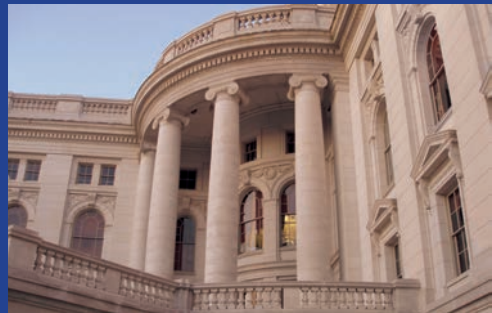


**Report 14-2
January 2014**

WHA Radio

STATE OF WISCONSIN



Legislative Audit Bureau ■

WHA Radio

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STATE OF WISCONSIN
Legislative Audit Bureau

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Joe Chrisman
State Auditor

January 31, 2014

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

Dear Senator Cowles and Representative Kerkman:

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

WHA Radio is licensed to the University of Wisconsin System's Board of Regents and is operated by the University of Wisconsin-Extension. WHA Radio earned \$11.9 million in revenues during fiscal year 2012-13, including state support, member contributions, funding from the Corporation for Public Broadcasting, and various other grants.

Our audit report contains WHA Radio's financial statements and related notes as of and for the years ended June 30, 2013, and June 30, 2012. We provide an unmodified audit opinion on WHA Radio's financial statements.

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

Respectfully submitted,

Joe Chrisman
State Auditor

JC/CS/ss

Audit Opinion ■



STATE OF WISCONSIN
Legislative Audit Bureau

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Joe Chrisman
State Auditor

Independent Auditor's Report on the Financial Statements and Other Reporting Required by *Government Auditing Standards*

Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee

Members of the Board of Regents
University of Wisconsin System

Mr. Malcolm Brett, Director
Broadcasting and Media Innovations Division
University of Wisconsin-Extension

Report on the Financial Statements

We have audited the accompanying financial statements and the related notes of WHA Radio as of and for the years ended June 30, 2013, and June 30, 2012, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management of WHA Radio is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Wisconsin Public Radio Association, Inc., which represents 13.9 percent and 14.7 percent of the total assets as of June 30, 2013, and June 30, 2012, respectively, and 17.3 percent and 15.2 percent of the total revenues as of June 30, 2013, and June 30, 2012, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Wisconsin Public Radio Association, Inc., is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in

Government Auditing Standards, which is 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 from material misstatement. The financial statements of the Wisconsin Public Radio Association, Inc., were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on these financial statements.

Opinion

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of WHA Radio as of June 30, 2013, and June 30, 2012, and the respective changes in its financial position and its cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphases of Matter

As discussed in Note 1A to the financial statements, the financial statements referred to in the first paragraph present only WHA Radio and do not purport to, and do not, present fairly the financial position of the State of Wisconsin or the University of Wisconsin System as of June 30, 2013, and June 30, 2012, and the changes in their financial position, or where applicable, their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1C to the financial statements, WHA Radio implemented Governmental Accounting Standards Board Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which made presentation changes to the WHA Radio financial statements. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements of WHA Radio. The supplementary information included as Management's Discussion and Analysis on pages 9 through 12 is presented for purposes of additional analysis and is not a

required part of the financial statements. We have applied certain limited procedures to the information that included inquiries of management about the methods of preparing the information. We further compared the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. However, we do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to do so.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 22, 2014, on our consideration of WHA Radio's internal control over financial reporting; our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WHA Radio's internal control over financial reporting and compliance.

LEGISLATIVE AUDIT BUREAU



Joe Chrisman
State Auditor

January 22, 2014

Management's Discussion and Analysis ■

Prepared by WHA Radio Management

This section of the WHA Radio annual financial report presents Management's Discussion and Analysis of the financial performance of WHA Radio during the fiscal years ended June 30, 2013, and June 30, 2012. This discussion should be read in conjunction with the accompanying financial statements and notes. The financial statements, notes, and this discussion are the responsibility of WHA Radio management.

Using the Annual Financial Statements

WHA Radio is licensed to the University of Wisconsin System's Board of Regents and is managed by the University of Wisconsin-Extension. WHA Radio prepares its financial statements in accordance with Governmental Accounting Standards Board (GASB) statements. The financial statements also include WHA Radio's allocated share of the accounts of the Wisconsin Public Radio Association, Inc. (WPRA), a not-for-profit corporation that solicits funds for WHA Radio and the Wisconsin Educational Communications Board (ECB).

