

WOSU Public Media

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

Financial Statements

**As of and for the Years Ended June 30, 2016 and 2015
And Reports of Independent Auditors**



Dave Yost • Auditor of State

Board of Trustees
WOSU Public Media
2042 Blankenship Hall
901 Woody Hayes Drive
Columbus, OH 43210-4016

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, 2015 through June 30, 2016. 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

December 16, 2016

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Report of Independent Auditors

To the Board of Trustees of
The Ohio State University:

We have audited the financial statements of WOSU Public Media (“WOSU”), a department of The Ohio State University, appearing on pages 8 to 27 which consist of the statements of net position as of June 30, 2016 and June 30, 2015, and the related statements of revenues, expenses, and other changes in net position and of cash flows and the related notes to the financial statements for the years then ended, which collectively comprise WOSU’s basic financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express opinions on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to WOSU’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WOSU’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WOSU as of June 30, 2016 and June 30, 2015, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matter

As discussed in Note 1, the financial statements of WOSU are intended to present the net financial position, the changes in net financial position and, where applicable, cash flows of only that portion of The Ohio State University that is attributable to the transactions of WOSU. They do not purport to, and do not, present fairly the net financial position of The Ohio State University as of June 30, 2016 or June 30, 2015, the changes in its net financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

The accompanying management's discussion and analysis on pages 4 through 7 and the Required Supplementary Information on GASB 68 Pension Liabilities on page 28 are required by accounting principles generally accepted in the United States of America 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 who 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 supplementary 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.

Other Matter

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise WOSU's basic financial statements. The accompanying Supplemental Schedule of Revenues and Expenses by Telecommunications Operations for the year ended June 30, 2016 on page 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplemental Schedule of Revenues and Expenses by Telecommunications Operations for the year ended June 30, 2016 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Schedule of Revenues and Expenses by Telecommunications Operations for the year ended June 30, 2016 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016 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 for the year ended June 30, 2016. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WOSU's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

December 14, 2016

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University Management's Discussion and Analysis (Unaudited) June 30, 2016 and 2015

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, 2016, with comparative information for the years ended June 30, 2015 and June 30, 2014. 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 1920, WOSU Public Media, with broadcast licenses held by The Ohio State University Board of Trustees, has enriched lives through content and experiences that engage, inform, 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 Ohio State campus.

Today, WOSU Public Media operates six non-commercial FM radio stations and two educational television stations serving over 2.6 million Ohioans in a 31-county region. It provides the only regional source for classical music radio, all-day NPR and local news programming, and is the PBS station for central and southern Ohio. WOSU is known for its work with preschool caregivers through the Ready to Learn project; high school teens through the Surge Columbus collaborative; teachers through PBS Learning Media and customized content for the classroom; and older central Ohioans through the Next Avenue initiative.

WOSU studio and production facilities are located at the OSU Fawcett Center and at the COSI Science Center in downtown Columbus. WOSU is under the purview of the Senior Vice President of Administration and Planning, with a State of Ohio nonprofit community board, Friends of WOSU, advising the organization. The most significant financial support for WOSU comes directly from the community it serves, with some 24,000 individual members and local corporate and foundation support. Over seventy percent of WOSU's funding is from private sources.

WOSU provides distinctive national programming through PBS and NPR, but has distinguished itself with its commitment to local programming including a two-hour daily local radio/TV talk program, the largest local radio newsroom covering the metro Columbus area, and award winning programming such as Columbus Neighborhoods and Broad & High on WOSU TV.

WOSU's strategic plan provides the greater vision of the organization:

- Be the essential source of media that brings distinctive and diverse insights about our world
- Build a better community through involvement and illumination
- Be the foremost connection to arts, music, and cultural experiences
- Ignite change in young people's lives with experiences that enrich and media that encourage learning
- Be the indispensable source for civil discussion and in-depth journalism that create a more informed citizenry

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 Position, a Statement of Revenues, Expenses and Other Changes in Net Position, a Statement of Cash Flows and Notes to the Financial Statements.

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Management's Discussion and Analysis (Unaudited)

June 30, 2016 and 2015

Financial Highlights

WOSU Public Media's total net position decreased by \$2,952,329 to \$13,431,514. The net investment in capital assets decreased from accelerated depreciation on studio and production facilities at the COSI Science Center of \$2,754,077.

Summary of Net Position

	2016	2015	2014
Cash	\$ 3,440,187	\$ 3,471,683	\$ 4,167,247
Receivables and other current assets	578,048	313,198	596,373
Total current assets	<u>4,018,235</u>	<u>3,784,881</u>	<u>4,763,620</u>
Pledges receivables, net	141,802	177,409	127,403
Endowments in OSU long-term investment pool	5,069,626	5,471,817	5,569,938
Capital assets, net of depreciation	9,354,720	12,488,100	12,906,943
Total noncurrent assets	<u>14,566,148</u>	<u>18,137,326</u>	<u>18,604,284</u>
Total assets	<u>18,584,383</u>	<u>21,922,207</u>	<u>23,367,904</u>
Deferred outflows	<u>1,505,602</u>	<u>423,472</u>	<u>-</u>
Total assets and deferred outflows	<u><u>\$ 20,089,985</u></u>	<u><u>\$ 22,345,679</u></u>	<u><u>\$ 23,367,904</u></u>
Accounts payable and accrued expenses	\$ 120,857	\$ 152,264	\$ 235,910
Unearned revenue	246,555	131,281	169,320
Current portion of debt	275,098	558,733	846,317
Total current liabilities	<u>642,510</u>	<u>842,278</u>	<u>1,251,547</u>
Noncurrent portion of debt	1,320,693	1,539,259	1,876,916
Net pension liability	4,249,440	3,156,849	-
Other noncurrent liabilities	354,897	362,334	404,961
Total noncurrent liabilities	<u>5,925,030</u>	<u>5,058,442</u>	<u>2,281,877</u>
Total liabilities	<u>6,567,540</u>	<u>5,900,720</u>	<u>3,533,424</u>
Deferred inflows	<u>90,931</u>	<u>61,116</u>	<u>-</u>
Net investment in capital assets	7,758,929	10,390,108	10,183,710
Restricted:			
Nonexpendable	1,886,030	1,917,876	1,923,288
Expendable	4,431,261	5,623,154	6,031,882
Unrestricted	<u>(644,706)</u>	<u>(1,547,295)</u>	<u>1,695,600</u>
Total net position	<u>13,431,514</u>	<u>16,383,843</u>	<u>19,834,480</u>
Total liabilities, deferred inflows and net position	<u><u>\$ 20,089,985</u></u>	<u><u>\$ 22,345,679</u></u>	<u><u>\$ 23,367,904</u></u>

Endowment investments in the university's long-term investment pool decreased by \$402,191 to \$5,069,626 at June 30, 2016, reflecting declines in fair value. 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.

