

AN AUDIT

*Wisconsin Educational
Communications Board
Radio Network*

00-17

December 2000

1999-2000 Joint Legislative Audit Committee Members

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State Auditor - Janice Mueller

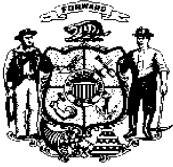
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State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

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December 21, 2000

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

Senator Gary. R. George, Chairperson
Mr. Thomas Fletemeyer, Executive Director
Educational Communications Board
3319 West Beltline Highway
Madison, Wisconsin 53713

Dear Senator George, Representative Kelso, and Mr. Fletemeyer:

We have completed a financial audit of the State of Wisconsin Educational Communications Board Radio Network to meet our audit requirements under s. 13.94, Wis. Stats., and as requested by the Educational Communications Board 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.

The Educational Communications Board, which is an agency of the State of Wisconsin, operates a radio network of 12 FM stations and 1 AM station, as well as a television network of 5 stations. The radio network received \$6.5 million in support and revenue during fiscal year 1999-2000, 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, 1999 through June 30, 2000. We were able to issue an unqualified independent auditor's report on these statements.

We appreciate the courtesy and cooperation extended to us by Educational Communications Board staff during the audit.

Respectfully submitted,

Janice Mueller
State Auditor

JM/DA/ao

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF THE WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD RADIO NETWORK

We have audited the accompanying balance sheet of the Wisconsin Educational Communications Board Radio Network as of June 30, 2000, and the related statements of financial activity and cash flows for the year then ended. These financial statements are the responsibility of the Educational Communications Board's management. 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, of which net assets of \$11,190 are contractually committed to the Educational Communications Board and are reflected in the accompanying financial data contained in Note 12. Net assets and revenues of the Wisconsin Public Radio Association included in the accompanying financial statements represent 0.2 percent of the total assets and 44.4 percent of total support and revenue. 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, is based solely upon the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and 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 were audited by other auditors in accordance with generally accepted auditing standards, 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 the Wisconsin Educational Communications Board Radio Network 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 generally accepted accounting principles.

In our opinion, based upon our audit and the report of other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Wisconsin Educational Communications Board Radio Network as of June 30, 2000, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also will issue a report dated December 13, 2000, on our consideration of the Wisconsin Educational Communications Board Radio Network's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts, and grants.

LEGISLATIVE AUDIT BUREAU

December 13, 2000

by

Diann Allsen
Audit Director

Wisconsin Educational Communications Board Radio Network
Balance Sheet
June 30, 2000

