

An Audit

WHA Television

2007-2008 Joint Legislative Audit Committee Members

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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 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 \$16.6 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,

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

Janice Mueller
State Auditor

JM/DA/ss

Audit Opinion ■

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

We have audited the accompanying Balance Sheets of WHA Television as of June 30, 2007 and 2006, and the related Statements of Revenues, Expenses, and Changes in Net Assets and Statements 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 Television. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Friends of WHA-TV, Inc., which represent 17.2 percent and 15.2 percent of the total assets as of June 30, 2007 and 2006, respectively, and 24.4 percent of the total revenues during both fiscal years 2006-07 and 2005-06. The financial statements of the Friends of WHA-TV, 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 Friends of WHA-TV, 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 Friends of WHA-TV, 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 Television 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 respective financial positions of the operating fund of WHA Television and the Friends of WHA-TV, Inc., as of June 30, 2007 and 2006, and the respective changes in their financial positions 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 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 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 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.

January 18, 2008

LEGISLATIVE AUDIT BUREAU
by 
Diann Allsen
Audit Director

Management's Discussion and Analysis ■

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, 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 Television management.

Using the Annual Financial Statements

WHA Television 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 include WHA's operating fund and the accounts of the Friends of WHA-TV, Inc., a not-for-profit corporation that solicits funds for WHA Television.

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 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, 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 Television, as of and for the fiscal years ended June 30, 2007, June 30, 2006, and June 30, 2005, is as follows.

WHA Television Condensed Financial Information
(In Thousands)

	June 30, 2007	Change from Previous Year	June 30, 2006	Change from Previous Year	June 30, 2005
Capital Assets	\$ 3,079	10%	\$2,796	8%	\$2,592
Other Assets	10,421	9	9,545	11	8,562
Total Assets	<u>13,500</u>	9	<u>12,341</u>	11	<u>11,154</u>
Current Liabilities	907	(28)	1,268	70	747
Noncurrent Liabilities	567	11	509	3	492
Total Liabilities	<u>1,474</u>	(17)	<u>1,777</u>	43	<u>1,239</u>
Invested in Capital Assets	3,079	10	2,796	8	2,592
Restricted for Grants	1,694	14	1,486	4	1,433
Unrestricted	7,253	15	6,282	7	5,890
Total Net Assets	<u>\$12,026</u>	14	<u>\$10,564</u>	7	<u>\$9,915</u>

	FY 2006-07	Change from Previous Year	FY 2005-06	Change from Previous Year	FY 2004-05
Operating Revenues	\$ 8,574	12%	\$7,653	(16)%	\$9,111
Operating Expenses	15,111	6	14,249	(3)	14,710
Net Operating Loss	<u>(6,537)</u>	(1)	<u>(6,596)</u>	18	<u>(5,599)</u>
Nonoperating Revenues (Expenses)	7,180	11	6,491	(2)	6,609
Capital Contributions	819	9	753	1,469	48
Changes in Net Assets	<u>\$ 1,462</u>	125	<u>\$ 648</u>	(39)	<u>\$1,058</u>

Total assets increased 9 percent in fiscal year (FY) 2006-07 and 11 percent in FY 2005-06. The largest increase in dollars is in noncurrent investments, which have increased \$3,868,000 over the past two years. Total liabilities decreased 17 percent in FY 2006-07, after increasing 43 percent in FY 2005-06. Overall, these changes resulted in a 14 percent increase in net assets in FY 2006-07 and a 7 percent increase in FY 2005-06. Unrestricted net assets increased 15 percent, to \$7,253,000 as of June 30, 2007. Unrestricted net assets have increased for six consecutive years, from \$4,507,000 in FY 2001-02 to \$7,253,000 in FY 2006-07.

Capital assets increased \$283,000 in FY 2006-07 and \$204,000 in FY 2005-06. The additions to capital assets will fluctuate because they are highly dependent on the receipt of one-time grants of capital contributions. WHA Television continues to convert the production facility to high-definition digital technology and has had state and federal commitments that have allowed for significant increases in additions to capital assets.

