

WOSU Public Media

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

Financial Report

with Additional Information

For the Years Ended June 30, 2011 and 2010



Dave Yost • Auditor of State

WOSU Public Media
2040 Blankenship Hall
901 Woody Hayes Drive
Columbus, Ohio 43210

We have reviewed the *Report of Independent Auditors* of the WOSU Public Media, Franklin County, prepared by PricewaterhouseCoopers LLP, for the audit period July 1, 2010 through June 30, 2011. 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 Public Media is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 6, 2012

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WOSU Public Media

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Report of Independent Auditors

To WOSU Public Media
The Ohio State University:

In our opinion, the accompanying consolidated statement of net assets and related statement of revenue, expenses and changes in net assets and statement of cash flows present fairly, in all material respects, the financial position of WOSU Public Media ("WOSU"), which is a part of The Ohio State University, as of June 30, 2011, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of WOSU's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The financial statements of WOSU as of June 30, 2010 and for the year then ended were audited by other auditors whose report dated December 21, 2010, except for Note 14 as to which the date is December 19, 2011, expressed an unqualified opinion on those financial statements and included an explanatory paragraph that described the financial statement adjustment as a result of management's subsequent discovery of facts.

As discussed in Note 1, the financial statements of WOSU are intended to present the financial position, changes in financial position, and cash flows of only that portion of the financial reporting entity of The Ohio State University that is attributable to the transactions of WOSU. They do not purport to, and do not, present fairly the financial position of The Ohio State University as of June 30, 2011, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis on pages 2 through 6 are not a required part of the basic financial statements but are supplementary information required by the Government 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 required supplementary 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 taken as a whole. The Supplemental Schedule of Revenues and Expenses by Telecommunications Operations for the year ended June 30, 2011, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2011 on our consideration of WOSU's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

PricewaterhouseCoopers LLP

December 23, 2011

WOSU Public Media

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Management's Discussion and Analysis

June 30, 2011 and 2010

The following Management's Discussion and Analysis, or MD&A, provides an overview of the financial position and activities of WOSU Public Media for the year ended June 30, 2011 and 2010. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

About WOSU Public Media

Since 1922, WOSU Public Media has enriched lives through public broadcast programming and community services that educate, inform, entertain, and inspire. WOSU was created as one of the first educational radio stations in the country to provide lifelong learning beyond the boundaries of the campus of The Ohio State University, its license holder.

Today, WOSU Public Media operates seven non-commercial radio stations and two television stations serving over two million Ohioans in a 21-county region. It is recognized as a producer of quality local programming and public engagement projects that have garnered dozens of regional and national awards. WOSU has created a partnership with the COSI Science Center to build a digital studio complex unique in the country called WOSU@COSI. With the massive changes in media access and use, WOSU has become a leader in studying and building online and social network connections as well as creating digital media for use in K-12 classrooms.

WOSU is part of the purview of the OSU Senior Vice President of University Communications and is advised by a community board, Friends of WOSU. The most significant financial support for WOSU comes from the community it serves, with some 19,000 individual members and corporate and foundation support of its programming and projects.

About the Financial Statements

WOSU Public Media presents its financial reports in a "business type activity" format, in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*. In addition to this MD&A section, the financial report includes a Statement of Net Assets, a Statement of Revenues, Expenses and Other Changes in Net Assets, a Statement of Cash Flows and Notes to the Financial Statements.

Financial Highlights

WOSU Public Media's total net assets increased by \$1,905,108 to \$17,551,468 primarily due to the acquisition of the FM radio station at a bargain purchase price. The FM radio station's fair market value of \$8,000,000 is offset by new debt totaling \$5,700,000 resulting in an increase in net assets, invested in capital assets

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Management's Discussion and Analysis

June 30, 2011 and 2010

The following sections provide additional details on WOSU's financial results and a look ahead at significant economic conditions that are expected to affect WOSU in the future.

Summary of Net Assets

| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|---------------------------------------|----------------------|----------------------|----------------------|
| Cash and cash equivalents | \$ 3,445,806 | \$ 3,827,698 | \$ 5,806,941 |
| Receivables and other current assets | 519,315 | 1,043,936 | 1,558,192 |
| Total current assets | <u>3,965,121</u> | <u>4,871,634</u> | <u>7,365,133</u> |
| Noncurrent receivables | 31,383 | 92,427 | 184,419 |
| Endowment investments | 5,007,419 | 4,626,377 | 4,122,607 |
| Capital assets, net of depreciation | 15,512,613 | 8,389,309 | 9,032,258 |
| Total noncurrent assets | <u>20,551,415</u> | <u>13,108,113</u> | <u>13,339,284</u> |
| Total assets | <u>\$ 24,516,536</u> | <u>\$ 17,979,747</u> | <u>\$ 20,704,417</u> |
| Accounts payable and accrued expenses | \$ 135,393 | \$ 106,020 | \$ 181,120 |
| Deferred revenues and deposits | 391,292 | 699,159 | 934,319 |
| Current portion of debt | 2,847,633 | 597,044 | 1,213,940 |
| Total current liabilities | <u>3,374,318</u> | <u>1,402,223</u> | <u>2,329,379</u> |
| Noncurrent portion of debt | 3,383,011 | 1,753,475 | 2,388,174 |
| Other noncurrent liabilities | 364,089 | 373,867 | 367,030 |
| Total noncurrent liabilities | <u>3,747,100</u> | <u>2,127,342</u> | <u>2,755,204</u> |
| Total liabilities | <u>\$ 7,121,418</u> | <u>\$ 3,529,565</u> | <u>\$ 5,084,583</u> |
| Invested in capital assets | \$ 9,281,969 | \$ 6,038,790 | \$ 5,430,144 |
| Unrestricted | 1,928,780 | 1,941,690 | 4,374,868 |
| Restricted-nonexpendable | 2,756,693 | 2,590,374 | 2,373,254 |
| Restricted-expendable | 3,427,676 | 3,879,328 | 3,441,568 |
| Total net assets | <u>\$ 17,395,118</u> | <u>\$ 14,450,182</u> | <u>\$ 15,619,834</u> |

Total assets increased, primarily due to an increase in capital assets of \$6,536,789 to \$24,516,536. The change in capital assets is due to the new radio station's FCC license of \$7,912,851, purchase of equipment, and depreciation expense. The Statement of Cash Flows, which is discussed in more detail below, provides additional details on sources and uses of WOSU's cash.