| | Unrestricted Fund | Restricted Fund | WPBF (Note 11) | Total June 30, 2000 | Total June 30, 1999 |
|--|----------------------|---------------------|---------------------|------------------------|------------------------|
| Assets | | | | | |
| Current Assets: | | | | | |
| Cash and cash equivalents (Note 1) | \$ 0 | \$ 0 | \$ 735,549 | \$ 735,549 | \$ 572,320 |
| Investments (Note 2) | 0 | 0 | 1,762,930 | 1,762,930 | 1,349,050 |
| Equity in resources held by WPRA (Note 12) | 0 | 0 | 11,190 | 11,190 | 660,470 |
| Receivable - State general appropriation | 84,213 | 342,537 | 0 | 426,750 | 342,876 |
| Interfund receivable (payable) (Note 3) | 343,199 | (1,950) | (341,249) | 0 | 0 |
| Interest receivable | 0 | 0 | 13,982 | 13,982 | 2,062 |
| Other receivables | 28,384 | 0 | 476,936 | 505,320 | 155,807 |
| Total Current Assets | <u>455,796</u> | <u>340,587</u> | <u>2,659,338</u> | <u>3,455,721</u> | <u>3,082,585</u> |
| Noncurrent Assets: | | | | | |
| Receivable - State general appropriation | 0 | 1,097,694 | 0 | 1,097,694 | 791,949 |
| Equipment (Note 4) | 2,361,973 | 0 | 0 | 2,361,973 | 1,906,167 |
| Buildings (Note 4) | 45,412 | 0 | 0 | 45,412 | 48,846 |
| Land | 68,845 | 0 | 0 | 68,845 | 68,845 |
| Total Noncurrent Assets | <u>2,476,230</u> | <u>1,097,694</u> | <u>0</u> | <u>3,573,924</u> | <u>2,815,807</u> |
| Total Assets | <u>\$ 2,932,026</u> | <u>\$ 1,438,281</u> | <u>\$ 2,659,338</u> | <u>\$ 7,029,645</u> | <u>\$ 5,898,392</u> |
| Liabilities and Fund Balances | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable and accrued expenses | \$ 165,883 | \$ 137,464 | \$ 0 | \$ 303,347 | \$ 555,522 |
| Accrued liabilities due to affiliate (Note 12) | 1,188,616 | 0 | 174,122 | 1,362,738 | 861,769 |
| Deferred support (Note 5) | 0 | 0 | 0 | 0 | 39,961 |
| Short-term capital lease payable (Note 8) | 0 | 0 | 0 | 0 | 6,635 |
| Short-term note payable (Note 7) | 0 | 55,688 | 0 | 55,688 | 58,734 |
| Wisconsin general obligation bonds payable (Note 6) | 0 | 147,435 | 0 | 147,435 | 135,857 |
| Total Current Liabilities | <u>1,354,499</u> | <u>340,587</u> | <u>174,122</u> | <u>1,869,208</u> | <u>1,658,478</u> |
| Long-term Liabilities: | | | | | |
| Wisconsin general obligation bonds payable (Note 6) | 0 | 1,097,694 | 0 | 1,097,694 | 791,949 |
| Total Long-term Liabilities | <u>0</u> | <u>1,097,694</u> | <u>0</u> | <u>1,097,694</u> | <u>791,949</u> |
| Fund Balances: | | | | | |
| Designated for operations | (898,703) | 0 | 2,485,216 | 1,586,513 | 1,424,107 |
| Net investment in property and equipment | 2,476,230 | 0 | 0 | 2,476,230 | 2,023,858 |
| Total Fund Balances | <u>1,577,527</u> | <u>0</u> | <u>2,485,216</u> | <u>4,062,743</u> | <u>3,447,965</u> |
| Total Liabilities and Fund Balances | <u>\$ 2,932,026</u> | <u>\$ 1,438,281</u> | <u>\$ 2,659,338</u> | <u>\$ 7,029,645</u> | <u>\$ 5,898,392</u> |

The accompanying notes are an integral part of this statement.

Wisconsin Educational Communications Board Radio Network
Statement of Financial Activity
for the Year Ended June 30, 2000

| | Unrestricted Fund | Restricted Fund | WPBF (Note 11) | Total 1999-2000 | Total 1998-99 |
|---|-----------------------|--------------------|---------------------|---------------------|---------------------|
| Support and Revenue | | | | | |
| State General Appropriations | \$ 84,213 | \$ 1,370,572 | \$ 0 | \$ 1,454,785 | \$ 1,603,894 |
| State Building Trust Funds | 0 | 485,882 | 0 | 485,882 | 301,639 |
| State Insurance Funds | 0 | 0 | 0 | 0 | 1,950 |
| Contributed Support | 0 | 0 | 2,878,591 | 2,878,591 | 2,881,867 |
| Community Services Grant - CPB | 0 | 0 | 596,611 | 596,611 | 347,271 |
| Underwriting Grants | 0 | 0 | 413,515 | 413,515 | 410,947 |
| Federal Grants | 0 | 57 | 0 | 57 | 23,111 |
| Other Grants and Contracts | 244,247 | 0 | 39,904 | 284,151 | 288,526 |
| In-kind Donated Services (Note 9) | 0 | 243,749 | 0 | 243,749 | 236,890 |
| Major Gifts | 0 | 0 | 0 | 0 | 25,037 |
| Investment Income | 0 | 0 | 78,074 | 78,074 | 103,197 |
| Royalties and Other Income | 50,510 | 0 | 2,477 | 52,987 | 20,490 |
| Total Support and Revenue | 378,970 | 2,100,260 | 4,009,172 | 6,488,402 | 6,244,819 |
| Expenses | | | | | |
| Program Services: | | | | | |
| Programming and production | 2,602,652 | 202,937 | 45,455 | 2,851,044 | 2,789,042 |
| Broadcasting | 674,905 | 1,037,480 | 0 | 1,712,385 | 1,857,984 |
| Program information | 0 | 0 | 378,956 | 378,956 | 427,635 |
| Total Program Services | 3,277,557 | 1,240,417 | 424,411 | 4,942,385 | 5,074,661 |
| Support Services: | | | | | |
| Management and general | 58,478 | 351,756 | 121,434 | 531,668 | 583,627 |
| Fund-raising and membership development | 43,942 | 0 | 355,629 | 399,571 | 572,803 |
| Total Support Services | 102,420 | 351,756 | 477,063 | 931,239 | 1,156,430 |
| Total Expenses | 3,379,977 | 1,592,173 | 901,474 | 5,873,624 | 6,231,091 |
| Excess (Deficiency) of Support and Revenue Over Expenses | <u>\$ (3,001,007)</u> | <u>\$ 508,087</u> | <u>\$ 3,107,698</u> | <u>\$ 614,778</u> | <u>\$ 13,728</u> |
| Fund Balances | | | | | |
| Beginning Fund Balances | \$ 1,707,775 | \$ 0 | \$ 1,740,190 | \$ 3,447,965 | \$ 3,488,495 |
| Excess (Deficiency) of Support and Revenue Over Expenses | (3,001,007) | 508,087 | 3,107,698 | 614,778 | 13,728 |
| Equipment to ECB Television Network | 0 | 0 | 0 | 0 | (54,258) |
| Interfund Donation | 2,870,759 | (508,087) | (2,362,672) | 0 | 0 |
| Fund Balances at End of Year | \$ 1,577,527 | \$ 0 | \$ 2,485,216 | \$ 4,062,743 | \$ 3,447,965 |

