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**WOSU PUBLIC MEDIA**

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

**FINANCIAL REPORT**  
*With Additional Information  
For The Years Ended June 30, 2006 and 2005*

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

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Mary Taylor, CPA  
Auditor of State

Board of Trustees  
The Ohio State University  
WOSU Public Media  
2040 Blakenship Hall  
901 Woody Hayes Drive  
Columbus, Ohio 43210-4016

We have reviewed the *Independent Auditors' Report* of the WOSU Public Media, Franklin County, prepared by Parms & Company, LLC, for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 16, 2007

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## **INDEPENDENT AUDITORS' REPORT**

WOSU Public Media  
The Ohio State University

We have audited the accompanying statements of net assets of WOSU Public Media (WOSU), which is a part of The Ohio State University, as of June 30, 2006 and 2005, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of WOSU's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the financial statements of WOSU Public Media are intended to present the financial position and results of operations of only that portion of the financial reporting entity of The Ohio State University that is attributable to the transactions of WOSU Public Media.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WOSU Public Media at June 30, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2006, on our consideration of WOSU Public Media's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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Our audit was conducted for the purpose of forming an opinion on the basic financial statements of WOSU Public Media taken as a whole. The Supplemental Schedule of Revenues and Expenses By Telecommunication Operations for the year ended June 30, 2006, is presented for purposes of additional analysis and is not a required part of the basic financial statements of WOSU Public Media. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements of WOSU Public Media taken as a whole.

*Parms & Company, LLC*

December 19, 2006

## **WOSU Public Media**

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### **Management's Discussion and Analysis Fiscal Year Ending June 30, 2006**

The following discussion and analysis provides an overview of WOSU Public Media's (WOSU) financial activities. As required by accounting principals generally accepted in the United States of America, the financial report consists of three basic financial statements that provide information on WOSU Public Media: the Statement of Financial Position; Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. Each statement will be discussed.

#### **Financial Highlights**

- Total cash decreased by 24% which were mainly due to the funds that were advanced to the Stations for the renovation of the new Radio studios last year and the decrease in capital grants and gifts received.
- Total receivables increased by 495% due to the pledges received during our Capital Campaign for the new Digital Media Center WOSU partnered to build at COSI – Center of Science and Industry and the increase in grant monies due.
- Total liabilities increased by 51% due to the expense of the new Digital Media Center WOSU partnered to build at COSI – Center of Science and Industry and the line of credit provided by The Ohio State University to the stations for construction and renovation costs.
- The new Digital Media Center, WOSU@COSI, construction accounts for most of the changes in our financial statements as well as timing of monies received and expended. This affects the categories of pledges receivable, accounts payable, and property and equipment.

# WOSU Public Media

## Management's Discussion and Analysis Fiscal Year Ending June 30, 2006

### Statement of Financial Position

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Current assets			
Cash	\$ 8,216,263	\$ 10,881,295	\$ 9,153,627
Receivables	932,179	345,261	1,177,495
Total current assets	<u>9,148,442</u>	<u>11,226,556</u>	<u>10,331,122</u>
Non-current assets			
Endowment investments	5,654,581	5,267,849	5,137,864
Receivables	1,021,576	0	0
Broadcast rights	993,029	1,068,261	998,230
Property and equipment	<u>7,299,647</u>	<u>5,121,428</u>	<u>3,393,465</u>
Total assets	<u>24,117,275</u>	<u>22,684,094</u>	<u>19,860,681</u>
Current liabilities			
Accounts payable	\$ 1,129,904	\$ 729,036	\$ 456,807
Deferred support and revenue	258,095	484,502	130,890
Due University	2,084,524	1,090,909	0
Other accrued liabilities	<u>0</u>	<u>0</u>	<u>23,997</u>
Total current liabilities	<u>3,472,523</u>	<u>2,304,447</u>	<u>611,694</u>
Non-current liabilities	<u>430,590</u>	<u>295,757</u>	<u>321,095</u>
Total liabilities	<u>3,903,113</u>	<u>2,600,204</u>	<u>932,789</u>
Net assets			
Invested in capital assets	5,215,123	4,633,563	3,393,465
Restricted	9,823,981	8,555,196	6,239,886
Unrestricted	<u>5,175,058</u>	<u>6,895,131</u>	<u>9,294,541</u>
Total net assets	<u>\$ 20,214,162</u>	<u>\$ 20,083,890</u>	<u>\$ 18,927,892</u>

