

AN AUDIT

*Wisconsin Public Broadcasting
Foundation*

December 2000

1999-2000 Joint Legislative Audit Committee Members

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State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

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December 21, 2000

Senator Gary R. George and
Representative Carol Kelso, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Senator Gary R. George, Chairperson
Mr. Thomas Fletemeyer, Executive Director
Wisconsin Public Broadcasting Foundation
3319 West Beltline Highway
Madison, Wisconsin 53713

Dear Senator George, Representative Kelso, and Mr. Fletemeyer:

We have completed a financial audit of the Wisconsin Public Broadcasting Foundation as provided by s. 13.94(1)(b), Wis. Stats., and as requested by the Wisconsin Educational Communications Board. The Foundation was organized by the Educational Communications Board under s. 39.12 and ch. 181, Wis. Stats., on September 29, 1983, for the exclusive purpose of raising funds for the Wisconsin educational radio and television networks. The audit covered the period July 1, 1999 through June 30, 2000.

We completed this audit in conjunction with our audits of the Wisconsin Educational Communications Board radio and television networks, report numbers 00-17 and 00-18. The Foundation's financial operations are separate and independent from the State of Wisconsin Treasury. The Foundation's financial statements are presented in two separate funds (radio and television) to accommodate reporting requirements and the Educational Communications Board's desire to maintain the funds separately. We were able to issue an unqualified independent auditor's report on the Foundation's financial statements.

We appreciate the courtesy and cooperation extended to us by Educational Communications Board staff during the audit.

Respectfully submitted,

Janice Mueller
State Auditor

JM/DA/ao

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF THE WISCONSIN PUBLIC BROADCASTING FOUNDATION, INC.

We have audited the accompanying balance sheet of the Wisconsin Public Broadcasting Foundation, Inc., as of June 30, 2000, and the related statements of financial activity and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Wisconsin Public Radio Association, of which net assets of \$11,190 are contractually committed to the Foundation and are reflected in the accompanying financial data contained in Note 5. Net assets and revenues of the Wisconsin Public Radio Association included in the accompanying financial statements represent 0.2 percent of the total assets and 33.1 percent of total support and revenue. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Wisconsin Public Radio Association, is based solely upon the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and 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. The financial statements of the Wisconsin Public Radio Association were audited by other auditors in accordance with generally accepted auditing standards, but not in accordance with the additional requirements of governmental auditing standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based upon our audit and the report of other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Wisconsin Public Broadcasting Foundation as of June 30, 2000, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we will also issue a report dated December 13, 2000, on our consideration of the Wisconsin Public Broadcasting Foundation's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts, and grants.

LEGISLATIVE AUDIT BUREAU

December 13, 2000

by

Diann Allsen
Audit Director

Wisconsin Public Broadcasting Foundation
Balance Sheet
June 30, 2000

	Radio Fund	Television Fund	Total June 30, 2000	Total June 30, 1999
Assets				
Current Assets:				
Cash and cash equivalents (Note 1)	\$ 735,549	\$ 1,031,941	\$ 1,767,490	\$ 1,436,523
Investments (Note 2)	1,762,930	2,596,687	4,359,617	3,842,359
Equity in resources held by WPRA (Note 5)	11,190	0	11,190	660,470
Grants and contracts receivable	0	0	0	2,920
Interest receivable	13,982	33,932	47,914	7,944
Other receivables	476,936	89,804	566,740	168,410
Total Assets	<u>\$ 3,000,587</u>	<u>\$ 3,752,364</u>	<u>\$ 6,752,951</u>	<u>\$ 6,118,626</u>
Liabilities and Fund Balances				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 0	\$ 120,295	\$ 120,295	\$ 92,938
Accrued liabilities due to affiliate (Note 5)	174,122	341,948	516,070	1,085,406
Due to ECB (Note 3)	341,249	385,180	726,429	277,598
Deferred support	0	0	0	39,904
Total Current Liabilities	<u>515,371</u>	<u>847,423</u>	<u>1,362,794</u>	<u>1,495,846</u>
Fund Balances:				
Designated for operations	2,485,216	2,278,749	4,763,965	4,039,111
Designated for endowment (Note 4)	0	626,192	626,192	583,669
Total Fund Balances	<u>2,485,216</u>	<u>2,904,941</u>	<u>5,390,157</u>	<u>4,622,780</u>
Total Liabilities and Fund Balances	<u>\$ 3,000,587</u>	<u>\$ 3,752,364</u>	<u>\$ 6,752,951</u>	<u>\$ 6,118,626</u>

The accompanying notes are an integral part of this statement.

