

WBGU-TV
(A Public Telecommunications Entity
Operated by Bowling Green State University)

Financial Report
with Additional Information
June 30, 2014

WBGU-TV

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Independent Auditor's Report

To Management, the Audit Committee,
and the Board of Trustees
WBGU-TV

Report on the Financial Statements

We have audited the accompanying statements of net position of WBGU-TV (WBGU or the "Station"), a public telecommunications entity operated by Bowling Green State University, as of and for the year ended June 30, 2014, and the related statements of revenue, expenses, and changes in net position and cash flows for the year then ended, which collectively comprise WBGU-TV's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WBGU-TV as of June 30, 2014 and the changes in its net position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To Management, the Audit Committee,
and the Board of Trustees
WBGU-TV

Report on Prior Year Financial Statements

The financial statements of WBGU-TV as of and for the year ended June 30, 2013 were audited by a predecessor auditor, which expressed an unmodified opinion on WBGU-TV. The predecessor auditor's report was dated December 5, 2013.

Emphasis of Matter

We draw attention to Note 1, which explains that the financial statements of WBGU-TV are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the University's business-type activities that are not attributable to the transactions of the department. They do no purport to, and do not, present fairly the financial position of Bowling Green State University as of June 30, 2014 and 2013, the changes in its financial position, or the changes in its cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-9, as identified in the table of contents, be presented 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2014 on our consideration of the WBGU-TV'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* in considering WBGU-TV's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 10, 2014

WBGU-TV

Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

This section of the WBGU-TV annual financial report presents management's discussion and analysis of the financial performance of the television station during the fiscal years ended June 30, 2014, 2013, and 2012. This discussion provides an overview of the financial activities and should be read in conjunction with the accompanying financial statements and footnotes.

Using the Annual Financial Statement

This annual report consists of financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. In fiscal year 2013, the WBGU-TV adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement supersedes paragraphs 10 and 12 of GASB Statement No. 35. GASB Statement No. 63 establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position. The financial statements prescribed by GASB Statement No. 63 (the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows) are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Net Position includes all assets and liabilities. Over time, an increase or decrease in net position (the difference between assets and liabilities) is one indicator of the improvement or erosion of WBGU-TV's overall financial health.

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. WBGU-TV's dependency on the operating subsidy from Bowling Green State University typically results in operating deficits because the financial reporting model classifies this operating subsidy as nonoperating revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital financing, and related investing activities and helps measure the ability of the institution to meet financial obligations as they mature.

WBGU-TV

Management's Discussion and Analysis (continued)

Noteworthy Financial Activity

WBGU-TV made strides to operate within available resources during the year. Significant sources of revenue are operating subsidy from BGSU, support from the Corporation of Public Broadcasting, and contributions and memberships. Expenses were reduced to better correspond with these available resources.

Condensed Statements of Net Position as of June 30, 2014, 2013, and 2012

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets			
Current assets	\$ 2,804,595	\$ 3,352,361	\$ 3,596,524
Noncurrent assets:			
Capital assets	1,578,643	1,501,647	1,770,377
Other	1,682,461	1,530,314	1,455,084
Total noncurrent assets	<u>3,261,104</u>	<u>3,031,961</u>	<u>3,225,461</u>
Total assets	<u>6,065,699</u>	<u>6,384,322</u>	<u>6,821,985</u>
Liabilities			
Current liabilities	741,520	1,059,334	1,125,346
Noncurrent liabilities	153,460	117,579	66,912
Total liabilities	<u>894,980</u>	<u>1,176,913</u>	<u>1,192,258</u>
Net position			
Net investment in capital assets	1,578,643	1,501,647	1,770,377
Unrestricted	1,909,615	2,175,448	2,404,266
Restricted for:			
Nonexpendable endowments	1,057,044	1,048,868	1,048,868
Expendable	625,417	481,446	406,216
Total net position	<u>\$ 5,170,719</u>	<u>\$ 5,207,409</u>	<u>\$ 5,629,727</u>

Current assets consist of cash and cash equivalents, receivables, and unexpired program rights. Current assets totaled \$2,805,000 at June 30, 2014 as compared to \$3,352,000 at June 30, 2013, and \$3,597,000 at June 30, 2012.