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University Management's Discussion and Analysis (Unaudited) June 30, 2016 and 2015

Total liabilities of WOSU increased by \$666,820, to \$6,567,540 at June 30, 2016, primarily due to an increase in net pension liability, which was partially offset by repayment of University debt and note payable.

Total net position (equity) decreased by \$2,952,329 to \$13,431,514 at June 30, 2016 primarily due to accelerated depreciation on studio and production facilities located at the COSI Science Center and a decrease in net investment income, which was partially offset by increases in operating revenues. 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, capital gifts, and investment income.

Summary of Revenues, Expenses and Other Changes in Net Position

	2016	2015	2014
Operating revenues:			
Contributed services	\$ 1,374,574	\$ 791,708	\$ 721,908
Sales and services	1,818,245	1,545,029	1,866,535
Grants and contracts	2,939,125	2,809,808	2,736,859
Member contributions	3,918,939	3,373,409	3,330,760
Other revenues	26,872	43,183	147,389
Total operating revenues	<u>10,077,755</u>	<u>8,563,137</u>	<u>8,803,451</u>
Operating expenses:			
Programming and production	5,942,696	5,947,895	6,075,654
Broadcasting	3,005,899	2,457,419	2,362,395
Program information	371,875	468,362	538,002
Management and general	1,932,566	1,742,421	1,652,589
Underwriting	395,869	363,319	429,661
Fundraising	1,261,308	1,249,171	1,331,183
Depreciation	3,253,562	529,927	598,961
Total operating expenses	<u>16,163,775</u>	<u>12,758,514</u>	<u>12,988,445</u>
Net operating loss	<u>(6,086,020)</u>	<u>(4,195,377)</u>	<u>(4,184,994)</u>
Non-operating revenues (expenses)			
Operating subsidies from University	1,720,861	1,838,705	1,850,586
Donated facilities and support	1,570,501	1,557,071	1,600,130
Net investment income	(163,971)	147,931	816,072
Interest expense	(64,168)	(69,105)	(58,535)
Capital gifts and grants	150,885	203,836	247,385
Additions to endowment	5,253	3,528	4,844
Total non-operating revenues	<u>3,219,361</u>	<u>3,681,966</u>	<u>4,460,482</u>
Equity transfers to the University	(85,670)	(85,670)	(85,670)
Change in net position	(2,952,329)	(599,081)	189,818
Net position - beginning of year	16,383,843	19,834,480	19,644,662
Cumulative effect of accounting change	-	(2,851,556)	-
Net position - end of year	<u>\$ 13,431,514</u>	<u>\$ 16,383,843</u>	<u>\$ 19,834,480</u>

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University Management's Discussion and Analysis (Unaudited) June 30, 2016 and 2015

Summary of Cash Flows

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cash provided by (used) in:			
Operating activities	\$ (1,305,172)	\$ (2,081,069)	\$ (2,121,662)
Noncapital financing activities	1,640,444	1,756,563	1,769,760
Capital and related financing activities	(603,655)	(615,822)	(404,197)
Investing activities	<u>236,887</u>	<u>244,764</u>	<u>249,011</u>
Net decrease in cash	(31,496)	(695,564)	(507,088)
Cash, beginning of year	<u>3,471,683</u>	<u>4,167,247</u>	<u>4,674,335</u>
Cash, end of year	<u>\$ 3,440,187</u>	<u>\$ 3,471,683</u>	<u>\$ 4,167,247</u>

Total WOSU cash and cash equivalents decreased \$31,496, to \$3,440,187 in 2016. 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, repayment of university debt and note payable. Net cash provided by investing activities consists primarily of endowment activity.

Economic Factors That Will Affect Future Economic Position and Results of Operations

WOSU Public Media continues to target the growth of its annual membership, underwriting, major and planned giving and grant revenues in the coming year. This is key in an environment of limited federal, state and university support. Corporate, foundation, and individual support for a multi-year local project called Columbus Neighborhoods is complete. WOSU is moving into the first phase of a capital campaign in 2017. WOSU's television studios are moving from the COSI Science Center to the Fawcett Center for an interim period as the organization plans for a new headquarters.

The greatest risk facing WOSU is the potential reduction in federal funding or another downturn in the economy. Corporation for Public Broadcasting grants have traditionally covered about 15 percent of the direct budget, including some of the costs of national and local programming. One unknown that will become clearer in 2017 will be the results of the FCC Spectrum Auction and its impact on WOSU TV and WPBO TV.

WOSU is creating a more efficient, priority-centered operation. We are bringing more efficiency to how we work behind the scenes to create more content and experiences that enrich our community. In 2017, a centralized TV master control project will be completed, providing major savings on capital refresh needs within that area.

