

An Audit

## **WHA Radio**

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State Auditor – Janice Mueller

### **Audit Prepared by**

Diann Allsen, *Director and Contact Person*

Brian Bellford

Dan Purcell

Director of Publications – Jeanne Thieme  
Report Design and Production – Susan Skowronski

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**STATE OF WISCONSIN**  
Legislative Audit Bureau

22 East Mifflin Street, Suite 500  
Madison, Wisconsin 53703  
(608) 266-2818  
Fax (608) 267-0410  
leg.audit.info@legis.wisconsin.gov

Janice Mueller  
State Auditor

January 31, 2008

Senator Jim Sullivan and  
Representative Suzanne Jeskewitz, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Mr. Mark J. Bradley  
President of the Board of Regents  
University of Wisconsin System  
Madison, Wisconsin 53706

Dear Senator Sullivan, Representative Jeskewitz, and President Bradley:

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 \$10.2 million in revenues during fiscal year 2006-07, including state support, member contributions, funding from the Corporation for Public Broadcasting, and various other grants.

Our audit report contains the financial statements and related notes as of and for the periods ended June 30, 2007, and June 30, 2006. We were able to issue an unqualified independent auditor's report on these statements.

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

Respectfully submitted,

Janice Mueller  
State Auditor

JM/DA/ss



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# Audit Opinion ■

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

We have audited the accompanying Balance Sheet of WHA Radio as of June 30, 2007 and 2006, and the related Statement of Revenues, Expenses, and Changes in Net Assets and Statement of Cash Flows for the years then ended, 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., of which net assets of \$969,364 as of June 30, 2007, and \$967,585 as of June 30, 2006, are allocated to WHA Radio and are reflected in the accompanying financial data contained in Note 9. Assets and revenues of the Wisconsin Public Radio Association, Inc., included in the accompanying financial statements represent 24.3 percent and 21.4 percent of WHA Radio's total assets as of June 30, 2007 and 2006, respectively, and 13.8 percent and 13.2 percent of WHA Radio's total revenue during fiscal years 2006-07 and 2005-06, respectively. The financial statements of the Wisconsin Public Radio Association, Inc., were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Wisconsin Public Radio Association, Inc., is based solely 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 audits 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 the additional requirements of *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.


As discussed in Note 1, the financial statements present only WHA Radio and do not purport to, and do not, present fairly the financial positions of the State of Wisconsin or the University of Wisconsin System, the changes in their financial positions, and their 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, 2007 and 2006, 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.

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 referred to in the first paragraph. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 18, 2008, 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.

January 18, 2008

LEGISLATIVE AUDIT BUREAU  
by   
Diann Allsen  
Audit Director



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# Management's Discussion and Analysis ■

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*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, 2007 and 2006. 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 by 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, which amortizes the cost of an asset over its expected useful life. Actual depreciation expense is 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, 2007, June 30, 2006, and June 30, 2005, is as follows.

Table A

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

	June 30, 2007	Change from Previous Year	June 30, 2006	Change from Previous Year	June 30, 2005 <sup>1</sup>
Capital Assets	\$ 698	12%	\$ 621	64%	\$ 378
Other Assets	5,030	3	4,904	16	4,210
<b>Total Assets</b>	<u>5,728</u>	4	<u>5,525</u>	20	<u>4,588</u>
Current Liabilities	658	(35)	1,005	22	821
Noncurrent Liabilities	392	9	359	<1	360
<b>Total Liabilities</b>	<u>1,050</u>	(23)	<u>1,364</u>	15	<u>1,181</u>
Invested in Capital Assets	698	12	621	64	378
Restricted by Grants and Donors	510	3	495	207	161
Unrestricted	3,470	14	3,045	6	2,868
<b>Total Net Assets</b>	<u>\$4,678</u>	12	<u>\$4,161</u>	22	<u>\$3,407</u>

	FY 2006-07	Change from Previous Year	FY 2005-06	Change from Previous Year	FY 2004-05 <sup>1</sup>
Operating Revenues	\$6,414	1%	\$6,334	10%	\$5,780
Operating Expenses	9,649	5	9,210	4	8,862
<b>Net Operating Loss</b>	<u>(3,235)</u>	12	<u>(2,876)</u>	(7)	<u>(3,082)</u>
Nonoperating Revenues	3,628	9	3,325	1	3,276
Capital Contributions	124	(59)	304	N/A	0
<b>Changes in Net Assets</b>	<u>\$ 517</u>	(31)	<u>\$ 753</u>	288	<u>\$ 194</u>

<sup>1</sup> Certain FY 2004-05 amounts reflect prior-period restatements.