The accompanying notes are an integral part of this statement.

Wisconsin Educational Communications Board Radio Network
Statement of Cash Flows
for the Year Ended June 30, 2000

| | Operating Funds | WPBF (Note 11) | Total 1999-2000 | Total 1998-99 |
|---|--------------------|--------------------|--------------------|-------------------|
| Cash Flows from Operating Activities | | | | |
| Excess (Deficiency) of Revenues Over Expenses | \$ (2,492,920) | \$ 3,107,698 | \$ 614,778 | \$ 13,728 |
| Adjustments to Reconcile Excess Revenues Over Expenses to Net Cash Provided by Operating Activities: | | | | |
| Unrealized (gain) loss on investments | 0 | (33,573) | (33,573) | (52,578) |
| Realized (gain) loss on investments | 0 | (23,654) | (23,654) | (70,192) |
| Depreciation | 211,491 | 0 | 211,491 | 178,915 |
| Loss on disposal of fixed assets | 560 | 0 | 560 | 544 |
| Decrease (increase) in receivable - State general tax revenue | (83,874) | 0 | (83,874) | (25,703) |
| Decrease (increase) in grants and contracts receivable | 0 | 0 | 0 | 2,736 |
| Decrease (increase) in interest receivable | 0 | (11,920) | (11,920) | (336) |
| Decrease (increase) in other receivables | (28,384) | (321,129) | (349,513) | (107,485) |
| Increase (decrease) in accounts payable and accrued expenses | (233,240) | (18,935) | (252,175) | 349,282 |
| Increase (decrease) in accrued liabilities due affiliate | 945,168 | (444,199) | 500,969 | 479,982 |
| Increase (decrease) in deferred support | (57) | (39,904) | (39,961) | (8,639) |
| Increase (decrease) in interfund receivable | (81,651) | 81,651 | 0 | 0 |
| Net Cash Provided (Used) by Operating Activities | <u>(1,762,907)</u> | <u>2,296,035</u> | <u>533,128</u> | <u>760,254</u> |
| Cash Flows from Noncapital Financing Activities | | | | |
| Interfund Donations | <u>2,362,672</u> | <u>(2,362,672)</u> | <u>0</u> | <u>0</u> |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Purchase of Property and Equipment | (664,423) | 0 | (664,423) | (372,705) |
| Increase (Decrease) in Capital Lease Payable | (6,635) | 0 | (6,635) | (18,238) |
| Increase (Decrease) in Note Payable | (3,046) | 0 | (3,046) | 4,186 |
| Increase (Decrease) in Wisconsin General Obligation Bonds Payable | <u>11,578</u> | <u>0</u> | <u>11,578</u> | <u>24,627</u> |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(662,526)</u> | <u>0</u> | <u>(662,526)</u> | <u>(362,130)</u> |
| Cash Flows from Investing Activities | | | | |
| Net Proceeds from Sale, Maturity, or (Purchase) of Investments Equity in Resources Held by WPR | <u>0</u> | <u>(356,653)</u> | <u>(356,653)</u> | <u>(246,787)</u> |
| Net Cash Provided (Used) by Investing Activities | <u>0</u> | <u>292,627</u> | <u>292,627</u> | <u>(162,228)</u> |
| Increase (Decrease) in Cash and Cash Equivalents | (62,761) | 225,990 | 163,229 | 235,896 |
| Cash and Cash Equivalents | | | | |
| Beginning of Year | <u>62,761</u> | <u>509,559</u> | <u>572,320</u> | <u>336,424</u> |
| End of Year | <u>\$ 0</u> | <u>\$ 735,549</u> | <u>\$ 735,549</u> | <u>\$ 572,320</u> |

