WOSU Public Media

A Public Telecommunications Entity
Operated by The Ohio State University

Financial Report
with Additional Information
For the Years Ended June 30, 2012 and 2011

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

We have reviewed the *Report of Independent Auditors* of the WOSU Public Media, Franklin County, prepared by Pricewaterhouse Coopers LLP, for the audit period July 1, 2011 through June 30, 2012. 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.

Dave Yost

Dave Yost
Auditor of State

March 18, 2013

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Report of Independent Auditors

To WOSU Public Media
The Ohio State University:

In our opinion, the accompanying consolidated statements of net assets and the related statements of revenues, expenses and changes in net assets and statements of cash flows present fairly, in all material respects, the financial position of WOSU Public Media ("WOSU"), which is a part of The Ohio State University, as of June 30, 2012 and June 30, 2011, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of WOSU's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of WOSU are intended to present the financial position, changes in financial position, and cash flows of only that portion of the financial reporting entity of The Ohio State University that is attributable to the transactions of WOSU. They do not purport to, and do not, present fairly the financial position of The Ohio State University as of June 30, 2012 and June 30, 2011, the changes in its financial position, or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis on pages 4 through 8 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 the appropriate operational, economic, and 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 audits 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.

Our audits were conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Supplemental Schedule of Revenues and Expenses by Telecommunications Operations for the year ended June 30, 2012 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information 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. The 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 information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2013 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As discussed in Note 1 to the WOSU financial statements, the Company has restated its 2011 financial statements to correct an error.

As discussed in Note 1 to the WOSU financial statements, the Company has restated its 2010 financial statements as of and for the year ended June 30, 2010 from the amounts previously reported on by other auditors. We also have audited the restatement to the 2010 financial statements to correct an error, as described in Note 1. In our opinion, such adjustments are appropriate and have been properly applied. As the financial statements for the year ended June 30, 2010 have not been presented herein, the restatement has been effected as an adjustment to the July 1, 2010 opening net asset balance.

PricewaterhouseCoopers LLP

February 27, 2013

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, 2012 and 2011. 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 1922, WOSU Public Media, with broadcast licenses held by The Ohio State University Board of Trustees, has enriched lives through public broadcast programming and community services that educate, inform, entertain, 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 campus of The Ohio State University.

Today, WOSU Public Media operates six non-commercial FM radio stations and two television stations serving over two million Ohioans in a 21-county region. It provides the only regional source for classical music radio and all day NPR news programming. WOSU production facilities are located at the OSU Fawcett Center and at the COSI Science Center in downtown Columbus. WOSU is part of the purview of the OSU Senior Vice President of University Communications and is advised by a state of Ohio nonprofit community board, Friends of WOSU. The most significant financial support for WOSU comes directly from the community it serves, with some 19,000 individual members and local corporate and foundation support.

WOSU Public Media provides national programming through PBS and NPR, but has distinguished itself with its commitment to programming and services reflecting the needs of central and southern Ohio. In 2012, the news team of 89.7 FM was named the best in Ohio by the Society of Professional Journalists and the *Columbus Neighborhoods* multimedia project received the 2012 Artistic Excellence Award from the Greater Columbus Arts Council, among other awards.

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 Assets, a Statement of Revenues, Expenses and Other Changes in Net Assets, a Statement of Cash Flows and Notes to the Financial Statements.

Financial Highlights

WOSU Public Media's total net assets increased by $1,878,323 to $19,986,106 primarily due to the proceeds received on the sale of the AM radio station.

The following sections provide additional details on WOSU's financial results and a look ahead at significant economic conditions that are expected to affect WOSU in the future.

Summary of Net Assets

	2012	2011	2010
Cash and cash equivalents	$ 4,045,202	$ 3,445,806	$ 3,827,698
Receivables and other current assets	584,934	619,315	1,043,936
Total current assets	4,630,136	4,065,121	4,871,634
Noncurrent receivables	437,550	331,383	92,427
Endowment investments	4,725,679	5,007,419	4,626,377
Capital assets, net of depreciation	14,762,809	15,512,613	8,389,309
Total noncurrent assets	19,926,038	20,851,415	13,108,113
Total assets	$ 24,556,174	$ 24,916,536	$ 17,979,747
Accounts payable and accrued expenses	$ 168,304	$ 135,393	$ 106,020
Deferred revenues and deposits	101,779	78,627	258,445
Current portion of debt	1,086,735	2,847,633	597,044
Total current liabilities	1,356,818	3,061,653	961,509
Noncurrent portion of debt	2,834,476	3,383,011	1,753,475
Other noncurrent liabilities	378,774	364,089	373,867
Total noncurrent liabilities	3,213,250	3,747,100	2,127,342
Total liabilities	$ 4,570,068	$ 6,808,753	$ 3,088,851
Invested in capital assets	$ 10,841,598	$ 9,281,969	$ 6,038,790
Unrestricted	1,970,901	1,928,780	1,941,690
Restricted-nonexpendable	2,601,783	2,756,693	2,590,374
Restricted-expendable	4,571,824	4,140,341	4,320,042
Total net assets	$ 19,986,106	$ 18,107,783	$ 14,890,896

Total net assets increased, primarily due to increases in earnings from non-operating activities of $1,878,323 to $19,986,106. The proceeds received on the sale of the AM radio station were used to pay down the University advance. The Statement of Cash Flows, which is discussed in more detail below, provides additional details on sources and uses of WOSU's cash.