WBGU-TV

Management's Discussion and Analysis (continued)

Fiscal year 2014 compared to 2013

- Cash and cash equivalents decreased \$587,000 due primarily to a \$311,000 reduction in cash flows from grant funding and fluctuations in normal operating activity.

Fiscal year 2013 compared to 2012

- Cash and cash equivalents decreased by \$241,000 due to a reduction in cash flows from grant funding and operating subsidies.

Noncurrent assets include capital assets, net of accumulated depreciation, and endowment investments at fair value. Noncurrent assets totaled \$3,261,000 at June 30, 2014 as compared to \$3,032,000 at June 30, 2013 and \$3,225,000 at June 30, 2012.

Fiscal year 2014 compared to 2013

- Capital assets (net of depreciation) at June 30, 2014 were \$1,579,000 representing 26.0% of WBGU-TV's total assets. Capital assets increased by \$77,000 due to capital asset activity in the current year. Capital asset additions during the year totaled \$368,000 of new equipment. Capital asset retirements during the year totaled \$923,000 of equipment. These capital assets retirements were fully depreciated when retired.
- Endowment investments increased by \$152,000 due to appreciation of the investments.

Fiscal year 2013 compared to 2012

- Capital assets decreased by \$269,000 due to limited capital additions.

Total liabilities include accounts payable, accrued expenses, unearned revenue, and compensated balances. Total liabilities totaled \$895,000 at June 30, 2014 as compared to \$1,177,000 at June 30, 2013 and \$1,192,000 at June 30, 2012.

Fiscal year 2014 compared to 2013

- Unearned revenue decreased \$294,000 due to a reduction in cash flows from grant funding.

Fiscal year 2013 compared to 2012

- Unearned revenue decreased \$61,000 due to a reduction in cash flows from grant funding.

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Management's Discussion and Analysis (continued)

Net position presents the difference between WBGU's assets and liabilities. Total net position totaled \$5,171,000 at June 30, 2014 as compared to \$5,207,000 at June 30, 2013 and \$5,630,000 at June 30, 2012.

Fiscal year 2014 compared to 2013

- Unrestricted net position decreased \$266,000 due to fluctuations in normal operating activity.
- Restricted expendable net position increased \$144,000 due to appreciation of endowment investments.

Fiscal year 2013 compared to 2012

- Unrestricted net position decreased \$228,000 due to fluctuations in normal operating activity.
- Net investment in capital assets decreased \$269,000 due to depreciation of capital assets as well as limited capital asset additions during the year.

WBGU-TV

Management's Discussion and Analysis (continued)

Condensed Statements of Revenues, Expenses, and Changes in Net Position for the Years Ended June 30, 2014, 2013, and 2012

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues:			
Contributions and memberships	\$ 454,700	\$ 452,756	\$ 410,350
Contributed services	270,726	240,235	240,235
Fees and services	452,317	390,063	341,305
Grants and contracts	1,130,370	1,265,309	1,470,077
Other operating revenue	22,316	43,294	46,913
Total operating revenues	<u>2,330,429</u>	<u>2,391,657</u>	<u>2,508,880</u>
Operating expenses:			
Program services	3,216,455	3,317,361	3,281,867
Supporting services	932,259	944,466	1,020,795
Total operating expenses	<u>4,148,714</u>	<u>4,261,827</u>	<u>4,302,662</u>
Operating loss	(1,818,285)	(1,870,170)	(1,793,782)
Non-operating revenues:			
Operating subsidies	1,106,910	894,519	973,733
Donated facilities and support	477,610	434,915	508,204
Investment gain, net	188,900	118,418	67,383
Other non-operating revenues	8,175	-	52,943
Total non-operating revenues	<u>1,781,595</u>	<u>1,447,852</u>	<u>1,602,263</u>
Change in net position	(36,690)	(422,318)	(191,519)
Net position at the beginning of the year	5,207,409	5,629,727	5,821,246
Net position at the end of year	<u>\$ 5,170,719</u>	<u>\$ 5,207,409</u>	<u>\$ 5,629,727</u>

Total operating revenue for fiscal years ended June 30, 2014, 2013, and 2012 was \$2.3 million, \$2.4 million, and \$2.5 million, respectively

Fiscal year 2014 compared to 2013

- Grants and contracts decreased \$135,000 due to decreased support from granting agencies.
- Fees and services increased \$62,000 primarily due to increased underwriting activity.

