**WOSU PUBLIC MEDIA**

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

***FINANCIAL REPORT***
***With Additional Information***
***For The Years Ended June 30, 2007 and 2006***

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

Mary Taylor, CPA
Auditor of State

Board of Trustees
WOSU Public Media
2040 Blankenship Hall
901 Woody Hayes Drive
Columbus, Ohio 43210-4016

We have reviewed the *Independent Auditors' Report* of the WOSU Public Media, Franklin County, prepared by Parms & Company, LLC, for the audit period July 1, 2006 through June 30, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 15, 2008

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# WOSU Public Media

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CERTIFIED PUBLIC ACCOUNTANTS

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# INDEPENDENT AUDITORS' REPORT

WOSU Public Media
The Ohio State University

We have audited the accompanying statements of net assets of WOSU Public Media (WOSU), which is a part of The Ohio State University, as of June 30, 2007 and 2006, 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 1, the financial statements of WOSU Public Media 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 WOSU Public Media.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WOSU Public Media at June 30, 2007 and 2006, 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 20, 2007, on our consideration of WOSU Public Media' 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 WOSU Public Media taken as a whole. The Supplemental Schedule of Revenues and Expenses By Telecommunication Operations for the year ended June 30, 2007, is presented for purposes of additional analysis and is not a required part of the basic financial statements of WOSU Public Media. 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 WOSU Public Media taken as a whole.

Parms & Company, LLC

December 20, 2007

# WOSU Public Media

## Management's Discussion and Analysis
## Fiscal Year Ending June 30, 2007

### 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; WOSU Public Media 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 WOSU Public Media: 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 23% which were mainly due to the payments made on the monies advanced by the University for the building of the Radio Studios and the Digital Media Center at WOSU@COSI and the capitalization of those assets.

- Total receivables increased by 147% due to the pledges received during our Capital Campaign for the new Digital Media Center WOSU partnered to build at COSI – Center of Science and Industry and the increase in grant monies due.

- Total liabilities increased by 171% due to the expense of the new Digital Media Center WOSU partnered to build at COSI – Center of Science and Industry and the line of credit provided by The Ohio State University to the stations for construction and renovation costs.

- The new Digital Media Center, WOSU@COSI, construction accounts for most of the changes in our financial statements as well as timing of monies received and expended. Affecting the categories of pledges receivable, accounts payable, and property and equipment. This project is completed and should not have a major impact on our financials in the future.

# WOSU Public Media

## Management's Discussion and Analysis
## Fiscal Year Ending June 30, 2007

### Statements 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.

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| Current assets | | | |
| Cash | $ 6,357,543 | $ 8,216,263 | $ 10,881,295 |
| Receivables | 1,375,733 | 932,179 | 345,261 |
| Total current assets | 7,733,276 | 9,148,442 | 11,226,556 |
| | | | |
| Non-current assets | | | |
| Endowment investments | 6,459,540 | 5,654,581 | 5,267,849 |
| Pledges receivable – noncurrent | 807,141 | 1,021,576 | - |
| Broadcast rights | 941,113 | 993,029 | 1,068,261 |
| Property and equipment | 10,641,498 | 7,299,647 | 5,121,428 |
| Total assets | 26,582,568 | 24,117,275 | 22,684,094 |
| | | | |
| Current liabilities | | | |
| Accounts payable | $ 262,324 | $ 1,129,904 | $ 729,036 |
| Accrued compensated absence | 37,739 | 31,774 | - |
| Deferred support and revenue | 54,730 | 258,095 | 484,502 |
| Current portion – debt obligation Univ. | 986,895 | - | - |
| Total current liabilities | 1,341,688 | 1,419,773 | 2,304,447 |
| Long-term Liabilities | | | |
| Long-term portion – debt oblig. Univ. | 4,934,454 | 2,084,524 | - |
| Accrued compens. Absence – noncurr. | 398,816 | 398,816 | 295,757 |
| Total liabilities | 6,674,958 | 3,903,113 | 2,600,204 |
| | | | |
| Net assets | | | |
| Invested in capital assets | 4,720,149 | 5,215,123 | 4,633,563 |
| Restricted | 10,374,236 | 9,823,981 | 8,555,196 |
| Unrestricted | 4,813,225 | 5,175,058 | 6,895,131 |
| Total net assets | $ 19,907,610 | $ 20,214,162 | $ 20,083,890 |

In fiscal year 2007, 24% of $26,582,568 in total assets represents our cash balance. The WOSU policy is to raise funds in the current year to be expended in the following year. This process provides the capability of meeting expenses during the summer months when cash flow is at its lowest. Receivables include revenue received from program/production underwriting, station membership pledges, donations received for our capital campaign, WOSU @ COSI and various other earnings and grant income. Receivables increased by 147% due to the donations pledged over several years to the construction/renovation of the Digital Multi Media Center we built in partnership with COSI.