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 position. Restricted net position reflects unspent balances of purpose-restricted grants, contracts, and contributions. Over time, increases or decreases in net position are indicators of changes in WHA Radio's financial health.

The Statement of Revenues, Expenses, and Changes in Fund Net Position presents the revenues earned and expenses incurred during the year on an accrual basis. Activities are reported as either operating or nonoperating. WHA Radio's dependence on state general appropriations and donated facilities and administrative support from the University of Wisconsin System will result in operating deficits because the financial reporting model classifies state general appropriations and donated services as nonoperating revenues. The use of capital assets is reflected in the financial statements as depreciation expense and amortization expense, both of which amortize the cost of an asset over its expected useful life. Depreciation expense and amortization expense are included in the various functional expense categories.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing, and investing activities and helps to measure the ability to meet financial obligations as they mature.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Noteworthy Financial Activity

Condensed financial information relating to WHA Radio as of and for the fiscal years ended June 30, 2013, June 30, 2012, and June 30, 2011, is shown in Table A.

Total assets were stable in fiscal year (FY) 2012-13, and total liabilities decreased 30 percent, resulting in a 6 percent increase in net position. These changes compare to a total asset increase of 2 percent in FY 2011-12, when total liabilities decreased 5 percent, resulting in a 4 percent increase in net position. Net position has increased for 16 consecutive years. The net position invested in capital assets decreased \$10,000, or 1 percent, in FY 2012-13 following a decrease of \$27,000, or 3 percent, in FY 2011-12.

Current liabilities decreased 45 percent in FY 2012-13 after decreasing 11 percent in FY 2011-12. A liability due to the University of Wisconsin System accounts for more than 70 percent of current liabilities in both fiscal years. The liability is the result of spending university funds in anticipation of reimbursement under grants and contracts and typically fluctuates from year to year. Noncurrent liabilities, which are payables for compensated absences, increased \$13,000 and totaled \$469,000 as of June 30, 2013. In FY 2011-12, noncurrent liabilities increased \$44,000. The compensated absences liability tends to increase when there is relatively low staff turnover and staff accumulate leave time for use at a later date, and to decrease when there is relatively high staff turnover.

Table A

WHA Radio Condensed Financial Information
(in thousands)

	June 30, 2013	Change from Previous Year	June 30, 2012	Change from Previous Year	June 30, 2011
Capital Assets	\$ 720	(1)%	\$ 730	(3)%	\$ 757
Other Assets	7,620	0	7,649	3	7,457
Total Assets	<u>8,340</u>	0	<u>8,379</u>	2	<u>8,214</u>
Current Liabilities	538	(45)	980	(11)	1,100
Noncurrent Liabilities	469	3	456	11	412
Total Liabilities	<u>1,007</u>	(30)	<u>1,436</u>	(5)	<u>1,512</u>
Net Investment in Capital Assets	720	(1)	730	(3)	757
Restricted—Nonexpendable	38	0	38	0	38
Restricted—Expendable	178	8	165	1	164
Unrestricted	6,397	6	6,010	5	5,743
Total Net Position	<u>\$7,333</u>	6	<u>\$6,943</u>	4	<u>\$6,702</u>

	FY 2012-13	Change from Previous Year	FY 2011-12	Change from Previous Year	FY 2010-11
Operating Revenues	\$ 8,131	5%	\$7,759	4%	\$ 7,445
Operating Expenses	11,475	6	10,827	3	10,494
Net Operating Loss	(3,344)	9	(3,068)	1	(3,049)
Nonoperating Revenues	3,734	13	3,309	(12)	3,780
Change in Net Position	<u>\$ 390</u>	62	<u>\$ 241</u>	(67)	<u>\$ 731</u>

Operating revenues increased \$372,000 and totaled \$8,131,000 in FY 2012-13, after a \$314,000 increase in FY 2011-12. Grants and contracts are the single largest source of operating revenues and totaled \$4,433,000 in FY 2012-13 and \$4,183,000 in FY 2011-12. ECB was the source of \$4,115,000 in grants and contracts revenue in FY 2012-13, compared to \$3,803,000 in FY 2011-12. ECB and WHA Radio share WPRA revenue (see Note 10B; ECB's share is 76 percent and WHA Radio's share is 24 percent). Since FY 2001-02, WPRA revenue has increased more than \$2,886,000. WPRA revenue increased \$498,000 in FY 2012-13 and \$243,000 in FY 2011-12. WPRA contractual support to the licensees increased by \$150,000 in FY 2012-13 and \$385,000 in FY 2011-12.