In fiscal year 2006, 34% of \$24,117,275 in total assets represents our cash balance. The WOSU policy is to raise funds in the current year and expend them in the following year. This process provides the capability of meeting expenses during the summer months when cash flow is at its lowest. In addition, our CPB grants are two-year grants thereby contributing to the sizeable cash balance carried in our account. Although our statements show large cash balances the funds are earmarked for day-to-day operations and special projects. Receivables include revenue received from program/production underwriting, station membership pledges, donations received for our capital campaign, WOSU @ COSI and various other earnings and grant income. Receivables increased by 495% due to the donations pledged over several years to the construction/renovation of the Digital Multi Media Center we built in partnership with COSI.

## WOSU Public Media

### Management's Discussion and Analysis Fiscal Year Ending June 30, 2006

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

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>OPERATING REVENUES</b>			
Contributed services	\$ 2,051,721	\$ 1,831,266	\$ 2,299,438
Grants from the Corporation for Public Broadcasting	2,061,031	1,609,522	1,432,164
Member contributions	2,694,629	2,775,003	2,702,072
Fees and services	1,242,168	1,419,329	1,212,093
Fundraising	179,882	235,414	134,799
Federal, state and local grants	1,678,047	1,318,908	1,090,101
Miscellaneous	57,442	14,243	163,969
Total Operating Revenues	<u>9,964,920</u>	<u>9,203,685</u>	<u>9,034,636</u>
<b>OPERATING EXPENSES</b>			
Total program services	9,490,345	8,853,126	9,056,105
Total supporting services	5,486,429	4,160,704	3,905,385
Total Operating Expenses	<u>14,976,774</u>	<u>13,013,830</u>	<u>12,961,490</u>
<b>OPERATING LOSS</b>	<b>(5,011,854)</b>	<b>(3,810,145)</b>	<b>(3,926,854)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Operating subsidies	1,307,474	2,073,268	1,119,545
Donated facilities and support – OSU	1,253,977	1,085,573	914,212
Investment income			
Interest and dividend income	453,508	490,062	466,233
Unrealized gain (loss) on investments	281,085	30,316	484,395
Capital grants and gifts	1,740,435	268,305	1,245,825
Additions to permanent endowments	105,647	99,669	125,077
Net Non-Operating Revenues	<u>5,142,126</u>	<u>4,047,193</u>	<u>4,355,287</u>
<b>CHANGE IN NET ASSETS</b>	<b>130,272</b>	<b>237,048</b>	<b>428,433</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>20,083,890</b>	<b>19,846,842</b>	<b>18,499,459</b>
<b>NET ASSETS, END OF YEAR</b>	<b><u>\$ 20,214,162</u></b>	<b><u>\$ 20,083,890</u></b>	<b><u>\$ 18,927,892</u></b>

## WOSU Public Media

### Management's Discussion and Analysis Fiscal Year Ending June 30, 2006

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

Grants from the Corporation for Public Broadcasting increased by 28% due to monies due and received for digital television conversion. Operating subsidies decreased by 37% due to a one time allocation from Ohio State University of \$500,000 for the WOSU@COSI project that was granted last year. Capital grants and gifts increased by 549% due to the donations pledged over several years to the construction/renovation of the Digital Multi Media Center we built in partnership with COSI.

