

WOSU Public Media

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

Financial Report

with Additional Information

For the Years Ended June 30, 2013 and 2012



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors* Report of the WOSU Public Media, Franklin County, prepared by Pricewaterhouse Coopers LLP, for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

February 4, 2014

This page intentionally left blank.

Table of Contents

	Page(s)
Independent Auditors' Report	1–3
Management's Discussion and Analysis	4–8
Basic Financial Statements	
Statements of Net Position.....	9
Statements of Revenue, Expenses and Changes in Net Position.....	10
Statements of Cash Flows	11
Notes to the Financial Statements	12–24
Supplemental Schedule of Revenue and Expenses by Telecommunication Operations.....	25
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	26–27

This page intentionally left blank.



Independent Auditor's Report

To WOSU Public Media
The Ohio State University:

Report on the Financial Statements

We have audited the accompanying financial statements of WOSU Public Media ("WOSU"), a component unit of The Ohio State University, which comprise the statements of net position as of June 30, 2013 and June 30, 2012, and the related statements of revenues, expenses, and changes in net position, and of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise WOSU's basic financial statements as listed in the table of contents.

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.

Auditor's 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 the 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 the 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.



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of WOSU at June 30, 2013 and June 30, 2012, and the respective 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 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 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise WOSU's basic financial statements. The Supplemental Schedule of Revenues and Expenses by Telecommunications Operations for the year ended June 30, 2013 is presented for purposes of additional analysis and are 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, 2013 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, 2013 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 January 28, 2014 on our consideration of WOSU's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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

Columbus, Ohio
January 28, 2014

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Management's Discussion and Analysis

June 30, 2013 and 2012

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, 2013 and 2012. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

About WOSU Public Media

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

Today, WOSU Public Media operates six non-commercial FM radio stations and two television stations serving over two million Ohioans in a 21-county region. It provides the only regional source for classical music radio and all day NPR news programming. WOSU production facilities are located at the OSU Fawcett Center and at the COSI Science Center in downtown Columbus. WOSU is part of the purview of the OSU Vice President of University Communications and is advised by a state of Ohio nonprofit community board, Friends of WOSU. The most significant financial support for WOSU comes directly from the community it serves, with some 19,000 individual members and local corporate and foundation support.

WOSU Public Media provides national programming through Public Broadcasting Service and National Public Radio, but has distinguished itself with its commitment to programming and services reflecting the needs of central and southern Ohio. In 2012, the news team of 89.7 FM was named the best in Ohio by the Society of Professional Journalists and the Columbus Neighborhoods multimedia project received the 2012 Artistic Excellence Award from the Greater Columbus Arts Council, among other awards.

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.

Financial Highlights

WOSU Public Media's total Net Position increased by \$443,728 to \$20,429,834 increases in federal and state grants and unrealized gains of investment.

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Management's Discussion and Analysis

June 30, 2013 and 2012

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

Summary of Net Postions

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 4,674,335	\$ 4,045,202	\$ 3,445,806
Receivables and other current assets	245,543	584,934	619,315
Total current assets	<u>4,919,878</u>	<u>4,630,136</u>	<u>4,065,121</u>
Noncurrent receivables	329,448	437,550	331,383
Endowment investments	5,002,877	4,725,679	5,007,419
Capital assets, net of depreciation	14,205,395	14,762,809	15,512,613
Total noncurrent assets	<u>19,537,720</u>	<u>19,926,038</u>	<u>20,851,415</u>
Total assets	<u>\$ 24,457,598</u>	<u>\$ 24,556,174</u>	<u>\$ 24,916,536</u>
Accounts payable and accrued expenses	\$ 167,301	\$ 168,304	\$ 135,393
Unearned revenues	110,465	101,779	78,627
Current portion of debt	1,087,155	1,086,735	2,847,633
Total current liabilities	<u>1,364,921</u>	<u>1,356,818</u>	<u>3,061,653</u>
Noncurrent portion of debt	2,287,115	2,834,476	3,383,011
Other noncurrent liabilities	375,728	378,774	364,089
Total noncurrent liabilities	<u>2,662,843</u>	<u>3,213,250</u>	<u>3,747,100</u>
Total liabilities	<u>\$ 4,027,764</u>	<u>\$ 4,570,068</u>	<u>\$ 6,808,753</u>
Invested in capital assets	\$ 10,831,125	\$ 10,841,598	\$ 9,281,969
Unrestricted	2,335,143	1,970,901	1,928,780
Restricted-nonexpendable	2,651,296	2,601,783	2,756,693
Restricted-expendable	<u>4,612,270</u>	<u>4,571,824</u>	<u>4,140,341</u>
Total net position	<u>\$ 20,429,834</u>	<u>\$ 19,986,106</u>	<u>\$ 18,107,783</u>

Total Net Position increased, primarily due to increases in earnings from non-operating activities of \$443,728 to \$20,429,834. The Statement of Cash Flows, which is discussed in more detail below, provides additional details on sources and uses of WOSU's cash.