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Statements of Net Position

As of June 30, 2016 and 2015

ASSETS AND DEFERRED OUTFLOWS:	<u>2016</u>	<u>2015</u>
Current assets		
Cash	\$ 3,440,187	\$ 3,471,683
Receivables:		
Accounts receivable, net	125,883	59,365
Government grants	3,326	875
Underwriting	133,875	74,323
Pledge receivables, net	<u>314,964</u>	<u>178,635</u>
Total receivables	<u>578,048</u>	<u>313,198</u>
Total current assets	4,018,235	3,784,881
Noncurrent assets		
Endowments in OSU long-term investment pool	5,069,626	5,471,817
Pledge receivables, net	141,802	177,409
Property and equipment, net	1,441,869	4,575,249
FCC license	<u>7,912,851</u>	<u>7,912,851</u>
Total noncurrent assets	<u>14,566,148</u>	<u>18,137,326</u>
Total assets	18,584,383	21,922,207
Deferred outflows		
Pension	<u>1,505,602</u>	<u>423,472</u>
Total deferred outflows	<u>1,505,602</u>	<u>423,472</u>
Total assets and deferred outflows	\$ 20,089,985	\$ 22,345,679
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses	\$ 96,065	\$ 117,740
Accrued compensated absence - current	24,792	34,524
Unearned revenue	246,555	131,281
Current portion - university debt	116,578	400,213
Current portion - note payable	<u>158,520</u>	<u>158,520</u>
Total current liabilities	642,510	842,278
Noncurrent liabilities		
University debt	-	116,578
Note payable	1,320,693	1,422,681
Net pension liability	4,249,440	3,156,849
Accrued compensated absence - noncurrent	<u>354,897</u>	<u>362,334</u>
Total noncurrent liabilities	<u>5,925,030</u>	<u>5,058,442</u>
Total liabilities	6,567,540	5,900,720
Deferred inflows		
Pension	<u>90,931</u>	<u>61,116</u>
Total deferred outflows	<u>90,931</u>	<u>61,116</u>
Net position		
Net investment in capital assets	7,758,929	10,390,108
Restricted		
Nonexpendable	1,886,030	1,917,876
Expendable	4,431,261	5,623,154
Unrestricted	<u>(644,706)</u>	<u>(1,547,295)</u>
Total net position	<u>13,431,514</u>	<u>16,383,843</u>
Total liabilities, deferred inflows, and net position	\$ 20,089,985	\$ 22,345,679

The accompanying notes are an integral part of these financial statements

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Statements of Revenues, Expenses and Other Changes in Net Position

For the years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Contributed services	\$ 1,374,574	\$ 791,708
Grants from the Corporation for Public Broadcasting	1,564,884	1,583,787
Member contributions	3,918,939	3,373,409
Public broadcasting service	14,266	133,883
Business and industry	1,129,047	831,203
Foundations/non-profit organizations	674,932	579,943
Fundraising	14,150	20,905
Federal grants	43,894	39,813
State and local grants	1,330,347	1,186,208
Royalties	2,822	2,707
Miscellaneous	9,900	19,571
Total operating revenues	<u>10,077,755</u>	<u>8,563,137</u>
OPERATING EXPENSES		
Program services:		
Programming and production	5,942,696	5,947,895
Broadcasting	3,005,899	2,457,419
Program information	371,875	468,362
Total program services	<u>9,320,470</u>	<u>8,873,676</u>
Supporting services:		
Management and general	1,932,566	1,742,421
Depreciation	3,253,562	529,927
Underwriting	395,869	363,319
Fundraising	1,261,308	1,249,171
Total supporting services	<u>6,843,305</u>	<u>3,884,838</u>
Total operating expenses	<u>16,163,775</u>	<u>12,758,514</u>
Net operating loss	(6,086,020)	(4,195,377)
NON-OPERATING REVENUES (EXPENSES)		
Operating subsidies from university	1,720,861	1,838,705
Donated facilities and support	1,570,501	1,557,071
Net investment income:		
Interest and dividend income	238,220	246,052
Increase (decrease) in fair value of investments	(402,191)	(98,121)
Interest expense	(64,168)	(69,105)
Capital grants and gifts	150,885	203,836
Additions to permanent endowments	5,253	3,528
Net non-operating revenues	<u>3,219,361</u>	<u>3,681,966</u>
Equity transfers to the University	<u>(85,670)</u>	<u>(85,670)</u>
Change in Net Position	(2,952,329)	(599,081)
Net Position, Beginning of year		
Beginning of year, as previously reported	16,383,843	19,834,480
Cumulative effect of accounting change	-	(2,851,556)
Beginning of year, as restated	<u>16,383,843</u>	<u>16,982,924</u>
Net Position, End of year	<u>\$ 13,431,514</u>	<u>\$ 16,383,843</u>

The accompanying notes are an integral part of these financial statements

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Statements of Cash Flows

For the years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants from the Corporation for Public Broadcasting	\$ 1,564,884	\$ 1,583,787
Member contributions	3,880,477	3,519,116
Fees and services	1,837,557	1,643,118
Proceeds from fundraising	14,150	20,905
Federal, state and local grants	1,371,205	1,191,584
Royalties	2,822	2,707
Other revenues	9,900	19,571
Payments to employees	(5,203,907)	(5,524,865)
Payments to suppliers	(4,782,260)	(4,536,992)
Net cash used in operating activities	<u>(1,305,172)</u>	<u>(2,081,069)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Private endowment contributions	5,253	3,528
University subsidies	1,720,861	1,838,705
Equity transfers to university	(85,670)	(85,670)
Net cash provided by noncapital financing activities	<u>1,640,444</u>	<u>1,756,563</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital grants and gifts received	82,896	189,607
Principal paid on note payable	(158,520)	(158,487)
Principal paid on University debt	(400,213)	(523,286)
Interest paid on University debt	(7,636)	(12,573)
Purchase of capital assets	(120,182)	(111,083)
Net cash used in capital financing activities	<u>(603,655)</u>	<u>(615,822)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment sales (purchases)	(1,333)	(1,288)
Interest and dividends received	238,220	246,052
Net cash provided by investing activities	<u>236,887</u>	<u>244,764</u>
Net change in cash	(31,496)	(695,564)
Cash at beginning of year	3,471,683	4,167,247
Cash at end of year	<u>\$ 3,440,187</u>	<u>\$ 3,471,683</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (6,086,020)	\$ (4,195,377)
Adjustments to reconcile excess additions over deductions to net cash provided by operating activities:		
Donated facilities and support	1,570,501	1,557,071
Depreciation expense	3,253,562	529,927
Decrease (increase) in receivables	(159,921)	248,685
Increase (decrease) in accounts payable	(21,675)	(89,855)
Increase (decrease) in unearned revenue	115,274	(38,039)
Increase (decrease) in compensated absences	(17,169)	(36,418)
Net pension liability	1,092,591	58,948
Deferred outflows - pension	(1,082,130)	(177,127)
Deferred inflows - pension	29,815	61,116
Net cash (used) in operating activities	<u>\$ (1,305,172)</u>	<u>\$ (2,081,069)</u>
Non-cash transactions:		
Amortization on note payable discount	\$ 56,532	\$ 56,532
Unrealized loss on investments	(402,191)	(98,121)

The accompanying notes are an integral part of these financial statements

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

For the Year Ended June 30, 2016

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 Mansfield)
WPBO-TV, Portsmouth, Ohio
WOSU-FM Radio, Columbus, Ohio
WOSA-FM Radio, Grove City, Ohio
WOSV-FM Radio, Mansfield, Ohio
WOSE-FM Radio, Coshocton, Ohio
WOSB-FM Radio, Marion, Ohio
WOSP-FM Radio, Portsmouth, 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

The financial statements of WOSU Public Media have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). WOSU reports as a special purpose government engaged solely in "business type activities" under GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

WOSU's financial resources are classified for accounting and reporting purposes into the following four net position categories:

Net investment in capital assets

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 position subject to externally-imposed stipulations that they be maintained in perpetuity and invested for the purpose of generating present and future income, which may either be expended or added to the principal by WOSU. These assets consist of the WOSU's permanent endowment.

