

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, 2013 and 2012, and
Independent Auditor's Report**



Dave Yost • Auditor of State

Board of Trustees
WOUB Center for Public Media
204 West Union Street Office 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, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 17, 2014

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WOUB Center for Public Media

Contents

Report Letter	1-3
Management's Discussion and Analysis	4-13
Financial Statements	
Statements of Net Position	14
Statements of Revenue, Expenses, and Changes in Net Position	15
Statements of Cash Flows	16-17
Notes to Financial Statements	18-27
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	28-29

Independent Auditor's Report

To the Board of Trustees
WOUB Center for Public Media

Report on the Financial Statements

We have audited the accompanying financial statements of WOUB Center for Public Media (the "Center"), a public media entity (a department of Ohio University), as of and for the years ended June 30, 2013 and 2012 and the related notes to the financial statements, which collectively comprise WOUB Center for Public Media's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 about whether the financial statements are free from material misstatement.

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

To the Board of Trustees
WOUB Center for Public Media

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WOUB Center for Public Media as of June 30, 2013 and 2012 and the changes in its financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw attention to Note I, which explains that these financial statements present only the Center and do not purport to, and do not, present fairly the financial position of Ohio University as of June 30, 2013 and 2012, the changes in its financial position, and the changes in its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note I to the financial statements, effective July 1, 2012, the Center adopted new accounting guidance under Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-13 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Trustees
WOUB Center for Public Media

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013 on our consideration of WOUB Center for Public Media's internal control over financial reporting and on 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WOUB Center for Public Media's internal control over financial reporting and compliance.

Plante & Morse, PLLC

December 16, 2013

WOUB Center for Public Media

Management's Discussion and Analysis

The discussion and analysis of 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, 2013, 2012, and 2011. 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. 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 No. 34 and No. 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 position, revenue, expenses, and changes in net position, 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.

Statements of Net Position

The statement of net position 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.

WOUB Center for Public Media

Management's Discussion and Analysis (Continued)

Accounts receivable - Ohio University 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 \$220,843, \$509,751, and \$505,079 for the University for the years ended June 30, 2013, 2012, and 2011, respectively.

The following chart depicts the breakdown of assets, liabilities, and net position for the Center as of June 30, 2013, 2012, and 2011:

	2013	2012	2011
Assets:			
Accounts receivable	\$ -	\$ -	\$ 10,522
Accounts receivable - Ohio University	220,843	509,751	505,079
Capital assets - Net	<u>4,178,891</u>	<u>4,786,585</u>	<u>5,020,263</u>
Total assets	4,399,734	5,296,336	5,535,864
Liabilities:			
Current liabilities	75,553	64,236	62,635
Noncurrent liabilities	<u>609,837</u>	<u>597,679</u>	<u>682,914</u>
Total liabilities	<u>685,390</u>	<u>661,915</u>	<u>745,549</u>
Net position	<u>\$3,714,344</u>	<u>\$4,634,421</u>	<u>\$4,790,315</u>

The net position is further displayed as follows:

	2013	2012	2011
Net investment in capital assets	\$3,723,299	\$4,307,621	\$4,519,175
Restricted expendable	178,204	339,801	216,609
Unrestricted	<u>(187,159)</u>	<u>(13,001)</u>	<u>54,531</u>
Total net position	<u>\$3,714,344</u>	<u>\$4,634,421</u>	<u>\$4,790,315</u>

WOUB Center for Public Media

Management's Discussion and Analysis (Continued)

Statements of Revenue, Expenses, and Changes in Position

The statements of revenue, expenses, and changes in net position present the Center's results of operations for the years ended June 30, 2013 and 2012.

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 \$1,230,885, \$1,209,908, and \$1,010,915 for the years ended June 30, 2013, 2012, and 2011, respectively. Federal grant funding decreased \$612,778 for fiscal year 2013 due to the elimination of funding from the U.S. Department of Commerce, National Telecommunications and Information Administration, and Public TV Facilities Project for digital TV conversion. Sales and services increased \$418,824 in fiscal year 2013 mainly due to membership and subscriptions within both TV and radio, and reclassification of certain revenues to sales and service.

