

WOSU Public Media

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

Financial Statements

**As of and for the Years Ended June 30, 2015 and 2014
And Independent Auditor's Reports**



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors* Report of the WOSU Public Media, Franklin County, prepared by Pricewaterhouse Coopers LLP, for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 27, 2016

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Independent Auditor's Report

To the Board of Trustees of
The Ohio State University:

We have audited the financial statements of WOSU Public Media ("WOSU"), a department of The Ohio State University, appearing on pages 8 to 27 which consist of the statements of net position as of June 30, 2015 and June 30, 2014, and the related statements of revenues, expenses, and other changes in net position, and of cash flows for the years then ended, which collectively comprise WOSU's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 opinions on the 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 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 our 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, we consider internal control relevant to the WOSU'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 WOSU'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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WOSU at June 30, 2015 and June 30, 2014, and the changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of WOSU are intended to present the net financial position, the changes in net financial position and, where applicable, cash flows of only that portion of The Ohio State University that is attributable to the transactions of WOSU. They do not purport to, and do not, present fairly the net financial position of The Ohio State University as of June 30, 2015 or June 30, 2014, the changes in its net financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As disclosed in Note 1 and 6 to the basic financial statements, in the year ended June 30, 2015, WOSU adopted new accounting guidance related to the manner in which it accounts for pensions. As described within the notes to the financial statements, WOSU adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*, effective July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

The accompanying management's discussion and analysis on pages 4 through 7 and the Supplementary Information on GASB 68 Pension Liabilities on page 28 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who 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 supplementary 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.



Other Matter

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise WOSU's basic financial statements. The accompanying Supplemental Schedule of Revenues and Expenses by Telecommunications Operations for the year ended June 30, 2015 on page 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplemental Schedule of Revenues and Expenses by Telecommunications Operations for the year ended June 30, 2015 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Schedule of Revenues and Expenses by Telecommunications Operations for the year ended June 30, 2015 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2016 on our consideration of WOSU's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended June 30, 2015. 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 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 WOSU's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

January 14, 2016

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University Management's Discussion and Analysis (Unaudited) June 30, 2015 and 2014

The following Management's Discussion and Analysis, or MD&A, provides an overview of the financial position and activities of WOSU Public Media for the year ended June 30, 2015, with comparative information for the years ended June 30, 2014 and June 30, 2013. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

About WOSU Public Media

Since 1920, WOSU Public Media, with broadcast licenses held by The Ohio State University Board of Trustees, has enriched lives through content and experiences that engage, inform, and inspire. WOSU was created as one of the first educational radio stations in the country to provide lifelong learning beyond the boundaries of the Ohio State campus.

Today, WOSU Public Media operates six non-commercial FM radio stations and two educational television stations serving over 2.6 million Ohioans in a 31-county region. It provides the only regional source for classical music radio, all-day NPR and local news programming, and is the PBS station for central and southern Ohio. WOSU is known for its work with preschool caregivers through the Ready to Learn project; high school teens through the Surge Columbus collaborative; teachers through PBS Learning Media and customized local content for the classroom; and older central Ohioans through the Next Avenue initiative.

WOSU studio and production facilities are located at the OSU Fawcett Center and at the COSI Science Center in downtown Columbus. WOSU is under the purview of the Senior Vice President of Administration and Planning, with a State of Ohio nonprofit community board, Friends of WOSU, advising the organization. The most significant financial support for WOSU comes directly from the community it serves, with some 23,000 individual members and local corporate and foundation support. Over seventy percent of WOSU's funding is from private sources.

WOSU provides distinctive national programming through PBS and NPR, but has also distinguished itself with its commitment to local programming and services. The news team of 89.7 FM has been named "Best in Ohio" for five of the last six years by the Society of Professional Journalists. In 2015, WOSU TV received regional Emmy awards for the weekly arts program *Broad & High* and the Columbus Neighborhoods documentary on Clintonville.

WOSU's strategic plan provides the greater vision of the organization:

- Be the essential source of media that brings distinctive and diverse insights about our world
- Build a better community through involvement and illumination
- Be the foremost connection to arts, music, and cultural experiences
- Ignite change in young people's lives with experiences that enrich and media that encourage learning
- Be the indispensable source for civil discussion and in-depth journalism that create a more informed citizenry

About the Financial Statements

WOSU Public Media presents its financial reports in a "business type activity" format, in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*. In addition to this MD&A section, the financial report includes a Statement of Net Position, a Statement of Revenues, Expenses and Other Changes in Net Position, a Statement of Cash Flows and Notes to the Financial Statements.

WOSU Public Media

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Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

The financial statements for the year ended June 30, 2014 have been revised to correct errors relating to an overstatement of capital asset balances arising in prior years, a misclassification of cost containment transfers in the statement of revenues, expenses and other changes in net position, an understatement of revenue in prior periods, and a misclassification of assets between buildings and improvements as disclosed in the capital assets footnote. These errors were not material to prior periods' financial statements. The fiscal 2014 and fiscal 2013 information within the Summary Net Position, Summary of Revenues, Expenses and Other Changes in Net Position and Summary of Cash Flows as presented within Management's Discussion and Analysis have been similarly revised to correct these errors.

Financial Highlights

WOSU Public Media's total net position decreased by \$3,450,637 to \$16,383,843. The unrestricted net position was negatively affected by the required implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This standard which requires governmental employers participating in cost-sharing multi-employer retirement plans to recognize a share of the retirement plans' unfunded pension liabilities – resulted in a \$2,851,556 reduction in WOSU's opening unrestricted net position. The net pension liability recognized by WOSU at June 30, 2015 was \$3,156,849.

Summary of Net Position

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Cash	\$ 3,471,683	\$ 4,167,247	\$ 4,674,335
Receivables and other current assets	313,198	596,373	270,543
Total current assets	<u>3,784,881</u>	<u>4,763,620</u>	<u>4,944,878</u>
Pledges receivables , net	177,409	127,403	329,448
Investments	5,471,817	5,569,938	5,002,877
Capital assets, net of depreciation	12,488,100	12,906,943	13,395,223
Total noncurrent assets	<u>18,137,326</u>	<u>18,604,284</u>	<u>18,727,548</u>
Total assets	<u>21,922,207</u>	<u>23,367,904</u>	<u>23,672,426</u>
Deferred outflows	423,472	-	-
Total assets and deferred outflows	<u>\$ 22,345,679</u>	<u>\$ 23,367,904</u>	<u>\$ 23,672,426</u>
Accounts payable and accrued expenses	\$ 152,264	\$ 235,910	\$ 167,301
Unearned revenue	131,281	169,320	110,465
Current portion of debt	558,733	846,317	1,087,155
Total current liabilities	<u>842,278</u>	<u>1,251,547</u>	<u>1,364,921</u>
Noncurrent portion of debt	1,539,259	1,876,916	2,287,115
Net pension liability	3,156,849	-	-
Other noncurrent liabilities	362,334	404,961	375,728
Total noncurrent liabilities	<u>5,058,442</u>	<u>2,281,877</u>	<u>2,662,843</u>
Total liabilities	<u>5,900,720</u>	<u>3,533,424</u>	<u>4,027,764</u>
Deferred inflows	61,116	-	-
Net investment in capital assets	10,390,108	10,183,710	10,020,953
Restricted:			
Nonexpendable	1,917,876	1,923,288	1,876,254
Expendable	5,623,154	6,031,882	5,412,312
Unrestricted	<u>(1,547,295)</u>	<u>1,695,600</u>	<u>2,335,143</u>
Total net position	<u>16,383,843</u>	<u>19,834,480</u>	<u>19,644,662</u>
Total liabilities, deferred inflows and net position	<u>\$ 22,345,679</u>	<u>\$ 23,367,904</u>	<u>\$ 23,672,426</u>

