

AN AUDIT

WHA Radio

02-4

February 2002

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State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

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February 27, 2002

Senator Gary R. George and
Representative Joseph K. Leibham, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Mr. Jay L. Smith
President of the Board of Regents
University of Wisconsin
Madison, Wisconsin 53706

Dear Senator George, Representative Leibham, and Mr. Smith:

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

WHA Radio is licensed to the Board of Regents of the University of Wisconsin System and is operated by the University of Wisconsin-Extension. WHA Radio received over \$8.2 million in support and revenue during fiscal year 2000-01, 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 for the period July 1, 2000 through June 30, 2001. 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

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, 2001, and the related statements of financial activity and cash flows for the year then ended. 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 audit. We did not audit the financial statements of the Wisconsin Public Radio Association, Inc., of which net assets of \$537,469 are contractually committed to WHA Radio and are reflected in the accompanying financial data contained in Note 7. Net assets and revenues of the Wisconsin Public Radio Association, Inc., included in the accompanying financial statements represent 16.2 percent of the assets and 12.7 percent of the support and revenues. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Wisconsin Public Radio Association, Inc., is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Wisconsin Public Radio Association, Inc., were audited by other auditors in accordance with auditing standards generally accepted in the United States, but not in accordance with the additional requirements of *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only WHA Radio and are not intended to present fairly the financial position of the State of Wisconsin, the results of its operations, and its cash flows in conformity with accounting principles generally accepted in the United States.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated February 13, 2002, on our consideration of WHA Radio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

LEGISLATIVE AUDIT BUREAU

February 13, 2002

by 
Diann Allsen
Audit Director

WHA Radio
A Public Telecommunications Entity
Operated by the University of Wisconsin-Extension
Balance Sheet
June 30, 2001

	Unrestricted Fund	Restricted Fund	Property Fund	Total June 30, 2001	Total June 30, 2000
Assets					
Current Assets:					
Cash and cash equivalents (Note 2)	\$ 679,761	\$ 0	\$ 0	\$ 679,761	\$ 55,522
Grants and contracts receivable	168,546	134,125	0	302,671	215,138
Accounts and interest receivable	21,326	0	0	21,326	56,520
Accounts receivable—ECB (Note 7)	183,047	691,213	0	874,260	1,281,742
Due from the University of Wisconsin System	139,668	0	0	139,668	308,209
Net assets of WPRA (Note 7)	537,469	0	0	537,469	490,568
Prepaid expenses	39,074	0	0	39,074	31,709
Total Current Assets	<u>1,768,891</u>	<u>825,338</u>	<u>0</u>	<u>2,594,229</u>	<u>2,439,408</u>
Investments (Note 2)	<u>455,405</u>	<u>0</u>	<u>0</u>	<u>455,405</u>	<u>717,850</u>
Property and Equipment:					
Production equipment	0	0	606,162	606,162	490,697
Transmission equipment	0	0	342,804	342,804	342,804
Total Property and Equipment	<u>0</u>	<u>0</u>	<u>948,966</u>	<u>948,966</u>	<u>833,501</u>
Less accumulated depreciation	<u>0</u>	<u>0</u>	<u>(688,517)</u>	<u>(688,517)</u>	<u>(632,077)</u>
Net Property and Equipment	<u>0</u>	<u>0</u>	<u>260,449</u>	<u>260,449</u>	<u>201,424</u>
Total Assets	<u>\$ 2,224,296</u>	<u>\$ 825,338</u>	<u>\$ 260,449</u>	<u>\$ 3,310,083</u>	<u>\$ 3,358,682</u>
Liabilities and Fund Balances					
Current Liabilities:					
Accounts payable and accrued expenses	\$ 287,652	\$ 63,977	\$ 0	\$ 351,629	\$ 324,276
Due to the University of Wisconsin System	0	750,543	0	750,543	1,065,756
Deferred support (Note 5)	0	10,818	0	10,818	0
Total Current Liabilities	<u>287,652</u>	<u>825,338</u>	<u>0</u>	<u>1,112,990</u>	<u>1,390,032</u>
Fund Balances:					
Unrestricted	1,399,175	0	0	1,399,175	1,276,658
Net investment in property and equipment WPRA (Note 7)	0	0	260,449	260,449	201,424
	537,469	0	0	537,469	490,568
Total Fund Balances	<u>1,936,644</u>	<u>0</u>	<u>260,449</u>	<u>2,197,093</u>	<u>1,968,650</u>
Total Liabilities and Fund Balances	<u>\$ 2,224,296</u>	<u>\$ 825,338</u>	<u>\$ 260,449</u>	<u>\$ 3,310,083</u>	<u>\$ 3,358,682</u>

The accompanying notes are an integral part of this statement.

