

THE WOSU STATIONS

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

FINANCIAL REPORT
*With Additional Information
For The Years Ended June 30, 2004 and 2003*

PARMS & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS



**Auditor of State
Betty Montgomery**

Board of Directors
The WOSU Stations
2080 Blankenship Hall
901 Woody Hayes Drive
Columbus, Ohio 43210-4016

We have reviewed the Independent Auditor's Report of The WOSU Stations, Franklin County, prepared by Parns & Company, LLC, for the audit period July 1, 2003 through June 30, 2004. 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 Stations is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 18, 2005

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THE WOSU STATIONS

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

■ 585 South Front Street
Suite 220
Columbus, Ohio 43215■ Office (614) 224-3078
Fax (614) 224-4616**INDEPENDENT AUDITORS' REPORT**

The WOSU Stations
The Ohio State University

We have audited the accompanying statements of net assets of The WOSU Stations, which is a part of The Ohio State University, as of June 30, 2004 and 2003, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of WOSU's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note A, the financial statements of The WOSU Stations are intended to present the financial position and results of operations of only that portion of the financial reporting entity of The Ohio State University that is attributable to the transactions of The WOSU Stations.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The WOSU Stations at June 30, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2004, on our consideration of The WOSU Stations' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis presented on pages 3 through 7 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of The WOSU Stations taken as a whole. The Supplemental Schedule of Revenues and Expenses By Telecommunication Operations for the year ended June 30, 2004, is presented for purposes of additional analysis and is not a required part of the basic financial statements of The WOSU Stations. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements of The WOSU Stations taken as a whole.

Farms & Company, LLC

December 13, 2004

THE WOSU STATIONS

Management's Discussion and Analysis Fiscal Year Ending June 30, 2004

New Accounting Standards

In June 1999, the Governmental Accounting Standard's Board (GASB) released Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," which established a new reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities," which applies the new reporting standards to public colleges and universities. The Ohio State University (the University) elected to adopt these new standards in fiscal year 2002 and, as a part of the University; The WOSU Stations adopted the new standards as well.

The following discussion and analysis provides an overview of WOSU's financial activities. As required by the newly adopted accounting principles, the financial report consists of three basic statements that provide information on The WOSU Stations: the Statement of Financial Position; Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. Each statement will be discussed.

Financial Highlights

- Total cash decreased by 18% due to the purchase of equipment for digital television conversion. This equipment was purchased against Federal Grants which accounts for the 488% increase in Government grants receivable. These monies were still due at the end of the fiscal year.
- In FY 2004 the steadying of the market resulted in a 13% increase in investments.
- Deferred support and revenue decreased by 68% due to a grant received through PBS from the Digital Distribution Fund. The funds were received in fiscal year 2003 but were expended in FY 2004 for digital television conversion.
- The digital conversion accounts for most of the changes in our financial statements as well as timing of monies received and expended. Affecting the categories of receivables, payables and capital projects.

THE WOSU STATIONS

Management's Discussion and Analysis Fiscal Year Ending June 30, 2004

Statement of Financial Position

The Statement of Financial Position includes assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. Net assets – the difference between assets and liabilities – are one way of measuring an organization's financial health.

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Current assets			
Cash	\$ 9,153,627	\$ 11,208,793	\$ 11,464,474
Receivables	1,177,495	656,980	212,198
Total current assets	<u>10,331,122</u>	<u>11,865,773</u>	<u>11,676,672</u>
Non-current assets			
Endowment investments	5,137,864	4,528,392	4,645,013
Broadcast rights	998,230	920,776	841,411
Capital assets, net	3,205,406	1,876,202	1,091,767
Total assets	<u>19,672,622</u>	<u>19,191,143</u>	<u>18,254,863</u>
Current liabilities			
Accounts payable & accrued liabilities	\$ 480,804	\$ 146,180	\$ 138,064
Deferred revenue	130,890	413,369	71,254
Total current liabilities	<u>622,694</u>	<u>559,549</u>	<u>209,318</u>
Non-current liabilities	321,095	320,194	215,696
Total liabilities	<u>932,789</u>	<u>879,743</u>	<u>425,014</u>
Net assets			
Invested in capital assets	3,205,406	1,876,202	1,091,767
Restricted	6,239,886	6,540,016	7,446,521
Unrestricted	9,294,541	9,895,182	9,291,561
Total net assets	<u>\$ 18,739,833</u>	<u>\$ 18,311,400</u>	<u>\$ 17,829,849</u>

