

**Report 13-2  
January 2013**

# **WHA Television**

STATE OF WISCONSIN



Legislative Audit Bureau ■



# **WHA Television**

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State Auditor – Joe Chrisman

### **Audit Prepared by**

Diann Allsen, *Financial Audit Director*

Rachael Inman

Rachel Jacobson

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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 Television, 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 Television is licensed to the University of Wisconsin System's Board of Regents and is operated by the University of Wisconsin-Extension. WHA Television earned \$15.1 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 Television'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 Television'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 Television.

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

Respectfully submitted,

Joe Chrisman  
State Auditor

JC/DA/ss





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# Audit Opinion ■

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## ***Independent Auditor's Report on the Financial Statements of WHA Television***

We have audited the accompanying financial statements of WHA Television 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 Television. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Friends of Wisconsin Public Television, Inc., which represent 19.5 percent and 19.2 percent of WHA Television's total assets as of June 30, 2012, and June 30, 2011, respectively, and 23.4 percent and 27.0 percent of the 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 Friends of Wisconsin Public Television, 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 Friends of Wisconsin Public Television, 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 Television 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 Television 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 Television'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 Television. The supplementary information included as Management's Discussion and Analysis on pages 5 through 9 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

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# Management's Discussion and Analysis ■

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*Prepared by WHA Television Management*

This section of the WHA Television annual financial report presents management's discussion and analysis of the financial performance of WHA Television 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 Television management.

## **Using the Annual Financial Statements**

WHA Television is licensed to the University of Wisconsin System's Board of Regents and is managed by the University of Wisconsin-Extension. WHA Television prepares its financial statements in accordance with Governmental Accounting Standards Board statements. The financial statements also include WHA Television's allocable share of the accounts of the Friends of Wisconsin Public Television, Inc., a not-for-profit corporation that solicits funds for WHA Television and the Wisconsin 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 and endowments of purpose-restricted grants, contracts, and contributions. Over time, increases or decreases in net assets are indicators of changes in WHA Television's financial health.

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and expenses incurred during the year on an accrual basis. Activities are reported as either operating or nonoperating. WHA Television'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 Television as of and for the fiscal years ended June 30, 2012, June 30, 2011, and June 30, 2010, is shown in Table A.

Fiscal year (FY) 2011-12 activity reflects significant decreases in investment income and in revenue from grants from the U.S. Department of Commerce Public Telecommunications Facilities Program (PTFP) for capital assets. The activity also reflects significant increases in grant and contract revenue and related expenses incurred by the National Center for Media Engagement (NCME), which is a program funded by the Corporation for Public Broadcasting (CPB) and managed by WHA Television. Other revenue categories also decreased including telecasting, production, and other income; major gifts; state general appropriations; and underwriting.

Total assets decreased 4 percent in FY 2011-12 after increasing 14 percent in FY 2010-11. The decrease in FY 2011-12 can be attributed to decreases in the value of capital assets, while the increase in FY 2010-11 can be attributed to a \$1.9 million increase in investments as a result of improved market conditions and reduced spending. Total liabilities decreased 9 percent in FY 2011-12 and 3 percent in FY 2010-11. Overall, these changes resulted in a 4 percent reduction in net assets in FY 2011-12 and a 16 percent increase in net assets in FY 2010-11. Unrestricted net assets increased 3 percent in FY 2011-12 after increasing 33 percent in FY 2010-11. Unrestricted net assets have increased for eight of the last ten fiscal years.

Table A

**WHA Television Condensed Financial Information**  
(in thousands)

	June 30, 2012	Change from Previous Year	June 30, 2011 <sup>1</sup>	Change from Previous Year	June 30, 2010
Capital Assets	\$ 3,971	(17)%	\$ 4,812	2%	\$ 4,740
Other Assets	12,922	1	12,856	19	10,783
<b>Total Assets</b>	<b><u>16,893</u></b>	<b>(4)</b>	<b><u>17,668</u></b>	<b>14</b>	<b><u>15,523</u></b>
Current Liabilities	851	(9)	932	5	890
Noncurrent Liabilities	556	(9)	610	(13)	702
<b>Total Liabilities</b>	<b><u>1,407</u></b>	<b>(9)</b>	<b><u>1,542</u></b>	<b>(3)</b>	<b><u>1,592</u></b>
Invested in Capital Assets	3,971	(17)	4,812	2	4,740
Restricted—Nonexpendable	1,160	0	1,160	0	1,161
Restricted—Expendable	983	(6)	1,045	(13)	1,204
Unrestricted	9,372	3	9,108	33	6,826
<b>Total Net Assets</b>	<b><u>\$15,486</u></b>	<b>(4)</b>	<b><u>\$16,125</u></b>	<b>16</b>	<b><u>\$13,931</u></b>