Restricted expendable

Net position whose use 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 Position that is not subject to externally-imposed stipulations. Substantially all unrestricted balances are internally designated for use by WOSU to support working capital needs of WOSU.

It is WOSU's policy to apply restricted resources first when an expense is incurred for which both restricted and unrestricted net position are available.

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

For the Year Ended June 30, 2016

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

All investments consist of amounts invested in The Ohio State University Long Term Investment Pool and are recorded at fair value. Endowment funds are managed by the Office of Investments of the university which 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. 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*, as amended by GASB Statement No. 72, *Fair Value Measurement and Application*. Additions to endowment investments are recorded as non-operating revenues in the statement of revenues, expenses and other changes in net position. Investment income is recognized on an accrual basis. Interest and dividend income is recorded when earned.

Capital Assets

Capital assets 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 capital gifts.

WOSU receives gifts (pledges) from corporations, foundations and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of such promise, revenue is recognized when the gift is received. In accordance with GASB Statement No. 33, *Accounting and Reporting for Nonexchange Transactions*, endowment pledges are not recorded as assets until the related gift is received. An allowance for uncollectible pledges receivable is provided based on management's judgment of potential uncollectible amounts and includes such factors as prior collection history, type of gift, and nature of fundraising.

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. Programming revenues received in advance are recognized when WOSU 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.

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

For the Year Ended June 30, 2016

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 15.76% for the fiscal years ending June 30, 2016 and 2015. 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.

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 collectability of receivables and compensated absences. Actual results could differ from those estimates.

Implementation of GASB Statement No. 68

In fiscal year 2015, the university implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71. GASB Statement No. 68 requires employers participating in cost-sharing multiple-employer pension plans to recognize a proportionate share of the net pension liabilities of the plans. A proportionate share of the WOSU net pension liabilities has been allocated to the WOSU, based on retirement plan contributions for WOSU employees. The cumulative effect of adopting GASB No. 68 was a \$2,851,556 reduction in WOSU's net position as of July 1, 2014. Additional information regarding net pension liabilities, related deferrals and pension expense is provided in Note 6.

Newly Issued Accounting Pronouncements

In June 2015, the GASB issued Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Statement 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by Statements 67 and 68). The requirements in Statement 73 for reporting pensions generally are the same as in Statement 68. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015 (FY2016)—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for fiscal years beginning after June 15, 2016 (FY2017).

In June 2015, the GASB issued Statements No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Statements 74 and 75 establish new accounting and reporting standards for other postemployment benefits (OPEB), such as health insurance provided to retirees. Under the new standards, governments that participate in OPEB plans will be required to report in their statement of net position a net OPEB liability, which is the difference between the total OPEB liability and the assets set aside to pay OPEB. Statement 74, which applies to plans (such as OPERS and STRS-Ohio), is effective for periods beginning after June 15, 2016 (FY2017). Statement 75, which applies to plan participants (including the university), is effective for periods beginning after June 15, 2017 (FY2018).

In December 2015, the GASB issued Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans. This standard amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

For the Year Ended June 30, 2016

governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The standard is effective for financial statements for fiscal years beginning after December 15, 2015 (FY2017).

In December 2015, the GASB issued Statement No. 79, Certain External Investment Pools and Pool Participants. Statement 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. These criteria were formerly based on SEC regulations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015 (FY2016), except for the provisions in paragraphs 18, 19, 23–26, and 40, which are effective for reporting periods beginning after December 15, 2015 (FY2017).

In January 2016, the GASB issued Statement No. 80, Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14. This standard expands the blending criteria in Statement 14 to require blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The standard is effective for financial statements for fiscal years beginning after June 15, 2016 (FY2017).

In March 2016, the GASB issued Statement No. 81, Irrevocable Split-Interest Agreements. This standard requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. It also requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. In general, revenue recognition related to these agreements will be delayed until a specified event occurs (such as the death of the lead beneficiary). The standard is effective for financial statements for fiscal years beginning after June 15, 2016 (FY2017).

In March 2016, the GASB issued Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73. This standard addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The standard is effective for financial statements for fiscal years beginning after December 15, 2016 (FY2018).

WOSU management has elected to early-implement Statement 82 in FY2016 and is currently assessing the impact that implementation of GASB Statements 73, 74, 75, 78, 79, 80 and 81 will have on the university's financial statements.

Other

WOSU is exempt from income taxes as an instrumentality of the State of Ohio under Internal Revenue Code §115 and Internal Revenue Service regulations. Any unrelated business income is taxable.

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

For the Year Ended June 30, 2016

2. INVESTMENTS

WOSU's endowment investments are maintained in the university's Long-Term Investment Pool, and as such, all endowment investments are held by the university. The pool consists of more than 5,275 Board authorized 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 and fixed income securities, as well as a number of alternative investment funds, such as real estate limited partnerships, hedge funds, private equity funds, venture capital funds and natural resources funds. The pool 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 investment funds, including limited partnerships and private equity, which are carried at the net assets value provided by the management of these funds. The purpose of this alternative investment fund class is to increase portfolio diversification and reduce risk due to the low correlation with other asset classes.

Management of the alternative investment funds, namely the general partner, use methods such as discounted cash flows, recent transactions, and other model-based calculations, to estimate the fair value of the investment held by the fund.

Annual distributions to named funds in the Long-Term Investment Pool are computed using the share method of accounting for pooled investments. The 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. The fair values of WOSU's investments held in the university's investment pool were \$5,069,626 and \$5,471,817 at June 30, 2016 and 2015, respectively. The net change in the value of investments during 2016 and 2015 were unrealized losses \$402,191 and \$98,121, 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, 2016 and 2015, there is cumulative net unrealized gain on investments of \$615,695 and \$1,019,219, respectively.