In fiscal year 2004, 47% of \$19,672,622 in total assets represents our cash balance. The WOSU policy is to raise funds in the current year and expend them in the following year. This process provides the capability of meeting expenses during the summer months when cash flow is at its lowest. In addition, our CPB grants are two-year grants thereby contributing to the sizeable cash balance carried in our account. Although our statements show a large cash balance the funds are earmarked for day-to-day operations and special projects.

Receivables include revenue received from program/production underwriting, station membership pledges, and various other earnings and grant income. Receivables increased by 79% due to a one time \$667,432 federal grant for the digital television conversion.

THE WOSU STATIONS

Management's Discussion and Analysis Fiscal Year Ending June 30, 2004

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the operating results of The WOSU Stations, as well as the non-operating revenues and expenses. Annual state appropriations are considered non-operating revenues according to accounting principles generally accepted in the United States of America.

	<u>2004</u>	<u>2003</u>	<u>2002</u>
OPERATING REVENUES			
Contributed services	\$ 2,299,438	\$ 1,967,309	\$ 2,258,043
Grants from the Corporation for Public Broadcasting	1,432,164	1,452,044	1,518,841
Member contributions	2,702,072	2,773,384	2,617,785
Fees and services	1,112,093	1,363,751	1,125,895
Proceeds from auction	134,799	245,018	253,914
Federal, state and local grants	1,090,101	1,291,095	1,216,107
Miscellaneous	163,969	75,055	297,619
Total Operating Revenues	<u>9,034,636</u>	<u>9,167,656</u>	<u>9,288,204</u>
OPERATING EXPENSES			
Total program services	9,056,105	8,234,021	8,043,209
Total supporting services	3,905,385	4,191,274	3,653,900
Total Operating Expenses	<u>12,961,490</u>	<u>12,425,295</u>	<u>11,697,109</u>
OPERATING LOSS	(3,926,854)	(3,257,639)	(2,408,905)
NON-OPERATING REVENUES (EXPENSES)			
Operating subsidies	1,119,545	1,427,759	1,394,024
Donated facilities and support – OSU	914,212	1,487,574	1,335,495
Investment income			
Interest and dividend income	466,233	551,970	546,657
Unrealized loss on investments	484,395	(274,684)	(1,009,106)
Capital grants and gifts	1,245,825	500,568	429,018
Additions to permanent endowments	125,077	46,003	132,784
Net Non-Operating Revenues	<u>4,355,287</u>	<u>3,739,190</u>	<u>2,828,872</u>
INCREASE IN NET ASSETS	428,433	481,551	419,967
NET ASSETS, BEGINNING OF YEAR	<u>18,311,400</u>	<u>17,829,849</u>	<u>17,409,882</u>
NET ASSETS, END OF YEAR	<u>\$ 18,739,833</u>	<u>\$ 18,311,400</u>	<u>\$ 17,829,849</u>

THE WOSU STATIONS

Management's Discussion and Analysis Fiscal Year Ending June 30, 2004

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

WOSU-TV's production of *Beyond the Gridiron: The Life and Times of Woody Hayes* created underwriting income of \$127,500 in FY2003. Funding for the broadcast of FY 2002 Ohio State Baseball and Ohio State Hockey were received and recorded in FY 2003. Due to these factors the category of Foundation and Non-Profits listed under Fees and Services declined by 65%.

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement also helps users assess The WOSU Stations' ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external funding.

