909	0	0
Other accrued liabilities	0	23,997	0
Total current liabilities	<u>2,304,447</u>	<u>611,694</u>	<u>559,549</u>
Non-current liabilities	<u>295,757</u>	<u>321,095</u>	<u>320,194</u>
Total liabilities	<u>2,600,204</u>	<u>932,789</u>	<u>879,743</u>
Net assets			
Invested in capital assets	3,763,453	3,393,465	2,064,261
Restricted	6,247,133	6,239,886	6,540,016
Unrestricted	9,203,194	9,294,541	9,895,182
Total net assets	<u>\$ 19,213,780</u>	<u>\$ 18,927,892</u>	<u>\$ 18,499,459</u>

In fiscal year 2004, 50% of \$21,813,984 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 large cash balances the funds are earmarked 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 decreased by 71% due to the receipt of federal grant monies owed for the digital television conversion.

THE WOSU STATIONS

Management's Discussion and Analysis Fiscal Year Ending June 30, 2005

Statement of Revenues, Expenses and Changes in Net Assets

The Statement 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>2005</u>	<u>2004</u>	<u>2003</u>
OPERATING REVENUES			
Contributed services	\$ 1,831,266	\$ 2,299,438	\$ 1,967,309
Grants from the Corporation for Public Broadcasting	1,609,522	1,432,164	1,452,044
Member contributions	2,775,003	2,702,072	2,773,384
Fees and services	1,419,329	1,212,093	1,363,751
Fundraising	235,414	134,799	245,018
Federal, state and local grants	1,318,908	1,090,101	1,291,095
Miscellaneous	14,243	163,969	75,055
Total Operating Revenues	<u>9,203,685</u>	<u>9,034,636</u>	<u>9,167,656</u>
OPERATING EXPENSES			
Total program services	8,853,126	9,056,105	8,234,021
Total supporting services	4,111,864	3,905,385	4,191,274
Total Operating Expenses	<u>12,964,990</u>	<u>12,961,490</u>	<u>12,425,295</u>
OPERATING LOSS	<u>(3,761,305)</u>	<u>(3,926,854)</u>	<u>(3,257,639)</u>
NON-OPERATING REVENUES (EXPENSES)			
Operating subsidies	2,073,268	1,119,545	1,427,759
Donated facilities and support – OSU	1,085,573	914,212	1,487,574
Investment income			
Interest and dividend income	490,062	466,233	551,970
Unrealized gain (loss) on investments	30,316	484,395	(274,684)
Capital grants and gifts	268,305	1,245,825	500,568
Additions to permanent endowments	99,669	125,077	46,003
Net Non-Operating Revenues	<u>4,047,193</u>	<u>4,355,287</u>	<u>3,739,190</u>
CHANGE IN NET ASSETS	285,888	428,433	481,551
NET ASSETS, BEGINNING OF YEAR	<u>18,927,892</u>	<u>18,499,459</u>	<u>18,017,908</u>
NET ASSETS, END OF YEAR	<u>\$ 19,213,780</u>	<u>\$ 18,927,892</u>	<u>\$ 18,499,459</u>

THE WOSU STATIONS

Management's Discussion and Analysis Fiscal Year Ending June 30, 2005

Statement of Revenues, Expenses and Changes in Net Assets (continued)

WOSU-TV's production of *Many Happy Returns to Lazarus* resulted in an increase in the fundraising category of 75%. There was a decrease in miscellaneous revenue of 89% due to the fall-off on tape sales and AirFare advertising revenue. Operating subsidies increased by 85% due to a one time allocation from Ohio State University of \$500,000 for the WOSU@COSI project.