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Endowment investments in the university's long-term investment pool decreased by \$98,121 to \$5,471,817 at June 30, 2015. The long-term investment pool is invested in a diversified portfolio of equities, fixed income, hedge funds and private equity that is intended to provide the long-term growth necessary to preserve the value of these funds, adjusted for inflation, while making distributions to support the university's mission.

Total liabilities of WOSU increased by \$2,367,296, to \$5,900,720 at June 30, 2015, primarily due to the pension liability offset by repayment of University debt and note payable.

Summary of Revenues, Expenses and Other Changes in Net Position

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenues:			
Contributed services	\$ 791,708	\$ 721,908	\$ 672,800
Sales and services	1,545,029	1,866,535	1,943,752
Grants and contracts	2,809,808	2,736,859	2,967,560
Member contributions	3,373,409	3,330,760	3,094,485
Other revenues	43,183	147,389	51,924
Total operating revenues	<u>8,563,137</u>	<u>8,803,451</u>	<u>8,730,521</u>
Operating expenses:			
Programming and production	5,947,895	6,075,654	5,911,394
Broadcasting	2,457,419	2,362,395	2,340,777
Program information	468,362	538,002	391,854
Management and general	1,742,421	1,652,589	1,690,372
Underwriting	363,319	429,661	377,231
Fundraising	1,249,171	1,331,183	1,186,815
Depreciation	529,927	598,961	739,632
Total operating expenses	<u>12,758,514</u>	<u>12,988,445</u>	<u>12,638,075</u>
Net operating loss	<u>(4,195,377)</u>	<u>(4,184,994)</u>	<u>(3,907,554)</u>
Non-operating revenues (expenses)			
Operating subsidies from University	1,838,705	1,850,586	1,926,507
Donated facilities and support	1,557,071	1,600,130	1,539,964
Net investment income	147,931	816,072	537,924
Interest expense	(69,105)	(58,535)	(59,214)
Capital gifts and grants	203,836	247,385	453,825
Additions to endowment	3,528	4,844	2,468
Total non-operating revenues	<u>3,681,966</u>	<u>4,460,482</u>	<u>4,401,474</u>
Equity transfers to the University	<u>(85,670)</u>	<u>(85,670)</u>	<u>(85,670)</u>
Change in net position	<u>(599,081)</u>	<u>189,818</u>	<u>408,250</u>
Net position - beginning of year	19,834,480	19,644,662	19,236,412
Cumulative effect of accounting change	<u>(2,851,556)</u>	<u>-</u>	<u>-</u>
Net position - end of year	<u>\$ 16,383,843</u>	<u>\$ 19,834,480</u>	<u>\$ 19,644,662</u>

Total Net Position (equity) decreased by \$3,450,637 to \$16,383,843 at June 30, 2015. It should be noted that the required subtotal for net operating income or loss will generally reflect a "loss", primarily due to

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the way operating and non-operating items are defined under GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating expenses include virtually all WOSU expenses. Operating revenues, however, *exclude* certain significant revenue streams that WOSU relies upon to fund current operations, including direct support from the University, capital gifts, and investment income.

Summary of Cash Flows

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Cash provided by (used) in:			
Operating activities	\$ (2,081,069)	\$ (2,121,662)	\$ (1,563,801)
Noncapital financing activities	1,756,563	1,769,760	1,928,975
Capital and related financing activities	(615,822)	(404,197)	3,233
Investing activities	244,764	249,011	260,726
	<u>(695,564)</u>	<u>(507,088)</u>	<u>629,133</u>
Net increase (decrease) in cash			
Cash, beginning of year	4,167,247	4,674,335	4,045,202
Cash, end of year	<u>\$ 3,471,683</u>	<u>\$ 4,167,247</u>	<u>\$ 4,674,335</u>

Total WOSU cash and cash equivalents decreased \$695,564, to \$3,471,683 in 2015. Operating activities include cash flows associated with fees and services, grants and contracts, membership contributions and operating expenses. Non-capital financing activities include direct operating support from the University and gifts. Capital and related financing activities include payments for purchase of capital assets, repayment of university debt and note payable. Net cash provided by investing activities consists primarily of endowment activity.

Economic Factors That Will Affect Future Economic Position and Results of Operations

WOSU Public Media continues to target the growth of its annual membership, underwriting, major and planned giving and grant revenues in the coming year. This is key in an environment of limited federal, state and university support. Private funding for a special multi-year multimedia project called Columbus Neighborhoods (Phase Three) is underway as this project will impact the budget for the next three fiscal years.

WOSU has seen an overall growth in listening to our stations, which has resulted in an increase of membership contributions. More of these new gifts are "sustainer" contributions given monthly through a credit card or checking account. WOSU is drawing on outside expertise to solidify this progress in the coming year. A new earned revenue unit called WOSU Productions has produced some remarkable work for OSU and the community and will continue to be a focus of revenue generation.

The greatest risk facing WOSU is the potential reduction in federal funding or another downturn in the economy. Corporation for Public Broadcasting grants have traditionally covered about 15 percent of the direct budget, including some of the costs of national and local programming. Aside from a strategy of building revenue, WOSU is creating a more efficient, priority-centered operation. We are bringing more efficiency to how we work behind the scenes to create more content and experiences that enrich our community.