Endowment investments in the university's long-term investment pool increased slightly by \$381,042 to \$5,007,419. The long-term investment pool is invested in a diversified portfolio of equities, fixed income, hedge funds and private equity that is intended to provide the long-term growth necessary to preserve the value of these funds, adjusted for inflation, while making distributions to support the university's mission.

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Total liabilities of WOSU increased by \$3,591,853 to \$7,121,418 at June 30, 2011 mainly due to new debt obligations to finance the new radio station offset by debt payments of \$712,847.

Summary of Revenues, Expenses and Changes in Net Assets

| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|------------------------------------|----------------------|----------------------|----------------------|
| Operating revenues: | | | |
| Contributed services | \$ 883,906 | \$ 606,517 | \$ 1,246,338 |
| Sales and services | 1,591,101 | 1,443,904 | 1,674,437 |
| Grants and contracts | 3,015,740 | 3,667,936 | 2,938,424 |
| Member contributions | 2,921,801 | 2,497,692 | 2,675,152 |
| Other revenues | 168,765 | 93,263 | 130,730 |
| Total operating revenues | <u>8,581,312</u> | <u>8,309,312</u> | <u>8,665,081</u> |
| Operating expenses: | | | |
| Programming and production | 4,910,192 | 4,957,127 | 4,192,598 |
| Broadcasting | 2,939,757 | 2,933,401 | 3,073,869 |
| Program information | 652,209 | 782,245 | 709,250 |
| Management and general | 2,498,019 | 2,374,405 | 2,520,940 |
| Underwriting | 293,985 | 248,263 | 261,480 |
| Fundraising | 1,103,994 | 1,163,378 | 1,212,736 |
| Depreciation | 997,728 | 1,300,023 | 1,210,603 |
| Total operating expenses | <u>13,395,884</u> | <u>13,758,842</u> | <u>13,181,476</u> |
| Net operating (loss) | <u>(4,814,572)</u> | <u>(5,449,530)</u> | <u>(4,516,395)</u> |
| Non-operating revenues (expenses): | | | |
| Operating subsidies | 1,454,801 | 1,277,011 | 1,814,460 |
| Donated facilities and support | 1,633,982 | 1,650,890 | 1,115,284 |
| Net investment income (loss) | 749,650 | 648,412 | (1,312,604) |
| Interest expense | (44,503) | (31,600) | (109,206) |
| Capital gifts and grants | 3,962,387 | 706,274 | 367,683 |
| Additions to endowment | 3,191 | 28,891 | 5,677 |
| Total non-operating revenues | <u>7,759,508</u> | <u>4,279,878</u> | <u>1,881,294</u> |
| Increase (decrease) in net assets | 2,944,936 | (1,169,652) | (2,635,101) |
| Net assets - beginning of year | <u>14,450,182</u> | <u>15,619,834</u> | <u>18,254,935</u> |
| Net assets - end of year | <u>\$ 17,395,118</u> | <u>\$ 14,450,182</u> | <u>\$ 15,619,834</u> |

Total net assets (equity) increased by \$2,944,936 to \$17,395,118. It should be noted that the required subtotal for net operating income or loss will generally reflect a "loss", primarily due to the way operating and non-operating items are defined under GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating expenses include virtually all WOSU expenses. Operating revenues, however, *exclude* certain significant revenue streams that WOSU relies upon to fund current operations, including direct support from the University, current-use and capital gifts and investment income.

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June 30, 2011 and 2010

Summary of Cash Flows

| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--|---------------------|---------------------|---------------------|
| Cash provided by (used) in: | | | |
| Operating activities | \$ (2,170,467) | \$ (1,910,793) | \$ (1,427,893) |
| Noncapital financing activities | 1,457,992 | 1,431,531 | 1,822,051 |
| Capital and related financing activities | (38,025) | (1,644,624) | (2,299,973) |
| Investing activities | <u>368,608</u> | <u>144,643</u> | <u>329,283</u> |
| Net (decrease) in cash | (381,892) | (1,979,243) | (1,576,532) |
| Cash and cash equivalents, beginning of year | <u>3,827,698</u> | <u>5,806,941</u> | <u>7,383,473</u> |
| Cash and cash equivalents, end of year | <u>\$ 3,445,806</u> | <u>\$ 3,827,698</u> | <u>\$ 5,806,941</u> |

Total WOSU cash at end of year decreased \$381,892 to \$3,445,806. Operating activities include cash flows associated with fees and services, grants and contracts, membership contributions and operating expenses. Non-capital financing activities include direct operating support from the University and gifts. Capital and related financing activities include payments for purchase of capital assets. Net cash provided by investing activities consists primarily of endowment activity.

Economic Factors That Will Affect the Future

WOSU Public Media is focused on growing its annual membership, underwriting, major/planned giving and grant revenues in the coming year. Corporate, foundation and other community funding for a special multi-year multimedia project called Columbus Neighborhoods will also assist the overall budget in the short term.

The upfront investment costs resulting from the acquisition of "Classical 101," a new all-classical FM station at 101.1 FM, will be offset from the sale of WOSU AM in FY12. A capital campaign to cover the additional costs of the acquisition will be a major part of the station's focus through 2015. To date, the campaign has been successful with over \$1.8 million in commitments and cash.

One of the greatest risks facing the stations is the potential reduction in federal funding, which has traditionally covered about 15 percent of the direct budget, including some of the acquisition costs of national programming.

OSU continues to have lines of credit with The Ohio State University related to the construction of the WOSU@COSI digital production center and the radio studios at Fawcett Center. Private funding has allowed WOSU to stay on track with payments.

In response to these challenges, WOSU has focused on creating a more efficient, priority-centered operation, while seeking to enhance all of its non-governmental revenue streams in order to continue to serve the citizens of Ohio with distinctive, non-commercial news, public affairs, arts, culture and educational programming and services.