Endowment investments in the university's long-term investment pool decreased slightly by $281,740 to $4,725,679. 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 decreased by $2,238,685 to $4,570,068 at June 30, 2012 primarily due to amounts paid on the University advance from the sale proceeds of the AM radio station of $1,763,777.

Summary of Revenues, Expenses and Changes in Net Assets

	2012	2011	2010
Operating revenues:			
Contributed services	$ 701,250	$ 883,906	$ 606,517
Sales and services	1,670,964	1,591,100	1,443,904
Grants and contracts	2,497,349	2,887,691	4,091,352
Member contributions	2,807,826	2,835,712	2,497,692
Other revenues	146,444	168,765	93,263
Total operating revenues	7,823,833	8,367,174	8,732,728
Operating expenses:			
Programming and production	5,417,918	4,910,192	4,957,127
Broadcasting	2,311,125	2,939,757	2,933,401
Program information	464,850	652,209	782,245
Management and general	1,830,732	2,498,019	2,374,405
Underwriting	315,799	293,985	248,263
Fundraising	1,236,616	1,103,994	1,163,378
Depreciation	760,213	997,728	1,300,023
Total operating expenses	12,337,253	13,395,884	13,758,842
Net operating (loss)	(4,513,420)	(5,028,710)	(5,026,114)
Non-operating revenues (expenses):			
Operating subsidies	1,794,007	1,797,684	1,277,011
Donated facilities and support	1,536,340	1,633,982	1,650,890
Net investment income (loss)	(15,826)	749,650	648,412
Interest expense	(64,317)	(44,503)	(31,600)
Capital gifts and grants	1,254,875	4,105,593	706,274
Gain on sale of radio station	1,882,739	-	-
Additions to endowment	3,925	3,191	28,891
Total non-operating revenues	6,391,743	8,245,597	4,279,878
Increase (decrease) in net assets	1,878,323	3,216,887	(746,236)
Net assets - beginning of year	18,107,783	14,890,896	15,637,132
Net assets - end of year	$ 19,986,106	$ 18,107,783	$ 14,890,896

Total net assets (equity) increased by $1,878,323 to $19,986,106. It should be noted that the required subtotal for net operating income or loss will generally reflect a "loss", primarily due to 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, sale of radio station, and investment income. The primary increase in net assets is due to the gain on the sale of the radio station of $1,882,739.

Summary of Cash Flows

	2012	2011	2010
Cash provided by (used) in:			
Operating activites	$ (2,059,609)	$ (2,256,556)	$ (1,910,793)
Noncapital financing activities	1,797,932	1,800,875	1,431,531
Capital and related financing activities	597,398	(294,819)	(1,644,624)
Investing activites	263,675	368,608	144,643
Net increase (decrease) in cash	599,396	(381,892)	(1,979,243)
Cash, beginning of year	3,445,806	3,827,698	5,806,941
Cash, end of year	$ 4,045,202	$ 3,445,806	$ 3,827,698

Total WOSU cash and cash equivalents increased $599,396 to $4,045,202 in 2012. 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. 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 is focused on growing its annual membership, underwriting, major/planned giving and grant revenues in the coming year. Corporate, foundation and other community funding for a special multi-year multimedia project called *Columbus Neighborhoods* (Phase Two) will also assist the overall budget through 2015.

A capital campaign to cover the additional costs of the acquisition of Classical 101- WOSA will be a major part of the station's focus through 2015. To date, the campaign has been successful with over $2 million in commitments and cash. WOSU continues to have lines of credit with The Ohio State University related to the construction of the WOSU@COSI digital production center and the radio studios at Fawcett Center. Private funding has allowed WOSU to stay on track with payments.

Since the transition in January, 2011 to an all-news format on 89.7 FM and establishment of a full time classical music radio station, 101.1 FM (Classical 101), WOSU has seen an overall growth is listening to our stations, which has resulted in several successful membership pledge drives and an increase in overall program support. We expect this growth to continue in the coming year.

WOSU has committed new resources to its fundraising efforts over the past year, including the addition of a Manager of Planned Giving and Underwriting Representative position and a part-time position responsible for stewarding mid-level contributors.

One of the greatest risks facing the stations is the potential reduction in federal funding, which has traditionally covered about 15 percent of the direct budget, including some of the costs of national and local programming.

In response to these challenges, WOSU is creating a more efficient, priority-centered operation, while seeking to enhance all non-governmental revenue streams. We strive to continue to serve the citizens of Ohio with distinctive, non-commercial news, public affairs, arts, culture and educational programming.

