

WOUB Center for Public Media

A Public Media Entity
(A Department of Ohio University)

Financial Statements as of and for the
Years Ended June 30, 2011 and 2010 and
Independent Auditor's Report



Dave Yost • Auditor of State

Board of Trustees
WOUB Center for Public Media
West Union Street Office Center
Room 204
Athens, Ohio 45701-2979

We have reviewed the *Independent Auditor's Report* of the WOUB Center for Public Media, Athens County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 6, 2012

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WOUB Center for Public Media
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Independent Auditor's Report

To the Board of Trustees
Ohio University
Athens, Ohio

We have audited the accompanying statement of net assets of the WOUB Center for Public Media (WOUB or, the "Center"), a public media entity (a department of Ohio University), as of June 30, 2011 and 2010 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Ohio University's (the "University") management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the financial statements of the Center are intended to present the statement of net assets and the related statements of revenue, expenses, and changes in net assets and cash flows of only that portion of activities attributable to the transactions of the Center. They do not purport to, and do not, present fairly the financial position of Ohio University as of June 30, 2011 and 2010, the statement of net assets, and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Ohio University

The management's discussion and analysis presented on pages 3 through 9 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2011 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Plante & Morse, PLLC

November 17, 2011

WOUB Center for Public Media
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Management's Discussion and Analysis

The discussion and analysis of the WOUB Center for Public Media's (WOUB or, the "Center") financial statements provides an overview of the Center's financial activities for the fiscal years ended June 30, 2011, 2010, and 2009. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis. Responsibility for the completeness and fairness of this information rests with the Center's management.

Using This Report

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

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

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

Statement of Net Assets

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

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Management's Discussion and Analysis (Continued)

Accounts receivable - related party represents amounts available in the cash account of the University for the benefit of the Center. All of the Center's receipts and disbursements are recorded in this account. The amounts are \$505,079, \$267,038, and \$0 for the years ended June 30, 2011, 2010, and 2009, respectively.

Accounts payable - related party represents amounts due from the Center to the cash account of the University for the benefit of the Center. All of the Center's receipts and disbursements are recorded in this account. The amounts are \$0, \$0, and \$417,312 for the years ended June 30, 2011, 2010, and 2009, respectively.

The following chart depicts the breakdown of assets, liabilities, and net assets for the Center as of June 30, 2011, 2010, and 2009:

| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|-------------------------------------|----------------------------|----------------------------|----------------------------|
| Assets: | | | |
| Accounts receivable | \$ 10,522 | \$ 10,522 | \$ 43,022 |
| Accounts receivable - Related party | 505,079 | 267,038 | - |
| Capital assets - Net | <u>5,020,263</u> | <u>5,603,438</u> | <u>6,472,501</u> |
| Total assets | 5,535,864 | 5,880,998 | 6,515,523 |
| Liabilities: | | | |
| Current liabilities | 62,635 | 64,707 | 89,730 |
| Accounts payable - Related party | - | - | 417,312 |
| Noncurrent liabilities | <u>682,914</u> | <u>735,902</u> | <u>749,795</u> |
| Total liabilities | <u>745,549</u> | <u>800,609</u> | <u>1,256,837</u> |
| Net assets | <u>\$ 4,790,315</u> | <u>\$ 5,080,389</u> | <u>\$ 5,258,686</u> |

The net assets are further displayed as follows:

| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--|----------------------------|----------------------------|----------------------------|
| Invested in capital assets - Net of related debt | \$ 4,519,175 | \$ 5,081,408 | \$ 5,930,646 |
| Restricted expendable | 216,609 | 174,980 | 7,868 |
| Unrestricted | <u>54,531</u> | <u>(175,999)</u> | <u>(679,828)</u> |
| Total net assets | <u>\$ 4,790,315</u> | <u>\$ 5,080,389</u> | <u>\$ 5,258,686</u> |

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Management's Discussion and Analysis (Continued)

Statement of Revenue, Expenses, and Changes in Net Assets

The statement of revenue, expenses, and changes in net assets presents the Center's results of operations for the years ended June 30, 2011 and 2010.

