

**Report 13-3
January 2013**

WHA Radio

STATE OF WISCONSIN



Legislative Audit Bureau ■

WHA Radio

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State Auditor – Joe Chrisman

Audit Prepared by

Diann Allsen, *Financial Audit Director*

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STATE OF WISCONSIN
Legislative Audit Bureau

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Joe Chrisman
State Auditor

January 31, 2013

Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Mr. Brent Smith
President of the Board of Regents
University of Wisconsin System
Madison, Wisconsin 53706

Dear Senator Cowles, Representative Kerkman, and President Smith:

We have completed a financial audit of WHA Radio, as requested by the University of Wisconsin-Extension to fulfill the audit requirements of the Corporation for Public Broadcasting. The Corporation requires audited financial statements of public broadcasting entities to determine future funding levels.

WHA Radio is licensed to the University of Wisconsin System's Board of Regents and is operated by the University of Wisconsin-Extension. WHA Radio earned \$11.1 million in revenues during fiscal year 2011-12, including state support, member contributions, funding from the Corporation for Public Broadcasting, and various other grants.

Our audit report contains WHA Radio's financial statements and related notes as of and for the years ended June 30, 2012, and June 30, 2011. We provide an unqualified independent auditor's report on WHA Radio's financial statements. In our report on internal control and compliance, we note that the University of Wisconsin-Extension took steps to improve and address past concerns with its financial reporting process for WHA Radio.

We appreciate the courtesy and cooperation extended to us by University of Wisconsin-Extension staff during the audit.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Joe Chrisman".

Joe Chrisman
State Auditor

JC/DA/ss

Audit Opinion ■

Independent Auditor's Report on the Financial Statements of WHA Radio

We have audited the accompanying financial statements of WHA Radio as of and for the years ended June 30, 2012, and June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the management of WHA Radio. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Wisconsin Public Radio Association, Inc., which represent 14.7 percent and 17.9 percent of the total assets as of June 30, 2012, and June 30, 2011, respectively, and 15.2 percent and 14.7 percent of WHA Radio's total revenues during fiscal year 2011-12 and fiscal year 2010-11, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Wisconsin Public Radio Association, Inc., is based on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Wisconsin Public Radio Association, Inc., were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *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 audits and the reports of the other auditors provide a reasonable basis for our opinion.


As discussed in Note 1, the financial statements referred to in the first paragraph present only WHA Radio and do not purport to, and do not, present fairly the financial position of the State of Wisconsin or the University of Wisconsin System and the changes in their financial positions and cash flows in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based upon our audits and the reports of the other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of WHA Radio as of June 30, 2012, and June 30, 2011, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 22, 2013, on our consideration of WHA Radio's internal control over financial reporting; our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements of WHA Radio. The supplementary information included as Management's Discussion and Analysis on pages 5 through 8 is presented for purposes of additional analysis and is not a required part of the financial statements. We have applied certain limited procedures to the information, which consisted principally 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 financial statements, and other knowledge we obtained during our audits of the 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.

January 22, 2013

LEGISLATIVE AUDIT BUREAU
by 
Diann Allsen
Audit Director

Management's Discussion and Analysis ■

Prepared by WHA Radio Management

This section of the WHA Radio annual financial report presents management's discussion and analysis of the financial performance of WHA Radio during the fiscal years ended June 30, 2012, and June 30, 2011. This discussion should be read in conjunction with the accompanying financial statements and notes. The financial statements, notes, and this discussion are the responsibility of WHA Radio management.

Using the Annual Financial Statements

WHA Radio is licensed to the University of Wisconsin System's Board of Regents and prepares its financial statements in accordance with Governmental Accounting Standards Board statements. The financial statements also include WHA Radio's allocated share of the accounts of the Wisconsin Public Radio Association, Inc. (WPRA), a not-for-profit corporation that solicits funds for WHA Radio and the Educational Communications Board (ECB).

The Balance Sheet includes all assets and liabilities. Assets and liabilities are subtotaled as current and noncurrent. Current assets will be used within one year to satisfy obligations, while current liabilities will be liquidated within one year. The difference between assets and liabilities is reported as net assets. Restricted net assets reflect unspent balances of purpose-restricted grants, contracts, and contributions. Over time, increases or decreases in net assets are indicators of changes in WHA Radio's financial health.

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. WHA Radio's dependence on state general appropriations and donated facilities and administrative support from the University of Wisconsin System will result in operating deficits because the financial reporting model classifies state general appropriations and donated services as nonoperating revenues. The use of capital assets is reflected in the financial statements as depreciation expense and amortization expense, both of which amortize the cost of an asset over its expected useful life. Depreciation expense and amortization expense are included in the various functional expense categories.

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

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Noteworthy Financial Activity

Condensed financial information relating to WHA Radio as of and for the fiscal years ended June 30, 2012, June 30, 2011, and June 30, 2010, is shown in Table A.

Total assets increased 2 percent in fiscal year (FY) 2011-12, and total liabilities decreased 5 percent, resulting in a 4 percent increase in net assets. These changes compare to a total asset increase of 10 percent in FY 2010-11, when total liabilities increased 1 percent, resulting in a 12 percent increase in net assets. Net assets have increased for 15 consecutive years. The net assets invested in capital assets decreased \$26,000, or 3 percent, in FY 2011-12 following an increase of \$204,000 in FY 2010-11. The increase in FY 2010-11 related largely to a \$255,000 grant from the U.S. Department of Commerce Public Telecommunications Facilities Program (PTFP) for a new broadcast station in Ashland.

Current liabilities decreased 11 percent in FY 2011-12 after increasing 7 percent in FY 2010-11. A liability due to the University of Wisconsin System accounts for more than 80 percent of current liabilities in both fiscal years. The liability is the result of spending university funds in anticipation of reimbursement under grants and contracts and typically fluctuates year to year. Noncurrent liabilities, which are payables for compensated absences, increased \$44,000 and totaled \$456,000 as of June 30, 2012. In FY 2010-11, noncurrent liabilities decreased \$58,000. The compensated liability tends to increase when there is relatively low staff turnover and staff bank leave time for use at a later date and to decrease when there is relatively high staff turnover.