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Statements of Net Assets

As of June 30, 2011 and 2010

| ASSETS | <u>2011</u> | <u>2010</u> |
|--|----------------------|----------------------|
| Current Assets: | | |
| Cash | \$ 3,445,806 | \$ 3,827,698 |
| Receivables: | | |
| Accounts receivable | 61,742 | 62,267 |
| Government grants | 86,370 | 383,963 |
| Underwriting | 79,508 | 58,330 |
| Pledges | <u>291,695</u> | <u>254,376</u> |
| Total receivables | 519,315 | 758,936 |
| Funds held in escrow | <u>-</u> | <u>285,000</u> |
| Total current assets | 3,965,121 | 4,871,634 |
| Investments | 5,007,419 | 4,626,377 |
| Pledges receivable - noncurrent | 31,383 | 92,427 |
| Property and equipment, net | 7,599,762 | 8,389,309 |
| FCC license | <u>7,912,851</u> | <u>-</u> |
| Total assets | <u>\$ 24,516,536</u> | <u>\$ 17,979,747</u> |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts payable | \$ 107,375 | \$ 80,887 |
| Accrued compensated absence - current | 28,018 | 25,133 |
| Deferred support and revenue | 391,292 | 699,159 |
| Current portion - university debt and note payable | <u>2,847,633</u> | <u>597,044</u> |
| Total current liabilities | 3,374,318 | 1,402,223 |
| Long-term Liabilities | | |
| Long-term portion - debt obligation due University | 1,415,039 | 1,753,475 |
| Note payable | 1,967,972 | - |
| Accrued compensated absence - noncurrent | <u>364,089</u> | <u>373,867</u> |
| Total liabilities | <u>7,121,418</u> | <u>3,529,565</u> |
| NET ASSETS | | |
| Invested in capital assets | 9,281,969 | 6,038,790 |
| Unrestricted | 1,928,780 | 1,941,690 |
| Restricted For: | | |
| Nonexpendable | 2,756,693 | 2,590,374 |
| Expendable | <u>3,427,676</u> | <u>3,879,328</u> |
| Total net assets | <u>17,395,118</u> | <u>14,450,182</u> |
| Total liabilities and net assets | <u>\$ 24,516,536</u> | <u>\$ 17,979,747</u> |

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

WOSU Public Media

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Statements of Revenues, Expenses and Changes in Net Assets

As of June 30, 2011 and 2010

| OPERATING REVENUES | <u>2011</u> | <u>2010</u> |
|---|----------------------|----------------------|
| Contributed services | \$ 883,906 | \$ 606,517 |
| Grants from the Corporation for Public Broadcasting | 1,569,598 | 1,839,009 |
| Member contributions | 2,921,801 | 2,497,692 |
| Fees and services: | | |
| Public broadcasting service | 27,168 | 3,075 |
| Business and industry | 1,366,203 | 1,174,504 |
| Foundations/non-profit organizations | 197,729 | 266,325 |
| Fundraising | 126,889 | 60,553 |
| Federal grants | 17,581 | 302,705 |
| State and local grants | 1,428,561 | 1,526,222 |
| Royalties | 1,025 | 12,284 |
| Miscellaneous | 40,851 | 20,426 |
| Total operating revenues | <u>8,581,312</u> | <u>8,309,312</u> |
| OPERATING EXPENSES | | |
| Program services: | | |
| Programming and production | 4,910,192 | 4,957,127 |
| Broadcasting | 2,939,757 | 2,933,401 |
| Program information | 652,209 | 782,245 |
| Total program services | <u>8,502,158</u> | <u>8,672,773</u> |
| Supporting services: | | |
| Management and general | 2,498,019 | 2,374,405 |
| Depreciation | 997,728 | 1,300,023 |
| Underwriting | 293,985 | 248,263 |
| Fundraising | 1,103,994 | 1,163,378 |
| Total supporting services | <u>4,893,726</u> | <u>5,086,069</u> |
| Total operating expenses | <u>13,395,884</u> | <u>13,758,842</u> |
| Operating loss | (4,814,572) | (5,449,530) |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Operating subsidies | 1,454,801 | 1,277,011 |
| Donated facilities and support - OSU | 1,633,982 | 1,650,890 |
| Investment income: | | |
| Interest and dividend income | 271,799 | 299,163 |
| Unrealized gain on investments | 477,851 | 349,249 |
| Interest expense | (44,503) | (31,600) |
| Capital grants and gifts | 3,962,387 | 706,274 |
| Additions to permanent endowments | 3,191 | 28,891 |
| Net non-operating revenues | <u>7,759,508</u> | <u>4,279,878</u> |
| Change in Net Assets | 2,944,936 | (1,169,652) |
| Net Assets, Beginning of year | <u>14,450,182</u> | <u>15,619,834</u> |
| Net Assets, End of year | <u>\$ 17,395,118</u> | <u>\$ 14,450,182</u> |

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

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Statements of Cash Flows

As of June 30, 2011 and 2010

CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|---|--------------------|--------------------|
| Grants from the Corporation for Public Broadcasting | \$ 1,569,598 | \$ 1,842,084 |
| Member contributions | 2,588,485 | 2,721,498 |
| Fees and services | 1,540,330 | 1,444,167 |
| Proceeds from fundraising | 126,889 | 60,553 |
| Federal, state and local grants | 1,092,524 | 1,545,423 |
| Royalties | 1,025 | 49,350 |
| Other revenues | 40,851 | 20,426 |
| Payments to employees | (5,189,811) | (5,229,875) |
| Payments to suppliers | <u>(3,940,358)</u> | <u>(4,364,419)</u> |
| Net cash (used) in operating activities | <u>(2,170,467)</u> | <u>(1,910,793)</u> |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

| | | |
|--|------------------|------------------|
| Private endowment contributions | 3,191 | 154,520 |
| University subsidies | <u>1,454,801</u> | <u>1,277,011</u> |
| Net cash provided by noncapital financing activities | <u>1,457,992</u> | <u>1,431,531</u> |