Current liabilities decreased 28 percent in FY 2006-07 after experiencing a 70 percent increase in FY 2005-06. The liability due to the University of Wisconsin System has fluctuated, having increased from \$95,000 to \$692,000 at the end of FY 2005-06. In FY 2006-07, the liability became an asset due from the University of Wisconsin System with a \$463,000 balance. The liability is the result of spending university funds in anticipation of reimbursement under grants and contracts. The asset balance indicates that grantors have paid the university before WHA-TV has spent the university funds. The annual grant from the Corporation for Public Broadcasting (CPB) that funds the National Center for Outreach (NCO) was the major reason for the fluctuation. At the end of FY 2005-06 there was a liability due to the University of Wisconsin System of \$253,000 for this grant, while at the end of FY 2006-07 there was an asset balance of \$247,000. Ongoing funding from CPB for this grant was uncertain for much of FY 2006-07. When a new contract was finally executed in April 2007, it was accompanied with a substantial payment of \$600,000 that left an unspent balance of \$247,000 as of June 30, 2007. CPB has provided assurance that it will continue to fund NCO through September 30, 2009.

Operating revenues increased 12 percent in FY 2006-07 after they decreased by 16 percent in FY 2005-06. The operating revenues from telecasting, production, and other income increased \$497,000 in FY 2006-07, and grants and contracts increased \$252,000 after a decrease of \$1,123,000 in FY 2005-06. Based on the terms and conditions with clients and/or grantors, production staff and facilities may be used to generate revenue in either of these categories. Membership income and program underwriting also increased in FY 2006-07. CPB continues to be the major source of grants and contracts revenue at \$1,549,000, or 87 percent of the total in FY 2006-07. CPB also provided the Community Service Grant, which totaled \$1,238,000 in FY 2006-07.

Total operating expenses increased \$863,000 in FY 2006-07 after a decrease of \$461,000 in FY 2005-06. Expenses in all functional areas increased in FY 2006-07, with the largest percent increase occurring in the fund-raising and membership development category at 14 percent. Operating expenses in FY 2006-07 include \$2,035,000 in donated facilities and administrative support from the University of Wisconsin System, an \$81,000 increase over the prior year. \$1,831,000 of the donated facilities and administrative support is reported as management and general expense.

Nonoperating revenue increased 11 percent, to \$7,180,000 during FY 2006-07. There was an increase in donated facilities and administrative support of \$81,000, and an increase in investment income of \$511,000. Total investment income was \$822,000, but included an unrealized gain of \$196,000 on marketable securities for WHA, compared to a loss of \$67,000 in FY 2005-06. State general appropriations increased \$97,000 to reach \$4,323,000 during FY 2006-07. State general appropriations are the single largest source of revenue for WHA Television.

Capital contributions increased \$66,000, from \$753,000 to \$819,000. State Building Trust Fund resources and U.S. Department of Commerce grants were available in FY 2006-07, but continued availability is uncertain in FY 2007-08.