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Cash Provided By (Used In):			
Operating activities	\$ (2,391,576)	\$ (1,432,765)	\$ (925,557)
Noncapital financing activities	1,244,622	1,473,762	1,526,808
Capital and related financing activities	(1,249,368)	(690,585)	344,125
Investing Activities	341,156	393,907	375,152
	<hr/>	<hr/>	<hr/>
Net Increase (decrease) in cash	(2,055,166)	(255,681)	1,320,528
Cash - Beginning of year	11,208,793	11,464,474	10,143,946
Cash - End of year	<u>\$ 9,153,627</u>	<u>\$ 11,208,793</u>	<u>\$ 11,464,474</u>

Member contributions, state and local grants, tower rental, television productions, and university support comprise cash receipts for operating activities. The cash used from operations in fiscal year 2004 exceeded the receipts for the year. Over the past few years WOSU has actively secured state and federal grants to support the conversion to digital television. The cash to support this project has been held in reserve until FY 2003 and FY 2004 when the station began procurement of the required equipment. This accounts for the deficit in cash flow from Capital Financing Activity.

THE WOSU STATIONS

Management's Discussion and Analysis Fiscal Year Ending June 30, 2004

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

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

WOSU has initiated a \$7 million capital campaign to secure private funding to rebuild the aged television and radio infrastructure including production, post-production, studio and other areas. The coming fiscal year will include construction of new radio studios and the inception of a construction plan in partnership with a local science museum, COSI, to build a production center in downtown Columbus. The WOSU/COSI agreement will include an annual licensing fee to be paid to COSI for use of space.

The ability of The WOSU Stations to meet the challenges of the future are subject to many influences outside of its control, such as state, university and federal funding, and the economy. With over half of our income funds generated by individuals and businesses in central and southern Ohio, station stability is greatly affected by the marketplace.

WOSU STATIONS
A Public Telecommunications Entity Operated By The Ohio State University
STATEMENTS OF NET ASSETS
As of June 30, 2004 and 2003

ASSETS	<u>2004</u>	<u>2003</u>
Current Assets:		
Cash	\$ 9,153,627	\$ 11,208,793
Receivables:		
Accounts receivable	63,684	75,214
Government grants	835,432	142,201
Underwriting	78,130	50,655
Due from University	-	51,000
Pledges	<u>200,249</u>	<u>337,910</u>
Total receivables	1,177,495	656,980
Total current assets	10,331,122	11,865,773
Investments (Note 2)	5,137,864	4,528,392
Broadcast rights	998,230	920,776
Property and equipment (Note 3)	<u>3,205,406</u>	<u>1,876,202</u>
Total assets	<u>19,672,622</u>	<u>19,191,143</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	456,807	126,155
Deferred support and revenue	130,890	413,369
Other accrued liabilities	<u>23,997</u>	<u>20,025</u>
Total current liabilities	<u>611,694</u>	<u>559,549</u>
Long-term Liabilities		
Accrued compensated absence (Note 6)	<u>321,095</u>	<u>320,194</u>
Total liabilities	<u>932,789</u>	<u>879,743</u>
NET ASSETS		
Invested in Capital Assets	3,205,406	1,876,202
Unrestricted	9,294,541	9,895,182
Restricted For:		
Nonexpendable		
Endowment	5,137,864	4,528,392
Expendable		
Capital Projects	<u>1,102,022</u>	<u>2,011,624</u>
Total Net Assets	<u>\$ 18,739,833</u>	<u>\$ 18,311,400</u>

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

THE WOSU STATIONS
A Public Telecommunications Entity Operated By The Ohio State University
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2004 and 2003