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 \$628,307, \$628,307, and \$804,871 for the years ended June 30, 2013, 2012, and 2011, respectively, are also included in nonoperating revenue as private gifts revenue. Total nonoperating revenue is \$5,680,757, \$5,915,595, and \$6,120,007 for the years ended June 30, 2013, 2012, and 2011, respectively.

WOUB Center for Public Media

Management's Discussion and Analysis (Continued)

Total Revenue

The following depicts total revenue by source for the years ended June 30, 2013, 2012, and 2011:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Support from Ohio University	\$ 3,546,137	\$ 3,504,324	\$ 3,609,174
Grants and contracts	1,531,773	2,321,817	1,744,114
Private gifts	453,511	337,965	521,645
Sales and services	751,914	333,090	717,404
In-kind support	<u>628,307</u>	<u>628,307</u>	<u>804,871</u>
Total revenue by source	<u>\$ 6,911,642</u>	<u>\$ 7,125,503</u>	<u>\$ 7,397,208</u>

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 \$795,022, \$872,892, and \$796,432 for the years ended June 30, 2013, 2012, and 2011, respectively, is shown as operating expense. Programming and production expenditures increased \$628,192 for fiscal 2013. This was mainly due to an increase of Foundation expenditures.

The following depicts operating expenses for the Center:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Program and support services	\$ 7,036,697	\$ 6,408,505	\$ 6,890,055
Depreciation	795,022	872,892	796,432
Disposal of plant facilities	<u>-</u>	<u>-</u>	<u>795</u>
Total expense by source	<u>\$ 7,831,719</u>	<u>\$ 7,281,397</u>	<u>\$ 7,687,282</u>

WOUB Center for Public Media

Management's Discussion and Analysis (Continued)

Change in Net Position

Total change in net position is as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenue	\$ 1,230,885	\$ 1,209,908	\$ 1,010,915
Nonoperating revenue	5,680,757	5,915,595	6,120,007
Capital grants and gifts	-	-	266,286
Expenses	<u>(7,831,719)</u>	<u>(7,281,397)</u>	<u>(7,687,282)</u>
Decrease in net position	(920,077)	(155,894)	(290,074)
Beginning net position	<u>4,634,421</u>	<u>4,790,315</u>	<u>5,080,389</u>
Ending net position	<u>\$ 3,714,344</u>	<u>\$ 4,634,421</u>	<u>\$ 4,790,315</u>

Statements of Cash Flows

The statements of cash flows present 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 statements of net position as accounts receivable - Ohio University or as accounts payable - Ohio University. For the purposes of the statements 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, 2013, 2012, and 2011 are as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net cash (used in) provided by:			
Operating activities	\$(5,130,658)	\$(4,621,278)	\$(5,108,386)
Noncapital financing activities	5,052,450	5,130,223	5,341,799
Capital and related financing activities	<u>(210,700)</u>	<u>(504,273)</u>	<u>4,628</u>
Net (decrease) increase in cash	(288,908)	4,672	238,041
Cash - Beginning of year	<u>509,751</u>	<u>505,079</u>	<u>267,038</u>
Cash - End of year	<u>\$ 220,843</u>	<u>\$ 509,751</u>	<u>\$ 505,079</u>

WOUB Center for Public Media

Management's Discussion and Analysis (Continued)

Capital Assets

The Center made certain additions to capital assets during fiscal year 2013. These capital assets additions included cameras and audio and production equipment.

More detailed information about the Center's capital assets is presented in Note 2 to the financial statements.

Debt Administration

As of June 30, 2013, the Center had \$455,591 in an outstanding loan payable compared to \$478,963 at the end of 2012. This loan is payable to Ohio University and will be fully repaid in 2026.

More detailed information about the Center's loan payable is presented in Note 5 to the financial statements.

Items of Interest

WOUB Public Media continues to become a "digital first" operation. Regional items of news, sports, weather, perspectives, arts, and music are placed on our website woub.org first and are then repurposed for more traditional broadcasting on radio and television.

Our website, redesigned in August 2011, continues to grow in visits, unique visitors, and page views each year. The website and its responsive design allow our content to be readily available on tablets and smartphones. We have truly become a multimedia distributor of content for traditional broadcast, the web, tablets, and smaller mobile devices. We have become a regional "go-to" site for new audiences and loyal members.