WHA Radio
A Public Telecommunications Entity
Operated by the University of Wisconsin-Extension
Statement of Financial Activity
for the Year Ended June 30, 2001

	Unrestricted Fund	Restricted Fund	Property Fund	Total 2000-01	Total 1999-2000
Support and Revenue					
State General Appropriations	\$ 1,631,659	\$ 0	\$ 0	\$ 1,631,659	\$ 1,558,860
State Building Trust Funds	0	0	0	0	13,250
Donated Facilities and Administrative Support from the University of Wisconsin System (Note 3)	1,274,461	0	0	1,274,461	1,156,809
Community Service Grant—CPB	519,100	0	0	519,100	491,275
Other Grants and Contracts	482,338	2,353,378	0	2,835,716	2,397,894
Underwriting	535,869	0	0	535,869	397,912
In-kind Contributions (Note 4)	54,542	0	0	54,542	53,098
Telecasting, Production, and Other Income	281,185	0	0	281,185	350,644
Donations from WPRA (Note 7)	992,601	44,934	0	1,037,535	850,212
Investment Income	22,331	8,300	0	30,631	47,981
Total Support and Revenue	5,794,086	2,406,612	0	8,200,698	7,317,935
Expenses					
Program Services:					
Programming and production	3,650,467	1,368,885	43,061	5,062,413	4,524,052
Broadcasting	194,633	20,041	13,379	228,053	270,085
Program information	83,387	114,331	0	197,718	172,544
Total Program Services	3,928,487	1,503,257	56,440	5,488,184	4,966,681
Support Services:					
Management and general	1,456,311	160,357	0	1,616,668	1,484,000
Fund-raising and membership development	119,596	365,535	0	485,131	453,502
Underwriting	100,434	281,838	0	382,272	311,917
Total Support Services	1,676,341	807,730	0	2,484,071	2,249,419
Total Expenses	5,604,828	2,310,987	56,440	7,972,255	7,216,100
Excess (Deficiency) of Support and Revenue over Expenses	\$ 189,258	\$ 95,625	\$ (56,440)	\$ 228,443	\$ 101,835
Fund Balances					
Fund Balance at Beginning of Year	\$ 1,767,226	\$ 0	\$ 201,424	\$ 1,968,650	\$ 1,866,815
Excess (Deficiency) of Support and Revenue over Expenses	189,258	95,625	(56,440)	228,443	101,835
Interfund Transfer for Equipment Acquisition	(19,840)	(95,625)	115,465	0	0
Fund Balance at End of Year	\$ 1,936,644	\$ 0	\$ 260,449	\$ 2,197,093	\$ 1,968,650

The accompanying notes are an integral part of this statement.

WHA Radio
A Public Telecommunications Entity
Operated by the University of Wisconsin-Extension
Statement of Cash Flows
for the Year Ended June 30, 2001