Operating Revenue

Charges for goods and services are recorded as operating revenue. In addition, certain grants are classified as operating revenue if they are not for capital purchases and are provided as a contract for services. Essentially, this means that the Center is required by the grant to provide goods or services to the grantor of equal value to the value of the services or dollars received. Total operating revenue is \$1,010,915, \$1,038,782, and \$1,092,462 for the years ended June 30, 2011, 2010, and 2009, respectively.

Nonoperating Revenue

Nonoperating revenue includes an annual Community Service Grant from the Corporation for Public Broadcasting and the State of Ohio, administered through an annual grant from eTech Ohio (formerly the Ohio Educational Telecommunications Network Commission). Nonoperating revenue also includes an appropriation, donated facilities, and administrative support from its licensee (the University). Certain grants are also classified as nonoperating revenue if the Center is not required under the grant agreement to provide goods or services to the grantor of equal value to the services or dollars received. In-kind contributions of \$804,871, \$869,125, and \$1,070,752 for the years ended June 30, 2011, 2010, and 2009, respectively, are also included in nonoperating revenue as private gifts revenue. Total nonoperating revenue is \$6,120,007, \$6,873,693, and \$6,531,777 for the years ended June 30, 2011, 2010, and 2009, respectively.

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Management's Discussion and Analysis (Continued)

Total Revenue

The following depicts total revenue by source for the years ended June 30, 2011, 2010, and 2009:

| | 2011 | 2010 | 2009 |
|------------------------------|---------------------|---------------------|---------------------|
| Support from Ohio University | \$ 3,609,174 | \$ 4,376,621 | \$ 3,524,242 |
| Grants and contracts | 1,744,114 | 1,400,529 | 1,464,238 |
| Private gifts | 521,645 | 482,928 | 698,706 |
| Sales and services | 717,404 | 916,939 | 890,289 |
| In-kind support | 804,871 | 869,125 | 1,070,752 |
| Total revenue by source | <u>\$ 7,397,208</u> | <u>\$ 8,046,142</u> | <u>\$ 7,648,227</u> |

Total Expenses

Operating expenses have been incurred to vendors and employees for providing goods or services for the overall operations of the Center. In addition, depreciation expense of \$796,432, \$881,981, and \$858,563 for the years ended June 30, 2011, 2010, and 2009, respectively, is shown as operating expense.

The following depicts operating expenses for the Center:

| | 2011 | 2010 | 2009 |
|------------------------------|---------------------|---------------------|---------------------|
| Program and support services | \$ 6,890,055 | \$ 7,341,275 | \$ 8,205,014 |
| Depreciation | 796,432 | 881,981 | 858,563 |
| Disposal of plant facilities | 795 | 1,183 | 35,279 |
| Total expense by source | <u>\$ 7,687,282</u> | <u>\$ 8,224,439</u> | <u>\$ 9,098,856</u> |

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Management's Discussion and Analysis (Continued)

Change in Net Assets

Total change in net assets is as follows:

| | 2011 | 2010 | 2009 |
|--------------------------|----------------------------|----------------------------|----------------------------|
| Operating revenue | \$ 1,010,915 | \$ 1,038,782 | \$ 1,092,462 |
| Nonoperating revenue | 6,120,007 | 6,873,693 | 6,531,777 |
| Capital grants and gifts | 266,286 | 133,667 | 23,988 |
| Expenses | <u>(7,687,282)</u> | <u>(8,224,439)</u> | <u>(9,098,856)</u> |
| Decrease in net assets | (290,074) | (178,297) | (1,450,629) |
| Beginning net assets | <u>5,080,389</u> | <u>5,258,686</u> | <u>6,709,315</u> |
| Ending net assets | <u>\$ 4,790,315</u> | <u>\$ 5,080,389</u> | <u>\$ 5,258,686</u> |