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

- A. Organization - The Educational Communications Board (ECB), an agency of the State of Wisconsin, operates a radio network consisting of 13 public radio stations. ECB also operates a network of five television stations. These financial statements include the accounts relating to the ECB Radio Network. Separate accounts for the radio and television networks are maintained by direct charging whenever possible. All general organization transactions are distributed by an appropriate allocation system.

Radio Network financial statements are combined with the accounts of the Wisconsin Public Broadcasting Foundation (WPBF), a not-for-profit corporation that solicits funds in the name of and with the express approval of ECB and provides support to the ECB radio and television networks. See Note 11 for further information regarding WPBF.

ECB Radio Network financial statements also include an equity interest in the Wisconsin Public Radio Association (WPRA), a not-for-profit corporation that collects funds for public radio and provides support to the ECB radio network and to WHA-Radio. See Note 12 for further information regarding WPRA.

- B. Basis of Presentation - The accompanying financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). As permitted by GASB, ECB Radio Network 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 presented 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 ECB Radio Network are reported in one self-balancing fund group. Operating funds include unrestricted, restricted, and WPBF resources that are available for support of the ECB Radio Network's operations. The funds are accounted

for on the flow of economic resources measurement focus and use the accrual basis of accounting.

- D. Revenue Recognition - Contributions and grants that are unrestricted are recorded as support in the statement of financial activity when ECB 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. Revenue is recognized for pledged WPRA contributions that are expected to be collected within 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. Receivable—State of Wisconsin General Appropriation - The portion of liabilities to be financed with amounts appropriated by the State of Wisconsin is reported as a receivable as of the fiscal year-end.
- F. Allocation of Functional Expenses - Expenses are categorized in functional categories. Expenses that relate to more than one category are allocated to the respective categories, using estimates if necessary.
- G. Cash and Cash Equivalents - Cash and cash equivalents in the Radio Network's unrestricted and restricted funds 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. Cash and cash equivalents in WPBF fund include cash deposits with financial institutions.
- H. Valuation of Investments - All investments of WPBF related to the Radio Network 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, 2000, the fair value of these pool shares was 99.67 percent of carrying value.
- I. Property and Equipment - Items classified as permanent property are recorded at cost or, for donated property, at the estimated fair-market value at the date of receipt. Assets are capitalized if their value is in excess of \$5,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, ranging from 6 to 20 years. Expenses for repairs and maintenance are charged to operating expenses as incurred.
- J. 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.

- K. Prior-Year Financial Statements - The financial information shown for fiscal year (FY) 1998-99 in the accompanying financial statements presents summarized totals and is included to provide a basis for comparison with FY 1999-2000.

2. Deposits and Investments

The cash balances of ECB's unrestricted and restricted funds are deposited with the State of Wisconsin Treasurer and invested in the State Investment Fund, which is a short-term investment 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.

WPBF manages its cash and investment activities separate from the cash and investment activities of the State Investment Fund. Cash balances are held in demand deposit and money market accounts at financial institutions. The investments of WPBF relating to the ECB Radio Network are managed by private trust companies. Interest earnings are income to WPBF and are not transferred to the State of Wisconsin.

- A. Deposits - GASB Statement 3 requires deposits with financial institutions to be categorized to indicate the level of credit risk assumed by the State at year-end. The risk categories for deposits are: 1) insured or collateralized with securities held by the entity or by its agent in the entity's name; 2) uninsured but collateralized by the financial institution; and 3) uninsured and uncollateralized.