OPERATING REVENUES	<u>2004</u>	<u>2003</u>
Contributed services	\$ 2,299,438	\$ 1,967,309
Grants from the Corporation for Public Broadcasting	1,432,164	1,452,044
Member contributions	2,702,072	2,773,384
Fees and Services:		
Public broadcasting service	35,906	34,289
Business & industry	952,993	714,035
Foundations/non-profit organizations	195,210	562,691
Federal government agencies	27,984	52,736
Proceeds from auction	134,799	245,018
Federal grants	51,965	61,440
State and local grants	1,038,136	1,229,655
Royalties	45,537	2,683
Miscellaneous	118,432	72,372
Total operating revenues	<u>9,034,636</u>	<u>9,167,656</u>
OPERATING EXPENSES		
Program services:		
Programming and production	4,623,475	4,778,081
Broadcasting	3,694,149	2,697,628
Program information	738,481	758,312
Total program services	<u>9,056,105</u>	<u>8,234,021</u>
Supporting services:		
Management & general	2,280,685	2,476,266
Depreciation	587,397	296,516
Underwriting	196,584	120,119
Fundraising	840,719	1,298,373
Total supporting services	<u>3,905,385</u>	<u>4,191,274</u>
Total operating expenses	<u>12,961,490</u>	<u>12,425,295</u>
Operating loss	(3,926,854)	(3,257,639)
NON-OPERATING REVENUES (EXPENSES)		
Operating subsidies (Note 8)	1,119,545	1,427,759
Donated facilities and support - OSU (Note 8)	914,212	1,487,574
Investment Income:		
Interest and dividend income	466,233	551,970
Unrealized gain (loss) on investments	484,395	(274,684)
Capital grants and gifts	1,245,825	500,568
Additions to permanent endowments	125,077	46,003
Net non-operating revenues	<u>4,355,287</u>	<u>3,739,190</u>
Change in Net Assets	428,433	481,551
Net Assets, Beginning of year (Restated - Note 10)	<u>18,311,400</u>	<u>17,829,849</u>
Net Assets, End of year	<u>\$ 18,739,833</u>	<u>\$ 18,311,400</u>

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

WOSU STATIONS
A Public Telecommunications Entity Operated By The Ohio State University
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants from the Corporation for Public Broadcasting	\$ 1,432,164	\$ 1,452,044
Member contributions	2,652,551	2,783,746
Fees and services	1,246,949	1,411,923
Proceeds from auction	134,799	245,018
Federal, state and local grants	1,090,101	1,291,095
Royalties	45,537	2,683
Other revenues	118,432	72,372
Payments to employees	(4,454,394)	(4,491,674)
Payments to suppliers	<u>(4,657,715)</u>	<u>(4,199,972)</u>
Net cash used by operating activities	(2,391,576)	(1,432,765)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Private endowment contributions	125,077	46,003
University subsidies	<u>1,119,545</u>	<u>1,427,759</u>
Net cash provided by noncapital financing activities	1,244,622	1,473,762
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital grants and gifts received	220,594	390,367
Purchase of capital assets	<u>(1,469,962)</u>	<u>(1,080,952)</u>
Net cash used by capital financing activities	(1,249,368)	(690,585)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment purchases	(125,077)	(158,063)
Interest and dividends received	<u>466,233</u>	<u>551,970</u>
Net cash provided by investing activities	<u>341,156</u>	<u>393,907</u>
Net change in cash	(2,055,166)	(255,681)
Cash at beginning of year	<u>11,208,793</u>	<u>11,464,474</u>
Cash at end of year	<u>\$ 9,153,627</u>	<u>\$ 11,208,793</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (3,926,854)	\$ (3,257,639)
Adjustments to reconcile excess additions over deductions to net cash provided by operating activities:		
Donated facilities and support	914,212	1,487,574
Depreciation expense	587,397	296,516
(Increase) in unamortized broadcast rights	(77,454)	(79,365)
Decrease (Increase) in receivables	35,056	(2,580)
Increase in accounts payable and accrued liabilities	21,477	9,114
Increase in deferred membership support	49,521	10,115
Increase in compensated absences and other accrued liabilities	<u>5,069</u>	<u>103,500</u>
Net adjustments	<u>1,535,278</u>	<u>1,824,874</u>
Net cash used by operating activities	<u>\$ (2,391,576)</u>	<u>\$ (1,432,765)</u>

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

THE WOSU STATIONS

A Public Telecommunications Entity Operated By The Ohio State University

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2004 and 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Entity

The accompanying financial statements of The WOSU Stations include the accounts and results of operations of the following non-commercial public television and radio stations:

- WOSU-TV, Columbus, Ohio (rebroadcast in Newark and Mansfield)
- WPBO-TV, Portsmouth, Ohio
- WOSU-AM Radio, Columbus, Ohio
- WOSU-FM Radio, Columbus, Ohio
- WOSV-FM Radio, Mansfield, Ohio
- WOSE-FM Radio, Coshocton, Ohio
- WOSB-FM Radio, Marion, Ohio
- WOSP-FM Radio, Portsmouth, Ohio

The WOSU Stations is a part of The Ohio State University (the University) financial reporting entity. The financial statements of the University contain more extensive disclosure of the significant accounting policies of the University as a whole.