Total operating expenses increased by \$648,000 in FY 2012-13 after increasing by \$333,000 in FY 2011-12. The FY 2012-13 increase was due to a general increase in WHA Radio staffing costs, including a \$227,000 increase in underwriting and a \$208,000 increase in management and general. The FY 2011-12 increase also related primarily to staffing costs, including a \$208,000 increase in programming and production and a \$78,000 increase in fundraising and membership development.

Nonoperating revenues consist of investment income, State of Wisconsin general appropriations, and donated support from the University of Wisconsin System. Nonoperating revenues increased by 13 percent and totaled \$3,734,000 in FY 2012-13. In FY 2011-12, nonoperating revenues decreased 12 percent. The increase in FY 2012-13 nonoperating revenues relates to increases in investment income, donated facilities and administrative support, and State of Wisconsin general appropriations. The decrease in FY 2011-12 nonoperating revenues was largely associated with reductions in investment income and in State of Wisconsin general appropriations. Investment income increased 327 percent in FY 2012-13 to \$299,000, following a decrease of 82 percent in FY 2011-12. State of Wisconsin general appropriation revenue increased 7 percent in FY 2012-13 to \$1,984,000, following a decrease of 9 percent in FY 2011-12. Donated support from the University of Wisconsin System increased 5 percent in FY 2012-13 to \$1,451,000, following a 2 percent increase in FY 2011-12. WHA Radio uses the University of Wisconsin-Extension's federally negotiated Other Sponsored Activities facilities and administrative support rate as the basis for estimating revenues and expenses provided by the licensee, the University of Wisconsin System.

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

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

■ ■ ■ ■

Financial Statements ■

Balance Sheet

June 30, 2013, and June 30, 2012

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 2)	\$ 1,451,969	\$ 1,887,611
Investments (Note 2)	3,407,220	3,144,519
Contributions Receivable, Net	28,783	78,425
Accounts and Interest Receivable, Net	135,071	199,941
Accounts Receivable—ECB (Note 10A)	1,121,127	1,068,584
Prepaid Expenses	7,363	7,494
Inventory	1,541	1,902
Total Current Assets	<u>6,153,074</u>	<u>6,388,476</u>
Noncurrent Assets:		
Investments (Note 2)	1,467,272	1,260,598
Capital Assets, Net of Accumulated Depreciation (Notes 3 and 4)	593,369	688,255
Work-in-Process (Note 3)	126,544	42,170
Total Noncurrent Assets	<u>2,187,185</u>	<u>1,991,023</u>
TOTAL ASSETS	<u>\$ 8,340,259</u>	<u>\$ 8,379,499</u>
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 131,821	\$ 171,948
Accounts Payable—ECB (Note 10A)	5,511	4,581
Due to the University of Wisconsin System (Note 1H)	401,199	803,684
Total Current Liabilities	<u>538,531</u>	<u>980,213</u>
Noncurrent Liabilities:		
Compensated Absences Payable (Note 5)	468,908	456,065
Total Noncurrent Liabilities	<u>468,908</u>	<u>456,065</u>
Total Liabilities	<u>1,007,439</u>	<u>1,436,278</u>
Net Position:		
Net Investment in Capital Assets	719,913	730,425
Restricted (Note 1K):		
Nonexpendable—Endowments	38,491	38,491
Expendable—Grantee and Donor Restrictions	177,439	164,970
Unrestricted	6,396,977	6,009,335
Total Net Position	<u>7,332,820</u>	<u>6,943,221</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 8,340,259</u>	<u>\$ 8,379,499</u>

The accompanying notes are an integral part of this statement.

**Statement of Revenues, Expenses, and Changes in Fund Net Position
for the Years Ended June 30, 2013, and June 30, 2012**