Statement of Cash Flows

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

The three categories of presentation and their respective amounts for the years ended June 30, 2011, 2010, and 2009 are as follows:

| | 2011 | 2010 | 2009 |
|--|--------------------------|--------------------------|--------------------|
| Net cash (used in) provided by: | | | |
| Operating activities | \$ (5,108,386) | \$ (5,837,271) | \$ (5,725,638) |
| Noncapital financing activities | 5,341,799 | 6,005,261 | 5,461,025 |
| Capital and related financing activities | <u>4,628</u> | <u>99,048</u> | <u>(330,024)</u> |
| Net increase (decrease) in cash | 238,041 | 267,038 | (594,637) |
| Cash - Beginning of year | <u>267,038</u> | <u>-</u> | <u>594,637</u> |
| Cash - End of year | <u>\$ 505,079</u> | <u>\$ 267,038</u> | <u>\$ -</u> |

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Management's Discussion and Analysis (Continued)

Items of Interest

In January 2011, an interim director, Tom Hodson, was named. As of the date of this document, that position has now become permanent. In early 2011, as a response to existing economic and industry challenges, the Center welcomed consultants supplied by the Corporation for Public Broadcasting (CPB) to review and make recommendations on how to maximize WOUB's resources and how to continue to be a source of relevant news and entertainment for southeast Ohio and surrounding areas.

As a result of the consultant recommendations, as well as the new director's vision, WOUB has created a "digital first" news strategy. This strategy does not displace existing successful broadcast and radio productions, but rather finds an additional platform to showcase news, as well as provide more in-depth reporting than is possible using other media. The new website became live in late August 2011. Audience numbers began to grow dramatically almost immediately, and we now see increased usage throughout our geographic region. We also added a new arts and music section to the website to expand our audience and reach a younger group of users.

One of the tenets to success has been focusing on more regionalized and localized information that is now, through the website, issued globally. Alumni from Ohio University and past Athens inhabitants are located around the globe. They, along with their more local counterparts, are hungry for news specific to this region. Our broadcast, award-winning program Gridiron Glory, continues to be a popular TV favorite, but it now is also on the web where audiences can keep up with local high school football. In addition, WOUB has created Hardwood Heroes as a supplement to local basketball news. We also have developed a student-produced weekly sports show - Bobcat Sports Showcase - that features a major web presence and highlights all Ohio University sports.

Newswatch, our daily broadcast news program, has been retooled to provide news more effectively, as well as to act as a funnel to our website. By enhancing local coverage but offering it globally, we are expanding our market exponentially. This also increases the potential for new memberships and alumni contributions.

In our efforts to become THE source of news and information for our region, we are expanding collaborative efforts with entities throughout our community. We have partnerships with the schools within the Scripps College of Communication and *The Columbus Dispatch*. Local productions of "Spaced Out" and "Down and Dirty Science" are cooperative efforts with science-based university and community personnel. Public Broadcast Masters Students regularly work at our station for hands-on experience that strengthens our existing infrastructure. We continue to provide quality programming, but also offer community services like outreach to local schools, special youth programming, and course materials for K-12 teachers.

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Management's Discussion and Analysis (Continued)

In 2010, our WOUB Alumni Society was created through the University Alumni Office and immediately, it became quite active. Prior to 2010, alumni activities were less organized and more ad hoc. As a result, we held numerous homecoming events. Alumnus Martin Savidge was on site for lectures and roundtable discussions about new media. Alumni Newswatch allowed alumni to shadow current students to produce our nightly news program. Additionally, our volunteer rate is strong and we have volunteers for pledge drives, to “spin records” on our AM radio station, and to handle a variety of other important tasks.

