WOUB Center for Public Media

A Public Media Entity
(A Department of Ohio University)

Financial Statements as of and for the
Years Ended June 30, 2012 and 2011, and
Independent Auditor's Report

Dave Yost • Auditor of State

Board of Trustees
WOUB Center for Public Media
204 West Union Street Office Center
Athens, Ohio 45701

We have reviewed the *Independent Auditor's Report* of the WOUB Center for Public Media, Athens County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2011 through June 30, 2012. 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 WOUB Center for Public Media is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

January 22, 2013

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WOUB Center for Public Media
A Public Media Entity
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Independent Auditor's Report

To the Board of Trustees
Ohio University
Athens, Ohio

We have audited the accompanying statement of net assets of WOUB Center for Public Media (the "Center"), a public media entity (a department of Ohio University), as of June 30, 2012 and 2011 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Ohio University's (the "University") 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 audits to obtain reasonable assurance that 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 1, the financial statements of the Center are intended to present the statement of net assets and the related statements of revenue, expenses, and changes in net assets and cash flows of only that portion of activities attributable to the transactions of the Center. They do not purport to, and do not, present fairly the financial position of Ohio University as of June 30, 2012 and 2011, the statement of net assets, and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2012 and 2011 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Ohio University

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as identified on pages 3-11, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2012 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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. This 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.

Plante & Moran, PLLC

December 12, 2012

The discussion and analysis of WOUB Center for Public Media's (WOUB, or the "Center") financial statements provides an overview of the Center's financial activities for the fiscal years ended June 30, 2012, 2011, and 2010. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis. Responsibility for the completeness and fairness of this information rests with the Center's management.

Using This Report

In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This statement requires a comprehensive look at the entity as a whole. In November 1999, the GASB issued Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, which applies those standards to public colleges and universities. WOUB Center for Public Media is a department of Ohio University (the "University"), a public university. The GASB has not yet developed accounting standards for presentation of auxiliary (or departmental) entities. For the purpose of this reporting, the Center is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and 35. In addition, the Center's accounting policies and practices conform to those permitted or allowed by the Corporation for Public Broadcasting, which generally follow published *Governmental Accounting Standards*.

The overview presented below highlights the significant financial activities that occurred during the past year and describes changes in financial activity from the prior year. The financial report includes basic financial statements that provide information on the Center: the statements of net assets, revenue, expenses, and changes in net assets and cash flows.

This annual financial report includes the report of the independent auditors, this management's discussion and analysis, the three basic financial statements referenced above, and notes to the financial statements.

Statement of Net Assets

The statement of net assets presents the financial position of the Center as of the end of the fiscal year. It classifies assets and liabilities as current or noncurrent. Generally, current liabilities are those that will be paid within one year of the date of the statement. Current assets are those that are available to satisfy current liabilities.

Accounts receivable - related party represents amounts available in the cash account of the University for the benefit of the Center. All of the Center's receipts and disbursements are recorded in this account. The amounts are $509,751, $505,079, and $267,038 for the years ended June 30, 2012, 2011, and 2010, respectively.

The following chart depicts the breakdown of assets, liabilities, and net assets for the Center as of June 30, 2012, 2011, and 2010:

	2012	2011	2010
Assets:			
Accounts receivable	$ -	$ 10,522	$ 10,522
Accounts receivable - Related party	509,751	505,079	267,038
Capital assets - Net	4,786,585	5,020,263	5,603,438
Total assets	5,296,336	5,535,864	5,880,998
Liabilities:			
Current liabilities	64,236	62,635	64,707
Noncurrent liabilities	597,679	682,914	735,902
Total liabilities	661,915	745,549	800,609
Net assets	**$ 4,634,421**	**$ 4,790,315**	**$ 5,080,389**

The net assets are further displayed as follows:

	2012	2011	2010
Invested in capital assets - Net of related debt	$ 4,307,621	$ 4,519,175	$ 5,081,408
Restricted expendable	339,801	216,609	174,980
Unrestricted	(13,001)	54,531	(175,999)
Total net assets	**$ 4,634,421**	**$ 4,790,315**	**$ 5,080,389**

Statement of Revenue, Expenses, and Changes in Net Assets

The statement of revenue, expenses, and changes in net assets presents the Center's results of operations for the years ended June 30, 2012 and 2011.

