

AN AUDIT

*Wisconsin Public Broadcasting
Foundation, Inc.*

December 2001

2001-2002 Joint Legislative Audit Committee Members

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State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

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December 20, 2001

Senator Gary R. George and
Representative Joseph K. Leibham, 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 Leibham, and Mr. Fletemeyer:

We have completed a financial audit of the Wisconsin Public Broadcasting Foundation, Inc., 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, 2000 through June 30, 2001.

We completed this audit in conjunction with our audits of the Wisconsin Educational Communications Board television and radio networks, report numbers 01-20 and 01-21. 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,

A handwritten signature in cursive script that reads 'Janice Mueller'.

Janice Mueller
State Auditor

JM/DA/ss

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, 2001, and the related statements of financial activity and cash flows for the year then ended. These financial statements are the responsibility of the Wisconsin Educational Communications Board, which manages the Foundation. 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 \$157,855 are contractually committed to the Educational Communications Board 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 3.0 percent of the total assets and 40.5 percent of total support and revenue. The financial statements of the Wisconsin Public Radio Association 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 auditing standards generally accepted in the United States 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. The financial statements of the Wisconsin Public Radio Association were audited by other auditors in accordance with auditing standards generally accepted in the United States, but not in accordance with the additional requirements of *Government 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.

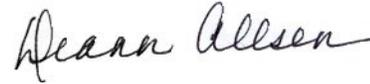
In our opinion, based upon our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Wisconsin Public Broadcasting Foundation, Inc., as of June 30, 2001, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 14, 2001 on our consideration of the Wisconsin Public Broadcasting Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

LEGISLATIVE AUDIT BUREAU

December 14, 2001

by

A handwritten signature in cursive script that reads "Diann Allsen".

Diann Allsen
Audit Director

Wisconsin Public Broadcasting Foundation, Inc.
Balance Sheet
June 30, 2001

	<u>Radio Fund</u>	<u>Television Fund</u>	<u>Total June 30, 2001</u>	<u>Total June 30, 2000</u>
Assets				
Current Assets:				
Cash and cash equivalents (Note 1)	\$ 492,224	\$ 575,131	\$ 1,067,355	\$ 1,767,490
Investments (Note 2)	1,734,567	2,192,088	3,926,655	4,359,617
Equity in resources held by WPRA (Note 5)	157,855	0	157,855	11,190
Grants and contracts receivable	0	3,657	3,657	0
Interest receivable	3,070	3,301	6,371	47,914
Other receivables	0	112,549	112,549	566,740
Total Assets	<u>\$ 2,387,716</u>	<u>\$ 2,886,726</u>	<u>\$ 5,274,442</u>	<u>\$ 6,752,951</u>
Liabilities and Fund Balances				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 2,576	\$ 20,508	\$ 23,084	\$ 120,295
Accrued liabilities due to affiliate (Note 5)	183,047	310,493	493,540	516,070
Due to ECB (Note 3)	12,000	255,988	267,988	726,429
Total Current Liabilities	<u>197,623</u>	<u>586,989</u>	<u>784,612</u>	<u>1,362,794</u>
Fund Balances:				
Designated for operations	2,190,093	1,575,791	3,765,884	4,763,965
Designated for endowment (Note 4)	0	723,946	723,946	626,192
Total Fund Balances	<u>2,190,093</u>	<u>2,299,737</u>	<u>4,489,830</u>	<u>5,390,157</u>
Total Liabilities and Fund Balances	<u>\$ 2,387,716</u>	<u>\$ 2,886,726</u>	<u>\$ 5,274,442</u>	<u>\$ 6,752,951</u>

The accompanying notes are an integral part of this statement.

Wisconsin Public Broadcasting Foundation, Inc.
Statement of Financial Activity
for the Year Ended June 30, 2001

	<u>Radio Fund</u>	<u>Television Fund</u>	<u>Total 2000-01</u>	<u>Total 1999-2000</u>
Support and Revenue				
Contributions Undesignated	\$ 3,286,937	\$ 2,269,104	\$ 5,556,041	\$ 5,174,063
Community Services Grant—CPB	590,649	902,353	1,493,002	1,450,161
Underwriting Grants	495,869	306,533	802,402	725,909
Other Grants	0	22,340	22,340	208,052
Major Gifts	0	26,004	26,004	60,384
Investment Income	(61,716)	(119,551)	(181,267)	423,325
Miscellaneous Revenue	9,399	378,052	387,451	655,435
Total Support and Revenue	<u>4,321,138</u>	<u>3,784,835</u>	<u>8,105,973</u>	<u>8,697,329</u>
Expenses				
Program Services:				
Programming and production	44,287	126,705	170,992	362,419
Broadcasting	0	(6,400)	(6,400)	0
Program information	420,516	59,063	479,579	454,532
Total Program Services	<u>464,803</u>	<u>179,368</u>	<u>644,171</u>	<u>816,951</u>
Support Services:				
Management and general	131,578	53,646	185,224	161,210
Fund-raising and membership	387,627	506,174	893,801	1,116,452
Underwriting	0	126,544	126,544	181,574
Total Support Services	<u>519,205</u>	<u>686,364</u>	<u>1,205,569</u>	<u>1,459,236</u>
Total Expenses	<u>984,008</u>	<u>865,732</u>	<u>1,849,740</u>	<u>2,276,187</u>
Excess of Support and Revenue over Expenses	<u>\$ 3,337,130</u>	<u>\$ 2,919,103</u>	<u>\$ 6,256,233</u>	<u>\$ 6,421,142</u>
Fund Balances				
Beginning Fund Balances	2,485,216	2,904,941	5,390,157	4,622,780
Excess of Support and Revenue over Expenses	3,337,130	2,919,103	6,256,233	6,421,142
Transfers to ECB	(3,632,253)	(3,524,307)	(7,156,560)	(5,653,765)
Fund Balances at End of Year	<u>\$ 2,190,093</u>	<u>\$ 2,299,737</u>	<u>\$ 4,489,830</u>	<u>\$ 5,390,157</u>

The accompanying notes are an integral part of this statement.