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Statements of Net Position

June 30, 2015 and 2014

ASSETS AND DEFERRED OUTFLOWS:	2015	2014
Current assets		
Cash	\$ 3,471,683	\$ 4,167,247
Receivables:		
Accounts receivable, net	59,365	132,079
Government grants	875	3,438
Underwriting	74,323	100,737
Pledges, net	<u>178,635</u>	<u>360,119</u>
Total receivables	<u>313,198</u>	<u>596,373</u>
Total current assets	3,784,881	4,763,620
Noncurrent assets		
Endowments in OSU long-term investment pool	5,471,817	5,569,938
Pledges, net	177,409	127,403
Property and equipment, net	4,575,249	4,994,092
FCC license	<u>7,912,851</u>	<u>7,912,851</u>
Total noncurrent assets	<u>18,137,326</u>	<u>18,604,284</u>
Total assets	21,922,207	23,367,904
Deferred outflows		
Pension	<u>423,472</u>	-
Total deferred outflows	<u>423,472</u>	-
Total assets and deferred outflows	<u>\$ 22,345,679</u>	<u>\$ 23,367,904</u>
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses	\$ 117,740	\$ 207,595
Accrued compensated absence - current	34,524	28,315
Unearned revenue	131,281	169,320
Current portion - university debt	400,213	400,213
Current portion - note payable	<u>158,520</u>	<u>446,104</u>
Total current liabilities	842,278	1,251,547
Noncurrent liabilities		
University debt	116,578	352,280
Note payable	1,422,681	1,524,636
Net pension liability	3,156,849	-
Accrued compensated absence - noncurrent	<u>362,334</u>	<u>404,961</u>
Total noncurrent liabilities	<u>5,058,442</u>	<u>2,281,877</u>
Total liabilities	5,900,720	3,533,424
Deferred inflows		
Pension	<u>61,116</u>	-
Total deferred outflows	<u>61,116</u>	-
Net position		
Net investment in capital assets	10,390,108	10,183,710
Restricted		
Nonexpendable	1,917,876	1,923,288
Expendable	5,623,154	6,031,882
Unrestricted	<u>(1,547,295)</u>	<u>1,695,600</u>
Total net position	<u>16,383,843</u>	<u>19,834,480</u>
Total liabilities, deferred inflows, and net position	<u>\$ 22,345,679</u>	<u>\$ 23,367,904</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

Statements of Revenues, Expenses and Other Changes in Net Position

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
Contributed services	\$ 791,708	\$ 721,908
Grants from the Corporation for Public Broadcasting	1,583,787	1,561,575
Member contributions	3,373,409	3,330,760
Public broadcasting service	133,883	30,920
Business and industry	831,203	1,075,002
Foundations/non-profit organizations	579,943	760,613
Fundraising	20,905	34,610
Federal grants	39,813	35,959
State and local grants	1,186,208	1,139,325
Royalties	2,707	94,082
Miscellaneous	19,571	18,697
Total operating revenues	<u>8,563,137</u>	<u>8,803,451</u>
OPERATING EXPENSES		
Program services:		
Programming and production	5,947,895	6,075,654
Broadcasting	2,457,419	2,362,395
Program information	468,362	538,002
Total program services	<u>8,873,676</u>	<u>8,976,051</u>
Supporting services:		
Management and general	1,742,421	1,652,589
Depreciation	529,927	598,961
Underwriting	363,319	429,661
Fundraising	1,249,171	1,331,183
Total supporting services	<u>3,884,838</u>	<u>4,012,394</u>
Total operating expenses	<u>12,758,514</u>	<u>12,988,445</u>
Operating loss	(4,195,377)	(4,184,994)
NON-OPERATING REVENUES (EXPENSES)		
Operating subsidies from University	1,838,705	1,850,586
Donated facilities and support	1,557,071	1,600,130
Net investment income:		
Interest and dividend income	246,052	252,174
Increase (decrease) in fair value of investments	(98,121)	563,898
Interest expense	(69,105)	(58,535)
Capital grants and gifts	203,836	247,385
Additions to permanent endowments	3,528	4,844
Net non-operating revenues	<u>3,681,966</u>	<u>4,460,482</u>
Equity transfers to the University	<u>(85,670)</u>	<u>(85,670)</u>
Change in Net Position	(599,081)	189,818
Net Position, Beginning of year		
Beginning of year, as previously reported	19,834,480	19,644,662
Cumulative effect of accounting change	(2,851,556)	-
Beginning of year, as restated	<u>16,982,924</u>	<u>19,644,662</u>
Net Position, End of year	<u>\$ 16,383,843</u>	<u>\$ 19,834,480</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

Statements of Cash Flows

As of June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants from the Corporation for Public Broadcasting	\$ 1,583,787	\$ 1,561,575
Member contributions	3,519,116	3,157,814
Fees and services	1,643,118	1,782,577
Proceeds from fundraising	20,905	34,610
Federal, state and local grants	1,191,584	1,198,587
Royalties	2,707	94,082
Other revenues	19,571	18,697
Payments to employees	(5,524,865)	(5,376,865)
Payments to suppliers	(4,536,992)	(4,592,739)
Net cash (used) in operating activities	<u>(2,081,069)</u>	<u>(2,121,662)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Private endowment contributions	3,528	4,844
University subsidies	1,838,705	1,850,586
Equity transfers to university	(85,670)	(85,670)
Net cash provided by noncapital financing activities	<u>1,756,563</u>	<u>1,769,760</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital grants and gifts received	189,607	416,056
Principal paid on note payable	(158,487)	(204,412)
Principal paid on University debt	(523,286)	(503,157)
Interest paid on University debt	(12,573)	(2,003)
Purchase of capital assets	(111,083)	(110,681)
Net cash provided (used) in capital financing activities	<u>(615,822)</u>	<u>(404,197)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment sales (purchases)	(1,288)	(3,163)
Interest and dividends received	246,052	252,174
Net cash provided by investing activities	<u>244,764</u>	<u>249,011</u>
Net change in cash	(695,564)	(507,088)
Cash at beginning of year	4,167,247	4,674,335
Cash at end of year	<u>\$ 3,471,683</u>	<u>\$ 4,167,247</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (4,195,377)	\$ (4,184,994)
Adjustments to reconcile excess additions over deductions to net cash provided by operating activities:		
Donated facilities and support	1,557,071	1,600,130
Depreciation expense	529,927	598,961
Decrease (increase) in receivables	248,685	(292,456)
Increase (decrease) in accounts payable	(89,855)	72,851
Increase (decrease) in unearned revenue	(38,039)	58,855
Increase (decrease) in compensated absences	(36,418)	24,991
Net pension liability	58,948	-
Deferred outflows - pension	(177,127)	-
Deferred inflows - pension	61,116	-
Net cash (used) in operating activities	<u>\$ (2,081,069)</u>	<u>\$ (2,121,662)</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 Financial Statements

For the Year Ended June 30, 2015

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 Mansfield)
WPBO-TV, Portsmouth, Ohio
WOSU-FM Radio, Columbus, Ohio
WOSA-FM Radio, Grove City, 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

The financial statements of WOSU Public Media have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). WOSU reports as a special purpose government engaged solely in "business type activities" under GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

WOSU's financial resources are classified for accounting and reporting purposes into the following four net position categories:

Net investment in capital assets

Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted nonexpendable

Net position subject to externally-imposed stipulations that they be maintained in perpetuity and invested for the purpose of generating present and future income, which may either be expended or added to the principal by WOSU. These assets consist of the WOSU's permanent endowment.