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Management's Discussion and Analysis (continued)

Fiscal year 2013 compared to 2012

- Contributions and memberships increased \$42,000 due to increase in memberships.
- Grants and contracts decreased \$205,000 due to decreased support from granting agencies.

Total operating expenses for fiscal years ended June 30, 2014, 2013, and 2012 was \$4.1 million, \$4.3 million, and \$4.3 million, respectively.

Fiscal year 2014 compared to 2013

- Program services decreased \$101,000 primarily due to a decrease in program acquisitions.

Fiscal year 2013 compared to 2012

- Supporting services decreased \$76,000 primarily due to decreased program production expenses.

Total nonoperating revenues for fiscal years ended June 30, 2014, 2013, and 2012 was \$1.8 million, \$1.4 million, and \$1.6 million, respectively.

Fiscal year 2014 compared to 2013

- Operating subsidies from BGSU increased \$212,000 primarily due to an equipment purchase by BGSU on behalf of WBGU.
- Investment income increased \$70,000 due to favorable market conditions.

Fiscal year 2013 compared to 2012

- Operating subsidies from BGSU decreased \$79,000 primarily due to a reduction in budget allocation for staffing, which the operating subsidy covers.

WBGU-TV

Management's Discussion and Analysis (continued)

Economic Factors Affecting the Future of WBGU-TV

The economy of Ohio, while it has turned around, has had a somewhat negative impact on WBGU-TV's ability to increase membership dollars by a large percentage. The level of private annual giving was maintained this past year, both in dollars and number of members, but may be more challenged in future years. WBGU-TV will strive to increase both private giving and production services in the coming year over and above FY 2014 levels. The same Ohio economic conditions have created reductions in state support to Bowling Green State University. These reductions and potential future reductions will place greater emphasis on the need for WBGU-TV to become more self-reliant.

WBGU-TV
Statements of Net Position
June 30

	<u>2014</u>	<u>2013</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,745,679	\$ 3,332,401
Receivables:		
Accounts receivable	33,717	130
Grants and contracts	13,265	-
Unexpired program rights	11,934	19,830
Total current assets	<u>2,804,595</u>	<u>3,352,361</u>
Noncurrent assets:		
Endowment investments	1,682,461	1,530,314
Capital assets, net	1,578,643	1,501,647
Total noncurrent assets	<u>3,261,104</u>	<u>3,031,961</u>
Total assets	<u>6,065,699</u>	<u>6,384,322</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	27,341	35,619
Unearned revenue	640,480	934,014
Current portion of accrued compensated balances	73,699	89,701
Total current liabilities	<u>741,520</u>	<u>1,059,334</u>
Noncurrent liabilities:		
Accrued compensated absences (net of current portion)	153,460	117,579
Total liabilities	<u>894,980</u>	<u>1,176,913</u>
Net position:		
Net investment in capital assets	1,578,643	1,501,647
Unrestricted	1,909,615	2,175,448
Restricted for:		
Nonexpendable endowments	1,057,044	1,048,868
Expendable	625,417	481,446
Total net position	<u>\$ 5,170,719</u>	<u>\$ 5,207,409</u>

See accompanying notes.