	<u>FY 2012-13</u>	<u>FY 2011-12</u>
OPERATING REVENUES		
Grants and Contracts	\$ 4,432,733	\$ 4,182,649
Community Service Grant—CPB	531,878	574,298
Underwriting	1,002,722	773,218
Telecasting, Production, and Other Income	107,159	143,878
Membership Income	1,354,444	1,381,680
Major Gifts	668,835	661,282
Contributed In-Kind Support	33,572	41,868
Total Operating Revenues	<u>8,131,343</u>	<u>7,758,873</u>
OPERATING EXPENSES		
Program Services:		
Programming and Production	6,483,431	6,392,103
Broadcasting	420,122	405,156
Program Information	416,604	364,387
Total Program Services	<u>7,320,157</u>	<u>7,161,646</u>
Support Services:		
Management and General	2,376,753	2,168,878
Fundraising and Membership Development	1,001,890	946,121
Underwriting	776,809	550,294
Total Support Services	<u>4,155,452</u>	<u>3,665,293</u>
Total Operating Expenses	<u>11,475,609</u>	<u>10,826,939</u>
OPERATING LOSS	<u>(3,344,266)</u>	<u>(3,068,066)</u>
NONOPERATING REVENUES		
State General Appropriations	1,983,754	1,861,846
Donated Facilities and Administrative Support from the University of Wisconsin System (Note 6)	1,451,063	1,377,239
Investment Income	299,048	70,024
Total Nonoperating Revenues	<u>3,733,865</u>	<u>3,309,109</u>
CHANGE IN NET POSITION	389,599	241,043
Total Net Position—Beginning of the Year	<u>6,943,221</u>	<u>6,702,178</u>
Total Net Position—End of the Year	<u>\$ 7,332,820</u>	<u>\$ 6,943,221</u>

The accompanying notes are an integral part of this statement.

Statement of Cash Flows for the Years Ended June 30, 2013, and June 30, 2012

	<u>FY 2012-13</u>	<u>FY 2011-12</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Grants and Contracts	\$ 4,463,994	\$ 3,970,769
Receipts from Community Service Grant—CPB	531,878	574,298
Receipts from Contributed Support	3,043,370	2,911,234
Receipts from Sales and Services	119,933	127,760
Payments to Suppliers	(2,769,650)	(2,332,980)
Payments to Employees	<u>(7,544,532)</u>	<u>(6,993,543)</u>
Net Cash Used by Operating Activities	<u>(2,155,007)</u>	<u>(1,742,462)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from State Government	<u>1,983,754</u>	<u>1,861,846</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,983,754</u>	<u>1,861,846</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	<u>(94,988)</u>	<u>(86,786)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(94,988)</u>	<u>(86,786)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (Purchases) and Sales of Investments	(291,207)	(792,228)
Interest and Dividends Received	<u>121,806</u>	<u>112,084</u>
Net Cash Used by Investing Activities	<u>(169,401)</u>	<u>(680,144)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(435,642)	(647,546)
Balances—Beginning of the Year	<u>1,887,611</u>	<u>2,535,157</u>
Balances—End of the Year	<u>\$ 1,451,969</u>	<u>\$ 1,887,611</u>

The accompanying notes are an integral part of this statement.



	<u>FY 2012-13</u>	<u>FY 2011-12</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating Loss	\$ (3,344,266)	\$ (3,068,066)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:		
Depreciation and Amortization Expenses	105,501	113,218
Donated Facilities and Administrative Support from the University of Wisconsin System Expense	1,451,063	1,377,239
Change in Assets and Liabilities:		
Receivables, Net	61,041	(133,827)
Prepaid Expenses	131	43,772
Inventory	361	885
Accounts and Other Payables	(26,353)	66,438
Due to the University of Wisconsin System	(402,485)	(142,121)
Net Cash Used by Operating Activities	<u><u>\$ (2,155,007)</u></u>	<u><u>\$ (1,742,462)</u></u>

Noncash Activities:

The fair value of investments increased \$164,405 in FY 2012-13 and decreased \$47,128 in FY 2011-12.

Donated facilities and administrative support from the University of Wisconsin System totaled \$1,451,063 in FY 2012-13 and \$1,377,239 in FY 2011-12.

Notes to the Financial Statements ■

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

WHA Radio is a public telecommunications entity operated by the University of Wisconsin-Extension, and is part of the University of Wisconsin System. WHA Radio consists of eight FM stations and one AM station that are licensed to the University of Wisconsin System's Board of Regents. WHA Radio's financial statements include its allocated share of the assets, liabilities, revenues, and expenses of the Wisconsin Public Radio Association, Inc. (WPRA), a not-for-profit corporation that collects funds for Wisconsin Public Radio and provides support to WHA Radio and the Wisconsin Educational Communications Board (ECB) radio networks. All significant interorganizational accounts and transactions have been eliminated. See Note 10B for further information regarding WPRA.

B. Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). 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, gifts, 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 Radio is entitled to the funds. Pledged WPRA contributions that are expected to be collected within one year are recorded as revenue at the net realizable value. There are no pledges due in more than one year. Individual gifts equal to or greater than \$1,000 are reported as major gifts. Noncash contributions are recognized as revenues in the period of receipt.