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 ■

Balance Sheet June 30, 2007

	Operating Fund	Friends of WHA-TV, Inc.	Total June 30, 2007
ASSETS			
Current Assets:			
Cash and cash equivalents (Note 2)	\$ 2,011,225	\$ 211,381	\$ 2,222,606
Investments (Note 2)	1,344,685	191,568	1,536,253
Grants and contracts receivable	105,399	0	105,399
Accounts and interest receivable, net	137,096	64,937	202,033
Accounts receivable—ECB (Note 10)	57,420	32,035	89,455
Contributions receivable from remainder trust	0	16,170	16,170
Due from the University of Wisconsin System (Note 1G)	463,422	0	463,422
Interfund receivable (payable)	640,206	(640,206)	0
Prepaid expenses	79,014	41,293	120,307
Total Current Assets	<u>4,838,467</u>	<u>(82,822)</u>	<u>4,755,645</u>
Noncurrent Assets:			
Investments (Note 2)	3,255,874	2,409,563	5,665,437
Capital assets, net of accumulated depreciation (Notes 3 and 4)	<u>3,078,888</u>	<u>0</u>	<u>3,078,888</u>
Total Noncurrent Assets	<u>6,334,762</u>	<u>2,409,563</u>	<u>8,744,325</u>
TOTAL ASSETS	<u>\$ 11,173,229</u>	<u>\$ 2,326,741</u>	<u>\$ 13,499,970</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable and accrued expenses	\$ 435,057	\$ 50,760	\$ 485,817
Accounts payable—ECB (Note 10)	142,879	0	142,879
Due to the University of Wisconsin System (Note 1G)	0	0	0
Deferred support	8,422	269,584	278,006
Total Current Liabilities	<u>586,358</u>	<u>320,344</u>	<u>906,702</u>
Noncurrent Liabilities:			
Compensated absences payable (Note 5)	<u>567,089</u>	<u>0</u>	<u>567,089</u>
Total Noncurrent Liabilities	<u>567,089</u>	<u>0</u>	<u>567,089</u>
Total Liabilities	<u>1,153,447</u>	<u>320,344</u>	<u>1,473,791</u>
Net Assets:			
Invested in capital assets	3,078,888	0	3,078,888
Restricted by grantors and donors (Note 8)	1,677,709	0	1,677,709
Restricted for remainder trust (Note 8)	0	16,170	16,170
Unrestricted (Note 9)	<u>5,263,185</u>	<u>1,990,227</u>	<u>7,253,412</u>
Total Net Assets	<u>10,019,782</u>	<u>2,006,397</u>	<u>12,026,179</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,173,229</u>	<u>\$ 2,326,741</u>	<u>\$ 13,499,970</u>

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

	Operating Fund	Friends of WHA-TV, Inc.	Total FY 2006-07
OPERATING REVENUES			
Grants and Contracts	\$ 1,779,740	\$ 0	\$ 1,779,740
Community Service Grant—CPB	1,237,712	0	1,237,712
Underwriting	384,956	0	384,956
Telecasting, Production, and Other Income	1,449,351	644,730	2,094,081
Membership Income	0	2,237,264	2,237,264
Auction Income	0	394,135	394,135
Major Gifts	20,435	426,147	446,582
Total Operating Revenues	4,872,194	3,702,276	8,574,470
OPERATING EXPENSES			
Program Services:			
Programming and production	6,961,765	1,529	6,963,294
Broadcasting	679,368	0	679,368
Program information	3,085,392	29,872	3,115,264
Total Program Services	10,726,525	31,401	10,757,926
Support Services:			
Management and general	2,638,345	88,038	2,726,383
Fundraising and membership development	771,266	700,611	1,471,877
Underwriting	155,508	0	155,508
Total Support Services	3,565,119	788,649	4,353,768
Total Operating Expenses	14,291,644	820,050	15,111,694
OPERATING INCOME (LOSS)	(9,419,450)	2,882,226	(6,537,224)
NONOPERATING REVENUES AND EXPENSES			
State General Appropriations	4,323,193	0	4,323,193
Donated Facilities and Administrative Support from the University of Wisconsin System (Note 6)	2,034,593	0	2,034,593
Investment Income	481,036	341,364	822,400
Total Nonoperating Revenues (Expenses)	6,838,822	341,364	7,180,186
Income (Loss) Before Contributions and Transfers	(2,580,628)	3,223,590	642,962
CONTRIBUTIONS AND TRANSFERS			
Capital Contributions	819,414	0	819,414
Interfund Transfers	2,830,991	(2,830,991)	0
CHANGE IN NET ASSETS	1,069,777	392,599	1,462,376
Total Net Assets—Beginning of the Year	8,950,005	1,613,798	10,563,803
Total Net Assets—End of the Year	<u>\$ 10,019,782</u>	<u>\$ 2,006,397</u>	<u>\$ 12,026,179</u>