	FY 2011-12	Change from Previous Year	FY 2010-11	Change from Previous Year	FY 2009-10
Operating Revenues	\$ 9,008	(3)%	\$ 9,249	16%	\$ 7,987
Operating Expenses	15,702	8	14,540	(3)	14,934
<b>Net Operating Loss</b>	<b>(6,694)</b>	<b>27</b>	<b>(5,291)</b>	<b>(24)</b>	<b>(6,947)</b>
Nonoperating Revenues	6,054	(19)	7,475	7	6,981
Capital Contributions	0	(100)	10	(100)	2,377
<b>Change in Net Assets</b>	<b><u>\$ (640)</u></b>	<b>(129)</b>	<b><u>\$2,194</u></b>	<b>(9)</b>	<b><u>\$2,411</u></b>

<sup>1</sup> Certain FY 2010-11 amounts reflect prior-period restatements.

Capital assets decreased by \$841,000 in FY 2011-12 after increasing by \$72,000 in FY 2010-11. Capital asset values tend to fluctuate because they are highly dependent on the receipt of one-time grants or capital contributions. In FY 2008-09, WHA Television secured funding commitments for a new remote production facility. Purchases of assets and other expenses related to the remote production facility were \$0 in FY 2011-12, \$910,000 in FY 2010-11, and \$2,184,000 in FY 2009-10.

Current liabilities decreased 9 percent to \$851,000 in FY 2011-12 after increasing 5 percent in FY 2010-11. The changes in the current liabilities were largely related to the timing of typical operating activities.

Operating revenues decreased 3 percent in FY 2011-12 after increasing 16 percent in FY 2010-11. A major component of operating income is grant and contract revenue, which increased by \$590,000 in FY 2011-12 and \$1,079,000 in FY 2010-11. CPB grants are a major source of grant contract revenue for WHA Television, providing \$2,594,000 in FY 2011-12 and \$1,376,000 in FY 2010-11. CPB funding received by the NCME increased by \$1,287,000 in FY 2011-12 and \$389,000 in FY 2010-11. Grant and contract revenue was also affected by changes in PTFP grants, which increased by \$761,000 in FY 2010-11, but decreased by a corresponding amount in FY 2011-12 as the federal government ended the program.

Operating revenues were also affected by decreases in telecasting, production, and other income of \$386,000 in FY 2011-12 and \$344,000 in FY 2010-11, which were largely the result of the conclusion of the LZ Lambeau project. The project had provided income averaging \$436,856 from FY 2009-10 through FY 2011-12. Major gifts decreased by \$219,000 in FY 2011-12 after increasing by \$166,000 in FY 2010-11. Underwriting revenue decreased by \$135,000 in FY 2011-12 and \$148,000 in FY 2010-11.

Total operating expenses increased by \$1,162,000 in FY 2011-12 after decreasing by \$394,000 in FY 2010-11. The FY 2011-12 increase was due to increased NCME program information activity of \$1,287,000. The timing of NCME grant awards to other public broadcasting entities creates a high degree of volatility with annual NCME revenues and expenses. Expenses relating to other operating expense categories did not vary significantly between fiscal years. The FY 2010-11 decrease was the net result of a decrease of \$749,000 in programming and production costs, a decrease of \$66,000 in broadcasting costs, an increase of \$323,000 in program information costs, and an increase of \$95,000 in fundraising and membership development costs. The programming and production cost reduction related largely to the LZ Lambeau project while the increased program information costs related to increased NCME activity. Management and general and underwriting costs did not vary significantly between fiscal years. The reduction in fundraising costs was due both to an overall decrease in fundraising activity by the University of Wisconsin-Extension and to the reorganization of the Friends of WHA-TV, Inc., into the Friends of Wisconsin Public Television, Inc., which allowed WHA Television to share fundraising costs with ECB.