Table A

WHA Radio Condensed Financial Information
(in thousands)

	June 30, 2012	Change from Previous Year	June 30, 2011	Change from Previous Year	June 30, 2010
Capital Assets	\$ 731	(3%)	\$ 757	37%	\$ 553
Other Assets	7,648	3	7,457	8	6,918
Total Assets	<u>8,379</u>	2	<u>8,214</u>	10	<u>7,471</u>
Current Liabilities	980	(11)	1,100	7	1,029
Noncurrent Liabilities	456	11	412	(12)	470
Total Liabilities	<u>1,436</u>	(5)	<u>1,512</u>	1	<u>1,499</u>
Invested in Capital Assets	731	(3)	757	37	553
Restricted—Nonexpendable	38	0	38	(3)	39
Restricted—Expendable	165	1	164	4	158
Unrestricted	6,009	5	5,743	10	5,222
Total Net Assets	<u>\$6,943</u>	4	<u>\$6,702</u>	12	<u>\$5,972</u>

	FY 2011-12	Change from Previous Year	FY 2010-11	Change from Previous Year	FY 2009-10
Operating Revenues	\$7,759	4%	\$ 7,445	4%	\$ 7,144
Operating Expenses	10,827	3	10,494	3	10,213
Net Operating Loss	(3,068)	1	(3,049)	(1)	(3,069)
Nonoperating Revenues	3,309	(12)	3,780	5	3,591
Capital Contributions	0	N/A	0	N/A	0
Change in Net Assets	<u>\$ 241</u>	(67)	<u>\$ 731</u>	40	<u>\$ 522</u>

Operating revenues increased \$314,000 and totaled \$7,759,000 in FY 2011-12, after a \$301,000 increase in FY 2010-11. Grants and contracts are the single largest source of operating revenues and totaled \$4,183,000 in FY 2011-12 and \$4,180,000 in FY 2010-11. ECB was the source of \$3,803,000 in grants and contracts revenue in FY 2011-12, compared to \$3,473,000 in FY 2010-11. ECB and WHA Radio share WPRA revenue (see Note 10; ECB's share is 76 percent and WHA Radio's share is 24 percent). Since FY 2001-02, WPRA revenue has increased more than \$2,145,000. WPRA revenue

increased \$243,000 in FY 2011-12 and \$150,000 in FY 2010-11. WPRA contractual support to the licensees increased by \$385,000 in FY 2011-12 and \$92,000 in FY 2010-11.

There have been no capital contributions since FY 2008-09. Capital contributions can vary significantly from year to year because they are highly dependent upon receipt of one-time funding from state and federal organizations in competition with other state and broadcast entities.

Nonoperating revenues consist of investment income, State of Wisconsin general appropriations, and donated support from the University of Wisconsin System. Nonoperating revenues decreased by 12 percent and totaled \$3,309,000 in FY 2011-12. In FY 2010-11, nonoperating revenues increased 5 percent. The decrease in FY 2011-12 nonoperating revenues is largely associated with reductions in investment income and in State of Wisconsin general appropriations. Investment income decreased 82 percent in FY 2011-12 to \$70,000, following an increase of 27 percent in FY 2010-11. State of Wisconsin general appropriation revenue decreased 9 percent to \$1,862,000 following an increase of 4 percent in FY 2010-11. Donated support from the University of Wisconsin System increased 2 percent in FY 2011-12 to \$1,377,000, following a 2 percent increase in FY 2010-11. WHA Radio uses the University of Wisconsin-Extension's federally negotiated Other Sponsored Activities facilities and administrative support rate as the basis for estimating revenues and expenses provided by the licensee, the University of Wisconsin System.

This financial report is designed to provide a general overview of the University of Wisconsin-Extension's finances related to public radio. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to:

UWEX Division of Broadcasting and Media Innovations
c/o Director of Business Services
821 University Avenue
Madison, Wisconsin 53706

■ ■ ■ ■

Financial Statements ■

Balance Sheet

June 30, 2012 and June 30, 2011

	June 30, 2012	June 30, 2011
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 2)	\$ 1,887,611	\$ 2,535,157
Investments (Note 2)	3,144,519	2,346,115
Contributions Receivable, Net	78,425	74,522
Accounts and Interest Receivable, Net	199,941	170,359
Accounts Receivable—ECB (Note 10A)	1,068,584	942,323
Grants and Contracts Receivable	0	20,851
Prepaid Expenses	7,494	51,266
Inventory	1,902	2,786
Total Current Assets	<u>6,388,476</u>	<u>6,143,379</u>
Noncurrent Assets:		
Investments (Note 2)	1,260,598	1,313,902
Capital Assets, Net of Accumulated Depreciation (Notes 3 and 4)	730,425	756,858
Total Noncurrent Assets	<u>1,991,023</u>	<u>2,070,760</u>
TOTAL ASSETS	<u>\$ 8,379,499</u>	<u>\$ 8,214,139</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 171,948	\$ 133,139
Accounts Payable—ECB (Note 10A)	4,581	20,569
Due to the University of Wisconsin System (Note 1G)	803,684	945,805
Total Current Liabilities	<u>980,213</u>	<u>1,099,513</u>
Noncurrent Liabilities:		
Compensated Absences Payable (Note 5)	456,065	412,448
Total Noncurrent Liabilities	<u>456,065</u>	<u>412,448</u>
Total Liabilities	<u>1,436,278</u>	<u>1,511,961</u>
Net Assets:		
Invested in Capital Assets	730,425	756,858
Restricted (Note 1J):		
Nonexpendable—Endowments	38,491	38,491
Expendable—Grantee and Donor Restrictions	164,970	163,537
Unrestricted	6,009,335	5,743,292
Total Net Assets	<u>6,943,221</u>	<u>6,702,178</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,379,499</u>	<u>\$ 8,214,139</u>

The accompanying notes are an integral part of this statement.

