WOUB Center for Public Media

A Public Media Entity
(A Department of Ohio University)

Financial Statements as of and for the
Years Ended June 30, 2010 and 2009, and
Independent Auditor's Report

Dave Yost • Auditor of State

Board of Trustees
WOUB Center for Public Media
204 HDL Center
Athens, Ohio 45701

We have reviewed the *Independent Auditor's Report* of the WOUB Center for Public Media, Athens County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

February 4, 2011

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

To the Board of Trustees
Ohio University
Athens, Ohio

We have audited the accompanying statement of net assets of the WOUB Center for Public Media (the "Center"), a public media entity (a department of Ohio University), as of June 30, 2010 and 2009 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Ohio University's (the "University") management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the financial statements of the Center are intended to present the statement of net assets and the related statements of revenue, expenses, and changes in net assets and cash flows of only that portion of activities attributable to the transactions of the Center. They do not purport to, and do not, present fairly the financial position of Ohio University as of June 30, 2010 and 2009, the statement of net assets, and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Ohio University

The management's discussion and analysis presented on pages 3 through 9 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 required supplemental information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2010 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

December 22, 2010

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

Management's Discussion and Analysis

The discussion and analysis of the WOUB Center for Public Media's (the "Center") financial statements provides an overview of the Center's financial activities for the fiscal years ended June 30, 2010, 2009, and 2008. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis. Responsibility for the completeness and fairness of this information rests with the Center's management.

Using This Report

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

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

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

Statement of Net Assets

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

Accounts receivable - related party represents amounts available in the cash account of the University for the benefit of the Center. All of the Center's receipts and disbursements are recorded in this account. The amounts are $267,038, $0, and $594,637 for the years ended June 30, 2010, 2009, and 2008, respectively.

Accounts payable - related party represents amounts due from the Center to the cash account of the University for the benefit of the Center. All of the Center's receipts and disbursements are recorded in this account. The amounts are $0, $417,312, and $0 for the years ended June 30, 2010, 2009, and 2008, respectively.

The following chart depicts the breakdown of assets, liabilities, and net assets for the Center as of June 30, 2010, 2009, and 2008:

	2010	2009	2008
Assets:			
Accounts receivable	$ 10,522	$ 43,022	$ 9,930
Accounts receivable - Related party	267,038	-	594,637
Capital assets - Net	5,603,438	6,472,501	7,031,097
Total assets	5,880,998	6,515,523	7,635,664
Liabilities:			
Current liabilities	64,707	89,730	134,671
Accounts payable - Related party	-	417,312	-
Noncurrent liabilities	735,902	749,795	791,678
Total liabilities	800,609	1,256,837	926,349
Net assets	**$ 5,080,389**	**$ 5,258,686**	**$ 6,709,315**

The net assets are further displayed as follows:

	2010	2009	2008
Invested in capital assets - Net of related debt	$ 5,081,408	$ 5,930,646	$ 6,470,476
Restricted expendable	174,980	7,868	213,146
Unrestricted	(175,999)	(679,828)	25,693
Total net assets	**$ 5,080,389**	**$ 5,258,686**	**$ 6,709,315**

Statement of Revenue, Expenses, and Changes in Net Assets

The statement of revenue, expenses, and changes in net assets presents the Center's results of operations for the years ended June 30, 2010 and 2009.

Operating Revenue

Charges for goods and services are recorded as operating revenue. In addition, certain grants are classified as operating revenue if they are not for capital purchases and are provided as a contract for services. Essentially this means that the Center is required by the grant to provide goods or services to the grantor of equal value to the value of the services or dollars received. Total operating revenue is $1,038,782, $1,092,462, and $1,107,936 for the years ended June 30, 2010, 2009, and 2008, respectively.

Nonoperating Revenue

Nonoperating revenue includes an annual Community Service Grant from the Corporation for Public Broadcasting and the State of Ohio, administered through an annual grant from eTech Ohio (formerly the Ohio Educational Telecommunications Network Commission). Nonoperating revenue also includes an appropriation, donated facilities, and administrative support from its licensee (the University). Certain grants are also classified as nonoperating revenue if the Center is not required under the grant agreement to provide goods or services to the grantor of equal value to the services or dollars received. In-kind contributions of $869,125, $1,070,752, and $1,289,052 for the years ended June 30, 2010, 2009, and 2008, respectively, are also included in nonoperating revenue as private gifts revenue. Total nonoperating revenue is $6,873,693, $6,531,777, and $7,207,092 for the years ended June 30, 2010, 2009, and 2008, respectively.