Operating expenses include \$1,493,000 in donated facilities and administrative support from the University of Wisconsin System, a \$110,000 decrease compared to the prior year. \$1,204,285 of the donated facilities and administrative support is reported as management and general expense.

Nonoperating revenues consist of investment income, loss on sale of assets, State of Wisconsin general appropriations, and donated support from the University of Wisconsin System. Nonoperating revenues decreased 19 percent and were

\$6,054,000 in FY 2011-12 after increasing 7 percent in FY 2010-11. Investment income decreased by \$1,002,000 in FY 2011-12 and increased by \$386,000 in FY 2010-11. These changes reflect the volatility seen in investment markets over the last two years. State general appropriation income decreased by \$280,000 in FY 2011-12, and increased by \$151,000 in FY 2010-11. Donated facilities and administrative support income decreased by \$110,000 in FY 2011-12 after decreasing by \$43,000 in FY 2010-11. WHA Television 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.

Capital contributions decreased to \$0 in FY 2011-12, from \$10,236 in FY 2010-11 and \$2,377,000 in FY 2009-10. The FY 2009-10 capital contributions related to state funding that was provided for the purchase of the new mobile production facility.

This financial report is designed to provide a general overview of the University of Wisconsin-Extension's finances related to public television. 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

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## **Financial Statements ■**

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## Balance Sheet

### June 30, 2012 and June 30, 2011 (Restated)

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents (Note 2)	\$ 732,647	\$ 1,100,885
Investments (Note 2)	4,501,440	3,930,538
Grants and Contracts Receivable	20,503	304,567
Accounts and Interest Receivable, Net	318,410	248,521
Accounts Receivable—ECB (Note 11A)	115,514	95,976
Due from the University of Wisconsin System (Note 1G)	88,776	79,232
Prepaid Expenses	<u>86,875</u>	<u>43,112</u>
Total Current Assets	<u>5,864,165</u>	<u>5,802,831</u>
Noncurrent Assets:		
Investments (Note 2)	7,057,733	7,053,143
Capital Assets, Net of Accumulated Depreciation (Notes 3 and 4)	3,942,033	4,747,468
Work-in-Process (Note 3)	<u>28,758</u>	<u>64,273</u>
Total Noncurrent Assets	<u>11,028,524</u>	<u>11,864,884</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 16,892,689</u></b>	<b><u>\$ 17,667,715</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 231,356	\$ 107,308
Accounts Payable—ECB (Note 11A)	325,895	428,832
Unearned Revenue	<u>293,837</u>	<u>396,065</u>
Total Current Liabilities	<u>851,088</u>	<u>932,205</u>
Noncurrent Liabilities:		
Compensated Absences Payable (Note 5)	<u>555,943</u>	<u>610,223</u>
Total Noncurrent Liabilities	<u>555,943</u>	<u>610,223</u>
<b>Total Liabilities</b>	<b><u>1,407,031</u></b>	<b><u>1,542,428</u></b>
Net Assets:		
Invested in Capital Assets	3,970,791	4,811,741
Restricted (Note 9):		
Nonexpendable—Endowments	1,160,378	1,160,378
Expendable:		
Endowments	574,534	598,063
Grantee and Donor Restrictions	407,918	447,042
Unrestricted (Note 10)	<u>9,372,037</u>	<u>9,108,063</u>
<b>Total Net Assets</b>	<b><u>15,485,658</u></b>	<b><u>16,125,287</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 16,892,689</u></b>	<b><u>\$ 17,667,715</u></b>