# WOSU Public Media

## Management's Discussion and Analysis
## Fiscal Year Ending June 30, 2007

### Statements of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the operating results of WOSU Public Media, 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.

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| **OPERATING REVENUES** | | | |
| Contributed services | $ 1,512,807 | $ 2,051,721 | $ 1,831,266 |
| Grants from the Corporation for Public Broadcasting | 1,745,293 | 2,061,031 | 1,609,522 |
| Member contributions | 2,626,784 | 2,694,629 | 2,775,003 |
| Fees and services | 1,628,756 | 1,242,168 | 1,419,329 |
| Fundraising | 118,479 | 179,882 | 235,414 |
| Federal, state and local grants | 1,786,519 | 1,678,047 | 1,318,908 |
| Miscellaneous | 38,532 | 57,442 | 14,243 |
| Total Operating Revenues | 9,457,170 | 9,964,920 | 9,203,685 |
| **OPERATING EXPENSES** | | | |
| Total program services | 9,165,794 | 9,490,345 | 8,853,126 |
| Total supporting services | 5,246,683 | 5,486,429 | 4,160,704 |
| Total Operating Expenses | 14,412,477 | 14,976,774 | 13,013,830 |
| **OPERATING LOSS** | (4,955,307) | (5,011,854) | (3,810,145) |
| **NON-OPERATING REVENUES (EXPENSES)** | | | |
| Operating subsidies | 1,468,048 | 1,307,474 | 2,073,268 |
| Donated facilities and support – OSU | 1,250,853 | 1,253,977 | 1,085,573 |
| Investment income | | | |
| Interest and dividend income | 536,030 | 505,230 | 490,062 |
| Unrealized gain (loss) on investments | 714,930 | 281,085 | 30,316 |
| Interest Expense | (164,110) | (51,722) | - |
| Capital grants and gifts | 538,564 | 1,740,435 | 268,305 |
| Additions to permanent endowments | 304,440 | 105,647 | 99,669 |
| Net Non-Operating Revenues | 4,648,755 | 5,142,126 | 4,047,193 |
| **CHANGE IN NET ASSETS** | (306,552) | 130,272 | 237,048 |
| **NET ASSETS, BEGINNING OF YEAR** | 20,214,162 | 20,083,890 | 19,846,842 |
| **NET ASSETS, END OF YEAR** | $ 19,907,610 | $ 20,214,162 | $ 20,083,890 |

## Management's Discussion and Analysis
## Fiscal Year Ending June 30, 2007

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

Grants from the Corporation for Public Broadcasting decreased by 15% due to monies due and received for digital television conversion last year. Capital grants and gifts decreased by 70% due to the end of our capital campaign for construction/renovation of the Digital Multi Media Center we built in partnership with COSI.

**Statements 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 Public Media's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external funding.

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| Cash Provided By (Used In): | | | |
| Operating activities | $ (3,879,869) | $(3,145,169) | $(1,450,536) |
| Noncapital financing activities | 1,772,488 | 1,413,093 | 2,172,937 |
| Capital and related financing activities | (197,341) | (1,280,817) | 614,874 |
| Investing Activities | 446,002 | 347,861 | 390,393 |
| Net Increase (decrease) in cash | (1,858,720) | (2,665,032) | 1,727,668 |
| Cash – Beginning of year | 8,216,263 | 10,881,295 | 9,153,627 |
| Cash – End of year | $ 6,357,543 | $ 8,216,263 | $ 10,881,295 |

Member contributions, state and local grants, tower rental, television productions, and university support comprise cash receipts for operating activities. Over the past few years WOSU has actively secured state and federal grants to support the conversion to digital television and the building of new radio studios. This project has been a drain on the cash balances in the past two years; however, we are nearing the end of that project.

# WOSU Public Media

## Management's Discussion and Analysis
## Fiscal Year Ending June 30, 2007

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

WOSU Public Media began broadcasting a digital signal along with the legacy analog television signal in 2004. 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 until February 2009 include higher utility bills, equipment, operations, programming and staffing challenges.

In the past year, WOSU was successful in reaching its $5.6 million capital campaign goal to secure private funding to support the construction and phase one equipment costs of the new digital production center in downtown Columbus. The project is also ahead of schedule in its goal to leverage its production and space rental assets to compensate for the annual rental payment to COSI.

WOSU is opening new radio studios in FY2008 at Fawcett Center and continues to seek private and public support to defray expenses related to this long term building project. Focus in the coming years will be on seeking capital support for the radio studios, specific project based major giving and planned giving to support the WOSU endowment, along with building our membership and corporate underwriting base of support.