Endowment investments in the university's long-term investment pool increased slightly, by \$277,198, to \$5,002,877. 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.

Total liabilities of WOSU decreased by \$542,304, to \$4,027,764, at June 30, 2013 primarily due to repayment of University debt and note payable.

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Management's Discussion and Analysis

June 30, 2013 and 2012

Summary of Revenues, Expenses and Changes in Net Position

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenues:			
Contributed services	\$ 672,800	\$ 701,250	\$ 883,906
Sales and services	1,943,752	1,670,964	1,591,100
Grants and contracts	2,942,560	2,497,349	2,887,691
Member contributions	3,094,485	2,807,826	2,835,712
Other revenues	51,924	146,444	168,765
Total operating revenues	<u>8,705,521</u>	<u>7,823,833</u>	<u>8,367,174</u>
Operating expenses:			
Programming and production	5,911,394	5,417,918	4,910,192
Broadcasting	2,340,777	2,311,125	2,939,757
Program information	391,854	464,850	652,209
Management and general	1,776,042	1,830,732	2,498,019
Underwriting	377,231	315,799	293,985
Fundraising	1,186,815	1,236,616	1,103,994
Depreciation	679,154	760,213	997,728
Total operating expenses	<u>12,663,267</u>	<u>12,337,253</u>	<u>13,395,884</u>
Net operating (loss)	<u>(3,957,746)</u>	<u>(4,513,420)</u>	<u>(5,028,710)</u>
Non-operating revenues (expenses):			
Operating subsidies	1,926,507	1,794,007	1,797,684
Donated facilities and support	1,539,964	1,536,340	1,633,982
Net investment income (loss)	537,924	(15,826)	749,650
Interest expense	(59,214)	(64,317)	(44,503)
Capital gifts and grants	453,825	1,254,875	4,105,593
Gain on sale of radio station	-	1,882,739	-
Additions to endowment	2,468	3,925	3,191
Total non-operating revenues	<u>4,401,474</u>	<u>6,391,743</u>	<u>8,245,597</u>
Increase (decrease) in net position	443,728	1,878,323	3,216,887
Net position - beginning of year	<u>19,986,106</u>	<u>18,107,783</u>	<u>14,890,896</u>
Net position - end of year	<u>\$ 20,429,834</u>	<u>\$ 19,986,106</u>	<u>\$ 18,107,783</u>

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Management's Discussion and Analysis

June 30, 2013 and 2012

Total Net Position (equity) increased by \$443,728 to \$20,429,834. 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, sale of radio station, and investment income.

Summary of Cash Flows

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cash provided by (used) in:			
Operating activities	\$ (1,563,801)	\$ (2,059,609)	\$ (2,256,556)
Noncapital financing activities	1,928,975	1,797,932	1,800,875
Capital and related financing activities	3,233	597,398	(294,819)
Investing activities	<u>260,726</u>	<u>263,675</u>	<u>368,608</u>
Net increase (decrease) in cash	629,133	599,396	(381,892)
Cash, beginning of year	<u>4,045,202</u>	<u>3,445,806</u>	<u>3,827,698</u>
Cash, end of year	<u>\$ 4,674,335</u>	<u>\$ 4,045,202</u>	<u>\$ 3,445,806</u>

Total WOSU cash and cash equivalents increased \$629,133 to \$4,674,335 in 2013. Operating activities include cash flows associated with fees and services, grants and contracts, membership contributions and operating expenses. Non-capital financing activities include direct operating support from the University and gifts. Capital and related financing activities include payments for purchase of capital assets. Net cash provided by investing activities consists primarily of endowment activity.

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

WOSU Public Media is focused on growing its annual membership, underwriting, major/planned giving and grant revenues in the coming year. Corporate, foundation and other community funding for a special multi-year multimedia project called *Columbus Neighborhoods* (Phase Two) will also assist the overall budget through 2015.

A capital campaign to cover the continuing costs of the acquisition of Classical 101- WOSA will be a major part of the station's focus through 2015. To date, the campaign has raised over \$2 million in commitments and cash. WOSU continues to have lines of credit with The Ohio State University related to the construction of the WOSU@COSI digital production center and the radio studios at Fawcett Center. Private funding has allowed WOSU to stay on track with payments.