WBGU-TV
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30

	<u>2014</u>	<u>2013</u>
Revenues		
Operating revenues:		
Contributions and memberships	\$ 454,700	\$ 452,756
Contributed services	270,726	240,235
Fees and services:		
Public broadcasting services	339,088	176,555
Business and industry	113,229	213,508
State and local grants	296,521	351,667
Private and other grants	833,849	913,642
Miscellaneous	22,316	43,294
Total operating revenues	<u>2,330,429</u>	<u>2,391,657</u>
Expenses		
Operating expenses:		
Program services:		
Programming and production	1,837,087	1,888,521
Broadcasting	1,312,746	1,330,752
Public information and promotion	66,622	98,088
Supporting services:		
Management and general	471,725	452,487
Fundraising and membership development	460,534	491,979
Total operating expenses	<u>4,148,714</u>	<u>4,261,827</u>
Operating loss	(1,818,285)	(1,870,170)
Nonoperating revenues		
Operating subsidies	1,106,910	894,519
Donated facilities and support	477,610	434,915
Investment income, net	188,900	118,418
Endowment revenue	8,175	-
Net nonoperating revenues	<u>1,781,595</u>	<u>1,447,852</u>
Change in net position	(36,690)	(422,318)
Net position		
Net position at the beginning of year	<u>5,207,409</u>	<u>5,629,727</u>
Net position at the end of year	<u>\$ 5,170,719</u>	<u>\$ 5,207,409</u>

See accompanying notes

WBGU-TV
Statements of Cash Flows
Years Ended June 30

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Contributions and memberships	\$ 449,700	\$ 452,756
Fees and services	435,649	399,657
Grants	832,907	1,187,936
Other receipts	279,839	251,842
Payments to vendors for supplies and services	(1,577,365)	(1,682,803)
Payments to employees and benefits	(1,798,943)	(1,765,226)
Net cash used in operating activities	<u>(1,378,213)</u>	<u>(1,155,838)</u>
Cash flows from noncapital financing activities		
Operating subsidies	1,106,910	894,519
Net cash provided by noncapital financing activities	<u>1,106,910</u>	<u>894,519</u>
Cash flows from capital financing activities		
Purchase of capital assets	(360,348)	(23,146)
Net cash used in capital financing activities	<u>(360,348)</u>	<u>(23,146)</u>
Cash flows from investing activities		
Investment income	44,929	43,188
Net cash provided by investing activities	<u>44,929</u>	<u>43,188</u>
Net decrease in cash	(586,722)	(241,277)
Cash & cash equivalents at beginning of year	3,332,401	3,573,678
Cash & cash equivalents at end of year	<u>\$ 2,745,679</u>	<u>\$ 3,332,401</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (1,818,285)	\$ (1,870,170)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	283,352	291,877
Donated facilities and support	477,610	434,915
In-kind donation of equipment	-	-
Transfer to endowment	-	-
Changes in assets and liabilities:		
Accounts receivable, net	(46,852)	11,360
Unexpired program rights	7,895	(8,475)
Accounts payable	(545)	(777)
Accrued wages and vacation pay	12,146	46,738
Unearned revenue	(293,534)	(61,306)
Net cash used in operating activities	<u>\$ (1,378,213)</u>	<u>\$ (1,155,838)</u>

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies

Nature of Operations

WBGU-TV is a part of the Bowling Green State University (the University) financial reporting entity. WBGU-TV provides public broadcasting and is licensed to and operated by Bowling Green State University. The accompanying financial statements include only the funds of WBGU-TV and do not extend to any financial statements of Bowling Green State University or its component units, Bowling Green State University Foundation, Inc. (the Foundation) and Centennial Falcon Properties, Inc. (the Corporation). The financial statements of the University and Foundation contain more extensive disclosure of the significant accounting policies of each entity as a whole.

Basis of Presentation

WBGU-TV follows all applicable Governmental Accounting Standards Board (GASB) pronouncements. The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for publicly owned colleges and universities and is presented in accordance with the reporting model as prescribed in Governmental Accounting Standards Board (GASB) 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*, as amended by GASB Statements No. 37, No. 38, and No. 63. WBGU-TV follows the "business-type" activities requirements of GASB Statement No. 34. This approach requires the following components of WBGU-TV's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements including a Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; Statement of Cash Flows; and Notes to the Financial Statements

GASB Statement No. 34, as amended by Statement No. 63 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following four net position categories:

- *Net investment in capital assets*: This represents WBGU-TV's total investment in capital assets.
- *Unrestricted*: Unrestricted net assets represent resources derived from sales and services provided by WBGU-TV. These resources are used for transactions relating to the obligations of WBGU-TV and may be used at the discretion of the Board of Trustees to meet current expenses for any purpose.
- *Restricted for non-expendable endowments*: Restricted non-expendable endowments are gifts that have been received for endowment purposes, the corpus of which cannot be expended.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

- *Restricted for expendable:* Restricted for expendable net assets include resources which WBGU-TV is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties or have been gifted for a specific purpose.