In fiscal year (FY) 2006-07, total assets increased 4 percent and total liabilities decreased 23 percent, resulting in a 12 percent increase in net assets. This compares to increases of 20 percent in total assets and 15 percent in total liabilities in FY 2005-06, resulting in a 22 percent increase in net assets. Net assets have increased for ten consecutive years. The net assets invested in capital assets increased \$77,000, a 12 percent increase, in FY 2006-07 following a 64 percent increase of \$243,000 in FY 2005-06. High-definition digital transmitters funded by the Corporation for Public Broadcasting and the State Building Trust Fund were added in Madison and Superior in FY 2005-06 and in LaCrosse in FY 2006-07.

Current liabilities decreased 35 percent in FY 2006-07 after experiencing an increase of 22 percent and reaching \$1,005,000 in FY 2005-06. A liability due to the University of Wisconsin System accounts for more than 80 percent of all current liabilities in both fiscal years. The liability is the result of spending university funds in anticipation of reimbursement under grants and contracts. Noncurrent liabilities, which are payables for compensated absences, increased \$33,000 to reach \$392,000 in FY 2006-07, compared to a decrease of \$1,000 in FY 2005-06. When there is relatively low staff turnover, the compensated absence liability tends to increase as staff bank leave time for use at a later date.

Operating revenues increased \$80,000 to reach \$6,414,000 in FY 2006-07, after an increase of \$554,000 in FY 2005-06. Revenue growth continued even though FY 2005-06 operating revenues included a one-time \$300,000 anonymous major gift. Grants and contracts are the single largest source of operating revenues, at \$3,716,000 in FY 2006-07, a 9 percent increase compared to FY 2005-06. ECB was the source of \$3,162,000 in grants and contracts revenue in FY 2006-07, a 12 percent increase. ECB and WHA Radio share WPRA revenue (see Note 9; ECB's share is 76 percent) and underwriting revenue (split equally). Since FY 1999-2000, underwriting revenue has increased \$327,000 for WHA Radio, and WPRA revenue has increased \$1,978,000. ECB has used its share of the increases to provide larger grants to WHA Radio.

Capital contributions increased from \$0 to \$304,000 in FY 2005-06 and then decreased to \$124,000 in FY 2006-07. Capital contributions can vary significantly from year to year because they are highly dependent upon one-time funding from state and federal organizations in competition with other state and broadcast entities. State Building Trust Fund resources and grants from the Corporation for Public Broadcasting have been available for digital transmission equipment. There are no immediate plans to expand digital transmission to additional University of Wisconsin licensed stations.

Nonoperating revenues consist of investment income, State of Wisconsin general appropriations and donated support from the University of Wisconsin. Nonoperating revenues increased by 9 percent in FY 2006-07 to reach \$3,628,000, compared to a 1 percent increase in FY 2005-06. Unrealized gains on investments increased from \$11,000 in FY 2005-06 to \$133,000 in FY 2006-07. State general appropriations increased \$73,000 to reach \$1,873,000 in FY 2006-07, and donated support also increased \$64,000 to reach \$1,452,000.

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.

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## **Financial Statements ■**

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**Balance Sheet**  
**June 30, 2007 and June 30, 2006**