This year, we have added web-only content: news, information, sports, and musical content that may be text, audio, video, or a combination thereof. This content is expanding our audiences. We have produced web-video for *Global Perspectives* - panels of international students, faculty, and other experts discussing world events and global views of American issues such as gun control and gun violence or what it is like being a Syrian student in the United States when one's home country is in civil war.

We also have produced web-only videos on *LGBT Perspectives*. We have allowed gay and transgendered students and faculty members to tell their "coming out" stories. We also produced an audio of four women who are survivors of sexual assault/rape telling their stories for all to hear. It has been highly informative.

WOUB Center for Public Media

Management's Discussion and Analysis (Continued)

We are currently producing *Appalachian Perspectives* focusing on a series of issues unique to our Appalachian region and the people of Appalachia.

Our website also contains video of our five-days-a-week live newscast, *News Watch*, and our sports shows *Gridiron Glory* and *The Ohio Bobcats' Showcase*.

We have added new blogs this year. We have added a Career Counseling blog written by Ohio University alumna Beverly E. Jones and most recently we have added a highly acclaimed blog about Inclusion and Accessibility for People Living with Disabilities.

Our website presence is augmented through the extensive use of social media. We have Twitter accounts @womb, @woubnews, @wombats, @woubsports, @woubvisuals, and @BobcatShowcase.

We also have substantially increased our followers on Facebook at WOUB Public Media. We use both our Twitter accounts and our Facebook page to drive traffic to our website.

Using Google Analytics, we have been able to chart our online growth. Since we introduced our new website in August 2011, our visits have increased 116 percent, our unique visitors are up 152 percent, and our page views are up 61 percent. Another encouraging sign is that in 2011 we had 58 percent new visitors to our new and revised website. For the same period this year (2013), our percentage of new visitors is 69 percent. In short, our web presence is still growing.

Google Analytics also allows us to pinpoint where our audience is located and allows us to customize coverage to particular geographic areas. We have determined that we have several major areas of geographic concentration. Our primary area is the city of Athens and Athens County. Our second area of concentration is a triangle including U.S. Route 33 north and Interstate 70 East. This triangle includes: Logan, Lancaster, the southern tier of Franklin Co. (Columbus), Zanesville, Newark, and then crosses several rural counties leading back to Lancaster. Our third area consists of Parkersburg, WV; Vienna, WV; Williamstown, WV; Marietta, Belpre, and the Washington County, Ohio metroplex. Our fourth largest area is a tri-state region including Portsmouth, Ironton, Ashland, KY; and Huntington, WV.

One of the tenets to success has been focusing on more regionalized and localized information that is now, through the website, issued globally. Alumni of Ohio University and past Athens community members are located around the globe. They, along with their more local counterparts, are hungry for news specific to this region. We have also used the website to "broadcast" items of interest to the global and alumni market. For three years, we have streamed the Ohio University Homecoming Parade live on woub.org and plan to continue in the future. During the October 2012 campaign, we also streamed President Obama's visit to Ohio University. It was the first presidential visit since President Lyndon Johnson.

WOUB Center for Public Media

Management's Discussion and Analysis (Continued)

Our Music/Arts page on our website is highly popular. It has been a primary contributor to our increased web traffic and our expanded audience. It is a younger and more geographically diverse audience. After we added this section to our website, our overall user age dropped. Currently, 61 percent of our web users are under 34 years old, 28 percent are ages 18-24, and 34 percent are ages 25-34.

We are currently working with our website developer to refresh our website and give it an even more modern look. We are also working on specific projects to increase our mobile audience through new tablet and smartphone designs.

NewsWatch, our daily televised news program, has been retooled to provide news more effectively, as well as to act as a funnel to our website. We have new, state-of-the-art production equipment for our students to use, which has been installed over the past year. By enhancing local and regional coverage, but offering it globally through the web, we are expanding our market exponentially. This also increases the potential for new memberships and alumni contributions.

Television, radio, and digital combined to produce presidential election coverage on the web at <http://woub.org/election-2012> and maintain an ongoing news site for all information involving hydraulic fracturing (fracking) at <http://woub.org/fracking>.