Restricted expendable

Net position whose use is subject to externally-imposed stipulations that can be fulfilled by actions of WOSU pursuant to those stipulations or that expire by the passage of time.

Unrestricted

Net Position that is not subject to externally-imposed stipulations. Substantially all unrestricted balances are internally designated for use by WOSU to support working capital needs of WOSU.

It is WOSU's policy to apply restricted resources first when an expense is incurred for which both restricted and unrestricted net position are available.

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

For the Year Ended June 30, 2015

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.

Investments

Endowment funds are handled by the Office of Financial Services 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 non-operating revenues in the statement of revenues, expenses and other changes in net position. Investments are recorded at their fair value. Investment income is recognized on an accrual basis. Interest and dividend income is recorded when earned.

Capital Assets

Capital assets 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 capital gifts.

WOSU receives gifts (pledges) from corporations, foundations and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of such promise, revenue is recognized when the gift is received. In accordance with GASB Statement No. 33, *Accounting and Reporting for Nonexchange Transactions*, endowment pledges are not recorded as assets until the related gift is received. An allowance for uncollectible pledges receivable is provided based on management's judgment of potential uncollectible amounts and includes such factors as prior collection history, type of gift, and nature of fundraising.

Unrestricted member contributions are recorded as support when the promise to give is made. Grant funds are recorded as revenues when the grant's contractual requirements have been met. Programming revenues received in advance are recognized when WOSU broadcasts the specific program.

In-Kind Contributions

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

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

For the Year Ended June 30, 2015

Donated Facilities and Administrative Support from The Ohio State University

Donated facilities and administrative support are calculated and recorded as both revenue and expense based upon the University's "modified other sponsored activities indirect cost rate" as defined by the Corporation for Public Broadcasting ("CPB"), which was 15.76% for the fiscal years ending June 30, 2015 and 2014. Donated facilities and administrative support from The University consists of allocated overhead costs related to financial, student and development department costs and certain other expenses incurred by the University on behalf of WOSU. All support received from the University is recorded as non-operating revenues.

Management Estimates

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

Implementation of GASB Statement No. 68

In fiscal year 2015, the university implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71. GASB Statement No. 68 requires employers participating in cost-sharing multiple-employer pension plans to recognize a proportionate share of the net pension liabilities of the plans. A proportionate share of the WOSU net pension liabilities has been allocated to the WOSU, based on retirement plan contributions for WOSU employees. The cumulative effect of adopting GASB Statement No. 68 was a \$2,851,556 reduction in WOSU's net position as of July 1, 2014. Balances reported for the year ended June 30, 2014 have not been restated due to limitations on the information available from the retirement systems. Additional information regarding net pension liabilities, related deferrals and pension expense is provided in Note 6.

Newly Issued Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, Fair Value Measurement and Application. Statement No. 72 expands the guidance on valuation of university investments, particularly alternative investments. It closely follows the Financial Accounting Standard Board's (FASB) valuation approach and disclosure requirements, including the categorization of investment fair value measurements into Levels 1, 2 and 3. Statement No. 72 will require additional disclosures, including a schedule of investments by type and level and additional details on investments that calculate Net Asset Value (NAV) per share. It is effective for periods beginning after June 15, 2015 (fiscal year 2016).

In June 2015, the GASB issued Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Statement No. 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by Statement Nos. 67 and 68). The requirements in Statement No. 73 for reporting pensions generally are the same as in Statement 68. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2015 (fiscal year 2016)—except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for financial statements for fiscal years beginning after June 15, 2016 (fiscal year 2017).

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

For the Year Ended June 30, 2015

In June 2015, the GASB issued Statements No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Statement Nos. 74 and 75 establish new accounting and reporting standards for other postemployment benefits (OPEB), such as health insurance provided to retirees. Under the new standards, governments that participate in OPEB plans will be required to report in their statement of net position a net OPEB liability, which is the difference between the total OPEB liability and the assets set aside to pay OPEB. Statement No. 74, which applies to plans (such as OPERS), is effective for periods beginning after June 15, 2016 (fiscal year 2017). Statement No. 75, which applies to plan participants (including the university), is effective for periods beginning after June 15, 2017 (fiscal year 2018).

In June 2015, the GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. Statement No. 76 reduces the GAAP hierarchy for state and local governments to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category consists of GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is specifically cleared by the GASB. The new standard is effective for periods beginning after June 15, 2015 (fiscal year 2016).

WOSU management is currently assessing the impact that implementation of GASB Statements No. 72, 73, 74, 75 and 76 will have on the WOSU's financial statements.

Other

WOSU is exempt from income taxes as an instrumentality of the State of Ohio under Internal Revenue Code §115 and Internal Revenue Service regulations. Any unrelated business income is taxable.

Revision

The financial statements for the year ended June 30, 2014 have been revised to correct errors relating to an overstatement of capital asset balances arising in prior years, a misclassification of cost containment transfers in the statement of revenues, expenses and other changes in net position, an understatement of revenue in prior periods, and a misclassification of assets between buildings and improvements as disclosed in the capital assets footnote. These errors were not material to prior periods' financial statements. The effect on fiscal year 2014 beginning net assets is presented below:

	<u>July 1, 2013</u>
Net position, beginning of year, as previously reported	\$ 20,429,834
Overstatement of capital asset	(822,224)
Out of period revenue recognition	<u>37,052</u>
Net position, beginning of year, as revised	<u>\$ 19,644,662</u>

WOSU's financial statements as of and for the year ended June 30, 2014 have been revised as follows:

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

For the Year Ended June 30, 2015

Statements of Net Position			
	As Previously Reported	Adjustment	As Currently Reported
Assets and Deferred Outflows			
Accounts receivable, net	\$ 93,241	\$ 38,838	\$ 132,079
Property and equipment, net	5,755,838	(761,746)	4,994,092
Liabilities, Deferred Inflows, and Net Position			
Net investment in capital assets	10,945,456	(761,746)	10,183,710
Restricted - expendable	5,993,044	38,838	6,031,882

Statements of Revenues, Expenses, and Other Changes in Net Position			
	As Previously Reported	Adjustment	As Currently Reported
Operating Revenues			
Foundations/non-profit organizations	\$ 721,775	\$ 38,838	\$ 760,613
State and local grants	1,164,325	(25,000)	1,139,325
Operating Expenses			
Management and general	1,738,259	(85,670)	1,652,589
Depreciation	647,387	(48,426)	598,961
Non-Operating Revenues			
Equity transfers to the university	-	85,670	85,670