**Statement of Revenues, Expenses, and Changes in Net Assets
for the Years Ended June 30, 2012 and June 30, 2011**

	FY 2011-12	FY 2010-11
OPERATING REVENUES		
Grants and Contracts	\$ 4,182,649	\$ 4,180,357
Community Service Grant—CPB	574,298	542,457
Underwriting	773,218	756,449
Telecasting, Production, and Other Income	143,878	106,205
Membership Income	1,381,680	1,374,178
Major Gifts	661,282	485,083
Contributed In-Kind Support	41,868	0
Total Operating Revenues	7,758,873	7,444,729
OPERATING EXPENSES		
Program Services:		
Programming and Production	6,392,103	6,183,973
Broadcasting	405,156	453,663
Program Information	364,387	302,009
Total Program Services	<u>7,161,646</u>	<u>6,939,645</u>
Support Services:		
Management and General	2,168,878	2,162,943
Fundraising and Membership Development	946,121	867,662
Underwriting	550,294	523,674
Total Support Services	<u>3,665,293</u>	<u>3,554,279</u>
Total Operating Expenses	10,826,939	10,493,924
OPERATING LOSS	(3,068,066)	(3,049,195)
NONOPERATING REVENUES AND EXPENSES		
State General Appropriations	1,861,846	2,040,196
Donated Facilities and Administrative Support from the University of Wisconsin System (Note 6)	1,377,239	1,356,827
Gain (Loss) on Sale of Assets	0	(5,030)
Investment Income	70,024	387,855
Total Nonoperating Revenues	3,309,109	3,779,848
Income before Capital Contributions and Transfers	241,043	730,653
CAPITAL CONTRIBUTIONS AND TRANSFERS		
Capital Contributions	0	0
CHANGE IN NET ASSETS	241,043	730,653
Total Net Assets—Beginning of the Year	6,702,178	5,971,525
Total Net Assets—End of the Year	<u>\$ 6,943,221</u>	<u>\$ 6,702,178</u>

The accompanying notes are an integral part of this statement.

Statement of Cash Flows for the Years Ended June 30, 2012 and June 30, 2011

	<u>FY 2011-12</u>	<u>FY 2010-11</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Grants and Contracts	\$ 3,970,769	\$ 4,282,603
Receipts from Community Service Grant—CPB	574,298	542,457
Receipts from Contributed Support	2,911,234	2,576,888
Receipts from Sales and Services	127,760	109,290
Payments to Suppliers	(2,332,980)	(2,233,814)
Payments to Employees	(6,993,543)	(6,790,998)
Net Cash Used for Operating Activities	<u>(1,742,462)</u>	<u>(1,513,574)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from State Government	<u>1,861,846</u>	<u>2,040,196</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,861,846</u>	<u>2,040,196</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Contributions	0	0
Purchases of Capital Assets	<u>(86,786)</u>	<u>(319,445)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(86,786)</u>	<u>(319,445)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (Purchases) and Sales of Investments	(792,228)	(427,653)
Interest and Dividends Received	<u>112,084</u>	<u>130,574</u>
Net Cash Provided (Used) by Investing Activities	<u>(680,144)</u>	<u>(297,079)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>(647,546)</u>	<u>(89,902)</u>
Balances—Beginning of the Year	<u>2,535,157</u>	<u>2,625,059</u>
Balances—End of the Year	<u>\$ 1,887,611</u>	<u>\$ 2,535,157</u>

The accompanying notes are an integral part of this statement.

	<u>FY 2011-12</u>	<u>FY 2010-11</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating Loss	\$ (3,068,066)	\$ (3,049,195)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:		
Depreciation and Amortization Expenses	113,218	110,733
Donated Facilities and Administrative Support from the University of Wisconsin System Expense	1,377,239	1,356,827
Change in Assets and Liabilities:		
Receivables, Net	(133,827)	57,558
Prepaid Expenses	43,772	(1,368)
Inventory	885	(640)
Accounts and Other Payables	66,438	(44,814)
Due to the University of Wisconsin System	(142,121)	57,325
Net Cash Used for Operating Activities	<u>\$ (1,742,462)</u>	<u>\$ (1,513,574)</u>

Noncash Activities:

The fair value of investments decreased \$47,128 in FY 2011-12 and increased \$219,718 in FY 2010-11.

Donated facilities and administrative support from the University of Wisconsin System totaled \$1,377,239 in FY 2011-12 and \$1,356,827 in FY 2010-11.

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements ■

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

WHA Radio is a public telecommunications entity operated by the University of Wisconsin-Extension, and is part of the University of Wisconsin System. WHA Radio consists of eight FM stations and one AM station that are licensed to the University of Wisconsin System's Board of Regents. The newest of these stations, WUWS-FM in Ashland, was added to the network in September 2011. WHA Radio's financial statements include its allocated share of the assets, liabilities, revenues, and expenses of the Wisconsin Public Radio Association, Inc. (WPRA), a not-for-profit corporation that collects funds for Wisconsin Public Radio and provides support to WHA Radio and the Educational Communications Board (ECB) radio networks. All significant interorganizational accounts and transactions have been eliminated. See Note 10 for further information regarding WPRA.

B. Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). WHA Radio has not applied Financial Accounting Standards Board pronouncements issued after November 30, 1989. GASB allows governmental entities that previously used the American Institute of Certified Public Accountants' not-for-profit model to use enterprise fund accounting and financial reporting. Enterprise fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Revenues from government-mandated or voluntary nonexchange transactions, such as contributions and grants, are recognized when all applicable eligibility requirements are met. Eligibility requirements are established by the provider of the funds and may stipulate the qualifying characteristics of recipients, time requirements, allowable costs, and other contingencies. Restrictions that specify the purpose for which resources are required to be used are not considered eligibility requirements and do not affect when nonexchange revenue is recognized.

Contributions, gifts, and grants that do not have eligibility requirements are reported as revenue when WHA Radio is entitled to the funds. Pledged WPRA contributions that are expected to be collected within one year are recorded as revenue at the net realizable value. There are no pledges due in more than one year. Individual gifts equal to or greater than \$1,000 are reported as major gifts. Contributions, gifts, and grants with eligibility requirements, such as expense-driven grants, are recognized when the eligibility requirements are met. Noncash contributions are recognized as revenues in the period of receipt.