At year-end, the carrying amount of ECB's Radio Network deposits with financial institutions was \$735,549, and the bank balance was \$935,273. Deposits of up to \$100,000 at each financial institution are covered by the Federal Deposit Insurance Corporation (FDIC). Of the bank balance, \$100,000 was insured and, therefore, classified in risk category 1; \$835,273 was uninsured and uncollateralized and, therefore, classified in risk category 3.

- B. Investments - Investments held by WPBF include publicly traded stocks, U.S. government-backed notes and bonds, corporate notes and bonds rated "A" or better, mortgage-backed securities rated "A" or better, and mutual funds. GASB Statement 3 requires investments to be categorized to indicate the level of risk assumed by the State at year-end. The risk categories for investments are: 1) insured or registered, or the securities are held by the entity or its agent in the entity's name; 2) uninsured and unregistered, with securities held by counterparty or its agent in the entity's name; and 3) uninsured and unregistered, or the securities are held by counterparty or its agent, but not in the entity's name. With the exception of funds invested in open-end mutual funds and the State Investment Fund,

which are not required to be categorized, all investments meet the criterion for risk category 1. Detail for cash and investment balances as of June 30, 2000 follows:

| | <u>Cash and Equivalents</u> | <u>Investments</u> |
|-----------------------|---------------------------------|--------------------|
| Demand Deposits | \$ 27,084 | \$ 0 |
| Money Market Funds | 708,465 | 0 |
| State Investment Fund | 0 | 0 |
| Stocks | 0 | 857,706 |
| Bonds | <u>0</u> | <u>905,224</u> |
| Total | <u>\$735,549</u> | <u>\$1,762,930</u> |

3. Fund Transfers

WPBF transfers funds to the restricted and unrestricted funds monthly, based on funding requirements. The timing of those transfers and the expenses from unrestricted and restricted funds result in interfund payables and receivables at fiscal year-end.

4. Accumulated Depreciation

Permanent property values are reported net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, ranging from 6 years for computer equipment and software to 20 years for buildings and towers. The accumulated depreciation on June 30, 2000 was \$2,270,980 for equipment and \$30,906 for buildings.

5. Changes in Deferred Support

| | <u>Deferred Support</u> |
|-----------------------|-------------------------|
| Beginning Balance | \$39,961 |
| (-) Prior-Year Earned | (39,961) |
| (+) Additions | <u>0</u> |
| Year-End Balance | <u>\$ 0</u> |

6. Long-Term Debt

ECB reported as a liability the proceeds received from a number of State of Wisconsin general obligation bonds used to finance the acquisition, construction, development, enlargement, or improvement of facilities operated by ECB. The repayment of this indebtedness is financed through an annual appropriation of general purpose revenue. The interest expense of \$55,274 is included as a restricted broadcasting operating expense on the statement of financial activity. Since the amount of the bond proceeds was included as support in the year facilities were acquired, the amount provided through the appropriation for the principal repayment of \$145,438 is not included. The changes in the long-term liability are as follows:

| | |
|--|--------------------|
| General Obligation Bonds Payable as of 6/30/1999 | \$ 791,949 |
| Bond Refunding | 74,308 |
| New Issuances | 378,872 |
| Reclassified as Current—Bonds Payable | <u>(147,435)</u> |
| General Obligation Bonds Payable as of 6/30/2000 | <u>\$1,097,694</u> |

As of June 30, 2000, debt service requirements for principal and interest in future years are as follows:

| <u>Fiscal Year</u> <u>Ended June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Debt Service</u> |
|--|--------------------|------------------|---------------------|
| 2001 | \$ 147,435 | \$ 65,657 | \$ 213,092 |
| 2002 | 112,762 | 57,639 | 170,401 |
| 2003 | 99,209 | 51,817 | 151,026 |
| 2004 | 98,520 | 46,838 | 145,358 |
| 2005 | 103,183 | 41,755 | 144,938 |
| Thereafter | <u>684,020</u> | <u>261,058</u> | <u>945,078</u> |
| Total | <u>\$1,245,129</u> | <u>\$524,764</u> | <u>\$1,769,893</u> |

7. Short-Term Note Payable

ECB received proceeds from state-issued general obligation commercial paper notes, which are used for the same purposes as general obligation bonds as described in Note 6, during FYs 1997-98 and 1998-99. The notes were authorized and issued in anticipation of revenue or bond financing. Through FY 1999-2000 there were two separate issues: 1997 Series A for \$49,706, and 1998 Series B for \$5,982. As of June 30, 2000, these notes had not been refinanced. Since they do not meet long-term financing criteria, they must be classified as short-term fund liabilities.