Statements of Cash Flows			
	As Previously Reported	Adjustment	As Currently Reported
Cash Flows From Operating Activities			
Payments to suppliers	\$ (4,678,409)	\$ 85,670	\$ (4,592,739)
Cash Flows From Noncapital Financing Activities			
Equity transfers to the university	-	(85,670)	(85,670)
Reconciliation of net operating revenues (expenses) to net cash by operating activities			
Operating loss	(4,332,928)	147,934	(4,184,994)
Depreciation expense	647,387	(48,426)	598,961
Decrease (increase) in receivables	(278,618)	(13,838)	(292,456)

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

For the Year Ended June 30, 2015

Footnote 4: Capital Asset activity for the year ended June 30, 2014

Capital assets being depreciated - beginning balance	As previously reported	Adjustment	As currently reported
Buildings	\$ 7,838,223	\$ (6,839,368)	\$ 998,855
Improvements	\$ 1,167,938	\$ 6,839,368	\$ 8,007,306

2. INVESTMENTS

WOSU's endowment investments are maintained in the university's Long-Term Investment Pool, and as such, all endowment investments are held by the University. The pool consists of more than 5,000 named funds. Each named fund is assigned a number of shares, based on the value of the gifts, income-to-principal transfers, or transfers of operating funds to that named fund. The pool is invested in a diversified portfolio of equities and fixed income securities, as well as a number of alternative investment funds, such as real estate limited partnerships, hedge funds, private equity funds, venture capital funds and natural resources funds. The pool is intended to provide the long-term growth necessary to preserve the value of these funds, adjusted for inflation, while making distributions to support WOSU's mission.

Annual distributions to named funds in the Long-Term Investment Pool are computed using the share method of accounting for pooled investments. The annual distribution per share is 4.25% of the average market value per share of the Long Term Investment Pool over the most recent seven year period.

The fair values of WOSU's investments held in the university's investment pool were \$5,471,817 and \$5,569,938 at June 30, 2015 and 2014, respectively. The university holds certain types of alternative investment funds, including limited partnerships and private equity, which are carried at the net assets value provided by the management of these funds. The purpose of this alternative investment fund class is to increase portfolio diversification and reduce risk due to the low correlation with other asset classes.

Management of the alternative investment funds, namely the general partner, use methods such as discounted cash flows, recent transactions, and other model-based calculations, to estimate the fair value of the investment held by the fund.

Investments are carried at market values in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The net change in the value of investments during 2015 and 2014 were unrealized (losses) and gains of \$(98,121) and \$563,898, respectively. These amounts take into account all changes in fair value (including purchases and sales) that occurred during the year.

The calculation of unrealized gain or loss is independent of the calculation of the net increase in fair value of investments. As of June 30, 2015 and 2014, there is cumulative unrealized gain on investments of \$1,019,219 and \$1,118,628, respectively.

WOSU Public Media

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Notes to Financial Statements

For the Year Ended June 30, 2015

The following summarizes WOSU's investments held in the University's investment pool as of June 30, 2015:

Name of Fund	Number of Shares	Cost	Fair Value
Friends of WOSU	404.70	1,408,988	2,495,938
Prine Classical Music	1.36	5,550	8,399
WOSU Public Media	398.62	2,496,127	2,458,471
AEP Foundation	4.60	25,000	28,353
Elam Family	11.29	69,700	69,656
Taylor Memorial	3.51	28,060	21,665
Batelle Digital Media	21.36	150,000	131,730
Reba Harvey	16.58	99,967	102,283
Klotz Public Media	3.89	25,000	24,011
Palius Public Media	4.06	26,353	25,069
Sipp Student Interns	6.96	50,000	42,945
Digital Media Center Outreach	10.26	67,853	63,297
		<u>\$ 4,452,598</u>	<u>\$ 5,471,817</u>

The following summarizes WOSU's investments held in the University's investment pool as of June 30, 2014:

Name of Fund	Number of Shares	Cost	Fair Value
Friends of WOSU	404.69	1,408,948	2,541,250
Prine Classical Music	1.36	5,550	8,552
WOSU Public Media	398.45	2,495,079	2,502,082
AEP Foundation	4.60	25,000	28,868
Elam Family	11.29	69,700	70,921
Taylor Memorial	3.48	27,860	21,856
Batelle Digital Media	21.36	150,000	134,123
Reba Harvey	16.58	99,967	104,141
Klotz Public Media	3.89	25,000	24,447
Palius Public Media	4.06	26,353	25,524
Sipp Student Interns	6.96	50,000	43,725
Digital Media Center Outreach	10.26	67,853	64,447
		<u>\$ 4,451,310</u>	<u>\$ 5,569,938</u>

3. PLEDGES RECEIVABLE

In accordance with GASB Statement No. 33, *Accounting and Reporting for Non-exchange Transactions*, WOSU has recorded \$375,506 in pledges receivable and a related allowance for

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

For the Year Ended June 30, 2015

doubtful accounts of \$19,462 at June 30, 2015. The university recorded \$499,179 in pledges receivable and a related allowance for doubtful accounts of \$11,656 at June 30, 2014.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
FCC License	\$ 7,912,851			\$ 7,912,851
Capital assets being depreciated:				
Buildings	999,912	-	-	999,912
Improvements	7,993,806	-	-	7,993,806
Equipment	9,913,644	111,084	41,930	9,982,798
Total	26,820,213	111,084	41,930	26,889,367
Less: Accumulated depreciation	13,913,270	529,927	41,930	14,401,267
Total capital assets, net	\$ 12,906,943	\$ (418,843)	\$ -	\$ 12,488,100

Capital asset activity for the year ended June 30, 2014 is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
FCC License	\$ 7,912,851			\$ 7,912,851
Capital assets being depreciated:				
Buildings	998,855	1,057	-	999,912
Improvements	8,007,306	-	13,500	7,993,806
Equipment	10,040,202	109,624	236,182	9,913,644
Total	26,959,214	110,681	249,682	26,820,213
Less: Accumulated depreciation	13,563,991	598,961	249,682	13,913,270
Total capital assets, net	\$ 13,395,223	(488,280)	-	\$ 12,906,943

The following estimated useful lives are used to compute depreciation:

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

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

For the Year Ended June 30, 2015

5. FCC LICENSE

The purchase of commercial radio station WWCD (FM) and approval from the Federal Communication Commission ("FCC") granted WOSU rights to the 101.1 FM radio frequencies. The FCC license is an indefinite life intangible after considering the expected use of the assets, the regulatory and economic environment within which it is being used, and the effects of obsolescence on their use. The FCC license authorizes WOSU to permanently use the broadcast spectrum, which is a resource that does not deplete or exhaust over time.