Wisconsin Public Broadcasting Foundation
Statement of Financial Activity
for the Year Ended June 30, 2000

	<u>Radio Fund</u>	<u>Television Fund</u>	<u>Total 1999-2000</u>	<u>Total 1998-99</u>
Support and Revenue				
Contributions Undesignated	\$ 2,878,591	\$ 2,295,472	\$ 5,174,063	\$ 5,162,893
Community Services Grant - CPB	596,611	853,550	1,450,161	1,065,733
Underwriting Grants	413,515	312,394	725,909	793,848
Other Grants	39,904	168,148	208,052	212,581
Major Gifts	0	60,384	60,384	89,487
Investment Income	78,074	345,251	423,325	356,070
Miscellaneous Revenue	2,477	652,958	655,435	654,068
Total Support and Revenue	<u>4,009,172</u>	<u>4,688,157</u>	<u>8,697,329</u>	<u>8,334,680</u>
Expenses				
Program Services:				
Programming and production	45,455	316,964	362,419	418,781
Broadcasting	0	0	0	2,909
Program information	378,956	75,576	454,532	526,959
Total Program Services	<u>424,411</u>	<u>392,540</u>	<u>816,951</u>	<u>948,649</u>
Support Services:				
Management and general	121,434	39,776	161,210	207,073
Fund-raising and membership	355,629	942,397	1,298,026	1,256,143
Total Support Services	<u>477,063</u>	<u>982,173</u>	<u>1,459,236</u>	<u>1,463,216</u>
Total Expenses	<u>901,474</u>	<u>1,374,713</u>	<u>2,276,187</u>	<u>2,411,865</u>
Excess of Support and Revenue over Expenses	<u>\$ 3,107,698</u>	<u>\$ 3,313,444</u>	<u>\$ 6,421,142</u>	<u>\$ 5,922,815</u>
Fund Balances				
Beginning Fund Balances	\$ 1,740,190	\$ 2,882,590	\$ 4,622,780	\$ 4,446,035
Excess of Support and Revenue over Expenses	3,107,698	3,313,444	6,421,142	5,922,815
Transfers to ECB	(2,362,672)	(3,291,093)	(5,653,765)	(5,746,070)
Fund Balances at End of Year	<u>\$ 2,485,216</u>	<u>\$ 2,904,941</u>	<u>\$ 5,390,157</u>	<u>\$ 4,622,780</u>

The accompanying notes are an integral part of this statement.

Wisconsin Public Broadcasting Foundation
Statement of Cash Flows
for the Year Ended June 30, 2000

	Total <u>1999-2000</u>	Total <u>1998-99</u>
Cash Flows from Operating Activities		
Excess of Support and Revenue Over Expenses	\$ 6,421,142	\$ 5,922,815
Adjustments to Reconcile Excess Revenues Over Expenses to Net Cash Provided by Operating Activities:		
Unrealized (gain) loss on investments	(176,761)	(180,317)
Realized (gain) loss on investments	(78,848)	(214,145)
Decrease (increase) in grants and contracts receivable	2,920	4,434
Decrease (increase) in interest receivable	(39,970)	(2,491)
Decrease (increase) in other receivables	(398,330)	(88,314)
Increase (decrease) in accounts payable and accrued expenses	27,357	37,054
Increase (decrease) in accrued liabilities due to affiliate	(569,336)	474,044
Increase (decrease) in payable to ECB	448,831	(256,192)
Increase (decrease) in deferred support	(39,904)	(8,639)
Net Cash Provided by Operating Activities	<u>5,597,101</u>	<u>5,688,249</u>
Cash Flows from Noncapital Financing Activities		
Transfers to ECB	<u>(5,653,765)</u>	<u>(5,746,070)</u>
Cash Flows from Investing Activities		
Net Proceeds From Sale, Maturity, or (Purchase) of Investments	(261,649)	165,355
Equity in Resources Held by WPRA	<u>649,280</u>	<u>84,559</u>
Net Cash Provided (Used) by Investing Activities	<u>387,631</u>	<u>249,914</u>
Increase (Decrease) in Cash and Cash Equivalents	330,967	192,093
Cash and Equivalents		
Beginning of Year	<u>1,436,523</u>	<u>1,244,430</u>
End of Year	<u>\$ 1,767,490</u>	<u>\$ 1,436,523</u>