When an expense is incurred that can be paid from using either restricted or unrestricted resources, the expense is first applied towards restricted resources and then toward unrestricted resources.

Cash and Cash Equivalents

Cash and cash equivalents are held in the custody of the University and the Foundation. These funds are commingled with those of other University- and Foundation-related organizations. Cash and cash equivalents include funds that have been allocated to WBGU-TV by the University that are unspent. WBGU-TV considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Accounts receivable consists of sales and services provided and are considered by management to be fully collectible, and accordingly, no allowance for doubtful accounts is considered necessary. Accounts receivable also includes amounts due from the federal, state, and local governments or private sources, in connection with reimbursement of allowable expenditures pursuant to grants and contracts.

Unexpired Program Rights and Unearned Revenue

Unexpired program rights include expenses for programs produced by WBGU-TV, which will be broadcast subsequent to the end of the fiscal year. Unearned revenue includes amounts received for the production of programs that will be broadcast subsequent to the end of the fiscal year. Concurrent with broadcasting of the programs, these costs will be reported as incurred operating expenses and the related amounts received will be reported as earned revenue in the statements of revenues, expenses, and changes in net assets. Unearned revenue also includes amounts received from grant and contract sponsors that have not been earned.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

Endowment Investments

Endowment funds are administered by the Foundation and are commingled with other Foundation endowment funds in its pooled investment portfolio. Earned investment income is allocated to each fund based on its share of the total funds invested in the pool. The unrestricted donor contributions to the endowment are recorded as nonoperating revenues in the statements of revenues, expenses, and changes in net position. Investments in cash equivalents, corporate stocks, equity securities, corporate bond funds, and mutual funds are recorded at their current fair values based on quoted market prices in active markets. There are also investments reported at net asset value, which represents fair value as reported by the general partner or fund manager. Limited partnerships, real estate investment trusts, and other private investments make up a portion of the endowment investments and are reported using the equity method of accounting. The components of the individual investments within these funds are not readily determinable. The value is based on estimates by partnership manager, fund managers, and various valuation committees including original costs, restrictions affecting marketability, operating results, financial condition of the issuers and the price of the most recent financing transactions. Management believes the stated values approximate fair value as determined by the respective managers. Because these investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may significantly differ from the value that would have been used had a ready market for such instruments existed, and the differences could be material. Some of the investments have time limitations on liquidation. These vary from six months to the term of the limited partnership, trust, or fund. During this period, unless certain events occur, liquidation will be unable to occur.

The governing body of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, WBGU-TV classifies as net position restricted for nonexpendable endowments (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net position restricted for nonexpendable endowments is classified as restricted for expendable net position until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

The Foundation has its investment and spending policies for endowment assets such that it attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specific period(s). Under this policy, as approved by the governing body, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs over the long term. Actual returns in any given year may vary.

WBGU-TV records the annual income of the endowment as nonoperating revenue that is restricted for expenditure upon meeting donor stipulations. The net appreciation on investments of donor-restricted endowments that are available for expenditure were \$625,417 and \$481,446 at June 30, 2014 and 2013, respectively.

The Foundation has adopted a spending policy with respect to amounts available for distribution on all endowed funds. The spending policy provides for a range of 3% to 7% of the three-year rolling average market value of endowed fund balances, with the Board of Directors approving 3% for 2014 and 2013, respectively.