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

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

C. New Accounting Pronouncement

In June 2011, GASB issued Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources as required elements of the financial statements. The implementation of this statement did not impact the financial position of WHA Radio. However, the adoption of this statement resulted in presentation changes to replace Net Assets with Net Position on the financial statements.

D. 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.

E. 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 Radio's allocated share of WPRA's cash deposits.

F. Valuation of Investments

Investments of WHA Radio are carried at fair value based on quoted market prices. University of Wisconsin Trust Fund shares and State Investment Fund shares are valued at fair value.

G. Capital Assets

Items classified as capital assets are recorded at cost or, for donated property, at the estimated fair value at date of receipt. A capital asset is defined as any single asset that has an acquisition cost of \$5,000 or more and a useful life of more than one year, whether purchased outright or acquired through a capital lease or donation. Capital assets also include internally generated software and certain constructed or fabricated items and certain component parts.

Depreciation and amortization are 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.

H. Due to the University of Wisconsin System

All cash received by WHA Radio from grants and contracts is deposited with the University of Wisconsin System. Expenses related to certain WHA Radio grants and contracts may be paid 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.

I. 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. There was no unearned revenue in FY 2012-13 or FY 2011-12.

J. 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 (WRS) is also accrued with a resulting liability.

K. Restricted Net Position

Restricted net position is reported when constraints placed on net position are externally imposed, such as by donors or grantors. WHA Radio's restricted net position includes purpose restrictions placed by donors on contributed support or gifts. Restricted nonexpendable net position is restricted by donors to be maintained in perpetuity.

2. DEPOSITS AND INVESTMENTS

WHA Radio'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 State Investment Fund is managed by the State of Wisconsin Investment Board with oversight by its Board of Trustees and is not registered with the U.S. 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.

WHA Radio's investment balances are deposited with the University of Wisconsin System and invested in two different pools of University of Wisconsin funds: the UW Intermediate Term Fund 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 U.S. 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, 70 percent fixed-income, 10 percent alternatives, and 5 percent cash. The asset allocation policy for the Long Term Fund sets a target of 35 percent marketable equities, 30 percent fixed-income, and 35 percent alternatives. Additional information on the two funds is available in the University of

Wisconsin System’s Annual Financial Report. That report is publicly available at www.uwsa.edu or may be obtained by contacting:

UW System Financial Administration
 780 Regent Street, Suite 255
 Madison, Wisconsin 53715

WPRA’s cash and investment activities are managed separately from the cash and investment activities of the State Investment Fund and the University of Wisconsin funds. WPRA cash balances are held in a checking account, and current investments consist of money market funds. WPRA investments are managed by asset management or private trust companies and 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. WPRA does not have a deposit policy for custodial credit risk. Deposits maintained by WPRA are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 at each depository institution. As of June 30, 2013, \$117,971 of WHA Radio’s share of WPRA’s deposits was uninsured and uncollateralized. As of June 30, 2012, the uninsured and uncollateralized balance was \$148,877.

B. Investments

Investment balances for WHA Radio and for its share of the WPRA’s investment balances as of June 30, 2013, and June 30, 2012, were as follows:

<u>Investment</u>	<u>June 30, 2013 Fair Value</u>	<u>June 30, 2012 Fair Value</u>
Money Market Funds Awaiting Investment	\$ 5,354	\$ 15,434
Fixed-Income Funds	223,848	169,828
Equity Mutual Funds	336,347	242,560
UW Intermediate Term Fund	3,407,220	3,129,084
UW Long Term Fund	<u>901,723</u>	<u>848,211</u>
Total Investments on the Balance Sheet	<u>\$4,874,492</u>	<u>\$4,405,117</u>

WHA Radio’s shares in the State Investment Fund were \$895,979 as of June 30, 2013, and \$1,328,182 as of June 30, 2012, and are reported as Cash and Cash Equivalents on the Balance Sheet, but are subject to the investment risk note disclosures.

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. WPRA's investment guidelines require an average of at least an Aa by Moody's or at least an AA by Standard and Poor's. As of June 30, 2013, and June 30, 2012, the UW Intermediate Term and Long Term funds, WPRA's fixed-income funds listed in the preceding table, and the State Investment Fund were all unrated due to the pooled nature of the funds.