The ability of WOSU Public Media 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 PUBLIC MEDIA**
***A Public Telecommunications Entity Operated By The Ohio State University***
**STATEMENTS OF NET ASSETS**
**As of June 30, 2007 and 2006**

| | 2007 | 2006 |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash | $ 6,357,543 | $ 8,216,263 |
| Receivables: | | |
| Accounts receivable | 62,416 | 20,997 |
| Government grants | 570,566 | 425,214 |
| Underwriting | 63,429 | 73,595 |
| Pledges | 679,322 | 412,373 |
| Total receivables | 1,375,733 | 932,179 |
| Total current assets | 7,733,276 | 9,148,442 |
| Investments (Note 2) | 6,459,540 | 5,654,581 |
| Pledges receivable - noncurrent | 807,141 | 1,021,576 |
| Broadcast rights | 941,113 | 993,029 |
| Property and equipment (Note 4) | 10,641,498 | 7,299,647 |
| **Total assets** | **26,582,568** | **24,117,275** |
| **LIABILITIES** | | |
| Current Liabilities: | | |
| Accounts payable | 262,324 | 1,129,904 |
| Accrued compensated absence - current (Note 6) | 37,739 | 31,774 |
| Deferred support and revenue | 54,730 | 258,095 |
| Current portion - debt obligation due University (Note 11) | 986,895 | - |
| **Total current liabilities** | **1,341,688** | **1,419,773** |
| Long-term Liabilities | | |
| Long-term portion - debt obligation due University (Note 11) | 4,934,454 | 2,084,524 |
| Accrued compensated absence - noncurrent (Note 6) | 398,816 | 398,816 |
| **Total liabilities** | **6,674,958** | **3,903,113** |
| **NET ASSETS** | | |
| Invested in Capital Assets | 4,720,149 | 5,215,123 |
| Unrestricted | 4,813,225 | 5,175,058 |
| Restricted For: | | |
| Nonexpendable | | |
| Endowment | 6,673,951 | 5,654,581 |
| Expendable | | |
| Capital Projects | 2,536,463 | 3,465,894 |
| Other | 1,163,822 | 703,506 |
| **Total Net Assets** | **$ 19,907,610** | **$ 20,214,162** |

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 ASSETS**
**For the Years Ended June 30, 2007 and 2006**

| | 2007 | 2006 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Contributed services | $ 1,512,807 | $ 2,051,721 |
| Grants from the Corporation for Public Broadcasting | 1,745,293 | 2,061,031 |
| Member contributions | 2,626,784 | 2,694,629 |
| Fees and Services: | | |
| Public broadcasting service | 23,101 | 7,100 |
| Business & industry | 1,346,737 | 853,883 |
| Foundations/non-profit organizations | 231,126 | 349,127 |
| Federal government agencies | 27,792 | 32,058 |
| Fundraising | 118,479 | 179,882 |
| Federal grants | 443,154 | 366,064 |
| State and local grants | 1,343,365 | 1,311,983 |
| Royalties | 27,629 | 50,784 |
| Miscellaneous | 10,903 | 6,658 |
| Total operating revenues | 9,457,170 | 9,964,920 |
| **OPERATING EXPENSES** | | |
| Program services: | | |
| Programming and production | 4,372,205 | 4,879,912 |
| Broadcasting | 3,926,768 | 3,659,329 |
| Program information | 866,821 | 951,104 |
| Total program services | 9,165,794 | 9,490,345 |
| Supporting services: | | |
| Management & general | 2,592,697 | 3,230,286 |
| Depreciation | 1,066,768 | 898,086 |
| Underwriting | 168,476 | 223,018 |
| Fundraising | 1,418,742 | 1,135,039 |
| Total supporting services | 5,246,683 | 5,486,429 |
| Total operating expenses | 14,412,477 | 14,976,774 |
| Operating loss | (4,955,307) | (5,011,854) |
| **NON-OPERATING REVENUES (EXPENSES)** | | |
| Operating subsidies (Note 9) | 1,468,048 | 1,307,474 |
| Donated facilities and support - OSU (Note 9) | 1,250,853 | 1,253,977 |
| Investment Income: | | |
| Interest and dividend income | 536,030 | 505,230 |
| Unrealized gain on investments | 714,930 | 281,085 |
| Interest Expense | (164,110) | (51,722) |
| Capital grants and gifts | 538,564 | 1,740,435 |
| Additions to permanent endowments | 304,440 | 105,647 |
| Net non-operating revenues | 4,648,755 | 5,142,126 |
| **Change in Net Assets** | **(306,552)** | **130,272** |
| **Net Assets, Beginning of year** | **20,214,162** | **20,083,890** |
| **Net Assets, End of year** | **$ 19,907,610** | **$ 20,214,162** |