The Foundation has adopted a policy of charging an administrative fee on all endowed funds, unless prohibited by the guidelines of the funds. The fee is based on the prior two-year average market value balance for the endowed funds and certain non-endowed funds. The administrative fee charged to WBGU-TV amounted to approximately \$21,314 and \$19,814 in 2014 and 2013, respectively, and has been netted with the investment income included in nonoperating revenues on the statements of revenues, expenses, and changes in net position.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. For equipment, WBGU-TV's capitalization policy includes all items with a cost of \$3,500 or more and an estimated useful life of greater than one year. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings and 5 to 12 years for equipment.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

Revenue Recognition

All revenues from programmatic sources are considered to be operating revenues. Included in nonoperating revenues are University support, investment income, endowed, and capital grants and gifts.

In-kind Contributions and Donated Personal Services of Volunteers

In-kind contributions are recorded as revenue and expense in the accompanying statements of revenues, expenses, and changes in net position. In-kind contributions consist of donated professional services, amounts for lease of programming, operating transmitters and translators, and various indirect administrative services. These donations are recorded at their estimated fair value with a corresponding expense.

The value of donated personal services of volunteers has been excluded from both revenue and expense. The volunteer support for the years ended June 30, 2014 and 2013, consisted of:

	2014		2013	
	Hours	Total	Hours	Total
Programming and production	528	\$ 69,319	1,257	\$ 27,829
Fundraising	409	9,223	357	7,903
Management and general	126	2,841	118	2,612
Total	1,063	\$ 81,383	1,732	\$ 38,344

The value of these services is based upon a flat rate developed by the Corporation for Public Broadcasting.

Administrative Support and Donated Facilities From the University

Administrative support and donated facilities 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 1.2% and 1.0% for fiscal years ended June 30, 2014 and 2013, respectively. 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 WBGU-TV. All support received from the University is recorded as nonoperating revenues.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

Income Taxes

WBGU-TV is licensed to and operated by Bowling Green State University. The University, as an instrumentality of the state of Ohio, is excluded from federal income taxes under Section 115 of the Internal Revenue Code (as amended). Therefore, this exemption extends to the operations of WBGU-TV.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of revenues, expenses, and changes in net position. Accordingly, certain costs have been allocated among program and supporting services benefited based on total personnel costs and other systematic bases.

2. Cash and Investments

The cash balances as of June 30, 2014 and 2013 are pooled funds that are held and managed by the University and Foundation.

Endowment investments represent WBGU-TV's share of pooled investment funds held and managed by the Foundation. The values of these investments held by the Foundation by endowment fund as of June 30, 2014 and 2013, were as follows:

	<u>2014</u>	<u>2013</u>
WBGU-TV Silver Anniversary	\$ 1,220,082	\$ 1,115,544
WBGU-TV Programming Endowment Fund	27,023	24,708
WBGU-TV Equipment	48,225	36,143
The Younger Family Fund	314,421	287,447
Jorgen Larsen WBGU Programming Fund	72,710	66,472
Total	<u>\$ 1,682,461</u>	<u>\$ 1,530,314</u>

3. Capital Assets

The property and equipment reported below are titled to the University but are utilized by WBGU-TV. Capital asset and accumulated depreciation activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 40,000	\$ –	\$ –	\$ 40,000
Buildings	2,410,108	–	–	2,410,108
Equipment	8,884,386	360,348	923,384	8,321,350
Total capital assets	11,398,759	360,348	923,384	10,771,458
Less accumulated depreciation	9,832,847	283,352	923,384	9,192,815
Capital assets, net	<u>\$ 1,501,647</u>	<u>\$ 76,996</u>	<u>\$ –</u>	<u>\$ 1,578,643</u>

The property and equipment reported below are titled to the University but are utilized by WBGU-TV. Capital asset and accumulated depreciation activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 40,000	\$ –	\$ –	\$ 40,000
Buildings	2,410,108	–	–	2,410,108
Equipment	8,948,651	23,147	87,412	8,884,386
Total capital assets	11,398,759	23,147	87,412	11,334,494
Less accumulated depreciation	9,628,382	291,877	87,412	9,832,847
Capital assets, net	<u>\$ 1,770,377</u>	<u>\$ (268,730)</u>	<u>\$ –</u>	<u>\$ 1,501,647</u>

4. Accounts Payable and Accrued Expenses

The composition of accounts payable and accrued expenses at June 30, 2014 and 2013, was as follows:

	2014	2013
Accounts payable	\$ 9,583	\$ 10,128
Accrued payroll	17,758	25,491
Total	<u>\$ 27,341</u>	<u>\$ 35,619</u>

5. Compensated Absences

The University employees earn vacation and sick leave benefits based, in part, on length of service. Vacation pay is fully vested when earned. Upon separation from service, employees are paid accumulated vacation and sick pay based upon the nature of separation (death, retirement, or termination). Certain limitations have been 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 and expense incurred are recorded at year-end as long-term liabilities in the statements of net assets, and as a component of operating expense in the statements of revenues, expenses, and changes in net assets.