Total Revenue

The following depicts total revenue by source for the years ended June 30, 2010, 2009, and 2008:

	2010	2009	2008
Support from Ohio University	$ 4,376,621	$ 3,524,242	$ 3,839,321
Grants and contracts	1,400,529	1,464,238	1,534,811
Private gifts	482,928	698,706	801,336
Sales and services	916,939	890,289	875,763
In-kind support	869,125	1,070,752	1,289,052
Total revenue by source	**$ 8,046,142**	**$ 7,648,227**	**$ 8,340,283**

Total Expenses

Operating expenses have been incurred to vendors and employees for providing goods or services for the overall operations of the Center. In addition, depreciation expense of $881,981, $858,563, and $910,565 for the years ended June 30, 2010, 2009, and 2008, respectively, is shown as operating expense.

The following depicts operating expenses for the Center:

	2010	2009	2008
Program and support services	$ 7,341,275	$ 8,205,014	$ 8,131,066
Depreciation	881,981	858,563	910,565
Disposal of plant facilities	1,183	35,279	-
Total expense by source	**$ 8,224,439**	**$ 9,098,856**	**$ 9,041,631**

Change in Net Assets

Total change in net assets is as follows:

	2010	2009	2008
Operating revenue	$ 1,038,782	$ 1,092,462	$ 1,107,936
Nonoperating revenue	6,873,693	6,531,777	7,207,092
Capital grants and gifts	133,667	23,988	25,255
Expenses	(8,224,439)	(9,098,856)	(9,041,631)
Decrease in net assets	(178,297)	(1,450,629)	(701,348)
Beginning net assets	5,258,686	6,709,315	7,410,663
Ending net assets	**$ 5,080,389**	**$ 5,258,686**	**$ 6,709,315**

Statement of Cash Flows

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

The three categories of presentation and their respective amounts for the years ended June 30, 2010, 2009, and 2008 are as follows:

	2010	2009	2008
Net cash (used in) provided by:			
Operating activities	$ (5,837,271)	$ (5,725,638)	$ (5,793,896)
Noncapital financing activities	6,005,261	5,461,025	5,918,040
Capital and related financing activities	99,048	(330,024)	(315,171)
Net increase (decrease) in cash	267,038	(594,637)	(191,027)
Cash - Beginning of year	-	594,637	785,664
Cash - End of year	**$ 267,038**	**$ -**	**$ 594,637**

Items of Interest

Fiscal year 2010 continued to be financially challenging for the WOUB Center for Public Media. At the end of the fiscal year, the unrestricted and restricted funds netted to a negative balance of $1,000. This deficit could have been much larger had it not been for a one-time payment from licensee Ohio University to the Center of $573,000 given in lieu of contracting with a private communications company to assign three tower leases. The Center was fortunate to be exempted by the University from a budget cut in FY 2010. However, due to a 27 percent state subsidy cut, a 22 percent decline in memberships, and a 50 percent decline in the funding for the Ohio Ready To Learn program, it was necessary to abolish six FTE positions, resulting in employee layoffs. This, along with retirements and attrition, resulted in a salary and benefits expense reduction of $450,000. On a positive note, the Center collected $69,000 of past due tower lease payments in FY 2010.

Confirmation of Ohio's Office of Budget and Management (OBM) and eTech Ohio rules and policies affected the Center's ability to repay the University loan. The OBM affirmed that round one capital funds could not be applied because the 18-month timeline had expired. This occurred because the Center had eTech's verbal approval to proceed, but then ruled that round one funding could not be applied to a prior digital television expense that would have led to loss of signal for both television stations ("emergency funding" for encoders). These two rulings took significant time to get a definitive answer - November 2008 to January 2010.

Other factors contributing to challenging times for the Center include changes made at eTech Ohio. It changed from a "pass-through" administrative agency to alignment under the Board of Regents, created new rules and reporting associated with the State of Ohio funding for the digital television transmission and for the subsidy, and modified its most recent six-year capital plan without notifying the station of changes. The current challenge is to obtain the remaining $1.1 million appropriated to the Center from the remaining digital television conversion funds with the State of Ohio.

Looking toward FY 2011, in lieu of additional staff reductions, management opted to reduce FTE compensation for each administrative/contract staff member by 5 percent. With retirements and attrition, $331,000 will be realized in salary savings.

In spite of the environment of sustained financial challenges over the past seven years, the Center has remained committed to its mission of providing listeners and viewers with non-commercial educational public radio and public television programming of local interest. At the same time, we provide Ohio University students with real world experience, extending Ohio University's intellectual resources to the region.

Twenty-one grant applications were submitted in FY 2010, two fewer applications than the previous year. Of the 21 applications generated, 15 were awarded for a total of $2,220,052.