The depreciation on non-expendable endowment funds is recorded as a reduction to restricted non-expendable net position. Recovery on these funds is recorded as an increase in restricted non-expendable up to the historical value of each fund. Per UPMIFA (§ 1715.53(D)(C)), the reporting of such deficiencies does not create an obligation on the part of the endowment fund to restore the fair value of those funds.

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

For the Year Ended June 30, 2016

The following summarizes WOSU's investments held in the university's investment pool as of June 30, 2016

Name of Fund	Number of Shares	Cost	Fair Value
Friends of WOSU	404.91	1,410,223	2,313,097
Prine Classical Music	1.36	5,550	7,780
WOSU Public Media	398.63	2,496,175	2,277,229
AEP Foundation	4.60	25,000	26,262
Elam Family	11.29	69,700	64,519
Taylor Memorial	3.51	28,060	20,068
Batelle Digital Media	21.36	150,000	122,016
Reba Harvey	16.58	99,967	94,740
Klotz Public Media	3.89	25,000	22,240
Palius Public Media	4.06	26,353	23,220
Sipp Student Interns	6.96	50,000	39,778
Digital Media Center Outreach	10.27	67,903	58,676
		<u>\$ 4,453,931</u>	<u>\$ 5,069,626</u>

The following summarizes WOSU's investments held in the university's investment pool as of June 30, 2015:

Name of Fund	Number of Shares	Cost	Fair Value
Friends of WOSU	404.70	1,408,988	2,495,938
Prine Classical Music	1.36	5,550	8,399
WOSU Public Media	398.62	2,496,127	2,458,471
AEP Foundation	4.60	25,000	28,353
Elam Family	11.29	69,700	69,656
Taylor Memorial	3.51	28,060	21,665
Batelle Digital Media	21.36	150,000	131,730
Reba Harvey	16.58	99,967	102,283
Klotz Public Media	3.89	25,000	24,011
Palius Public Media	4.06	26,353	25,069
Sipp Student Interns	6.96	50,000	42,945
Digital Media Center Outreach	10.26	67,853	63,297
		<u>\$ 4,452,598</u>	<u>\$ 5,471,817</u>

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

For the Year Ended June 30, 2016

3. PLEDGES RECEIVABLE

In accordance with GASB Statement No. 33, *Accounting and Reporting for Non-exchange Transactions*, WOSU has recorded \$469,236 in pledges receivable and a related allowance for doubtful accounts of \$12,470 at June 30, 2016. The university recorded \$375,506 in pledges receivable and a related allowance for doubtful accounts of \$19,462 at June 30, 2015.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 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	999,912	-	-	999,912
Improvements	7,993,806	-	-	7,993,806
Equipment	9,982,798	120,182	294,954	9,808,026
Total	26,889,367	120,182	294,954	26,714,595
Less: Accumulated depreciation	14,401,267	3,253,562	294,954	17,359,875
Total capital assets, net	\$ 12,488,100	\$ (3,133,380)	\$ -	\$ 9,354,720

Capital asset activity for the year ended June 30, 2015 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	999,912	-	-	999,912
Improvements	7,993,806	-	-	7,993,806
Equipment	9,913,644	111,084	41,930	9,982,798
Total	26,820,213	111,084	41,930	26,889,367
Less: Accumulated depreciation	13,913,270	529,927	41,930	14,401,267
Total capital assets, net	\$ 12,906,943	\$ (418,843)	\$ -	\$ 12,488,100

The following estimated useful lives are used to compute depreciation:

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

WOSU's television studios are moving in December 2016 from the COSI Science Center to the Fawcett Center for an interim period as the organization plans for a new headquarters. The lease

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

For the Year Ended June 30, 2016

terminates in December 2016, as a result WOSU recognized accelerated depreciation on leasehold improvements with the studios during fiscal year 2016. The remaining useful life of the asset is six months. The carrying value of the studio is \$137,310 as of June 30, 2016.

Accelerated depreciation in the amount of \$2,754,077 is included in depreciation expense in the Statement of Revenues, Expenses and Other Changes in Net Position.

5. FCC LICENSE

The purchase of commercial radio station WWCD (FM) and approval from the Federal Communication Commission ("FCC") on December 14, 2010 granted WOSU rights to the 101.1 FM radio frequencies. 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 permanently use the broadcast spectrum, which is a 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 years 2016 or 2015.

6. RETIREMENT PLANS

WOSU employees are covered by one of two retirement systems. Substantially all employees are covered by the Public Employees Retirement System of Ohio (OPERS). Employees may opt out of OPERS and participate in the Alternative Retirement Plan (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. These plans are discussed in greater detail in the following sections.

Defined Benefit Plans

OPERS offers statewide cost-sharing multiple-employer defined benefit pension plans. OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. 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 the organization.

OPERS

277 East Town Street
Columbus, OH 43215-4642

(614) 222-5601

(800) 222-7377

www.opers.org/investments/cafr.shtml

In accordance with GASB Statement No. 68, employers participating in cost-sharing multiple-employer plans are required to recognize a proportionate share of the collective net pension liabilities of the plans. Although changes in the net pension liability generally are recognized as

WOSU Public Media

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Notes to Financial Statements

For the Year Ended June 30, 2016

pension expense in the current period, GASB 68 requires certain items to be deferred and recognized as expense in future periods. Deferrals for differences between projected and actual investment returns are amortized to pension expense over five years. Deferrals for employer contributions subsequent to the measurement date are amortized in the following period (one year). Other deferrals are amortized over the estimated remaining service lives of both active and inactive employees (amortization periods range from 3 to 9 years).

