

An Audit

## **WHA Television**

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State Auditor – Janice Mueller

### **Audit Prepared by**

Diann Allsen, *Director and Contact Person*

Dan Purcell

Mike White

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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

[www.legis.wisconsin.gov/lab](http://www.legis.wisconsin.gov/lab)

Toll-free hotline: 1-877-FRAUD-17

Janice Mueller  
State Auditor

January 28, 2011

Senator Robert Cowles and  
Representative Samantha Kerkman, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Mr. Charles Pruitt  
President of the Board of Regents  
University of Wisconsin System  
Madison, Wisconsin 53706

Dear Senator Cowles, Representative Kerkman, and President Pruitt:

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 \$17.3 million in revenues during fiscal year 2009-10, including state support, member contributions, funding from the Corporation for Public Broadcasting, and various other grants.

Our audit report contains WHA Television's financial statements and related notes as of and for the periods ended June 30, 2010, and June 30, 2009. 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



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# Audit Opinion ■

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

We have audited the accompanying financial statements of WHA Television as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the management of WHA Television. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Friends of Wisconsin Public Television, Inc., and Friends of WHA-TV, Inc., which represent 17.3 percent and 14.1 percent of the total assets as of June 30, 2010 and 2009, respectively, and 25.3 percent and 23.3 percent of the total revenues during fiscal years 2009-10 and 2008-09, respectively. The financial statements of the Friends of Wisconsin Public Television, Inc., and the Friends of WHA-TV, Inc., were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Friends of Wisconsin Public Television, Inc., and the Friends of WHA-TV, Inc., is based on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Friends of Wisconsin Public Television, Inc., and 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 *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by

management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements referred to in the first paragraph present only WHA Television and do not purport to, and do not, present fairly the financial position of the State of Wisconsin or the University of Wisconsin System and the changes in their financial position and cash flows in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based upon our audits and the reports of the other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial positions of WHA Television as of June 30, 2010, and the operating fund of WHA Television and the Friends of WHA-TV, Inc., as of June 30, 2009, 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.

As discussed in Notes 1 and 11B, effective July 1, 2009, the Friends of WHA-TV, Inc., was reorganized as the Friends of Wisconsin Public Television, Inc., and assumed responsibility for raising funds for both WHA Television and the Wisconsin Educational Communications Board Television Network. Prior to fiscal year (FY) 2009-10, Friends of WHA-TV, Inc., raised funds solely for WHA Television, and its financial information was presented as a separate fund in WHA Television's financial statements. Beginning with FY 2009-10, WHA Television's statements include its allocable share of assets, liabilities, revenues, and expenses of the Friends of Wisconsin Public Television, Inc.

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 19, 2011, 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 19, 2011

LEGISLATIVE AUDIT BUREAU  
by   
Diann Allsen  
Audit Director



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# Management's Discussion and Analysis ■

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*Prepared by WHA Television Management*

This section of the WHA Television annual financial report presents management's discussion and analysis of the financial performance of WHA Television during the fiscal years ended June 30, 2010 and 2009. This discussion should be read in conjunction with the accompanying financial statements and notes. The financial statements, notes, and this discussion are the responsibility of WHA Television management.

## **Using the Annual Financial Statements**

WHA Television is licensed to the University of Wisconsin System's Board of Regents and is managed by the University of Wisconsin-Extension. WHA Television prepares its financial statements in accordance with Governmental Accounting Standards Board statements. For fiscal year (FY) 2009-10, the financial statements include WHA Television's allocable share of the accounts of the Friends of Wisconsin Public Television, Inc., a not-for-profit corporation that solicits funds for WHA Television and the Wisconsin Educational Communications Board (ECB). For FY 2008-09, the financial statements segregate WHA's operating fund and the accounts of the Friends of WHA-TV, Inc., a not-for-profit corporation that solicited funds for WHA Television. As of July 1, 2009, the Friends of WHA-TV, Inc., was reorganized as the Friends of Wisconsin Public Television, Inc.

The Balance Sheet includes all assets and liabilities. Assets and liabilities are subtotaled as current and noncurrent. Current assets will be used within one year to satisfy obligations, while current liabilities will be liquidated within one year.

The difference between assets and liabilities is reported as net assets. Restricted net assets reflect unspent balances and endowments of purpose-restricted grants, contracts, and contributions. Over time, increases or decreases in net assets are indicators of changes in WHA Television's financial health.

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and expenses incurred during the year on an accrual basis. Activities are reported as either operating or nonoperating. WHA Television's dependence on state general appropriations and donated facilities and administrative support from the University of Wisconsin System will result in operating deficits because the financial reporting model classifies state general appropriations and donated services as nonoperating revenues. The use of capital assets is reflected in the financial statements as depreciation expense, 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, 2010, June 30, 2009, and June 30, 2008, is shown in Table A.

FY 2009-10 activity reflected a large increase in capital contributions and a decrease in revenues and expenses incurred by the National Center for Media Engagement (NCME), which is a program managed by WHA Television. NCME awards grants to other public broadcasting entities, and the timing of these awards can create a high degree of volatility with NCME revenues and expenses, which then affects WHA Television's revenues and expenses. FY 2009-10 activity also reflects the July 1, 2009, reorganization of the Friends of WHA-TV to the Friends of Wisconsin Public Television. This reorganization is discussed further in the Notes to the Financial Statements.

Total assets increased 20 percent in FY 2009-10 and decreased 6 percent in FY 2008-09. The FY 2009-10 increase reflected the recognition of \$2.4 million of capital contributions that were primarily for the acquisition of a remote production facility. Total liabilities increased by 12 percent in FY 2009-10 and decreased by 7 percent in FY 2008-09. The FY 2009-10 increase was due primarily to unearned revenue on an NCME grant. Overall, these changes resulted in a 21 percent increase in net assets in FY 2009-10, and a 6 percent decrease in FY 2008-09. Unrestricted net assets decreased 1 percent in FY 2009-10 after decreasing 9 percent in FY 2008-09. Unrestricted net assets had previously increased for seven consecutive years, from FY 2001-02 to FY 2007-08.