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents (Note 2)	\$ 1,717,395	\$ 1,136,871
Investments (Note 2)	1,063,480	1,219,117
Contributions receivable, net	68,348	69,885
Accounts and interest receivable, net	207,730	217,611
Accounts receivable—ECB (Note 9)	859,101	1,191,818
Prepaid expenses	98,567	98,588
Inventory	<u>2,681</u>	<u>1,631</u>
Total Current Assets	<u>4,017,302</u>	<u>3,935,521</u>
Noncurrent Assets:		
Capital assets, net of accumulated depreciation (Notes 3 and 4)	697,663	620,656
Investments (Note 2)	<u>1,012,713</u>	<u>968,756</u>
Total Noncurrent Assets	<u>1,710,376</u>	<u>1,589,412</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,727,678</u></b>	<b><u>\$ 5,524,933</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 102,378	\$ 109,857
Due to the University of Wisconsin System (Note 1G)	555,659	857,318
Deferred support	<u>0</u>	<u>37,500</u>
Total Current Liabilities	<u>658,037</u>	<u>1,004,675</u>
Noncurrent Liabilities:		
Compensated absences payable (Note 5)	<u>391,677</u>	<u>359,414</u>
Total Noncurrent Liabilities	<u>391,677</u>	<u>359,414</u>
<b>Total Liabilities</b>	<b><u>1,049,714</u></b>	<b><u>1,364,089</u></b>
Net Assets:		
Invested in capital assets	697,663	620,656
Restricted by grantors and donors (Note 1J)	510,634	494,968
Unrestricted	<u>3,469,667</u>	<u>3,045,220</u>
<b>Total Net Assets</b>	<b><u>4,677,964</u></b>	<b><u>4,160,844</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 5,727,678</u></b>	<b><u>\$ 5,524,933</u></b>

**Statement of Revenues, Expenses, and Changes in Net Assets  
for the Years Ended June 30, 2007 and June 30, 2006**

	FY 2006-07	FY 2005-06
<b>OPERATING REVENUES</b>		
Grants and Contracts	\$ 3,716,360	\$ 3,394,232
Community Service Grant—CPB	504,777	577,820
Underwriting	724,097	644,534
Telecasting, Production, and Other Income	208,283	210,307
Membership Income	1,125,319	1,078,955
Major Gifts	134,902	428,066
<b>Total Operating Revenues</b>	<b>6,413,738</b>	<b>6,333,914</b>
<b>OPERATING EXPENSES</b>		
Program Services:		
Programming and production	5,591,765	5,294,636
Broadcasting	370,285	388,746
Program information	195,856	257,734
Total Program Services	6,157,906	5,941,116
Support Services:		
Management and general	2,310,027	2,238,755
Fund-raising and membership development	702,288	671,256
Underwriting	478,743	358,411
Total Support Services	3,491,058	3,268,422
<b>Total Operating Expenses</b>	<b>9,648,964</b>	<b>9,209,538</b>
<b>OPERATING LOSS</b>	<b>(3,235,226)</b>	<b>(2,875,624)</b>
<b>NONOPERATING REVENUES AND EXPENSES</b>		
State General Appropriations	1,873,109	1,799,888
Donated Facilities and Administrative Support from the University of Wisconsin System (Note 6)	1,452,411	1,388,346
In-Kind Contributions (Note 7)	0	2,972
Investment Income	302,449	133,707
<b>Total Nonoperating Revenues</b>	<b>3,627,969</b>	<b>3,324,913</b>
Income Before Contributions and Transfers	392,743	449,289
<b>CONTRIBUTIONS AND TRANSFERS</b>		
Capital Contributions	124,377	304,024
<b>CHANGE IN NET ASSETS</b>	<b>517,120</b>	<b>753,313</b>
Total Net Assets—Beginning of the Year, Restated (Note 11)	4,160,844	3,407,531
Total Net Assets—End of the Year	\$ 4,677,964	\$ 4,160,844

## Statement of Cash Flows for the Years Ended June 30, 2007 and June 30, 2006

	<u>FY 2006-07</u>	<u>FY 2005-06</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Grants and Contracts	\$ 3,895,674	\$ 3,266,866
Receipts from Community Service Grant—CPB	504,777	577,820
Receipts from Contributed Support	2,108,356	2,172,713
Receipts from Sales and Services	205,693	214,385
Payments to Suppliers	(2,366,678)	(1,673,005)
Payments to Employees	(5,991,547)	(5,815,826)
<b>Net Cash Used for Operating Activities</b>	<u>(1,643,725)</u>	<u>(1,257,047)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Receipts from State Government	<u>1,873,109</u>	<u>1,799,888</u>
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>1,873,109</u>	<u>1,799,888</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Contributions	124,377	304,024
Purchases of Capital Assets	(192,190)	(344,619)
<b>Net Cash Used for Capital and Related Financing Activities</b>	<u>(67,813)</u>	<u>(40,595)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net (Purchases) and Sales of Investments	268,938	(404,408)
Interest and Dividends Received	<u>150,015</u>	<u>122,765</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>418,953</u>	<u>(281,643)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>580,524</b>	<b>220,603</b>
Balances—Beginning of the Year	<u>1,136,871</u>	<u>916,268</u>
Balances—End of the Year	<u>\$ 1,717,395</u>	<u>\$ 1,136,871</u>