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

| | | |
|--|-----------------|--------------------|
| Capital grants and gifts received | 614,240 | 580,644 |
| Principal paid on note payable | (125,000) | - |
| Principal paid on University debt | (587,847) | (1,251,595) |
| Interest paid on University debt | (16,237) | (31,600) |
| Purchase of capital assets | (208,181) | (657,073) |
| Deposit (paid) refunded for station acquisition | <u>285,000</u> | <u>(285,000)</u> |
| Net cash provided (used) in capital financing activities | <u>(38,025)</u> | <u>(1,644,624)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | | |
|---|---------------------|---------------------|
| Investment sales (purchases) | 96,809 | (154,520) |
| Interest and dividends received | <u>271,799</u> | <u>299,163</u> |
| Net cash provided by investing activities | <u>368,608</u> | <u>144,643</u> |
| Net change in cash | (381,892) | (1,979,243) |
| Cash at beginning of year | <u>3,827,698</u> | <u>5,806,941</u> |
| Cash at end of year | <u>\$ 3,445,806</u> | <u>\$ 3,827,698</u> |

RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES

| | | |
|---|-----------------------|-----------------------|
| Operating loss | \$ (4,814,572) | \$ (5,449,530) |
| Adjustments to reconcile excess additions over deductions to net cash provided by operating activities: | | |
| Donated facilities and support | 1,633,982 | 1,650,890 |
| Depreciation expense | 997,728 | 1,300,023 |
| Decrease (increase) in grants, underwriting and accounts receivables | 300,667 | 891,248 |
| Increase (decrease) in accounts payable | 26,488 | (69,694) |
| Increase (decrease) in deferred support | (307,867) | (235,160) |
| Increase (decrease) in compensated absences | <u>(6,893)</u> | <u>1,430</u> |
| Net adjustments | <u>2,644,105</u> | <u>3,538,737</u> |
| Net cash (used) in operating activities | <u>\$ (2,170,467)</u> | <u>\$ (1,910,793)</u> |

SUPPLEMENTAL DISCLOSURES - Noncash activity

| | | |
|---|---------------------|-------------|
| Purchase of radio station with debt financing | \$ 5,700,000 | \$ - |
| Contribution from bargain sale of radio station | <u>\$ 3,435,294</u> | <u>\$ -</u> |

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

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Notes to Financial Statements

As of June 30, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Entity

The accompanying financial statements of WOSU Public Media 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
- WOSA-FM Radio, Grove City, Ohio

WOSU Public Media 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

WOSU Public Media 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. WOSU Public Media reports as a special purpose government engaged solely in "business type activities" under GASB Statement No. 34. GASB Statement Nos. 20 and 34 provide WOSU Public Media the option of electing to apply FASB pronouncements issued after November 30, 1989. WOSU Public Media has elected not to apply those pronouncements.

GASB Statement No. 34 requires that resources be classified for accounting and reporting purposes into the following net assets categories:

Invested in capital assets, net of related debt

Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted nonexpendable

Net assets subject to externally imposed stipulations that they be maintained permanently by WOSU.

Restricted expendable

Net assets whose use by WOSU is subject to externally imposed stipulations that can be fulfilled by actions of WOSU pursuant to those stipulations or that expire by the passage of time.

Unrestricted

Net assets whose use by WOSU is not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties

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Basis of Accounting

The financial statements of WOSU Public Media 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 WOSU Public Media is maintained by the University which commingles the funds with other University-related organizations.

Endowment Investments

Endowment funds are handled by the Office of Financial Services 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 non-operating 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.

Capital Assets

Capital assets with a unit cost of over \$5,000 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 the promise to give is made. Grant funds are recorded as revenues when the grant's contractual requirements have been met. The principal expendable restricted resources of WOSU are grants to finance capital projects or specific programs produced by WOSU. These revenues are deferred until WOSU incurs the capital expenditure or broadcasts the specific program.

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 WOSU.

Donated Facilities and Administrative Support from The Ohio State University

Donated facilities and Administrative Support are calculated and recorded as both revenue and expense based upon the University's "modified other sponsored activities indirect cost rate" as defined by the Corporation for Public Broadcasting (CPB), which was 16.45% for the fiscal years ending June 30, 2011 and 2010. Donated facilities and administrative support from The University consists of allocated overhead costs related to 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.

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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.

Newly Issued Accounting Pronouncements

In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This Statement amends provisions in Statements No. 45 and 43 related to measurement and actuarial valuation of other post employment benefits. In addition, this Statement clarifies that when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers, the provisions of Statement No. 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. Management has not yet determined the impact that implementation of GASB Statement No. 57 will have on the financial statements.

Other

The university is exempt from income taxes as a non-profit organization under Internal Revenue Code §115 and Internal Revenue Service regulations. Any unrelated business income is taxable.

2. INVESTMENTS

WOSU's investments are maintained in the University's investment pool. The pool consists of more than 4,400 named funds. Each named fund is assigned a number of shares, based on the value of the gifts, income-to-principal transfers, or transfers of operating funds to that named fund. The pool is invested in a diversified portfolio of equities, fixed income, real estate, hedge funds, private equity, venture capital and natural resources that is intended to provide the long-term growth necessary to preserve the value of these funds, adjusted for inflation, while making distributions to support WOSU's mission.

The University holds certain types of alternative investments, including limited partnerships and private equity, which are carried at estimated fair value provided by the management of these funds. The purpose of this alternative investment class is to increase portfolio diversification and reduce risk due to the low correlation with other asset classes. Methods for determining estimated fair values include discounted cash flows and estimates provided by general partners.

Annual distributions to named funds in the University investment pool are computed using the share method of accounting for pooled investments. For fiscal year 2009, annual distribution was based on the average market value per share over the previous five year period multiplied by a stated rate. For funds established prior to June 30, 2004, the stated rate was 4.5%. For funds established after June 30, 2004, the stated rate was 4%. To minimize volatility in the year-to-year distribution amounts, a "collar" was also in place to ensure that distribution per share did not increase greater than 3% a year or decrease more than 1% a year.

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After the significant market decline in fiscal year 2009, the University's Board of Trustees revised the distribution policy. In fiscal year 2010, the two pools (named funds established before or after the June 30, 2004 cutoff date) were combined into one, resulting in one payout rate for all funds. The collar was eliminated and replaced with a temporary one year floor limiting the total distribution decline to 3% for any college or area. Based on these two methods, undistributed gains were transferred from the Long Term Investment Pool to current funds. Beginning in fiscal year 2011, annual distribution per share is 4.25% of the average market value per share of the Long Term Investment Pool over the most recent seven year period.

Investments are carried at market values in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The net change in the value of investments during 2011 and 2010 were unrealized gains of \$477,851 and 349,249, respectively. These amounts take into account all changes in fair value (including purchases and sales) that occurred during the year.