Table A

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

	June 30, 2010	Change from Previous Year	June 30, 2009 <sup>1</sup>	Change from Previous Year	June 30, 2008 <sup>1</sup>
Capital Assets	\$ 4,740	72%	\$ 2,750	(5)%	\$ 2,888
Other Assets	10,783	6	10,189	(6)	10,862
<b>Total Assets</b>	<b><u>15,523</u></b>	<b>20</b>	<b><u>12,939</u></b>	<b>(6)</b>	<b><u>13,750</u></b>
Current Liabilities	890	11	801	(19)	987
Noncurrent Liabilities	702	14	618	16	534
<b>Total Liabilities</b>	<b><u>1,592</u></b>	<b>12</b>	<b><u>1,419</u></b>	<b>(7)</b>	<b><u>1,521</u></b>
Invested in Capital Assets	4,740	72	2,750	(5)	2,888
Restricted—nonexpendable	1,161	6	1,090	9	1,000
Restricted—expendable	1,204	50	804	5	768
Unrestricted	6,826	(1)	6,876	(9)	7,573
<b>Total Net Assets</b>	<b><u>\$13,931</u></b>	<b>21</b>	<b><u>\$11,520</u></b>	<b>(6)</b>	<b><u>\$12,229</u></b>

	FY 2009-10	Change from Previous Year	FY 2008-09	Change from Previous Year	FY 2007-08 <sup>1</sup>
Operating Revenues	\$ 7,987	(13)%	\$ 9,193	12%	\$ 8,230
Operating Expenses	14,934	(7)	16,039	9	14,741
<b>Net Operating Loss</b>	<b>(6,947)</b>	<b>1</b>	<b>(6,846)</b>	<b>5</b>	<b>(6,511)</b>
Nonoperating Revenues	6,981	19	5,881	(8)	6,412
Capital Contributions	2,377	829	256	(27)	353
<b>Change in Net Assets</b>	<b><u>\$2,411</u></b>	<b>440</b>	<b><u>\$ (709)</u></b>	<b>(379)</b>	<b><u>\$ 254</u></b>

<sup>1</sup> Certain FY 2008-09 and 2007-08 amounts reflect prior-period restatements.

Capital assets increased \$1,990,000 in FY 2009-10 after decreasing \$138,000 in FY 2008-09. Capital asset values will fluctuate because they are highly dependent on the receipt of one-time grants or capital contributions. In FY 2008-09, WHA Television secured funding commitments for a new remote production facility estimated to cost \$3 million. FY 2009-10 expenditures related to the remote production facility were \$2,184,000.

Current liabilities increased 11 percent to reach \$890,000 in FY 2009-10, after experiencing a 19 percent decrease in FY 2008-09. The FY 2009-10 increase is primarily the result of a \$191,000 increase in unearned revenue, most of which related to NCME activity.

Operating revenues decreased 13 percent in FY 2009-10, after an increase of 12 percent in FY 2008-09. Operating revenue from grants and contracts was a significant part of this decrease, declining by \$1,180,000 in FY 2009-10 after increasing \$856,000 in FY 2008-09. Grants from the Corporation for Public Broadcasting (CPB) accounted for \$1,006,000 of this decrease, of which \$975,000 was due to NCME activity. Despite these decreases, CPB continues to be the major source of grants and contracts revenue for WHA Television, providing \$971,000, which is 92 percent of the total, in FY 2009-10. CPB is also the source of the Community Service Grant, which totaled \$1,279,000 in FY 2009-10 and \$1,238,000 in FY 2008-09.

Total operating expenses decreased \$1,105,000 in FY 2009-10, after an increase of \$1,298,000 in FY 2008-09. The program information expense category decreased 24 percent, following a 34 percent increase in FY 2008-09. NCME expenses are categorized as program information and decreased by \$975,000 after increasing \$763,000 in FY 2008-09. As noted, the timing of NCME grant awards to other public broadcasting entities can create a high degree of volatility with NCME revenues and expenses. These awards totaled \$52,000 in FY 2009-10, \$958,000 in FY 2008-09, \$93,000 in FY 2007-08, and \$661,000 in FY 2006-07. Fund-raising and membership development expenses decreased by \$744,000, or 37 percent, in FY 2009-10 after an increase of \$297,000, or 17 percent, in FY 2008-09. This decrease was due both to an overall decrease in fund-raising activity by UW-Extension of \$118,000, and to the reorganization of the Friends of WHA-TV into the Friends of Wisconsin Public Television. The reorganization allowed WHA-TV to share fund-raising costs with ECB.

Operating expenses include \$1,647,000 in donated facilities and administrative support from the University of Wisconsin System, a \$29,000 increase compared to the prior year. \$1,359,000 of the donated facilities and administrative support is reported as management and general expense.

Nonoperating revenues consist of investment income, State of Wisconsin general appropriations, and donated support from the University of Wisconsin System. Nonoperating revenues increased 19 percent and were \$6,981,000 in FY 2009-10, after decreasing by 8 percent in FY 2008-09. The 2009-10 change was due to increased investment income of \$1,194,000. This followed significant decreases in investment income in FY 2007-08 and FY 2008-09 that totaled \$1,213,000. State general appropriation income decreased by \$124,000 in FY 2009-10 and increased by \$209,000 in FY 2008-09. Donated facilities and administrative support income increased by \$29,000 in FY 2009-10, and decreased by \$45,000 in FY 2008-09. WHA Television uses the federally negotiated University of Wisconsin-Extension indirect cost rate as the basis for estimating revenues and expenses provided by the licensee, the University of Wisconsin System. The rate was negotiated for FY 2007-08, and a new rate is currently being negotiated.

Capital contributions increased to \$2,377,000 in FY 2009-10 from \$256,000 in FY 2008-09. This significant increase related to state funding that was secured for the purchase of the new mobile production facility.