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>2005</u>	<u>2004</u>	<u>2003</u>
Cash Provided By (Used In):			
Operating activities	\$ (1,450,536)	\$ (2,391,576)	\$ (1,432,765)
Noncapital financing activities	2,172,937	1,244,622	1,473,762
Capital and related financing activities	614,874	(1,249,368)	(690,585)
Investing Activities	<u>390,393</u>	<u>341,156</u>	<u>393,907</u>
Net Increase (decrease) in cash	1,727,668	(2,055,166)	(255,681)
Cash – Beginning of year	<u>9,153,627</u>	<u>11,208,793</u>	<u>11,464,474</u>
Cash – End of year	<u>\$ 10,881,295</u>	<u>\$ 9,153,627</u>	<u>\$ 11,208,793</u>

Member contributions, state and local grants, tower rental, television productions, and university support comprise cash receipts for operating activities. There was an overall increase in Net Cash of 19%. Over the past few years WOSU has actively secured state and federal grants to support the conversion to digital television. This project has been a drain on the cash balances in the past two years, however, we are nearing the of that project and the receipt of grants receivables have made the cash picture look a lot healthier.

THE WOSU STATIONS

Management's Discussion and Analysis Fiscal Year Ending June 30, 2005

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

The WOSU Stations began broadcasting a digital signal along with the legacy analog television signal in 2004. In doing so, WOSU/WPBO met the federal mandate to broadcast in digital. The economic factors in play due to the digital transition and the fact that we must maintain our traditional analog signal until at least 2009 include higher utility bills, equipment, operations, marketing and staffing challenges.

WOSU has initiated a \$5.6 million capital campaign to secure private funding to build a new production center in downtown Columbus. The coming fiscal year will include the inception of construction of the WOSU digital media center at COSI-Columbus. The WOSU/COSI agreement includes an annual licensing fee to be paid to COSI for use of space. The project will be completed in the fall of 2006. A critical part of the business plan for the digital media center involves increasing earned income through studio rentals and special projects. In addition, endowment funds are being sought to cover overhead of the new facility.

WOSU is also opening new radio studios in the coming year at Fawcett Center and continues to seek private support to defray expenses related to the project.

The ability of The WOSU Stations to meet the challenges of the future 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, 2005 and 2004

ASSETS	<u>2005</u>	<u>2004</u>
Current Assets:		
Cash	\$ 10,881,295	\$ 9,153,627
Receivables:		
Accounts receivable	13,696	63,684
Government grants	74,325	835,432
Underwriting	39,639	78,130
Pledges	217,601	200,249
Total receivables	<u>345,261</u>	<u>1,177,495</u>
Total current assets	11,226,556	10,331,122
Investments (Note 2)	5,267,849	5,137,864
Broadcast rights	1,068,261	998,230
Property and equipment (Note 3)	<u>4,251,318</u>	<u>3,393,465</u>
Total assets	<u>21,813,984</u>	<u>19,860,681</u>
 LIABILITIES		
Current Liabilities:		
Accounts payable	729,036	456,807
Deferred support and revenue	484,502	130,890
Due University	1,090,909	-
Other accrued liabilities	<u>-</u>	<u>23,997</u>
Total current liabilities	<u>2,304,447</u>	<u>611,694</u>
Long-term Liabilities		
Accrued compensated absence (Note 6)	<u>295,757</u>	<u>321,095</u>
Total liabilities	<u>2,600,204</u>	<u>932,789</u>
 NET ASSETS		
Invested in Capital Assets	3,763,453	3,393,465
Unrestricted	9,203,194	9,294,541
Restricted For:		
Nonexpendable		
Endowment	5,267,849	5,137,864
Expendable		
Capital Projects	834,101	1,014,257
Other	<u>145,183</u>	<u>87,765</u>
Total Net Assets	<u>\$ 19,213,780</u>	<u>\$ 18,927,892</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
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2005 and 2004