WOSU Public Media
A Public Telecommunications Entity Operated by The Ohio State University
Statements of Net Assets
June 30, 2012 and 2011

	2012	Restated 2011
ASSETS		
Current Assets:		
Cash	$ 4,045,202	$ 3,445,806
Receivables:		
Accounts receivable	82,831	61,742
Government grants	8,899	86,370
Underwriting	51,783	79,508
Pledges	364,899	391,695
Total receivables	508,412	619,315
Deposit held by university	76,522	-
Total current assets	4,630,136	4,065,121
Investments	4,725,679	5,007,419
Pledges receivable - noncurrent	437,550	331,383
Property and equipment, net	6,849,958	7,599,762
FCC license	7,912,851	7,912,851
Total assets	$ 24,556,174	$ 24,916,536
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	$ 132,119	$ 107,375
Accrued compensated absence - current	36,185	28,018
Deferred support and revenue	101,779	78,627
Current portion - university debt and note payable	1,086,735	2,847,633
Total current liabilities	1,356,818	3,061,653
Long-term Liabilities		
Long-term portion - debt obligation due University	1,059,972	1,415,039
Note payable	1,774,504	1,967,972
Accrued compensated absence - noncurrent	378,774	364,089
Total liabilities	4,570,068	6,808,753
NET ASSETS		
Invested in capital assets	10,841,598	9,281,969
Unrestricted	1,970,901	1,928,780
Restricted for:		
Nonexpendable	2,601,783	2,756,693
Expendable	4,571,824	4,140,341
Total net assets	19,986,106	18,107,783
Total liabilities and net assets	$ 24,556,174	$ 24,916,536

The accompanying notes are an integral part of these financial statements

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Statements of Revenues, Expenses and Changes in Net Assets

June 30, 2012 and 2011

	2012	Restated 2011
OPERATING REVENUES		
Contributed services	$ 701,250	$ 883,906
Grants from the Corporation for Public Broadcasting	1,498,624	1,569,598
Member contributions	2,807,826	2,835,712
Fees and services:		
Public broadcasting service	23,922	27,168
Business and industry	1,277,358	1,366,203
Foundations/non-profit organizations	369,684	197,729
Fundraising	133,886	126,889
Federal grants	42,961	17,581
State and local grants	955,764	1,300,512
Royalties	2,414	1,025
Miscellaneous	10,144	40,851
Total operating revenues	7,823,833	8,367,174
OPERATING EXPENSES		
Program services:		
Programming and production	5,417,918	4,910,192
Broadcasting	2,311,125	2,939,757
Program information	464,850	652,209
Total program services	8,193,893	8,502,158
Supporting services:		
Management and general	1,830,732	2,498,019
Depreciation	760,213	997,728
Underwriting	315,799	293,985
Fundraising	1,236,616	1,103,994
Total supporting services	4,143,360	4,893,726
Total operating expenses	12,337,253	13,395,884
Operating loss	(4,513,420)	(5,028,710)
NON-OPERATING REVENUES (EXPENSES)		
Operating subsidies	1,794,007	1,797,684
Donated facilities and support - OSU	1,536,340	1,633,982
Investment income:		
Interest and dividend income	267,599	271,799
Unrealized gain (loss) on investments	(283,425)	477,851
Interest expense	(64,317)	(44,503)
Capital grants and gifts	1,254,875	4,105,593
Gain on sale of radio station	1,882,739	-
Additions to permanent endowments	3,925	3,191
Net non-operating revenues	6,391,743	8,245,597
Change in Net Assets	1,878,323	3,216,887
Net Assets, Beginning of year, as restated	18,107,783	14,890,896
Net Assets, End of year	$ 19,986,106	$ 18,107,783