For the first time in its history, the Broadcast Education Association (BEA) named two entries from the same school as Best of Festival winners. The winning entries were from the Center's "Gridiron Glory," a student-produced football show. The two programs were among 16 Best of Festival winners in the student category that were chosen from more than 900 entries submitted by students around the country.

The Center's "Spaced Out: A Cosmic Scene" garnered three Bronze Telly awards in the categories of Education, Copywriting, and Humor. The educational, Web-based project (www.woub.org/spacedout) is a Science, Technology, Engineering, and Mathematic (STEM) project funded by the State of Ohio through eTech Ohio consisting of eight video-on-demand modules for at-risk students in grades 8 to 10 with teacher support modules. The Telly Awards were established in 1978 and received more than 13,000 entries from all 50 states and five continents. The project also received two regional Emmy Awards for Best Host and Best Educational Content. Emmy award entries come from several midwestern states, and from both commercial and public broadcasting stations.

The Center addressed two pressing community and health issues through radio and television programs and online with live, in-studio phone-in programs on housing foreclosures and on diabetes. Future television documentaries in the pipeline are: The W. P. Snyder Story: Marietta Sternwheeler and The Ridges Cemetery Project.

The Center's Community Outreach continues to provide educational opportunities for families of young children to grow in self-awareness and confidence. Each event and activity is geared age appropriately and is literacy based. Utilizing PBS material, these events provide an awareness of educational media. Children explore daily living through play and conversation. The Center's participation in close to 50 events and over 100 workshops helped nurture social, emotional, language, literacy, physical, and motor skills. These include the annual Reading Rainbow Young Writers and Illustrators Contest for children in grades K-3.

WOUB News continues to provide full coverage of local, regional, state, and national news, sports, and political campaigns, including live election coverage from around the region. The future of media places strong emphasis on a local news presence and community engagement.

The director and general manager has announced her pending retirement from the Center. She has worked for 38 years in public broadcasting - 25 for West Virginia Public Broadcasting and the last 13 at the Center. The anticipated retirement date is January 1, 2011. Tom Hodson, former director of the E. W. Scripps School of Journalism and faculty member at Ohio University, has been named to serve as the Center's interim director and general manager, effective January 2, 2011.

WOUB Center for Public Media
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Statement of Net Assets

	June 30, 2010	June 30, 2009
Assets		
Current Assets		
Accounts receivable	$ 10,522	$ 43,022
Accounts receivable - Related party	267,038	-
Total current assets	277,560	43,022
Noncurrent Assets - Capital assets - Net	5,603,438	6,472,501
Total assets	**$ 5,880,998**	**$ 6,515,523**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 43,764	$ 69,905
Accounts payable - Related party	-	417,312
Current portion of loan payable	20,943	19,825
Total current liabilities	64,707	507,042
Noncurrent Liabilities		
Accrued compensated absences	234,815	227,765
Loan payable - Related party	501,087	522,030
Total noncurrent liabilities	735,902	749,795
Total liabilities	800,609	1,256,837
Net Assets		
Invested in capital assets - Net of related debt	5,081,408	5,930,646
Restricted - Expendable - Public service	174,980	7,868
Unrestricted	(175,999)	(679,828)
Total net assets	5,080,389	5,258,686
Total liabilities and net assets	**$ 5,880,998**	**$ 6,515,523**

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

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2010	2009
Operating Revenue		
State grants and contracts	$ 121,843	$ 202,173
Sales and services	916,939	890,289
Total operating revenue	1,038,782	1,092,462
Operating Expenses		
Programming and production	7,341,275	8,205,014
Depreciation	881,981	858,563
Total operating expenses	8,223,256	9,063,577
Operating Loss	(7,184,474)	(7,971,115)
Nonoperating Revenue (Expense)		
Support from Ohio University	4,376,621	3,524,242
Private gifts	2,497,072	3,007,535
Disposal of plant facilities	(1,183)	(35,279)
Total nonoperating revenue	6,872,510	6,496,498
Loss - Before other revenue, expenses, gains, or losses	(311,964)	(1,474,617)
Capital Grants and Gifts	133,667	23,988
Decrease in Net Assets	(178,297)	(1,450,629)
Net Assets - Beginning of year	5,258,686	6,709,315
Net Assets - End of year	**$ 5,080,389**	**$ 5,258,686**

The Notes to the Financial Statements are an Integral Part of this Statement.