OPERATING REVENUES	2005	2004
Contributed services	\$ 1,831,266	\$ 2,299,438
Grants from the Corporation for Public Broadcasting	1,609,522	1,432,164
Member contributions	2,775,003	2,702,072
Fees and Services:		
Public broadcasting service	33,533	35,906
Business & industry	926,682	952,993
Foundations/non-profit organizations	425,819	195,210
Federal government agencies	33,295	27,984
Fundraising	235,414	134,799
Federal grants	26,600	51,965
State and local grants	1,292,308	1,038,136
Royalties	1,695	45,537
Miscellaneous	12,548	118,432
Total operating revenues	<u>9,203,685</u>	<u>9,034,636</u>
OPERATING EXPENSES		
Program services:		
Programming and production	4,668,957	4,623,475
Broadcasting	3,404,477	3,694,149
Program information	779,692	738,481
Total program services	<u>8,853,126</u>	<u>9,056,105</u>
Supporting services:		
Management & general	2,307,734	2,280,685
Depreciation	721,919	587,397
Underwriting	230,593	196,584
Fundraising	851,618	840,719
Total supporting services	<u>4,111,864</u>	<u>3,905,385</u>
Total operating expenses	<u>12,964,990</u>	<u>12,961,490</u>
Operating loss	(3,761,305)	(3,926,854)
NON-OPERATING REVENUES (EXPENSES)		
Operating subsidies (Note 8)	2,073,268	1,119,545
Donated facilities and support - OSU (Note 8)	1,085,573	914,212
Investment Income:		
Interest and dividend income	490,062	466,233
Unrealized gain (loss) on investments	30,316	484,395
Capital grants and gifts	268,305	1,245,825
Additions to permanent endowments	99,669	125,077
Net non-operating revenues	<u>4,047,193</u>	<u>4,355,287</u>
Change in Net Assets	285,888	428,433
Net Assets, Beginning of year (Restated - Note 10)	18,927,892	18,499,459
Net Assets, End of year	<u>\$ 19,213,780</u>	<u>\$ 18,927,892</u>

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, 2005 and 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants from the Corporation for Public Broadcasting	\$ 1,978,574	\$ 1,432,164
Member contributions	2,950,022	2,652,551
Fees and services	1,392,719	1,246,949
Proceeds from fundraising	235,414	134,799
Federal, state and local grants	1,259,583	1,090,101
Royalties	1,695	45,537
Other revenues	12,548	118,432
Payments to employees	(3,829,589)	(4,454,394)
Payments to suppliers	<u>(5,451,502)</u>	<u>(4,657,715)</u>
Net cash used by operating activities	(1,450,536)	(2,391,576)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Private endowment contributions	99,669	125,077
University subsidies	<u>2,073,268</u>	<u>1,119,545</u>
Net cash provided by noncapital financing activities	2,172,937	1,244,622
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital grants and gifts received	1,103,737	220,594
Funds advanced by the University	1,090,909	-
Purchase of capital assets	<u>(1,579,772)</u>	<u>(1,469,962)</u>
Net cash used by capital financing activities	614,874	(1,249,368)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment purchases	(99,669)	(125,077)
Interest and dividends received	<u>490,062</u>	<u>466,233</u>
Net cash provided by investing activities	<u>390,393</u>	<u>341,156</u>
Net change in cash	1,727,668	(2,055,166)
Cash at beginning of year	<u>9,153,627</u>	<u>11,208,793</u>
Cash at end of year	<u>\$ 10,881,295</u>	<u>\$ 9,153,627</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (3,761,305)	\$ (3,926,854)
Adjustments to reconcile excess additions over deductions to net cash provided by operating activities:		
Donated facilities and support	1,085,573	914,212
Depreciation expense	721,919	587,397
(Increase) in unamortized broadcast rights	(70,031)	(77,454)
Decrease in receivables	162,812	35,056
Increase in accounts payable and accrued liabilities	487,774	21,477
(Decrease) Increase in deferred membership support	(30,440)	49,521
(Decrease) Increase in compensated absences and other accrued liabilities	<u>(46,838)</u>	<u>5,069</u>
Net adjustments	<u>2,310,769</u>	<u>1,535,278</u>
Net cash used by operating activities	<u>\$ (1,450,536)</u>	<u>\$ (2,391,576)</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, 2005 and 2004

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:

- WOSU-TV, Columbus, Ohio (rebroadcast in Newark and Mansfield)
- WPBO-TV, Portsmouth, Ohio
- WOSU-AM Radio, Columbus, Ohio
- WOSU-FM Radio, Columbus, Ohio
- WOSV-FM Radio, Mansfield, Ohio
- WOSE-FM Radio, Coshocton, Ohio
- WOSB-FM Radio, Marion, Ohio
- 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 WOSU Stations complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The WOSU Stations reports as a special purpose government engaged solely in "business type activities" under GASB Statement No. 34. GASB Statement Nos. 20 and 34 provide The WOSU Stations the option of electing to apply FASB pronouncements issued after November 30, 1989. The WOSU Stations has elected not to apply those pronouncements

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, 2005 and 2004

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 \$1,043,177 and \$978,365 as of June 30, 2005 and 2004, 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.

Reclassifications

Certain reclassifications have been made to the 2004 financial statements presentation to conform with the 2005 financial statements presentation.

THE WOSU STATIONS
A Public Telecommunications Entity Operated By The Ohio State University

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2005 and 2004

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

Statement No. 3 as amended by Statement No. 40 of the Government Accounting Standards Board requires the disclosure of essential risk information about deposits and investments. The disclosure requirements cover four main areas: credit risk, interest rate and investment maturity, interest rate sensitivity and foreign exchange exposure. The University issues separate financials statements which discuss its deposit and investments risk exposure.

The cash balance as of June 30, 2005 and 2004, are pooled funds which are held and managed by the Treasurer's Office of The University. Endowment investments represents WOSU's share of pooled investment funds.

The following summarizes pooled shares and related values as of June 30, 2005 and 2004:

THE WOSU STATIONS

A Public Telecommunications Entity Operated By The Ohio State University

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2005 and 2004

NOTE 2: CASH AND INVESTMENTS (continued)

<u>Fund account</u>	<u>No. of Shares</u>	<u>Cost</u>	<u>Market Value</u>
2005: Friends of WOSU	399.0093	\$1,379,196	\$2,539,899
Prine Classical Music	1.3300	5,315	8,466
Taylor Memorial	3.4136	27,460	21,729
Elam Family	11.5708	71,550	73,654
Reba Harvey	15.2450	95,000	98,154
The WOSU Stations	396.8175	<u>2,484,678</u>	<u>2,525,947</u>
Totals		<u>\$4,063,199</u>	<u>\$5,267,849</u>
2004: Friends of WOSU	399.0093	\$1,379,196	\$2,526,529
Prine Classical Music	1.3276	5,300	8,406
Taylor Memorial	3.4136	27,460	21,615
Elam Family	11.2237	69,300	71,069
The WOSU Stations	396.4375	<u>2,482,274</u>	<u>2,510,245</u>
Totals		<u>\$3,963,530</u>	<u>\$5,137,864</u>

NOTE 3: CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2005 and 2004, were as follows:

<u>June 30, 2005:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Building & Improvements	\$ 1,259,588	487,865	-	\$ 1,747,453
Equipment	<u>9,231,760</u>	<u>1,091,907</u>	<u>(253,800)</u>	<u>10,069,867</u>
Total cost of capital assets	10,491,348	1,579,772	(253,800)	11,817,320
Less accumulated depreciation	<u>7,097,883</u>	<u>721,919</u>	<u>(253,800)</u>	<u>7,566,002</u>
Net capital assets	<u>\$3,393,465</u>	<u>857,853</u>	<u>-</u>	<u>\$4,251,318</u>
<u>June 30, 2004:</u>				
Building & Improvements	\$ 1,294,249	-	(34,661)	\$1,259,588
Equipment	<u>7,365,067</u>	<u>1,953,137</u>	<u>(86,444)</u>	<u>9,231,760</u>
Total cost of capital assets	8,659,316	1,953,137	(121,105)	10,491,348
Less accumulated depreciation	<u>6,595,055</u>	<u>587,397</u>	<u>(84,569)</u>	<u>7,097,883</u>
Net capital assets	<u>\$2,064,261</u>	<u>1,365,740</u>	<u>(36,536)</u>	<u>\$3,393,465</u>