Budgets continue to be challenging, but we are meeting the existing needs and planning for ways to expand our resource base. In the near future, we will plan to hire additional personnel in development to begin building a stronger financial base of underwriting and memberships. We also have added advertising revenue to our website and we have increased our broadcast inventory subject to underwriting.

During the past fiscal year, the employees voluntarily took a 5 percent cut in their salary to ease a financial crisis. We, however, were able to end the year with a financial surplus and the 5 percent salary reduction was eliminated for fiscal year 2012.

We also had staff participate in strike forces that helped management reorganize the staff to become more efficient and to meet the needs of our new digital-first environment.

We also involved professionals and alumni in a Professional Task Force to advise the director of future trends in a rapidly changing media landscape.

We continue to be a vital broadcasting entity and a living, working media laboratory for industry, for the University, for the Scripps College, and for the approximately 200 students we have in our programs each year.

WOUB Center for Public Media
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Statement of Net Assets

| | <u>June 30, 2011</u> | <u>June 30, 2010</u> |
|--|----------------------------|----------------------------|
| Assets | | |
| Current Assets | | |
| Accounts receivable | \$ 10,522 | \$ 10,522 |
| Accounts receivable - Related party | <u>505,079</u> | <u>267,038</u> |
| Total current assets | 515,601 | 277,560 |
| Noncurrent Assets - Capital assets - Net | <u>5,020,263</u> | <u>5,603,438</u> |
| Total assets | <u>\$ 5,535,864</u> | <u>\$ 5,880,998</u> |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 40,511 | \$ 43,764 |
| Current portion of loan payable | <u>22,124</u> | <u>20,943</u> |
| Total current liabilities | 62,635 | 64,707 |
| Noncurrent Liabilities | | |
| Accrued compensated absences | 203,951 | 234,815 |
| Loan payable - Related party | <u>478,963</u> | <u>501,087</u> |
| Total noncurrent liabilities | <u>682,914</u> | <u>735,902</u> |
| Total liabilities | 745,549 | 800,609 |
| Net Assets | | |
| Invested in capital assets - Net of related debt | 4,519,175 | 5,081,408 |
| Restricted - Expendable - Public service | 216,609 | 174,980 |
| Unrestricted | <u>54,531</u> | <u>(175,999)</u> |
| Total net assets | <u>4,790,315</u> | <u>5,080,389</u> |
| Total liabilities and net assets | <u>\$ 5,535,864</u> | <u>\$ 5,880,998</u> |

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

WOUB Center for Public Media
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Statement of Revenue, Expenses, and Changes in Net Assets

| | Year Ended June 30 | |
|---|----------------------------|----------------------------|
| | 2011 | 2010 |
| Operating Revenue | | |
| Federal grants and contracts | \$ 171,644 | \$ - |
| State grants and contracts | 121,867 | 121,843 |
| Sales and services | 717,404 | 916,939 |
| Total operating revenue | 1,010,915 | 1,038,782 |
| Operating Expenses | | |
| Programming and production | 6,890,055 | 7,341,275 |
| Depreciation | 796,432 | 881,981 |
| Total operating expenses | 7,686,487 | 8,223,256 |
| Operating Loss | (6,675,572) | (7,184,474) |
| Nonoperating Revenue (Expense) | | |
| Support from Ohio University | 3,609,174 | 4,376,621 |
| Private gifts | 2,510,833 | 2,497,072 |
| Disposal of plant facilities | (795) | (1,183) |
| Total nonoperating revenue | 6,119,212 | 6,872,510 |
| Loss - Before capital grants and gifts | (556,360) | (311,964) |
| Capital Grants and Gifts | 266,286 | 133,667 |
| Decrease in Net Assets | (290,074) | (178,297) |
| Net Assets - Beginning of year | 5,080,389 | 5,258,686 |
| Net Assets - End of year | <u>\$ 4,790,315</u> | <u>\$ 5,080,389</u> |