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, 2012 and 2011

	2012	Restated 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants from the Corporation for Public Broadcasting	$ 1,498,624	$ 1,569,598
Member contributions	2,810,229	2,502,396
Fees and services	1,700,752	1,540,330
Proceeds from fundraising	133,886	126,889
Federal, state and local grants	1,076,196	1,092,524
Royalties	2,414	1,025
Other revenues	10,144	40,851
Payments to employees	(5,367,193)	(5,189,811)
Payments to suppliers	(3,924,661)	(3,940,358)
Net cash (used) in operating activities	(2,059,609)	(2,256,556)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Private endowment contributions	3,925	3,191
University subsidies	1,794,007	1,797,684
Net cash provided by noncapital financing activities	1,797,932	1,800,875
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital grants and gifts received	1,175,340	357,446
Principal paid on note payable	(250,000)	(125,000)
Principal paid on University debt	(2,115,965)	(587,847)
Interest paid on University debt	(7,785)	(16,237)
Purchase of capital assets	(17,720)	(208,181)
Sale of radio station	1,890,050	-
Deposits (paid) refunded for capital assets	(76,522)	285,000
Net cash provided (used) in capital financing activities	597,398	(294,819)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment sales (purchases)	(3,925)	96,809
Interest and dividends received	267,600	271,799
Net cash provided by investing activities	263,675	368,608
Net change in cash	599,396	(381,892)
Cash at beginning of year	3,445,806	3,827,698
Cash at end of year	$ 4,045,202	$ 3,445,806
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$ (4,513,420)	$ (5,028,710)
Adjustments to reconcile excess additions over deductions to net cash provided by operating activities:		
Donated facilities and support	1,536,340	1,633,982
Depreciation expense	760,213	997,728
Decrease (increase) in grants, underwriting and accounts receivables	86,510	300,667
Increase (decrease) in accounts payable	24,744	26,488
Increase (decrease) in deferred support	23,152	(179,818)
Increase (decrease) in compensated absences	22,852	(6,893)
Net adjustments	2,453,811	2,772,154
Net cash (used) in operating activities	$ (2,059,609)	$ (2,256,556)
SUPPLEMENTAL DISCLOSURES - Noncash activity		
Purchase of radio station with debt financing	$ -	$ 5,700,000
Contribution from bargain sale of radio station	$ -	$ 3,435,294
Interest expense on discounted note payable	$ 56,532	$ 28,266

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

WOSU-TV, Columbus, Ohio (rebroadcast in Newark and Mansfield)
WPBO-TV, Portsmouth, Ohio
WOSU-FM Radio, Columbus, Ohio
WOSV-FM Radio, Mansfield, Ohio
WOSE-FM Radio, Coshocton, Ohio
WOSB-FM Radio, Marion, Ohio
WOSP-FM Radio, Portsmouth, Ohio
WOSA-FM Radio, Grove City, 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 GASB. WOSU 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 university has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

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

Invested in capital assets, net of related debt
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 assets 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.

Restricted expendable
Net assets 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 assets that are not subject to externally-imposed stipulations. Substantially all unrestricted net assets 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 assets are available.

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.

Endowment 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 changes in net assets. Investments are recorded at their fair value. Investment income from endowment investments is unrestricted by the donors, and as such becomes a part of unrestricted net assets.

Capital Assets

Capital assets with a unit cost of over $5,000 are recorded at cost at date of acquisition, or, if donated, at fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. Expenditures for construction in progress are capitalized as incurred. Routine maintenance and repairs are charged to expenses as incurred.

Revenue Recognition

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

Unrestricted member contributions are recorded as support when the promise to give is made. Grant funds are recorded as revenues when the grant's contractual requirements have been met. The principal expendable restricted resources of WOSU are grants to finance capital projects or specific programs produced by WOSU. These revenues are deferred until WOSU incurs the capital expenditure or 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.

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 16.45% for the fiscal years ending June 30, 2012 and 2011. 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.

Newly Issued Accounting Pronouncements
In November 2010, GASB issued Statement No. 60, Accounting and Reporting for Service Concession Arrangements. This standard provides guidance on accounting for agreements where a government transfers the right to operate a government asset to another entity, in exchange for significant consideration from that entity. Upfront payments from such agreements are to be recorded as a “deferred inflow of resources” and recognized as revenue over the life of the agreement. The standard also provides guidance for operators/concessionaires that are government entities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

Also in November 2010, the GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34). This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2012.

In December 2010, GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations

2. Accounting Principles Board Opinions

3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

In addition, this Statement eliminates the option, provided under GASB 20, to elect to apply non-conflicting post-1989 FASB standards. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

In June 2011, the GASB issued Statement No. 63*, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. *Concepts Statement 4* also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term 'deferred' in financial statement presentations. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012.

Also in March 2012, the GASB issued Statement No. 66, *Technical Corrections -- 2012*. This Statement resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement 62 by modifying the specific guidance on accounting for certain operating lease payments, purchases of loans and mortgage loan servicing fees. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012.

WOSU management has not yet determined the impact that implementation of GASB Statements No. 60, 61, 62, 63, 65 and 66 will have on WOSU's financial statements.

Other

WOSU is exempt from income taxes as a non-profit organization under Internal Revenue Code §115 and Internal Revenue Service regulations. Any unrelated business income is taxable.

Restatement

During fiscal year 2012, WOSU discovered out of period errors that affected the financial statements. WOSU did not accrue for a capital campaign pledge and misclassified pledge revenue in fiscal year 2011 resulting in an understatement of capital gift revenue and operating subsidies and an overstatement of member contribution revenues. Additionally, WOSU did not recognize revenue on a multi-year digital conversion grant in the year the expenses were incurred resulting in an overstatement of state and local grant revenues. The effect on beginning net assets and the financial statements is presented below:

	July 1, 2010
Net assets, beginning of year, as previously reported	$ 14,450,182
Effect of deferred grant revenues	440,714
Net assets, beginning of year, as restated	$ 14,890,896

The financial statements as of and for the year ended June 30, 2010, not presented herein, were audited by other independent auditors, whose report dated December 21, 2010 expressed an unqualified opinion on those financial statements. The Company has restated the June 30, 2010 consolidated financial statements to reflect the correction of an error as discussed above. As a result of this correction, the adjustments above have been made to the previously reported on June 30, 2010 net asset balances.