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 (Restated)**

	FY 2011-12	FY 2010-11
<b>OPERATING REVENUES</b>		
Grants and Contracts	\$ 2,726,371	\$ 2,136,830
Community Service Grant—CPB	1,385,083	1,422,792
Underwriting	164,841	300,020
Telecasting, Production, and Other Income	1,665,087	2,051,289
Membership Income	2,303,593	2,354,952
Auction Income	129,703	129,808
Major Gifts	633,695	853,114
<b>Total Operating Revenues</b>	<b>9,008,373</b>	<b>9,248,805</b>
<b>OPERATING EXPENSES</b>		
Program Services:		
Programming and Production	7,100,207	7,189,310
Broadcasting	632,132	594,652
Program Information	4,147,558	3,004,193
Total Program Services	<u>11,879,897</u>	<u>10,788,155</u>
Support Services:		
Management and General	2,283,649	2,266,110
Fundraising and Membership Development	1,429,515	1,370,397
Underwriting	108,802	114,787
Total Support Services	<u>3,821,966</u>	<u>3,751,294</u>
<b>Total Operating Expenses</b>	<b>15,701,863</b>	<b>14,539,449</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(6,693,490)</b>	<b>(5,290,644)</b>
<b>NONOPERATING REVENUES AND EXPENSES</b>		
State General Appropriations	4,401,351	4,681,111
Donated Facilities and Administrative Support from the University of Wisconsin System (Note 6)	1,493,492	1,603,608
Gain (Loss) on Sale of Assets	(28,987)	0
Investment Income	188,005	1,189,974
<b>Total Nonoperating Revenues (Expenses)</b>	<b>6,053,861</b>	<b>7,474,693</b>
Income (Loss) before Capital Contributions and Transfers	(639,629)	2,184,049
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>		
Capital Contributions	0	10,236
<b>CHANGE IN NET ASSETS</b>	<b>(639,629)</b>	<b>2,194,285</b>
Total Net Assets—Beginning of the Year	<u>16,125,287</u>	<u>13,931,002</u>
Total Net Assets—End of the Year	<u><u>\$ 15,485,658</u></u>	<u><u>\$ 16,125,287</u></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 (Restated)

	FY 2011-12	FY 2010-11
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Grants and Contracts	\$ 3,024,497	\$ 1,698,851
Receipts from Community Service Grant—CPB	1,385,083	1,422,792
Receipts from Contributed Support	3,056,225	3,462,482
Receipts from Sales and Services	1,630,130	2,274,392
Payments to Suppliers	(5,402,258)	(3,673,071)
Payments to Employees	(7,947,828)	(7,932,192)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(4,254,151)</b>	<b>(2,746,746)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Receipts from State Government	4,401,351	4,681,111
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>4,401,351</b>	<b>4,681,111</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Contributions	0	10,236
Purchases of Capital Assets	(121,091)	(1,089,405)
<b>Net Cash Used for Capital and Related Financing Activities</b>	<b>(121,091)</b>	<b>(1,079,169)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net (Purchases) and Sales of Investments	(703,532)	(1,028,932)
Interest and Dividends Received	309,185	308,305
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(394,347)</b>	<b>(720,627)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(368,238)</b>	<b>134,569</b>
Balances—Beginning of the Year	1,100,885	966,316
Balances—End of the Year	<u>\$ 732,647</u>	<u>\$ 1,100,885</u>

The accompanying notes are an integral part of this statement.

	<u>FY 2011-12</u>	<u>FY 2010-11</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ (6,693,490)	\$ (5,290,644)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization Expenses	933,053	1,017,872
Donated Facilities and Administrative Support from the University of Wisconsin System Expense	1,493,492	1,603,608
Change in Assets and Liabilities:		
Receivables, Net	201,498	(366,289)
Prepaid Expenses	(43,763)	(23,676)
Accounts and Other Payables	(33,169)	(60,975)
Due (from) to the University of Wisconsin System	(9,544)	361,713
Unearned Revenue	(102,228)	11,645
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ (4,254,151)</u></b>	<b><u>\$ (2,746,746)</u></b>

Noncash Activities:

The fair value of investments decreased \$124,944 in FY 2011-12 and increased \$486,271 in FY 2010-11.

Donated facilities and administrative support from the University of Wisconsin System totaled \$1,493,492 in FY 2011-12 and \$1,603,608 in FY 2010-11.