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

WOUB Center for Public Media
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Statement of Cash Flows

| | Year Ended June 30 | |
|--|--------------------|-------------------|
| | 2011 | 2010 |
| Cash Flows from Operating Activities | | |
| Grants and contracts | \$ 293,511 | \$ 121,843 |
| Payments to suppliers | (3,298,034) | (3,646,317) |
| Payments to or on behalf of employees | (2,820,517) | (3,227,886) |
| Payments for scholarships and fellowships | (750) | (1,850) |
| Sales and services to educational departments | 717,404 | 916,939 |
| Net cash used in operating activities | (5,108,386) | (5,837,271) |
| Cash Flows from Noncapital Financing Activities | | |
| Support from Ohio University | 3,609,174 | 4,376,621 |
| Gifts and grants for other than capital purposes | 1,732,625 | 1,628,640 |
| Net cash provided by noncapital financing activities | 5,341,799 | 6,005,261 |
| Cash Flows from Capital Financing Activities | | |
| Capital grants and gifts received | 266,286 | 133,667 |
| Payments on related party notes payable | (20,943) | (19,825) |
| Purchases of capital assets | (240,715) | (14,794) |
| Net cash provided by capital financing activities | 4,628 | 99,048 |
| Net Increase in Cash Equivalents | 238,041 | 267,038 |
| Cash Equivalents - Beginning of year | 267,038 | - |
| Cash Equivalents - End of year | \$ 505,079 | \$ 267,038 |

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

WOUB Center for Public Media
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Statement of Cash Flows (Continued)

| | Year Ended June 30 | |
|---|------------------------------|------------------------------|
| | 2011 | 2010 |
| Reconciliation of operating loss to net cash from operating activities: | | |
| Operating loss | \$ (6,675,572) | \$ (7,184,474) |
| Adjustments to reconcile operating loss to net cash from operating activities: | | |
| Depreciation | 796,432 | 881,981 |
| In-kind | 804,871 | 869,125 |
| Changes in assets and liabilities: | | |
| Accounts receivable | - | 32,500 |
| Accounts payable and accrued liabilities | (3,253) | (443,453) |
| Accrued compensated absences | (30,864) | 7,050 |
| Net cash used in operating activities | <u>\$ (5,108,386)</u> | <u>\$ (5,837,271)</u> |

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

WOUB Center for Public Media
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Notes to Financial Statements
June 30, 2011 and 2010

Note I - Organization and Summary of Significant Accounting Policies

Organization - The WOUB Center for Public Media (WOUB or, the “Center”) is owned and operated by Ohio University (the “University”) in Athens, Ohio and is a unit of the Scripps College of Communication. The Center manages two noncommercial public television stations, WOUB-TV in Athens, Ohio, and WOUC-TV in Cambridge, Ohio, and one cable channel, WOUB II - channel 25 on Time Warner in Athens, Ohio. WOUB-TV consists of digital channels/streams 20.1 WOUB-HD, 20.2 WOUB Classic, and 20.3 WOUB-Worldview. WOUC-TV consists of digital channels/streams 44.1 WOUC-HD, 44.2 WOUC Unlimited, and 44.3 WOUC World. The Center also manages six noncommercial public radio stations, WOUB-AM and WOUB-FM in Athens, Ohio; WOUC-FM in Cambridge, Ohio; WOUL-FM in Ironton, Ohio; WOUH-FM in Chillicothe, Ohio; and WOUZ-FM in Zanesville, Ohio. Other services provided by the Center include: audio and video productions; a nightly news program; regular radio news and sports reports; a Media Distribution Center for Ohio University; distance learning facilitation from the Athens campus to the regional campuses through the Ohio University Learning Network; student professional development for approximately 200 students a year; teleconferencing, streaming, and engineering consulting services; and complete web/interactive services through www.woub.org. The website is continually updated with current news, sports, music, and arts. It also contains educational interactive pages with content geared for K-12 teachers and students and provides streaming and programming of WOUB-TV, WOUB-Radio, PBS, and NPR.