#### Statement of Cash Flows

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Cash Provided By (Used In):			
Operating activities	\$ (3,145,169)	\$(1,450,536)	\$ (2,391,576)
Noncapital financing activities	1,413,093	2,172,937	1,244,622
Capital and related financing activities	(1,280,817)	614,874	(1,249,368)
Investing Activities	<u>347,861</u>	<u>390,393</u>	<u>341,156</u>
Net Increase (decrease) in cash	(2,665,032)	1,727,668	(2,055,166)
Cash – Beginning of year	<u>10,881,295</u>	<u>9,153,627</u>	<u>11,208,793</u>
Cash – End of year	<u>\$ 8,216,263</u>	<u>\$ 10,881,295</u>	<u>\$ 9,153,627</u>

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

## **WOSU Public Media**

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### **Management's Discussion and Analysis Fiscal Year Ending June 30, 2006**

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

WOSU Public Media began broadcasting a digital signal along with the legacy analog television signal in 2004. In doing so, WOSU/WPBO met the federal mandate to broadcast in digital. The economic factors in play due to the digital transition and the fact that we must maintain our traditional analog signal until at least 2009 include higher utility bills, equipment, operations, marketing and staffing challenges.

WOSU has initiated a \$5.6 million capital campaign to secure private funding to support the opening of a new production center in downtown Columbus -- WOSU@COSI. The campaign concludes in March 2007 and the extent of its success will impact our economic position for the next few fiscal years. WOSU has a line of credit with Ohio State, which will be paid down ideally through campaign funds. The COSI agreement includes an annual licensing fee to be paid to COSI for use of space. A critical part of the business plan for the digital media center involves increasing earned income through studio rentals and special projects. In addition, endowment funds are being sought to cover overhead of the new facility.

WOSU is also opening new radio studios in the coming year at the Fawcett Center and continues to seek private and public support to defray expenses related to the project.

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

**WOSU PUBLIC MEDIA**  
*A Public Telecommunications Entity Operated By The Ohio State University*  
**STATEMENTS OF NET ASSETS**  
As of June 30, 2006 and 2005

<b>ASSETS</b>	<b><u>2006</u></b>	<b><u>2005</u></b>
Current Assets:		
Cash	\$ 8,216,263	\$ 10,881,295
Receivables:		
Accounts receivable	20,997	13,696
Government grants	425,214	74,325
Underwriting	73,595	39,639
Pledges	412,373	217,601
Total receivables	<u>932,179</u>	<u>345,261</u>
Total current assets	9,148,442	11,226,556
Investments (Note 2)	5,654,581	5,267,849
Pledges receivable - noncurrent	1,021,576	-
Broadcast rights	993,029	1,068,261
Property and equipment (Note 4)	<u>7,299,647</u>	<u>5,121,428</u>
<b>Total assets</b>	<b><u>24,117,275</u></b>	<b><u>22,684,094</u></b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	1,129,904	729,036
Deferred support and revenue	258,095	484,502
Due the University - line of credit	<u>2,084,524</u>	<u>1,090,909</u>
<b>Total current liabilities</b>	<b><u>3,472,523</u></b>	<b><u>2,304,447</u></b>
Long-term Liabilities		
Accrued compensated absence (Note 6)	<u>430,590</u>	<u>295,757</u>
<b>Total liabilities</b>	<b><u>3,903,113</u></b>	<b><u>2,600,204</u></b>
<b>NET ASSETS</b>		
Invested in Capital Assets	5,215,123	4,633,563
Unrestricted	5,175,058	6,895,131
Restricted For:		
Nonexpendable		
Endowment	5,654,581	5,267,849
Expendable		
Capital Projects	3,465,894	1,687,940
Other	<u>703,506</u>	<u>1,599,407</u>
<b>Total Net Assets</b>	<b><u>\$ 20,214,162</u></b>	<b><u>\$ 20,083,890</u></b>

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

**WOSU PUBLIC MEDIA**  
*A Public Telecommunications Entity Operated By The Ohio State University*  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
For the Years Ended June 30, 2006 and 2005