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# Notes to the Financial Statements ■

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Organization

WHA Television is licensed to the University of Wisconsin System's Board of Regents, is operated by the University of Wisconsin-Extension, and is part of the University of Wisconsin System. WHA Television's financial statements include its allocable share of the assets, liabilities, revenues, and expenses of the Friends of Wisconsin Public Television, Inc., a not-for-profit corporation that receives contributions for the Wisconsin Public Television partnership, which includes WHA Television and the Wisconsin Educational Communications Board (ECB) television network. Prior to a reorganization that occurred on June 30, 2009, the Friends of Wisconsin Public Television, Inc., operated as the Friends of WHA-TV, Inc. The net assets of the organization as of June 30, 2009, are fully allocable to WHA Television. The Friends of Wisconsin Public Television, Inc., receives and disburses net revenues to the licensees in accordance with an annual allocation agreement. Funds are distributed to WHA Television and to ECB in amounts determined by the Friends' Board of Directors (of which the Director of Wisconsin Public Television is a member). The timing and the purposes for which such distributions are to be used are controlled by the Friends. All significant interorganizational accounts and transactions have been eliminated. See Note 11B for further information regarding the Friends.

### 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 Television 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 Television is entitled to the funds. Contributed membership fees of the Friends are nonrefundable and are recorded as revenue in the year earned; pledged Friends' contributions that are expected to be collected within one year are recorded as revenue at the net realizable value. Contributions, gifts, and grants with eligibility requirements, such as expense-driven grants, are recognized when the eligibility requirements are met. Noncash contributions and donated services are recognized as revenues in the period of receipt.

The percentage-of-completion method is used to account for revenues and expenses of independently funded program production. Revenue is recognized based on the ratio of costs incurred to the estimated total costs at completion.

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 their respective categories, using estimates as 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 Television’s share of the Friends’ deposits.

**E. Valuation of Investments**

Investments 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 through 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 from (to) the University of Wisconsin System**

All cash received by WHA Television from grants and contracts is deposited with the University of Wisconsin System. Expenses related to certain WHA Television 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. When receipts from the granting agency exceed expenses, the difference is reported as a receivable, “Due from 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.

**2. DEPOSITS AND INVESTMENTS**

WHA Television'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 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.

The 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.

The Friends' cash and investment activities are managed separately from the cash and investment activities of the State Investment Fund and University of Wisconsin funds. A cash deposit balance is maintained at one financial institution and current investments consist of money market funds. Noncurrent investments 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. The Friends do not have a deposit policy for custodial credit risk. Deposits maintained by the Friends are insured by the Federal Deposit Insurance Corporation and the National Credit Union Administration for up to \$250,000 at each depository institution. As of both June 30, 2012, and June 30, 2011, the Friends' deposit balance was fully insured or collateralized.

**B. Investments**

Investment balances for WHA Television and for its share of the Friends' investment balances 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	\$ 56,559	\$ 112,896
Fixed-Income Funds	1,187,764	1,204,981
Equity Mutual Funds	1,878,526	1,827,051
UW Intermediate Term Fund	6,502,558	6,113,586
UW Long Term Fund	<u>1,933,766</u>	<u>1,725,167</u>
Total Investments on the Balance Sheet	<u>\$11,559,173</u>	<u>\$10,983,681</u>

WHA Television's shares in the State Investment Fund were \$701,422 as of June 30, 2012, and \$1,068,734 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 disclosure.

*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/Baa3 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. The Friends' investment policy also requires that investments have a minimum quality rating of investment grade. As of June 30, 2012, and June 30, 2011, the UW Intermediate Term and Long Term funds, the Friends' 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. The Friends do not have an investment policy for interest rate risk. As of June 30, 2012, and June 30, 2011, the fixed-income investments of the Friends had the following modified durations:

<u>Investment</u>	June 30, 2012 <u>Fair Value</u>	Modified Duration (In Years)
Vanguard Short-Term Investment Grade Fund	\$ 117,353	2.4
Vanguard Intermediate-Term Investment Grade Fund	411,224	5.4
Vanguard Total Bond Market Index Fund	<u>659,187</u>	5.1
Total Fixed-Income Investments	<u>\$1,187,764</u>	