WOSU's financial statements as of and for the year ended June 30, 2011 have been adjusted accordingly as follows:

	Statements of Net Assets		
	As Previously Reported	Adjustment	As Restated
Assets			
Pledge receivable	$ 291,695	$ 100,000	$ 391,695
Pledge receivable - non current	31,383	300,000	331,383
Liabilities and Net Assets			
Deferred support and revenue	391,292	(312,665)	78,627
Resticted - expendable	3,427,676	712,665	4,140,341

	Statements of Revenues, Expenses, and Changes in Net Assets		
	As Previously Reported	Adjustment	As Restated
Operating Revenues			
Member contributions	$ 2,921,801	$ (86,089)	$ 2,835,712
State and local grants	1,428,561	(128,049)	1,300,512
Non-Operating Revenues			
Operating subsidies	1,454,801	342,883	1,797,684
Capital grants and gifts	3,962,387	143,206	4,105,593

	Statements of Cash Flows		
	As Previously Reported	Adjustment	As Restated
Cash Flows From Operating Activities			
Member contributions	$ 2,588,485	$ (86,089)	$ 2,502,396
Cash Flows From Noncapital Financing Activities			
University subsidies	1,454,801	342,883	1,797,684
Cash Flows From Capital Financing Activities			
Capital grants and gifts received	614,240	(256,794)	357,446
Reconciliation of net operating revenues (expenses) to net cash by operating activities			
Operating loss	(4,814,572)	(214,138)	(5,028,710)
Increase (decrease) in deferred support	(307,867)	128,049	(179,818)

2. INVESTMENTS

WOSU's investments are maintained in the University's investment pool. The pool consists of more than 4,650 named funds. Each named fund is assigned a number of shares in the Long Term Investment Pool 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, fixed income, real estate, hedge funds, private equity, venture capital and natural resources 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 WOSU's mission.

The University holds certain types of alternative investments, including limited partnerships and private equity, which are carried at estimated fair value provided by the management of these funds. The purpose of this alternative investment class is to increase portfolio diversification and reduce risk due to the low correlation with other asset classes. Methods for determining estimated fair values include discounted cash flows and estimates provided by general partners.

Annual distributions to named funds in the University 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.

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 2012 and 2011 were unrealized (losses) and gains of $(283,425) and $477,851, 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, 2012 and 2011, there is cumulative unrealized gain on investments of $277,761 and $561,187, respectively. The following summarizes WOSU's investments held in the University's investment pool as of June 30, 2012:

Name of Fund	Number of Shares	Cost	Market Value
Friends of WOSU	404.66	$1,408,728	2,157,231
Prine Classical Music	1.36	5,550	7,260
WOSU Public Media	398.40	2,494,788	2,123,896
AEP Foundation	4.60	25,000	24,508
Elam Family	11.29	69,700	60,210
Taylor Memorial	3.41	27,460	18,198
Batelle Digital Media	21.36	150,000	113,866
Reba Harvey	16.58	99,967	88,412
Klotz Public Media	3.89	25,000	20,755
Palius Public Media	4.06	26,353	21,669
Sipp Student Interns	6.96	50,000	37,121
Digital Media Center Outreach	9.86	65,372	52,553
		$4,447,918	$ 4,725,679

The following summarizes WOSU's investments held in the University's investment pool as of June 30, 2011:

Name of Fund	Number of Shares	Cost	Market Value
Friends of WOSU	404.66	$1,408,727	2,286,654
Prine Classical Music	1.36	5,550	7,696
WOSU Public Media	398.30	2,494,210	2,250,726
AEP Foundation	4.60	25,000	25,978
Elam Family	11.29	69,700	63,822
Taylor Memorial	3.41	27,460	19,290
Batelle Digital Media	21.36	150,000	120,697
Reba Harvey	16.58	99,967	93,716
Klotz Public Media	3.89	25,000	22,000
Palius Public Media	3.87	25,337	21,883
Sipp Student Interns	6.96	50,000	39,348
Digital Media Center Outreach	9.84	65,281	55,609
		$4,446,232	$ 5,007,419

3. PLEDGES RECEIVABLE

Pledges receivable represent the net unconditional promises to give that were made in connection with WOSU Public Media's capital campaign and annual gift memberships. All pledges were considered to be fully collectible. The following are pledges receivable balances as of June 30, 2012 and 2011:

	2012	2011
Receivable in less than one year	$ 364,899	$ 391,695
Receivable in one to three years	437,550	331,383
Total	$ 802,449	$ 723,078

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 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	11,804,077	4,065	-	11,808,142
Improvements	1,167,938	-	-	1,167,938
Equipment	10,511,557	13,655	547,267	9,977,945
Total	31,396,423	17,720	547,267	30,866,876
Less: Accumulated depreciation	15,883,810	760,213	539,956	16,104,067
Total capital assets, net	$15,512,613	$ (742,493)	$ 7,311	$14,762,809