Basis of Presentation

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

Basis of Accounting

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

Cash

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

THE WOSU STATIONS

A Public Telecommunications Entity Operated By The Ohio State University

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2004 and 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Endowment Investments

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

Broadcast Rights

Broadcast rights purchased by WOSU are amortized using the straight-line method over three years and are net of accumulated amortization of \$978,365 and \$883,052 as of June 30, 2004 and 2003, respectively.

Capital Assets

Capital assets with a unit cost of over \$3,000 are recorded at cost at date of acquisition, or, if donated, at fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. Expenditures for construction in progress are capitalized as incurred. Routine maintenance and repairs are charged to expenses as incurred.

Revenue Recognition

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

Unrestricted Member Contributions are recorded as support when pledged. Grant funds are recorded as revenues when the grant's contractual requirements have been met. The principal restricted resources of WOSU are contributions and grants to finance specific programming produced by WOSU. These revenues are deferred until WOSU broadcasts the specific program. At such time, the amounts are included as revenues.

In-Kind Contributions

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

Reclassifications

Certain reclassifications have been made to the 2003 financial statements presentation to conform with the 2004 financial statements presentation.

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

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2004 and 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Facilities and Administrative Support from The Ohio State University

Donated facilities from The University consist of office and studio space together with related occupancy costs and are recorded in revenue and expense based upon the University's "modified other sponsored activities indirect cost rate" as defined by the Corporation for Public Broadcasting (CPB). Administrative support from The University consists of allocated financial, student and development department costs and certain other expenses incurred by the University on behalf of WOSU. All support received from the University is recorded as non-operating revenues.

Management Estimates

The preparation of financial statements in conformity with accounting principles, generally accepted in the United States of America, requires the use of management estimates, primarily related to collectibility of receivables and compensated absences. Actual results could differ from those estimates.

Net Assets

GASB Statement No. 34 reports equity as "Net Assets" rather than "fund balance." Net assets are classified according to external donor restrictions or availability of assets for satisfaction of College obligations. Nonexpendable restricted net assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net assets represent funds that have been gifted for specific purposes.

NOTE 2: CASH AND INVESTMENTS

The cash balance as of June 30, 2004 and 2003, are pooled funds which are held and managed by the Treasurer's Office of The University. Such funds were covered by collateral held by third party trustees in collateral pools securing all public funds on deposit with the financial institution (Category 3). Endowment investments represents WOSU's share of pooled investment funds. The following summarizes pooled shares and related values as of June 30, 2004 and 2003:

<u>Fund account</u>	<u>No. of Shares</u>	<u>Cost</u>	<u>Market Value</u>
2004: Friends of WOSU	399.0093	\$1,379,196	\$2,526,529
Prine Classical Music	1.3276	5,300	8,406
Taylor Memorial	3.4136	27,460	21,615
Elam Family	11.2237	69,300	71,069
The WOSU Stations	396.4375	<u>2,482,274</u>	<u>2,510,245</u>
Totals		<u>\$3,963,530</u>	<u>\$5,137,864</u>
2003: Friends of WOSU	399.0093	\$1,379,196	\$2,281,327
Prine Classical Music	1.3276	5,300	7,591
The WOSU Stations	391.6891	<u>2,453,958</u>	<u>2,239,474</u>
Totals		<u>\$3,838,454</u>	<u>\$4,528,392</u>

THE WOSU STATIONS

A Public Telecommunications Entity Operated By The Ohio State University

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2004 and 2003

NOTE 2: CASH AND INVESTMENTS (continued)

Statement No. 3 of the Governmental Accounting Standards Board requires entities to categorize investments to give an indication of the level of risk assumed by the University at year end:

Category 1 - Investments that are insured or registered for which securities are held by the University or its agent in the name of the University.