This financial report is designed to provide a general overview of the University of Wisconsin-Extension's finances related to public television. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to:

UWEX Division of Broadcasting and Media Innovations  
c/o Director of Business Services  
821 University Avenue  
Madison, Wisconsin 53706

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## **Financial Statements ■**

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## Balance Sheet

### June 30, 2010

	Total June 30, 2010
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents (Note 2)	\$ 966,316
Investments (Note 2)	3,283,270
Grants and contracts receivable	2,484
Accounts and interest receivable, net	200,796
Accounts receivable—ECB (Note 11)	79,762
Due from the University of Wisconsin System (Note 1G)	440,945
Prepaid expenses	19,436
Total Current Assets	<u>4,993,009</u>
Noncurrent Assets:	
Investments (Note 2)	5,789,543
Capital assets, net of accumulated depreciation (Notes 3 and 4)	2,529,830
Capital assets—work-in-process (Notes 3 and 4)	2,210,378
Total Noncurrent Assets	<u>10,529,751</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 15,522,760</u></b>
<b>LIABILITIES AND NET ASSETS</b>	
Current Liabilities:	
Accounts payable and accrued expenses	\$ 428,196
Accounts payable—ECB (Note 11)	77,285
Due to the University of Wisconsin System (Note 1G)	0
Unearned revenue	384,420
Total Current Liabilities	<u>889,901</u>
Noncurrent Liabilities:	
Compensated absences payable (Note 5)	701,857
Total Noncurrent Liabilities	<u>701,857</u>
<b>Total Liabilities</b>	<b><u>1,591,758</u></b>
Net Assets:	
Invested in capital assets	4,740,208
Restricted (Note 9):	
Nonexpendable—endowments	1,160,378
Expendable:	
Endowments	553,135
Grantee and donor restrictions	651,088
Unrestricted (Note 10)	6,826,193
<b>Total Net Assets</b>	<b><u>13,931,002</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 15,522,760</u></b>

The accompanying notes are an integral part of this statement.



## Statement of Revenues, Expenses, and Changes in Net Assets for the Year Ended June 30, 2010

	Total FY 2009-10
<b>OPERATING REVENUES</b>	
Grants and Contracts	\$ 1,057,574
Community Service Grant—CPB	1,278,600
Underwriting	447,601
Telecasting, Production, and Other Income	2,395,324
Membership Income	1,968,146
Auction Income	152,268
Major Gifts	687,457
<b>Total Operating Revenues</b>	<b>7,986,970</b>
<b>OPERATING EXPENSES</b>	
Program Services:	
Programming and production	7,937,909
Broadcasting	660,534
Program information	2,765,154
Total Program Services	11,363,597
Support Services:	
Management and general	2,174,557
Fund-raising and membership development	1,275,606
Underwriting	120,152
Total Support Services	3,570,315
<b>Total Operating Expenses</b>	<b>14,933,912</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(6,946,942)</b>
<b>NONOPERATING REVENUES AND EXPENSES</b>	
State General Appropriations	4,529,931
Donated Facilities and Administrative Support from the University of Wisconsin System (Note 6)	1,647,078
Investment Income	803,773
<b>Total Nonoperating Revenues (Expenses)</b>	<b>6,980,782</b>
Income (Loss) Before Contributions and Transfers	33,840
<b>CONTRIBUTIONS AND TRANSFERS</b>	
Capital Contributions	2,376,824
<b>CHANGE IN NET ASSETS</b>	<b>2,410,664</b>
Total Net Assets—Beginning of the Year	11,520,338
Total Net Assets—End of the Year	<b>\$ 13,931,002</b>

The accompanying notes are an integral part of this statement.

## Statement of Cash Flows for the Year Ended June 30, 2010

	Total FY 2009-10
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Grants and Contracts	\$ 1,654,916
Receipts from Community Service Grant—CPB	1,278,600
Receipts from Contributed Support	3,238,764
Receipts from Sales and Services	2,399,444
Payments to Suppliers	(5,104,297)
Payments to Employees	(7,971,926)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(4,504,499)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Receipts from State Government	4,529,931
Interfund Transfers	0
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>4,529,931</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Contributions	2,376,824
Purchases of Capital Assets	(2,592,555)
<b>Net Cash Used for Capital and Related Financing Activities</b>	<b>(215,731)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Net (Purchases) and Sales of Investments	(2,108,356)
Interest and Dividends Received	435,690
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(1,672,666)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,862,965)</b>
Balances—Beginning of the Year	2,829,281
Balances—End of the Year	<u>\$ 966,316</u>

The accompanying notes are an integral part of this statement.



	<u>Total FY 2009-10</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating Income (Loss)	\$ (6,946,942)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation expense	602,078
Donated facilities and administrative support from the University of Wisconsin System expense	1,647,078
Change in assets and liabilities:	
Receivables, net	328,926
Prepaid expenses	132,590
Accounts and other payables	177,716
Due (from) / to the University of Wisconsin System	(637,418)
Unearned revenue	191,473
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u><u>\$ (4,504,499)</u></u></b>

Noncash Activities:

The net increase in the fair value of investments was \$358,940.

Donated facilities and administrative support from the University of Wisconsin System totaled \$1,647,078.