The collective net pension liabilities of the retirement systems and WOSU's proportionate share of these net pension liabilities as of June 30, 2016 are as follows:

	<u>OPERS</u>
Pension Liability:	
Net pension liability - all employers	\$ 17,272,216,381
Proportion of the net pension liability - WOSU	0.025%
Proportionate share of net pension liability	\$ 4,249,440

The collective net pension liabilities of the retirement systems and WOSU's proportionate share of these net pension liabilities as of June 30, 2015 are as follows:

	<u>OPERS</u>
Pension Liability:	
Net pension liability - all employers	\$ 12,022,615,276
Proportion of the net pension liability - WOSU	0.026%
Proportionate share of net pension liability	\$ 3,156,849

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of June 30, 2016:

	<u>OPERS</u>
Deferred Outflows of Resources:	
Differences between expected and actual experience	\$ 864
Net difference between projected and actual earnings on pension plan investments	1,260,607
Changes in proportion of university contributions	3,668
Employer contributions subsequent to the measurement date	240,463
Total	<u><u>\$ 1,505,602</u></u>
Deferred Inflows of Resources:	
Differences between expected and actual experience	\$ 90,822
Changes in proportion of university contributions	109
Total	<u><u>\$ 90,931</u></u>

WOSU Public Media

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Notes to Financial Statements

For the Year Ended June 30, 2016

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of June 30, 2015:

	<u>OPERS</u>
Deferred Outflows of Resources:	
Net difference between projected and actual earnings on pension plan investments	\$ 170,445
Employer contributions subsequent to the measurement date	253,027
Total	<u>\$ 423,472</u>
Deferred Inflows of Resources:	
Differences between expected and actual experience	<u>\$ 61,116</u>

Net deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the years ending June 30 as follows:

	<u>OPERS</u>
2017	\$ 517,364
2018	296,539
2019	319,958
2020	284,817
2021	(1,045)
2022 and Thereafter	(2,961)
Total	<u>\$ 1,414,672</u>

The following table provides additional details on the pension benefit formulas, contribution requirements and significant assumptions used in the measurement of total pension liabilities for OPERS.

WOSU Public Media

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Notes to Financial Statements

For the Year Ended June 30, 2016

OPERS	
Statutory Authority	Ohio Revised Code Chapter 145
Benefit Formula	Benefits are calculated on the basis of age, final average salary (FAS), and service credit. State and Local members in transition Groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service. For Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.
Cost-of-Living Adjustments	Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual 3% cost-of-living adjustment is provided on the member's base benefit.
Contribution Rates	Employee and member contribution rates are established by the OPERS Board and limited by Chapter 145 of the Ohio Revised Code. For 2014, employer rates for the State and Local Divisions were 14% of covered payroll (and 18.1% for the Law Enforcement and Public Safety Divisions). Member rates for the State and Local Divisions were 10% of covered payroll (13% for Law Enforcement and 12% for Public Safety).
Measurement Date	December 31, 2015
Actuarial Assumptions	<p>Valuation Date: December 31, 2015</p> <p>Actuarial Cost Method: Individual entry age</p> <p>Investment Rate of Return: 8.00%</p> <p>Inflation: 3.75%</p> <p>Projected Salary Increases: 4.25% - 10.05%</p> <p>Cost-of-Living Adjustments: 3.00% Simple</p>
Mortality Rates	RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120% of the disabled female mortality rates were used, set forward two years. For females, 100% of the disabled female mortality rates were used.
Date of Last Experience Study	December 31, 2010

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

For the Year Ended June 30, 2016

OPERS																									
Investment Return Assumptions	<p>The long term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. The following table displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Asset Class</th> <th style="text-align: center;">Target Allocation</th> <th style="text-align: center;">Long Term Expected Return*</th> </tr> </thead> <tbody> <tr> <td>Fixed Income</td> <td style="text-align: center;">23.0%</td> <td style="text-align: center;">2.31%</td> </tr> <tr> <td>Domestic Equity</td> <td style="text-align: center;">19.9%</td> <td style="text-align: center;">5.84%</td> </tr> <tr> <td>Real Estate</td> <td style="text-align: center;">10.0%</td> <td style="text-align: center;">4.25%</td> </tr> <tr> <td>Private Equity</td> <td style="text-align: center;">10.0%</td> <td style="text-align: center;">9.25%</td> </tr> <tr> <td>International Equity</td> <td style="text-align: center;">19.1%</td> <td style="text-align: center;">7.40%</td> </tr> <tr> <td>Other Investments</td> <td style="text-align: center;">18.0%</td> <td style="text-align: center;">4.59%</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">100.0%</td> <td></td> </tr> </tbody> </table> <p>* Returns presented as arithmetic means</p>	Asset Class	Target Allocation	Long Term Expected Return*	Fixed Income	23.0%	2.31%	Domestic Equity	19.9%	5.84%	Real Estate	10.0%	4.25%	Private Equity	10.0%	9.25%	International Equity	19.1%	7.40%	Other Investments	18.0%	4.59%	Total	100.0%	
Asset Class	Target Allocation	Long Term Expected Return*																							
Fixed Income	23.0%	2.31%																							
Domestic Equity	19.9%	5.84%																							
Real Estate	10.0%	4.25%																							
Private Equity	10.0%	9.25%																							
International Equity	19.1%	7.40%																							
Other Investments	18.0%	4.59%																							
Total	100.0%																								
Discount Rate	<p>The discount rate used to measure the total pension liability was 8.0% for both the Traditional Pension Plan and the Combined Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.</p>																								
Sensitivity of Net Pension Liability to Changes in Discount Rate	<table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">1% Decrease (7.00%)</th> <th style="text-align: center;">Current Rate (8.00%)</th> <th style="text-align: center;">1% Increase (9.00%)</th> </tr> </thead> <tbody> <tr> <td style="text-align: right;">\$ 6,789,706</td> <td style="text-align: right;">\$ 4,249,440</td> <td style="text-align: right;">\$ 2,107,498</td> </tr> </tbody> </table>	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)	\$ 6,789,706	\$ 4,249,440	\$ 2,107,498																		
1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)																							
\$ 6,789,706	\$ 4,249,440	\$ 2,107,498																							

Defined Contribution Plans

ARP is a defined contribution pension plan. Full-time administrative and professional staff and faculty 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, post-retirement 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 offer a defined contribution plan, the Member-Directed Plan (MD). The MD plan does not provide disability benefits, annual cost-of-living adjustments, post-retirement 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.

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

For the Year Ended June 30, 2016

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 post-retirement health care benefits. OPERS provides retirement, disability, survivor and post-retirement health benefits to qualifying members of the combined plan.