The calculation of unrealized gain or loss is independent of the calculation of the net increase in fair value of investments. As of June 30, 2011 and 2010, there is cumulative unrealized gain on investments of \$561,187 and 83,336, respectively.

The following summarizes WOSU's investments held in the University's investment pool as of June 30, 2011:

| Name of Fund | Number of Shares | Cost | Market Value |
|-------------------------------|-------------------------|---------------------|---------------------|
| Friends of WOSU | 404.66 | \$ 1,408,727 | \$ 2,286,654 |
| Prine Classical Music | 1.36 | 5,550 | 7,696 |
| WOSU Public Media | 398.30 | 2,494,210 | 2,250,726 |
| AEP Foundation | 4.60 | 25,000 | 25,978 |
| Elam Family | 11.29 | 69,700 | 63,822 |
| Taylor Memorial | 3.41 | 27,460 | 19,290 |
| Batelle Digital Media | 20.36 | 150,000 | 120,697 |
| Reba Harvey | 16.58 | 99,967 | 93,716 |
| Klotz Public Media | 3.89 | 25,000 | 22,000 |
| Palius Public Media | 3.87 | 25,337 | 21,883 |
| Sipp Student Interns | 6.96 | 50,000 | 39,348 |
| Digital Media Center Outreach | 9.84 | 65,281 | 55,609 |
| | | <u>\$ 4,446,232</u> | <u>\$ 5,007,419</u> |

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The following summarizes WOSU's investments held in the University's investment pool as of June 30, 2010:

| <u>Name of Fund</u> | <u>Number of Shares</u> | <u>Cost</u> | <u>Market Value</u> |
|-------------------------------|-------------------------|---------------------|---------------------|
| Friends of WOSU | 404.66 | \$ 1,408,727 | \$ 2,069,027 |
| Prine Classical Music | 1.36 | 5,550 | 6,963 |
| WOSU Public Media | 398.20 | 2,493,662 | 2,036,003 |
| AEP Foundation | 4.60 | 25,000 | 23,506 |
| Elam Family | 11.27 | 69,550 | 57,600 |
| Taylor Memorial | 3.41 | 27,460 | 17,454 |
| Batelle Digital Media | 40.61 | 250,000 | 207,625 |
| Reba Harvey | 16.58 | 99,967 | 84,797 |
| Klotz Public Media | 3.89 | 25,000 | 19,906 |
| Palius Public Media | 3.87 | 25,337 | 19,800 |
| Sipp Student Interns | 6.96 | 50,000 | 35,604 |
| Digital Media Center Outreach | 9.07 | 62,788 | 48,092 |
| Totals | | <u>\$ 4,543,041</u> | <u>\$ 4,626,377</u> |

3. PLEDGES RECEIVABLE

Pledges receivable represent the net unconditional promises to give that were made in connection with WOSU Public Media's capital campaign and annual gift memberships. All pledges were considered to be fully collectible. The following are pledges receivable balances as of June 30, 2011 and 2010:

| | <u>2011</u> | <u>2010</u> |
|----------------------------------|-------------------|-------------------|
| Receivable in less than one year | \$ 291,695 | \$ 254,376 |
| Receivable in one to three years | 31,383 | 92,427 |
| Total | <u>\$ 323,078</u> | <u>\$ 346,803</u> |

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4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 is summarized as follows:

| | Beginning Balance | Additions | Retirements | Ending Balance |
|---------------------------------------|------------------------------|------------------|--------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| FCC License | \$ - | \$ 7,912,851 | \$ - | \$ 7,912,851 |
| Capital assets being depreciated: | | | | |
| Buildings | 11,638,428 | 165,649 | - | 11,804,077 |
| Improvements | 1,167,938 | - | - | 1,167,938 |
| Equipment | 10,922,731 | 50,434 | 461,608 | 10,511,557 |
| Total | 23,729,097 | 8,128,934 | 461,608 | 31,396,423 |
| Less: Accumulated depreciation | 15,339,788 | 997,728 | 453,706 | 15,883,810 |
| Total capital assets, net | \$ 8,389,309 | \$ 7,131,206 | \$ 7,902 | \$ 15,512,613 |

Capital asset activity for the year ended June 30, 2010 is summarized as follows:

| | Beginning Balance | Additions | Retirements | Ending Balance |
|-----------------------------------|------------------------------|------------------|--------------------|---------------------------|
| Capital assets being depreciated: | | | | |
| Buildings | \$11,635,084 | \$ 3,344 | \$ - | \$ 11,638,428 |
| Improvements | 1,167,938 | - | - | 1,167,938 |
| Equipment | 11,301,917 | 653,729 | 1,032,915 | 10,922,731 |
| Total | 24,104,939 | 657,073 | 1,032,915 | 23,729,097 |
| Less: Accumulated depreciation | 15,072,681 | 1,176,499 | 909,392 | 15,339,788 |
| Total capital assets, net | \$ 9,032,258 | \$ (519,426) | \$ 123,523 | \$ 8,389,309 |

The following estimated useful lives are used to compute depreciation:

| | |
|--------------|---------------|
| Equipment | 5 - 15 years |
| Buildings | 20 - 40 years |
| Improvements | 20 years |

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5. FCC LICENSE

The purchase of commercial radio station WWCD (FM) and approval from the Federal Communication Commission ("FCC") granted WOSU rights to the 101.1 FM radio frequency. The FCC license is an indefinite life intangible after considering the expected use of the assets, the regulatory and economic environment within which it is being used, and the effects of obsolescence on their use. The FCC license authorizes WOSU to use the broadcast spectrum, which is a renewable, reusable resource that does not deplete or exhaust over time.

WOSU evaluates the license for impairment on an annual basis in accordance with GASB No. 51, *Accounting and Financial Reporting for Intangible Assets*. No impairment loss was recorded in fiscal year 2011.

6. RETIREMENT PLANS

All WOSU employees are employees of the University and are covered by either the Ohio Public Employees Retirement System (OPERS) or the Alternative Retirement Plan (ARP). Employees may opt out of OPERS and participate in the ARP if they meet certain eligibility requirements.

OPERS offers three separate plans: 1) a defined benefit plan, 2) a defined contribution plan and 3) a combined plan. Each of these three options is discussed in greater detail in the following sections.