## Balance Sheet June 30, 2009 (Restated)

	Operating Fund	Friends of WHA-TV, Inc.	Total June 30, 2009
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents (Note 2)	\$ 2,653,870	\$ 175,411	\$ 2,829,281
Investments (Note 2)	1,248,628	118,432	1,367,060
Grants and contracts receivable	361,464	0	361,464
Accounts and interest receivable, net	83,428	73,678	157,106
Accounts receivable—ECB (Note 11)	75,157	9,097	84,254
Interfund receivable (payable)	615,715	(615,715)	0
Prepaid expenses	93,340	58,686	152,026
Total Current Assets	<u>5,131,602</u>	<u>(180,411)</u>	<u>4,951,191</u>
Noncurrent Assets:			
Investments (Note 2)	3,231,861	2,006,597	5,238,458
Capital assets, net of accumulated depreciation (Notes 3 and 4)	2,749,731	0	2,749,731
Total Noncurrent Assets	<u>5,981,592</u>	<u>2,006,597</u>	<u>7,988,189</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 11,113,194</u></b>	<b><u>\$ 1,826,186</u></b>	<b><u>\$ 12,939,380</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
Current Liabilities:			
Accounts payable and accrued expenses	\$ 228,651	\$ 111,397	\$ 340,048
Accounts payable—ECB (Note 11)	71,131	0	71,131
Due to the University of Wisconsin System (Note 1G)	196,473	0	196,473
Unearned revenue	3,748	189,199	192,947
Total Current Liabilities	<u>500,003</u>	<u>300,596</u>	<u>800,599</u>
Noncurrent Liabilities:			
Compensated absences payable (Note 5)	618,443	0	618,443
Total Noncurrent Liabilities	<u>618,443</u>	<u>0</u>	<u>618,443</u>
<b>Total Liabilities</b>	<b><u>1,118,446</u></b>	<b><u>300,596</u></b>	<b><u>1,419,042</u></b>
Net Assets:			
Invested in capital assets	2,749,731	0	2,749,731
Restricted (Note 9):			
Nonexpendable—endowments	1,000,000	90,000	1,090,000
Expendable:			
Endowments	436,311	0	436,311
Grantee and donor restrictions	217,931	150,000	367,931
Unrestricted (Note 10)	5,590,775	1,285,590	6,876,365
<b>Total Net Assets</b>	<b><u>9,994,748</u></b>	<b><u>1,525,590</u></b>	<b><u>11,520,338</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 11,113,194</u></b>	<b><u>\$ 1,826,186</u></b>	<b><u>\$ 12,939,380</u></b>

The accompanying notes are an integral part of this statement.

## Statement of Revenues, Expenses, and Changes in Net Assets for the Year Ended June 30, 2009 (Restated)

	Operating Fund	Friends of WHA-TV, Inc.	Total FY 2008-09
<b>OPERATING REVENUES</b>			
Grants and Contracts	\$ 2,237,174	\$ 0	\$ 2,237,174
Community Service Grant—CPB	1,238,314	0	1,238,314
Underwriting	528,884	0	528,884
Telecasting, Production, and Other Income	1,296,161	692,427	1,988,588
Membership Income	0	2,043,058	2,043,058
Auction Income	0	379,885	379,885
Major Gifts	0	777,061	777,061
<b>Total Operating Revenues</b>	<b>5,300,533</b>	<b>3,892,431</b>	<b>9,192,964</b>
<b>OPERATING EXPENSES</b>			
Program Services:			
Programming and production	7,383,998	157,794	7,541,792
Broadcasting	585,093	0	585,093
Program information	3,574,752	43,830	3,618,582
Total Program Services	11,543,843	201,624	11,745,467
Support Services:			
Management and general	2,070,937	84,572	2,155,509
Fund-raising and membership development	1,099,348	920,155	2,019,503
Underwriting	118,438	0	118,438
Total Support Services	3,288,723	1,004,727	4,293,450
<b>Total Operating Expenses</b>	<b>14,832,566</b>	<b>1,206,351</b>	<b>16,038,917</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(9,532,033)</b>	<b>2,686,080</b>	<b>(6,845,953)</b>
<b>NONOPERATING REVENUES AND EXPENSES</b>			
State General Appropriations	4,653,495	0	4,653,495
Donated Facilities and Administrative Support from the University of Wisconsin System (Note 6)	1,617,917	0	1,617,917
Investment Income	(67,683)	(322,522)	(390,205)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>6,203,729</b>	<b>(322,522)</b>	<b>5,881,207</b>
Income (Loss) Before Contributions and Transfers	(3,328,304)	2,363,558	(964,746)
<b>CONTRIBUTIONS AND TRANSFERS</b>			
Capital Contributions	256,120	0	256,120
Interfund Transfers	2,740,613	(2,740,613)	0
<b>CHANGE IN NET ASSETS</b>	<b>(331,571)</b>	<b>(377,055)</b>	<b>(708,626)</b>
Total Net Assets—Beginning of the Year (Note 12)	10,326,319	1,902,645	12,228,964
Total Net Assets—End of the Year	<u>\$ 9,994,748</u>	<u>\$ 1,525,590</u>	<u>\$ 11,520,338</u>

The accompanying notes are an integral part of this statement.

## Statement of Cash Flows for the Year Ended June 30, 2009 (Restated)

	Operating Fund	Friends of WHA-TV, Inc.	Total FY 2008-09
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Grants and Contracts	\$ 1,946,977	\$ 0	\$ 1,946,977
Receipts from Community Service Grant—CPB	1,238,314	0	1,238,314
Receipts from Contributed Support	540,432	4,067,014	4,607,446
Receipts from Sales and Services	1,376,818	0	1,376,818
Payments to Suppliers	(4,953,451)	(1,057,988)	(6,011,439)
Payments to Employees	(7,850,040)	(60,985)	(7,911,025)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(7,700,950)</b>	<b>2,948,041</b>	<b>(4,752,909)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Receipts from State Government	4,653,495	0	4,653,495
Interfund Transfers	3,215,537	(3,215,537)	0
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>7,869,032</b>	<b>(3,215,537)</b>	<b>4,653,495</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital Contributions	256,120	0	256,120
Purchases of Capital Assets	(437,367)	0	(437,367)
<b>Net Cash Used for Capital and Related Financing Activities</b>	<b>(181,247)</b>	<b>0</b>	<b>(181,247)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net (Purchases) and Sales of Investments	(93,367)	(96,741)	(190,108)
Interest and Dividends Received	239,506	67,945	307,451
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>146,139</b>	<b>(28,796)</b>	<b>117,343</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>132,974</b>	<b>(296,292)</b>	<b>(163,318)</b>
Balances—Beginning of the Year	2,520,896	471,703	2,992,599
Balances—End of the Year	<u>\$ 2,653,870</u>	<u>\$ 175,411</u>	<u>\$ 2,829,281</u>

The accompanying notes are an integral part of this statement.