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

# WOSU PUBLIC MEDIA

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

**STATEMENTS OF CASH FLOWS**

**For the Years Ended June 30, 2007 and 2006**

| | 2007 | 2006 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Grants from the Corporation for Public Broadcasting | $ 1,541,109 | $ 1,829,079 |
| Member contributions | 2,626,784 | 2,920,515 |
| Fees and services | 1,555,029 | 1,133,282 |
| Proceeds from fundraising | 20,388 | 179,882 |
| Federal, state and local grants | 1,375,913 | 1,665,684 |
| Royalties | 27,629 | 50,784 |
| Other revenues | 10,903 | 6,686 |
| Payments to employees | (5,013,406) | (4,754,494) |
| Payments to suppliers | (6,024,218) | (6,176,587) |
| Net cash used by operating activities | (3,879,869) | (3,145,169) |
| | | |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | |
| Private endowment contributions | 304,440 | 105,647 |
| University subsidies | 1,468,048 | 1,307,446 |
| Net cash provided by noncapital financing activities | 1,772,488 | 1,413,093 |
| | | |
| **CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES** | | |
| Capital grants and gifts received | 538,564 | 628,745 |
| Funds advanced by the University | 3,836,825 | 993,615 |
| Interest paid | (164,110) | (51,722) |
| Purchase of capital assets | (4,408,620) | (2,903,177) |
| Net cash used by capital financing activities | (197,341) | (1,280,817) |
| | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Investment purchases | (90,028) | (105,647) |
| Interest and dividends received | 536,030 | 505,230 |
| Net cash provided by investing activities | 446,002 | 347,861 |
| | | |
| Net change in cash | (1,858,720) | (2,665,032) |
| Cash at beginning of year | 8,216,263 | 10,881,295 |
| Cash at end of year | $ 6,357,543 | $ 8,216,263 |
| | | |
| **RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES** | | |
| Operating Loss | $ (4,955,307) | $ (5,011,854) |
| Adjustments to reconcile excess additions over deductions | | |
| to net cash provided by operating activities: | | |
| Donated facilities and support | 1,250,853 | 1,253,977 |
| Depreciation expense | 1,066,768 | 898,086 |
| Decrease in unamortized broadcast rights | 51,916 | 75,232 |
| Increase in grants, underwriting and accounts receivables | (229,119) | (392,146) |
| (Decrease) Increase in accounts payable and accrued liabilities | (867,580) | 123,110 |
| Decrease in deferred support | (203,365) | (226,407) |
| Increase in compensated absences and other accrued liabilities | 5,965 | 134,833 |
| Net adjustments | 1,075,438 | 1,866,685 |
| Net cash used by operating activities | $ (3,879,869) | $ (3,145,169) |

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

## NOTES TO THE FINANCIAL STATEMENTS
## For the Years Ended June 30, 2007 and 2006

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

#### Basis of Presentation

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

#### 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.

**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 $2,036,709 and $2,062,196 as of June 30, 2007 and 2006, 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 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 the donor.

**Reclassifications**
Certain reclassifications have been made to the 2006 financial statements presentation to conform with the 2007 financial statements presentation.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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 11.64% for the fiscal years ending June 30, 2007 and 2006. 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 nonoperating 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 WOSU's 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

Statement No. 3 as amended by Statement No. 40 of the Government Accounting Standards Board requires the disclosure of essential risk information about deposits and investments. The disclosure requirements cover four main areas: credit risk, interest rate and investment maturity, interest rate sensitivity and foreign exchange exposure. The University issues separate financials statements which discuss its deposit and investments risk exposure.

The cash balance as of June 30, 2007 and 2006, are pooled funds which are held and managed by the Treasurer's Office of the University. Endowment investments represent WOSU's share of pooled investment funds.

The following summarizes pooled shares and related values as of June 30, 2007 and 2006:

## NOTE 2: CASH AND INVESTMENTS (continued)

| Fund account | No. of Shares | Cost | Market Value |
|---|---|---|---|
| ***2007***: Friends of WOSU | 399.0164 | $1,379,246 | $3,009,965 |
| Prine Classical Music | 1.3440 | 5,415 | 10,138 |
| Taylor Memorial | 3.4136 | 27,460 | 25,750 |
| Elam Family | 11.2653 | 69,550 | 84,979 |
| Reba Harvey | 15.9992 | 99,967 | 123,455 |
| Batelle Digital Media | 13.6038 | 100,000 | 104,972 |
| Klotz Public Media | 3.7558 | 25,000 | 28,981 |
| Digital Media Center Outreach | 5.4086 | 37,022 | 41,735 |
| Palius Public Media | 3.7359 | 25,337 | 28,828 |
| WOSU Public Media | 397.7930 | 2,491,323 | 3,000,737 |
| Totals | | $4,260,320 | $6,459,540 |
| ***2006***: Friends of WOSU | 399.0093 | $1,379,196 | $2,674,158 |
| Prine Classical Music | 1.3300 | 5,315 | 8,914 |
| Taylor Memorial | 3.4136 | 27,460 | 22,878 |
| Elam Family | 11.2653 | 69,550 | 75,500 |
| Reba Harvey | 15.9992 | 99,967 | 109,138 |
| Batelle Digital Media | 7.0727 | 50,000 | 48,246 |
| Klotz Public Media | 3.7558 | 25,000 | 25,620 |
| Digital Media Center Outreach | 3.7932 | 25,101 | 25,875 |
| WOSU Public Media | 397.5312 | 2,489,368 | 2,664,252 |
| Totals | | $4,170,957 | $5,654,581 |