Capital asset activity for the year ended June 30, 2011 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	11,638,428	165,649	-	11,804,077
Improvements	1,167,938	-	-	1,167,938
Equipment	10,922,731	50,434	461,608	10,511,557
Total	23,729,097	8,128,934	461,608	31,396,423
Less: Accumulated depreciation	15,339,788	997,728	453,706	15,883,810
Total capital assets, net	$ 8,389,309	$7,131,206	$ 7,902	$15,512,613

The following estimated useful lives are used to compute depreciation:

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

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 frequency. 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 use the broadcast spectrum, which is a renewable, reusable 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 2012 or 2011.

6. RETIREMENT PLANS

All WOSU employees are employees of the University and are covered by either the Ohio Public Employees Retirement System ("OPERS") or the Alternative Retirement Plan ("ARP"). Employees may opt out of OPERS and participate in the 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. Each of these three options is discussed in greater detail in the following sections.

Defined Benefit Plan
OPERS offers statewide cost-sharing multiple-employer defined benefit pension plan. OPERS provide 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: OPERS, 277 East Town Street, Columbus, Ohio, 43215-4642, or by calling (614) 222-5601 or (800) 222-7377 or www.opers.org

Defined Contribution Plans
ARP is a defined contribution pension plan. Full-time administrative and professional staff 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, postretirement 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 offers a defined contribution plan, the Member-Directed Plan ("MD"). The MD plan does not provide disability benefits, annual cost-of-living adjustments, postretirement 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.

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 postretirement health care benefits. OPERS provides retirement, disability, survivor and postretirement health benefits to qualifying members of the combined plan.

Funding Policy
The Ohio Revised Code ("ORC") provides statutory authority for member and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans. The 2011 member contribution rates was 10.0% of covered payroll for members and employer contribution rates was 14.0% of covered payroll.

WOSU's employer contributions to PERS and ARP for the years ended June 30, 2012, 2011 and 2010 were $564,690, $599,458 and $522,571, respectively, equal to 100% of the required contributions for each year.

7. OTHER POSTEMPLOYMENT BENEFITS

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2011, the employer contribution allocated to the health care plan was 7.0% covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

WOSU's employer contributions used to fund post-employment benefits for the years ended June 30, 2012, 2011 and 2010 are estimated to be $282,345, $299,729 and $261,286, respectively.

The Health Care Preservation Plan ("HCPP") adopted on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

8. 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 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.

Accrued vacation and sick leave liability was $414,959 and $392,107 as June 30, 2012 and 2011.

Long term liabilities related to accrued compensated absences as of June 30, 2012 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated absences	$ 392,107	$ 22,852	$ -	$ 414,959
Less: current portion	28,018			36,185
Long term compensated absences	$ 364,089			$ 378,774

Long term liabilities related to accrued compensated absences as of June 30, 2011 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated absences	$ 399,000	$ -	$ 6,893	$ 392,107
Less: current portion	25,133			28,018
Long term compensated absences	$ 373,867			$ 364,089

9. 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:

	Fiscal Year 2012		
CPB Grant	**WOSU-FM**	**WOSU-TV**	**Total**
Community Service	$252,257	$ 1,178,493	$ 1,430,750
Interconnection Grant		22,924	22,924
LSI - University Place		20,000	20,000
American Archive Content		1,950	1,950
NCME - American Graduate		23,000	23,000
Total Fiscal Year 2012	$ 252,257	$ 1,246,367	$ 1,498,624

	Fiscal Year 2011			
CPB Grant	**WOSU-AM**	**WOSU-FM**	**WOSU-TV**	**Total**
Community Service	$ 136,568	$ 136,568	$ 1,128,606	$ 1,401,742
Interconnection Grant			21,753	21,753
Digital Distribution - DT			110,448	110,448
STEM Digital Media			10,655	10,655
ITVS Community Cinema			25,000	25,000
Total Fiscal Year 2011	$ 136,568	$ 136,568	$ 1,296,462	$ 1,569,598

10. 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 $1,794,007 and $1,797,684, for the years ended June 30, 2012 and 2011, respectively. In addition, the University provided $1,536,340 and $1,633,982 in indirect administrative support during fiscal years 2012 and 2011, respectively. The indirect administrative support revenues were calculated using the University's "modified other sponsored activities indirect costs rate" of 16.45% for fiscal years ended June 30, 2012 and 2011.

11. INCOME BENEFICIARY

WOSU Public Media is an income beneficiary of certain funds administered and maintained by the university. WOSU Public Media receives income generated from the Donald R. Glancy Endowed Fund in excess of $7,000 per year to support television and radio programming needs. WOSU Public Media received $27,826 and $27,993 from this fund during fiscal years 2012 and 2011, respectively. In addition, WOSU Public Media receives ten percent of the income generated from the John McKitrick Family Fund. During fiscal years 2012 and 2011, WOSU Public Media received $106 and $107 from this fund, respectively. All income received by WOSU Public Media as an income beneficiary have been included in the statement of revenues, expenses and changes in net assets for the years ended June 30, 2012 and 2011.