	Operating Funds	Property Fund	Total 2000-01	Total 1999-2000
Cash Flows from Operating Activities				
Excess (Deficiency) of Support and Revenues over Expenses	\$ 284,883	\$ (56,440)	\$ 228,443	\$ 101,835
Adjustments to Reconcile Excess Revenues over Expenses to Net Cash Provided by Operating Activities:				
Depreciation	0	56,440	56,440	(136,740)
Unrealized (gain) loss on investments	(28,611)	0	(28,611)	(1,282)
Realized (gain) loss on investments	7,510	0	7,510	1,333
Changes in Cash Due to:				
(Increase) decrease in grants and contracts receivable	(87,533)	0	(87,533)	(116,990)
(Increase) decrease in accounts and interest receivable	35,194	0	35,194	(2,736)
(Increase) decrease in accounts receivable—ECB	407,482	0	407,482	27,743
(Increase) decrease in due from the University of Wisconsin System	168,541	0	168,541	(308,209)
(Increase) decrease in prepaid expenses	(7,365)	0	(7,365)	(2,142)
Increase (decrease) in accounts payable and accrued expenses	27,353	0	27,353	(46,147)
Increase (decrease) in due to the University of Wisconsin System	(315,213)	0	(315,213)	331,678
Increase (decrease) in deferred support	10,818	0	10,818	(3,704)
Net Cash Provided (Used) by Operating Activities	503,059	0	503,059	(155,361)
Cash Flows from Capital and Related Financing Activities				
(Increase) Decrease in Net Assets of WPRA	(46,901)	0	(46,901)	(7,306)
Sale (Purchase) of Property and Equipment	0	(115,465)	(115,465)	146,630
Interfund Transfer for Equipment Acquisition	(115,465)	115,465	0	0
Net Cash Provided (Used) by Capital and Related Financing Activities	(162,366)	0	(162,366)	139,324
Cash Flows from Investing Activities				
Proceeds from Sale of Long-term Investments	412,785	0	412,785	116,751
Purchase of Long-term Investments	(129,239)	0	(129,239)	(131,784)
Net Cash Provided (Used) by Investing Activities	283,546	0	283,546	(15,033)
Increase (Decrease) in Cash and Cash Equivalents	624,239	0	624,239	(31,070)
Cash and Cash Equivalents				
Beginning of Year	55,522	0	55,522	86,592
End of Year	\$ 679,761	\$ 0	\$ 679,761	\$ 55,522

The accompanying notes are an integral part of this statement.

1. Summary of Significant Accounting Policies

- A. Organization - WHA Radio is licensed to the Board of Regents of the University of Wisconsin System and is operated by the University of Wisconsin-Extension. The financial statements include the accounts of the Wisconsin Public Radio Association, Inc. (WPRA). WPRA solicits funds in the name of, and with the approval of, WHA Radio and the Wisconsin Educational Communications Board. By agreement, 24 percent of receipts and expenses of WPRA are attributed to WHA Radio. All significant inter-organization accounts and transactions have been eliminated. See Note 7 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). As permitted by GASB, WHA Radio follows the American Institute of Certified Public Accountants (AICPA) not-for-profit model, which includes the accounting and financial reporting principles contained in AICPA's Statement of Position (SOP) 78-10, *Accounting Principles and Reporting Practices for Certain Nonprofit Organizations*, as modified by all applicable Financial Accounting Standards Board pronouncements issued through November 30, 1989, and as modified by all applicable GASB pronouncements. In addition, the accompanying financial statements are prepared in conformity with the principles outlined in the Corporation for Public Broadcasting's (CPB's) *Principles of Accounting and Financial Reporting for Public Telecommunications Entities (1990 ed.)*, as amended by the *Supplemental Guide (1996 ed.)*.
- C. Fund Accounting - The assets, liabilities, and fund balances of WHA Radio are reported in two fund groups, which use the flow of economic resource measurement focus and the accrual basis of accounting:
- Operating Funds—include restricted and unrestricted resources used to support WHA Radio operations.
 - Property Fund—includes the resources expended for property and equipment.
- D. Revenue Recognition - Contributions and grants that are unrestricted are recorded as support in the statement of financial activity when WHA Radio is entitled to them. Restricted revenues are recorded as support in the statement of financial activity when the purpose for which the resource was provided has been accomplished. 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 greater than one year. Non-cash contributions are recognized as revenues in the period of receipt, according to guidance outlined in CPB's *Principles of Accounting and Financial Reporting for Public Telecommunications Entities*.

- E. Deferred Support - The unexpended portion of restricted grants is deferred to future periods and is reported as a liability on the balance sheet until the related expenses have been incurred.
- F. Due to (from) the University - Substantially all contributions and grant funds received by WHA Radio are deposited with the University of Wisconsin System until the related expenses are incurred. In addition, expenses related to certain contributions and grants may be incurred by the University of Wisconsin System prior to receipt of funding from the granting agency. The receivable or payable that results is reflected in the balance sheet.
- G. Allocation of Functional Expenses - Expenses are shown in the functional categories contained in the statement of financial activity. Expenses that relate to more than one category are allocated to the respective categories, using estimates if necessary.
- H. Cash and Cash Equivalents - Cash and cash equivalents in WHA Radio's unrestricted fund include cash balances deposited with the State Treasurer and shares in the State Investment Fund, a short-term investment pool of state and local funds.
- I. Valuation of Investments - All investments of WHA Radio are carried at fair value based on quoted market prices. State Investment Fund shares are valued at amortized cost, which approximates fair value. As of June 30, 2001, the fair value of these pool shares was 99.81 percent of amortized cost.
- J. Property and Equipment - Items classified as fixed assets are recorded at cost or, for donated property, at the estimated fair-market value at date of receipt. Assets are capitalized if their acquisition values are in excess of \$5,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, ranging from 4 to 15 years. Expenses for repairs and maintenance are charged to operating expenses as incurred.