Since the transition in 2011 to an all-news format on 89.7 FM and establishment of a full time classical music radio station, 101.1 FM (Classical 101), WOSU has seen an overall growth in listening to our stations. This growth has translated into increased memberships for all our services, which we expect to continue. WOSU has committed new resources focused on major and planned giving initiatives.

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Management's Discussion and Analysis

June 30, 2013 and 2012

The greatest risk facing WOSU is the potential reduction in federal funding or another downturn in the economy. Corporation for Public Broadcasting support has traditionally covered about 15 percent of the direct budget, including some of the costs of national and local programming. Like most nonprofits, WOSU is still recovering from the economic recession and another downturn would damage our abilities to serve our audience.

In response to these challenges, WOSU is creating a more efficient, priority-centered operation, while seeking to build new revenue streams. We strive to continue to educate, inform, entertain and inspire the citizens of Ohio with distinctive, non-commercial news, public affairs, arts, culture and lifelong learning services and programming.

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Statements of Net Position

June 30, 2013 and 2012

ASSETS:	2013	2012
Current Assets:		
Cash	\$ 4,674,335	\$ 4,045,202
Receivables:		
Accounts receivable	57,480	82,831
Government grants	1,741	8,899
Underwriting	32,523	51,783
Pledges	153,799	364,899
Total receivables	<u>245,543</u>	<u>508,412</u>
Deposit held by university	<u>-</u>	<u>76,522</u>
Total current assets	4,919,878	4,630,136
Noncurrent Assets:		
Investments	5,002,877	4,725,679
Pledges receivable - noncurrent	329,448	437,550
Property and equipment, net	6,292,544	6,849,958
FCC license	7,912,851	7,912,851
Total noncurrent assets	<u>19,537,720</u>	<u>19,926,038</u>
Total Assets	<u>\$ 24,457,598</u>	<u>\$ 24,556,174</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 134,744	\$ 132,119
Accrued compensated absence - current	32,557	36,185
Unearned revenue	110,465	101,779
Current portion - university debt and note payable	1,087,155	1,086,735
Total current liabilities	<u>1,364,921</u>	<u>1,356,818</u>
Long-term Liabilities		
Long-term portion - debt obligation due University	706,079	1,059,972
Note payable	1,581,036	1,774,504
Accrued compensated absence - noncurrent	375,728	378,774
Total liabilities	<u>4,027,764</u>	<u>4,570,068</u>
NET POSITIONS		
Invested in capital assets	10,831,125	10,841,598
Unrestricted	2,335,143	1,970,901
Restricted for:		
Nonexpendable	2,651,296	2,601,783
Expendable	4,612,270	4,571,824
Total net position	<u>20,429,834</u>	<u>19,986,106</u>
Total liabilities and net position	<u>\$ 24,457,598</u>	<u>\$ 24,556,174</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 Revenues, Expenses and Changes in Net Position June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Contributed services	\$ 672,800	\$ 701,250
Grants from the Corporation for Public Broadcasting	1,695,151	1,498,624
Member contributions	3,094,485	2,807,826
Fees and services:		
Public broadcasting service	103,621	23,922
Business and industry	1,378,448	1,277,358
Foundations/non-profit organizations	461,683	369,684
Fundraising	19,895	133,886
Federal grants	69,061	42,961
State and local grants	1,178,348	955,764
Royalties	21,508	2,414
Miscellaneous	10,521	10,144
Total operating revenues	<u>8,705,521</u>	<u>7,823,833</u>
OPERATING EXPENSES		
Program services:		
Programming and production	5,911,394	5,417,918
Broadcasting	2,340,777	2,311,125
Program information	391,854	464,850
Total program services	<u>8,644,025</u>	<u>8,193,893</u>
Supporting services:		
Management and general	1,776,042	1,830,732
Depreciation	679,154	760,213
Underwriting	377,231	315,799
Fundraising	1,186,815	1,236,616
Total supporting services	<u>4,019,242</u>	<u>4,143,360</u>
Total operating expenses	<u>12,663,267</u>	<u>12,337,253</u>
Operating loss	(3,957,746)	(4,513,420)
NON-OPERATING REVENUES (EXPENSES)		
Operating subsidies	1,926,507	1,794,007
Donated facilities and support - OSU	1,539,964	1,536,340
Investment income:		
Interest and dividend income	260,954	267,599
Unrealized gain (loss) on investments	276,970	(283,425)
Interest expense	(59,214)	(64,317)
Capital grants and gifts	453,825	1,254,875
Gain on sale of radio station	-	1,882,739
Additions to permanent endowments	2,468	3,925
Net non-operating revenues	<u>4,401,474</u>	<u>6,391,743</u>
Change in Net Position	443,728	1,878,323
Net Position, Beginning of year	19,986,106	18,107,783
Net Position, End of year	<u>\$ 20,429,834</u>	<u>\$ 19,986,106</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