WOSU evaluates the license for impairment on an annual basis in accordance with GASB No. 51, *Accounting and Financial Reporting for Intangible Assets*. No impairment loss was recorded in fiscal year 2015 or 2014.

6. RETIREMENT PLANS

WOSU employees are covered by one of two retirement systems. Substantially all employees are covered by the Public Employees Retirement System of Ohio (OPERS). Employees may opt out of OPERS and participate in the Alternative Retirement Plan (ARP) if they meet certain eligibility requirements.

OPERS offers three separate plans: 1) a defined benefit plan, 2) a defined contribution plan and 3) a combined plan. These plans are discussed in greater detail in the following sections.

Defined Benefit Plans

OPERS offers statewide cost-sharing multiple-employer defined benefit pension plans. OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by state statute and are calculated using formulas that include years of service and final average salary as factors. OPERS issues separate, publicly available financial reports that include financial statements and required supplemental information. These reports may be obtained by contacting the organization.

OPERS

277 East Town Street
Columbus, OH 43215-4642
(614) 222-5601
(800) 222-7377

www.opers.org/investments/cafr.shtml

In accordance with GASB Statement No. 68, employers participating in cost-sharing multiple-employer plans are required to recognize a proportionate share of the collective net pension liabilities of the plans. Although changes in the net pension liability generally are recognized as pension expense in the current period, GASB 68 requires certain items to be deferred and recognized as expense in future periods. Deferrals for differences between projected and actual investment returns are amortized to pension expense over five years. Deferrals for employer contributions subsequent to the measurement date are amortized in the following period (one year). Other deferrals are amortized over the estimated remaining service lives of both active and inactive employees (amortization periods range from 3 to 9 years).

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

For the Year Ended June 30, 2015

The collective net pension liabilities of the retirement systems and WOSU's proportionate share of these net pension liabilities as of June 30, 2015 are as follows:

	<u>OPERS</u>
Pension Liability:	
Net pension liability - all employers	\$ 12,022,615,276
Proportion of the net pension liability - WOSU	0.026%
Proportionate share of net pension liability	\$ 3,156,849

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of June 30, 2015:

	<u>OPERS</u>
Deferred Outflows of Resources:	
Net difference between projected and actual earnings on pension plan investments	\$ 170,445
Employer contributions subsequent to the measurement date	253,027
Total	<u><u>\$ 423,472</u></u>

Deferred Inflows of Resources:	
Differences between expected and actual experience	\$ 61,116
Net difference between projected and actual earnings on pension plan investments	-
Total	<u><u>\$ 61,116</u></u>

Net deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the years ending June 30 as follows:

	<u>OPERS</u>
2016	\$ 269,271
2017	16,244
2018	37,670
2019	41,975
2020	(636)
2021 and Thereafter	(2,168)
Total	<u><u>\$ 362,356</u></u>

The following table provides additional details on the pension benefit formulas, contribution requirements and significant assumptions used in the measurement of total pension liabilities for OPERS.

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

For the Year Ended June 30, 2015

OPERS	
Statutory Authority	Ohio Revised Code Chapter 145
Benefit Formula	Benefits are calculated on the basis of age, final average salary (FAS), and service credit. State and Local members in transition Groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service. For Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.
Cost-of-Living Adjustments	Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual 3% cost-of-living adjustment is provided on the member's base benefit.
Contribution Rates	Employee and member contribution rates are established by the OPERS Board and limited by Chapter 145 of the Ohio Revised Code. For 2014, employer rates for the State and Local Divisions were 14% of covered payroll (and 18.1% for the Law Enforcement and Public Safety Divisions). Member rates for the State and Local Divisions were 10% of covered payroll (13% for Law Enforcement and 12% for Public Safety).
Measurement Date	December 31, 2014
Actuarial Assumptions	<p>Valuation Date: December 31, 2014</p> <p>Actuarial Cost Method: Individual entry age</p> <p>Investment Rate of Return: 8.00%</p> <p>Inflation: 3.75%</p> <p>Projected Salary Increases: 4.25% - 10.05%</p> <p>Cost-of-Living Adjustments: 3.00% Simple</p>
Mortality Rates	RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120% of the disabled female mortality rates were used, set forward two years. For females, 100% of the disabled female mortality rates were used.
Date of Last Experience Study	December 31, 2010

WOSU Public Media

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Notes to Financial Statements

For the Year Ended June 30, 2015

OPERS																									
Investment Return Assumptions	<p>The long term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. The following table displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Asset Class</th> <th style="text-align: center;">Target Allocation</th> <th style="text-align: center;">Long Term Expected Return*</th> </tr> </thead> <tbody> <tr> <td>Fixed Income</td> <td style="text-align: center;">23.0%</td> <td style="text-align: center;">2.31%</td> </tr> <tr> <td>Domestic Equity</td> <td style="text-align: center;">19.9%</td> <td style="text-align: center;">5.84%</td> </tr> <tr> <td>Real Estate</td> <td style="text-align: center;">10.0%</td> <td style="text-align: center;">4.25%</td> </tr> <tr> <td>Private Equity</td> <td style="text-align: center;">10.0%</td> <td style="text-align: center;">9.25%</td> </tr> <tr> <td>International Equity</td> <td style="text-align: center;">19.1%</td> <td style="text-align: center;">7.40%</td> </tr> <tr> <td>Other Investments</td> <td style="text-align: center;">18.0%</td> <td style="text-align: center;">4.59%</td> </tr> <tr> <td>Total</td> <td style="text-align: center; border-top: 1px solid black;">100.0%</td> <td></td> </tr> </tbody> </table> <p>* Returns presented as arithmetic means</p>	Asset Class	Target Allocation	Long Term Expected Return*	Fixed Income	23.0%	2.31%	Domestic Equity	19.9%	5.84%	Real Estate	10.0%	4.25%	Private Equity	10.0%	9.25%	International Equity	19.1%	7.40%	Other Investments	18.0%	4.59%	Total	100.0%	
Asset Class	Target Allocation	Long Term Expected Return*																							
Fixed Income	23.0%	2.31%																							
Domestic Equity	19.9%	5.84%																							
Real Estate	10.0%	4.25%																							
Private Equity	10.0%	9.25%																							
International Equity	19.1%	7.40%																							
Other Investments	18.0%	4.59%																							
Total	100.0%																								
Discount Rate	<p>The discount rate used to measure the total pension liability was 8.0% for both the Traditional Pension Plan and the Combined Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.</p>																								
Sensitivity of Net Pension Liability to Changes in Discount Rate	<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">1% Decrease (7.00%)</th> <th style="text-align: center;">Current Rate (8.00%)</th> <th style="text-align: center;">1% Increase (9.00%)</th> </tr> </thead> <tbody> <tr> <td style="text-align: right;">\$ 5,827,422</td> <td style="text-align: right;">\$ 3,156,849</td> <td style="text-align: right;">\$ 907,958</td> </tr> </tbody> </table>	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)	\$ 5,827,422	\$ 3,156,849	\$ 907,958																		
1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)																							
\$ 5,827,422	\$ 3,156,849	\$ 907,958																							

Defined Contribution Plans

ARP is a defined contribution pension plan. Full-time administrative and professional staff and faculty may choose enrollment in ARP in lieu of OPERS. Classified civil service employees hired on or after August 1, 2005 are also eligible to participate in ARP. ARP does not provide disability benefits, annual cost-of-living adjustments, post-retirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

OPERS also offer a defined contribution plan, the Member-Directed Plan (MD). The MD plan does not provide disability benefits, annual cost-of-living adjustments, post-retirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

For the Year Ended June 30, 2015

Combined Plans

OPERS also offers a combined plan. This is a cost-sharing multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive post-retirement health care benefits. OPERS provides retirement, disability, survivor and post-retirement health benefits to qualifying members of the combined plan.