The following estimated useful lives are used to compute depreciation:

Equipment	5 - 15 years
Building & Improvements	20 - 30 years

THE WOSU STATIONS

A Public Telecommunications Entity Operated By The Ohio State University

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2005 and 2004

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). All other employees are covered by the State Teachers Retirement System of Ohio (STRS). These retirement programs are statewide cost-sharing multiple employer defined benefit pension plans. They provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by State statute. OPERS and STRS issue separate, publicly-available financial reports that include financial statements and required supplementary information. The OPERS report may be obtained by writing Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or calling (614) 222-6701 or (800) 222-7377. The STRS report 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.

The Revised Code of Ohio (ORC) provides OPERS and STRS statutory authority for employee and employer contributions. The required, actuarially-determined contribution rates for plan members and the University for 2004 (date most recent information available) were 8.5% and 13.31% of covered payroll, for OPERS, respectively, and 10% and 14% of covered payroll for STRS, respectively. The College's contributions, which represent 100% of the required contribution, for the years ended June 30, 2005 and each of the two preceding years was as follows:

	<u>OPERS Annual Required Contribution</u>	<u>SERS Annual Contribution</u>
2005	\$ 472,687	\$ -
2004	484,852	5,790
2003	440,899	17,371

NOTE 5: OTHER POSTEMPLOYMENT BENEFITS

Public Employees Retirement System (OPERS)

OPERS provides postretirement health care coverage to age and service retirants 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 2004 employer contribution rate for state employers was 13.31% of covered payroll; 4.0% was the portion that was used to fund health care for the year.

THE WOSU STATIONS

A Public Telecommunications Entity Operated By The Ohio State University

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2005 and 2004

NOTE 5: OTHER POSTEMPLOYMENT BENEFITS (continued)

Public Employees Retirement System (OPERS)

The ORC provides statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve financial solvency of the fund in response to skyrocketing health care costs.

State Teachers Retirement System (STRS)

STRS Ohio 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 Ohio has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. 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. For the fiscal year ended June 30, 2004, the board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion on June 30, 2004. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000. There were 111,853 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, 2005 and 2004

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, 2005 and 2004, accrued vacation and sick leave liability was \$295,757 and \$321,095, 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 2005 and 2004, 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>
<u>Fiscal Year 2005</u>				
Community Service	\$ 172,995	172,995	1,154,537	\$ 1,500,527
Interconnection Grant	-	-	23,276	23,276
Master Control Digital Conversion	-	-	10,719	10,719
AM Digital Conversion	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>75,000</u>
Total 2005	\$ <u>247,995</u>	<u>172,995</u>	<u>1,188,532</u>	\$ <u>1,609,522</u>
<u>Fiscal Year 2004</u>				
Community Service	\$ 166,243	166,243	1,076,053	\$ 1,408,539
Interconnection Grant	<u>-</u>	<u>-</u>	<u>23,625</u>	<u>23,625</u>
Total 2004	\$ <u>166,243</u>	<u>166,243</u>	<u>1,099,678</u>	\$ <u>1,432,164</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, 2005 and 2004

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 \$2,073,268 and \$1,119,545, for the years ended June 30, 2005 and 2004, respectively. In addition, the University provided \$1,085,573 and \$914,212 in indirect administrative support during fiscal years 2005 and 2004, respectively.

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 \$35,377 and \$38,571 from this fund during fiscal years 2005 and 2004, respectively. In addition, The WOSU Stations receives ten percent of the income generated from the John McKitrick Family Fund. During fiscal years 2005 and 2004, The WOSU Stations received \$138 and \$151 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, 2005 and 2004.