As of June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants from the Corporation for Public Broadcasting	\$ 1,695,151	\$ 1,498,624
Member contributions	3,212,906	2,810,229
Fees and services	1,997,049	1,700,752
Proceeds from fundraising	19,895	133,886
Federal, state and local grants	1,254,567	1,076,196
Royalties	21,508	2,414
Other revenues	10,521	10,144
Payments to employees	(5,157,367)	(5,367,193)
Payments to suppliers	(4,618,031)	(3,924,661)
Net cash (used) in operating activities	<u>(1,563,801)</u>	<u>(2,059,609)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Private endowment contributions	2,468	3,925
University subsidies	1,926,507	1,794,007
Net cash provided by noncapital financing activities	<u>1,928,975</u>	<u>1,797,932</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital grants and gifts received	654,606	1,175,340
Principal paid on note payable	(250,000)	(250,000)
Principal paid on University debt	(353,473)	(2,115,965)
Interest paid on University debt	(2,682)	(7,785)
Purchase of capital assets	(45,218)	(17,720)
Sale of radio station	-	1,890,050
Deposits (paid) for capital assets	-	(76,522)
Net cash provided (used) in capital financing activities	<u>3,233</u>	<u>597,398</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment sales (purchases)	(228)	(3,925)
Interest and dividends received	260,954	267,600
Net cash provided by investing activities	<u>260,726</u>	<u>263,675</u>
Net change in cash	629,133	599,396
Cash at beginning of year	4,045,202	3,445,806
Cash at end of year	<u>\$ 4,674,335</u>	<u>\$ 4,045,202</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (3,957,746)	\$ (4,513,420)
Adjustments to reconcile excess additions over deductions to net cash provided by operating activities:		
Donated facilities and support	1,539,964	1,536,340
Depreciation expense	679,154	760,213
Decrease (increase) in receivables	170,190	86,510
Increase (decrease) in accounts payable	2,625	24,744
Increase (decrease) in deferred support	8,686	23,152
Increase (decrease) in compensated absences	(6,674)	22,852
Net adjustments	<u>2,393,945</u>	<u>2,453,811</u>
Net cash (used) in operating activities	<u>\$ (1,563,801)</u>	<u>\$ (2,059,609)</u>
SUPPLEMENTAL DISCLOSURES - Noncash activity		
Interest expense on discounted note payable	\$ 56,532	\$ 56,532
Deposits applied to acquisition of capital assets	61,683	-

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

As of June 30, 2013 and 2012

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 GASB. WOSU 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. WOSU has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

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

Invested in capital assets, net of related debt

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

Restricted nonexpendable

Net 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.

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 Net Position 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

As of June 30, 2013 and 2012

Basis of Accounting

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

Cash

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

Endowment Investments

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

Capital Assets

Capital assets with a unit cost of over \$5,000 are recorded at cost at date of acquisition, or, if donated, at fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. Expenditures for construction in progress are capitalized as incurred. Routine maintenance and repairs are charged to expenses as incurred.

Revenue Recognition

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

Unrestricted member contributions are recorded as support when the promise to give is made. Grant funds are recorded as revenues when the grant's contractual requirements have been met. The principal expendable restricted resources of WOSU are grants to finance capital projects or specific programs produced by WOSU. These revenues are deferred until WOSU incurs the capital expenditure or broadcasts the specific program.

In-Kind Contributions

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

Donated Facilities and Administrative Support from The Ohio State University

Donated facilities and Administrative Support are calculated and recorded as both revenue and expense based upon the University's "modified other sponsored activities indirect cost rate" as defined by the Corporation for Public Broadcasting ("CPB"), which was 15.76% and 16.45% for the fiscal years ending June 30, 2013 and 2012. 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.

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

As of June 30, 2013 and 2012

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.

Newly Issued Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. University management is currently assessing the impact that implementation of Statement No. 65 will have on the university's financial statements.

Also in March 2012, the GASB issued Statement No. 66, *Technical Corrections -- 2012*. This Statement resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement 62 by modifying the specific guidance on accounting for certain operating lease payments, purchases of loans and mortgage loan servicing fees. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. University management is currently assessing the impact that implementation of Statement No. 66 will have on the university's financial statements.