Defined Benefit Plan

OPERS offers statewide cost-sharing multiple-employer defined benefit pension plan. OPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by state statute and are calculated using formulas that include years of service and final average salary as factors. OPERS issues separate, publicly available financial reports that include financial statements and required supplemental information. These reports may be obtained by contacting: OPERS, 277 East Town Street, Columbus, Ohio, 43215-4642, or by calling (614) 222-5601 or (800) 222-7377 or www.opers.org

Defined Contribution Plans

ARP is a defined contribution pension plan. Full-time administrative and professional staff may choose enrollment in ARP in lieu of OPERS. Classified civil service employees hired on or after August 1, 2005 are also eligible to participate in ARP. ARP does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

OPERS also offers a defined contribution plan, the Member-Directed Plan (MD). The MD plan does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

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Combined Plans

OPERS also offers a combined plan. This is a cost-sharing multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan. In the combined plan, employee contributions are invested in self directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive postretirement health care benefits. OPERS provides retirement, disability, survivor and postretirement health benefits to qualifying members of the combined plan.

Funding Policy

The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans. The 2011 member contribution rates was 10.0% of covered payroll for members and employer contribution rates was 14.0% of covered payroll.

WOSU's employer contributions to PERS and ARP for the years ended June 30, 2011, 2010 and 2009 were \$599,458, \$522,571 and \$534,099, respectively, equal to 100% of the required contributions for each year.

7. OTHER POSTEMPLOYMENT BENEFITS

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2011, the employer contribution allocated to the health care plan was 7.0% covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

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WOSU's employer contributions used to fund post-employment benefits for the years ended June 30, 2011, 2010 and 2009 are estimated to be \$299,729, \$261,286, and \$267,050, respectively.

The Health Care Preservation Plan ("HCPP") adopted on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

8. ACCRUED 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.

WOSU Public Media 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, WOSU Public Media 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 WOSU Public Media to the total year-of-service for WOSU current employees.

Accrued vacation and sick leave liability was \$392,107 and \$399,000 as June 30, 2011 and 2010.

Long term liabilities related to accrued compensated absences as of June 30, 2011 is as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|--------------------------------|------------------------------|------------------|-------------------|---------------------------|
| Compensated absences | \$ 399,000 | \$ - | \$ 6,893 | \$ 392,107 |
| Less: current portion | 25,133 | | | 28,018 |
| Long term compensated absences | <u>\$ 373,867</u> | | | <u>\$ 364,089</u> |

Long term liabilities related to accrued compensated absences as of June 30, 2010 is as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|--------------------------------|------------------------------|------------------|-------------------|---------------------------|
| Compensated absences | \$ 397,596 | \$ 1,404 | \$ - | \$ 399,000 |
| Less: current portion | 30,539 | | | 25,133 |
| Long term compensated absences | <u>\$ 367,057</u> | | | <u>\$ 373,867</u> |

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9. CORPORATION FOR PUBLIC BROADCASTING GRANT AWARDS

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

Fiscal Year 2011

| <u>CPB Grant</u> | <u>WOSU-AM</u> | <u>WOSU-FM</u> | <u>WOSU-TV</u> | <u>Total</u> |
|---------------------------|-------------------|-------------------|---------------------|---------------------|
| Community Service | \$ 136,568 | \$ 136,568 | \$ 1,128,606 | \$ 1,401,742 |
| Interconnection Grant | | | 21,753 | 21,753 |
| Digital Distribution - DT | | | 110,448 | 110,448 |
| STEM Digital Media | | | 10,655 | 10,655 |
| ITVS Community Cinema | | | 25,000 | 25,000 |
| Total Fiscal Year 2011 | <u>\$ 136,568</u> | <u>\$ 136,568</u> | <u>\$ 1,296,462</u> | <u>\$ 1,569,598</u> |

Fiscal Year 2010

| <u>CPB Grant</u> | <u>WOSU-AM</u> | <u>WOSU-FM</u> | <u>WOSU-TV</u> | <u>Total</u> |
|----------------------------------|-------------------|-------------------|---------------------|---------------------|
| Community Service | \$ 140,255 | \$ 140,255 | \$ 1,108,235 | \$ 1,388,745 |
| Interconnection Grant | | | 22,104 | 22,104 |
| My Source Grant | | | 2,500 | 2,500 |
| LSI - University Place | | | 60,000 | 60,000 |
| Mortgage Crisis Grant | | | 32,500 | 32,500 |
| Digital Distribution - TV Server | | | 47,015 | 47,015 |
| Digital Distribution - DT | | | 48,987 | 48,987 |
| FM Digital Conversion | | 28,715 | | 28,715 |
| STEM Digital Media | | | 70,000 | 70,000 |
| Kids Sprout | | | 11,097 | 11,097 |
| Fiscal Stabilization | 25,069 | 25,069 | 75,208 | 125,346 |
| ITVS Community Cinema | | | 2,000 | 2,000 |
| Total Fiscal Year 2010 | <u>\$ 165,324</u> | <u>\$ 194,039</u> | <u>\$ 1,479,646</u> | <u>\$ 1,839,009</u> |

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10. UNIVERSITY SUPPORT

The operations of WOSU Public Media 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 \$1,454,801 and \$1,277,011, for the years ended June 30, 2011 and 2010, respectively. In addition, the University provided \$1,633,982 and \$1,650,890 in indirect administrative support during fiscal years 2011 and 2010, respectively. The indirect administrative support revenues were calculated using the University's "modified other sponsored activities indirect costs rate" of 16.45% for fiscal years ended June 30, 2011 and 2010.

11. INCOME BENEFICIARY

WOSU Public Media is an income beneficiary of certain funds administered and maintained by the University. WOSU Public Media receives income generated from the Donald R. Glancy Endowed Fund in excess of \$7,000 per year to support television and radio programming needs. WOSU Public Media received \$27,993 and \$29,783 from this fund during fiscal years 2011 and 2010, respectively. In addition, WOSU Public Media receives ten percent of the income generated from the John McKitrick Family Fund. During fiscal years 2011 and 2010, WOSU Public Media received \$107 and \$114 from this fund, respectively. All income received by WOSU Public Media as an income beneficiary have been included in the statement of revenues, expenses and changes in net assets for the years ended June 30, 2011 and 2010.