	<u>FY 2006-07</u>	<u>FY 2005-06</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES</b>		
Operating Loss	\$ (3,235,226)	\$ (2,875,624)
Adjustments to Reconcile Operating Loss to Net Cash		
Used for Operating Activities:		
Depreciation expense	115,183	102,050
Donated facilities and administrative support from the University of Wisconsin System expense	1,452,411	1,388,346
Miscellaneous noncash operating expenses	0	2,972
Change in assets and liabilities:		
Receivables, net	339,312	(80,200)
Prepaid expenses	21	21,639
Inventory	(1,050)	0
Accounts and other payables	24,783	(25,892)
Due to the University of Wisconsin System	(301,659)	231,592
Deferred support	(37,500)	(22,500)
Other adjustments	0	570
<b>Net Cash Used for Operating Activities</b>	<b><u>\$ (1,643,725)</u></b>	<b><u>\$ (1,257,047)</u></b>

Noncash Activities:

The amount of in-kind contributions was \$0 in FY 2006-07 and \$2,972 in FY 2005-06.

The fair value of investments increased \$155,793 in FY 2006-07 and \$15,480 in FY 2005-06.



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# Notes to the Financial Statements ■

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Organization

WHA Radio is a public telecommunications entity operated by the University of Wisconsin-Extension and consists of seven FM stations and one AM station that are licensed to the University of Wisconsin System's Board of Regents. 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). All significant inter-organization accounts and transactions have been eliminated. See Note 9 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 revenues 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 are indirectly associated with programming, production, and development activities, such as investment income. 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 cash balances deposited with the State; shares in the State Investment Fund, a short-term investment pool of state and local funds; and WHA Radio's allocated share of WPRA's cash and cash equivalents, which include cash deposits and highly liquid investments with an original maturity of three months or less.

**E. Valuation of Investments**

All investments of WHA Radio are carried at fair-market value based on quoted market prices. State Investment Fund shares are valued at amortized cost, which approximates fair value.

**F. Capital Assets**

Items classified as capital assets are recorded at cost or, for donated property, at the estimated fair-market 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 certain constructed or fabricated items and certain component parts. Depreciation is 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 until the eligibility requirements have been met.

**H. Deferred Support**

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

**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 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. 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 and invested in the State Investment Fund, a short-term pool of state and local funds. This 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 various types of securities in which the State Investment Fund may invest are enumerated in ss. 25.17(3)(b), (ba), and (bd), Wis. Stats., and include direct obligations of the United States and Canada, securities guaranteed by the United States government, securities of federally chartered corporations, unsecured notes of financial and industrial issuers, Yankee/Eurodollar issues, certificates of deposit issued by banks in the United States and solvent financial institutions in this state, and bankers acceptances. The Investment Board's trustees may approve other prudent investments and have granted derivatives authority, subject to review and approval by the Investment Board's Investment Committee, limited to positions in finance futures, options, and swaps, and only if the purpose is to hedge existing positions, adjust portfolio duration within statutory guidelines, or reduce the interest-rate risk to which the Investment Board is subjected in the normal course of business. Interest only and principal only securities, inverse floaters, and off balance sheet synthetic derivatives are not permitted.

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, which invests entirely in fixed-income securities, and the UW Long Term Fund, which primarily invests in fixed-income and equity securities. 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.

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 deposit and money market accounts at one financial institution. WPRA investments are managed by asset management or private trust companies and consist of certificates of deposit, 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 \$100,000 at each depository institution. At June 30, 2007, the bank balances of WHA Radio's share of WPRA's deposits were \$1,005,300, of which \$952,400 was uninsured and uncollateralized. At June 30, 2006, the bank balances were \$833,226, of which \$341,251 was uninsured and uncollateralized.