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

- A. Organization - The Wisconsin Public Broadcasting Foundation (WPBF), Inc., created on September 29, 1983, is a nonprofit Wisconsin corporation wholly owned by the Wisconsin Educational Communications Board (ECB), a unit of the State of Wisconsin. ECB operates a network of 5 television stations and 13 radio stations. WPBF solicits funds in the name of, and with the approval of, ECB. WPBF financial operations are separate and independent from the State of Wisconsin Treasury. Because the State has fiscal accountability for and can influence WPBF operations through legislation, WPBF is considered a blended component unit of the State of Wisconsin's financial reporting entity. The WPBF financial statements include an equity interest in the Wisconsin Public Radio Association (WPRO), a not-for-profit corporation that collects funds for public radio and provides support to the ECB Radio Network and WHA Radio. See Note 5 for further information regarding WPRO.
- B. Basis of Presentation - The accompanying financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). As permitted by GASB, WPBF follows the American Institute of Certified Public Accountants (AICPA) Not-for-Profit model, which includes the accounting and financial reporting principles contained in AICPA's Statement of Position (SOP) 78-10, *Accounting Principles and Reporting Practices for Certain Nonprofit Organizations*, as modified by all applicable Financial Accounting Standards Board pronouncements issued through November 30, 1989, and as modified by all applicable GASB pronouncements. In addition, the accompanying financial statements are in conformity with the principles outlined in the Corporation for Public Broadcasting's (CPB's) *Principles of Accounting and Financial Reporting for Public Telecommunications Entities (1990 ed.)*, as amended by the *Supplemental Guide (1996 ed.)*.
- C. Fund Accounting - WPBF maintains separate accounts for Wisconsin Public Television and Wisconsin Public Radio to comply with reporting requirements of the CPB. These accounts are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting.

- D. Revenue Recognition - Contributions and grants that are unrestricted are recorded as support in the statement of financial activity when WPBF is entitled to them. Restricted revenues are recorded as support in the statement of financial activity when the purpose for which the resource was provided has been accomplished.
- E. Cash and Cash Equivalents - Cash and cash equivalents include demand deposits and money market funds held in financial institutions.
- F. Valuation of Investments - All investments of the Foundation are carried at fair value based on quoted market prices.
- G. Prior-Year Financial Statements - The financial information shown for fiscal year (FY) 1998-1999 in the accompanying financial statements presents summarized totals and is included to provide a basis for comparison with FY 1999-2000.

2. Deposits and Investments

The Wisconsin Public Broadcasting Foundation manages its cash and investment activities separate from the cash and investment activities of the State. Interest earnings are income to the Foundation and are not transferred to the State of Wisconsin. These investments are managed by private trust companies.

- A. Deposits - GASB Statement 3 requires deposits with financial institutions to be categorized to indicate the level of risk assumed by the State at year-end. The risk categories for deposits are: 1) insured or collateralized with securities held by the entity or by its agent in the entity's name; 2) uninsured but collateralized by financial institution; and 3) uninsured and uncollateralized.

At year-end, the carrying amount of the Foundation's deposits with financial institutions was \$1,767,490, and the bank balance was \$2,239,304. Deposits up to \$100,000 at each institution are covered by the Federal Deposit Insurance Corporation (FDIC). Of the bank balance, \$100,000 was insured and classified in risk category 1, and \$2,139,304 was uninsured and uncollateralized and is classified in risk category 3.