Expenses are shown in the functional categories contained in the Statement of Revenues, Expenses, and Changes in Net Assets. Expenses that relate to more than one category are allocated to the respective categories, using estimates if necessary. Restricted resources are first applied when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating revenues are directly related to programming, production, and development activities. Nonoperating revenues, such as investment income, are indirectly associated with programming, production, and development activities. Certain significant revenue streams relied upon for operations are reported as nonoperating revenue, as defined by GASB Statement Number 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, including state general appropriations and donated facilities and administrative support from the University of Wisconsin System.

C. Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

D. Cash and Cash Equivalents

Cash and cash equivalents include deposits with the State of Wisconsin and shares in the State Investment Fund, a short-term investment pool of state and local funds. Cash and cash equivalents also include WHA Radio’s allocated share of WPRA’s cash deposits.

E. Valuation of Investments

All investments of WHA Radio are carried at fair value based on quoted market prices. University of Wisconsin Trust Fund shares and State Investment Fund shares are valued at fair value.

F. Capital Assets

Items classified as capital assets are recorded at cost or, for donated property, at the estimated fair value at date of receipt. A capital asset is defined as any single asset that has an acquisition cost of \$5,000 or more and a useful life of more than one year, whether purchased outright or acquired through a capital lease or donation. Capital assets also include internally generated software and certain constructed or fabricated items and certain component parts.

Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives for capital assets are based on standards for the public broadcasting industry developed by the Public Broadcasting Service and range from 4 to 15 years. Expenses for repairs and maintenance are charged to operating expenses as incurred.

G. Due to the University of Wisconsin System

All cash received by WHA Radio from grants and contracts is deposited with the University of Wisconsin System. Expenses related to certain WHA Radio grants and contracts may be incurred by the University of Wisconsin System prior to receipt of funding from the granting agency. The difference between cash received and expenses is reported as a payable, "Due to the University of Wisconsin System," on the Balance Sheet.

H. Unearned Revenue

Payments received but not yet earned for grants with eligibility requirements are reported as a liability on the Balance Sheet until the eligibility requirements have been met.

I. Compensated Absences for Employees

Unused, earned compensated absences, other than accumulated sick leave, are accrued with a resulting liability. The liability and the expense for compensated absences are based on the subsequent years' rates of pay. The related employer's share of social security taxes, Medicare taxes, and contributions to the Wisconsin Retirement System (WRS) is also accrued with a resulting liability.

J. Restricted Net Assets

Restricted net assets are reported when constraints placed on net assets are externally imposed, such as by donors or grantors. WHA Radio's restricted net assets include purpose restrictions placed by donors on contributed support or gifts. Restricted nonexpendable net assets are restricted by donors to be maintained in perpetuity. Unrestricted net assets may be used at the discretion of WHA Radio management.

2. DEPOSITS AND INVESTMENTS

WHA Radio's cash balances are deposited with the State of Wisconsin and are invested in the State Investment Fund, a short-term investment pool of state and local funds. The State Investment Fund is managed by the State of Wisconsin Investment Board with oversight by its Board of Trustees and is not registered with the Securities and Exchange Commission as an investment company.

The types of securities in which the State Investment Fund may invest are enumerated in ss. 25.17(3)(b), (ba), (bd), and (dg), Wis. Stats., and include direct obligations of the United States or its agencies, corporations wholly owned by the United States or chartered by an act of Congress, securities guaranteed by the United States, the unsecured notes of financial and industrial issuers, direct obligations of or guaranteed by the government of Canada, certificates of deposit issued by banks in the United States and solvent financial institutions in Wisconsin, and banker's acceptances. The Investment Board's trustees may specifically approve other prudent investments.

WHA Radio's investment balances are deposited with the University of Wisconsin System and invested in two different pools of University of Wisconsin funds: the UW Intermediate Term Fund and the UW Long Term Fund. These two funds are managed by the University of Wisconsin System, with oversight and authorization of the investment policies and guidelines by its Board of Regents, and are not registered with the Securities and Exchange Commission as an investment company. The asset allocation policy for the Intermediate Term Fund sets a target of 15 percent marketable equities, 70 percent fixed-income, 10 percent alternatives, and 5 percent cash. The asset allocation policy for the Long Term Fund sets a target of 35 percent marketable equities, 30 percent fixed-income, and 35 percent alternatives. Additional information on the two funds is available in the University of Wisconsin System's Annual Financial Report.

WPRA's cash and investment activities are managed separately from the cash and investment activities of the State Investment Fund and the University of Wisconsin funds. WPRA cash balances are held in a checking account and current investments consist of money market funds. WPRA investments are managed by asset management or private trust companies and consist of fixed-income funds and equity mutual funds.

A. Deposits

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, deposits may not be returned. WPRA does not have a deposit policy for custodial credit risk. Deposits maintained by WPRA are insured by the Federal Deposit Insurance Corporation for up to \$250,000 at each depository institution. As of June 30, 2012, \$148,877 of WHA Radio's share of WPRA's deposits was uninsured and uncollateralized. As of June 30, 2011, the uninsured and uncollateralized balance was \$520,279.

B. Investments

Investment balances for WHA Radio as of June 30, 2012, and June 30, 2011, were as follows:

<u>Investment</u>	June 30, 2012 <u>Fair Value</u>	June 30, 2011 <u>Fair Value</u>
Money Market Funds Awaiting Investment	\$ 15,434	\$ 9,577
Fixed-Income Funds	169,828	159,829
Equity Mutual Funds	242,560	250,967
UW Intermediate Term Fund	3,129,084	2,346,115
UW Long Term Fund	<u>848,211</u>	<u>893,529</u>
Total Investments on the Balance Sheet	<u>\$4,405,117</u>	<u>\$3,660,017</u>

WHA Radio's shares in the State Investment Fund were \$1,328,182 as of June 30, 2012, and \$1,580,164 as of June 30, 2011, and are reported as cash and cash equivalents on the Balance Sheet, but are subject to the investment risk note disclosures.