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

Statement of Cash Flows

	Year Ended June 30	
	2010	2009
Cash Flows from Operating Activities		
Grants and contracts	$ 121,843	$ 202,173
Payments to suppliers	(3,646,317)	(3,068,089)
Payments to or on behalf of employees	(3,227,886)	(3,748,961)
Payments for scholarships and fellowships	(1,850)	(1,050)
Sales and services to educational departments	916,939	890,289
Net cash used in operating activities	(5,837,271)	(5,725,638)
Cash Flows from Noncapital Financing Activities		
Support from Ohio University	4,376,621	3,524,242
Gifts and grants for other than capital purposes	1,628,640	1,936,783
Net cash provided by noncapital financing activities	6,005,261	5,461,025
Cash Flows from Capital Financing Activities		
Capital grants and gifts received	133,667	23,988
Payments on related party notes payable	(19,825)	(18,766)
Purchases of capital assets	(14,794)	(335,246)
Net cash provided by (used in) capital financing	99,048	(330,024)
Net Increase (Decrease) in Cash Equivalents	267,038	(594,637)
Cash Equivalents - Beginning of year	-	594,637
Cash Equivalents - End of year	**$ 267,038**	$ -

The Notes to the Financial Statements are an Integral Part of this Statement.

Statement of Cash Flows (Continued)

	Year Ended June 30	
	2010	2009
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	$ (7,184,474)	$ (7,971,115)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	881,981	858,563
In-kind	869,125	1,070,752
Changes in assets and liabilities:		
Accounts receivable	32,500	(33,092)
Accounts payable and accrued liabilities	(443,453)	371,312
Accrued compensated absences	7,050	(22,058)
Net cash used in operating activities	**$(5,837,271)**	**$(5,725,638)**

Note 1 - Organization and Summary of Significant Accounting Policies

Organization - The WOUB Center for Public Media (the "Center") is owned and operated by Ohio University (the "University"), Athens, Ohio. The Center, a unit of the Scripps College of Communication, manages two noncommercial public television stations, WOUB-TV in Athens, Ohio, and WOUC-TV in Cambridge, Ohio and one cable channel, WOUB II - channel 25 on Time Warner in Athens, Ohio. The signal of WOUC-TV was repeated on translators in Millersburg and Loudonville, Ohio until June 15, 2008, when both translators were decommissioned. WOUC's digital signal covers both Millersburg and Loudonville. The Center also manages six noncommercial public radio stations, WOUB-AM and WOUB-FM in Athens, Ohio; WOUC-FM in Cambridge, Ohio; WOUL-FM in Ironton, Ohio; WOUH-FM in Chillicothe, Ohio; and WOUZ-FM in Zanesville, Ohio. Other services provided by the Center include: audio and video productions; a nightly news program; regular radio news and sports reports; a Media Distribution Center for Ohio University; distance learning facilitation from the Athens campus to the regional campuses through the Ohio University Learning Network; community outreach to 37 counties; educational services to schools in 18 counties; student professional development for approximately 250 students a year; teleconferencing, streaming, and engineering consulting services; and interactive services through www.woub.org.

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

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

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

The Center follows all GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Center has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

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

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

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

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

Asset Class	Capitalize at	Estimated Useful Life
Land	Any amount	N/A
Land improvements	$100,000	N/A
Infrastructure	$100,000	10-50 years
Buildings	Any amount	40 years
Machinery and equipment	$2,500	5-25 years

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

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

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

Note 2 - Capital Assets

Capital assets reported by the Center are assets of the State of Ohio, with the University having custodial responsibility. The building values have been prorated based upon the Center's percentage usage of the net assignable square footage, applied to the actual cost plus improvements of the buildings. Equipment represents items listed on the University's general ledger as equipment for the Center with a unit value of at least $2,500 and an estimated useful life of one year or more.

Note 2 - Capital Assets (Continued)

The following tables present the changes in the various capital assets categories for the years ended June 30, 2010 and 2009:

	Balance June 30, 2009	Additions	Transfers In (Out)	Disposals	Balance June 30, 2010
Capital assets not being depreciated - Land	$ 69,235	$ -	$ -	$ -	$ 69,235
Capital assets being depreciated:					
Infrastructure	5,563,795	-	-	-	5,563,795
Buildings	3,798,557	-	-	-	3,798,557
Machinery and equipment	10,514,028	14,794	(693)	(6,278)	10,521,851
Total capital assets being depreciated	19,876,380	14,794	(693)	(6,278)	19,884,203
Total capital assets	19,945,615	14,794	(693)	(6,278)	19,953,438
Less accumulated depreciation:					
Infrastructure	3,091,264	246,307	-	-	3,337,571
Buildings	2,980,259	111,946	-	-	3,092,205
Machinery and equipment	7,401,591	523,728	-	(5,095)	7,920,224
Total accumulated depreciation	13,473,114	881,981	-	(5,095)	14,350,000
Total capital assets being depreciated - Net	6,403,266	(867,187)	(693)	(1,183)	5,534,203
Capital assets - Net	$ 6,472,501	$ (867,187)	$ (693)	$ (1,183)	$ 5,603,438