The following summarizes the value of these funds as of June 30, 2011 and 2010:

| <u>Fund Name</u> | <u>2011 Market Value</u> | <u>2010 Market value</u> |
|--------------------------------|------------------------------|------------------------------|
| Donald R. Glancy Endowed Fund | \$ 597,887 | \$ 539,973 |
| John McKitrick Family Fund | <u>2,277</u> | <u>2,060</u> |
| Total Income Beneficiary Funds | \$ <u>600,164</u> | \$ <u>542,033</u> |

12. OPERATING LEASE OBLIGATION

WOSU leases office space from The Center of Science and Industry (COSI) under an agreement with a 10 year occupancy term commencing on the date of occupancy (May 13, 2005). The lease amount is subject to annual adjustment based on the consumer price index (CPI). As of June 30, 2011, future minimum rental payments based on the CPI indexed rate for fiscal year 2011, is summarized below:

| | |
|-------|-------------------|
| 2012 | \$ 243,684 |
| 2013 | 243,684 |
| 2014 | 243,684 |
| 2015 | <u>223,377</u> |
| Total | \$ <u>954,429</u> |

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Rental expense charged to operations was \$237,210 and \$221,497 during 2011 and 2010, respectively.

WOSU leases land from an individual under an agreement with a 5 year term commencing with the purchase of WWCD FM on December 14, 2010. The lease term automatically renews for 3 additional 5 year terms.

As of June 30, 2011, the future minimum rental payments are summarized below:

| | |
|-------|------------------|
| 2012 | \$ 12,000 |
| 2013 | 12,000 |
| 2014 | 12,000 |
| 2015 | 12,000 |
| 2016 | <u>12,000</u> |
| Total | \$ <u>60,000</u> |

Rental expense charged to operations was \$8,000 during 2011.

13. DEBT OBLIGATIONS

Debt activity for the year ended June 30, 2011, are as follows:

| | Beginning Balance | Principal Additions | Repayments | Ending Balance | Current Portion |
|--|------------------------------|--------------------------------|-------------------|---------------------------|----------------------------|
| University advance | \$ - | \$ 2,250,000 | \$ - | \$ 2,250,000 | \$ 2,250,000 |
| Line of credit - radio studios | 429,183 | - | 107,336 | 321,847 | 63,475 |
| Line of credit - COSI | 1,921,336 | - | 480,511 | 1,440,825 | 284,158 |
| Promissory note | - | 3,450,000 | 125,000 | 3,325,000 | 250,000 |
| Total before discount | <u>\$ 2,350,519</u> | <u>\$ 5,700,000</u> | <u>\$ 712,847</u> | <u>7,337,672</u> | <u>\$ 2,847,633</u> |
| Discount on promissory note | | | | (1,107,028) | |
| Total lines of credit and promissory note, net present value | | | | <u>\$ 6,230,644</u> | |

Debt activity for the year ended June 30, 2010, are as follows:

| | Beginning Balance | Principal Additions | Repayments | Ending Balance | Current Portion |
|--------------------------------|------------------------------|--------------------------------|---------------------|---------------------------|----------------------------|
| Line of credit - radio studios | \$ 666,400 | \$ - | \$ 237,217 | \$ 429,183 | \$ 107,296 |
| Line of credit - COSI | 2,935,714 | - | 1,014,378 | 1,921,336 | 489,748 |
| Total lines of credit | <u>\$ 3,602,114</u> | <u>\$ -</u> | <u>\$ 1,251,595</u> | <u>\$ 2,350,519</u> | <u>\$ 597,044</u> |

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WOSU obtained line of credit financing through the University for \$1,200,000 for the renovation of its Radio Studios and for \$5,000,000 for the construction of its COSI location radio and television broadcasting studios. Interest on the outstanding principal balance is based on the University's monthly investment credit rate as determined by the University Office of the Treasurer, which was 0.70% as of June 30, 2011 and 2010. The two lines of credit were termed out during fiscal year 2007, with maturity in June 2016. As of June 30, 2011, there was \$321,847 outstanding on the Radio Studio loan and \$1,440,825 outstanding on the COSI loan.

WOSU received an advance from the University to pay for the radio station acquisition in the amount of \$2,250,000. WOSU intends to repay the advance upon the sale of the AM radio station in Fiscal Year 2012.

WOSU financed the purchase of the WOSA (FM) on December 14, 2010 through a promissory note with the seller for \$3,450,000 and it is non-interest bearing. As such, the net present value of the note is less than face value. The net present value of the note (at an imputed interest rate of 4.80%) is \$2,217,972 at June 30, 2011. The monthly principal on the note shall be amortized over 20 years. The discount and imputed interest expense on the note are included in the statement of revenue, expenses and change in net assets.

The following is a schedule showing the amounts due for the debt obligations as of June 30, 2011:

| | <u>Principal</u> | <u>Interest</u> |
|-----------|---------------------|------------------|
| 2012 | \$ 2,847,633 | \$ 12,339 |
| 2013 | 600,067 | 9,905 |
| 2014 | 511,341 | 7,455 |
| 2015 | 513,809 | 4,987 |
| 2016 | 516,294 | |
| 2017-2021 | 794,120 | |
| 2022-2026 | 794,120 | |
| 2027-2031 | 760,288 | |
| Total | <u>\$ 7,337,672</u> | <u>\$ 34,686</u> |

Interest expense of \$16,237 and \$31,600 was incurred on the debt during fiscal year 2011 and 2010, respectively.

14. ASSET PURCHASE AGREEMENT

WOSU entered into an agreement to purchase commercial radio station WOSA (FM) with approval by the Federal Communications Commission ("FCC") on December 14, 2010. The purchase price of \$5,700,000 was paid by an advance from the University of \$2,250,000 and a promissory note to the seller for \$3,450,000 (Note 13). The purchase price constitutes a bargain sale. The value of the bargain purchase price is \$3,435,294 and is recorded as a capital gift on the statement of revenues, expenses and changes in net assets. The fair market value of the radio station is \$8,000,000 as determined by an independent, qualified appraisal.