Credit Risk—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University of Wisconsin System's investment guidelines prohibit security transactions that involve a counterparty rated below AA/Aa by Standard & Poor's and/or Moody's. In addition, all securities held must have a minimum quality rating of investment grade (BBB/Baa by Standard & Poor's and/or Moody's) with an average portfolio quality of at least AA/Aa as rated by Standard & Poor's and/or Moody's. WPRA's investment guidelines require an average of at least an Aa by Moody's or at least an AA by Standard and Poor's. As of June 30, 2012, and June 30, 2011, the UW Intermediate Term and Long Term funds, WPRA's fixed-income funds listed in the preceding table, and the State Investment Fund were all unrated.

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. WPRA investment guidelines require that the fixed-income investments contain a duration within 20 percent of the effective duration of the benchmark index under normal conditions. As of June 30, 2012, and June 30, 2011, the fixed-income investments of WPRA had the following modified durations:

<u>Investment</u>	June 30, 2012 <u>Fair Value</u>	Modified Duration <u>(In Years)</u>
PIMCO Total Return Fund	\$ 63,374	4.8
Metropolitan West Total Return Bond Fund	64,173	4.1
American Centennial Diversified Bond Fund	<u>42,281</u>	5.0
Total Fixed-Income Investments	<u>\$169,828</u>	

<u>Investment</u>	June 30, 2011 <u>Fair Value</u>	Modified Duration <u>(In Years)</u>
PIMCO Total Return Fund	\$ 60,876	4.4
Metropolitan West Total Return Bond Fund	61,095	4.2
PIMCO Unconstrained Bond Fund	<u>37,858</u>	5.2
Total Fixed-Income Investments	<u>\$159,829</u>	

The State Investment Fund investment guidelines mandate that the weighted average maturity for the entire portfolio not exceed one year. The weighted average maturity of the State Investment Fund was 75 days as of June 30, 2012, and 73 days as of June 30, 2011.

Foreign Currency Risk—Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The University of Wisconsin System’s investment guidelines state that it is generally expected that the foreign currency exposure is not hedged, as this enhances the diversification benefits from non-U.S. investments. WPRA’s investment guidelines indicate that international equity investments held by WPRA will not constitute more than 20 percent of the equity portion of the investment portfolio. As of June 30, 2012, WHA Radio was exposed to foreign currency risk through international investments in the UW Long Term and Intermediate Term funds. In addition, WPRA held investments that were exposed to foreign currency risk totaling \$47,420 as of June 30, 2012, and \$53,867 as of June 30, 2011.

3. CAPITAL ASSETS

The change in book value from July 1, 2011, to June 30, 2012, is summarized as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets:				
Equipment	\$1,606,902	\$ 40,376	\$ 0	\$1,647,278
Intangible Assets	5,029	47,402	0	52,431
Work-in-Process	<u>43,163</u>	<u>42,170</u>	<u>(43,163)</u>	<u>42,170</u>
Total	<u>1,655,094</u>	<u>129,948</u>	<u>(43,163)</u>	<u>1,741,879</u>
Less Accumulated Depreciation (or Amortization):				
Equipment	(897,230)	(102,732)	0	(999,962)
Intangible Assets	(1,006)	(10,486)	0	(11,492)
Work-in-Process	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>(898,236)</u>	<u>(113,218)</u>	<u>0</u>	<u>(1,011,454)</u>
Total Capital Assets, Net:				
Equipment	709,672	(62,356)	0	647,316
Intangible Assets	4,023	36,916	0	40,939
Work-in-Process	<u>43,163</u>	<u>42,170</u>	<u>(43,163)</u>	<u>42,170</u>
Total Capital Assets, Net	<u>\$ 756,858</u>	<u>\$ 16,730</u>	<u>\$(43,163)</u>	<u>\$ 730,425</u>

Depreciation and amortization expenses were charged to functions as follows:

Programming and Production	\$ 49,944
Broadcasting	62,785
Fundraising	<u>489</u>
Total Expenses	<u>\$113,218</u>

The change in book value from July 1, 2010, to June 30, 2011, is summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets:				
Equipment	\$1,574,158	\$271,253	\$(238,509)	\$1,606,902
Intangible Assets	0	5,029	0	5,029
Work-in-Process	<u>0</u>	<u>43,163</u>	<u>0</u>	<u>43,163</u>
Total	<u>1,574,158</u>	<u>319,445</u>	<u>(238,509)</u>	<u>1,655,094</u>
Less Accumulated Depreciation (or Amortization):				
Equipment	(1,020,982)	(109,727)	233,479	(897,230)
Intangible Assets	0	(1,006)	0	(1,006)
Work-in-Process	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>(1,020,982)</u>	<u>(110,733)</u>	<u>233,479</u>	<u>(898,236)</u>
Total Capital Assets, Net:				
Equipment	553,176	161,526	5,030	709,672
Intangible Assets	0	4,023	0	4,023
Work-in-Process	<u>0</u>	<u>43,163</u>	<u>0</u>	<u>43,163</u>
Total Capital Assets, Net	<u>\$ 553,176</u>	<u>\$208,712</u>	<u>\$ (5,030)</u>	<u>\$ 756,858</u>

Depreciation and amortization expenses were charged to functions as follows:

Programming and Production	\$ 45,052
Broadcasting	62,750
Fundraising	<u>2,931</u>
Total Expenses	<u>\$110,733</u>

Work-in-process is related to Wisconsin Public Radio website software and is included in the capital asset balance as of June 30, 2012, and June 30, 2011.

4. CAPITAL ASSET LIEN

Federal grant funds received from the National Telecommunications and Information Administration (NTIA) to purchase equipment contain a priority lien. The lien extends for a period of ten years from the date of award completion, during which time the federal government retains priority reversionary interest in the equipment. WHA Radio was awarded four NTIA capital equipment grants from fiscal year (FY) 2001-02 through FY 2010-11. The depreciated value of equipment subject to a priority lien was \$235,473 as of June 30, 2012, and \$240,265 as of June 30, 2011.

5. NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Compensated Absences	\$412,448	\$71,788	\$(28,171)	\$456,065

Noncurrent liability activity for the year ended June 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Compensated Absences	\$470,411	\$68,448	\$(126,411)	\$412,448

In addition, another \$31,847 as of June 30, 2012, and \$26,136 as of June 30, 2011, was due within one year and included in the accounts payable and accrued expenses balance on the Balance Sheet.

6. DONATED FACILITIES AND ADMINISTRATIVE SUPPORT FROM THE UNIVERSITY OF WISCONSIN SYSTEM

Donated facilities from the University of Wisconsin System consist of physical plant operating costs of \$191,143 and occupancy costs of \$39,241 for FY 2011-12, and operating costs of \$188,688 and occupancy costs of \$38,737 for FY 2010-11. Such contributions are recorded at the University of Wisconsin System's cost of providing them. Administrative support from the University of Wisconsin System consists of allocated financial and administrative costs and certain other expenses incurred by the University of Wisconsin System on behalf of WHA Radio. Administrative support totaled \$1,146,855 in FY 2011-12, and \$1,129,402 in FY 2010-11.

7. EMPLOYEE RETIREMENT PLAN

Permanent and qualifying limited-term employees of WHA Radio are participants in the WRS, a cost-sharing, multiple-employer, defined benefit plan governed by ch. 40, Wis. Stats. State and local government public employees are entitled to an annual formula retirement benefit based on: 1) the employee's final average earnings; 2) years of creditable service; and 3) a formula factor. If an employee's contributions, matching employer's contributions, and interest credited to the employee's account exceed the value of the formula benefit, the retirement benefit may instead be calculated as a money purchase benefit.

The WRS is considered part of the State of Wisconsin's financial reporting entity. The separately issued financial report that includes financial statements and required supplementary information is available at www.etf.wi.gov or by contacting:

Department of Employee Trust Funds
P.O. Box 7931
Madison, Wisconsin 53707-7931

Generally, the State's policy is to fund retirement contributions on a level-percentage-of-payroll basis to meet normal and prior service costs of the WRS. Prior service costs are amortized over 40 years, beginning January 1, 1990. However, in December 2003 the State issued bonds and subsequently fully liquidated its prior service liability balance as of January 2003. State agencies are required to make future contributions to fund the bond payments.

Required employee and employer contributions, which are equal to specified percentages of qualified earnings based on the employee's classification, are determined annually. Through FY 2010-11, WHA Radio provided the employer share and a portion of the employee share of contributions. Beginning in FY 2011-12, WHA Radio's contribution was limited to the employer share. WHA Radio's contribution to the plan, including employer and employee contributions, was \$617,967 in FY 2011-12 and \$631,910 in FY 2010-11. The relative position of WHA Radio in the WRS is not available because the WRS is a statewide, multiple-employer plan.

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In accordance with the provisions of GASB Statement No. 45, state and local governmental employers are required to display in financial reports other postemployment benefits (OPEB) expenses and related liabilities; notes disclosures; and if applicable, required supplementary information. The employees of WHA Radio are employees of the State of Wisconsin. The financial statements of WHA Radio do not include OPEB expenses or the related liabilities other than those actually paid, which are allocated to various functional expenses on the Statement of Revenues, Expenses, and Changes in Net Assets.

Health Insurance—The State's Health Insurance Program, a cost-sharing, multiple-employer, defined benefit plan not held in trust, is an employer-sponsored program offering group medical coverage to eligible employees and retirees of the State, created under ch. 40, Wis. Stats. The Department of Employee Trust Funds and the Group Insurance Board have program administration and oversight responsibilities under ss.15.1565(2) and 40.03(6), Wis. Stats. Under this plan, retired employees of the State contribute the same healthcare premium as active employees, creating an implicit rate subsidy for retirees. This implicit rate subsidy, which is calculated to cover pre-age 65 retirees (since at age 65 retirees are required to enroll in Medicare, when eligible), is treated as an OPEB.

The State's net OPEB obligation was \$406.5 million as of June 30, 2012, and \$367.5 million as of June 30, 2011. The estimated portion of this obligation related to WHA Radio employees was \$0.5 million as of June 30, 2012, and \$0.4 million as of June 30, 2011. This obligation is included in the State of Wisconsin's financial statements but is not included in WHA Radio's financial statements.

The State's financial statements, additional note disclosures, and required supplementary information for this plan are included in the State's Comprehensive Annual Financial Report. That report is publicly available at www.doa.wi.gov or may be obtained by contacting:

State Controller's Office
Department of Administration
101 East Wilson Street
Madison, Wisconsin 53703

Life insurance—The State's Life Insurance Program, a cost-sharing, multiple-employer, defined benefit plan held in trust, provides post-employment coverage to all eligible employees. The plan is administered under s. 40.70, Wis. Stats. Beginning at age 65, retirees and terminating participants continue to receive, at no cost to themselves, basic life insurance coverage. Retirees and terminating participants under age 65 must continue to pay the employee premium to maintain coverage. The relative portion of the State's contributions to the Life Insurance OPEB plan attributable to WHA Radio is not readily available.

The Department of Employee Trust Funds issues a publicly available financial report that includes financial statements, additional note disclosures, and required supplementary information for the Life Insurance OPEB plan. That report is available at www.etf.wi.gov or may be obtained by contacting:

Department of Employee Trust Funds
P.O. Box 7931
Madison, Wisconsin 53707-7931

The State's financial statements also include additional employer note disclosures for the plan.

9. CONTRIBUTED IN-KIND SUPPORT

Contributed in-kind support during FY 2011-12 includes donated professional services of \$6,726 and general operational services of \$35,142. In-kind support is reported both as revenues and as expenses and, therefore, has no effect on net assets.

10. RELATED ENTITIES

A. Educational Communications Board

ECB is an agency of the State of Wisconsin that operates three public radio networks—WERN-FM and its affiliated music network stations, WHAD-FM and its affiliated Ideas Network stations, and a network of 24-hour per day classical music HD radio stations. In order to achieve statewide services and economies of scale, in the mid-1980s ECB and the University of Wisconsin System's 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 Radio and Wisconsin Public Television are jointly appointed by ECB and the University of Wisconsin System's 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, Inc.