Summary of Employer Pension Expense

Total pension expense for the year ended June 30, 2015, including employer contributions and accruals associated with recognition of net pension liabilities and related deferrals, is presented below. Pension expense is allocated to program and supporting service expenses on the Statement of Revenues, Expenses and Changes in Net Position.

	OPERS	ARP	Total
Employer Contributions	\$ 482,900	\$ 91,254	\$ 574,154
GASB 68 Accruals	(57,063)		(57,063)
Total Pension Expense	\$ 425,837	\$ 91,254	\$ 517,090

Post-Retirement Health Care Benefits

OPERS currently provides post-employment health care benefits to retirees with ten or more years of qualifying service credit. These benefits are advance-funded on an actuarially determined basis and are financed through employer contributions and investment earnings. OPERS determines the amount, if any, of the associated health care costs that will be absorbed by OPERS. Under Ohio Revised Code (ORC), funding for medical costs paid from the funds of OPERS is included in the employer contribution rate. For calendar year 2015 and 2014, OPERS allocated 2.0% of the employer contribution rate to fund the health care program for retirees.

7. ACCRUED 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

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Notes to Financial Statements

For the Year Ended June 30, 2015

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.

Long term liabilities related to accrued compensated absences as of June 30, 2015 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 433,276	\$ 32,627	\$ 69,045	\$ 396,858	\$ 34,524

Long term liabilities related to accrued compensated absences as of June 30, 2014 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 408,285	\$ 53,306	\$ 28,315	\$ 433,276	\$ 28,315

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. The following summarizes grant funds earned during the fiscal year:

CPB Grant	Fiscal Year 2015		
	WOSU-FM	WOSU-TV	Total
Community Service	\$345,435	\$1,216,347	\$ 1,561,782
Interconnection Grant		\$22,005	22,005
Total	<u>\$ 345,435</u>	<u>\$ 1,238,352</u>	<u>\$ 1,583,787</u>

CPB Grant	Fiscal Year 2014		
	WOSU-FM	WOSU-TV	Total
Community Service	\$322,661	\$1,215,657	\$ 1,538,318
Interconnection Grant		\$23,257	23,257
Total	<u>\$ 322,661</u>	<u>\$ 1,238,914</u>	<u>\$ 1,561,575</u>

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

For the Year Ended June 30, 2015

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 \$1,838,705 and \$1,850,586, for the years ended June 30, 2015 and 2014, respectively. In addition, the University provided \$1,557,071 and \$1,600,130 in indirect administrative support during fiscal years 2015 and 2014, respectively. The indirect administrative support revenues were calculated using the University's "modified other sponsored activities indirect costs rate" of 15.76% for fiscal years ended June 30, 2015 and 2014.

10. INCOME BENEFICIARY

WOSU Public Media is an income beneficiary of certain funds administered and maintained by the university. These funds are the property of the University, and as such are not included within WOSU's investment portfolio included within the Statement of Net Position. 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 \$26,176 and \$26,895 from this fund during fiscal years 2015 and 2014, respectively. In addition, WOSU Public Media receives ten percent of the income generated from the John McKittrick Family Fund. During fiscal years 2015 and 2014, WOSU Public Media received \$266 and \$231 from this fund, respectively. All income received by WOSU Public Media as an income beneficiary has been included in the statement of revenues, expenses and other changes in net position. The following summarizes the value of these funds as of June 30, 2015 and 2014:

<u>Fund Name</u>	<u>2015 Market Value</u>	<u>2014 Market Value</u>
Donald R. Glancy Endowed Fund	\$ 661,677	\$ 671,412
John McKittrick Family Fund	5,393	6,703
Total Income Beneficiary Funds	<u>\$ 667,070</u>	<u>\$ 678,115</u>

11. OPERATING LEASE OBLIGATION

WOSU leases office space from The Center of Science and Industry (COSI) under an agreement with a 10 year occupancy term commencing on the date of occupancy (December 15, 2006). The lease term automatically renews for an additional 5 year term. The lease amount is subject to annual adjustment based on the consumer price index (CPI).

WOSU leases office space at the Fawcett Center under an annual agreement with the university. The university pays a portion of the rent directly to the Business Advancement office in accordance with the lease agreement. WOSU paid approximately \$88,844 and \$86,225 during 2015 and 2014, respectively under this agreement. The lease amount is based on an annual square footage rate.

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Notes to Financial Statements

For the Year Ended June 30, 2015

The total rental expense charged to operations was \$337,712 and \$330,635 during 2015 and 2014, respectively. Future minimum payments for significant operating leases with initial or remaining terms in excess of one year are as follows:

2016	\$ 393,612
2017	403,560
2018	413,779
2019	424,279
2020	435,069

WOSU leases land from an individual under an agreement with a 5 year term commencing with the purchase of WWCD FM on December 14, 2010. The lease term automatically renews for 3 additional 5 year terms. Future minimum lease payments approximate \$12,000 per year through 2025. Rental expense charged to operations was \$12,000 during 2015 and 2014.