Operating Revenue

Charges for goods and services are recorded as operating revenue. In addition, certain grants are classified as operating revenue if they are not for capital purchases and are provided as a contract for services. Essentially, this means that the Center is required by the grant to provide goods or services to the grantor of equal value to the value of the services or dollars received.

Total operating revenue is $1,209,908, $1,010,915, and $1,038,782 for the years ended June 30, 2012, 2011, and 2010, respectively. Federal grant funding increased $441,134 for fiscal year 2012 due to additional funding from the U.S. Department of Commerce, National Telecommunications and Information Administration, and Public TV Facilities Project for digital TV conversion. Sales and Services decreased $384,314 in fiscal year 2012, mainly due to decreased operating funding from eTech Ohio.

Nonoperating Revenue

Nonoperating revenue includes an annual Community Service Grant from the Corporation for Public Broadcasting and the State of Ohio, administered through an annual grant from eTech Ohio (formerly the Ohio Educational Telecommunications Network Commission). Nonoperating revenue also includes an appropriation, donated facilities, and administrative support from its licensee (the University). Certain grants are also classified as nonoperating revenue if the Center is not required under the grant agreement to provide goods or services to the grantor of equal value to the services or dollars received. In-kind contributions of $628,307, $804,871, and $869,125 for the years ended June 30, 2012, 2011, and 2010, respectively, are also included in nonoperating revenue as private gifts revenue. Total nonoperating revenue is $5,915,595, $6,120,007, and $6,873,693 for the years ended June 30, 2012, 2011, and 2010, respectively.

Total Revenue

The following depicts total revenue by source for the years ended June 30, 2012, 2011, and 2010:

	2012	2011	2010
Support from Ohio University	$ 3,504,324	$ 3,609,174	$ 4,376,621
Grants and contracts	2,321,817	1,744,114	1,400,529
Private gifts	337,965	521,645	482,928
Sales and services	333,090	717,404	916,939
In-kind support	628,307	804,871	869,125
Total revenue by source	**$ 7,125,503**	**$ 7,397,208**	**$ 8,046,142**

Total Expenses

Operating expenses have been incurred to vendors and employees for providing goods or services for the overall operations of the Center. In addition, depreciation expense of $872,892, $796,432, and $881,981 for the years ended June 30, 2012, 2011, and 2010, respectively, is shown as operating expense. Programming and production expenditures decreased $481,550 for fiscal year 2012. This was mainly due to a decrease of in-kind and Foundation expenditures. The following depicts operating expenses for the Center:

	2012	2011	2010
Program and support services	$ 6,408,505	$ 6,890,055	$ 7,341,275
Depreciation	872,892	796,432	881,981
Disposal of plant facilities	-	795	1,183
Total expense by source	**$ 7,281,397**	**$ 7,687,282**	**$ 8,224,439**

Change in Net Assets

Total change in net assets is as follows:

	2012	2011	2010
Operating revenue	$ 1,209,908	$ 1,010,915	$ 1,038,782
Nonoperating revenue	5,915,595	6,120,007	6,873,693
Capital grants and gifts	-	266,286	133,667
Expenses	(7,281,397)	(7,687,282)	(8,224,439)
Decrease in net assets	(155,894)	(290,074)	(178,297)
Beginning net assets	4,790,315	5,080,389	5,258,686
Ending net assets	**$4,634,421**	**$4,790,315**	**$5,080,389**

Statement of Cash Flows

The statement of cash flows presents detailed information about the major sources and uses of cash. The Center does not maintain a separate cash account; therefore, all of the Center's receipts and disbursements are reflected in the accounts of the University. The Center's share of cash accounts is reflected on the statement of net assets as accounts receivable - related party or as accounts payable - related party. For the purpose of the statement of cash flows, this account is considered a cash equivalent.

The three categories of presentation and their respective amounts for the years ended June 30, 2012, 2011, and 2010 are as follows:

	2012	2011	2010
Net cash (used in) provided by:			
Operating activities	$ (4,621,278)	$ (5,108,386)	$ (5,837,271)
Noncapital financing activities	5,130,223	5,341,799	6,005,261
Capital and related financing activities	(504,273)	4,628	99,048
Net increase in cash	4,672	238,041	267,038
Cash - Beginning of year	505,079	267,038	-
Cash - End of year	**$ 509,751**	**$ 505,079**	**$ 267,038**

Capital Assets

The Center made considerable additions to capital assets during fiscal year 2012. These capital assets additions included cameras, lenses, servers, control panels, and other capital equipment.