WPRA is a publicly supported not-for-profit corporation whose purpose is to administer various fundraising and membership duties of Wisconsin Public Radio and to provide support to WHA Radio and ECB's radio networks. WPRA solicits funds in the name of, and with the approval of, both WHA Radio and ECB. Under an affiliation agreement, WHA Radio and ECB staff, along with the WPRA Board of Directors, approve WPRA's budget. WHA Radio and ECB have access to WPRA's net resources and retain an ongoing allocated interest in WPRA's net assets. WHA Radio's and ECB's allocated interests in WPRA are calculated in accordance with the affiliation agreement that currently provides WHA Radio with 24 percent of WPRA net resources and ECB with 76 percent. In addition, all net income from a quasi endowment held by WPRA on behalf of WHA is allocated to WHA Radio. This agreement is renegotiated annually based upon membership proportion.

WHA Radio includes its allocated share of WPRA assets, liabilities, revenues, and expenses in its financial statements. A summary of amounts related to WPRA prior to interorganizational eliminations is included in the following table. The financial statement amounts are reported net of eliminations of \$459,685 for both assets and liabilities as of June 30, 2012, and \$492,927 as of June 30, 2011. The financial statement amounts are also reported net of eliminations of \$1,571,379 for both revenues and expenses for FY 2011-12, and \$1,455,727 for FY 2010-11.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Cash and Investments	\$ 987,251	\$1,375,367
Receivables and Other Current Assets	243,299	91,077
Capital Assets	<u>0</u>	<u>489</u>
Total Assets	1,230,550	1,466,933
Payables and Other Current Liabilities	<u>(310,256)</u>	<u>(522,082)</u>
Net Assets	<u>\$ 920,294</u>	<u>\$ 944,851</u>
	Fiscal Year Ended	Fiscal Year Ended
	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Contributed Support and Revenue	<u>\$1,678,689</u>	<u>\$1,652,109</u>
Expenses:		
Programming and Production	49,713	68,247
Broadcasting	3,154	0
Program Information	8,016	9,129
Management and General	32,000	30,759
Fundraising	<u>191,667</u>	<u>211,805</u>
Total Expenses	<u>284,550</u>	<u>319,940</u>
Change in Net Assets before		
Payments to WHA Radio	<u>\$1,394,139</u>	<u>\$1,332,169</u>

WPRA issues separate financial statements, which are audited by other auditors. A summary of significant WPRA financial data as of and for the years ended June 30, 2012, and June 30, 2011, follows. Copies of WPRA's separately issued financial statements may be obtained by contacting:

Financial Manager
Wisconsin Public Radio Association, Inc.
821 University Avenue
Madison, Wisconsin 53706

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Cash and Investments	\$1,896,864	\$2,297,705
Receivables and Other Current Assets	554,578	379,491
Capital Assets	<u>0</u>	<u>2,036</u>
Total Assets	2,451,442	2,679,232
Payables and Other Current Liabilities	<u>(571,449)</u>	<u>(730,052)</u>
Net Assets	<u>\$1,879,993</u>	<u>\$1,949,180</u>

	<u>Fiscal Year Ended June 30, 2012</u>	<u>Fiscal Year Ended June 30, 2011</u>
Contributed Support and Revenue	<u>\$6,976,666</u>	<u>\$6,734,086</u>
Expenses:		
Programming and Production	156,137	61,237
Broadcasting	13,142	128,224
Program Information	33,400	38,036
Management and General	133,335	128,162
Fundraising	798,612	882,519
Payments to WHA and ECB	<u>5,911,227</u>	<u>5,455,742</u>
Total Expenses	<u>7,045,853</u>	<u>6,693,920</u>
Change in Net Assets	<u>\$ (69,187)</u>	<u>\$ 40,166</u>

C. The University of Wisconsin Foundation

The University of Wisconsin Foundation is the official not-for-profit fundraising corporation for the University of Wisconsin-Madison and several other units of the University of Wisconsin System, including the University of Wisconsin-Extension. It receives gifts and bequests, administers and invests securities and property, and disburses payments to and on behalf of the University of Wisconsin System. The market value of endowments and accumulated interest held by the Foundation for WHA Radio was \$730,622 as of June 30, 2012, and \$804,069 as of June 30, 2011. The accumulated interest is available to be transferred to the University of Wisconsin-Extension and spent by WHA Radio. Accumulated interest totaled \$166,523 as of June 30, 2012, and \$202,620 as of June 30, 2011. WHA Radio transferred \$61,125 from the Foundation in FY 2011-12 but did not transfer any in FY 2010-11. Only the actual transfers from the Foundation are reflected in WHA Radio's financial statements.

11. ALLOCATION OF WLSU-FM

WLSU-FM is qualified for Community Service Grant assistance from the Corporation for Public Broadcasting (CPB). Beginning in FY 2002-03, its affiliated Music Network stations, WUEC-FM and WVSS-FM, were also combined with WLSU-FM for purposes of applying for Community Service Grant assistance.

WLSU-FM and WHA Radio and their affiliates are licensed to the University of Wisconsin System's Board of Regents. Financial transactions for WLSU-FM and its affiliated stations are included as a part of WHA Radio's financial statements.

The portion of WHA Radio's statement of financial activity attributable to WLSU-FM and its affiliated stations' revenues, direct expenses, and related allocable indirect expenses has been identified in the following tables for FY 2011-12 and FY 2010-11. The remaining revenues and expenses are attributable to WHA Radio and its affiliated Ideas Network stations and include any unallocated amounts of WLSU-FM.