## NOTE 3: PLEDGES RECEIVABLE

Pledges receivable represent the net unconditional promises to give that were made in connection with WOSU Public Media's capital campaign. Promises to give were discounted using the United State T-Bill rate in effect at time of the pledge. All pledges were considered to be fully collectible. The following are pledges receivable balances as of June 30, 2007 and 2006:

| | 2007 | 2006 |
|---|---|---|
| Receivable in less than one year | $ 679,322 | $ 412,373 |
| Receivable in one to three years | 873,500 | 1,120,760 |
| Total | 1,552,822 | 1,533,133 |
| Less discounts to net present value | ( 66,359) | ( 99,184) |
| Less allowance for uncollectible pledges receivable | ( - ) | ( - ) |
| Net pledges receivable | $1,486,463 | $1,433,949 |

## NOTE 4: CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2007 and 2006, were as follows:

| June 30, 2007: | Beginning Balance | Additions | Reductions | Ending Balance |
|---|---|---|---|---|
| Non-depreciable assets | | | | |
| Construction in progress | $ 1,450,079 | 4,367,281 | (5,817,360) | $ - |
| Depreciable assets | | | | |
| Buildings | 3,319,494 | 5,817,360 | - | 9,136,854 |
| Improvements | 1,167,938 | - | - | 1,167,938 |
| Equipment | 11,001,725 | 41,338 | (22,743) | 11,020,320 |
| Total cost of depreciable assets | 15,489,157 | 5,858,698 | (22,743) | 21,325,112 |
| Total cost of capital assets | 16,939,236 | 10,225,979 | (5,840,103) | 21,325,112 |
| Less accumulated depreciation | 9,639,589 | 1,066,768 | (22,743) | 10,683,614 |
| Net capital assets | $7,299,647 | 9,159,211 | (5,817,360) | $10,641,498 |
| June 30, 2006: | | | | |
| Non-depreciable assets | | | | |
| Construction in progress | $ 579,515 | 2,130,178 | (1,259,614) | $1,450,079 |
| Depreciable assets | | | | |
| Buildings | 2,059,880 | 1,259,614 | - | 3,319,494 |
| Improvements | 1,167,938 | - | - | 1,167,938 |
| Equipment | 10,069,866 | 946,127 | (14,268) | 11,001,725 |
| Total cost of depreciable assets | 13,297,676 | 2,205,741 | (14,268) | 15,489,157 |
| Total cost of capital assets | 13,877,199 | 4,335,919 | (1,273,882) | 16,939,236 |
| Less accumulated depreciation | 8,755,771 | 898,086 | (14,268) | 9,639,589 |
| Net capital assets | $5,121,428 | 3,437,833 | (1,259,614) | $7,299,647 |

The following estimated useful lives are used to compute depreciation:

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

## NOTE 5: RETIREMENT PLAN

All employees covered under WOSU are employees of The University and are covered by the Ohio Public Employees Retirement System ("OPERS"), a cost sharing, multiple employer defined benefit pension plan. OPERS provides retirement and disability benefits, annual cost-of-living adjustments, health care benefits, and death benefits to Plan members and beneficiaries. Chapter 145 of the Ohio Revised Code assigns the authority to establish and amend benefit provisions. OPERS issues a publicly available comprehensive annual financial report which includes financial statements and required supplementary information for OPERS. That report may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio, 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

OPERS administers three separate pension plans as described below:

1. The Traditional Pension Plan - a cost sharing, multiple-employer defined benefit pension plan.

2. The Member-Directed Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

3. The Combined Plan - a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2007, member and employer contribution rates were consistent across all three plans. For 2007, the member and employer contribution rates were 9% and 13.77%, respectively.

WOSU's employer contributions to PERS for the years ended June 30, 2007, 2006 and 2005 were $488,392, $438,597 and $472,687, respectively, equal to 100% of the required contributions for each year.

## NOTE 6: OTHER POSTEMPLOYMENT BENEFITS

OPERS also provides postretirement health care coverage to age and service retirees with ten 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 of Postemployment Benefits other than Pension Benefits by State and Local Government Employers*. A portion of each contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for authority for employer contributions. Effective January 1, 2007, the rate for state employers was 13.70% of covered payroll; 4.5% was the portion that was used to fund health care for the year. These rates are the actuarially determined contribution requirement for OPERS. Other postemployment benefits for health care costs provided by OPERS are as follows:

The assumptions and calculations below were based on the Retirement System's latest actuarial review performed as of December 31, 2005. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2005 was 6.50%. An annual increase of 4.00% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50% to 6% for the next 9 years. In subsequent years (10 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

OPEB are advance-funded on an actuarially determined basis. The Traditional Pension and Combined Plans had 369,214 active contributing participants as of December 31, 2006. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. The amount of employer contributions used to fund post-employment benefits is estimated to be $70,435 (based on multiplying actual contributions by .3323). As of December 31, 2005, the actuarial value of the Retirement System's net assets available for OPEB was $11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $31.3 billion and $20.2 billion, respectively.