<u>Investment</u>	June 30, 2011 <u>Fair Value</u>	Modified Duration (In Years)
Vanguard Short-Term Investment Grade Fund	\$ 227,334	2.2
Vanguard Intermediate-Term Investment Grade Fund	372,930	5.4
Vanguard Total Bond Market Index Fund	<u>604,717</u>	5.1
Total Fixed-Income Investments	<u>\$1,204,981</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 foreign currency exposure is not hedged, as this enhances the diversification benefits from non-U.S. investments. The Friends do not have an investment policy for foreign currency risk. WHA Television was exposed to foreign currency risk through international investments in the UW Long Term and Intermediate Term funds. In addition, the Friends held investments that were exposed to foreign currency risk totaling \$388,127 as of June 30, 2012, and \$441,119 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	\$15,267,413	\$ 83,788	\$(1,214,567)	\$14,136,634
Intangible Assets	29,644	72,817	(16,511)	85,950
Work-in-Process	<u>64,273</u>	<u>28,758</u>	<u>(64,273)</u>	<u>28,758</u>
Total	<u>15,361,330</u>	<u>185,363</u>	<u>(1,295,351)</u>	<u>14,251,342</u>
Less Accumulated Depreciation (or Amortization):				
Equipment	(10,538,842)	(904,452)	1,185,580	(10,257,714)
Intangible Assets	(10,747)	(28,601)	16,511	(22,837)
Work-in-Process	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>(10,549,589)</u>	<u>(933,053)</u>	<u>1,202,091</u>	<u>(10,280,551)</u>
Total Capital Assets, Net:				
Equipment	4,728,571	(820,664)	(28,987)	3,878,920
Intangible Assets	18,897	44,216	0	63,113
Work-in-Process	<u>64,273</u>	<u>28,758</u>	<u>(64,273)</u>	<u>28,758</u>
Total Capital Assets, Net	<u>\$ 4,811,741</u>	<u>\$(747,690)</u>	<u>\$ (93,260)</u>	<u>\$ 3,970,791</u>

Depreciation and amortization expenses were charged to functions as follows:

Programming and Production	\$787,737
Broadcasting	<u>145,316</u>
Total Expenses	<u>\$933,053</u>

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets:				
Equipment	\$12,691,374	\$3,205,866	\$ (629,827)	\$15,267,413
Intangible Assets	0	29,644	0	29,644
Work-in-Process	<u>2,210,378</u>	<u>950,895</u>	<u>(3,097,000)</u>	<u>64,273</u>
Total	<u>14,901,752</u>	<u>4,186,405</u>	<u>(3,726,827)</u>	<u>15,361,330</u>
Less Accumulated Depreciation (or Amortization):				
Equipment	(10,161,544)	(1,007,125)	629,827	(10,538,842)
Intangible Assets	0	(10,747)	0	(10,747)
Work-in-Process	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>(10,161,544)</u>	<u>(1,017,872)</u>	<u>629,827</u>	<u>(10,549,589)</u>
Total Capital Assets, Net:				
Equipment	2,529,830	2,198,741	0	4,728,571
Intangible Assets	0	18,897	0	18,897
Work-in-Process	<u>2,210,378</u>	<u>950,895</u>	<u>(3,097,000)</u>	<u>64,273</u>
Total Capital Assets, Net	<u>\$ 4,740,208</u>	<u>\$3,168,533</u>	<u>\$(3,097,000)</u>	<u>\$ 4,811,741</u>

Depreciation and amortization expenses were charged to functions as follows:

Programming and Production	\$ 871,707
Program Information	849
Broadcasting	<u>145,316</u>
Total Expenses	<u>\$1,017,872</u>

Work-in-process is related to website software during fiscal year (FY) 2011-12 and to a new mobile production facility that was put into service during FY 2010-11. Intangible assets include costs incurred for the right to broadcast programs beyond fiscal year-end and purchased software. These costs are amortized over the useful life of the program or software.

#### 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 Television was awarded five NTIA capital equipment grants from FY 2001-02 through FY 2010-11. The depreciated value of equipment subject to a priority lien was \$1,846,301 as of June 30, 2012, and \$2,244,207 as of June 30, 2011. The June 30, 2012 amount excludes equipment with a book value of \$21,675 that was disposed of prior to June 30, 2012, but whose priority lien did not expire until September 30, 2012.