**B. Investments**

Investment balances for WHA Radio as of June 30, 2007 and June 30, 2006, were as follows:

<u>Investment</u>	June 30, 2007 <u>Fair Value</u>	June 30, 2006 <u>Fair Value</u>
Money Market Funds Awaiting Investment	\$ 20,013	\$ 38,379
Fixed-Income Funds	124,856	81,716
Equity Mutual Funds	181,215	168,489
UW Intermediate Term Fund	763,480	679,370
UW Long Term Fund	<u>986,629</u>	<u>980,178</u>
Subtotal	2,076,193	1,948,132
Certificates of Deposit Classified as "Deposits" for this Disclosure	<u>0</u>	<u>239,741</u>
Total Investments on the Balance Sheet	<u>\$2,076,193</u>	<u>\$2,187,873</u>

The investments of WHA Radio and its share of WPRA investments are exposed to the following risks:

*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 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 as rated by Standard & Poor's and/or Moody's. WPRA does not have an investment policy for credit risk. As of June 30, 2007, and June 30, 2006, the UW Intermediate Term Fund, UW Long Term Fund, and WPRA's fixed-income investments listed in the preceding table 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 University of Wisconsin System’s investment guidelines mandate that the UW Intermediate Term Fund and the Long Term Fund must maintain an effective modified duration within one year of the effective modified duration of the underlying portfolios’ benchmark indices. WPRA does not have an investment policy for interest rate risk. As of June 30, 2007 and 2006, the fixed-income investments of WHA Radio and WPRA had the following modified durations:

<u>Investment</u>	June 30, 2007 <u>Fair Value</u>	Modified Duration <u>(In Years)</u>
UW Intermediate Term Fund	\$763,480	3.97
Dodge & Cox Income Fund	110,250	3.90
Vanguard Long-Term U.S. Treasury	<u>14,606</u>	10.22
Total Fixed-Income Investments	<u>\$888,336</u>	

<u>Investment</u>	June 30, 2006 <u>Fair Value</u>	Modified Duration <u>(In Years)</u>
UW Intermediate Term Fund	\$679,370	3.31
Dodge & Cox Income Fund	<u>81,716</u>	4.04
Total Fixed-Income Investments	<u>\$761,086</u>	

In addition, as of June 30, 2007 and 2006, 7.0 and 12.7 percent of the UW Long Term Fund, in which WHA Radio had investments of \$986,629 and \$980,178, were invested in fixed-income securities that had modified durations of 3.33 and 3.18 years.

*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 limit the UW Long Term Fund’s fixed-income and equity exposure to no more than 20 percent in foreign investments. WPRA does not have an investment policy for foreign currency risk. As of June 30, 2007 and 2006, WHA Radio’s exposure to foreign currency risk is through its investments of \$986,629 and \$980,178 in the UW Long Term Fund and its share of WPRA’s June 30, 2007 and 2006 investments of \$46,561 and \$51,897 in three international equity mutual funds.



**3. CAPITAL ASSETS**

The change in book value from July 1, 2006, to June 30, 2007, is summarized as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets:				
Equipment	\$1,439,937	\$192,190	0	1,632,127
Less Accumulated Depreciation for:				
Equipment	<u>(819,281)</u>	<u>(115,183)</u>	<u>0</u>	<u>(934,464)</u>
Total Capital Assets, Net	<u>\$ 620,656</u>	<u>\$ 77,007</u>	<u>0</u>	<u>\$697,663</u>

Depreciation expense was charged to functions as follows:

Programming and Production	\$ 69,733
Broadcasting	43,025
Fund-raising	<u>2,425</u>
Total Depreciation Expense	<u>\$115,183</u>

The change in book value from July 1, 2005, to June 30, 2006, is summarized as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets:				
Equipment	\$1,231,577	\$344,619	\$(136,259)	\$1,439,937
Less Accumulated Depreciation for:				
Equipment	<u>(853,490)</u>	<u>(102,050)</u>	<u>136,259</u>	<u>(819,281)</u>
Total Capital Assets, Net	<u>\$ 378,087</u>	<u>\$242,569</u>	<u>\$ 0</u>	<u>\$ 620,656</u>

Depreciation expense was charged to functions as follows:

Programming and Production	\$ 67,280
Broadcasting	<u>34,770</u>
Total Depreciation Expense	<u>\$102,050</u>

Construction in progress for the WHA-AM transmitter tower is included in the capital assets balances at June 30, 2007. There was no construction in progress at June 30, 2006.