WOUB TV also aired an original hour-long documentary about the unmarked graves at the Athens Asylum. We traced the stories of several of the people buried there. The documentary is called *The 1900: Voices from the Athens Asylum*.

WOUB sports developed a documentary for the web last year featuring the Ohio University Marching Band. It is titled *Better Than The Best Ever: Ohio University's Marching 110*. It is a half-hour original documentary.

We have also continued our award-winning student produced half-hour program - *The Bobcat Sports Showcase*. It airs twice per week and features all of Ohio University athletic teams.

WOUB's mission as a learning laboratory for students continues to flourish. *Gridiron Glory* is a 16-week live high school football program airing on Friday nights. Now in its 15th season, *Gridiron Glory* provides an opportunity for students to learn all aspects of producing, directing, writing, and editing for a live broadcast.

The Bobcat Sports Showcase and *Gridiron Glory* were joined this year by *Hardwood Heroes*, a show about high school basketball in the region. All three enterprises utilize approximately 150 students from freshmen through seniors. Some students, through our partnerships with academic units, now receive academic credit for their work.

WOUB Center for Public Media

Management's Discussion and Analysis (Continued)

In our efforts to become the source of news and information for our region, we are expanding our collaborative efforts with entities throughout our community. We have partnerships with the five schools within the Scripps College of Communication, the *Columbus Dispatch*, and American Consolidated Media. Local productions are cooperative efforts with science-based university and community personnel, the Alden Library at Ohio University, and the Athens County Historical Society and Museum.

Public Media master's degree students regularly work at WOUB Public Media for hands-on experience that strengthens our existing infrastructure.

We continue to provide quality programming and we also offer community services like outreach to local schools, special youth programming, and course materials for K-12 teachers.

We are now offering work at WOUB for academic credit through the E. W. Scripps School of Journalism and the School of Media Arts and Studies. WOUB also has about 15 still photographers from the school of Visual Communication working with us.

WOUB Public Media continues to service regional school districts with age appropriate academic materials for teachers and K-12 students. We present or host workshops for teachers and continue our close partnership with PBS to supply quality children's programming.

WOUB-AM has been revamped. It is now becoming a living laboratory for experimental audio programming for the University and for the community. We have added new shows and supported our mainstays - like *Conversations from Studio B*. WOUB's broadcast of Ohio University Women's basketball and Ohio University baseball provides students with opportunities to hone their play-by-play broadcast skills.

WOUB's volunteer base continues to grow. Currently, we invite volunteers to assist staff members during fundraising campaigns. We also have community volunteers who host a music oriented Saturday program, *Radio Free Athens*, on WOUB-AM. Volunteers also participate in other WOUB activities which help to solidify our community relations.

Budgets continue to be challenging, but we are meeting the existing needs and planning for ways to expand our resource base. We have added underwriting inventory by entering into a contract with IMG College to broadcast Ohio University football and Ohio University men's basketball on our regional FM stations in Ironton, Chillicothe, Cambridge, and Zanesville. We are guaranteed approximately 3,000 local spots of inventory available for local businesses to underwrite on WOUB.

WOUB Public Media has expanded our revenue potential by adding local and regional advertising to our website. We have hired additional sales personnel and our underwriting and advertising revenues have already increased for fiscal year 2014.

WOUB Center for Public Media

Management's Discussion and Analysis (Continued)

We are also concentrating on increasing our membership base, special corporate solicitations, and opportunities for alumni to fund a special equipment replacement fund. Internally, we are in the process of streamlining our operations. We created a re-organization and we are currently trying to make the new positions permanent through University Human Resources and the Compensation 2014 study authorized by Ohio University.

We are also participating in a Scripps College of Communication Innovation Challenge to help enable our students and faculty to develop new and inventive forms of communication for the 21st century. In addition to being a valued community resource, we continue to be a vital broadcasting entity and a living, working media laboratory for industry, for the University, for Scripps College, and for the approximately 200 students we have in our programs each year.