## NOTE 6: OTHER POSTEMPLOYMENT BENEFITS

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan ("HCPP") with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs. In 2005, OPERS created in 2005 a separate investment pool for health care assets. In addition, member and employer contribution rates increased as of January 1, 2006.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

## NOTE 7: ACCRUED COMPENSATION AND COMPENSATED ABSENCES

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

WOSU Public Media follows the University's policy for accruing sick leave liability. WOSU accrues a sick leave liability for those employees who are currently eligible to receive termination payments along with other employees who are expected to become eligible to receive such payments. This liability is calculated using the "termination payment method" which is set forth in Appendix C, Example 4 of the GASB Statement No. 16, *Accounting for Compensated Absences*.

Under the termination method, WOSU Public Media utilizes the University's calculated rate, Sick Leave Termination Cost Per Year Worked, that is based on the University's actual historical experience of sick leave payouts to terminated employees. This ratio is then applied by WOSU Public Media to the total year-of-service for WOSU current employees.

As of June 30, 2007 and 2006, accrued salaries were $37,739 and $31,774. Accrued vacation and sick leave liability was $398,816 as June 30, 2007 and 2006.

## NOTE 8: CORPORATION FOR PUBLIC BROADCASTING GRANT AWARDS

WOSU Public Media received grant funds from the Corporation for Public Broadcasting (CPB) to assist in the operations of the stations. During 2007 and 2006, the following summarizes grant funds earned during the fiscal year:

| CPB Grant | WOSU-AM | WOSU-FM | WOSU-TV | TOTAL |
|---|---|---|---|---|
| Fiscal Year 2007: | | | | |
| Community Service | $ 148,831 | 148,831 | 1,180,763 | $ 1,478,425 |
| Interconnection Grant | - | - | 24,368 | 24,368 |
| Ready to Lead in Literacy Grant | | | 37,500 | 37,500 |
| Digital Conversion Grants | 102,500 | 102,500 | - | 205,000 |
| Total 2007 | $ 251,331 | 251,331 | 1,242,631 | $ 1,745,293 |
| Fiscal Year 2006: | | | | |
| Community Service | $ 162,906 | 162,907 | 1,135,439 | $ 1,461,252 |
| Interconnection Grant | - | - | 22,646 | 22,646 |
| Ready to Learn Grant | - | - | 20,000 | 20,000 |
| Digital Conversion Grants | 52,778 | 75,000 | 429,355 | 557,133 |
| Total 2006 | $ 215,684 | 237,907 | 1,607,440 | $ 2,061,031 |

## NOTE 9: UNIVERSITY SUPPORT

The operations of WOSU Public Media are supported in part by the general revenues of the University. The University provides for the general operating costs of WOSU operations. The University's direct support amounted to $1,468,048 and $1,307,474, for the years ended June 30, 2007 and 2006, respectively. In addition, the University provided an estimated $1,250,853 and $1,253,977 in indirect administrative support during fiscal years 2007 and 2006, respectively. The indirect administrative support revenues were calculated using the University's "modified other sponsored activities indirect costs rate" of 11.64% for fiscal years ended June 30, 2007 and 2006.

## NOTE 10: INCOME BENEFICIARY

WOSU Public Media is an income beneficiary of certain funds administered and maintained by The University. WOSU Public Media receives income generated from the Donald R. Glancy Endowed Fund in excess of $7,000 per year to support television and radio programming needs. WOSU Public Media received $32,140 and $35,377 from this fund during fiscal years 2007 and 2006, respectively. In addition, WOSU Public Media receives ten percent of the income generated from the John McKitrick Family Fund. During fiscal years 2007 and 2006, WOSU Public Media received $125 and $138 from this fund, respectively. All income received by WOSU Public Media as an income beneficiary have been included in the statement of revenues, expenses and changes in net assets for the years ended June 30, 2007 and 2006.

The following summarizes the value of these funds as of June 30, 2007 and 2006:

| Fund Name | 2007 Market Value | 2006 Market Value |
|---|---|---|
| Donald R. Glancy Endowed Fund | $787,878 | $699,476 |
| John McKitrick Family Fund | 3,039 | 2,690 |
| Total Income Beneficiary Funds | $790,917 | $702,166 |

## NOTE 11: OPERATING LEASE OBLIGATION

WOSU leases office space from 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, 2007, future minimum rental payments based on the CPI indexed rate for fiscal year 2008, is summarized below:

| | |
|---|---|
| 2008 | $ 208,218 |
| 2009 | 209,052 |
| 2010 | 209,052 |
| 2011 | 209,052 |
| 2012-2013 | 890,247 |
| Total | $1,725,621 |

Rental expense charged to operations was $208,218 and $154,179 during 2007 and 2006, respectively.