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. WPRA investment guidelines require that the fixed-income investments contain a duration within 20 percent of the effective duration of the benchmark index under normal conditions. As of June 30, 2013, and June 30, 2012, the fixed-income investments of WPRA had the following modified durations:

<u>Investment</u>	June 30, 2013 <u>Fair Value</u>	Modified Duration (in years)
PIMCO Total Return Fund	\$ 85,105	5.8
Metropolitan West Total Return Bond Fund	88,386	4.6
American Centennial Diversified Bond Fund	<u>50,357</u>	5.4
Total Fixed-Income Investments	<u>\$223,848</u>	

<u>Investment</u>	June 30, 2012 <u>Fair Value</u>	Modified Duration (in years)
PIMCO Total Return Fund	\$ 63,374	4.8
Metropolitan West Total Return Bond Fund	64,173	4.1
American Centennial Diversified Bond Fund	<u>42,281</u>	5.0
Total Fixed-Income Investments	<u>\$169,828</u>	

The State Investment Fund investment guidelines mandate that the weighted average maturity for the entire portfolio not exceed one year. The weighted average maturity of the State Investment Fund was 34 days as of June 30, 2013, and 75 days as of June 30, 2012.

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 the foreign currency exposure is not hedged, as this enhances the diversification benefits from non-U.S. investments. WPRA's investment guidelines indicate that international equity investments held by WPRA will not constitute more than 20 percent of the equity portion of the investment portfolio. As of June 30, 2013,

WHA Radio was exposed to foreign currency risk through international investments in the UW Long Term and Intermediate Term funds. In addition, WPRA held investments that were exposed to foreign currency risk totaling \$72,042 as of June 30, 2013, and \$47,420 as of June 30, 2012.

3. CAPITAL ASSETS

The change in book value from July 1, 2012, to June 30, 2013, is summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets:				
Equipment	\$1,647,278	\$ 10,615	\$(9,086)	\$1,648,807
Intangible Assets	52,431	0	0	52,431
Work-in-Process	<u>42,170</u>	<u>84,374</u>	<u>0</u>	<u>126,544</u>
Total	<u>1,741,879</u>	<u>94,989</u>	<u>(9,086)</u>	<u>1,827,782</u>
Less Accumulated Depreciation (or Amortization):				
Equipment	(999,962)	(95,015)	9,086	(1,085,891)
Intangible Assets	<u>(11,492)</u>	<u>(10,486)</u>	<u>0</u>	<u>(21,978)</u>
Total	<u>(1,011,454)</u>	<u>(105,501)</u>	<u>9,086</u>	<u>(1,107,869)</u>
Total Capital Assets, Net:				
Equipment	647,316	(84,400)	0	562,916
Intangible Assets	40,939	(10,486)	0	30,453
Work-in-Process	<u>42,170</u>	<u>84,374</u>	<u>0</u>	<u>126,544</u>
Total Capital Assets, Net	<u>\$ 730,425</u>	<u>\$ (10,512)</u>	<u>\$ 0</u>	<u>\$ 719,913</u>

Depreciation and amortization expenses were charged to functions as follows:

Programming and Production	\$ 47,174
Broadcasting	<u>58,327</u>
Total Expenses	<u>\$105,501</u>

The change in book value from July 1, 2011, to June 30, 2012, is summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets:				
Equipment	\$1,606,902	\$ 40,376	\$ 0	\$1,647,278
Intangible Assets	5,029	47,402	0	52,431
Work-in-Process	<u>43,163</u>	<u>42,170</u>	<u>(43,163)</u>	<u>42,170</u>
Total	<u>1,655,094</u>	<u>129,948</u>	<u>(43,163)</u>	<u>1,741,879</u>
Less Accumulated Depreciation (or Amortization):				
Equipment	(897,230)	(102,732)	0	(999,962)
Intangible Assets	<u>(1,006)</u>	<u>(10,486)</u>	<u>0</u>	<u>(11,492)</u>
Total	<u>(898,236)</u>	<u>(113,218)</u>	<u>0</u>	<u>(1,011,454)</u>
Total Capital Assets, Net:				
Equipment	709,672	(62,356)	0	647,316
Intangible Assets	4,023	36,916	0	40,939
Work-in-Process	<u>43,163</u>	<u>42,170</u>	<u>(43,163)</u>	<u>42,170</u>
Total Capital Assets, Net	<u>\$ 756,858</u>	<u>\$ 16,730</u>	<u>\$(43,163)</u>	<u>\$ 730,425</u>

Depreciation and amortization expenses were charged to functions as follows:

Programming and Production	\$ 49,944
Broadcasting	62,785
Fundraising	<u>489</u>
Total Expenses	<u>\$113,218</u>

Work-in-process is related to Wisconsin Public Radio website software.