Category 2 - Uninsured and unregistered investments for which securities are held by the broker's or dealer's trust department or agent in the name of the University.

Category 3 - Uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the University's name.

Endowment investments, handled by the University Treasurer's office, are held by an agent in the name of the University and meet the criteria of Category 1.

NOTE 3: CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2004 and 2003, were as follows:

<u>June 30, 2004:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Buildings	\$ 441,450	-	(34,661)	\$ 406,789
Equipment	<u>7,365,067</u>	<u>1,953,137</u>	<u>(86,444)</u>	<u>9,231,760</u>
Total cost of capital assets	7,806,517	<u>1,953,137</u>	<u>(121,105)</u>	9,638,549
Less accumulated depreciation	<u>5,930,315</u>	<u>587,397</u>	<u>(84,569)</u>	<u>6,433,143</u>
Net capital assets	<u>\$1,876,202</u>			<u>\$3,205,406</u>
 <u>June 30, 2003:</u>				
Buildings	\$ -	441,450	-	\$ 441,450
Equipment	<u>6,754,864</u>	<u>639,502</u>	<u>(29,298)</u>	<u>7,365,067</u>
Total cost of capital assets	6,754,864	<u>1,080,952</u>	<u>(29,298)</u>	7,806,517
Less accumulated depreciation	<u>5,663,097</u>	<u>296,516</u>	<u>(29,298)</u>	<u>5,930,315</u>
Net capital assets	<u>\$1,091,767</u>			<u>\$1,876,202</u>

The following estimated useful lives are used to compute depreciation:

Equipment

5 - 15 years

THE WOSU STATIONS

A Public Telecommunications Entity Operated By The Ohio State University

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2004 and 2003

NOTE 4: RETIREMENT PLAN

Public Employees Retirement System (OPERS)

All employees covered under WOSU are employees of The University. Substantially all employees are covered by the Ohio Public Employees Retirement System (OPERS). This retirement program is a 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. Authority to establish and amend benefits is provided by state statute. OPERS issues separate, publicly-available financial reports that include financial statements and required supplementary information. That report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or calling (614) 222-6705 or (800) 222-7377.

The Revised Code of Ohio (ORC) provides OPERS statutory authority for employee and employer contributions. The required contribution rates for plan members and employers during fiscal year 2004 were 8.5% and 13.31% of covered payroll, respectively. Contributions made by the University on behalf of the staff of The WOSU Station, for the fiscal years ended June 30, 2004, 2003, and 2002, were \$484,852, \$440,899, and \$427,029, respectively.

State Teachers Retirement System (STRS)

WOSU also has staff covered under the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, Ohio 43215-3371 or calling (614) 227-4090 or (888) 227-7877.

Effective July 1, 2001, two new plan options were offered to selected members. New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

THE WOSU STATIONS

A Public Telecommunications Entity Operated By The Ohio State University

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2004 and 2003

NOTE 4: RETIREMENT PLAN (continued)

State Teachers Retirement System (STRS) (continued)

Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Effective July 1, 2003, the member contribution rate was increased to the statutory maximum of 10%. WOSU was required to contribute 14%. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. WOSU's required contributions for pension obligations for the fiscal years ended June 30, 2004, 2003, and 2002 were \$5,790, \$17,371, and 24,029, respectively.

NOTE 5: OTHER POSTEMPLOYMENT BENEFITS

Public Employees Retirement System (OPERS)

OPERS provides postretirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an other postemployment benefit (OPEB) as described in GASB Statement No. 12. "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers." A portion of each employer's contribution to OPERS is set aside for funding of post retirement health care. The ORC provides statutory authority for employer contributions. The 2004 employer contribution rate for state employers was 13.31% of covered payroll; 5.0% was the portion that was used to fund health care for the year. The ORC provides statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS

THE WOSU STATIONS

A Public Telecommunications Entity Operated By The Ohio State University

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2004 and 2003

NOTE 5: OTHER POSTEMPLOYMENT BENEFITS (continued)

State Teachers Retirement System (STRS)

STRS Ohio provides access to health care benefits for retirees who participate in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Ohio Revised Code, STRS Ohio has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of monthly premiums. Ohio Revised Code grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 2003, the board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$2.8 billion on June 30, 2003. For the year ended June 30, 2003, net health care costs paid by STRS Ohio were \$352,301,000. There were 108,294 eligible benefit recipients.