## NOTE 11: DEBT OBLIGATION

WOSU obtained line of credit financing through the University for $1,200,000 for the renovation of its Radio Studios and for $5,000,000 for the construction of its COSI location radio and television broadcasting studios. Interest on the outstanding principal balance is based on the University's monthly investment credit rate as determined by the University Office of the Treasurer, which was 5.09% as of June 30, 2007. The two line of credits were termed out during fiscal year 2007, with maturity in June 2013. As of June 30, 2007, there was $1,202,512 outstanding on the Radio Studio loan and $4,718,837 outstanding on the COSI loan.

The following is a schedule showing the future minimum principal and interest payments as of June 30, 2007, based on projected interest rates through maturity of the loans:

| | Radio Studio | | | COSI | | |
|---|---|---|---|---|---|---|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2008 | $ 200,420 | 53,846 | $ 254,266 | $ 786,475 | 211,299 | $ 997,774 |
| 2009 | 200,420 | 51,103 | 251,523 | 786,475 | 200,535 | 987,010 |
| 2010 | 200,420 | 43,585 | 244,005 | 786,475 | 171,035 | 957,510 |
| 2011 | 200,420 | 34,574 | 234,994 | 786,475 | 135,675 | 922,150 |
| 2012 | 200,420 | 24,899 | 225,319 | 786,475 | 97,708 | 884,183 |
| Thereafter | 200,412 | 13,068 | 213,480 | 786,462 | 51,281 | 837,743 |
| Total | $1,202,512 | 221,075 | $1,423,587 | $4,718,837 | 867,533 | $5,586,370 |

As of June 30, 2007 and 2006, there was a total of $5,921,349 and $2,084,524, respectively, outstanding on the debt. Interest expense of $164,110 and $51,722 was incurred on the debt during fiscal year 2007 and 2006, respectively. In addition, interest costs of $117,259 was capitalized as part of the construction cost of the COSI studios during 2007.

**WOSU PUBLIC MEDIA**
***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, 2007**

| | Radio | | | | |
|---|---|---|---|---|---|
| **REVENUES AND OTHER SUPPORT** | **AM** | **FM** | **Total** | **Television** | **Totals** |
| The Ohio State University Direct Support | $ 288,583 | 454,100 | 742,683 | 725,365 | $ 1,468,048 |
| Contributed Services | 193,345 | 193,345 | 386,690 | 1,126,117 | 1,512,807 |
| Donated Facilities and Support - OSU | 360,998 | 327,495 | 688,493 | 562,360 | 1,250,853 |
| Grants from the CPB | 251,331 | 251,331 | 502,662 | 1,242,631 | 1,745,293 |
| Member Contributions | 525,357 | 525,357 | 1,050,714 | 1,576,070 | 2,626,784 |
| Fees and Services: | | | | | |
| PBS | 3,143 | 308 | 3,451 | 19,650 | 23,101 |
| B&I | 83,798 | 180,065 | 263,863 | 1,082,874 | 1,346,737 |
| Foundations/NPO's | 4,883 | 11,808 | 16,691 | 214,435 | 231,126 |
| Federal Govt. | 0 | 11,445 | 11,445 | 16,347 | 27,792 |
| Fundraising | 4,078 | 4,078 | 8,156 | 110,323 | 118,479 |
| Federal Grants | 0 | 22,774 | 22,774 | 420,380 | 443,154 |
| State and Local Grants | 53,217 | 75,145 | 128,362 | 1,215,003 | 1,343,365 |
| Investment Income: | | | | | |
| Interest and dividend income | 106,779 | 107,180 | 213,959 | 322,071 | 536,030 |
| Unrealized gains(loss) on investments | 142,986 | 142,986 | 285,972 | 428,958 | 714,930 |
| Endowment Contributions | 60,329 | 63,123 | 123,452 | 180,988 | 304,440 |
| Capital Grants and Gifts | 107,713 | 107,713 | 215,426 | 323,138 | 538,564 |
| Royalties | 0 | 781 | 781 | 26,848 | 27,629 |
| Other | 161 | 11 | 172 | 10,731 | 10,903 |
| Total Support, Revenue, and Other Additions | 2,186,701 | 2,479,045 | 4,665,746 | 9,604,289 | 14,270,035 |
| **EXPENSES** | | | | | |
| Program Services: | | | | | |
| Programming and Production | 1,185,294 | 512,578 | 1,697,872 | 2,674,333 | 4,372,205 |
| Broadcasting | 1,358,324 | 1,719,584 | 3,077,908 | 848,860 | 3,926,768 |
| Program Information | 180,169 | 178,160 | 358,329 | 508,492 | 866,821 |
| Total Program Services | 2,723,787 | 2,410,322 | 5,134,109 | 4,031,685 | 9,165,794 |
| Supporting Services: | | | | | |
| Management & General | 560,834 | 556,318 | 1,117,152 | 1,475,545 | 2,592,697 |
| Fundraising | 292,737 | 290,059 | 582,796 | 835,946 | 1,418,742 |
| Underwriting | 24,571 | 23,901 | 48,472 | 120,004 | 168,476 |
| Interest expense | 53,777 | 53,777 | 107,554 | 56,556 | 164,110 |
| Depreciation | 220,361 | 207,030 | 427,391 | 639,377 | 1,066,768 |
| Total Supporting Services | 1,152,280 | 1,131,085 | 2,283,365 | 3,127,428 | 5,410,793 |
| Total Expenses | 3,876,067 | 3,541,407 | 7,417,474 | 7,159,113 | 14,576,587 |
| Excess (Deficit) of Revenues and Other Support Over Expenses | $ (1,689,366) | (1,062,362) | (2,751,728) | 2,445,176 | $ (306,552) |