- B. Investments - GASB Statement 3 also requires investments to be categorized to indicate the level of risk assumed by the State at year-end. The risk categories for investments are: 1) insured or registered, or the securities are held by the entity or its agent in the entity's name; 2) uninsured and unregistered, with securities held by counterparty or its agent in the entity's name; and 3) uninsured and unregistered, or the securities are held by counterparty or its agent but not in the entity's name. With the exception of open-end mutual funds, which are not categorized, investments at June 30, 2000, meet the criteria for risk category 1.

	<u>Cash and Equivalents</u>	<u>Investments</u>
Demand Deposits	\$ 63,972	\$ 0
Money Market Funds	1,703,518	0
Mutual Funds	0	468,392
Stocks	0	1,893,392
Bonds	<u>0</u>	<u>1,997,833</u>
Total	<u>\$1,767,490</u>	<u>\$4,359,617</u>

3. ECB Payable

The Foundation transfers funds to ECB on a monthly basis, as reimbursement for expenditures made on its behalf. The timing of these transfers results in year-end payables.

4. Endowment

The management of WPBF established an endowment during FY 1992-1993. None of the assets in the endowment at June 30, 2000 are donor restricted.

5. Related Entities

- A. WHA Radio and WHA Television - WHA Radio and WHA Television are public telecommunications entities operated by the University of Wisconsin (UW)-Extension. In order to achieve statewide services and economies of scale, in the mid-1980s ECB and the UW Board of Regents developed partnerships called Wisconsin Public Radio and Wisconsin Public Television to manage and operate their licenses. The partnerships are maintained through an affiliation agreement outlining structural principles and functions, administrative staff allocations, stations (of both Wisconsin Public Radio and Wisconsin Public Television), and financial commitments of the partners. The Directors of Wisconsin Public Television and Wisconsin Public Radio are jointly appointed by ECB and the UW Board of Regents. Staff and resources from both agencies work together to provide administrative and program services. Amounts due to or from affiliated parties are separately disclosed on the balance sheet. The relationship pervades all aspects of the financial activities reported in the accompanying financial statements.
- B. Wisconsin Public Radio Association (WPRA) - WPRA is a not-for-profit corporation that collects funds for public radio and provides support to the ECB Radio Network and WHA Radio, a network of radio stations licensed to the UW Board of Regents. WPRA solicits funds in the name of, and with the approval of, both ECB and WHA Radio. ECB Radio and WHA Radio have access to WPRA's net resources and retain an ongoing equity interest.

ECB Radio's equity interest in WPRA is calculated in accordance with an affiliation agreement, which currently provides ECB Radio with 76 percent of WPRA net resources. This agreement is renegotiated annually based upon fund drive results.

WPBF includes in revenue the entire amount of WPRA net resources to which ECB Radio is entitled each year. WPBF also recognizes WPRA expenses made on ECB Radio's behalf as both a contribution and an expense. A summary of amounts related to WPRA included in the accompanying financial statements follows:

	<u>FY 1999-2000</u>
Equity in Resources Held by WPRA	\$ 11,190
Contributed Support	2,878,591
Expenses:	
Program Information	\$378,956
Management and General	89,717
Fund-raising and Membership	
Development	<u>340,027</u>
	\$ 808,700

WPRA issues separate financial statements that are audited by other auditors. A summary of significant WPRA financial data follows:

	<u>Fiscal Year Ended June 30, 2000</u>
Revenues	\$3,762,976
Expenses	<u>3,864,172</u>
Excess (Deficiency) of Revenue over Expenses	<u>\$ (101,196)</u>
	<u>June 30, 2000</u>
Current Assets	\$ 868,586
Endowment	278,632
Long-term Investments	200,854
Accounts Payable	(713,524)
Restricted Fund Balance	<u>(132,789)</u>
Net Assets Contractually Committed for Distribution to ECB and WHA Radio	<u>\$ 501,759</u>