More detailed information about the Center's capital assets is presented in Note 2 to the financial statements.

Debt Administration

As of June 30, 2012 the Center had $478,963 in an outstanding loan payable compared to $501,087 at the end of 2011. This loan is payable to Ohio University and will be fully repaid in 2026.

More detailed information about the Center's loan payable is presented in Note 5 to the financial statements.

Items of Interest

Over the past year, WOUB Center for Public Media has advanced its concept of "digital first." The new woub.org web site was launched in August 2011 and over the past 13 months it has become the "go-to" site for new audiences. Those audiences have focused on news, sports, music and arts, and educational material for K-12 teachers and students.

The concept behind the remodeling of the web site and the "digital first" mentality is that all news, sports, and music and arts information is put on the web first and then later repurposed for traditional broadcast means through television and radio. Almost immediately, audience numbers began to grow dramatically and we now see increased usage throughout our vast geographic region. We also added a new Arts and Music section to the web site to expand our audience and attract a younger demographic.

Comparing the same period last August/September with this year, our visits have increased 68 percent. Our unique visitors increased by 80 percent and our page-views rose 35 percent. More importantly, perhaps, is the growth of new viewers. During the period from August 21, 2011 through September 10, 2011, analytics indicated that 57.1 percent of our viewers were new. During the period from August 19, 2012 through September 10, 2012, our new viewers climbed to 64.5 percent.

Using Google Analytics, we have been able to pinpoint where our viewers are located, which allows us to customize coverage to those geographic areas. We have determined four major areas of geographic concentration. Our primary area is the city of Athens and Athens County. Our second area of concentration is a triangle including U.S. Route 33 North and Interstate 70 East. This triangle includes: Logan, Lancaster, the southern tier of Franklin County (Columbus), Zanesville, Newark, and then several rural counties leading back to Lancaster. Our third area consists of Parkersburg, WV; Vienna, WV; Williamstown, WV; Marietta, OH; Belpre, OH; and Washington County, OH. Our fourth largest area is a tri-state region including Portsmouth, OH; Ironton, OH; Ashland, KY; and Huntington, WV.

One of the tenets to success has been focusing on more regionalized and localized information that is now, through the web site, issued globally. Alumni from Ohio University and past Athens community members are located around the globe. They, along with their more local counterparts, are hungry for news specific to this region. We also have used the web site to "broadcast" items of interest to the global and alumni market. In October 2011, we streamed the Ohio University Homecoming Parade live on woub.org and we will repeat that effort this year. During the streaming time we had web site visits from nine different countries and over 30 states.

We also launched a new Music/Arts page on our web site. It has garnered a new and expanded audience from our regular news/sports coverage. It is a younger audience and more geographically diverse. We also learned that it covers a major economic engine for our area. In 2010, a national arts organization studied Athens County and determined that the arts and cultural activity create 700 jobs for the county and bring $24 million a year into the local economy.

Most recently, we worked with our web site developer and launched a responsive design for our web site that reformats our web site to be easily read on any Smartphone. It is an effort on our part to serve an ever more mobile audience.

NewsWatch, our daily televised news program, has been retooled to provide news more effectively, as well as to act as a funnel to our web site. By enhancing local coverage, but offering it globally, we are expanding our market exponentially. This also increases the potential for new memberships and alumni contributions.

Over the past year we also produced two special *NewsWatch In-Depth* programs. One episode examined prescription drug abuse in this region. We have one of the highest rates of addiction in the nation. WOUB Center for Public Media had a simulcast with television and our FM stations, along with a special Facebook page and open call-in opportunities for the audience. We also served our community by presenting a similar program on fracking and created a special web page to coordinate fracking news. See http://woub.org/fracking.

We also developed a specialized web page for the 2012 election. Here is the link: http://woub.org/election-2012.

WOUB Center for Public Media developed a documentary for the web last year featuring the Ohio University basketball player, D.J. Cooper. "*In Coop We Trust*" premiered on woub.org/sports prior to airing on television.

We have also expanded our sports coverage. The Center's student-produced half-hour program, *The Bobcat Sports Showcase*, airs twice per week and features all of Ohio University's athletic teams, and not just football and basketball. It won numerous national and regional awards.

WOUB's mission as a learning lab for students continues to flourish. *Gridiron Glory*, is a 14-week live high school football program that airs on Friday nights. Now in its 14th season, *Gridiron Glory*, provides an opportunity for students to learn all aspects of producing, directing, writing, and editing for a live broadcast. Both enterprises utilize approximately 100-150 students from freshmen through seniors. Some students, through our partnerships, receive academic credit for their work.