#### 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	\$610,223	\$51,026	\$(105,306)	\$555,943

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	\$701,857	\$72,144	\$(163,778)	\$610,223

In addition, another \$38,804 as of June 30, 2012, and \$38,668 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 \$245,003 and occupancy costs of \$50,299 for FY 2011-12, and operating costs of \$237,613 and occupancy costs of \$48,781 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 incurred by the University of Wisconsin System on behalf of WHA Television. Administrative support totaled \$1,198,190 in FY 2011-12 and \$1,317,214 in FY 2010-11.

## 7. EMPLOYEE RETIREMENT PLAN

Permanent and qualifying limited-term employees of WHA Television 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](http://www.etf.wi.gov) or may be obtained 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 Television provided the employer share and a portion of the employee share of contributions. Beginning in FY 2011-12, WHA Television's contribution was limited to the

employer share. WHA Television's contribution to the plan, including employer and employee contributions, was \$629,264 in FY 2011-12 and \$790,681 in FY 2010-11. The relative position of WHA Television 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 Television are employees of the State of Wisconsin. The financial statements of WHA Television 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 Television employees was \$0.7 million as of June 30, 2012, and \$0.6 million as of June 30, 2011. This obligation is included in the State of Wisconsin's financial statements but is not included in WHA Television's financial statements.

The 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](http://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 Television 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](http://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. RESTRICTED NET ASSETS

Restricted net assets are reported when constraints placed on net assets are externally imposed, such as by donors or grantors. Restricted nonexpendable endowments are restricted by donors to be maintained in perpetuity. The restricted nonexpendable net assets balance was \$1,160,378 as of June 30, 2012, and June 30, 2011. Additional disclosures about a \$160,378 permanent endowment established with the Friends are available in the Friends' separately issued financial statements. The restricted expendable net assets include purpose restrictions placed by donors on grants or gifts. The restricted expendable net assets balance was \$982,452 as of June 30, 2012, and \$1,045,105 as of June 30, 2011.

## 10. DESIGNATION OF UNRESTRICTED NET ASSETS

The Friends' Board of Directors has designated \$1,710,740 as of June 30, 2012, and \$1,635,159 as of June 30, 2011, of the unrestricted net assets that represent endowment funds for future program production and acquisition.

## 11. RELATED ENTITIES

### A. Educational Communications Board

ECB is an agency of the State of Wisconsin that operates a public television network (Wisconsin Television Network). 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 Television and Wisconsin Public Radio 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 Television and Wisconsin Public Radio), and financial commitments of the partners. The directors of Wisconsin Public Television and Wisconsin Public Radio 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 the 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. Friends of Wisconsin Public Television, Inc.**

The Friends of Wisconsin Public Television, Inc., is a publicly supported not-for-profit corporation whose purpose is to administer various fundraising and membership duties of Wisconsin Public Television and to provide support to WHA Television and ECB. As discussed in Note 1, the Friends of Wisconsin Public Television, Inc., was the result of a reorganization of the Friends of WHA-TV, Inc., that occurred on July 1, 2009. The Friends solicits funds in the name of, and with the approval of, both WHA Television and ECB. Under an affiliation agreement, WHA Television and ECB staff, along with the Friends' Board of Directors, approve the Friends' budget. WHA Television and ECB have access to the Friends' net resources and retain an ongoing allocated interest in the Friends' net assets. WHA Television's and ECB's allocated interests in the Friends are calculated in accordance with an affiliation agreement that currently provides WHA Television with 50 percent of the Friends' net resources. This agreement is negotiated annually based largely upon membership proportion. Net assets as of the reorganization of the Friends on June 30, 2009, are wholly allocable to WHA Television.