4. CAPITAL ASSET LIEN

Federal grant funds received from the National Telecommunications and Information Administration (NTIA) to purchase equipment contain a priority lien. The lien extends for a period of ten years from the date of award completion, during which time the federal government retains priority reversionary interest in the equipment. WHA Radio was awarded four NTIA capital equipment grants from FY 2001-02 through FY 2010-11. The depreciated value of equipment subject to a priority lien was \$213,067 as of June 30, 2013, and \$235,473 as of June 30, 2012.

5. NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Compensated Absences	\$456,065	\$33,903	\$(21,060)	\$468,908

Noncurrent liability activity for the year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Compensated Absences	\$412,448	\$71,788	\$(28,171)	\$456,065

In addition, another \$32,260 as of June 30, 2013, and \$31,847 as of June 30, 2012, was due within one year and included in Accounts Payable and Accrued Expenses 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 \$201,388 and occupancy costs of \$41,345 for FY 2012-13, and operating costs of \$191,143 and occupancy costs of \$39,241 for FY 2011-12. Such contributions are recorded at the University of Wisconsin System’s cost of providing them. Administrative support from the University of Wisconsin System consists of allocated financial and administrative costs and certain other expenses incurred by the University of Wisconsin System on behalf of WHA Radio. Administrative support totaled \$1,208,330 in FY 2012-13, and \$1,146,855 in FY 2011-12.

7. EMPLOYEE RETIREMENT PLAN

Permanent and qualifying limited-term employees of WHA Radio are participants in the WRS, 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 WRS 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 or 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 WRS. 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.

Required employee and employer contributions, which are equal to specified percentages of qualified earnings based on the employee's classification, are determined annually. Through FY 2010-11, WHA Radio provided the employer share and a portion of the employee share of contributions. Beginning in FY 2011-12, WHA Radio's contribution was limited to the employer share. WHA Radio's contribution to the plan, including employer and employee contributions, was \$717,761 in FY 2012-13 and \$617,967 in FY 2011-12. The relative position of WHA Radio in the WRS is not available because the WRS is a statewide, multiple-employer plan.

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In accordance with the provisions of GASB Statement Number 45, state and local governmental employers are required to display in financial reports other postemployment benefits (OPEB) expenses and related liabilities; note disclosures; and if applicable, required supplementary information. The employees of WHA Radio are employees of the State of Wisconsin. The financial statements of WHA Radio 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 Fund Net Position.

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. 15.165(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 \$445.8 million as of June 30, 2013, and \$406.5 million as of June 30, 2012. The estimated portion of this obligation related to WHA Radio employees was \$0.5 million as of June 30, 2013, and \$0.5 million as of June 30, 2012. This obligation is included in the State of Wisconsin's financial statements but is not included in WHA Radio's financial statements.

The State's financial statements, additional note disclosures, and required supplementary information for this plan are included in the State's Comprehensive Annual Financial Report. That report is publicly available at 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 Radio 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 or may be obtained by contacting:

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

The State's Comprehensive Annual Financial Report also includes additional employer note disclosures for the plan.

9. CONTRIBUTED IN-KIND SUPPORT

Contributed in-kind support during FY 2012-13 includes donated general operating services of \$33,572. FY 2011-12 includes donated professional services of \$6,726 and general operational services of \$35,142. In-kind support is reported both as revenues and as expenses and, therefore, has no effect on net position.

10. RELATED ENTITIES

A. Wisconsin Educational Communications Board

ECB is an agency of the State of Wisconsin that operates three public radio networks—WERN-FM and its affiliated music network stations, WHAD-FM and its affiliated Ideas Network stations, and a network of 24-hour per day classical music HD radio stations. In order to achieve statewide services and economies of scale, in the mid-1980s ECB and the University of Wisconsin System’s Board of Regents developed partnerships called Wisconsin Public Radio and Wisconsin Public Television to manage and operate their licenses. The partnerships are maintained through an affiliation agreement outlining structural principles and functions, administrative staff allocations, stations (of both Wisconsin Public Radio and Wisconsin Public Television), and financial commitments of the partners. The directors of Wisconsin Public Radio and Wisconsin Public Television are jointly appointed by ECB and the University of Wisconsin System’s Board of Regents. Staff and resources from both agencies work together to provide administrative and program services. Amounts due to or from affiliated parties are separately disclosed on the Balance Sheet. The relationship pervades all aspects of the financial activities reported in the accompanying financial statements.