In our efforts to become the source of news and information for our region, we are expanding collaborative efforts with entities throughout our community. We have partnerships with the schools within the Scripps College of Communication and *The Columbus Dispatch*. Local productions of *Spaced Out* and *Down and Dirty Science* are cooperative efforts with science-based university and community personnel.

Public Media Masters' students regularly work at our station for hands-on experience that strengthens our existing infrastructure. We continue to provide quality programming, but also offer community services like outreach to local schools, special youth programming, and course materials for K-12 teachers.

We are now offering work at WOUB for academic credit through the E. W. Scripps School of Journalism. We have developed an audio project with Media Arts and Studies to capture literature through radio dramas. This has nationwide potential for distribution. WOUB has two Visual Communication graduate students working with us - one as a photo editor and one as a photographer.

WOUB Center for Public Media continues to service regional school districts with age-appropriate academic materials for teachers and K-12 students. We present or host workshops for teachers and continue our close partnership with PBS to supply quality children's programming.

WOUB-AM has been revamped. It is now becoming a living laboratory for experimental audio programming for the University and for the community. We have added new shows and supported our mainstays - like *Conversations from Studio B*. WOUB's broadcast of Ohio University women's basketball and Ohio University baseball provides students with opportunities to hone their play-by-play broadcast skills.

In 2011, our WOUB Alumni Association became active and we hosted numerous Homecoming events. *Alumni Newswatch* allowed alumni to shadow current students to produce our nightly news program. We also hosted a Fox Paw reunion of a former comedy show that once aired on WOUB radio. WOUB's strong social media ties on Facebook and Twitter allow us to stay in touch with alumni.

WOUB's volunteer base continues to grow. Currently, we invite volunteers to assist staff members during fundraising campaigns. And, we have community volunteers who host a music-oriented Saturday program, *Radio Free Athens*, on WOUB-AM. Volunteers also participate in other WOUB activities which help to solidify our community relations.

Budgets continue to be challenging, but we are meeting the existing needs and planning for ways to expand our resource base. We have added underwriting inventory by entering into a contract with IMG College to broadcast Ohio University football and Ohio University men's basketball on our regional FM stations in Ironton, Chillicothe, Cambridge, and Zanesville. We are guaranteed some 3,000 local spots of inventory available for local businesses to underwrite on WOUB.

WOUB Center for Public Media has expanded our revenue potential by adding local and regional advertising to our web site. We have hired additional sales personnel and our underwriting and advertising revenues have already increased for this fiscal year.

We are also concentrating on increasing our membership base, special corporate solicitations, and opportunities for alumni to fund a special equipment replacement fund.

Internally, we are in the process of streamlining our operations. We are reorganizing and are currently trying to make the new positions permanent through University Human Resources and the Compensation 2014 study authorized by Ohio University.

We are also participating in a Scripps College of Communication Innovation Challenge to help enable our students and faculty to develop new and inventive forms of communication for the 21st century.

In addition to being a valued community resource, we continue to be a vital broadcasting entity and a living, working media laboratory for industry, for the University, for the Scripps College, and for the approximately 200 students we have in our programs each year.

WOUB Center for Public Media
A Public Media Entity
(A Department of Ohio University)

Statement of Net Assets

	June 30, 2012	June 30, 2011
Assets		
Current Assets		
Accounts receivable	$ -	$ 10,522
Accounts receivable - Related party	509,751	505,079
Total current assets	509,751	515,601
Noncurrent Assets - Capital assets - Net	4,786,585	5,020,263
Total assets	**$ 5,296,336**	**$ 5,535,864**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 40,864	$ 40,511
Current portion of loan payable	23,372	22,124
Total current liabilities	64,236	62,635
Noncurrent Liabilities		
Accrued compensated absences	142,088	203,951
Loan payable - Related party	455,591	478,963
Total noncurrent liabilities	597,679	682,914
Total liabilities	661,915	745,549
Net Assets		
Invested in capital assets - Net of related debt	4,307,621	4,519,175
Restricted - Expendable - Public service	339,801	216,609
Unrestricted	(13,001)	54,531
Total net assets	4,634,421	4,790,315
Total liabilities and net assets	**$ 5,296,336**	**$ 5,535,864**