12. DEBT OBLIGATIONS

Debt activity for the year ended June 30, 2015, are as follows:

	Beginning Balance	Principal Additions	Repayments	Ending Balance	Current Portion
University advance	\$ 336,223	\$ -	\$ 336,223	\$ -	\$ -
Line of credit - radio studios	128,517	-	128,517	-	-
Line of credit - COSI	575,337	-	287,139	288,198	288,198
Line of credit - 101.1 FM	-	336,223	107,630	228,593	112,015
Promissory note	2,620,588	-	158,487	2,462,101	158,520
Total before discount	<u>\$ 3,660,665</u>	<u>\$ 336,223</u>	<u>\$ 1,017,996</u>	<u>2,978,892</u>	<u>\$ 558,733</u>
Discount on promissory note				(880,900)	
Total lines of credit and promissory note, net present value				<u>\$ 2,097,992</u>	

Debt activity for the year ended June 30, 2014, are as follows:

	Beginning Balance	Principal Additions	Repayments	Ending Balance	Current Portion
University advance	\$ 486,223	\$ -	\$ 150,000	\$ 336,223	\$ 336,223
Line of credit - radio studios	193,000	-	64,483	128,517	64,194
Line of credit - COSI	864,011	-	288,674	575,337	287,380
Promissory note	2,825,000	-	204,412	2,620,588	158,520
Total before discount	<u>\$ 4,368,234</u>	<u>\$ -</u>	<u>\$ 707,569</u>	<u>3,660,665</u>	<u>\$ 846,317</u>
Discount on promissory note				(937,432)	
Total lines of credit and promissory note, net present value				<u>\$ 2,723,233</u>	

WOSU obtained line of credit financing through the university for \$1,200,000 for the renovation of its Radio Studios and for \$5,000,000 for the construction of its COSI location radio and television broadcasting studios. Interest on the outstanding principal balance is based on the university's monthly investment credit rate as determined by the Office of Financial Services, which was 0.20%

WOSU Public Media

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Notes to Financial Statements

For the Year Ended June 30, 2015

during 2015 and 2014. The two lines of credit were termed out during fiscal year 2007, with maturity in June 2016. The Radio Studios line of credit was paid in full during 2015.

In addition, WOSU received an advance from the university to pay for the FM radio station acquisition in the amount of \$2,250,000. WOSU repaid \$1,763,777 of the advance upon the sale of the AM radio station in 2012. WOSU paid \$150,000 during fiscal year 2014. On July 1, 2014, WOSU modified repayment terms on the advance of \$336,223 to a line of credit with the university. The line of credit will be repaid over 3 years and bears an interest rate of 4.0%. WOSU intends to repay the line of credit with donor contributions.

WOSU financed the purchase of the WOSA (FM) on December 14, 2010 through a promissory note with the seller for \$3,450,000 and it is non-interest bearing. As such, the net present value of the note is less than face value. The net present value of the note (at an imputed interest rate of 4.80%) is \$1,581,201 and \$1,683,156 at June 30, 2015 and June 30, 2014, respectively. The monthly principal on the note shall be amortized over 20 years. The discount and imputed interest expense on the note are included in the statement of revenue, expenses and change in net position.

The following is a schedule showing the amounts due for the debt obligations as of June 30, 2015:

	Principal	Interest
2016	\$ 558,733	\$ 7,681
2017	275,098	2,541
2018	158,520	
2019	158,520	
2020	158,520	
2021-2025	792,600	
2026-2030	792,600	
2030	84,301	-
Total	<u>\$ 2,978,892</u>	<u>\$ 10,222</u>

Interest expense of \$69,105 and \$58,535 was incurred on the debt during fiscal year 2015 and 2014, respectively.

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University Required Supplementary Information on GASB 68 Pension Liabilities For the Year Ended June 30, 2015

The schedule of WOSU's proportionate shares of OPERS net pension liabilities are presented below:

	<u>OPERS</u>
Schedule of Proportionate Share of the Net Pension Liability	
WOSU proportion of the collective net pension liability	0.026%
WOSU proportionate share of the net pension liability	\$ 3,156,849
WOSU covered-employee payroll	\$ 3,546,706
WOSU proportionate share of the net pension liability as a percentage of its covered-employee payroll	89%
Plan fiduciary net position as a percentage of the total pension liability	86.5%

The schedule of WOSU's contributions to OPERS are presented below:

	<u>OPERS</u>
Contractually required contribution	\$ 482,900
Contributions in relation to the contractually required contribution	\$ 482,900
Contribution deficiency (excess)	\$ -
WOSU covered-employee payroll	\$ 3,411,352
Contributions as a percentage of covered-employee payroll	14.2%

WOSU Public Media

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Supplemental Schedule of Revenue and Expenses by Telecommunication Operations

For the Year Ended June 30, 2015

<u>REVENUES AND OTHER SUPPORT</u>	<u>Radio</u>	<u>Television</u>	<u>Totals</u>
The Ohio State University Direct Support	\$ 1,051,408	\$ 787,297	\$ 1,838,705
Contributed services	194,597	597,111	791,708
Donated facilities and support - OSU	683,294	873,777	1,557,071
Grants from the CPB	345,435	1,238,352	1,583,787
Member contributions	1,836,872	1,536,537	3,373,409
Public Broadcasting Service	1,600	132,283	133,883
Business and industry	291,872	539,331	831,203
Foundations/NPO's	239,143	340,800	579,943
Fundraising	-	20,905	20,905
Federal grants	13,758	26,055	39,813
State and local grants	188,962	997,246	1,186,208
Investment income:			
Interest and dividend income	130,118	115,934	246,052
Unrealized gain on investments	(53,967)	(44,154)	(98,121)
Endowment contributions	2,030	1,498	3,528
Capital grants and gifts	21,760	182,076	203,836
Royalties	222	2,485	2,707
Other	-	19,571	19,571
	<u> </u>	<u> </u>	<u> </u>
Total Support, Revenue, and Other Additions	4,947,104	7,367,104	12,314,208
<u>EXPENSES</u>			
Program Services:			
Programming and production	2,204,581	3,743,314	5,947,895
Broadcasting	915,141	1,542,278	2,457,419
Program information	<u>250,675</u>	<u>217,687</u>	<u>468,362</u>
Total Program Services	3,370,397	5,503,279	8,873,676
Supporting Services:			
Management & general	1,017,201	810,890	1,828,091
Fundraising	669,750	579,421	1,249,171
Underwriting	194,634	168,685	363,319
Interest expense	68,022	1,083	69,105
Depreciation	<u>291,460</u>	<u>238,467</u>	<u>529,927</u>
Total Supporting Services	2,241,067	1,798,546	4,039,613
Total Expenses	5,611,464	7,301,825	12,913,289
Change in Net Position	<u>\$ (664,360)</u>	<u>\$ 65,279</u>	<u>\$ (599,081)</u>



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

To the Board of Trustees of
The Ohio State University:

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 WOSU Public Media ("WOSU"), a department of The Ohio State University, as of and for the year ended June 30, 2015, appearing on pages 8 to 27, which consist of the statement of net position, the related statement of revenues, expenses, and other changes in net position and of cash flows, which collectively comprise WOSU's basic financial statements, and have issued our report thereon dated January 14, 2016, which included a matter of emphasis paragraph concerning WOSU's adoption of new accounting guidance related to the manner in which it accounts for pensions.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered WOSU'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 WOSU's internal control. Accordingly, we do not express an opinion on the effectiveness of WOSU'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.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether WOSU's basic 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 WOSU'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 WOSU's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PricewaterhouseCoopers LLP

January 14, 2016