In June 2012, the GASB issued two related accounting standards, Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 67 builds upon the existing framework for financial reports of defined benefit pension plans and expands required note disclosures and Required Supplementary Information. It is effective for periods beginning after June 15, 2013.

Statement No. 68 requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability, which is the difference between the total pension liability and the net positions set aside to pay pension benefits. For cost-sharing employers, the net pension liability is equal to the employer's proportionate share of the collective net pension liability for the plan. Statement No. 68 is effective for periods beginning after June 15, 2014.

The university participates in two cost-sharing defined benefit pension plans, the Ohio Public Employees Retirement System (OPERS) and the State Teachers Retirement System of Ohio (STRS-Ohio). Based on information provided in the most recently available financial reports for the pension plans, university management anticipates that Statements No. 67 and 68 will have a significant impact on the university's financial statements, and accordingly will have an impact on WOSU's financial statements.

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

As of June 30, 2013 and 2012

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. Statement No. 69 requires mergers, which do not involve an exchange of consideration, to be accounted for using the carrying values of assets. Acquisitions are accounted for using acquisition values. The standard also provides guidance on reporting of disposals of government operations. It is effective for periods beginning after December 15, 2013. University management is currently assessing the impact that implementation of Statement No. 69 will have on the university's financial statements.

In April 2013, the GASB issued Statement No. 70, *Accounting and Reporting for Nonexchange Financial Guarantees*. Statement No. 70 requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is *more likely than not* that the guarantor will be required to make a payment to the obligation holders under the agreement. The standard also requires guarantors or issuers to disclose information about the amounts and nature of nonexchange financial guarantees. It is effective for periods beginning after June 15, 2013. University management is currently assessing the impact that implementation of Statement No. 70 will have on the university's financial statements.

WOSU management is currently assessing the impact that implementation of GASB Statements No. 65, 66, 67, 68, 69 and 70 will have on the WOSU's financial statements.

Other

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

2. INVESTMENTS

WOSU's investments are maintained in the University's investment pool. The pool consists of more than 5,110 named funds. Each named fund is assigned a number of shares in the Long Term Investment Pool based on the value of the gifts, income-to-principal transfers, or transfers of operating funds to that named fund. The pool is invested in a diversified portfolio of equities, fixed income, real estate, hedge funds, private equity, venture capital and natural resources that is intended to provide the long-term growth necessary to preserve the value of these funds, adjusted for inflation, while making distributions to support WOSU's mission.

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

Annual distributions to named funds in the University investment pool are computed using the share method of accounting for pooled investments. 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.

Investments are carried at market values in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The net change in the value of investments during 2013 and 2012 were unrealized (losses) and gains of \$276,970 and \$(283,425), respectively. These amounts take into account all changes in fair value (including purchases and sales) that occurred during the year.

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

As of June 30, 2013 and 2012

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, 2013 and 2012, there is cumulative unrealized gain on investments of \$554,731 and \$277,761, respectively. The following summarizes WOSU's investments held in the University's investment pool as of June 30, 2013:

The following summarizes WOSU's investments held in the University's investment pool as of June 30, 2013:

Name of Fund	Number of Shares	Cost	Market Value
Friends of WOSU	404.66	\$ 1,408,728	2,283,663
Prine Classical Music	1.36	5,550	7,686
WOSU Public Media	398.44	2,495,016	2,248,608
AEP Foundation	4.60	25,000	25,944
Elam Family	11.29	69,700	63,738
Taylor Memorial	3.41	27,460	19,265
Batelle Digital Media	21.36	150,000	120,539
Reba Harvey	16.58	99,967	93,594
Klotz Public Media	3.89	25,000	21,971
Palius Public Media	4.06	26,353	22,939
Sipp Student Interns	6.96	50,000	39,297
Digital Media Center Outreach	9.86	65,372	55,633
		<u>\$ 4,448,146</u>	<u>\$ 5,002,877</u>

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

As of June 30, 2013 and 2012

The following summarizes WOSU's investments held in the University's investment pool as of June 30, 2012:

Name of Fund	Number of Shares	Cost	Market Value
Friends of WOSU	404.66	\$ 1,408,728	2,157,231
Prine Classical Music	1.36	5,550	7,260
WOSU Public Media	398.40	2,494,788	2,123,896
AEP Foundation	4.60	25,000	24,508
Elam Family	11.29	69,700	60,210
Taylor Memorial	3.41	27,460	18,198
Batelle Digital Media	21.36	150,000	113,866
Reba Harvey	16.58	99,967	88,412
Klotz Public Media	3.89	25,000	20,755
Palius Public Media	4.06	26,353	21,669
Sipp Student Interns	6.96	50,000	37,121
Digital Media Center Outreach	9.86	65,372	52,553
		<u>\$ 4,447,918</u>	<u>\$ 4,725,679</u>