Statement of Cash Flows for the Year Ended June 30, 2007

	Operating Fund	Friends of WHA-TV, Inc.	Total FY 2006-07
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Grants and Contracts	\$ 2,099,135	\$ 0	\$ 2,099,135
Receipts from Community Service Grant—CPB	1,237,712	0	1,237,712
Receipts from Contributed Support	423,961	3,789,420	4,213,381
Receipts from Sales and Services	1,437,810	0	1,437,810
Payments to Suppliers	(5,388,206)	(792,586)	(6,180,792)
Payments to Employees	(7,073,312)	(80,379)	(7,153,691)
Net Cash Provided (Used) by Operating Activities	(7,262,900)	2,916,455	(4,346,445)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipts from State Government	4,323,193	0	4,323,193
Interfund Transfers	3,228,733	(3,228,733)	0
Net Cash Provided (Used) by Noncapital Financing Activities	7,551,926	(3,228,733)	4,323,193
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Contributions	819,414	0	819,414
Purchases of Capital Assets	(917,587)	0	(917,587)
Net Cash Used for Capital and Related Financing Activities	(98,173)	0	(98,173)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net (Purchases) and Sales of Investments	2,477	(233,389)	(230,912)
Interest Income	277,965	112,763	390,728
Net Cash Provided (Used) by Investing Activities	280,442	(120,626)	159,816
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	471,295	(432,904)	38,391
Balances—Beginning of the Year	1,539,930	644,285	2,184,215
Balances—End of the Year	<u>\$ 2,011,225</u>	<u>\$ 211,381</u>	<u>\$ 2,222,606</u>

	Operating Fund	Friends of WHA-TV, Inc.	Total FY 2006-07
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (9,419,450)	\$ 2,882,226	\$ (6,537,224)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation expense	634,613	0	634,613
Donated facilities and administrative support from the University of Wisconsin System expense	2,034,593	0	2,034,593
Change in assets and liabilities:			
Receivables, net	319,847	(2,952)	316,895
Prepaid expenses	(4,661)	(24,242)	(28,903)
Accounts and other payables	321,210	(28,673)	292,537
Due (from)/to the University of Wisconsin System	(1,155,629)	0	(1,155,629)
Deferred support	6,577	90,096	96,673
Net Cash Provided (Used) by Operating Activities	\$ (7,262,900)	\$ 2,916,455	\$ (4,346,445)

Noncash Activities:

The net increase (decrease) in the fair value of investments was \$196,492 for the operating fund and \$228,601 for the Friends of WHA-TV, Inc.

The decrease in the present value of the Friends' interest in the remainder trust was \$9,703.

Balance Sheet
June 30, 2006

	Operating Fund	Friends of WHA-TV, Inc.	Total June 30, 2006
ASSETS			
Current Assets:			
Cash and cash equivalents (Note 2)	\$ 1,539,930	\$ 644,285	\$ 2,184,215
Investments (Note 2)	1,586,168	186,457	1,772,625
Grants and contracts receivable	403,672	0	403,672
Accounts and interest receivable, net	110,898	58,924	169,822
Accounts receivable—ECB (Note 10)	90,442	25,393	115,835
Contributions receivable from remainder trust	0	25,873	25,873
Due from the University of Wisconsin System (Note 1G)	0	0	0
Interfund receivable (payable)	1,037,948	(1,037,948)	0
Prepaid expenses	74,353	17,051	91,404
Total Current Assets	<u>4,843,411</u>	<u>(79,965)</u>	<u>4,763,446</u>
Noncurrent Assets:			
Investments (Note 2)	2,828,548	1,952,684	4,781,232
Capital assets, net of accumulated depreciation (Notes 3 and 4)	2,795,914	0	2,795,914
Total Noncurrent Assets	<u>5,624,462</u>	<u>1,952,684</u>	<u>7,577,146</u>
TOTAL ASSETS	<u>\$ 10,467,873</u>	<u>\$ 1,872,719</u>	<u>\$ 12,340,592</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable and accrued expenses	\$ 209,849	\$ 79,433	\$ 289,282
Accounts payable—ECB (Note 10)	105,194	0	105,194
Due to the University of Wisconsin System (Note 1G)	692,207	0	692,207
Deferred support	1,846	179,488	181,334
Total Current Liabilities	<u>1,009,096</u>	<u>258,921</u>	<u>1,268,017</u>
Noncurrent Liabilities:			
Compensated absences payable (Note 5)	508,772	0	508,772
Total Noncurrent Liabilities	<u>508,772</u>	<u>0</u>	<u>508,772</u>
Total Liabilities	<u>1,517,868</u>	<u>258,921</u>	<u>1,776,789</u>
Net Assets:			
Invested in capital assets	2,795,914	0	2,795,914
Restricted by grantors and donors (Note 8)	1,460,221	0	1,460,221
Restricted for remainder trust (Note 8)	0	25,873	25,873
Unrestricted (Note 9)	4,693,870	1,587,925	6,281,795
Total Net Assets	<u>8,950,005</u>	<u>1,613,798</u>	<u>10,563,803</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,467,873</u>	<u>\$ 1,872,719</u>	<u>\$ 12,340,592</u>