	Operating Fund	Friends of WHA-TV, Inc.	Total FY 2008-09
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ (9,532,033)	\$ 2,686,080	\$ (6,845,953)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation expense	575,604	0	575,604
Donated facilities and administrative support from the University of Wisconsin System expense	1,617,917	0	1,617,917
Change in assets and liabilities:			
Receivables, net	(183,692)	182,585	(1,107)
Prepaid expenses	(7,915)	10,799	2,884
Accounts and other payables	151,129	76,579	227,708
Due (from) / to the University of Wisconsin System	(306,215)	0	(306,215)
Unearned revenue	(15,745)	(8,002)	(23,747)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ (7,700,950)</u></b>	<b><u>\$ 2,948,041</u></b>	<b><u>\$ (4,752,909)</u></b>

Noncash Activities:

The net decrease in the fair value of investments was \$259,617 for the operating fund and \$390,467 for the Friends of WHA-TV, Inc.

The decrease in the present value of the Friends' interest in the remainder trust was \$5,155.

Donated facilities and administrative support from the University of Wisconsin System totaled \$1,617,917.

*The accompanying notes are an integral part of this statement.*





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# Notes to the Financial Statements ■

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Organization

WHA Television is licensed to the University of Wisconsin System's Board of Regents and is operated by the University of Wisconsin-Extension. Beginning in FY 2009-10, the financial statements include WHA Television's allocable share of the assets, liabilities, revenues and expenses of the Friends of Wisconsin Public Television, Inc., a not-for-profit corporation that receives contributions for the Wisconsin Public Television partnership, which includes WHA Television and the Wisconsin Educational Communications Board (ECB) Television Network. For FY 2008-09, the financial statements include accounts of the Friends of WHA-TV, Inc. The Friends of WHA-TV was organized in 1969 to raise, hold, and disburse funds to WHA Television and was reorganized on July 1, 2009, as the Friends of Wisconsin Public Television, Inc. The net assets of the organization as of June 30, 2009, are fully allocable to WHA Television. The Friends of Wisconsin Public Television, Inc., receives and disburses net revenues to the licensees in accordance with an annual allocation agreement. Funds are distributed to WHA Television and to ECB in amounts determined by the Board of the Friends (of which the Director of Wisconsin Public Television is a member). The timing and the purposes for which such distributions are to be used are controlled by the Friends. All significant interorganization 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 Wisconsin Public Television, 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. 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. Revenue is recognized based on the ratio of costs incurred to the estimated total costs at completion.

Expenses are shown in the functional categories contained in the Statement of Revenues, Expenses, and Changes in Net Assets. Expenses that relate to more than one category are allocated to their respective categories, using estimates as necessary. Restricted resources are first applied when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating revenues are directly related to programming, production, and development activities. Nonoperating revenues are indirectly associated with programming, production, and development activities such as investment income. Certain significant revenue streams relied upon for operations are reported as nonoperating revenue, as defined by GASB Statement Number 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, including state general appropriations and donated facilities and administrative support from the University of Wisconsin System.

**C. Accounting Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**D. Cash and Cash Equivalents**

Cash and cash equivalents include deposits with the State of Wisconsin and shares in the State Investment Fund, a short-term investment pool of state and local funds. Cash and cash equivalents also include WHA Television’s share of Friends’ deposits.

**E. Valuation of Investments**

Investments are carried at fair-market value based on quoted market prices. State Investment Fund shares are valued at fair-market 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. The difference between cash received and expenses is reported as a payable, "Due to the University of Wisconsin System," on the Balance Sheet. When receipts from the granting agency exceed expenses, the difference is reported as a receivable, "Due from the University of Wisconsin System," on the Balance Sheet.

**H. Unearned Revenue**

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

**I. Compensated Absences for Employees**

Unused earned compensated absences, other than accumulated sick leave, are accrued with a resulting liability. The liability and the expense for compensated absences are based on the subsequent years' rates of pay. The related employer's share of social security taxes, Medicare taxes, and contributions to the Wisconsin Retirement System is also accrued with a resulting liability.

**2. DEPOSITS AND INVESTMENTS**

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

The types of securities in which the State Investment Fund may invest are enumerated in ss. 25.17(3)(b), (ba), (bd), and (dg), Wis. Stats., and include direct obligations of the United States or its agencies, corporations wholly owned by the United States or chartered by an act of Congress, securities guaranteed by the United States, the unsecured notes of financial and industrial issuers, direct obligations of or guaranteed by the government of Canada, certificates of deposit issued by banks in the United States and solvent financial institutions in Wisconsin, and banker's acceptances. The Investment Board's trustees may specifically approve other prudent investments.

The investment balances are deposited with the University of Wisconsin System and invested in two different pools of University of Wisconsin funds: the UW Intermediate Term Fund and the UW Long Term Fund. These two funds are managed by the University of Wisconsin System, with oversight and authorization of the investment policies and guidelines by its Board of Regents, and are not registered with the Securities and Exchange Commission as an investment company. The asset allocation policy for the Intermediate Term Fund sets a target of 15 percent marketable equities, 65 percent fixed-income, 10 percent alternatives, and 10 percent cash. The asset allocation policy for the Long Term Fund sets a target of 24.5 percent marketable equities, 16.5 percent fixed-income, 34 percent alternatives, and 25 percent tactical strategies. Additional information on the two funds is available in the University of Wisconsin System’s annual financial report.

The Friends’ cash and investment activities are managed separately from the cash and investment activities of the State Investment Fund and University of Wisconsin System funds. A cash deposit balance is maintained at one financial institution. Current investments consist of money market accounts at two financial institutions, which are classified as deposits for purposes of this note 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 and the National Credit Union Administration for up to \$250,000 at each depository institution. As of June 30, 2010, \$60,745 of the Friends of Wisconsin Public Television deposit balance was uninsured and uncollateralized. As of June 30, 2009, \$427,396 of the Friends of WHA-TV deposit balance was uninsured and uncollateralized.