<u>FY 2011-12</u>	<u>WHA-AM and Affiliates</u>	<u>WLSU-FM and Affiliates</u>	<u>WHA Radio Total</u>
Operating Revenues			
Grants and Contracts	\$4,182,649	\$ 0	\$4,182,649
Community Service Grant—CPB	404,276	170,022	574,298
Underwriting	740,850	32,368	773,218
Telecasting, Production, and Other Income	143,878	0	143,878
Membership Income	1,134,319	247,361	1,381,680
Major Gifts	661,282	0	661,282
Contributed In-Kind Support	<u>40,115</u>	<u>1,753</u>	<u>41,868</u>
Total Operating Revenues	<u>7,307,369</u>	<u>451,504</u>	<u>7,758,873</u>
Operating Expenses			
Program Services:			
Programming and Production	5,951,686	440,417	6,392,103
Broadcasting	365,826	39,330	405,156
Program Information	<u>334,402</u>	<u>29,985</u>	<u>364,387</u>
Total Program Services	<u>6,651,914</u>	<u>509,732</u>	<u>7,161,646</u>
Support Services:			
Management and General	1,965,498	203,380	2,168,878
Fundraising and Membership Development	941,453	4,668	946,121
Underwriting	<u>466,158</u>	<u>84,136</u>	<u>550,294</u>
Total Support Services	<u>3,373,109</u>	<u>292,184</u>	<u>3,665,293</u>
Total Operating Expenses	<u>10,025,023</u>	<u>801,916</u>	<u>10,826,939</u>
Operating Loss	<u>(2,717,654)</u>	<u>(350,412)</u>	<u>(3,068,066)</u>
Nonoperating Revenues (Expenses)			
State General Appropriations	1,608,123	253,723	1,861,846
Donated Facilities and Administrative Support from the University of Wisconsin System	1,267,579	109,660	1,377,239
Gain/(Loss) on Sale of Assets	0	0	0
Investment Income	<u>70,024</u>	<u>0</u>	<u>70,024</u>
Total Nonoperating Revenues	<u>2,945,726</u>	<u>363,383</u>	<u>3,309,109</u>
Change in Net Assets	<u>\$ 228,072</u>	<u>\$ 12,971</u>	<u>\$ 241,043</u>

<u>FY 2010-11</u>	<u>WHA-AM and Affiliates</u>	<u>WLSU-FM and Affiliates</u>	<u>WHA Radio Total</u>
Operating Revenues			
Grants and Contracts	\$4,180,357	\$ 0	\$4,180,357
Community Service Grant—CPB	402,557	139,900	542,457
Underwriting	710,857	45,592	756,449
Telecasting, Production, and Other Income	106,205	0	106,205
Membership Income	1,139,526	234,652	1,374,178
Major Gifts	<u>485,083</u>	<u>0</u>	<u>485,083</u>
Total Operating Revenues	<u>7,024,585</u>	<u>420,144</u>	<u>7,444,729</u>
Operating Expenses			
Program Services:			
Programming and Production	5,768,314	415,659	6,183,973
Broadcasting	416,402	37,261	453,663
Program Information	<u>274,520</u>	<u>27,489</u>	<u>302,009</u>
Total Program Services	<u>6,459,236</u>	<u>480,409</u>	<u>6,939,645</u>
Support Services:			
Management and General	1,974,972	187,971	2,162,943
Fundraising and Membership Development	860,279	7,383	867,662
Underwriting	<u>463,241</u>	<u>60,433</u>	<u>523,674</u>
Total Support Services	<u>3,298,492</u>	<u>255,787</u>	<u>3,554,279</u>
Total Operating Expenses	<u>9,757,728</u>	<u>736,196</u>	<u>10,493,924</u>
Operating Loss	<u>(2,733,143)</u>	<u>(316,052)</u>	<u>(3,049,195)</u>
Nonoperating Revenues (Expenses)			
State General Appropriations	1,814,180	226,016	2,040,196
Donated Facilities and Administrative Support from the University of Wisconsin System	1,258,379	98,448	1,356,827
Gain/(Loss) on Sale of Assets	(5,030)	0	(5,030)
Investment Income	<u>387,855</u>	<u>0</u>	<u>387,855</u>
Total Nonoperating Revenues	<u>3,455,384</u>	<u>324,464</u>	<u>3,779,848</u>
Change in Net Assets	<u>\$ 722,241</u>	<u>\$ 8,412</u>	<u>\$ 730,653</u>

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Report on Internal Control and Compliance ■

Independent Auditor's 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

We have audited the financial statements of WHA Radio as of and for the years ended June 30, 2012, and June 30, 2011, and have issued our report thereon dated January 22, 2013. Our report includes a reference to other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Wisconsin Public Radio Association, Inc., as described in our opinion on WHA Radio. While the financial statements of the Wisconsin Public Radio Association, Inc., were audited in accordance with auditing standards generally accepted in the United States of America, they were not audited in accordance with *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of WHA Radio is responsible for establishing and maintaining an effective internal control over financial reporting (internal control). In planning and performing our audits, we considered WHA Radio's internal control as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of WHA Radio's internal control. Accordingly, we do not express an opinion on the effectiveness of WHA Radio'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 to detect and correct misstatement 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 WHA Radio's financial statements will not be prevented or will not be detected and corrected on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses as defined in the preceding paragraph during the year ended June 30, 2012.


Furthermore, we found that the University of Wisconsin-Extension's Broadcasting and Media Innovations Division, which operates WHA Radio, took steps to address a material weakness identified and discussed in the FY 2010-11 audit (report 12-2). As part of these efforts, the Division incorporated additional time into its financial reporting process to research accounting issues and prepare WHA Radio's financial statements and notes. It also developed additional written guidelines, steps, and timetables for the completion of various schedules used in the preparation of the financial statements and notes.

COMPLIANCE AND OTHER MATTERS

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

This independent auditor's report is intended for the information and use of the University of Wisconsin-Extension, the University of Wisconsin System's Board of Regents, the Wisconsin Legislature, and the Corporation for Public Broadcasting. This report is a matter of public record and its distribution is not limited. However, because we do not express an opinion on the effectiveness of WHA Radio's internal control or on compliance, this report is not intended to be used by anyone other than these specified parties.

January 22, 2013

LEGISLATIVE AUDIT BUREAU
 by 
 Diann Allsen
 Audit Director