WBGU-TV follows the University's policy for accruing the sick leave liability. WBGU-TV accrues the 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 method that is set forth in GASB Statement No. 16, *Accounting for Compensated Absences*. Under the termination method, WBGU-TV utilizes the University's calculated rate, sick leave termination cost per hour worked, which is based on the University's actual historical experience of sick leave payouts of terminated employees. This ratio is then applied to the total years-of-service for WBGU-TV's current employees.

Compensated absences for June 30, 2014, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Vacation pay	\$ 143,329	\$ 81,620	\$ 74,013	\$ 150,936	\$ 73,510
Sick leave	63,951	12,272	-	76,223	189
Total	\$ 207,280	\$ 93,892	\$ 74,013	\$ 227,159	\$ 73,699

Compensated absences for June 30, 2013, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Vacation pay	\$ 121,797	\$ 89,043	\$ 67,511	\$ 143,329	\$ 86,327
Sick leave	51,225	12,726	-	63,951	3,374
Total	\$ 173,022	\$ 101,769	\$ 67,511	\$ 207,280	\$ 89,701

6. Retirement Benefits

WBGU-TV employees are covered by the Ohio Public Employees Retirement System of Ohio (OPERS). This plan provides retirement, disability, annual cost of living adjustments, death benefits, and health care benefits to vested retirees.

OPERS offers three separate retirement plans:

Defined benefit plan – traditional pension plan. This is a cost-sharing, multiple employer plan. This plan provides disability, annual cost of living adjustments, death benefits, and health care benefits. Health care benefits are based on years of service.

Defined contribution plan – member directed plan. Employee contributions are invested in self-directed investments. Benefits are dependent upon contributions and investment earnings. This plan does not include disability, annual cost of living adjustments, death benefits, or health care benefits.

Combined plan – has elements of the traditional pension plan and member directed plan. Employee contributions are invested in self-directed investments. The employer contributions are used to fund a reduced defined benefit plan. This plan provides disability, annual cost of living adjustments, death benefits, and health care benefits. Health care benefits are based on years of service.

OPERS issues separate, publicly available financial reports that include financial statements and required supplemental information. Reports can be obtained by contacting the agency.

The OPERS Comprehensive Annual Financial Report can be downloaded from the OPERS website at www.opers.org. The Ohio Revised Code provides statutory authority for employer and employee contributions. The University contributes 14% of covered payroll, and the employee pretax contribution rate is 10% of covered payroll. A portion of employer contributions were allocated to post-employment health care benefits as disclosed in Note 7.

Employees may opt out of OPERS and participate in the Alternative Retirement Program (ARP), a defined contribution plan. The University contributes 14% of covered payroll, and the employee pre-tax contribution rate is 10% of covered payroll. Benefits are dependent upon contributions and investment earnings. This plan does not include disability, annual cost of living adjustments, death benefits, or health care benefits.

6. Retirement Benefits (continued)

Employer contributions to the following retirement benefit programs for June 30 are summarized as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
OPERS	\$ 162,133	\$ 158,435	\$ 146,418
ARP	7,384	7,240	13,754
Total	<u>\$ 169,517</u>	<u>\$ 165,675</u>	<u>\$ 160,172</u>

7. Post-Employment Health Care Benefits

In addition to pension benefits, the Ohio Revised Code provides authority for public employers to fund post-employment health care benefits through their contributions to OPERS.

OPERS maintains a cost-sharing, multiple employer health care plan to retirees who participated in the defined benefit or combined plan with 10 or more years of qualifying Ohio service credit. Coverage includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement.