The following summarizes the value of these funds as of June 30, 2012 and 2011:

Fund Name		2012 Market Value		2011 Market Value
Donald R. Glancy Endowed Fund	$	566,264	$	597,887
John McKitrick Family Fund		2,148		2,277
Total Income Beneficiary Funds	$	568,412	$	600,164

12. 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 (May 13, 2005). The lease amount is subject to annual adjustment based on the consumer price index (CPI). As of June 30, 2012, future minimum rental payments based on the CPI indexed rate for fiscal year 2012, is summarized below:

2013	$	243,684
2014		243,684
2015		223,377
Total	$	710,745

Rental expense charged to operations was $241,872 and $237,210 during 2012 and 2011, respectively.

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.

As of June 30, 2012, the future minimum rental payments are summarized below:

2013	$	12,000
2014		12,000
2015		12,000
2016		12,000
Total	$	48,000

Rental expense charged to operations was $12,000 and $8,000 during 2012 and 2011, respectively.

13. DEBT OBLIGATIONS

Debt activity for the year ended June 30, 2012, are as follows:

	Beginning Balance	Principal Additions	Repayments	Ending Balance	Current Portion
University advance	$ 2,250,000	$ -	1,763,777	$ 486,223	$ 486,223
Line of credit - radio studios	321,847	-	64,306	257,541	64,000
Line of credit - COSI	1,440,825	-	287,882	1,152,943	286,512
Promissory note	3,325,000	-	250,000	3,075,000	250,000
Total before discount	$ 7,337,672	$ -	$ 2,365,965	4,971,707	$ 1,086,735
Discount on promissory note				(1,050,496)	
Total lines of credit and promissory note, net present value				$ 3,921,211	

Debt activity for the year ended June 30, 2011, are as follows:

	Beginning Balance	Principal Additions	Repayments	Ending Balance	Current Portion
University advance	$ -	$ 2,250,000	$ -	$ 2,250,000	$ 2,250,000
Line of credit - radio studios	429,183	-	107,336	321,847	63,475
Line of credit - COSI	1,921,336	-	480,511	1,440,825	284,158
Promissory note	-	3,450,000	125,000	3,325,000	250,000
Total before discount	$ 2,350,519	$ 5,700,000	$ 712,847	7,337,672	$ 2,847,633
Discount on promissory note				(1,107,028)	
Total lines of credit and promissory note, net present value				$ 6,230,644	

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 University Office of the Treasurer, which was 0.40% and 0.70% as of June 30, 2012 and 2011, respectively. The two lines of credit were termed out during fiscal year 2007, with maturity in June 2016.

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 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 $3,075,000 at June 30, 2012. 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 assets.

The following is a schedule showing the amounts due for the debt obligations as of June 30, 2012:

	Principal	Interest
2013	$ 1,088,155	$ 5,642
2014	510,738	4,240
2015	512,146	2,832
2016	512,140	1,419
2017	158,824	
2018-2022	794,120	
2023-2027	794,120	
2028-2031	601,464	
Total	$ 4,971,707	$ 14,133

Interest expense of $64,317 and $44,503 was incurred on the debt during fiscal year 2012 and 2011, respectively.

14. ASSET PURCHASE AGREEMENTS

WOSU entered into an agreement to purchase commercial radio station WOSA (FM) with approval by the Federal Communications Commission ("FCC") on December 14, 2010. The purchase price of $5,700,000 was paid by an advance from the University of $2,250,000 and a promissory note to the seller for $3,450,000 (Note 13). The purchase price constitutes a bargain sale. The value of the bargain purchase price is $3,435,294 and is recorded as a capital gift on the statement of revenues, expenses and changes in net assets. The fair market value of the radio station is $8,000,000 as determined by an independent, qualified appraisal.

WOSU entered into an agreement to sell commercial radio station WOSU (AM) on August 15, 2011, pending approval by the FCC. The FCC approval and sale were completed on December 15, 2011 for a sale price of $1,985,000. The cash proceeds were used to repay the advance made by the University for the FM radio station purchase. The gain on sale of $1,882,739 is recorded on the statement of revenues, expenses and changes in net assets. WOSU entered into a 25 year lease agreement for the AM station tower site with the buyer.