WHA Television includes its allocated share of the Friends' assets, liabilities, revenues, and expenses in its financial statements. A summary of amounts related to the Friends prior to interorganizational eliminations is included in the following table. The financial statement amounts are reported net of eliminations of \$383,214 for both assets and liabilities as of June 30, 2012, and \$403,660 for both assets and liabilities as of June 30, 2011. The financial statement amounts are also reported net of eliminations of \$3,290,451 for both revenues and expenses for FY 2011-12, and \$3,306,360 for both revenues and expenses for FY 2010-11.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Cash and Investments	\$3,154,074	\$3,237,126
Receivables and Other Current Assets	<u>146,009</u>	<u>154,017</u>
Total Assets	3,300,083	3,391,143
Payables and Other Current Liabilities	<u>(795,624)</u>	<u>(842,753)</u>
Net Assets	<u>\$2,504,459</u>	<u>\$2,548,390</u>

	Fiscal Year Ended <u>June 30, 2012</u>	Fiscal Year Ended <u>June 30, 2011</u>
Contributed Support and Revenue	<u>\$3,530,099</u>	<u>\$4,519,557</u>
Expenses:		
Programming and Production	449,697	448,953
Program Information	97,710	94,333
Management and General	45,099	39,040
Fundraising	<u>1,305,053</u>	<u>1,499,500</u>
Total Expenses	<u>1,897,559</u>	<u>2,081,826</u>
Change in Net Assets before Payments to WHA TV	<u>\$1,632,540</u>	<u>\$2,437,731</u>

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

Executive Director  
Friends of Wisconsin Public Television, Inc.  
821 University Avenue  
Madison, Wisconsin 53706

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Cash and Investments	\$3,409,937	\$3,437,572
Receivables and Other Current Assets	<u>292,017</u>	<u>281,300</u>
Total Assets	3,701,954	3,718,872
Payables and Other Current Liabilities	<u>(856,464)</u>	<u>(910,140)</u>
Net Assets	<u>\$2,845,490</u>	<u>\$2,808,732</u>

	Fiscal Year Ended <u>June 30, 2012</u>	Fiscal Year Ended <u>June 30, 2011</u>
Contributed Support and Revenue	<u>\$6,782,160</u>	<u>\$7,857,480</u>
Expenses:		
Programming and Production	785,785	741,066
Program Information	195,421	188,666
Management and General	90,197	78,076
Fundraising	2,610,106	2,643,411
Payments to WHA and ECB	<u>3,063,893</u>	<u>3,046,682</u>
Total Expenses	<u>6,745,402</u>	<u>6,697,901</u>
Change in Net Assets	<u>\$ 36,758</u>	<u>\$ 1,159,579</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 fair value of endowments and accumulated interest held by the Foundation for WHA Television was \$317,580 as of June 30, 2012, and \$346,497 as of June 30, 2011. The accumulated interest is available to be transferred to the University of Wisconsin-Extension and spent by WHA Television. Accumulated interest totaled \$8,132 as of June 30, 2012, and \$15,684 as of June 30, 2011. WHA Television transferred \$21,785 from the Foundation in FY 2011-12, and \$16,176 in FY 2010-11. Only actual transfers from the Foundation are reflected in WHA Television's financial statements.

**12. RESTATEMENT OF FY 2010-11 FINANCIAL STATEMENTS**

The FY 2010-11 financial statements have been restated to reclassify cash and investment balances and certain costs charged to WHA-TV by the University of Wisconsin. As a result, cash and cash equivalents decreased by \$60,047, current investments increased by \$1,151, and noncurrent investments increased by \$58,896. Program information expenses decreased by \$84,314, and management and general expenses increased by a similar amount because of a change in an allocation estimate. In addition, Friends changed its definition of major gifts. WHA-TV reclassified major gifts and membership income to reflect that change, which increased membership income by \$218,166 and decreased major gifts by a similar amount. The restatements had no effect on the beginning and ending net asset balances.

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# Report on Internal Control and Compliance ■

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## *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 Television 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 Friends of Wisconsin Public Television, Inc., as described in our opinion on WHA Television. While the financial statements of the Friends of Wisconsin Public Television, 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 Television is responsible for establishing and maintaining an effective internal control over financial reporting (internal control). In planning and performing our audits, we considered WHA Television'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 Television's internal control. Accordingly, we do not express an opinion on the effectiveness of WHA Television'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 Television'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 Television, took steps to address a material weakness identified and discussed in the FY 2010-11 audit (report 12-1). As part of these efforts, the Division incorporated additional time into its financial reporting process to research accounting issues and prepare WHA Television'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 Television'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 Television'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