Under Ohio law, post-employment health care benefits under OPERS are permitted, but not mandated; therefore, a portion of employer contributions are set aside for funding post-employment health care. During calendar year 2013, this allocation is 1.0% of covered payroll. Effective January 1, 2014, the portion of employer contributions allocated to health care increased to 2.0% for both plans, as recommended by the OPERS actuary. Payment amounts vary depending on the number of covered dependents and coverage selected.

Employer contributions to the OPERS retirement benefit program for June 30, 2014, 2013, and 2012, are \$17,169, \$33,895, and \$41,725 respectively.

8. Corporation for Public Broadcasting Grants

The Corporation for Public Broadcasting (CPB) is a private, non-profit grantmaking organization responsible for funding more than 1,000 television and radio stations. WBGU-TV receives grant funds from the CPB to assist in the operations of the station. During 2014 and 2013, the grant funds recorded as revenue were as follows:

	<u>2014</u>	<u>2013</u>
Community Service Grant	\$ 817,759	\$ 896,907
Interconnection Grant	16,090	16,544
Total	<u>\$ 833,849</u>	<u>\$ 913,451</u>

9. Nonfederal Financial Support (NFFS)

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on NFFS. NFFS is defined as the total value of cash and the fair market value of property and services received as either a contribution or a payment and meeting all of the respective criteria for each.

A “contribution” is cash, property, or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation, or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution, or dissemination of educational television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station. However, to eliminate distortions in the TV Community Service Grant (CSG) program precipitated by extraordinary infusions of new capital investments in digital television (DTV), all capital contributions received for purposes of acquiring new equipment or upgrading existing or building new facilities regardless of source or form of the contribution are not included in calculating the 2014 NFFS. This change excludes all revenues received for any capital purchases.

A “payment” is cash, property, or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state, an educational institution or organization, or a nonprofit entity; (2) the form of the payment must be appropriations or contract payments in exchange for specific services or materials; (3) the purpose must be for any related activity of the public broadcast station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

Reported NFFS was \$1,866,238 and \$1,735,895 for 2014 and 2013, respectively.

10. University Support

The WBGU-TV operations are supported in part by the general revenues of the University. The University provides for the general operating costs of WBGU-TV's operations. The University's direct support for the years ended June 30, 2014 and 2013, amounted to \$1,106,910 and \$894,519, respectively. In addition, the University provided for the years ended June 30, 2014 and 2013, an estimated \$477,610 and \$434,915 of indirect administrative support, respectively. The indirect administrative support revenue was calculated using the University's "modified other sponsored activities indirect costs rate" of 1.2% and 1.0%, respectively.

11. Contingencies

WBGU-TV receives grants and contracts from certain federal, state, and local agencies to fund research and other activities. Revenues from government grants and contracts are recognized when all eligibility requirements have been met. The University records indirect costs related to such grants and contracts at predetermined rates that are negotiated with the University's federal cognizant agency. Both direct and indirect costs charged to the grants or contracts are subject to audit and approval by the granting agencies. WBGU-TV and University management believes any adjustments of costs resulting from such examination by the granting agency would be insignificant.

12. Upcoming Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The total pension liability will be computed on a different basis than the current actuarial accrued liability and the method of allocating this liability to each participating employer has not yet been determined; while the precise impact is not known, it is deemed likely that this pronouncement will have a material impact on the financial statements. The provisions of this statement are effective for the fiscal year ending June 30, 2015, and therefore will be adopted in the next fiscal year.

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

Independent Auditor's Report

To Management, the Audit Committee, and
the Board of Trustees
WBGU-TV

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of WBGU-TV (WBGU-TV or the "Station"), a public telecommunications entity operated by Bowling Green State University, which comprise the statements of net position as of June 30, 2014, and the related statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and related notes to the financial statements and have issued our report thereon dated October 10, 2014.

Internal Control Over Financial Reporting

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

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

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

To Management, the Audit Committee, and
the Board of Trustees
WBGU-TV

Compliance and Other Matters

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

Purpose of this Report

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

Plante & Morse, PLLC

October 10, 2014