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

	Operating Fund	Friends of WHA-TV, Inc.	Total FY 2005-06
OPERATING REVENUES			
Grants and Contracts	\$ 1,526,955	\$ 0	\$ 1,526,955
Community Service Grant—CPB	1,300,929	0	1,300,929
Underwriting	304,403	0	304,403
Telecasting, Production, and Other Income	1,015,980	581,047	1,597,027
Membership Income	0	2,076,967	2,076,967
Auction Income	0	366,906	366,906
Major Gifts	20,000	460,290	480,290
Total Operating Revenues	4,168,267	3,485,210	7,653,477
OPERATING EXPENSES			
Program Services:			
Programming and production	6,601,541	52,565	6,654,106
Broadcasting	634,410	0	634,410
Program information	2,764,905	76,495	2,841,400
Total Program Services	10,000,856	129,060	10,129,916
Support Services:			
Management and general	2,606,434	73,672	2,680,106
Fundraising and membership development	614,213	674,060	1,288,273
Underwriting	150,999	0	150,999
Total Support Services	3,371,646	747,732	4,119,378
Total Operating Expenses	13,372,502	876,792	14,249,294
OPERATING INCOME (LOSS)	(9,204,235)	2,608,418	(6,595,817)
NONOPERATING REVENUES AND EXPENSES			
State General Appropriations	4,226,082	0	4,226,082
Donated Facilities and Administrative Support from the University of Wisconsin System (Note 6)	1,954,025	0	1,954,025
Investment Income	160,868	150,206	311,074
Total Nonoperating Revenues (Expenses)	6,340,975	150,206	6,491,181
Income (Loss) Before Contributions and Transfers	(2,863,260)	2,758,624	(104,636)
CONTRIBUTIONS AND TRANSFERS			
Capital Contributions	753,271	0	753,271
Interfund Transfers	2,590,539	(2,590,539)	0
CHANGE IN NET ASSETS	480,550	168,085	648,635
Total Net Assets—Beginning of the Year	8,469,455	1,445,713	9,915,168
Total Net Assets—End of the Year	<u>\$ 8,950,005</u>	<u>\$ 1,613,798</u>	<u>\$ 10,563,803</u>

Statement of Cash Flows for the Year Ended June 30, 2006

	Operating Fund	Friends of WHA-TV, Inc.	Total FY 2005-06
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Grants and Contracts	\$ 1,234,387	\$ 0	\$ 1,234,387
Receipts from Community Service Grant—CPB	1,300,929	0	1,300,929
Receipts from Contributed Support	297,074	3,536,949	3,834,023
Receipts from Sales and Services	1,100,354	0	1,100,354
Payments to Suppliers	(3,279,629)	(978,852)	(4,258,481)
Payments to Employees	(6,966,868)	(70,285)	(7,037,153)
Net Cash Provided (Used) by Operating Activities	(6,313,753)	2,487,812	(3,825,941)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipts from State Government	4,226,082	0	4,226,082
Interfund Transfers	2,526,302	(2,526,302)	0
Net Cash Provided (Used) by Noncapital Financing Activities	6,752,384	(2,526,302)	4,226,082
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Contributions	753,271	0	753,271
Purchases of Capital Assets	(719,081)	0	(719,081)
Net Cash Used for Capital and Related Financing Activities	34,190	0	34,190
CASH FLOWS FROM INVESTING ACTIVITIES			
Net (Purchases) and Sales of Investments	(703,356)	(96,609)	(799,965)
Interest Income	223,263	87,442	310,705
Net Cash Provided (Used) by Investing Activities	(480,093)	(9,167)	(489,260)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,272)	(47,657)	(54,929)
Balances—Beginning of the Year	1,547,202	691,942	2,239,144
Balances—End of the Year	<u>\$ 1,539,930</u>	<u>\$ 644,285</u>	<u>\$ 2,184,215</u>