The following summarizes the value of these funds as of June 30, 2005 and 2004:

<u>Fund Name</u>	<u>2005</u>	<u>2004</u>
	<u>Market</u>	<u>Market</u>
	<u>Value</u>	<u>Value</u>
Donald R. Glancy Endowed Fund	\$657,204	\$653,164
John McKitrick Family Fund	<u>2,555</u>	<u>2,542</u>
Total Income Beneficiary Funds	<u>\$659,759</u>	<u>\$644,706</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, 2005 and 2004

NOTE 10: PRIOR PERIOD ADJUSTMENT

The financial statements have been restated to account for an error in accounting for capitalized assets from prior years which had not been properly accounted for. The error affected the determination of the value of capitalized building improvements and accumulated depreciation thereon. The following adjustment has been made to the net assets and capitalized property and equipment of The WOSU Stations as of July 1, 2003:

Total Net Assets:

As reported July 1, 2003	\$ 18,311,400
Adjustment for capitalized assets	<u>188,059</u>
As restated - July 1, 2003	\$ <u>18,499,459</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, 2005

<u>REVENUES AND OTHER SUPPORT</u>	Radio			<u>Television</u>	<u>Totals</u>
	<u>AM</u>	<u>FM</u>	<u>Total</u>		
The Ohio State University Direct Support	\$ 312,111	312,086	624,197	1,449,071	\$ 2,073,268
Contributed Services	94,883	130,243	225,126	1,606,140	1,831,266
Donated Facilities and Support - OSU	231,533	166,066	397,599	687,974	1,085,573
Grants from the CPB	247,995	172,995	420,990	1,188,532	1,609,522
Member Contributions	555,000	555,000	1,110,000	1,665,003	2,775,003
Fees and Services:					
PBS	2,530	-	2,530	31,003	33,533
B&I	199,115	235,049	434,164	492,518	926,682
Foundations/NPO's	136,216	105,905	242,121	183,698	425,819
Federal Govt.	-	10,923	10,923	22,372	33,295
Fundraising	-	-	-	235,414	235,414
Federal Grants	26,600	-	26,600	-	26,600
State and Local Grants	35,690	93,542	129,232	1,163,076	1,292,308
Investment Income:					
Interest and dividend income	93,122	93,592	186,714	303,348	490,062
Unrealized gains(loss) on investments	6,063	6,063	12,126	18,190	30,316
Endowment Contributions	19,934	19,934	39,868	59,801	99,669
Capital Grants and Gifts	-	-	-	268,305	268,305
Royalties	-	205	205	1,490	1,695
Other	1,911	484	2,395	10,153	12,548
Total Support, Revenue, and Other Additions	1,962,703	1,902,087	3,864,790	9,386,088	13,250,878
 <u>EXPENSES</u>					
Program Services:					
Programming and Production	1,064,216	498,922	1,563,138	3,105,819	4,668,957
Broadcasting	399,300	391,748	791,048	2,613,429	3,404,477
Program Information	154,201	151,722	305,923	473,769	779,692
Total Program Services	1,617,717	1,042,392	2,660,109	6,193,017	8,853,126
Supporting Services:					
Management & General	464,595	454,006	918,601	1,389,133	2,307,734
Fundraising	197,321	192,085	389,406	462,212	851,618
Underwriting	35,889	34,519	70,408	160,185	230,593
Depreciation	144,384	144,384	288,768	433,151	721,919
Total Supporting Services	842,189	824,994	1,667,183	2,444,681	4,111,864
Total Expenses	2,459,906	1,867,386	4,327,292	8,637,698	12,964,990
Excess (Deficit) of Revenues and Other Support Over Expenses	\$ (497,203)	34,701	(462,502)	748,390	\$ 285,888

**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***

We have audited the financial statements of The WOSU Stations, which is a part of The Ohio State University, as of and for the year ended June 30, 2005, and have issued our report thereon dated November 17, 2005. 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.

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 caused by error or fraud 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.

Compliance and Other Matters

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*.

However, we noted certain matters involving the internal control over financial reporting, which we have reported to management of The WOSU Stations in a separate letter dated November 17, 2005.

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

Farms & Company, LLC

November 17, 2005



**Auditor of State
Betty Montgomery**

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**OHIO STATE UNIVERSITY
WOSU RADIO 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
DECEMBER 30, 2005**