3. PLEDGES RECEIVABLE

Pledges receivable represent the net unconditional promises to give that were made in connection with WOSU Public Media's capital campaign and annual gift memberships. All pledges were considered to be fully collectible. The following are pledges receivable balances as of June 30, 2013 and 2012:

	2013	2012
Receivable in less than one year	\$ 153,799	\$ 364,899
Receivable in one to three years	329,448	437,550
Total	<u>\$ 483,247</u>	<u>\$ 802,449</u>

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

As of June 30, 2013 and 2012

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
FCC License	\$ 7,912,851	\$ -	\$ -	\$ 7,912,851
Capital assets being depreciated:				
Buildings	11,808,142	-	-	11,808,142
Improvements	1,167,938	-	-	1,167,938
Equipment	9,977,945	121,740	59,483	10,040,202
Total	30,866,876	121,740	59,483	30,929,133
Less: Accumulated depreciation	16,104,067	679,154	59,483	16,723,738
Total capital assets, net	<u>\$ 14,762,809</u>	<u>\$ (557,414)</u>	<u>\$ -</u>	<u>\$ 14,205,395</u>

Capital asset activity for the year ended June 30, 2012 is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
FCC License	\$ 7,912,851	\$ -	\$ -	\$ 7,912,851
Capital assets being depreciated:				
Buildings	11,804,077	4,065	-	11,808,142
Improvements	1,167,938	-	-	1,167,938
Equipment	10,511,557	13,655	547,267	9,977,945
Total	31,396,423	17,720	547,267	30,866,876
Less: Accumulated depreciation	15,883,810	760,213	539,956	16,104,067
Total capital assets, net	<u>\$15,512,613</u>	<u>\$ (742,493)</u>	<u>\$ 7,311</u>	<u>\$ 14,762,809</u>

The following estimated useful lives are used to compute depreciation:

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

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

As of June 30, 2013 and 2012

5. FCC LICENSE

The purchase of commercial radio station WWCD (FM) and approval from the Federal Communication Commission ("FCC") granted WOSU rights to the 101.1 FM radio 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 use the broadcast spectrum, which is a renewable, reusable resource that does not deplete or exhaust over time.

WOSU evaluates the license for impairment on an annual basis in accordance with GASB No. 51, *Accounting and Financial Reporting for Intangible Assets*. No impairment loss was recorded in fiscal year 2013 or 2012.

6. RETIREMENT PLANS

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

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

Defined Benefit Plan

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

Defined Contribution Plans

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

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

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

As of June 30, 2013 and 2012

Combined Plans

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

Funding Policy

The Ohio Revised Code ("ORC") provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across both plans. The 2013 member contribution rates was 10.0% of covered payroll for members and employer contribution rates was 14.0% of covered payroll.

WOSU's employer contributions to PERS and ARP for the years ended June 30, 2013, 2012 and 2011 were \$576,231, \$564,690 and \$599,458, respectively, equal to 100% of the required contributions for each year.

7. OTHER POSTEMPLOYMENT 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 the Ohio Revised Code (ORC), funding for medical costs paid from the funds of OPERS is included in the employer contribution rate. For calendar year 2012, OPERS allocated 4.0% of the employer contribution rate to fund the health care program for retirees, and this rate was reduced to 1% for calendar year 2013 as recommended by the OPERS actuary.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012 with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under Senate Bill 232 and the approved health care changes, OPERS expects to be able to allocate on a consistent basis 4% of employer contributions toward the health care fund after the end of the transition period.

Post-employment health care benefits are not guaranteed by ORC to be covered under OPERS.

WOSU's employer contributions used to fund post-employment benefits for the years ended June 30, 2013, 2012 and 2011 are estimated to be \$288,116, \$282,345, and \$299,729, respectively.

8. ACCRUED COMPENSATED ABSENCES

The WOSU Station employees earn vacation and sick leave on a monthly basis. Classified civil service employees may accrue vacation benefits up to a maximum of three years credit. Administrative and professional staff and faculty may accrue vacation benefits up to a maximum of 240 hours. For all classes of employees, any earned but unused vacation benefit is payable upon termination. Sick leave may be accrued without limit. However, earned but unused sick leave benefits are payable only upon retirement from the University with ten or more years of state service. The amount of sick leave benefit payable at retirement is one fourth of the accrued but unused sick leave up to a maximum of 240 hours.