**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 three NTIA capital equipment grants from FY 2001-02 through FY 2006-07. The depreciated value of equipment subject to a priority lien was \$101,211 as of June 30, 2007, and \$133,551 as of June 30, 2006.

**5. NONCURRENT LIABILITIES**

Noncurrent liability activity for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Compensated Absences	\$359,414	\$66,667	\$(34,404)	\$391,677

Noncurrent liability activity for the year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Compensated Absences	\$359,774	\$73,007	\$(73,367)	\$359,414

In addition, another \$19,900 at June 30, 2007, and \$18,668 at June 30, 2006, 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 \$115,920 and occupancy costs of \$34,094 for FY 2006-07, and physical plant costs of \$110,807 and occupancy costs of \$32,590 for FY 2005-06. 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 \$1,302,397 in FY 2006-07 and \$1,244,949 in FY 2005-06.

**7. IN-KIND CONTRIBUTIONS**

In-kind contributions of \$0 in FY 2006-07 and \$2,972 in FY 2005-06 consisted primarily of printing relating to the fund-raising and membership

development function. In-kind contributions and donated professional services are recognized as revenue and expenses on the Statement of Revenues, Expenses, and Changes in Net Assets in the period received and used. Donated professional services are recorded at the fee typically charged by the professional for the same type of service. All other donated services are recorded at fair-market value, when clearly measurable, or at the cost of providing the service.

## 8. EMPLOYEE RETIREMENT PLAN

Permanent and qualifying limited-term employees of WHA Radio are participants in the Wisconsin Retirement System, a cost-sharing, multiple-employer, defined benefit plan governed by Chapter 40 of Wisconsin Statutes. 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 Wisconsin Retirement System is considered part of the State of Wisconsin's financial reporting entity. Copies of the separately issued financial report that includes financial statements and required supplementary information may be obtained by writing to:

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

The report is also available on the Department of Employee Trust Funds' Web site, [www.etf.wi.gov](http://www.etf.wi.gov).

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 Wisconsin Retirement System. Prior service costs are amortized over 40 years, beginning January 1, 1990. However, the State issued bonds in December 2003 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.

The retirement plan requires employee contributions equal to specified percentages of qualified earnings based on the employee's classification, plus employer contributions at a rate determined annually. WHA Radio's contributions to the plan, including employer and employee contributions, were \$546,644 in FY 2006-07 and \$503,502 in FY2005-06. The relative position of WHA Radio in the Wisconsin Retirement System is not available because the Wisconsin Retirement System is a statewide, multi-employer plan.

## 9. RELATED ENTITIES

### A. Educational Communications Board Radio Network

The Educational Communications Board Radio Network is a public telecommunications entity operated by ECB. 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)

WPRA is a publicly supported not-for-profit corporation whose purpose is to administer various fund-raising and membership duties of Wisconsin Public Radio and to provide support to WHA Radio and the ECB Radio Network. 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 the ECB Radio Network's allocated interest 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 inter-organizational eliminations is included in the following table. The financial statement amounts are reported net of eliminations of \$415,658 for both assets and liabilities as of June 30, 2007, and \$220,116 as of June 30, 2006. The financial statement amounts are also reported net of eliminations of \$1,229,504 for both revenues and expenses for FY 2006-07 and \$1,118,093 for FY 2005-06.