- K. Employee Compensated Absences - Unused, earned compensated absences, other than accumulated sick leave, are accrued with a resulting liability. The related employer's share of social security taxes, Medicare taxes, and contributions to the Wisconsin Retirement System are also accrued with a resulting liability. The liability and the expense for compensated absences are based on current rates of pay.
- L. Prior-year Financial Statements - The financial information shown for fiscal year (FY) 1999-2000 in the accompanying financial statements presents summarized totals and is included only to provide a basis for comparison with FY 2000-01.

2. Deposits and Investments

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

The investment balances of WHA Television's unrestricted fund are deposited with the University of Wisconsin System and are invested in the University Trust Funds, which are intermediate-term and long-term investment pools of University of Wisconsin funds managed by the University of Wisconsin System, with oversight by its Board of Regents. The Trust Funds are not registered with the Securities and Exchange Commission as an investment company.

- A. Deposits - GASB Statement 3 requires deposits with financial institutions to be categorized to indicate the level of credit risk assumed. These risk categories are: 1) insured or collateralized, with securities held by the entity or its agent in the entity's name; 2) collateralized, with securities held by the financial institution's trust department or agent in the entity's name; and 3) uninsured or uncollateralized. WHA Radio's unrestricted fund maintained cash of \$679,761 at June 30, 2001, in a pooled fund, which is not required to be categorized for credit risk under GASB Statement 3.
- B. Investments - GASB Statement 3 requires investments to be categorized to indicate the level of risk assumed. These risk categories are: 1) insured or registered, or securities held by the entity or its agent in the entity's name; 2) uninsured and unregistered, with securities held by a counterparty or its agent in the entity's name; and 3) uninsured or unregistered, or securities held by a counterparty or its agent, but not in the entity's name. All investments of WHA Radio are in pooled investment funds and, therefore, are not required to be categorized for credit risk under GASB Statement 3.

Detail for investment balances for WHA Radio as of June 30, 2001, follows:

	<u>Fair Value</u>	<u>Cost</u>
Intermediate-term Pooled Bond Funds	\$423,470	\$398,650
Long-term Pooled Bond and Equity Funds	<u>31,935</u>	<u>23,266</u>
Total	<u>\$455,405</u>	<u>\$421,916</u>

3. 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 \$166,453 and occupancy costs of \$85,749 for FY 2000-01. 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 provided in FY 2000-01 totaled \$1,022,259.

4. In-kind Contributions

In-kind contributions during FY 2000-01 of \$54,542 consisted primarily of donated professional services relating to the programming and production functions. In-kind contributions and donated professional services are recognized as revenue and expenses on the statement of financial activity 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.

5. Changes in Deferred Support

Beginning-of-Year Balance	\$ 0
(-) Prior-Year Earned	(65,141)
+ Additions	<u>75,959</u>
End-of-Year Balance	<u>\$ 10,818</u>

6. 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 for the year ending December 31, 1999, may be obtained by writing to:

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

The separately issued financial report for the year ended December 31, 2000, will be available in early calendar year 2002.

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. 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 contribution to the plan was \$143,453 for FY 2000-01. 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.

7. Related Entities

- A. Educational Communications Board Radio Network - The Educational Communications Board Radio Network is a public telecommunications entity operated by the Educational Communications Board (ECB). In order to achieve statewide services and economies of scale, in the mid-1980s ECB and the University of Wisconsin 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 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 not-for-profit corporation that solicits funds for public radio and provides 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 Radio. WHA Radio and ECB Radio have access to WPRA's net resources and retain an ongoing equity interest. WHA Radio's equity interest in WPRA is calculated in accordance with an affiliation agreement that currently provides WHA Radio with 24 percent of WPRA net resources. This agreement is renegotiated annually based upon fund drive results.