**B. Investments**

Investment balances for WHA Television as of June 30, 2010, and June 30, 2009, were as follows:

	June 30, 2010	June 30, 2009
	<u>Fair Value</u>	<u>Fair Value</u>
UW Intermediate Term Fund	\$5,142,486	\$3,657,848
UW Long Term Fund	<u>1,481,939</u>	<u>822,641</u>
Total	<u>\$6,624,425</u>	<u>\$4,480,489</u>

WHA Television's share of noncurrent investment balances for the Friends of Wisconsin Public Television as of June 30, 2010, and the Friends of WHA-TV as of June 30, 2009, were as follows:

	June 30, 2010 <u>Fair Value</u>	June 30, 2009 <u>Fair Value</u>
Fixed-Income Funds	\$ 918,467	\$ 841,796
Equity Mutual Funds	<u>1,246,413</u>	<u>1,164,801</u>
Total Noncurrent Investments	<u>\$2,164,880</u>	<u>\$2,006,597</u>

The investments of WHA Television and its share of the Friends' investments are exposed to the following risks:

*Credit Risk*—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University of Wisconsin System's investment guidelines prohibit security transactions that involve a counterparty rated below AA/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/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, 2010, and June 30, 2009, the UW Intermediate and Long Term Funds 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 Friends do not have an investment policy for interest rate risk. As of June 30, 2010, and June 30, 2009, the fixed-income investments of the Friends of Wisconsin Public Television and the Friends of WHA-TV had the following modified durations:

<u>Investment</u>	June 30, 2010 <u>Fair Value</u>	Modified Duration (In Years)
Vanguard Short-Term Investment Grade Fund	\$ 172,864	2.4
Vanguard Intermediate-Term Investment Grade Fund	284,024	5.4
Vanguard Total Bond Market Index Fund	<u>461,579</u>	4.8
Total Fixed-Income Investments	<u>\$918,467</u>	

<u>Investment</u>	June 30, 2009 <u>Fair Value</u>	Modified Duration (In Years)
Vanguard Intermediate-Term Investment Grade Fund	\$ 317,782	5.3
Vanguard Short-Term Investment Grade Fund	143,828	2.2
Vanguard Short-Term Bond Index Fund	160,065	2.6
Vanguard Long-Term Bond Index Fund	210,421	12.3
Vanguard Total Bond Market Index Fund	<u>9,700</u>	4.2
Total Fixed-Income Investments	<u>\$841,796</u>	

*Foreign Currency Risk*—Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The University of Wisconsin System’s investment guidelines state that it is generally expected that foreign currency exposure is not hedged, as this enhances the diversification benefits from non-U.S. investments. The Friends do not have an investment policy for foreign currency risk. WHA Television was exposed to foreign currency risk through its international investments in the UW Long Term Fund. In addition, as of June 30, 2010, the Friends of Wisconsin Public Television held \$296,168 of investments that were exposed to foreign currency risk, and as of June 30, 2009, the Friends of WHA-TV held \$260,647 of investments that were exposed to foreign currency risk.

### 3. CAPITAL ASSETS

The change in book value from July 1, 2009, to June 30, 2010, is summarized as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets:				
Equipment	\$11,996,319	\$ 695,055	\$ 0	\$12,691,374
Work-in-process	<u>312,878</u>	<u>2,451,619</u>	<u>(554,119)</u>	<u>2,210,378</u>
Total	<u>12,309,197</u>	<u>3,146,674</u>	<u>(554,119)</u>	<u>14,901,752</u>
Less Accumulated Depreciation for:				
Equipment	(9,559,466)	(602,078)	0	(10,161,544)
Work-in-process	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>(9,559,466)</u>	<u>(602,078)</u>	<u>0</u>	<u>(10,161,544)</u>
Total Capital Assets, Net:				
Equipment	2,436,853	92,977	0	2,529,830
Work-in-process	<u>312,878</u>	<u>2,451,619</u>	<u>(554,119)</u>	<u>2,210,378</u>
Total Capital Assets, Net	<u>\$ 2,749,731</u>	<u>\$2,544,596</u>	<u>\$(554,119)</u>	<u>\$ 4,740,208</u>

Depreciation expense was charged to functions as follows:

Programming and Production	\$448,203
Program Information	850
Broadcasting	<u>153,025</u>
Total Depreciation Expense	<u>\$602,078</u>

Work-in-process during FY 2009-10 related primarily to a new mobile production facility.

The change in book value from July 1, 2008, to June 30, 2009, is summarized as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets:				
Equipment	\$12,062,947	\$ 437,367	\$(191,117)	\$12,309,197
Less Accumulated Depreciation for:				
Equipment	<u>(9,174,979)</u>	<u>(575,604)</u>	<u>191,117</u>	<u>(9,559,466)</u>
Total Capital Assets, Net	<u>\$ 2,887,968</u>	<u>\$(138,237)</u>	<u>\$ 0</u>	<u>\$ 2,749,731</u>

Depreciation expense was charged to functions as follows:

Programming and Production	\$374,418
Program Information	850
Broadcasting	<u>200,336</u>
Total Depreciation Expense	<u>\$575,604</u>

Work-in-process related to a media asset management system is included in the capital assets at \$312,878 as of June 30, 2009. In FY 2009-10, work-in-process is separately reported.

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 five NTIA capital equipment grants from FY 2000-01 through FY 2009-10. The depreciated value of equipment subject to a priority lien was \$1,010,556 as of June 30, 2010, and \$1,252,668 as of June 30, 2009.



**5. NONCURRENT LIABILITIES**

Noncurrent liability activity for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Compensated Absences	\$618,443	\$125,813	\$(42,399)	\$701,857

Noncurrent liability activity for the year ended June 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Compensated Absences	\$534,077	\$135,531	\$(51,165)	\$618,443

In addition, another \$21,671 as of June 30, 2010, and \$17,123 as of June 30, 2009, was due within one year and included in the accounts payable and accrued expenses balance on the Balance Sheet.

**6. DONATED FACILITIES AND ADMINISTRATIVE SUPPORT FROM THE UNIVERSITY OF WISCONSIN SYSTEM**

Donated facilities from the University of Wisconsin System consist of physical plant operating costs of \$239,450 and occupancy costs of \$55,872 for FY 2009-10, and operating costs of \$243,410 and occupancy costs of \$56,796 for FY 2008-09. 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 \$1,351,756 in FY 2009-10 and \$1,317,711 in FY 2008-09.