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

WOUB Center for Public Media
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Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2012	2011
Operating Revenue		
Federal grants and contracts	$ 612,778	$ 171,644
State grants and contracts	264,040	121,867
Sales and services	333,090	717,404
Total operating revenue	1,209,908	1,010,915
Operating Expenses		
Programming and production	6,408,505	6,890,055
Depreciation	872,892	796,432
Total operating expenses	7,281,397	7,686,487
Operating Loss	(6,071,489)	(6,675,572)
Nonoperating Revenue (Expense)		
Support from Ohio University	3,504,324	3,609,174
Private gifts	2,411,271	2,510,833
Disposal of plant facilities	-	(795)
Total nonoperating revenue	5,915,595	6,119,212
Loss - Before other revenue, expenses, gains, or losses	(155,894)	(556,360)
Capital Grants and Gifts	-	266,286
Decrease in Net Assets	(155,894)	(290,074)
Net Assets - Beginning of year	4,790,315	5,080,389
Net Assets - End of year	**$ 4,634,421**	**$ 4,790,315**

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

WOUB Center for Public Media
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Statement of Cash Flows

	Year Ended June 30	
	2012	2011
Cash Flows from Operating Activities		
Grants and contracts	$ 876,818	$ 293,511
Payments to suppliers	(3,051,161)	(3,298,034)
Payments to or on behalf of employees	(2,778,775)	(2,820,517)
Payments for scholarships and fellowships	(1,250)	(750)
Sales and services to educational departments	333,090	717,404
Net cash used in operating activities	(4,621,278)	(5,108,386)
Cash Flows from Noncapital Financing Activities		
Support from Ohio University	3,504,324	3,609,174
Gifts and grants for other than capital purposes	1,625,899	1,732,625
Net cash provided by noncapital financing activities	5,130,223	5,341,799
Cash Flows from Capital Financing Activities		
Capital grants and gifts received	-	266,286
Payments on related party notes payable	(22,124)	(20,943)
Purchases of capital assets	(482,149)	(240,715)
Net cash (used in) provided by capital financing activities	(504,273)	4,628
Net Increase in Cash Equivalents	4,672	238,041
Cash Equivalents - Beginning of year	505,079	267,038
Cash Equivalents - End of year	**$ 509,751**	**$ 505,079**

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

WOUB Center for Public Media
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Statement of Cash Flows (Continued)

	Year Ended June 30	
	2012	2011
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	$ (6,071,489)	$ (6,675,572)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	872,892	796,432
In-kind	628,307	804,871
Changes in assets and liabilities:		
Accounts receivable	10,522	-
Accounts payable and accrued liabilities	353	(3,253)
Accrued compensated absences	(61,863)	(30,864)
Net cash used in operating activities	**$ (4,621,278)**	**$ (5,108,386)**

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

Note 1 - Organization and Summary of Significant Accounting Policies

Organization - WOUB Center for Public Media (the "Center") is owned and operated by Ohio University (the "University") in Athens, Ohio and is a unit of the Scripps College of Communication. The Center manages two noncommercial public television stations, WOUB-TV in Athens, Ohio, and WOUC-TV in Cambridge, Ohio and one cable channel, WOUB II - channel 25 on Time Warner in Athens, Ohio. WOUB-TV consists of digital channels/streams: 20.1 WOUB-HD, 20.2 WOUB Classic, and 20.3 WOUB-Worldview. WOUC-TV consists of digital channels/streams: 44.1 WOUC-HD, 44.2 WOUC Unlimited, and 44.3 WOUC World. The Center also manages six noncommercial public radio stations, WOUB-AM and WOUB-FM in Athens, Ohio; WOUC-FM in Cambridge, Ohio; WOUL-FM in Ironton, Ohio; WOUH-FM in Chillicothe, Ohio; and WOUZ-FM in Zanesville, Ohio. Other services provided by the Center include: audio and video productions; a nightly news program; regular radio news and sports reports; a Media Distribution Center for Ohio University; distance learning facilitation from the Athens campus to the regional campuses through the Ohio University Learning Network; student professional development for approximately 200 students a year; teleconferencing, streaming, and engineering consulting services; and complete web/interactive services through www.woub.org. The web site is continually updated with current news, sports, music, and arts. It also contains educational interactive pages with content geared for K-12 teachers and students and provides streaming and programming of WOUB-TV, WOUB-Radio, PBS, and NPR.