WOUB Center for Public Media

Statements of Net Position

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Assets		
Current Assets - Accounts receivable - Ohio		
University	\$ 220,843	\$ 509,751
Noncurrent Assets - Capital assets - Net	<u>4,178,891</u>	<u>4,786,585</u>
Total assets	<u>\$ 4,399,734</u>	<u>\$ 5,296,336</u>
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 50,863	\$ 40,864
Current portion of loan payable	<u>24,690</u>	<u>23,372</u>
Total current liabilities	75,553	64,236
Noncurrent Liabilities		
Accrued compensated absences	178,936	142,088
Loan payable - Related party	<u>430,901</u>	<u>455,591</u>
Total noncurrent liabilities	<u>609,837</u>	<u>597,679</u>
Total liabilities	<u>685,390</u>	<u>661,915</u>
Net Position		
Net investment in capital assets	3,723,299	4,307,621
Restricted - Expendable - Public service	178,204	339,801
Unrestricted	<u>(187,159)</u>	<u>(13,001)</u>
Total net position	<u>3,714,344</u>	<u>4,634,421</u>
Total liabilities and net position	<u>\$ 4,399,734</u>	<u>\$ 5,296,336</u>

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

WOUB Center for Public Media

Statements of Revenue, Expenses, and Changes in Net Position

	Year Ended June 30	
	2013	2012
Operating Revenue		
Federal grants and contracts	\$ -	\$ 612,778
State grants and contracts	478,971	264,040
Sales and services	751,914	333,090
Total operating revenue	1,230,885	1,209,908
Operating Expenses		
Programming and production	7,036,697	6,408,505
Depreciation	795,022	872,892
Total operating expenses	7,831,719	7,281,397
Operating Loss	(6,600,834)	(6,071,489)
Nonoperating Revenue		
Support from Ohio University	3,546,137	3,504,324
Private gifts, grants, and other	2,134,620	2,411,271
Total nonoperating revenue	5,680,757	5,915,595
Decrease in Net Position	(920,077)	(155,894)
Net Position - Beginning of year	4,634,421	4,790,315
Net Position - End of year	<u>\$3,714,344</u>	<u>\$4,634,421</u>

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

WOUB Center for Public Media

Statements of Cash Flows

	Year Ended June 30	
	2013	2012
Cash Flows from Operating Activities		
Grants and contracts	\$ 478,971	\$ 876,818
Payments to suppliers	(3,370,148)	(3,051,161)
Payments to or on behalf of employees	(2,988,520)	(2,778,775)
Payments for scholarships and fellowships	(2,875)	(1,250)
Sales and services to educational departments	751,914	333,090
Net cash used in operating activities	(5,130,658)	(4,621,278)
Cash Flows from Noncapital Financing Activities		
Support from Ohio University	3,546,137	3,504,324
Gifts and grants for other than capital purposes	1,506,313	1,625,899
Net cash provided by noncapital financing activities	5,052,450	5,130,223
Cash Flows from Capital Financing Activities		
Payments on related party notes payable	(23,372)	(22,124)
Purchases of capital assets	(187,328)	(482,149)
Net cash used in capital financing activities	(210,700)	(504,273)
Net (Decrease) Increase in Cash Equivalents	(288,908)	4,672
Cash Equivalents - Beginning of year	509,751	505,079
Cash Equivalents - End of year	<u>\$ 220,843</u>	<u>\$ 509,751</u>

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

WOUB Center for Public Media

Statements of Cash Flows (Continued)

	Year Ended June 30	
	2013	2012
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	\$ (6,600,834)	\$ (6,071,489)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	795,022	872,892
In-kind	628,307	628,307
Changes in assets and liabilities:		
Accounts receivable	-	10,522
Accounts payable and accrued liabilities	9,999	353
Accrued compensated absences	36,848	(61,863)
Net cash used in operating activities	<u><u>\$ (5,130,658)</u></u>	<u><u>\$ (4,621,278)</u></u>

WOUB Center for Public Media

Notes to Financial Statements June 30, 2013 and 2012

Note I - Organization and Summary of Significant Accounting Policies

Organization - WOUB Center for Public Media (the "Center") is owned and operated by Ohio University (the "University"), Athens, Ohio and is a unit of the Scripps College of Communication. The Center 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. WOUB-TV consists of digital channels/streams 20.1 WOUB-HD, 20.2 WOUB Classic, and 20.3 WOUB-Worldview. WOUC-TV consists of digital channels/streams 44.1 WOUC-HD, 44.2 WOUC Unlimited, and 44.3 WOUC World. 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 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; student professional development for approximately 200 students a year; teleconferencing, streaming, and engineering consulting services; and complete web/interactive services through www.woub.org. The website is continually updated with current news, sports, music, and arts. It also contains educational interactive pages with content geared for K-12 teachers and students and provides streaming and programming of WOUB-TV, WOUB-Radio, PBS, and NPR.