<b>OPERATING REVENUES</b>	<b>2006</b>	<b>2005</b>
Contributed services	\$ 2,051,721	\$ 1,831,266
Grants from the Corporation for Public Broadcasting	2,061,031	1,609,522
Member contributions	2,694,629	2,775,003
Fees and Services:		
Public broadcasting service	7,100	33,533
Business & industry	853,883	926,682
Foundations/non-profit organizations	349,127	425,819
Federal government agencies	32,058	33,295
Fundraising	179,882	235,414
Federal grants	366,064	26,600
State and local grants	1,311,983	1,292,308
Royalties	50,784	1,695
Miscellaneous	6,658	12,548
Total operating revenues	<u>9,964,920</u>	<u>9,203,685</u>
<b>OPERATING EXPENSES</b>		
Program services:		
Programming and production	4,879,912	4,668,957
Broadcasting	3,659,329	3,404,477
Program information	951,104	779,692
Total program services	<u>9,490,345</u>	<u>8,853,126</u>
Supporting services:		
Management & general	3,230,286	2,307,734
Depreciation	898,086	770,759
Underwriting	223,018	230,593
Fundraising	1,135,039	851,618
Total supporting services	<u>5,486,429</u>	<u>4,160,704</u>
Total operating expenses	<u>14,976,774</u>	<u>13,013,830</u>
Operating loss	(5,011,854)	(3,810,145)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Operating subsidies (Note 9)	1,307,474	2,073,268
Donated facilities and support - OSU (Note 9)	1,253,977	1,085,573
Investment Income:		
Interest and dividend income	453,508	490,062
Unrealized gain on investments	281,085	30,316
Capital grants and gifts	1,740,435	268,305
Additions to permanent endowments	105,647	99,669
Net non-operating revenues	<u>5,142,126</u>	<u>4,047,193</u>
<b>Change in Net Assets</b>	<b>130,272</b>	<b>237,048</b>
<b>Net Assets, Beginning of year (Restated - Note 11)</b>	<b>20,083,890</b>	<b>19,846,842</b>
<b>Net Assets, End of year</b>	<b><u>\$ 20,214,162</u></b>	<b><u>\$ 20,083,890</u></b>

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

**WOSU PUBLIC MEDIA**  
*A Public Telecommunications Entity Operated By The Ohio State University*  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Grants from the Corporation for Public Broadcasting	\$ 1,829,079	\$ 1,978,574
Member contributions	2,920,515	2,950,022
Fees and services	1,133,282	1,392,719
Proceeds from fundraising	179,882	235,414
Federal, state and local grants	1,665,684	1,259,583
Royalties	50,784	1,695
Other revenues	6,686	12,548
Payments to employees	(4,754,494)	(3,829,589)
Payments to suppliers	<u>(6,176,587)</u>	<u>(5,451,502)</u>
Net cash used by operating activities	(3,145,169)	(1,450,536)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Private endowment contributions	105,647	99,669
University subsidies	<u>1,307,446</u>	<u>2,073,268</u>
Net cash provided by noncapital financing activities	1,413,093	2,172,937
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Capital grants and gifts received	628,745	1,103,737
Funds advanced by the University	993,615	1,090,909
Purchase of capital assets	<u>(2,903,177)</u>	<u>(1,579,772)</u>
Net cash (used) provided by capital financing activities	(1,280,817)	614,874
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment purchases	(105,647)	(99,669)
Interest and dividends received	<u>453,508</u>	<u>490,062</u>
Net cash provided by investing activities	<u>347,861</u>	<u>390,393</u>
Net change in cash	(2,665,032)	1,727,668
Cash at beginning of year	<u>10,881,295</u>	<u>9,153,627</u>
Cash at end of year	<u>\$ 8,216,263</u>	<u>\$ 10,881,295</u>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (5,011,854)	\$ (3,810,145)
Adjustments to reconcile excess additions over deductions to net cash provided by operating activities:		
Donated facilities and support	1,253,977	1,085,573
Depreciation expense	898,086	770,759
Decrease (Increase) in unamortized broadcast rights	75,232	(70,031)
(Increase) Decrease in grants, underwriting and accounts receivables	(392,146)	162,812
Increase in accounts payable and accrued liabilities	123,110	487,774
(Decrease) in deferred membership support	(226,407)	(30,440)
Increase (Decrease) in compensated absences and other accrued liabilities	<u>134,833</u>	<u>(46,838)</u>
Net adjustments	<u>1,866,685</u>	<u>2,359,609</u>
Net cash used by operating activities	<u>\$ (3,145,169)</u>	<u>\$ (1,450,536)</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2006 and 2005**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Entity**

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

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

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

**Basis of Presentation**

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

**Basis of Accounting**

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

**Cash**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2006 and 2005**

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

**Endowment Investments**

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

**Broadcast Rights**

Broadcast rights purchased by WOSU are amortized using the straight-line method over three years and are net of accumulated amortization of \$1,044,101 and \$1,043,788 as of June 30, 2006 and 2005, respectively.