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# 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*

We have audited the financial statements of WOSU Public Media, which is a part of The Ohio State University, as of and for the year ended June 30, 2007, and have issued our report thereon dated December 20, 2007. 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.

## Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in the internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting (2007-1 and 2007-2).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2007-1 and 2007-2 to be material weaknesses.

Compliance and Other Matters

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

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

Parms & Company, LLC

December 20, 2007

**WOSU PUBLIC MEDIA**
**SCHEDULE OF FINDINGS AND RESPONSES**
**AS REQUIRED UNDER *GOVERNMENT AUDITING STANDARDS***

For the Year Ended June 30, 2007

INTERNAL CONTROL FINDINGS

**Finding Reference Number 2007-1**

Condition:
The Statements of Auditing Standards has determined that the identification by the auditor of a material misstatement in the financial statements for the period under audit that was not initially identified by the entity's internal control represents at least a significant deficiency. This includes misstatements involving estimation and judgment for which the auditor identifies likely material adjustments and corrections of the recorded amounts. Accordingly, during the audit, we noted several adjustments that were required to correct the financial statements of WOSU.

Criteria:
A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the above comment to reflect a significant deficiency in WOSU's internal control.

Cause:
Historically, WOSU has relied on the audit process to disclose required adjustments in accounting of year-end account balance for items such as revenues, receivable, fixed asset, and depreciation expenses. Consequently, WOSU has not taken the proper steps to develop accounting year-end closing procedures that would eliminate the need for most adjustments.

Effect:
The effect of this deficiency is that the audit process disclosed several year-end adjustments. The net effect on the financial statements of these adjustments was an increase in net assets of $4,083,530, which is considered material.

Corrective Action:
WOSU should adopt formal accounting closing procedures that will help identify required adjustments to the financial statements. In addition, WOSU through the assistance of the University's Controller's Office, may want to consider providing the current Business Manager with year-end assistance to help in the developing their year-end financial statements and with the overall closing process.

**Finding Reference Number 07-1 – (Continued)**

**Management's Response**

WOSU Management concurs with the finding. WOSU had already started to address the findings prior to the audit by contracting with NETA (National Educational Telecommunications Association) a PBS related entity to review WOSU's Business Office practices and recommend ways to supplement, change, or prepare information on WOSU's behalf. WOSU will also immediately put the auditor's recommendations into practice. WOSU will schedule to meet with Ohio State University Accounting to see how they can be of help to WOSU in preparing the year-end financial statements.

**Finding Reference Number 2007-2**

Condition:
WOSU's accounting and reporting process does not include the preparation of a comprehensive financial statements without the assistance of the auditors.

Criteria:
One component of internal controls is that the organization should have adequate systems and know how to enable the preparation of financial statements in accordance with generally accepted accounting procedures. The ability to generate proper financial statements is vital to allow the organization to carry out its financial reporting responsibilities.

Cause:
WOSU does not have the internal capability to correctly prepare these financial statements and reports.

Corrective Action:
WOSU should consider obtaining assistance through the University's Controller's office or from outside expertise on a yearly basis to help prepare the comprehensive financial statement and information needed to process the online reporting submission with the Corporation for Public Broadcasting.

**Management's Response**

WOSU Management concurs with the finding. WOSU had already started to address the findings prior to the audit by contracting with NETA (National Educational Telecommunications Association) a PBS related entity to review WOSU's Business Office practices and recommend ways to supplement, change, or prepare information on WOSU's behalf. WOSU will also immediately put the auditor's recommendations into practice. WOSU will schedule to meet with Ohio State University Accounting to see how they can be of help to WOSU in preparing the year-end financial statements.

**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**
**JANUARY 29, 2008**

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