NOTE 6: COMPENSATED ABSENCES

The WOSU Station employees earn vacation and sick leave on a monthly basis. Classified civil service employees may accrue vacation benefits up to a maximum of three years credit. Administrative and professional staff and faculty may accrue vacation benefits up to a maximum of 240 hours. For all classes of employees, any earned but unused vacation benefit is payable upon termination.

Sick leave may be accrued without limit. However, earned but unused sick leave benefits are payable only upon retirement from the University with ten or more years of state service. The amount of sick leave benefit payable at retirement is one fourth of the accrued but unused sick leave up to a maximum of 240 hours.

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2004 and 2003

NOTE 6: COMPENSATED ABSENCES (continued)

As of June 30, 2004 and 2003, accrued vacation and sick leave liability was \$321,095 and \$320,194, respectively.

NOTE 7: CORPORATION FOR PUBLIC BROADCASTING GRANT AWARDS

The WOSU Stations received grant funds from the Corporation for Public Broadcasting (CPB) to assist in the operations of the stations. During 2004 and 2003, the following summarizes grant funds earned during the fiscal year:

<u>CPB Grant</u>	<u>WOSU-AM</u>	<u>WOSU-FM</u>	<u>WOSU-TV</u>	<u>TOTAL</u>
<u>Fiscal Year 2004</u>				
Community Service	\$ 166,243	166,243	1,076,053	\$ 1,408,539
Interconnection Grant	<u>-</u>	<u>-</u>	<u>23,625</u>	<u>23,625</u>
Total 2004	\$ <u>166,243</u>	<u>166,243</u>	<u>1,099,678</u>	\$ <u>1,432,164</u>
<u>Fiscal Year 2003</u>				
Community Service	\$ 173,230	173,231	1,081,047	\$ 1,427,508
Interconnection Grant	<u>-</u>	<u>-</u>	<u>24,536</u>	<u>24,536</u>
Total 2003	\$ <u>173,230</u>	<u>173,231</u>	<u>1,105,583</u>	\$ <u>1,452,044</u>

NOTE 8: UNIVERSITY SUPPORT

The operations of The WOSU Stations are supported in part by the general revenues of the University. The University provides for the general operating costs of WOSU operations. The University's direct support amounted to \$1,119,545 and \$1,427,759, for the years ended June 30, 2004 and 2003, respectively. In addition, the University provided \$914,212 and \$1,487,574 in indirect administrative support during fiscal years 2004 and 2003, respectively.

THE WOSU STATIONS

A Public Telecommunications Entity Operated By The Ohio State University

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2004 and 2003

NOTE 9: INCOME BENEFICIARY

The WOSU Stations is an income beneficiary of certain funds administered and maintained by The University. The WOSU Stations receives income generated from the Donald R. Glancy Endowed Fund in excess of \$7,000 per year to support television and radio programming needs. The WOSU Stations received \$38,571 and \$38,473 from this fund during fiscal years 2004 and 2003, respectively. In addition, The WOSU Stations receives ten percent of the income generated from the John McKitrick Family Fund. During fiscal years 2004 and 2003, The WOSU Stations received \$151 and \$151 from this fund, respectively. All income received by The WOSU Stations as an income beneficiary have been included in the statement of revenues, expenses and changes in net assets for the years ended June 30, 2004 and 2003.