WOSU Public Media

A Public Telecommunications Entity Operated by The Ohio State University

Supplemental Schedule of Revenue and Expenses by Telecommunication Operations

For the Year Ended June 30, 2012

REVENUES AND OTHER SUPPORT	**Radio**	**Television**	**Totals**
The Ohio State University Direct Support	$ 684,524	$ 1,109,483	$ 1,794,007
Contributed services	215,565	485,685	701,250
Donated facilities and support - OSU	721,288	815,052	1,536,340
Grants from the CPB	252,257	1,246,367	1,498,624
Member contributions	1,130,141	1,677,685	2,807,826
Fees and Services:			
PBS	10,750	13,172	23,922
B&I	531,669	745,689	1,277,358
Foundations/NPO's	128,364	241,320	369,684
Fundraising	-	133,886	133,886
Federal grants	8,702	34,259	42,961
State and local grants	113,119	842,645	955,764
Investment income:			
Interest and dividend income	104,631	162,968	267,599
Unrealized (loss) on investments	(96,066)	(187,359)	(283,425)
Endowment contributions	1,534	2,391	3,925
Capital grants and gifts	835,647	419,228	1,254,875
Royalties	39	2,375	2,414
Gain on sale of radio station	1,882,739	-	1,882,739
Other	3,517	6,627	10,144
Total Support, Revenue, and Other Additions	6,528,420	7,751,473	14,279,893
EXPENSES			
Program Services:			
Programming and production	2,572,483	2,845,435	5,417,918
Broadcasting	968,960	1,342,165	2,311,125
Program information	177,221	287,629	464,850
Total Program Services	3,718,664	4,475,229	8,193,893
Supporting Services:			
Management & general	960,995	869,737	1,830,732
Fundraising	503,333	733,283	1,236,616
Underwriting	138,591	177,208	315,799
Interest expense	57,953	6,364	64,317
Depreciation	463,175	297,038	760,213
Total Supporting Services	2,124,047	2,083,630	4,207,677
Total Expenses	5,842,711	6,558,859	12,401,570
Net Change	$ 685,709	$ 1,192,614	$ 1,878,323

Report of Independent Auditors 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 WOSU Public Media
The Ohio State University:

We have audited the financial statements of WOSU Public Media ("WOSU") as of and for the year ended June 30, 2012, and have issued our report thereon dated February 27, 2013. 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 WOSU'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 WOSU's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of WOSU's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 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. We consider the deficiency described in the accompanying schedule of findings and responses as finding number 2012-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WOSU's financial statements are free of 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.

WOSU's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit WOSU's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of WOSU's management, The Ohio State University, and the Ohio Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

February 27, 2013

Finding 2012-1 - WOSU

1. **Financial Reporting**

- *New/Recurring Issue:* Recurring

- *Observation:* Throughout the audit we noted opportunities for management to strengthen and improve upon their financial reporting process. Some examples of items observed are as follows:

  - We discovered three material out of period adjustments during the year related to deferred revenue from a grant, misclassification of pledge revenue and recognition of revenue from a multiyear pledge. In a prior year, WOSU received a grant for a specific purpose. This grant was appropriately recorded as deferred revenue. Revenue would be recognized as qualified expenditures are made with the grant funds. The tracking of the expenditures made with the grant was not effectively performed whereby the result was that expenditures were being made and revenue was not being recognized. For the pledge matter, a multiyear pledge was made in fiscal 2011 and the first installment was made, but the pledge was not recorded for its full amount.

  - During the audit, we observed various items that were recorded in the wrong period from a cutoff standpoint.

  - WOSU maintains its internal books and records on a modified accrual basis of accounting. This requires a significant amount of effort to record prior year and current year adjustments to develop full accrual basis financial statements. These adjustments are made via a number of spreadsheets that are difficult to allow for management review and that have had formula issues. The process of building the accrual basis financial statements is time consuming and complex.

  - The financial statements and Corporation for Public Broadcasting submission are generated through highly manual processes including numerous manual adjusting entries and currently limited review is performed over the consolidating process and related adjusting entries.

- *Implication:* The difficulties in financial reporting have resulted where the fiscal 2010 financial statements were restated last year by the prior auditor. The matters noted above during fiscal 2012 have resulted in the recording and restating of prior year financial statements for errors in reporting. Lastly, the time consuming process of building the accrual basis financial statements requires a significant amount of time from WOSU and University staff.

- *Classification:* Material Weakness

- *Recommendation:* We recommend that WOSU commence a process of how to develop a more formalized process over financial reporting including the institution of internal control policies, management review of financial reporting results and consideration of recording adjustments to build financial statements into the general ledger rather than through the use of spreadsheets. This process should include management review over financial reporting. In addition, where information comes from sources outside of WOSU (for example, Development Office, Controller's Office, etc.), we recommend that WOSU develop the ability to use its books and records to compare to information from others. Essentially, WOSU should develop its own stand-alone reporting process and use information from others as a means of corroboration.

Management Response: WOSU Management concurs with the finding. WOSU in collaboration with the Office of the Controller developed a remediation plan to restructure the financial statement compilation process. The plan focuses on the high-risk revenue cycles, in particular underwriting, grants, and gift pledges. The execution of the plan will improve the efficiency and effectiveness of WOSU's financial reporting process.

Dave Yost • Auditor of State

WOSU PUBLIC MEDIA

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 28, 2013

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