	Operating Fund	Friends of WHA-TV, Inc.	Total FY 2005-06
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (9,204,235)	\$ 2,608,418	\$ (6,595,817)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation expense	514,715	0	514,715
Donated facilities and administrative support from the University of Wisconsin System expense	1,954,025	0	1,954,025
Change in assets and liabilities:			
Receivables, net	(237,368)	7,925	(229,443)
Prepaid expenses	(2,018)	(5,116)	(7,134)
Accounts and other payables	61,613	(167,229)	(105,616)
Due (from) / to the University of Wisconsin System	597,670	0	597,670
Deferred support	1,845	43,814	45,659
Net Cash Provided (Used) by Operating Activities	\$ (6,313,753)	\$ 2,487,812	\$ (3,825,941)

Noncash Activities:

The net increase (decrease) in the fair value of investments was \$(67,383) for the operating fund and \$(36,009) for the Friends of WHA-TV, Inc.

The decrease in the present value of the Friends' interest in the remainder trust was \$5,383.

Notes to the Financial Statements ■

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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 is presented as the operating fund in the foregoing financial statements. The financial statements also include the accounts of the Friends of WHA-TV, Inc. The Friends is a not-for-profit corporation that solicits funds in the name of, and with the approval of, WHA Television. Funds are distributed by the Friends to WHA Television in amounts determined by the Board of the Friends (of which the Director of Wisconsin Public Television is a member). The timing and the purpose for which such distributions are to be used are controlled by the Friends. All significant inter-organization accounts and transactions have been eliminated.

Copies of the separately issued financial statements of the Friends may be obtained by contacting:

Executive Director
Friends of WHA-TV, Inc.
821 University Avenue
Madison, Wisconsin 53706

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. 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.

The percentage-of-completion method is used to account for revenues and expenses of independently funded program production. Revenues are 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 in WHA Television’s operating fund include cash balances deposited with the State and shares in the State Investment Fund, a short-term investment pool of state and local funds. Cash and cash equivalents in the Friends’ fund include cash deposits with one financial institution.

E. Valuation of Investments

All investments of WHA Television and the Friends 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 through 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 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. When expenses exceed receipts from the granting agency, the difference 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. Deferred Support

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 is also accrued with a resulting liability.

2. DEPOSITS AND INVESTMENTS

The cash balances of WHA Television's operating fund are deposited with the State 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 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.

The investment balances of WHA Television's operating fund 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.

The Friends' cash and investment activities are managed separately from the cash and investment activities of the State Investment Fund and the University of Wisconsin funds. A cash deposit balance is maintained at one financial institution. Current investments consist of money market accounts at three financial institutions, which are classified as deposits for purposes of this disclosure. 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 for up to \$100,000 at each depository institution. At June 30, 2007, the Friends' bank balance was \$791,326, of which \$691,326 was uninsured and uncollateralized. The balances of the three money market accounts totaled \$191,568, of which \$7,909 was uninsured and uncollateralized. At June 30, 2006, the Friends' bank balance was \$834,801, of which \$734,801 was uninsured and uncollateralized. The balances of the three money market accounts totaled \$186,855, of which \$4,505 was uninsured and uncollateralized.