Summary of Employer Pension Expense

Total pension expense for the year ended June 30, 2016, including employer contributions and accruals associated with recognition of net pension liabilities and related deferrals, is presented below:

	OPERS	ARP	Total
Employer Contributions	\$ 468,520	\$ 88,110	\$ 556,630
GASB 68 Accruals	40,276		40,276
Total Pension Expense	\$ 508,796	\$ 88,110	\$ 596,906

Total pension expense for the year ended June 30, 2015, including employer contributions and accruals associated with recognition of net pension liabilities and related deferrals, is presented below:

	OPERS	ARP	Total
Employer Contributions	\$ 482,900	\$ 91,254	\$ 574,154
GASB 68 Accruals	(57,063)		(57,063)
Total Pension Expense	\$ 425,837	\$ 91,254	\$ 517,090

Pension expense is allocated to program and supporting service expenses on the Statement of Revenues, Expenses and Changes in Net Position.

Post-Retirement Health Care Benefits

OPERS currently provides post-employment health care benefits to retirees with ten or more years of qualifying service credit. These benefits are advance-funded on an actuarially determined basis and are financed through employer contributions and investment earnings. OPERS determines the amount, if any, of the associated health care costs that will be absorbed by OPERS. Under Ohio Revised Code (ORC), funding for medical costs paid from the funds of OPERS is included in the employer contribution rate. For calendar year 2016 and 2015, OPERS allocated 2.0% of the employer contribution rate to fund the health care program for retirees.

7. 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

WOSU Public Media

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Notes to Financial Statements

For the Year Ended June 30, 2016

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.

Long term liabilities related to accrued compensated absences as of June 30, 2016 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 396,858	\$ 32,415	\$ 49,584	\$ 379,689	\$ 24,792

Long term liabilities related to accrued compensated absences as of June 30, 2015 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 433,276	\$ 32,627	\$ 69,045	\$ 396,858	\$ 34,524

8. 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:

CPB Grant	Fiscal Year 2016		
	WOSU-FM	WOSU-TV	Total
Community Service	\$327,216	\$1,215,379	\$ 1,542,595
Interconnection Grant		\$22,289	22,289
Total	<u>\$ 327,216</u>	<u>\$ 1,237,668</u>	<u>\$ 1,564,884</u>

CPB Grant	Fiscal Year 2015		
	WOSU-FM	WOSU-TV	Total
Community Service	\$345,435	\$1,216,347	\$ 1,561,782
Interconnection Grant		\$22,005	22,005
Total	<u>\$ 345,435</u>	<u>\$ 1,238,352</u>	<u>\$ 1,583,787</u>

WOSU Public Media

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Notes to Financial Statements

For the Year Ended June 30, 2016

9. 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 \$1,720,861 and \$1,838,705, for the years ended June 30, 2016 and 2015, respectively. In addition, the University provided \$1,570,501 and \$1,557,071 in indirect administrative support during fiscal years 2016 and 2015, respectively. The indirect administrative support revenues were calculated using the university's "modified other sponsored activities indirect costs rate" of 15.76% for fiscal years ended June 30, 2016 and 2015.

WOSU provides media production services, underwriting services, and space rental to the university. The total revenue reported in the state and local revenue line for the years ended June 30, 2016 and 2015 were \$245,215 and \$153,790, respectively.

10. INCOME BENEFICIARY

WOSU Public Media is an income beneficiary of certain funds administered and maintained by the university. These funds are the property of the university, and as such are not included within WOSU's investment portfolio included within the Statement of Net Position. 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 \$25,442 and \$26,176 from this fund during fiscal years 2016 and 2015, respectively. In addition, WOSU Public Media receives ten percent of the income generated from the John McKittrick Family Fund. During fiscal years 2016 and 2015, WOSU Public Media received \$257 and \$266 from this fund, respectively. All income received by WOSU Public Media as an income beneficiary has been included in the statement of revenues, expenses and other changes in net position. The following summarizes the value of these funds as of June 30, 2016 and 2015:

<u>Fund Name</u>	<u>2016 Market Value</u>	<u>2015 Market Value</u>
Donald R. Glancy Endowed Fund	\$ 616,738	\$ 661,677
John McKittrick Family Fund	6,212	5,393
Total Income Beneficiary Funds	<u>\$ 622,950</u>	<u>\$ 667,070</u>

11. OPERATING LEASE OBLIGATION

WOSU originally leased 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 (December 15, 2006). In December 2015, the lease was renegotiated to renew on an annual basis. The lease amount is subject to annual adjustment based on the consumer price index (CPI). As of June 30, 2016, future minimum rental payments based on the CPI indexed rate for fiscal year 2017 is \$270,394. The lease was terminated effective November 30, 2016 upon agreement by both parties. WOSU's television studios at the COSI Science Center will be moved to the Fawcett Center.

WOSU leases office space at the Fawcett Center under an annual agreement with the university. The university pays a portion of the rent directly to the Business Advancement office in accordance with the lease agreement. The University paid approximately \$138,487 and \$88,844

WOSU Public Media
A Public Telecommunications Entity Operated by The Ohio State University
Notes to Financial Statements
For the Year Ended June 30, 2016

during 2016 and 2015, respectively, under this agreement. The lease amount is based on an annual square footage rate.

The total rental expense charged to operations was \$392,539 and \$337,712 during 2016 and 2015, respectively. Future minimum payments for significant operating leases with initial or remaining terms in excess of one year are as follows:

2017	\$ 270,394
2018	146,921
2019	151,329
2020	155,869
2021	160,545
Total	<u>\$ 885,058</u>

WOSU leases land from an individual under an agreement with a five-year term commencing with the purchase of WWCD FM on December 14, 2010. The lease term automatically renews for three additional five-year terms. Future minimum lease payments approximate \$12,000 per year through 2025. Rental expense charged to operations was \$12,000 during 2016 and 2015.