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

As of June 30, 2013 and 2012

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

Accrued vacation and sick leave liability was \$408,285 and \$414,959 as June 30, 2013 and 2012.

Long term liabilities related to accrued compensated absences as of June 30, 2013 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 414,959	\$ 25,883	\$ 32,557	\$ 408,285	\$ 32,557

Long term liabilities related to accrued compensated absences as of June 30, 2012 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 392,107	\$ 59,037	\$ 36,185	\$ 414,959	\$ 36,185

9. CORPORATION FOR PUBLIC BROADCASTING GRANT AWARDS

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

	Fiscal Year 2013		
CPB Grant	WOSU-FM	WOSU-TV	Total
Community Service	\$492,446	\$1,178,865	\$ 1,671,311
Interconnection Grant		\$23,840	23,840
Total Fiscal Year 2013	<u>\$ 492,446</u>	<u>\$ 1,202,705</u>	<u>\$ 1,695,151</u>

	Fiscal Year 2012		
CPB Grant	WOSU-FM	WOSU-TV	Total
Community Service	\$252,257	\$ 1,178,493	\$ 1,430,750
Interconnection Grant		22,924	22,924
LSI - University Place		20,000	20,000
American Archive Content		1,950	1,950
NCME - American Graduate		23,000	23,000
Total Fiscal Year 2012	<u>\$ 252,257</u>	<u>\$ 1,246,367</u>	<u>\$ 1,498,624</u>

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

As of June 30, 2013 and 2012

10. UNIVERSITY SUPPORT

The operations of WOSU Public Media are supported in part by the general revenues of the University. The University provides for the general operating costs of WOSU operations. The University's direct support amounted to \$1,926,507 and \$1,794,007, for the years ended June 30, 2013 and 2012, respectively. In addition, the University provided \$1,539,964 and \$1,536,340 in indirect administrative support during fiscal years 2013 and 2012, respectively. The indirect administrative support revenues were calculated using the University's "modified other sponsored activities indirect costs rate" of 15.76% and 16.45% for fiscal years ended June 30, 2013 and 2012.

11. 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 \$27,457 and \$27,826 from this fund during fiscal years 2013 and 2012, respectively. In addition, WOSU Public Media receives ten percent of the income generated from the John McKittrick Family Fund. During fiscal years 2013 and 2012, WOSU Public Media received \$104 and \$106 from this fund, respectively. All income received by WOSU Public Media as an income beneficiary have been included in the statement of revenues, expenses and changes in Net Position. The following summarizes the value of these funds as of June 30, 2013 and 2012:

<u>Fund Name</u>	<u>2013 Market Value</u>	<u>2012 Market Value</u>
Donald R. Glancy Endowed Fund	\$ 601,796	\$ 566,264
John McKittrick Family Fund	2,274	2,148
Total Income Beneficiary Funds	<u>\$ 604,070</u>	<u>\$ 568,412</u>

12. OPERATING LEASE OBLIGATION

WOSU leases office space from The Center of Science and Industry (COSI) under an agreement with a 10 year occupancy term commencing on the date of occupancy (May 13, 2005). The lease amount is subject to annual adjustment based on the consumer price index (CPI). As of June 30, 2013, future minimum rental payments based on the CPI indexed rate for fiscal year 2013, is summarized below:

2014	\$ 243,684
2015	223,377
Total	<u>\$ 467,061</u>

Rental expense charged to operations was \$243,684 and \$241,872 during 2013 and 2012, respectively.

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

As of June 30, 2013 and 2012

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

As of June 30, 2013, the future minimum rental payments are summarized below:

2014	\$	12,000
2015		12,000
2016		12,000
Total	\$	<u>36,000</u>

Rental expense charged to operations was \$12,000 and \$12,000 during 2013 and 2012, respectively.