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 net 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 West Union Street Office Center, Athens, OH 45701 or (740) 593-0342.

WOUB Center for Public Media

Notes to Financial Statements June 30, 2013 and 2012

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

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 position, revenue, expenses, changes in net position, and cash flows. It replaces fund groups with net position groups, and requires the direct method of cash flow presentation.

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:

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

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.

WOUB Center for Public Media

Notes to Financial Statements June 30, 2013 and 2012

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

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 financial position, and the change over the prior year is recorded as a component of operating expense in the statement of revenue, expenses, and changes in net position.

Net Position - The Center's net position is categorized as described below:

- **Net Investment in Capital Assets** - This represents the Center's position in property, plant, and equipment, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- **Restricted Net Position - Nonexpendable** - Restricted nonexpendable net position is composed of gifts received for endowment purposes. The resources are invested with only the investment income available for use, for purposes established by the donor.
- **Restricted Net Position - Expendable** - Restricted expendable net position represents assets that are restricted by a third party either legally or contractually.
- **Unrestricted Net Position** - Unrestricted net position includes 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.

WOUB Center for Public Media

Notes to Financial Statements June 30, 2013 and 2012

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 statements of revenue, expenses, and changes in net position.

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 eTech Ohio. 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 statements of revenue, expenses, and changes in net position.

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 by the Foundation as both revenue and expense when monies are used by the Foundation to pay expenses.

WOUB Center for Public Media

Notes to Financial Statements June 30, 2013 and 2012

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

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 statements of financial position as accounts receivable - Ohio University or as accounts payable - Ohio University. For the purpose of the statements of cash flows, this account is considered a cash equivalent.

Newly Adopted Accounting Pronouncements

Deferred Inflows/Outflows and Net Position - Effective July 1, 2012, the Center implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement introduces and defines those elements as a consumption of net assets by the Center that are applicable to a future reporting period, and an acquisition of net assets by the Center that are applicable to a future reporting period, respectively. The standards also incorporate deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provided a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

Newly Issued Accounting Pronouncements

Items Previously Reported as Assets and Liabilities - In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012. The Center is currently assessing the impact of this standard.

WOUB Center for Public Media

Notes to Financial Statements June 30, 2013 and 2012

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

Reporting for Pensions - In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Center is currently evaluating the impact this standard will have on the financial statements when adopted. The total pension liability will be computed on a different basis than the current actuarial accrued liability and the method of allocating this liability to each participating employer has not yet been determined, so the precise impact is not known. The provisions of this statement are effective for financial statements for the year ending June 30, 2015. The Center is currently assessing the impact of this standard.

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 \$5,000 and an estimated useful life of one year or more.

WOUB Center for Public Media

Notes to Financial Statements June 30, 2013 and 2012

Note 2 - Capital Assets (Continued)

The following tables present the changes in the various capital assets categories for the years ended June 30, 2013 and 2012:

	Balance July 1, 2012	Additions	Transfers In (Out)	Disposals	Balance June 30, 2013
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	<u>10,717,920</u>	<u>187,328</u>	<u>-</u>	<u>(148,169)</u>	<u>10,757,079</u>
Total capital assets being depreciated	<u>20,080,272</u>	<u>187,328</u>	<u>-</u>	<u>(148,169)</u>	<u>20,119,431</u>
Total capital assets	20,149,507	187,328	-	(148,169)	20,188,666
Less accumulated depreciation:					
Infrastructure	3,830,185	268,252	-	-	4,098,437
Buildings	3,212,704	42,472	-	-	3,255,176
Machinery and equipment	<u>8,320,033</u>	<u>484,298</u>	<u>-</u>	<u>(148,169)</u>	<u>8,656,162</u>
Total accumulated depreciation	<u>15,362,922</u>	<u>795,022</u>	<u>-</u>	<u>(148,169)</u>	<u>16,009,775</u>
Total capital assets being depreciated - Net	<u>4,717,350</u>	<u>(607,694)</u>	<u>-</u>	<u>-</u>	<u>4,109,656</u>
Capital assets - Net	<u>\$ 4,786,585</u>	<u>\$ (607,694)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,178,891</u>