8. Capital Lease

ECB entered into a capital lease for computer equipment during FY 1997-98. Capital lease commitments are recorded as a liability in the unrestricted fund, and the related asset and the depreciation are also reported in the unrestricted fund. Assets acquired through capital leases are valued at the lower of fair market value or the present value of minimum lease payments, at the inception of the lease. Following is an analysis of the assets leased under capital leases as of June 30, 2000:

Unrestricted Fund

| | |
|--------------------------------|-----------------|
| Equipment | \$40,598 |
| Less: Accumulated Depreciation | <u>(18,269)</u> |
| Carrying Amount | <u>\$22,329</u> |

FY 1999-2000 is the final year of the capital lease contract, and no additional lease payments will occur.

9. Restricted Revenue

The principal restricted resources for the ECB Radio Network are:

- A. State of Wisconsin General Appropriation - ECB receives six separate appropriations from the State of Wisconsin General Fund. These appropriations are restricted in use as follows: 1) payment of utilities, fuel, heating, and cooling; 2) repayment of principal and interest costs incurred in financing the acquisition, construction, development, enlargement, or improvement of facilities operated by ECB; 3) payment of programming-related costs; 4) payment of broadcast delivery, administration, and other costs incurred to carry out ECB functions; 5) payment for the construction of a national weather service transmitter; and 6) payment of costs related to the operation of the weather service transmitter.

Appropriated funds are reported only to the extent expended. As explained in Note 6, funds provided for the repayment of principal on bonds are not reported as revenue in the statement of financial activity, since proceeds from the bond issues were reported in the period the funds were expended.

- B. State of Wisconsin Building Trust Fund Appropriation - The amounts provided from the State of Wisconsin Building Trust Fund to finance ECB projects approved by the State Building Commission are recorded as revenue in the period expenses are incurred.
- C. Grants - Funds received from grantors that are designated for a specific purpose are classified as restricted.

- D. Donated Services - The financial statements include \$34,889 in donated professional services, \$181,408 in donated general operational services, and \$27,452 in donated instructional radio services. These contributions are recognized as revenues and expenses 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 value, when clearly measurable, or at the cost of providing the service.

10. Employee Retirement Plan

Permanent employees of the ECB Radio Network are participants in the Wisconsin Retirement System, a cost-sharing, multiple-employer, defined benefit plan governed by Chapter 40 of the 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, WI 53707-7931

Generally, the State's policy is to fund retirement contributions on a level-percentage-of-payroll basis to meet normal and prior service costs of the 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. The ECB Radio Network's contribution to the plan was \$150,784 for FY 1999-2000. The relative position of the ECB Radio Network in the Wisconsin Retirement System is not available because the system is a statewide, multi-employer plan.

11. Wisconsin Public Broadcasting Foundation, Inc. (WPBF)

The accounts of the ECB Radio Network are combined with the accounts of WPBF, a not-for-profit corporation that solicits funds in the name of, and with the approval of, ECB. A summary of significant financial data relating to WPBF, which includes radio, television, and other non-broadcasting activities of WPBF, follows:

| | Fiscal Year Ended <u>June 30, 2000</u> |
|-----------------------------|---|
| Revenue | \$8,697,329 |
| Expense | <u>(2,276,187)</u> |
| Excess Revenue Over Expense | <u>\$6,421,142</u> |
| | <u>June 30, 2000</u> |
| Cash and Investments | \$6,127,107 |
| Other Current Assets | 625,844 |
| Liabilities | <u>(1,362,794)</u> |
| Net Assets | <u>\$5,390,157</u> |

12. Related Entities

- A. WHA Radio - WHA Radio is a public telecommunications entity operated by the University of Wisconsin (UW)-Extension. In order to achieve statewide services and economies of scale, in the mid-1980s ECB and the UW 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 Television and Wisconsin Public Radio are jointly appointed by ECB and the UW 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 (WPRA) - WPRA is a not-for-profit corporation that collects funds for public radio and provides support to the ECB Radio Network and WHA-Radio, a network of radio stations licensed to the UW Board of Regents. WPRA solicits funds in the name of, and with the approval of, both ECB and WHA Radio. ECB Radio and WHA Radio have access to WPRA's net resources and retain an ongoing equity interest.