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

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Notes to Financial Statements (Continued)
June 30, 2011 and 2010

Note I - Organization and Summary of Significant Accounting Policies

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

The Center follows all GASB pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) opinions, and accounting research bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Center has elected not to apply FASB statements and interpretations issued after November 30, 1989.

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

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

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

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Notes to Financial Statements (Continued)
June 30, 2011 and 2010

Note I - Organization and Summary of Significant Accounting Policies

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

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

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

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

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

- **Invested in Capital Assets - Net of Related Debt** - This represents the Center's investment in capital assets net of related debt.
- **Restricted Net Assets - Expendable** - Restricted expendable net assets represent assets that are restricted by a third party either legally or contractually.
- **Unrestricted Net Assets** - Unrestricted net assets are resources derived primarily from operating funds provided by the University, which are designated for use by the Center, and from third parties whose only restriction over the use of resources provided is for the benefit of the Center as determined by management.

WOUB Center for Public Media
A Public Media Entity
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Notes to Financial Statements (Continued)
June 30, 2011 and 2010

Note I - Organization and Summary of Significant Accounting Policies

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

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

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

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

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

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

WOUB Center for Public Media
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Notes to Financial Statements (Continued)
June 30, 2011 and 2010

Note 1 - Organization and Summary of Significant Accounting Policies

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

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

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

Note 2 - Capital Assets

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

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Notes to Financial Statements (Continued)
June 30, 2011 and 2010

Note 2 - Capital Assets

The following tables present the changes in the various capital asset categories for the years ended June 30, 2011 and 2010:

| | Balance <u>July 1, 2010</u> | <u>Additions</u> | Transfers <u>Out</u> | <u>Disposals</u> | Balance <u>June 30, 2011</u> |
|--|--------------------------------|---------------------|-------------------------|------------------|---------------------------------|
| Capital assets not being depreciated - | | | | | |
| Land | \$ 69,235 | \$ - | \$ - | \$ - | \$ 69,235 |
| Capital assets being depreciated: | | | | | |
| Infrastructure | 5,563,795 | - | - | - | 5,563,795 |
| Buildings | 3,798,557 | - | - | - | 3,798,557 |
| Machinery and equipment | <u>10,521,851</u> | <u>240,715</u> | <u>(48,479)</u> | <u>(36,032)</u> | <u>10,678,055</u> |
| Total capital assets being depreciated | <u>19,884,203</u> | <u>240,715</u> | <u>(48,479)</u> | <u>(36,032)</u> | <u>20,040,407</u> |
| Total capital assets | 19,953,438 | 240,715 | (48,479) | (36,032) | 20,109,642 |
| Less accumulated depreciation: | | | | | |
| Infrastructure | 3,337,571 | 246,307 | - | - | 3,583,878 |
| Buildings | 3,092,205 | 78,497 | - | - | 3,170,702 |
| Machinery and equipment | <u>7,920,224</u> | <u>471,628</u> | <u>(21,816)</u> | <u>(35,237)</u> | <u>8,334,799</u> |
| Total accumulated depreciation | <u>14,350,000</u> | <u>796,432</u> | <u>(21,816)</u> | <u>(35,237)</u> | <u>15,089,379</u> |
| Total capital assets being depreciated - Net | <u>5,534,203</u> | <u>(555,717)</u> | <u>(26,663)</u> | <u>(795)</u> | <u>4,951,028</u> |
| Capital assets - Net | <u>\$ 5,603,438</u> | <u>\$ (555,717)</u> | <u>\$ (26,663)</u> | <u>\$ (795)</u> | <u>\$ 5,020,263</u> |

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Notes to Financial Statements (Continued)
June 30, 2011 and 2010

Note 2 - Capital Assets

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

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

WOUB Center for Public Media
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Notes to Financial Statements (Continued)
June 30, 2011 and 2010