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Cash and Investments	\$1,303,043	\$1,110,993
Receivables and Other Current Assets	77,885	90,637
Capital Assets	<u>12,211</u>	<u>0</u>
Total Assets	1,393,139	1,201,630
Payables and Other Current Liabilities	<u>(423,775)</u>	<u>(234,045)</u>
Net Assets	<u>\$ 969,364</u>	<u>\$ 967,585</u>

	Fiscal Year Ended <u>June 30, 2007</u>	Fiscal Year Ended <u>June 30, 2006</u>
Contributed Support and Revenue	<u>\$1,406,268</u>	<u>\$1,310,971</u>
Expenses:		
Programming and production	32,719	32,523
Program information	13,886	15,459
Management and general	28,664	33,728
Fund-raising	<u>158,812</u>	<u>126,063</u>
Total Expenses	<u>234,081</u>	<u>207,773</u>
Change in Net Assets before Contractual Support to WHA	<u>\$1,172,187</u>	<u>\$1,103,198</u>

WPRA issues separate financial statements, which are audited by other auditors. A summary of significant WPRA financial data as of and for periods ended June 30, 2007 and 2006, 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, 2007</u>	<u>June 30, 2006</u>
Cash and Investments	\$2,108,372	\$2,125,601
Receivables and Other Current Assets	324,520	377,653
Capital Assets	<u>50,880</u>	<u>0</u>
Total Assets	2,483,772	2,503,254
Payables and Other Current Liabilities	<u>(449,487)</u>	<u>(278,161)</u>
Net Assets	<u>\$2,034,285</u>	<u>\$2,225,093</u>

	Fiscal Year Ended <u>June 30, 2007</u>	Fiscal Year Ended <u>June 30, 2006</u>
Contributed Support and Revenue	<u>\$5,740,700</u>	<u>\$5,395,556</u>
Expenses:		
Programming and production	136,328	135,511
Program information	57,860	64,413
Management and general	119,433	140,532
Fund-raising	661,718	525,264
Contract Support to WHA and ECB	<u>4,956,169</u>	<u>4,420,457</u>
Total Expenses	<u>5,931,508</u>	<u>5,286,177</u>
Change in Net Assets	<u>\$ (190,808)</u>	<u>\$ 109,379</u>

### C. The University of Wisconsin Foundation

The Foundation is the official not-for-profit fund-raising 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. The market value of endowments and accumulated interest held by the Foundation for WHA Radio was \$824,095 as of June 30, 2007, and \$714,301 as of June 30, 2006. The accumulated interest is available to be transferred to the University and spent by WHA Radio. Accumulated interest totaled \$122,815 as of June 30, 2007, and \$100,807 as of June 30, 2006. WHA Radio transferred \$6,000 from the Foundation and spent \$10,620 in FY 2006-07. WHA Radio transferred \$14,000 and spent \$25,571 in FY 2005-06. Only the actual transfers from the Foundation are reflected in WHA Radio's financial statements.

## 10. 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's and its affiliates' revenues, direct expenses, and related allocable indirect expenses has been identified in the following tables for FY 2006-07 and FY 2005-06.

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 2006-07</u>	<u>WHA-AM and Affiliates</u>	<u>WLSU-FM and Affiliates</u>	<u>WHA Radio Total</u>
<b>Operating Revenues</b>			
Grants and Contracts	\$3,714,860	\$ 1,500	\$3,716,360
Community Service Grant—CPB	379,458	125,319	504,777
Underwriting	684,888	39,209	724,097
Telecasting, Production, and Other Income	208,283	0	208,283
Membership Income	936,642	188,677	1,125,319
Major Gifts	<u>134,902</u>	<u>0</u>	<u>134,902</u>
Total Operating Revenues	<u>6,059,033</u>	<u>354,705</u>	<u>6,413,738</u>
<b>Operating Expenses</b>			
Program Services:			
Programming and production	5,187,501	404,264	5,591,765
Broadcasting	327,805	42,480	370,285
Program information	<u>194,783</u>	<u>1,073</u>	<u>195,856</u>
Total Program Services	<u>5,710,089</u>	<u>447,817</u>	<u>6,157,906</u>
Support Services:			
Management and general	2,130,934	179,093	2,310,027
Fund-raising and membership development	681,301	20,987	702,288
Underwriting	<u>401,414</u>	<u>77,329</u>	<u>478,743</u>
Total Support Services	<u>3,213,649</u>	<u>277,409</u>	<u>3,491,058</u>
Total Operating Expenses	<u>8,923,738</u>	<u>725,226</u>	<u>9,648,964</u>
Operating Loss	<u>(2,864,705)</u>	<u>(370,521)</u>	<u>(3,235,226)</u>
<b>Nonoperating Revenues (Expenses)</b>			
State General Appropriations	1,602,397	270,712	1,873,109
Donated Facilities and Administrative Support from the University of Wisconsin System	1,365,719	86,692	1,452,411
In-Kind Contributions	0	0	0
Investment Income	<u>302,449</u>	<u>0</u>	<u>302,449</u>
Total Nonoperating Revenues	<u>3,270,565</u>	<u>357,404</u>	<u>3,627,969</u>
Capital Contributions	<u>448</u>	<u>123,929</u>	<u>124,377</u>
Change in Net Assets	<u>\$ 406,308</u>	<u>\$110,812</u>	<u>\$ 517,120</u>