ECB Radio's equity interest in WPRA is calculated in accordance with an affiliation agreement, which currently provides ECB with 76 percent of WPRA net resources. This agreement is renegotiated annually based upon fund drive results.

ECB Radio includes in revenue the entire amount of WPRA net resources to which it is entitled each year. ECB 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:

| | <u>FY 1999-2000</u> |
|----------------------------------|---------------------|
| Equity in Resources Held by WPRA | \$ 11,190 |
| Contributed Support | 2,878,591 |
| Expenses: | |
| Program Information | \$378,956 |
| Management and General | 89,717 |
| Fund-raising and Membership | |
| Development | <u>340,027</u> |
| | 808,700 |

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

| | <u>Fiscal Year Ended June 30, 2000</u> |
|--|--|
| Revenues | \$3,762,976 |
| Expenses | <u>3,864,172</u> |
| Excess (Deficiency) of Revenues Over Expenses | <u>\$ (101,196)</u> |
| | <u>June 30, 2000</u> |
| Current Assets | \$ 868,586 |
| Endowment | 278,632 |
| Long-term Investments | 200,854 |
| Accounts Payable | (713,524) |
| Restricted Fund Balance | <u>(132,789)</u> |
| Net Assets Contractually Committed for Distribution to ECB and WHA Radio | <u>\$ 501,759</u> |

13. WHAD-FM Allocation

On September 29, 1993, WHAD-FM and its affiliated Ideas Network stations qualified for Community Service Grant assistance from the Corporation for Public Broadcasting. WHAD-FM and affiliated Ideas Network stations are licensed to ECB, and the stations' financial transactions are included as part of the ECB Radio Network financial statements. That portion of the Statement of Financial Activity attributable to Ideas Network stations' revenues, direct expenditures, and related readily allocable indirect expenditures has been identified below. The remaining revenues and expenses are considered attributable to WERN and its affiliated Music Network stations and include any unallocated amounts of the Ideas Network stations. A summary of the portions of ECB Radio Network activities attributed to WHAD-FM and WERN follows:

Fiscal Year 1999-2000

| | ECB-Radio <u>Total</u> | WHAD-FM <u>and Affiliates</u> | WERN <u>and Affiliates</u> |
|--|---------------------------|----------------------------------|-------------------------------|
| Support and Revenue | | | |
| State General Appropriations | \$1,454,785 | \$ 344,381 | \$1,110,404 |
| State Building Trust Funds | 485,882 | 67,503 | 418,379 |
| Contributed Support | 2,878,591 | 454,208 | 2,424,383 |
| Community Service Grant—CPB | 596,611 | 92,267 | 504,344 |
| Underwriting Grants | 413,515 | 125,135 | 288,380 |
| Federal Grants | 57 | 29 | 28 |
| Other Grants and Contracts | 284,151 | 39,310 | 244,841 |
| In-kind Donated Services | 243,749 | 0 | 243,749 |
| Investment Income | 78,074 | 3,670 | 74,404 |
| Royalties and Other Income | <u>52,987</u> | <u>17,605</u> | <u>35,382</u> |
| Total Support and Revenue | <u>\$6,488,402</u> | <u>\$1,144,108</u> | <u>\$5,344,294</u> |
| Expenses | | | |
| Program Services: | | | |
| Programming and production | \$2,851,044 | \$ 714,590 | \$2,136,454 |
| Broadcasting | 1,712,385 | 291,182 | 1,421,203 |
| Program information | <u>378,956</u> | <u>0</u> | <u>378,956</u> |
| Total Program Services | <u>4,942,385</u> | <u>1,005,772</u> | <u>3,936,613</u> |
| Support Services: | | | |
| Management and general | 531,668 | 138,336 | 393,332 |
| Fund-raising and membership development | <u>399,571</u> | <u>0</u> | <u>399,571</u> |
| Total Support Services | <u>931,239</u> | <u>138,336</u> | <u>792,903</u> |
| Total Expenses | <u>\$5,873,624</u> | <u>\$1,144,108</u> | <u>\$ 4,729,516</u> |