13. DEBT OBLIGATIONS

Debt activity for the year ended June 30, 2013, are as follows:

	Beginning Balance	Principal Additions	Repayments	Ending Balance	Current Portion
University advance	\$ 486,223	\$ -	-	\$ 486,223	\$ 486,223
Line of credit - radio studios	257,541	-	64,541	193,000	64,077
Line of credit - COSI	1,152,943	-	288,932	864,011	286,855
Promissory note	3,075,000	-	250,000	2,825,000	250,000
Total before discount	<u>\$ 4,971,707</u>	<u>\$ -</u>	<u>\$ 603,473</u>	<u>4,368,234</u>	<u>\$ 1,087,155</u>
Discount on promissory note				(993,964)	
Total lines of credit and promissory note, net present value				<u>\$ 3,374,270</u>	

Debt activity for the year ended June 30, 2012, are as follows:

	Beginning Balance	Principal Additions	Repayments	Ending Balance	Current Portion
University advance	\$ 2,250,000	\$ -	1,763,777	\$ 486,223	\$ 486,223
Line of credit - radio studios	321,847	-	64,306	257,541	64,000
Line of credit - COSI	1,440,825	-	287,882	1,152,943	286,512
Promissory note	3,325,000	-	250,000	3,075,000	250,000
Total before discount	<u>\$ 7,337,672</u>	<u>\$ -</u>	<u>\$ 2,365,965</u>	<u>4,971,707</u>	<u>\$ 1,086,735</u>
Discount on promissory note				(1,050,496)	
Total lines of credit and promissory note, net present value				<u>\$ 3,921,211</u>	

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

As of June 30, 2013 and 2012

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 0.40% June 30, 2013 and 2012. The two lines of credit were termed out during fiscal year 2007, with maturity in June 2016.

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 intends to repay the advance 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 \$3,075,000 at June 30, 2012. 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, 2013:

	Principal	Interest
2014	\$ 997,394	\$ 4,228
2015	511,159	2,824
2016	511,153	1,415
2017	158,824	
2018	158,824	
2019-2023	794,120	
2024-2028	794,120	
2029-2031	442,640	
Total	<u>\$ 4,368,234</u>	<u>\$ 8,467</u>

Interest expense of \$59,214 and \$64,317 was incurred on the debt during fiscal year 2013 and 2012, respectively.

14. ASSET PURCHASE AGREEMENTS

WOSU entered into an agreement to sell commercial radio station WOSU (AM) on August 15, 2011, pending approval by the FCC. The FCC approval and sale were completed on December 15, 2011 for a sale price of \$1,985,000. The cash proceeds were used to repay the advance made by the University for the FM radio station purchase. The gain on sale of \$1,882,739 is recorded on the statement of revenues, expenses and changes in Net Position. WOSU entered into a 25 year lease agreement for the AM station tower site with the buyer.

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, 2013

<u>REVENUES AND OTHER SUPPORT</u>	<u>Radio</u>	<u>Television</u>	<u>Totals</u>
The Ohio State University Direct Support	\$ 1,060,125	\$ 866,382	\$ 1,926,507
Contributed services	192,330	480,470	672,800
Donated facilities and support - OSU	706,946	833,018	1,539,964
Grants from the CPB	492,446	1,202,705	1,695,151
Member contributions	1,719,885	1,374,600	3,094,485
Fees and Services:			
PBS	17,970	85,651	103,621
B&I	565,954	812,494	1,378,448
Foundations/NPO's	58,658	403,025	461,683
Fundraising	-	19,895	19,895
Federal grants	51,446	17,615	69,061
State and local grants	172,572	1,005,776	1,178,348
Investment income:			
Interest and dividend income	138,702	122,252	260,954
Unrealized gain on investments	152,333	124,637	276,970
Endowment contributions	1,357	1,111	2,468
Capital grants and gifts	209,941	243,884	453,825
Royalties	2,008	19,500	21,508
Other	399	10,122	10,521
Total Support, Revenue, and Other Additions	5,543,072	7,623,137	13,166,209
<u>EXPENSES</u>			
Program Services:			
Programming and production	2,166,152	3,745,242	5,911,394
Broadcasting	1,114,196	1,226,581	2,340,777
Program information	209,906	181,948	391,854
Total Program Services	3,490,254	5,153,771	8,644,025
Supporting Services:			
Management & general	1,052,708	723,334	1,776,042
Fundraising	638,745	548,070	1,186,815
Underwriting	203,276	173,955	377,231
Interest expense	57,022	2,192	59,214
Depreciation	373,535	305,619	679,154
Total Supporting Services	2,325,286	1,753,170	4,078,456
Total Expenses	5,815,540	6,906,941	12,722,481
Net Change	<u>\$ (272,468)</u>	<u>\$ 716,196</u>	<u>\$ 443,728</u>



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

To WOSU Public Media
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") which comprise the statement of net position as of June 30, 2013 and the related statement of revenues, expenses, and changes in net position and of cash flows for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated January 28, 2014.

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 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Princeton Home Cooper LLP

Columbus, Ohio
January 28, 2014

This page intentionally left blank.



Dave Yost • Auditor of State

WOSU PUBLIC MEDIA

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 18, 2014**