The following summarizes the value of these funds as of June 30, 2004 and 2003:

<u>Fund Name</u>	<u>2004</u>	<u>2003</u>
	<u>Market</u>	<u>Market</u>
	<u>Value</u>	<u>Value</u>
Donald R. Glancy Endowed Fund	\$653,164	\$586,641
John McKitrick Family Fund	<u>2,542</u>	<u>2,295</u>
Total Income Beneficiary Funds	<u>\$655,706</u>	<u>\$588,936</u>

NOTE 10: PRIOR PERIOD ADJUSTMENT

The financial statements have been restated to account for an error in accounting for the net effect of implementing GASB Statement No. 34 and 35, the error affected the determination of accumulated depreciation on fixed assets capitalized. The following adjustment has been made to the net assets and capitalized property and equipment of The WOSU Stations as of July 1, 2002:

Total Net Assets:

As reported July 1, 2002	\$ 18,759,751
Adjustment for accumulated depreciation	<u>(929,902)</u>
As restated - July 1, 2002	\$ <u>17,829,849</u>

THE WOSU STATIONS
A Public Telecommunications Entity Operated By The Ohio State University
Supplemental Schedule of Revenues and Expenses By Telecommunication Operations
For The Year Ended June 30, 2004

<u>REVENUES AND OTHER SUPPORT</u>	Radio			<u>Television</u>	<u>Totals</u>
	<u>AM</u>	<u>FM</u>	<u>Total</u>		
The Ohio State University Direct Support	\$ 223,418	223,406	446,824	672,721	\$ 1,119,545
Contributed Services	107,757	149,540	257,297	2,042,141	2,299,438
Donated Facilities and Support - OSU	193,053	140,955	334,008	580,204	914,212
Grants from the CPB	166,243	166,243	332,486	1,099,678	1,432,164
Member Contributions	551,968	537,519	1,089,487	1,612,584	2,702,071
Fees and Services:					
PBS	1,425	80	1,505	34,401	35,906
B&I	233,236	205,471	438,707	514,286	952,993
Foundations/NPO's	29,474	93,991	123,465	71,745	195,210
Federal Govt.	747	10,828	11,575	16,410	27,985
Proceeds from Auction	-	-	-	134,799	134,799
Federal Grants	30,646	21,319	51,965	-	51,965
State and Local Grants	42,290	107,915	150,205	887,932	1,038,137
Investment Income:					
Interest and dividend income	90,119	90,119	180,238	285,995	466,233
Unrealized gains(loss) on investments	96,879	96,879	193,758	290,637	484,395
Endowment Contributions	25,015	25,015	50,030	75,046	125,076
Capital Grants and Gifts	-	-	-	1,245,825	1,245,825
Royalties	-	3,246	3,246	42,291	45,537
Other	18,369	15,918	34,287	84,145	118,432
Total Support, Revenue, and Other Additions	1,810,639	1,888,444	3,699,083	9,690,840	13,389,923
 <u>EXPENSES</u>					
Program Services:					
Programming and Production	957,466	478,095	1,435,561	3,187,914	4,623,475
Broadcasting	430,635	401,900	832,535	2,861,615	3,694,150
Program Information	140,891	137,766	278,657	459,824	738,481
Total Program Services	1,528,992	1,017,761	2,546,753	6,509,353	9,056,106
Supporting Services:					
Management & General	504,391	486,941	991,332	1,289,352	2,280,684
Fundraising	172,412	169,816	342,228	498,491	840,719
Underwriting	29,412	28,367	57,779	138,805	196,584
Depreciation	117,479	117,479	234,958	352,439	587,397
Total Supporting Services	823,694	802,603	1,626,297	2,279,087	3,905,384
Total Expenses	2,352,686	1,820,364	4,173,050	8,788,440	12,961,490
Excess (Deficit) of Revenues and Other Support Over Expenses	\$ (542,047)	68,080	(473,967)	902,400	\$ 428,433

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The WOSU Stations
The Ohio State University

We have audited the financial statements of The WOSU Stations (a part of The Ohio State University) as of and for the year ended June 30, 2004, and have issued our report thereon dated December 13, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

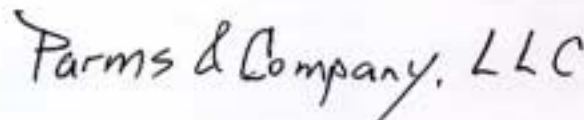
Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The WOSU Stations' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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



December 13, 2004



**Auditor of State
Betty Montgomery**

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**THE WOSU STATIONS
FRANKLIN COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 10, 2005**