**Capital Assets**

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

**Revenue Recognition**

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

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

**In-Kind Contributions**

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

**Reclassifications**

Certain reclassifications have been made to the 2005 financial statements presentation to conform with the 2006 financial statements presentation.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2006 and 2005**

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

**Donated Facilities and Administrative Support from The Ohio State University**

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

**Management Estimates**

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

**Net Assets**

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

**NOTE 2: CASH AND INVESTMENTS**

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

The cash balance as of June 30, 2006 and 2005, are pooled funds which are held and managed by the Treasurer's Office of the University. Endowment investments represent WOSU's share of pooled investment funds.

The following summarizes pooled shares and related values as of June 30, 2006 and 2005:

**WOSU Public Media**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2006 and 2005**

**NOTE 2: CASH AND INVESTMENTS (continued)**

<u>Fund account</u>	<u>No. of Shares</u>	<u>Cost</u>	<u>Market Value</u>
<b>2006:</b> Friends of WOSU	399.0093	\$1,379,196	\$2,674,158
Prine Classical Music	1.3300	5,315	8,914
Taylor Memorial	3.4136	27,460	22,878
Elam Family	11.2653	69,550	75,500
Reba Harvey	15.9992	99,967	109,138
Batelle Digital Media	7.0727	50,000	48,246
Klotz Public Media	3.7558	25,000	25,620
Digital Media Center	3.7932	25,101	25,875
WOSU Public Media	397.5312	<u>2,489,368</u>	<u>2,664,252</u>
Totals		<u>\$4,170,957</u>	<u>\$5,654,581</u>

<u>Fund account</u>	<u>No. of Shares</u>	<u>Cost</u>	<u>Market Value</u>
<b>2005:</b> Friends of WOSU	399.0093	\$1,379,196	\$2,539,899
Prine Classical Music	1.3300	5,315	8,466
Taylor Memorial	3.4136	27,460	21,729
Elam Family	11.5708	71,550	73,654
Reba Harvey	15.2450	95,000	98,154
WOSU Public Media	396.8175	<u>2,484,678</u>	<u>2,525,947</u>
Totals		<u>\$4,063,199</u>	<u>\$5,267,849</u>

**NOTE 3: PLEDGES RECEIVABLE**

Pledges receivable represent the net unconditional promises to give that were made in connection with WOSU Public Media's capital campaign. Promises to give were discounted at 5.036%, the United State T-Bill rate at June 30, 2006. Pledges receivable at June 30, 2005 were all due in fiscal year 2006 and therefore no discount applied. All pledges were considered to be fully collectible. As of June 30, 2006 and 2005, there were the following pledges receivable balances:

	<u>2006</u>	<u>2005</u>
Receivable in less than one year	\$ 412,373	\$ 217,601
Receivable in one to three years	<u>1,120,760</u>	<u>-</u>
Total	1,533,133	217,601
Less discounts to net present value	( 99,184)	( - )
Less allowance for uncollectible pledges receivable	<u>( - )</u>	<u>( - )</u>
Net pledges receivable	<u>\$ 1,433,949</u>	<u>\$ 217,601</u>

**WOSU Public Media**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2006 and 2005**

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the years ended June 30, 2006 and 2005, were as follows:

<u>June 30, 2006:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Non-depreciable assets				
Construction in progress	\$ 579,515	2,130,178	(1,259,614)	\$ 1,450,079
Depreciable assets				
Buildings	2,059,880	1,259,614	-	3,319,494
Improvements	1,167,938	-	-	1,167,938
Equipment	<u>10,069,866</u>	<u>946,127</u>	<u>(14,268)</u>	<u>11,001,725</u>
Total cost of depreciable assets	<u>13,297,676</u>	<u>2,205,741</u>	<u>(14,268)</u>	<u>15,489,157</u>
Total cost of capital assets	13,877,199	4,335,919	(1,273,882)	16,939,236
Less accumulated depreciation	<u>8,755,771</u>	<u>898,086</u>	<u>(14,268)</u>	<u>9,639,589</u>
Net capital assets	<u>\$5,121,428</u>	<u>3,437,833</u>	<u>(1,259,614)</u>	<u>\$7,299,647</u>
<u>June 30, 2005:</u>				
Non-depreciable assets				
Construction in progress	\$ 91,650	487,865	-	\$ 579,515
Depreciable assets				
Buildings	2,059,880	-	-	2,059,880
Improvements	1,167,938	-	-	1,167,938
Equipment	<u>9,231,759</u>	<u>1,091,907</u>	<u>(253,800)</u>	<u>10,069,866</u>
Total cost of depreciable assets	<u>12,459,577</u>	<u>1,091,907</u>	<u>(253,800)</u>	<u>13,297,676</u>
Total cost of capital assets	12,551,227	1,579,772	(253,800)	13,877,199
Less accumulated depreciation	<u>8,238,812</u>	<u>770,759</u>	<u>(253,800)</u>	<u>8,755,771</u>
Net capital assets	<u>\$4,312,415</u>	<u>809,013</u>	<u>-</u>	<u>\$5,121,428</u>

The following estimated useful lives are used to compute depreciation:

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

**WOSU Public Media**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2006 and 2005**

**NOTE 5: RETIREMENT PLAN**

**Public Employees Retirement System (OPERS)**

All employees covered under WOSU are employees of The University. Substantially all employees are covered by the Ohio Public Employees Retirement System (OPERS). All other employees are covered by the State Teachers Retirement System of Ohio (STRS). These retirement programs are statewide cost-sharing multiple employer defined benefit pension plans. They provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by State statute. OPERS and STRS issue separate, publicly-available financial reports that include financial statements and required supplementary information. The OPERS report may be obtained by writing Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or calling (614) 222-6701 or (800) 222-7377.

OPERS provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (“OPEB”) as described in GASB Statement No. 12, *Disclosure of Information of Postemployment Benefits other than Pension Benefits by State and Local Government Employers*. A portion of each contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for authority for employer contributions. Effective January 1, 2006, the rate for state employers was 13.31% of covered payroll; 4% was the portion that was used to fund health care for the year. These rates are the actuarially determined contribution requirement for OPERS. WOSU Public Media’s contributions, which represent 100% of the required contribution, for the years ended June 30, 2006 and each of the two preceding years was as follows:

	<u>OPERS Annual Required Contribution</u>	<u>SERS Annual Contribution</u>
2006	\$ 438,597	-
2005	472,687	-
2004	484,852	5,790

As of June 30, 2006, WOSU Public Media did not have any employees enrolled in the State Employees Retirement System (SERS). Fiscal year 2004 was the last year any employee of WOSU Public Media participated in the SERS retirement plan.

**WOSU Public Media**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2006 and 2005**

**NOTE 6: OTHER POSTEMPLOYMENT BENEFITS**

**Public Employees Retirement System (OPERS)**

The assumptions and calculations below were based on the Retirement System's latest actuarial review performed as of December 31, 2004. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2004 was 8.00%. An annual increase of 4.00% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

OPEB are advance-funded on an actuarially determined basis. As of December 31, 2004, the actuarial value of the Retirement System's net assets available for OPEB was \$10.8 billion. The number of active contributing participants was 376,109. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

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

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

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**WOSU Public Media**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2006 and 2005**

**NOTE 7: COMPENSATED ABSENCES**

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

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

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

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

As of June 30, 2006 and 2005, accrued vacation and sick leave liability was \$430,590 and \$295,757, respectively.