B. Investments

Investment balances for WHA Television's operating fund as of June 30, 2007, and June 30, 2006, were as follows:

	June 30, 2007 <u>Fair Value</u>	June 30, 2006 <u>Fair Value</u>
UW Intermediate Term Fund	\$3,507,233	\$3,461,735
UW Long Term Fund	<u>1,093,326</u>	<u>952,981</u>
Total	<u>\$4,600,559</u>	<u>\$4,414,716</u>

Investment balances for the Friends as of June 30, 2007, and June 30, 2006, were as follows:

	June 30, 2007 <u>Fair Value</u>	June 30, 2006 <u>Fair Value</u>
Fixed-Income Funds	\$ 897,878	\$ 757,212
Equity Mutual Funds	<u>1,511,685</u>	<u>1,195,472</u>
Total Noncurrent Investments on the Balance Sheet	<u>\$2,409,563</u>	<u>\$1,952,684</u>

The investments of WHA Television and the Friends 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. The Friends' investment policy also requires that investments have a minimum quality rating of investment grade. As of June 30, 2007, and June 30, 2006, the UW Intermediate Term Fund, UW Long Term Fund, and the Friends' fixed-income investments listed in the preceding tables 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 UW Long Term Fund must maintain an effective modified duration within one year of the effective modified duration of the underlying portfolios' benchmark indices. The Friends do not have an investment policy for interest rate risk. As of June 30, 2007 and 2006, the fixed-income investments of WHA Television and the Friends 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	\$3,507,233	3.97
Vanguard Intermediate-Term Investment Grade Funds	448,253	5.2
Vanguard Short-Term Investment Grade Fund	160,919	2.3
Vanguard Short-Term Bond Index Fund	150,198	2.4
Vanguard Long-Term Bond Index Fund	133,026	11.1
Vanguard Total Bond Market Index Fund	<u>5,482</u>	4.6
Total Fixed-Income Investments	<u>\$4,405,111</u>	

<u>Investment</u>	June 30,2006 <u>Fair Value</u>	Modified Duration <u>(In Years)</u>
UW Intermediate Term Fund	\$3,461,735	3.31
Vanguard Intermediate-Term Investment Grade Funds	362,976	5.02
Vanguard Short-Term Investment Grade Fund	154,740	1.74
Vanguard Short-Term Bond Index Fund	127,582	2.46
Vanguard Long-Term Bond Index Fund	106,600	10.59
Vanguard Total Bond Market Index Fund	<u>5,314</u>	4.81
Total Fixed-Income Investments	<u>\$4,218,947</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 Television had investments of \$1,093,326 and \$952,981, were invested in fixed-income securities that had modified durations of 3.33 and 3.18 years, respectively.

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. The Friends do not have an investment policy for foreign currency risk. As of June 30, 2007 and 2006, WHA Television’s exposure to foreign currency risk is through its investments of \$1,093,326 and \$952,981 in the UW Long Term Fund. In addition, the Friends’ investments included \$313,552 on June 30, 2007, and \$253,402 on June 30, 2006, in an international equity mutual fund. There are an additional eight equity mutual funds totaling \$1,198,132 on June 30, 2007, and six equity mutual funds totaling \$942,070 on June 30, 2006, in which about 3 percent of the holdings included foreign securities.

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	\$11,063,671	\$917,587	\$ 0	\$11,981,258
Less Accumulated Depreciation for:				
Equipment	<u>(8,267,757)</u>	<u>(634,613)</u>	<u>0</u>	<u>(8,902,370)</u>
Total Capital Assets, Net	<u>\$ 2,795,914</u>	<u>\$282,974</u>	<u>0</u>	<u>\$3,078,888</u>

Depreciation expense was charged to functions as follows:

Programming and Production	\$400,842
Program Information	850
Broadcasting	<u>232,921</u>
Total Depreciation Expense	<u>\$634,613</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	\$10,671,434	\$ 719,081	\$(326,844)	\$11,063,671
Less Accumulated Depreciation for:				
Equipment	<u>(8,079,886)</u>	<u>(514,715)</u>	<u>326,844</u>	<u>(8,267,757)</u>
Total Capital Assets, Net	<u>\$ 2,591,548</u>	<u>\$204,366</u>	<u>\$ 0</u>	<u>\$ 2,795,914</u>

Depreciation expense was charged to functions as follows:

Programming and Production	\$303,817
Program Information	850
Broadcasting	<u>210,048</u>
Total Depreciation Expense	<u>\$514,715</u>

The Friends own furniture and fixtures with a historical cost of \$20,000, which is fully depreciated. Since the beginning and ending balances are fully depreciated, there is no effect on the Balance Sheet.