WOUB Center for Public Media

Notes to Financial Statements June 30, 2013 and 2012

Note 2 - Capital Assets (Continued)

	Balance July 1, 2011	Additions	Transfers In (Out)	Disposals	Balance June 30, 2012
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	<u>10,678,055</u>	<u>482,149</u>	<u>157,065</u>	<u>(599,349)</u>	<u>10,717,920</u>
Total capital assets being depreciated	<u>20,040,407</u>	<u>482,149</u>	<u>157,065</u>	<u>(599,349)</u>	<u>20,080,272</u>
Total capital assets	20,109,642	482,149	157,065	(599,349)	20,149,507
Less accumulated depreciation:					
Infrastructure	3,583,878	246,307	-	-	3,830,185
Buildings	3,170,702	42,002	-	-	3,212,704
Machinery and equipment	<u>8,334,799</u>	<u>584,583</u>	<u>-</u>	<u>(599,349)</u>	<u>8,320,033</u>
Total accumulated depreciation	<u>15,089,379</u>	<u>872,892</u>	<u>-</u>	<u>(599,349)</u>	<u>15,362,922</u>
Total capital assets being depreciated - Net	<u>4,951,028</u>	<u>(390,743)</u>	<u>157,065</u>	<u>-</u>	<u>4,717,350</u>
Capital assets - Net	<u>\$ 5,020,263</u>	<u>\$ (390,743)</u>	<u>\$ 157,065</u>	<u>\$ -</u>	<u>\$ 4,786,585</u>

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.

WOUB Center for Public Media

Notes to Financial Statements June 30, 2013 and 2012

Note 3 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Accounts payable	\$ 19,529	\$ 20,458
Accrued payroll	<u>31,334</u>	<u>20,406</u>
Total	<u>\$ 50,863</u>	<u>\$ 40,864</u>

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, 2013 and 2012 is \$149,446 and \$116,176, 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, 2013 and 2012 is \$29,490 and \$25,912, respectively.

A summary of accrued compensated absences at June 30, 2013 and 2012 is as follows:

	<u>Beginning Balance</u>	<u>Additions / (Reductions)</u>	<u>Ending Balance</u>
For the year ended:			
June 30, 2013	\$ 142,088	\$ 36,848	\$ 178,936
June 30, 2012	\$ 203,951	\$ (61,863)	\$ 142,088

WOUB Center for Public Media

Notes to Financial Statements June 30, 2013 and 2012

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, 2013 and 2012 is shown as follows:

	Beginning Balance	Borrowed	Retired	Ending Balance	Current
For the year ended:					
June 30, 2013	\$ 478,963	\$ -	\$ (23,372)	\$ 455,591	\$ 24,690
June 30, 2012	501,087	-	(22,124)	478,963	23,372

Principal and interest payment requirements for the years subsequent to June 30, 2013 are summarized as follows:

Years Ending June 30	Principal	Interest	Total
2014	\$ 24,690	\$ 24,442	\$ 49,132
2015	26,083	23,049	49,132
2016	27,554	21,578	49,132
2017	29,109	20,023	49,132
2018	30,751	18,381	49,132
2019-2023	181,813	63,841	245,654
2024-2026	135,591	11,772	147,363
Total	<u>\$ 455,591</u>	<u>\$ 183,086</u>	<u>\$ 638,677</u>

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*

Independent Auditor's Report

To Management and the
Board of Trustees
WOUB Center for Public Media

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of WOUB Center for Public Media (the "Center"), a public media entity (a department of Ohio University), as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2013.

Internal Control Over Financial Reporting

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

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

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

To Management and the
Board of Trustees
WOUB Center for Public Media

Compliance and Other Matters

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

Purpose of this Report

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

Plante & Moran, PLLC

December 16, 2013



Dave Yost • Auditor of State

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
JANUARY 30, 2014**