Note 2 - Capital Assets (Continued)

	Balance June 30, 2008	Additions	Transfers In (Out)	Disposals	Balance June 30, 2009
Capital assets not being depreciated:					
Land	$ 69,235	$ -	$ -	$ -	$ 69,235
Construction in progress	270,736	50,927	(321,663)	-	-
Total capital assets not being depreciated	339,971	50,927	(321,663)	-	69,235
Capital assets being depreciated:					
Infrastructure	5,563,795	-	-	-	5,563,795
Buildings	3,476,894	-	321,663	-	3,798,557
Machinery and equipment	10,307,008	284,319	(5,112)	(72,187)	10,514,028
Total capital assets being depreciated	19,347,697	284,319	316,551	(72,187)	19,876,380
Total capital assets	19,687,668	335,246	(5,112)	(72,187)	19,945,615
Less accumulated depreciation:					
Infrastructure	2,844,957	246,307	-	-	3,091,264
Buildings	2,866,298	113,961	-	-	2,980,259
Machinery and equipment	6,945,316	498,295	-	(42,020)	7,401,591
Total accumulated depreciation	12,656,571	858,563	-	(42,020)	13,473,114
Total capital assets being depreciated - Net	6,691,126	(574,244)	316,551	(30,167)	6,403,266
Capital assets - Net	$ 7,031,097	$ (523,317)	$ (5,112)	$ (30,167)	$ 6,472,501

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

Note 3 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2010 and 2009 consist of the following:

	2010	2009
Accounts payable	$ 15,439	$ 42,973
Accrued payroll	28,325	26,932
Total	$ 43,764	$ 69,905

Note 4 - Accrued Compensated Absences

Per University policy, salaried faculty and staff earn vacation at the rate of 22 days per year with a maximum accrual of 32 days. Upon termination, they are entitled to a payout of their accumulated balance. Hourly classified employees earn vacation at rates per years of service, ranging from 10 to 25 days per year. The maximum accrual is equal to the amount earned in three years, which is subject to payout upon termination. The liability for accrued vacation at June 30, 2010 and 2009 is $196,835 and $187,863, respectively.

All University employees are entitled to a sick leave credit equal to 15 days per year (earned on a pro rata monthly basis for salaried employees and on a pro rata hourly basis for classified hourly employees). Salaried employees with 10 or more years of service are eligible to receive a payout upon retirement of up to 25 percent of unused days (maximum of 30 days). Hourly classified employees with 10 or more years of service are eligible for payout upon retirement of up to 50 percent of unused days (maximum of 60 days). The liability for accrued sick leave at June 30, 2010 and 2009 is $37,980 and $39,902, respectively.

A summary of accrued compensated absences at June 30, 2010 and 2009 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
For the year ended:				
June 30, 2010	$ 227,765	$ 7,050	-	$ 234,815
June 30, 2009	249,823	-	22,058	227,765

Note 5 - Loan Payable - Related Party

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

The loan payable at June 30, 2010 and 2009 is shown as follows:

	Beginning Balance	Borrowed	Retired	Ending Balance	Current
For the year ended:					
June 30, 2010	$ 541,855	-	$ (19,825)	$ 522,030	$ 20,943
June 30, 2009	560,621	-	(18,766)	541,855	19,825

Principal and interest payment requirements for the years subsequent to June 30, 2010 are summarized as follows:

Years Ending June 30	Principal	Interest	Total
2011	$ 20,943	$ 28,189	$ 49,132
2012	22,124	27,008	49,132
2013	23,372	25,760	49,132
2014	24,690	24,442	49,132
2015	26,083	23,049	49,132
2016-2020	154,216	91,442	245,658
2021-2025	202,903	42,755	245,658
2026	47,699	1,433	49,132
Total	$ 522,030	$ 264,078	$ 786,108

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

To the Board of Trustees
Ohio University
Athens, Ohio

We have audited the financial statements of Ohio University as of and for the year ended June 30, 2010 and have issued our report thereon dated December 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ohio University'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 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 internal control over financial reporting that might be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Trustees
Ohio University

Compliance and Other Matters

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

We noted certain matters that we have reported to management of Ohio University in a separate letter dated December 22, 2010.

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

Plante & Moran, PLLC

December 22, 2010

WOUB CENTER FOR PUBLIC MEDIA

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 17, 2011

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