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

As of June 30, 2011 and 2010

15. SUBSEQUENT EVENT – RADIO STATION SALE

WOSU entered into an agreement to sell commercial radio station WOSU (AM) on August 15, 2011, pending approval by the FCC. The FCC approval and sale were completed on December 15, 2011 for a sale price of \$1,985,000. The cash proceeds were used to repay the advance made by the University for the FM radio station purchase. WOSU entered into a 25 year lease agreement for the AM station tower site with the buyer. WOSU performed an impairment analysis and determined no impairment as of June 30, 2011.

WOSU Public Media

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Supplemental Schedule of Revenue and Expenses by Telecommunication Operations

For the Year Ended June 30, 2011

| | Radio | Television | Other | Total |
|--|--------------|------------|-------|--------------|
| Revenues and Other Support | | | | |
| The Ohio State University Direct Support | \$ 729,238 | \$ 725,563 | \$ - | \$ 1,454,801 |
| Contributed services | 242,349 | 641,557 | - | 883,906 |
| Donated facilities and support - OSU | 631,048 | 994,253 | 8,681 | 1,633,982 |
| Grants from the CPB | 273,135 | 1,296,463 | - | 1,569,598 |
| Member contributions | 1,152,427 | 1,769,374 | - | 2,921,801 |
| Fees and Services | | | | |
| PBS | 2,356 | 24,812 | - | 27,168 |
| B&I | 441,033 | 925,170 | - | 1,366,203 |
| Foundations/NPO's | 133,223 | 64,506 | - | 197,729 |
| Fundraising | - | 126,889 | - | 126,889 |
| Federal grants | (2,236) | 19,817 | - | 17,581 |
| State and local grants | 86,560 | 1,342,001 | - | 1,428,561 |
| Investment income | | | | |
| Interest and dividend income | 104,140 | 167,659 | - | 271,799 |
| Unrealized gain on investments | 161,966 | 315,885 | - | 477,851 |
| Endowment contributions | 667 | 2,524 | - | 3,191 |
| Capital grants and gifts | 3,721,150 | 241,237 | - | 3,962,387 |
| Royalties | 1,005 | 20 | - | 1,025 |
| Other | 2,810 | 38,041 | - | 40,851 |
| Total support, revenue and other additions | 7,680,871 | 8,695,771 | 8,681 | 16,385,323 |
| EXPENSES | | | | |
| Program Services | | | | |
| Programming and production | 1,904,301 | 3,002,852 | 3,039 | 4,910,192 |
| Broadcasting | 1,031,094 | 1,906,058 | 2,605 | 2,939,757 |
| Program information | 259,531 | 392,157 | 521 | 652,209 |
| Total program services | 3,194,926 | 5,301,067 | 6,165 | 8,502,158 |
| Supporting services | | | | |
| Management & general | 959,565 | 1,536,804 | 1,650 | 2,498,019 |
| Fundraising | 437,909 | 665,391 | 694 | 1,103,994 |
| Underwriting | 117,144 | 176,669 | 172 | 293,985 |
| Interest expense | 31,231 | 13,272 | - | 44,503 |
| Depreciation | 372,805 | 624,923 | - | 997,728 |
| Total supporting services | 1,918,654 | 3,017,059 | 2,516 | 4,938,229 |
| Total expenses | 5,113,580 | 8,318,126 | 8,681 | 13,440,387 |
| Net change | \$ 2,567,291 | \$ 377,645 | \$ - | \$ 2,944,936 |



**Report of Independent Auditors on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To WOSU Public Media
The Ohio State University:

We have audited the financial statements of WOSU Public Media ("WOSU") as of and for the year ended June 30, 2011, and have issued our report thereon dated December 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered WOSU's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of WOSU's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of WOSU's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule as finding number 2011-1 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether WOSU's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

WOSU's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit WOSU's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of WOSU's management, The Ohio State University, and the Ohio Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

December 23, 2011

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Schedule of Findings and Responses

Year Ended June 30, 2011

Finding 2011-1 - WOSU

1. Financial Reporting

- New/Recurring Issue: New
- Observation: Throughout the audit we noted opportunities for management to strengthen and improve upon their financial reporting process. Some examples of items observed are as follows:
 - o It appears that WOSU has limited resources to have account reconciliations reviewed by different personnel that are not the preparer. For example, the calculation of deferred revenue is extremely manual in nature and there is no approval of the deferred calculation beyond the preparer. In the current year we noted a computation difference in this schedule.
 - o Certain accruals were misstated.
 - o A more robust process should be in place to ensure basic financial statement consistencies between the financial statements and footnotes.
 - o We discovered various out of period adjustments affecting prepaid assets and net asset classifications where the financial reporting was not consistent with certain underlying agreements. These matters ultimately required the prior auditor to make adjustments in his previously issued report.
 - o The financial statements and Corporation for Public Broadcasting submission are generated through highly manual processes including numerous manual adjusting entries and currently limited review is performed over the consolidating process and related adjusting entries. Current period errors identified by PwC included revenue classification issues between Corporation for Public Broadcasting Revenue and federal/state revenue.
- Implication: The current financial reporting process involves WOSU personnel maintaining operating accounts and central accounting personnel consolidating these accounts and making topside adjustments to generate the financial statements. A lack of certain review processes/considerations increases the risk that activity may not be appropriately reflected within the financial statements.
- Classification: Significant Deficiency
- Recommendation: Management should continue to assess their current financial reporting and compilation process including the year-end close process and the formation of the required data for the Corporation for Public Broadcasting and look to identify opportunities for improvements and efficiencies to their processes. Management should analyze if adding resources or more clearly defining roles and responsibilities could enhance and add efficiencies to the financial reporting process. More formalized review of the financial statements, key account reconciliations, and significant accounting issues would lessen the risk of material financial statement error.

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Schedule of Findings and Responses

Year Ended June 30, 2011

Management Response: Management will continue to assess their current financial reporting and compilation process including the year-end close process and the formation of the required data for the Corporation for Public Broadcasting and look to identify opportunities for improvements and efficiencies to these processes. Management is in the process of analyzing resources and working with their reporting College (University Communications) to more clearly define roles and responsibilities and ways they can help in financial reporting. Management will investigate ways to undertake a more formalized review of the financial statements, key account reconciliations, and significant accounting issues to lessen the risk of material financial statement errors.



Dave Yost • Auditor of State

WOSU PUBLIC MEDIA

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 16, 2012