Note 3 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2011 and 2010 consist of the following:

| | <u>2011</u> | <u>2010</u> |
|------------------|------------------|------------------|
| Accounts payable | \$ 23,433 | \$ 15,439 |
| Accrued payroll | <u>17,078</u> | <u>28,325</u> |
| Total | <u>\$ 40,511</u> | <u>\$ 43,764</u> |

Note 4 - Accrued Compensated Absences

Per University policy, salaried faculty and staff earn vacation at the rate of 22 days per year with a maximum accrual of 32 days. Upon termination, they are entitled to a payout of their accumulated balance. Hourly classified employees earn vacation at rates per years of service ranging from 10 to 25 days per year. The maximum accrual is equal to the amount earned in three years, which is subject to payout upon termination. The liability for accrued vacation at June 30, 2011 and 2010 is \$166,052 and \$196,835, respectively.

All University employees are entitled to a sick leave credit equal to 15 days per year (earned on a pro rata monthly basis for salaried employees and on a pro rata hourly basis for classified hourly employees). Salaried employees with 10 or more years of service are eligible to receive a payout upon retirement of up to 25 percent of unused days (maximum of 30 days). Hourly classified employees with 10 or more years of service are eligible for payout upon retirement of up to 50 percent of unused days (maximum of 60 days). The liability for accrued sick leave at June 30, 2011 and 2010 is \$37,899 and \$37,980, respectively.

A summary of accrued compensated absences at June 30, 2011 and 2010 is as follows:

| | <u>Beginning</u> | | <u>Ending</u> | |
|---------------------|------------------|------------------|-------------------|----------------|
| | <u>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> |
| For the year ended: | | | | |
| June 30, 2011 | \$ 234,815 | \$ - | \$ 30,864 | \$ 203,951 |
| June 30, 2010 | 227,765 | 7,050 | - | 234,815 |

WOUB Center for Public Media
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Notes to Financial Statements (Continued)
June 30, 2011 and 2010

Note 5 - Loan Payable - Related Party

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

The loan payable at June 30, 2011 and 2010 is shown as follows:

| | Beginning | | Ending | | |
|---------------------|------------|----------|-------------|------------|-----------|
| | Balance | Borrowed | Retired | Balance | Current |
| For the year ended: | | | | | |
| June 30, 2011 | \$ 522,030 | \$ - | \$ (20,943) | \$ 501,087 | \$ 22,124 |
| June 30, 2010 | 541,855 | - | (19,825) | 522,030 | 20,943 |

Principal and interest payment requirements for the years subsequent to June 30, 2011 are summarized as follows:

| Years Ending | Principal | Interest | Total |
|--------------|-------------------|-------------------|-------------------|
| June 30 | | | |
| 2012 | \$ 22,124 | \$ 27,008 | \$ 49,132 |
| 2013 | 23,372 | 25,760 | 49,132 |
| 2014 | 24,690 | 24,442 | 49,132 |
| 2015 | 26,083 | 23,049 | 49,132 |
| 2016 | 27,554 | 21,578 | 49,132 |
| 2017-2021 | 162,915 | 82,743 | 245,658 |
| 2022-2026 | 214,349 | 31,310 | 245,659 |
| Total | <u>\$ 501,087</u> | <u>\$ 235,890</u> | <u>\$ 736,977</u> |

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

Independent Auditor's Report

To the Board of Trustees
Ohio University
Athens, Ohio

We have audited the financial statements of Ohio University as of and for the year ended June 30, 2011 and have issued our report thereon dated November 17, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

To the Board of Trustees
Ohio University

Compliance and Other Matters

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

We noted certain matters that we have reported to management of Ohio University in a separate letter dated October 11, 2011.

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

Plante & Moran, PLLC

November 17, 2011



Dave Yost • Auditor of State

WOUB CENTER FOR PUBLIC MEDIA

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 19, 2012**