**WOSU Public Media**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2006 and 2005**

**NOTE 8: CORPORATION FOR PUBLIC BROADCASTING GRANT AWARDS**

WOSU Public Media received grant funds from the Corporation for Public Broadcasting (CPB) to assist in the operations of the stations. During 2006 and 2005, the following summarizes grant funds earned during the fiscal year:

<u>CPB Grant</u>	<u>WOSU-AM</u>	<u>WOSU-FM</u>	<u>WOSU-TV</u>	<u>TOTAL</u>
<u>Fiscal Year 2006:</u>				
Community Service	\$ 162,906	162,907	1,135,439	\$ 1,461,252
Interconnection Grant	-	-	22,646	22,646
Ready to Learn Grant	-	-	20,000	20,000
Digital Conversion Grants	<u>52,778</u>	<u>75,000</u>	<u>429,355</u>	<u>557,133</u>
Total 2006	\$ <u>215,684</u>	<u>237,907</u>	<u>1,607,440</u>	\$ <u>2,061,031</u>
<u>Fiscal Year 2005:</u>				
Community Service	\$ 172,995	172,995	1,154,537	\$ 1,500,527
Interconnection Grant	-	-	23,276	23,276
Digital Conversion Grants	<u>75,000</u>	<u>-</u>	<u>10,719</u>	<u>85,719</u>
Total 2005	\$ <u>247,995</u>	<u>172,995</u>	<u>1,188,532</u>	\$ <u>1,609,522</u>

**NOTE 9: UNIVERSITY SUPPORT**

The operations of WOSU Public Media are supported in part by the general revenues of the University. The University provides for the general operating costs of WOSU operations. The University's direct support amounted to \$1,307,474 and \$2,073,268, for the years ended June 30, 2006 and 2005, respectively. In addition, the University provided \$1,253,977 and \$1,085,573 in indirect administrative support during fiscal years 2006 and 2005, respectively.

WOSU Public Media has two lines of credit through the University, a \$1,200,000 line related to the radio station studio renovations completed during 2006 and a \$5,000,000 line related to the construction of the WOSU digital media center at COSI Columbus. As of June 30, 2006 and 2005, there was a total of \$2,084,524 and \$1,090,909, respectively, outstanding on the lines. The interest rate on the lines of credit are based on the University's monthly investment credit rate and is determined by the Office of the Treasurer. The interest rate charged by the University on the lines of credit at June 30, 2006 was 4.77%. Interest expense of \$51,722 was incurred on both lines of credit during 2006.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2006 and 2005**

**NOTE 10: INCOME BENEFICIARY**

WOSU Public Media is an income beneficiary of certain funds administered and maintained by The University. WOSU Public Media receives income generated from the Donald R. Glancy Endowed Fund in excess of \$7,000 per year to support television and radio programming needs. WOSU Public Media received \$32,140 and \$35,377 from this fund during fiscal years 2006 and 2005, respectively. In addition, WOSU Public Media receives ten percent of the income generated from the John McKitrick Family Fund. During fiscal years 2006 and 2005, WOSU Public Media received \$125 and \$138 from this fund, respectively. All income received by WOSU Public Media as an income beneficiary have been included in the statement of revenues, expenses and changes in net assets for the years ended June 30, 2006 and 2005.

The following summarizes the value of these funds as of June 30, 2006 and 2005:

<u>Fund Name</u>	<u>2006</u>	<u>2005</u>
	<u>Market</u> <u>Value</u>	<u>Market</u> <u>Value</u>
Donald R. Glancy Endowed Fund	\$699,476	\$657,204
John McKitrick Family Fund	<u>2,690</u>	<u>2,555</u>
Total Income Beneficiary Funds	<u>\$702,166</u>	<u>\$659,759</u>

**NOTE 11: PRIOR PERIOD ADJUSTMENT**

The financial statements have been restated to account for an error in accounting for capitalized assets from prior years which had not been properly accounted for. The error affected the determination of the value of capitalized buildings and accumulated depreciation thereon. The following adjustment has been made to the net assets and capitalized property and equipment of WOSU Public Media as of July 1, 2004:

Total Net Assets:	
As reported July 1, 2004	\$18,927,892
Adjustment for capitalized assets	<u>918,950</u>
As restated - July 1, 2004	<u>\$ 19,846,842</u>

**WOSU PUBLIC MEDIA**  
*A Public Telecommunications Entity Operated By The Ohio State University*  
**Supplemental Schedule of Revenues and Expenses By Telecommunication Operations**  
**For The Year Ended June 30, 2006**

<u>REVENUES AND OTHER SUPPORT</u>	<u>Radio</u>			<u>Television</u>	<u>Totals</u>
	<u>AM</u>	<u>FM</u>	<u>Total</u>		
The Ohio State University Direct Support	\$ 271,839	431,715	703,554	603,920	\$ 1,307,474
Contributed Services	121,960	121,960	243,920	1,807,801	2,051,721
Donated Facilities and Support - OSU	313,760	241,237	554,997	698,980	1,253,977
Grants from the CPB	150,685	302,906	453,591	1,607,440	2,061,031
Member Contributions	538,926	538,926	1,077,852	1,616,777	2,694,629
Fees and Services:					
PBS	1,700	-	1,700	5,400	7,100
B&I	174,760	207,697	382,457	471,426	853,883
Foundations/NPO's	143,080	72,373	215,453	133,674	349,127
Federal Govt.	-	10,235	10,235	21,823	32,058
Fundraising	3,199	3,199	6,398	173,484	179,882
Federal Grants	22,298	121,250	143,548	222,516	366,064
State and Local Grants	63,816	109,693	173,509	1,138,474	1,311,983
Investment Income:					
Interest and dividend income	66,398	67,872	134,270	319,238	453,508
Unrealized gains(loss) on investments	56,217	56,217	112,434	168,651	281,085
Endowment Contributions	21,529	21,529	43,058	62,589	105,647
Capital Grants and Gifts	369,018	369,018	738,036	1,002,399	1,740,435
Royalties	-	407	407	50,377	50,784
Other	486	134	620	6,038	6,658
<b>Total Support, Revenue, and Other Additions</b>	<b>2,319,671</b>	<b>2,676,368</b>	<b>4,996,039</b>	<b>10,111,007</b>	<b>15,107,046</b>
 <b><u>EXPENSES</u></b>					
Program Services:					
Programming and Production	1,154,925	524,923	1,679,848	3,200,064	4,879,912
Broadcasting	712,124	672,719	1,384,843	2,274,486	3,659,329
Program Information	191,420	187,068	378,488	572,616	951,104
<b>Total Program Services</b>	<b>2,058,469</b>	<b>1,384,710</b>	<b>3,443,179</b>	<b>6,047,166</b>	<b>9,490,345</b>
Supporting Services:					
Management & General	805,614	791,074	1,596,688	1,633,598	3,230,286
Fundraising	232,046	226,243	458,289	676,750	1,135,039
Underwriting	35,112	33,662	68,774	154,244	223,018
Depreciation	179,617	179,617	359,234	538,852	898,086
<b>Total Supporting Services</b>	<b>1,252,389</b>	<b>1,230,596</b>	<b>2,482,985</b>	<b>3,003,444</b>	<b>5,486,429</b>
<b>Total Expenses</b>	<b>3,310,858</b>	<b>2,615,306</b>	<b>5,926,164</b>	<b>9,050,610</b>	<b>14,976,774</b>
<b>Excess (Deficit) of Revenues and Other Support Over Expenses</b>	<b>\$ (991,187)</b>	<b>61,062</b>	<b>(930,125)</b>	<b>1,060,397</b>	<b>\$ 130,272</b>

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

We have audited the financial statements of WOSU Public Media, which is a part of The Ohio State University, as of and for the year ended June 30, 2006, and have issued our report thereon dated December 19, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WOSU Public Media's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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*.

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

*Parms & Company, LLC*

December 19, 2006



**Mary Taylor, CPA**  
Auditor of State

THE OHIO STATE UNIVERSITY  
WOSU - PUBLIC MEDIA

FRANKLIN COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 1, 2007