Wisconsin Public Broadcasting Foundation, Inc.
Statement of Cash Flows
for the Year Ended June 30, 2001

	Total <u>2000-01</u>	Total <u>1999-2000</u>
Cash Flows from Operating Activities		
Excess of Support and Revenue over Expenses	\$ 6,256,233	\$ 6,421,142
Adjustments to Reconcile Excess Revenues over Expenses to Net Cash Provided by Operating Activities:		
Unrealized (gain) loss on investments	412,534	(176,761)
Realized (gain) loss on investments	(73,494)	(78,848)
Decrease (increase) in grants and contracts receivable	(3,657)	2,920
Decrease (increase) in interest receivable	41,543	(39,970)
Decrease (increase) in other receivables	454,191	(398,330)
Increase (decrease) in accounts payable and accrued expenses	(97,211)	27,357
Increase (decrease) in accrued liabilities due to affiliate	(22,530)	(569,336)
Increase (decrease) in payable to ECB	(458,441)	448,831
Increase (decrease) in deferred support	0	(39,904)
Net Cash Provided by Operating Activities	<u>6,509,168</u>	<u>5,597,101</u>
Cash Flows from Noncapital Financing Activities		
Transfers to ECB	<u>(7,156,560)</u>	<u>(5,653,765)</u>
Cash Flows from Investing Activities		
Net Proceeds From Sale, Maturity, or (Purchase) of Investments	93,922	(261,649)
Equity in Resources Held by WPRA	<u>(146,665)</u>	<u>649,280</u>
Net Cash Provided (Used) by Investing Activities	<u>(52,743)</u>	<u>387,631</u>
Increase (Decrease) in Cash and Cash Equivalents	(700,135)	330,967
Cash and Equivalents		
Beginning of year	<u>1,767,490</u>	<u>1,436,523</u>
End of year	<u>\$ 1,067,355</u>	<u>\$ 1,767,490</u>

The accompanying notes are an integral part of this statement.

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 five 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 (WPR), 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 WPR.
- 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 of the Foundation 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) 1999-2000 in the accompanying financial statements presents summarized totals and is included to provide a basis for comparison with FY 2000-01.

2. Deposits and Investments

WPBF 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. These risk categories are: 1) insured or collateralized, with securities held by the entity or by its agent in the entity's name; 2) collateralized, with securities held by the financial institution's trust department or agent in the entity's name; and 3) uninsured or uncollateralized.

At year-end, the carrying amount of the Foundation's deposits with financial institutions was \$1,067,355, and the bank balance was \$2,113,897. 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 is classified in risk category 1, and \$2,013,897 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, 2001, meet the criteria for risk category 1.

	<u>Fair Value</u>	<u>Cost</u>
Equity Securities	\$ 3,436,914	\$ 3,309,292
Mutual Funds	<u>489,741</u>	<u>472,849</u>
Total	<u>\$3,926,655</u>	<u>\$3,782,141</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 1992-93. None of the assets in the endowment at June 30, 2001, 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 a partnership called Wisconsin Public Broadcasting to manage and operate their licenses. The partnership is 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 the 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 solicits 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 2000-01</u>
Equity in Resources Held by WPRA	\$ 157,855
Contributed Support	\$3,286,937
Expenses:	
Program Information	\$387,627
Management and General	76,096
Fundraising and Membership	
Development	<u>420,516</u>
Total Expenses	\$ 884,239

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

	<u>Fiscal Year Ended June 30, 2001</u>
Revenues	\$4,267,199
Expenses	<u>4,131,351</u>
Excess (Deficiency) of Revenue over Expenses	<u>\$ 135,848</u>
	<u>June 30, 2001</u>
Current Assets	\$ 759,706
Endowment	236,497
Long-term Investments	70,373
Accounts Payable	(296,180)
Restricted Fund Balance	<u>(75,071)</u>
Net Assets Contractually Committed for Distribution to ECB and WHA Radio	<u>\$ 695,325</u>

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

We have audited the financial statements of the Wisconsin Public Broadcasting Foundation, Inc., as of and for the year ended June 30, 2001, and have issued our report thereon dated December 14, 2001. We did not audit the financial statements of the Wisconsin Public Radio Association. 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 auditing standards generally accepted in the United States 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 the Wisconsin Public Radio Association were audited by other auditors in accordance with auditing standards generally accepted in the United States, but not in accordance with the additional requirements of *Government Auditing Standards*.

Compliance

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

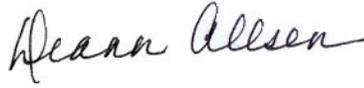
Internal Control over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This independent auditor's report is intended for the information and use of the Wisconsin Public Broadcasting Foundation, Inc., the Educational Communications Board, and the Wisconsin Legislature's Joint Legislative Audit Committee. This independent auditor's report, upon submission to the Joint Legislative Audit Committee, is a matter of public record and its distribution is not limited. However, because we do not express an opinion on compliance or provide assurance on internal control over financial reporting, this report is not intended to be used by anyone other than these specified parties.

LEGISLATIVE AUDIT BUREAU

December 14, 2001

by 
Diann Allsen
Audit Director