**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 ch. 40, Wis. Stats. State and local government public employees are entitled to an annual formula retirement benefit based on: 1) the employee’s final average earnings; 2) years of creditable service; and 3) a formula factor. If an employee’s contributions, matching employer’s contributions, and interest credited to the employee’s account exceed the value of the formula benefit, the retirement benefit may instead be calculated as a money purchase benefit.

The Wisconsin Retirement System is considered part of the State of Wisconsin's financial reporting entity. The separately issued financial report that includes financial statements and required supplementary information is available at [www.etf.wi.gov](http://www.etf.wi.gov) or may be obtained by contacting:

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

Generally, the State's policy is to fund retirement contributions on a level-percentage-of-payroll basis to meet normal and prior service costs of the Wisconsin Retirement System. Prior service costs are amortized over 40 years, beginning January 1, 1990. However, in December 2003 the State issued bonds and subsequently fully liquidated its prior service liability balance as of January 2003. State agencies are required to make future contributions to fund the bond payments.

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 contribution to the plan, including employer and employee contributions, was \$732,718 in FY 2009-10 and \$736,959 in FY 2008-09. 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. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In accordance with the provisions of GASB Statement No. 45, state and local governmental employers are required to display in financial reports other postemployment benefits (OPEB) expenses and related liabilities; notes disclosures; and if applicable, required supplementary information. The employees of WHA Television are employees of the State of Wisconsin. The financial statements of WHA Television do not include OPEB expenses or the related liabilities other than those actually paid, which are allocated to various functional expenses on the Statement of Revenues, Expenses, and Changes in Net Assets.

*Health Insurance*—The State's Health Insurance Program, a cost-sharing, multiple-employer, defined benefit plan not held in trust, is an employer-sponsored program offering group medical coverage to eligible employees and retirees of the State, created under ch. 40, Wis. Stats. The Department of Employee Trust Funds and the Group Insurance Board have program administration and oversight responsibilities under ss. 15.1565(2) and 40.03(6), Wis. Stats. Under this plan, retired employees of the State contribute the same healthcare premium as active employees, creating an implicit rate subsidy for retirees. This implicit rate subsidy, which is calculated to cover

pre-age 65 retirees (since at age 65 retirees are required to enroll in Medicare, when eligible) is treated as an OPEB.

The State's net OPEB obligation was \$291.9 million as of June 30, 2010, and \$214.1 million as of June 30, 2009. The estimated portion of this obligation related to WHA Television employees was less than \$0.5 million as of June 30, 2010, and \$0.4 million as of June 30, 2009. This obligation is included in the State's Comprehensive Annual Financial Report (CAFR) but is not included in WHA Television's financial statements.

The State's CAFR includes financial statements, additional note disclosures, and required supplementary information for this plan. That report is publicly available at [www.doa.wi.gov](http://www.doa.wi.gov) or may be obtained by contacting:

State Controller's Office  
Department of Administration  
101 East Wilson Street  
Madison, Wisconsin 53703

*Life insurance*—The State's Life Insurance program, a cost-sharing, multiple-employer, defined benefit plan held in trust, provides post-employment coverage to all eligible employees. The plan is administered under s. 40.70, Wis. Stats. Beginning at age 65, retirees and terminating participants continue to receive, at no cost to themselves, basic life insurance coverage. Retirees and terminating participants under age 65 must continue to pay the employee premium to maintain coverage. The relative portion of the State's contributions to the Life Insurance OPEB plan attributable to WHA Television is not readily available.

The Department of Employee Trust Funds issues a publicly available financial report that includes financial statements, additional note disclosures, and required supplementary information for the Life Insurance OPEB plan. That report is available at [www.etf.wi.gov](http://www.etf.wi.gov) or may be obtained by contacting:

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

The State's CAFR also includes additional employer note disclosures for the plan.

## 9. RESTRICTED NET ASSETS

Restricted net assets are reported when constraints placed on net assets are externally imposed, such as by donors or grantors. Restricted nonexpendable endowments are restricted by donors to be maintained in perpetuity. The restricted nonexpendable net assets balance was \$1,160,378 as of June 30, 2010,

and \$1,090,000 as of June 30, 2009. Additional disclosures about a \$160,378 permanent endowment established with the Friends are available in the Friends' separately issued financial statements. The restricted expendable net assets include purpose restrictions placed by donors on grants or gifts. The restricted expendable net assets balance was \$1,204,223 as of June 30, 2010, and \$804,242 as of June 30, 2009.

## 10. DESIGNATION OF UNRESTRICTED NET ASSETS

The Board of Directors of the Friends has designated \$1,002,260 as of June 30 2010, and \$768,775 as of June 30, 2009, of the unrestricted net assets that represent endowment funds for future program production and acquisition.

## 11. RELATED ENTITIES

### A. Educational Communications Board Television Network

The Educational Communications Board Television Network is a public telecommunications entity operated by the Educational Communications Board. In order to achieve statewide services and economies of scale, in the mid-1980s ECB and the University of Wisconsin System's Board of Regents developed partnerships called Wisconsin Public Television and Wisconsin Public Radio to manage and operate their licenses. The partnerships are maintained through an affiliation agreement outlining structural principles and functions, administrative staff allocations, stations (of both Wisconsin Public Television and Wisconsin Public Radio), and financial commitments of the partners. The directors of Wisconsin Public Television and Wisconsin Public Radio are jointly appointed by ECB and the University of Wisconsin System's Board of Regents. Staff and resources from both agencies work together to provide administrative and program services. Amounts due to or from the affiliated parties are separately disclosed on the Balance Sheet. The relationship pervades all aspects of the financial activities reported in the accompanying financial statements.