<u>FY 2005-06</u>	<u>WHA-AM and Affiliates</u>	<u>WLSU-FM and Affiliates</u>	<u>WHA Radio Total</u>
<b>Operating Revenues</b>			
Grants and Contracts	\$3,391,857	\$ 2,375	\$3,394,232
Community Service Grant—CPB	451,519	126,301	577,820
Underwriting	610,480	34,054	644,534
Telecasting, Production, and Other Income	210,307	0	210,307
Membership Income	892,124	186,831	1,078,955
Major Gifts	<u>428,066</u>	<u>0</u>	<u>428,066</u>
Total Operating Revenues	<u>5,984,353</u>	<u>349,561</u>	<u>6,333,914</u>
<b>Operating Expenses</b>			
Program Services:			
Programming and production	4,843,904	450,732	5,294,636
Broadcasting	375,154	13,592	388,746
Program information	<u>230,030</u>	<u>27,704</u>	<u>257,734</u>
Total Program Services	<u>5,449,088</u>	<u>492,028</u>	<u>5,941,116</u>
Support Services:			
Management and general	2,145,292	93,463	2,238,755
Fund-raising and membership development	655,710	15,546	671,256
Underwriting	<u>314,730</u>	<u>43,681</u>	<u>358,411</u>
Total Support Services	<u>3,115,732</u>	<u>152,690</u>	<u>3,268,422</u>
Total Operating Expenses	<u>8,564,820</u>	<u>644,718</u>	<u>9,209,538</u>
Operating Loss	<u>(2,580,467)</u>	<u>(295,157)</u>	<u>(2,875,624)</u>
<b>Nonoperating Revenues (Expenses)</b>			
State General Appropriations	1,547,197	252,691	1,799,888
Donated Facilities and Administrative Support from the University of Wisconsin System	1,301,909	86,437	1,388,346
In-Kind Contributions	2,972	0	2,972
Investment Income	<u>133,707</u>	<u>0</u>	<u>133,707</u>
Total Nonoperating Revenues	<u>2,985,785</u>	<u>339,128</u>	<u>3,324,913</u>
Capital Contributions	<u>304,024</u>	<u>0</u>	<u>304,024</u>
Change in Net Assets	<u>\$ 709,342</u>	<u>\$ 43,971</u>	<u>\$ 753,313</u>



**11. RESTATEMENT OF FY 2005-06 BEGINNING NET ASSET BALANCE**

WHA Radio pays National Public Radio (NPR) an annual fee to air programs produced and distributed by NPR from October 1 through September 30. In years prior to FY 2005-06, the entire fee was expensed. However, the portion of the fee associated with the months of July through September should have been established as a prepaid asset at fiscal-year end. Beginning in FY 2005-06, WHA Radio established a prepaid asset for three months of NPR fees and restated the beginning unrestricted net asset balance as of July 1, 2005, by an increase of \$34,474.

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# Report on 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 Radio as of and for the years ended June 30, 2007 and 2006, and have issued our report thereon dated January 18, 2008. Our report was modified to include 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. The financial statements of Wisconsin Public Radio Association, Inc., were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with the additional requirements of *Government Auditing Standards*.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audits, we considered WHA Radio's internal control over financial reporting 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of WHA Radio's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.


Our consideration of internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

#### 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 independent auditor's report, upon submission to the Joint Legislative Audit Committee, is a matter of public record and its distribution is not limited. However, because we do not express an opinion on the effectiveness of WHA's internal control or on compliance, this report is not intended to be used by anyone other than these specified parties.

January 18, 2008

LEGISLATIVE AUDIT BUREAU  
by   
Diann Allsen  
Audit Director