WHA Radio includes in revenue the entire amount of WPRA net resources to which it is entitled each year. WHA Radio also recognizes WPRA expenses made on its behalf as both a contribution and an expense. A summary of amounts related to WPRA included in the accompanying financial statements follows:

	Fiscal Year Ended <u>June 30, 2001</u>
Equity in Resources held by WPRA	\$ 537,469
Contributed Support	\$1,037,535
Expenses:	
Programming and production	\$279,234
Management and general	24,030
Fund-raising and membership development	<u>122,409</u>
Total Expenses	\$ 425,673

WPRA issues separate financial statements, which are audited by other auditors. A summary of significant WPRA financial data follows:

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

8. Allocation of WLSU Licensee

In September 1996, the University of Wisconsin-La Crosse transferred primary administration of radio station WLSU-FM to the University of Wisconsin-Extension. WLSU-FM is qualified for Community Service Grant assistance from the Corporation for Public Broadcasting. WLSU-FM and WHA Radio are both licensed to the University of Wisconsin Board of Regents. Financial transactions for WLSU-FM that had previously occurred through the University of Wisconsin-La Crosse are now 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 revenues, direct expenses, and related allocable indirect expenses has been identified in the following table. The remaining revenues and expenses are attributable to WHA Radio and include any unallocated amounts of WLSU-FM.

FY 2000-01

<u>Support and Revenue</u>	<u>Total</u>	<u>WLSU-FM</u>	<u>WHA-Radio</u>
State General Appropriations	\$1,631,659	\$150,976	\$1,480,683
Donated Facilities and Administrative Support from the University of Wisconsin System	1,274,461	41,955	1,232,506
Community Service Grant—CPB	519,100	97,306	421,794
Other Grants and Contracts	2,835,716	0	2,835,716
Underwriting	535,869	0	535,869
In-kind Contributions	54,542	0	54,542
Investment Income	30,631	0	30,631
Telecasting, Production, and Other Income	281,185	0	281,185
Donations from WPRA	<u>1,037,535</u>	<u>114,381</u>	<u>923,154</u>
Total Support and Revenue	<u>\$8,200,698</u>	<u>\$404,618</u>	<u>\$7,796,080</u>
 <u>Expenses</u>			
Program Services:			
Programming and production	\$5,062,413	\$231,529	\$4,830,884
Broadcasting	228,053	17,027	211,026
Program information	<u>197,718</u>	<u>14,643</u>	<u>183,075</u>
Total Program Services	<u>5,488,184</u>	<u>263,199</u>	<u>5,224,985</u>
Support Services:			
Management and general	1,616,668	63,028	1,553,640
Fund-raising and membership development	485,131	51,673	433,458
Underwriting	<u>382,272</u>	<u>0</u>	<u>382,272</u>
Total Support Services	<u>2,484,071</u>	<u>114,701</u>	<u>2,369,370</u>
Total Expenses	<u>\$7,972,255</u>	<u>\$377,900</u>	<u>\$7,594,355</u>

9. Fixed Asset Lien

Federal grant funds received from National Telecommunications and Information Administration (NTIA) to purchase equipment contain a priority lien. The lien extends for a period of ten years, during which time the federal government retains priority reversionary interest in the equipment. WHA Radio received one NTIA capital equipment grant during FY 2000-01. The depreciated value of equipment purchased with NTIA funds is \$83,674 as of June 30, 2001.

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

We have audited the financial statements of WHA Radio as of and for the year ended June 30, 2001, and have issued our report thereon dated February 13, 2002. We did not audit the financial statements of the Wisconsin Public Radio Association, Inc. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Wisconsin Public Radio Association, Inc., is based solely upon the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Wisconsin Public Radio Association, Inc., were audited by other auditors in accordance with auditing standards generally accepted in the United States, but not in accordance with the additional requirements of *Government Auditing Standards*.

Compliance

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

Internal Control over Financial Reporting

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

This independent auditor's report is intended for the information and use of the University of Wisconsin Board of Regents, the University of Wisconsin-Extension, the Wisconsin Legislature's Joint Legislative Audit Committee, 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 compliance or provide assurance on internal control over financial reporting, this report is not intended to be used by anyone other than these specified parties.

LEGISLATIVE AUDIT BUREAU

February 13, 2002

by



Diann Allsen
Audit Director