### B. Friends of Wisconsin Public Television, Inc.

Friends of Wisconsin Public Television, Inc., is a publicly supported not-for-profit corporation whose purpose is to administer various fund-raising and membership duties of Wisconsin Public Television and to provide support to WHA Television and the ECB Television Network. As discussed in Note 1, the Friends of Wisconsin Public Television was the result of a reorganization of the Friends of WHA-TV that occurred on July 1, 2009. The Friends of Wisconsin Public Television solicits funds in the name of, and with the approval of, both WHA Television and ECB.

Under an affiliation agreement, WHA Television and ECB staff, along with the Friends of Wisconsin Public Television Board of Directors, approve the Friends' budget. WHA Television and ECB have access to the Friends' net resources and retain an ongoing allocated interest in the Friends' net assets. WHA Television's and ECB's allocated interest in the Friends of Wisconsin Public Television are calculated in accordance with an affiliation agreement that currently provides WHA Television with 50 percent of the Friends' net resources. This agreement is negotiated annually based largely upon membership proportion. Net assets as of the reorganization of the Friends on June 30, 2009, are wholly allocable to WHA Television.

WHA Television includes its allocated share of the Friends of Wisconsin Public Television's assets, liabilities, revenues, and expenses in its financial statements. A summary of amounts related to the Friends of Wisconsin Public Television prior to interorganizational eliminations is included in the following table. The financial statement amounts are reported net of eliminations of \$641,420 for both assets and liabilities as of June 30, 2010. The financial statement amounts are also reported net of eliminations of \$2,987,473 for both revenues and expenses for FY 2009-10.

	<u>June 30, 2010</u>
Cash and Investments	\$2,566,629
Receivables and Other Current Assets	117,266
Capital Assets	<u>0</u>
Total Assets	2,683,895
Payables and Other Current Liabilities	<u>(994,603)</u>
Net Assets	<u>\$1,689,292</u>
	 Fiscal Year Ended <u>June 30, 2010</u>
Contributed Support and Revenue	<u>\$4,384,683</u>
Expenses:	
Programming and production	1,061,800
Program information	82,626
Management and general	35,747
Fund-raising	<u>1,123,449</u>
Total Expenses	<u>2,303,622</u>
Change in Net Assets before	
Contractual Support to WHA TV	<u>\$2,081,061</u>

The Friends of Wisconsin Public Television, Inc., issues separate financial statements, which are audited by other auditors. A summary of significant Friends of Wisconsin Public Television, Inc., financial data as

of and for period ended June 30, 2010 follows. Copies of the Friends of Wisconsin Public Television's separately issued financial statements may be obtained by contacting:

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

	<u>June 30, 2010</u>
Cash and Investments	\$2,684,869
Receivables and Other Current Assets	223,369
Capital Assets	<u>0</u>
Total Assets	2,908,238
Payables and Other Current Liabilities	<u>(1,259,085)</u>
Net Assets	<u>\$1,649,153</u>
	Fiscal Year Ended
	<u>June 30, 2010</u>
Contributed Support and Revenue	<u>\$7,371,871</u>
Expenses:	
Programming and production	1,061,800
Program information	165,251
Management and general	71,493
Fund-raising	2,223,166
Contract Support to WHA and ECB	<u>3,726,598</u>
Total Expenses	<u>7,248,308</u>
Change in Net Assets	<u>\$ 123,563</u>

### C. The University of Wisconsin Foundation

The Foundation is the official not-for-profit fund-raising corporation for the University of Wisconsin-Madison and several other units of the University of Wisconsin System, including the University of Wisconsin-Extension. It receives gifts and bequests, administers and invests securities and property, and disburses payments to and on behalf of the University of Wisconsin. The market value of endowments and accumulated interest held by the Foundation for WHA Television was \$310,884 as of June 30, 2010, and \$302,848 as of June 30, 2009. The accumulated interest is available to be transferred to the University of Wisconsin-Extension and spent by WHA Television. Accumulated interest totaled \$17,075 as of June 30, 2010, and \$18,045 as of June 30, 2009. WHA Television transferred \$17,146 from the Foundation in FY 2009-10, and \$16,939 in FY 2008-09. Only actual transfers from the Foundation are reflected in WHA Television's financial statements.

**12. RESTATEMENT OF FY 2008-09 FINANCIAL STATEMENTS**

The FY 2008-09 financial statements have been restated to correct errors in the amount shown as due to the University of Wisconsin and in the amount of donated facilities and administrative support from the University of Wisconsin System. The first correction increased amounts due to the University of Wisconsin System as of June 30, 2009, by \$84,559, decreased the beginning net assets balance by \$83,114, and decreased the ending net assets balance by \$84,559. In addition, FY 2008-09 Telecasting, Production, and Other Income was reduced by \$1,445 as a result of this correction. The second correction decreased donated facilities and administrative support from the University of Wisconsin System and reduced management and general expense by \$142,749. This correction had no effect on the beginning and ending net assets balance.

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# Report on Internal Control and Compliance ■

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

We have audited the financial statements of WHA Television as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated January 19, 2011. Our report includes a reference to other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Friends of Wisconsin Public Television, Inc., and the Friends of WHA-TV, Inc., as described in our opinion on WHA Television. While the financial statements of the Friends of Wisconsin Public Television, Inc., and the Friends of WHA-TV, Inc., were audited in accordance with auditing standards generally accepted in the United States of America, they were not audited in accordance with *Government Auditing Standards*.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audits, we considered WHA Television's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of WHA Television's internal control. Accordingly, we do not express an opinion on the effectiveness of WHA Television's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of WHA Television's financial statements will not be prevented or will not be detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined in the preceding paragraph.

### COMPLIANCE AND OTHER MATTERS

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

This independent auditor's report is intended for the information and use of the University of Wisconsin-Extension, the University of Wisconsin System's Board of Regents, the Wisconsin Legislature, and the Corporation for Public Broadcasting. This report is a matter of public record and its distribution is not limited. However, because we do not express an opinion on the effectiveness of WHA Television's internal control or on compliance, this report is not intended to be used by anyone other than these specified parties.

January 19, 2011

by

LEGISLATIVE AUDIT BUREAU



Diann Allsen  
Audit Director