The Center is not a separate legal entity and operates as a department of the University. The accompanying separate financial statements of the Center are prepared solely to meet the reporting requirements of the Corporation for Public Broadcasting, a major funding organization. These financial statements include only the activities of the Center and therefore, they are not intended to present fairly the financial position, change in financial position, and cash flows of the University in conformity with accounting principles generally accepted in the United States of America. For a more extensive disclosure of significant accounting policies, refer to the University's financial statements available by contacting the Controller's Office, 204 West Union Street Office Center, Athens, OH 45701 (740) 593-0342.

Financial Statement Presentation - The financial statement presentation required by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and GASB No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, as amended, provides a comprehensive, department-wide (in this instance) perspective of the Center's assets, liabilities, net assets, revenue, expenses, and changes in net assets, and cash flows. It replaces fund groups with net asset groups, and requires the direct method of cash flow presentation.

The Center follows all GASB pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) opinions, and accounting research bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Center has elected not to apply FASB statements and interpretations issued after November 30, 1989.

Basis of Accounting - As a department of the University, the Center's financial statements are presented using an economic resources measurement focus and are presented on the accrual basis of accounting. Under the accrual basis, revenue is recognized when earned, and expenses are recorded when incurred.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America may require management to make estimates and assumptions that affect certain amounts reported in the financial statements. The estimates and assumptions are based on currently available information and actual results could differ from those estimates.

Capital Assets - If purchased or constructed, capital assets are recorded at cost in the year of purchase or construction. If donated, they are recorded at their estimated fair market value as of the date received. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

The following are the capitalization levels and estimated useful lives of the asset classes:

Asset Class	Capitalize at	Estimated Useful Life
Land	Any amount	N/A
Land improvements	$100,000	N/A
Infrastructure	$100,000	10-50 years
Buildings	Any amount	40 years
Machinery and equipment	$5,000	5-25 years

The costs of normal maintenance and repairs that do not significantly increase the value of the capital asset or significantly extend its life are not capitalized. Interest incurred during the construction of capital assets is included in the cost of the asset when capitalized. Land and land improvements are not depreciated.

Compensated Absences - University employees earn vacation and sick leave benefits based, in part, on length of service. Upon separation from service, employees are paid their accumulated vacation and sick pay based upon the nature of separation (termination, retirement, or death). Certain limitations are placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement, or death. Unused hours exceeding their limitations are forfeited. The liability incurred is recorded at year end as a noncurrent liability in the statement of net assets, and the change over the prior year is recorded as a component of operating expense in the statement of revenue, expenses, and changes in net assets.

Net Assets - The Center's net assets are categorized as described below:

- **Invested in Capital Assets - Net of Related Debt** - This represents the Center's investment in capital assets net of related debt.

- **Restricted Net Assets - Expendable** - Restricted expendable net assets represent assets that are restricted by a third party, either legally or contractually.

- **Unrestricted Net Assets** - Unrestricted net assets are resources derived primarily from operating funds provided by the University, which are designated for use by the Center, and from third parties whose only restriction over the use of resources provided is for the benefit of the Center as determined by management.

Income Taxes - The University is an organization described in Section 115 of the Internal Revenue Code of 1986 (the "Code") and has further been classified as an organization that is not a private foundation in accordance with Sections 509(a)(1) and 170(b)(1)(A)(ii) of the Code. As such, the Center is exempt from income taxes other than taxes on certain revenue, which are considered unrelated business income.

Classification of Revenue - Revenue is classified as either operating or nonoperating according to the following:

- **Operating Revenue** - Operating revenue includes revenue from activities that have characteristics similar to exchange transactions. These include sales, services, and certain grants, which require that the Center provide goods or services to the grantor of equal value to the grant dollars received.

- **Nonoperating Revenue** - Nonoperating revenue includes revenue from activities that have characteristics of nonexchange transactions such as support from the University and certain grants, which do not require the Center to provide goods or services to the grantor of equal value to the grant dollars received.

Support from the University - The University provides indirect support to the Center through its administration and physical plant support. Indirect support is recorded as revenue and expense as incurred in the accompanying statement of revenue, expenses, and changes in net assets.

Administrative support is derived from the percentage of certain of the Center's operating expenditures over the University's total educational and general expenditures excluding separately budgeted research, public service, scholarships, and fellowships. This percentage is applied against the University's overall institutional support to determine the administrative support expense to allocate to cost centers, based on the direct operating expenses.