12. DEBT OBLIGATIONS

Debt activity for the year ended June 30, 2016, is as follows:

	Beginning Balance	Principal Additions	Repayments	Ending Balance	Current Portion
Line of credit - COSI	\$ 288,198	\$ -	\$ 288,198	\$ -	\$ -
Line of credit - 101.1 FM	228,593	-	112,015	116,578	116,578
Promissory note	2,462,101	-	158,520	2,303,581	158,520
Total before discount	<u>\$ 2,978,892</u>	<u>\$ -</u>	<u>\$ 558,733</u>	<u>2,420,159</u>	<u>\$ 275,098</u>
Discount on promissory note				(824,368)	
Total lines of credit and promissory note, net present value				<u>\$ 1,595,791</u>	

Debt activity for the year ended June 30, 2015, is as follows:

	Beginning Balance	Principal Additions	Repayments	Ending Balance	Current Portion
University advance	\$ 336,223	\$ -	\$ 336,223	\$ -	\$ -
Line of credit - radio studios	128,517	-	128,517	-	-
Line of credit - COSI	575,337	-	287,139	288,198	288,198
Line of credit - 101.1 FM	-	336,223	107,630	228,593	112,015
Promissory note	2,620,588	-	158,487	2,462,101	158,520
Total before discount	<u>\$ 3,660,665</u>	<u>\$ 336,223</u>	<u>\$ 1,017,996</u>	<u>2,978,892</u>	<u>\$ 558,733</u>
Discount on promissory note				(880,900)	
Total lines of credit and promissory note, net present value				<u>\$ 2,097,992</u>	

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

For the Year Ended June 30, 2016

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 Office of Financial Services, which was 0.20% during 2016 and 2015. The two lines of credit were established during fiscal year 2007, with maturity in June 2016. The Radio Studios line of credit was paid in full during 2015. The COSI line of credit was paid in full during 2016.

In addition, WOSU received an advance from the university to pay for the FM radio station acquisition in the amount of \$2,250,000. WOSU repaid \$1,763,777 of the advance upon the sale of the AM radio station in 2012. WOSU paid \$112,015 and \$107,630 during fiscal year 2016 and 2015, respectively. On July 1, 2014, WOSU modified repayment terms on the advance of \$336,223 to a line of credit with the university. The line of credit will be repaid over 3 years and bears an interest rate of 4.0%. WOSU intends to repay the line of credit with donor contributions.

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 \$1,479,213 and \$1,581,201 at June 30, 2016 and June 30, 2015, respectively. 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 position.

The following is a schedule showing the amounts due for the debt obligations as of June 30, 2016:

	Principal	Interest
2017	\$ 275,098	\$ 2,541
2018	158,520	
2019	158,520	
2020	158,520	
2021	158,520	
2022-2026	792,600	
2027-2031	718,381	
Total	<u>\$ 2,420,159</u>	<u>\$ 2,541</u>

Interest expense of \$64,168 and \$69,105 was incurred on the debt during fiscal year 2016 and 2015, respectively.

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University Required Supplementary Information on GASB 68 Pension Liabilities For the Year Ended June 30, 2016

The schedule of WOSU's proportionate shares of OPERS net pension liabilities are presented below:

	<u>2016</u>	<u>2015</u>
Schedule of Proportionate Share of the Net Pension Liability		
WOSU proportion of the collective net pension liability	0.025%	0.026%
WOSU proportionate share of the net pension liability	\$ 4,249,440	\$ 3,156,849
WOSU covered payroll	\$ 3,381,780	\$ 3,546,706
WOSU proportionate share of the net pension liability as a percentage of its covered payroll	126%	89%
Plan fiduciary net position as a percentage of the total pension liability	81.1%	86.5%

The schedule of WOSU's contributions to OPERS are presented below:

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 468,520	\$ 482,900
Contributions in relation to the contractually required contribution	\$ 468,520	\$ 482,900
Contribution deficiency (excess)	\$ -	\$ -
WOSU covered payroll	\$ 3,309,940	\$ 3,411,352
Contributions as a percentage of covered payroll	14.2%	14.2%

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Supplemental Schedule of Revenue and Expenses by Telecommunication Operations

For the Year Ended June 30, 2016

<u>REVENUES AND OTHER SUPPORT</u>	<u>Radio</u>	<u>Television</u>	<u>Totals</u>
The Ohio State University Direct Support	\$ 946,474	\$ 774,387	\$ 1,720,861
Contributed services	227,177	1,147,397	1,374,574
Donated facilities and support - OSU	704,859	865,642	1,570,501
Grants from the CPB	327,216	1,237,668	1,564,884
Member contributions	2,165,605	1,753,334	3,918,939
Public Broadcasting Service	2,450	11,816	14,266
Business and industry	422,079	706,968	1,129,047
Foundations/NPO's	302,136	372,796	674,932
Fundraising	-	14,150	14,150
Federal grants	14,031	29,863	43,894
State and local grants	227,914	1,102,433	1,330,347
Investment income:			
Interest and dividend income	125,928	112,292	238,220
Unrealized loss on investments	(221,205)	(180,986)	(402,191)
Endowment contributions	2,862	2,391	5,253
Capital grants and gifts	5,225	145,660	150,885
Royalties	84	2,738	2,822
Other	-	9,900	9,900
Total Support, Revenue, and Other Additions	5,252,835	8,108,449	13,361,284
<u>EXPENSES</u>			
Program Services:			
Programming and production	2,383,705	3,558,991	5,942,696
Broadcasting	956,440	2,049,459	3,005,899
Program information	197,178	174,697	371,875
Total Program Services	<u>3,537,323</u>	<u>5,783,147</u>	<u>9,320,470</u>
Supporting Services:			
Management & general	1,023,501	994,735	2,018,236
Fundraising	677,829	583,479	1,261,308
Underwriting	212,961	182,908	395,869
Interest expense	63,637	531	64,168
Depreciation	109,350	3,144,212	3,253,562
Total Supporting Services	<u>2,087,278</u>	<u>4,905,865</u>	<u>6,993,143</u>
Total Expenses	5,624,601	10,689,012	16,313,613
Change in Net Position	<u>\$ (371,766)</u>	<u>\$ (2,580,563)</u>	<u>\$ (2,952,329)</u>



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 the Board of Trustees of
The Ohio State University:

We have audited, 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, the financial statements of WOSU Public Media ("WOSU"), a department of The Ohio State University, as of and for the year ended June 30, 2016, appearing on pages 8 to 27, which consist of the statement of net position, the related statement of revenues, expenses, and other changes in net position and of cash flows and the related notes to the financial statements, which collectively comprise WOSU's basic financial statements, and have issued our report thereon dated December 14, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered WOSU's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of WOSU's internal control. Accordingly, we do not express an opinion on the effectiveness of WOSU's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the WOSU's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the WOSU's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PricewaterhouseCoopers LLP

December 14, 2016

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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
DECEMBER 29, 2016