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 six NTIA capital equipment grants from FY 1996-97 through FY 2006-07. The depreciated value of equipment subject to a priority lien was \$1,736,950 as of June 30, 2007, and \$1,721,423 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	\$508,772	\$95,019	\$(36,702)	\$567,089

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	\$492,346	\$72,770	\$(56,344)	\$508,772

In addition, another \$28,155 at June 30, 2007, and \$25,780 at June 30, 2006, are 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 \$162,386 and occupancy costs of \$47,760 for FY 2006-07, and physical plant costs of \$155,955 and occupancy costs of \$45,869 for FY2005-06. 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 incurred by the University of Wisconsin System on behalf of WHA Television. Administrative support totaled \$1,824,447 in FY 2006-07 and \$1,752,201 in FY 2005-06.

7. EMPLOYEE RETIREMENT PLAN

Permanent and qualifying limited-term employees of WHA Television 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.

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 Television's contributions to the plan, including employer and employee contributions, were \$677,901 in FY 2006-07 and \$641,759 in FY 2005-06. The relative position of WHA Television in the Wisconsin Retirement System is not available because the Wisconsin Retirement System is a statewide, multi-employer plan.

8. RESTRICTED NET ASSETS

Restricted net assets for WHA Television's operating fund are reported when constraints placed on net assets are externally imposed, such as by donors or grantors. The operating fund's restricted net assets include purpose restrictions placed by donors on grants or gifts. Unrestricted net assets may be used at the discretion of WHA Television management. The restricted net assets balances as of June 30, 2007 and 2006, were \$1,677,709 and \$1,460,221 respectively.

During the year ended June 30, 1999, the Friends received an interest in a charitable remainder trust, which provides for the payment of distributions to the donor and the donor's spouse until their deaths. At the end of the trust's term, the remaining assets are available for the Friends' use. The present values of the estimated future benefits as of June 30, 2007 and 2006, were \$16,170 and \$25,873, respectively, and are calculated using a discount rate of 7 percent and applicable mortality rate tables. The changes in the present value of the future benefits to be received by the Friends, a decrease of \$9,703 in FY 2006-07 and of \$5,383 in FY 2005-06, are recorded in the telecasting, production, and other income account on the Statement of Revenues, Expenses, and Changes in Net Assets.

9. DESIGNATION OF UNRESTRICTED NET ASSETS

Of the unrestricted net assets that represent endowment funds, the Board of Directors of the Friends has designated \$905,540 as of June 30, 2007, and \$786,473 as of June 30, 2006, for future program production and acquisition.

10. RELATED ENTITIES

A. Educational Communications Board Television Network

The Educational Communications Board Television Network is a public telecommunications entity operated by the Wisconsin Educational Communications Board (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 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. 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. Market value of endowments and accumulated interest held by the Foundation for WHA Television was \$499,179 as of June 30, 2007, and \$434,352 as of June 30, 2006. The accumulated interest is available to be transferred to the university and spent by WHA Television. Accumulated interest totaled \$106,565 as of June 30, 2007, and \$90,885 as of June 30, 2006. WHA Television did not transfer or spend any funds from the Foundation in FY 2006-07 or FY 2005-06. Only the actual transfers from the Foundation are reflected in WHA Television's financial statements.

11. REDEFINING MEMBERSHIP INCOME AND MAJOR GIFTS

The Friends of WHA-TV consider all individual gifts greater than or equal to \$500 to be major gifts on their audited financial statements. Amounts less than \$500 are reported as membership income. Beginning in FY 2005-06, CPB requires stations to report major gifts at \$1,000 or more. Based on information provided by the membership manager, the membership income was increased and major gifts was decreased by \$151,300 from the amounts reported on the Friends' audited statements for FY 2006-07. For comparative purposes, FY 2005-06 membership income and major gifts were adjusted by \$87,864 to reflect the \$1,000 threshold for major gifts.

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Report on Control and Compliance ■

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

We have audited the financial statements of WHA Television 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 audit 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 Friends of WHA-TV, Inc., as described in our opinion on WHA Television. The financial statements of Friends of WHA-TV, 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 Television'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 Television's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of WHA Television'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 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 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 Television'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