Physical plant support is determined by an assessment of the square footage assigned to the Center and the cost per square foot of providing types of physical plant support. Expenses are allocated to cost centers according to estimated square footage.

In-kind Support - In-kind support is provided by eTech Ohio. These values are based upon statements provided by the respective agency. Expenses are allocated to cost centers based on the nature of the in-kind support provided. In-kind support is included in both revenue and expenses in the accompanying statement of revenue, expenses, and changes in net assets.

Related Parties - Contributions received by The Ohio University Foundation (the "Foundation"), which are restricted as to use for the Center, are managed by the Foundation. The Center records cash received from the Foundation as both revenue and expense when monies are used by the Foundation to pay expenses.

The Center does not maintain a separate cash account; therefore, all of the Center's receipts and disbursements are reflected in the accounts of the University. The Center's share of cash accounts is reflected on the statement of net assets as accounts receivable - related party or as accounts payable - related party. For the purpose of the statement of cash flows, this account is considered a cash equivalent.

Newly Issued Accounting Pronouncements

- **Deferred Inflows/Outflows and Net Position** - In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This standard provides financial reporting guidance for deferred inflows and outflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the Center that is applicable to a future reporting period, and an acquisition of net assets by the Center that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The standard also incorporates deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions for this standard are effective for financial statements for periods beginning after December 15, 2011.

  For fiscal year 2013, the Center will use this new presentation standard. It will significantly change the appearance of the statement of net assets and the terminology used.

- **Reporting for Pensions** - In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The total pension liability will be computed on a different basis than the current actuarial accrued liability and the method of allocating this liability to each participating employer has not yet been determined, so the precise impact is not known. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

  The Center is currently evaluating the impact this standard will have on the financial statements when adopted in fiscal year 2015.

Note 2 - Capital Assets

Capital assets reported by the Center are assets of the State of Ohio, with the University having custodial responsibility. The building values have been prorated based upon the Center's percentage usage of the net assignable square footage, applied to the actual cost plus improvements of the buildings. Equipment represents items listed on the University's general ledger as equipment for the Center, with a unit value of at least $5,000 and an estimated useful life of one year or more.

The following tables present the changes in the various capital assets categories for the years ended June 30, 2012 and 2011:

	Balance July 1, 2011	Additions	Transfers In	Disposals	Balance June 30, 2012
Capital assets not being depreciated -					
Land	$ 69,235	$ -	$ -	$ -	$ 69,235
Capital assets being depreciated:					
Infrastructure	5,563,795	-	-	-	5,563,795
Buildings	3,798,557	-	-	-	3,798,557
Machinery and equipment	10,678,055	482,149	157,065	(599,349)	10,717,920
Total capital assets being depreciated	20,040,407	482,149	157,065	(599,349)	20,080,272
Total capital assets	20,109,642	482,149	157,065	(599,349)	20,149,507
Less accumulated depreciation:					
Infrastructure	3,583,878	246,307	-	-	3,830,185
Buildings	3,170,702	42,002	-	-	3,212,704
Machinery and equipment	8,334,799	584,583	-	(599,349)	8,320,033
Total accumulated depreciation	15,089,379	872,892	-	(599,349)	15,362,922
Total capital assets being depreciated - Net	4,951,028	(390,743)	157,065	-	4,717,350
Capital assets - Net	$ 5,020,263	$ (390,743)	$ 157,065	$ -	$ 4,786,585

	Balance July 1, 2010	Additions	Transfers Out	Disposals	Balance June 30, 2011
Capital assets not being depreciated - Land	$ 69,235	$ -	$ -	$ -	$ 69,235
Capital assets being depreciated:					
Infrastructure	5,563,795	-	-	-	5,563,795
Buildings	3,798,557	-	-	-	3,798,557
Machinery and equipment	10,521,851	240,715	(48,479)	(36,032)	10,678,055
Total capital assets being depreciated	19,884,203	240,715	(48,479)	(36,032)	20,040,407
Total capital assets	19,953,438	240,715	(48,479)	(36,032)	20,109,642
Less accumulated depreciation:					
Infrastructure	3,337,571	246,307	-	-	3,583,878
Buildings	3,092,205	78,497	-	-	3,170,702
Machinery and equipment	7,920,224	471,628	(21,816)	(35,237)	8,334,799
Total accumulated depreciation	14,350,000	796,432	(21,816)	(35,237)	15,089,379
Total capital assets being depreciated - Net	5,534,203	(555,717)	(26,663)	(795)	4,951,028
Capital assets - Net	$ 5,603,438	$ (555,717)	$ (26,663)	$ (795)	$ 5,020,263

Certain equipment was purchased with grants from the National Telecommunications and Information Administration (NTIA) under their Public Telecommunications Facilities Program (PTFP). The equipment is considered to be owned by the University and is included in the books at net book value. Each piece of equipment is subject to a 10-year lien with the United States Department of Commerce NTIA/PTFP named as the secured party.

Note 3 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2012 and 2011 consist of the following:

	2012	2011
Accounts payable	$ 20,458	$ 23,433
Accrued payroll	20,406	17,078
Total	$ 40,864	$ 40,511

Note 4 - Accrued Compensated Absences

Per University policy, salaried faculty and staff earn vacation at the rate of 22 days per year with a maximum accrual of 32 days. Upon termination, they are entitled to a payout of their accumulated balance. Hourly classified employees earn vacation at rates per years of service, ranging from 10 to 25 days per year. The maximum accrual is equal to the amount earned in three years, which is subject to payout upon termination. The liability for accrued vacation at June 30, 2012 and 2011 is $116,176 and $166,052, respectively.

All University employees are entitled to a sick leave credit equal to 15 days per year (earned on a pro rata monthly basis for salaried employees and on a pro rata hourly basis for classified hourly employees). Salaried employees with 10 or more years of service are eligible to receive a payout upon retirement of up to 25 percent of unused days (maximum of 30 days). Hourly classified employees with 10 or more years of service are eligible for payout upon retirement of up to 50 percent of unused days (maximum of 60 days). The liability for accrued sick leave at June 30, 2012 and 2011 is $25,912 and $37,899, respectively.

A summary of accrued compensated absences at June 30, 2012 and 2011 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
For the year ended:				
June 30, 2012	$ 203,951	$ -	$ 61,863	$ 142,088
June 30, 2011	234,815	-	30,864	203,951

Note 5 - Loan Payable - Related Party

The University entered into an agreement with the Center to provide an internal loan in the amount of $951,162 as a match for a 2003 Public Telecommunications Facilities Program (PTFP) grant from the U.S. Department of Commerce. The purpose of the grant was to assist with construction and installation of a tower to support a new broadband antenna at WOUC in Cambridge, Ohio. The bid for the tower project came in at less than the estimate, thereby reducing the match that was needed. Of the original loan amount of $951,162, only $185,958 was needed for the tower project. In early calendar year 2004, the Center requested that $250,042 of the unused loan funds be applied to the new digital master control project, another phase of the digital conversion. In July 2004, additional loan funds of $159,200 were requested and the borrowing limit was increased to $595,200. The internal loan carries an interest rate of 5.5 percent payable over 20 years at the rate of $4,094 per month. Interest-only payments occurred until July 30, 2006, at which time principal payments began.

The loan payable at June 30, 2012 and 2011 is shown as follows:

	Beginning Balance	Borrowed	Retired	Ending Balance	Current
For the year ended:					
June 30, 2012	$ 501,087	$ -	$ (22,124)	$ 478,963	$ 23,372
June 30, 2011	522,030	-	(20,943)	501,087	22,124

Principal and interest payment requirements for the years subsequent to June 30, 2012 are summarized as follows:

Years Ending June 30	Principal	Interest	Total
2013	$ 23,372	$ 25,760	$ 49,132
2014	24,690	24,442	49,132
2015	26,083	23,049	49,132
2016	27,554	21,578	49,132
2017	29,109	20,023	49,132
2018-2022	172,105	73,553	245,658
2023-2026	176,050	20,477	196,527
Total	$ 478,963	$ 208,882	$ 687,845

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

Independent Auditor's Report

To the Board of Trustees
Ohio University
Athens, Ohio

We have audited the financial statements of WOUB Center for Public Media (the "Center"), a public media entity (a department of Ohio University), as of and for the year ended June 30, 2012 and have issued our report thereon dated December 12, 2012. 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

Management of the Center is responsible for establishing and maintaining an effective internal control over financial reporting. In planning and performing our audit, we considered the Center'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 the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be 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.

To the Board of Trustees
Ohio University

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the board of trustees, others within the entity, the audit committee, the Auditor of the State of Ohio, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

December 12, 2012

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Dave Yost • Auditor of State

WOUB CENTER FOR PUBLIC MEDIA

ATHENS 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 5, 2013