B. Wisconsin Public Radio Association, Inc.

WPRA is a publicly supported not-for-profit corporation whose purpose is to administer various fundraising and membership duties of Wisconsin Public Radio and to provide support to WHA Radio and ECB’s radio networks. WPRA solicits funds in the name of, and with the approval of, both WHA Radio and ECB. Under an affiliation agreement, WHA Radio and ECB staff, along with the WPRA Board of Directors, approve WPRA’s budget. WHA provides facilities as well as administrative and clerical services to WPRA. WHA Radio and ECB have access to WPRA’s net resources and retain an ongoing allocated interest in WPRA’s net position. WHA Radio’s and ECB’s allocated interests in WPRA are calculated in accordance with the affiliation agreement that currently provides WHA Radio with 24 percent of WPRA net resources and ECB with 76 percent. In addition, all net income from a quasi endowment held

by WPRA on behalf of WHA is allocated to WHA Radio. This agreement is renegotiated annually based upon membership proportion.

WHA Radio includes its allocated share of WPRA assets, liabilities, revenues, and expenses in its financial statements. The financial statement amounts are reported net of eliminations of \$26,104 for both assets and liabilities as of June 30, 2013, and \$459,685 as of June 30, 2012. The financial statement amounts are also reported net of eliminations of \$1,681,831 for both revenues and expenses for FY 2012-13, and \$1,571,379 for FY 2011-12. The following provides a summary of amounts for both WHA Radio and WHA Radio's allocated share of WPRA.

Condensed Balance Sheet

FY 2012-13	<u>WHA Radio</u>	<u>WPRA</u>	<u>Total</u>
Assets:			
Current Assets	\$5,558,212	\$ 594,862	\$6,153,074
Interfund			
Receivable/(Payable)	26,104	(26,104)	0
Capital Assets	719,913	0	719,913
Other Assets	<u>901,723</u>	<u>565,549</u>	<u>1,467,272</u>
Total Assets	<u>7,205,952</u>	<u>1,134,307</u>	<u>8,340,259</u>
Liabilities:			
Current Liabilities	528,017	10,514	538,531
Noncurrent Liabilities	<u>468,908</u>	<u>0</u>	<u>468,908</u>
Total Liabilities	<u>996,925</u>	<u>10,514</u>	<u>1,007,439</u>
Net Position:			
Net Investment in			
Capital Assets	719,913	0	719,913
Restricted:			
Nonexpendable	0	38,491	38,491
Expendable	167,588	9,851	177,439
Unrestricted	<u>5,321,526</u>	<u>1,075,451</u>	<u>6,396,977</u>
Total Net Position	<u>\$6,209,027</u>	<u>\$1,123,793</u>	<u>\$7,332,820</u>

Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position

FY 2012-13	<u>WHA Radio</u>	<u>WPRA</u>	<u>Total</u>
Operating Revenues:			
Grants and Contracts	\$4,432,733	\$ 0	\$4,432,733
Community Service Grant—CPB	531,878	0	531,878
Underwriting	1,002,722	0	1,002,722
Membership Income	0	1,354,444	1,354,444
Major Gifts	39,034	629,801	668,835
Other Income	<u>124,847</u>	<u>15,884</u>	<u>140,731</u>
Total Operating Revenues	<u>6,131,214</u>	<u>2,000,129</u>	<u>8,131,343</u>
Operating Expenses:			
Non-Depreciation Expenses	11,208,313	161,795	11,370,108
Depreciation Expense	<u>105,501</u>	<u>0</u>	<u>105,501</u>
Total Operating Expenses	<u>11,313,814</u>	<u>161,795</u>	<u>11,475,609</u>
Operating Income (Loss)	<u>(5,182,600)</u>	<u>1,838,334</u>	<u>(3,344,266)</u>
Nonoperating Revenues:			
State General Appropriations Donated Facilities and Administrative Support from the University of Wisconsin System	1,983,754	0	1,983,754
Investment Income	<u>252,052</u>	<u>46,996</u>	<u>299,048</u>
Total Nonoperating Revenues	<u>3,686,869</u>	<u>46,996</u>	<u>3,733,865</u>
Transfers	<u>1,681,831</u>	<u>(1,681,831)</u>	<u>0</u>
Change in Net Position	186,100	203,499	389,599
Beginning Net Position	<u>6,022,927</u>	<u>920,294</u>	<u>6,943,221</u>
Ending Net Position	<u>\$6,209,027</u>	<u>\$1,123,793</u>	<u>\$7,332,820</u>

Condensed Statement of Cash Flows

FY 2012-13	<u>WHA Radio</u>	<u>WPRA</u>	<u>Total</u>
Net Cash Provided (Used) by:			
Operating Activities	\$ (4,067,712)	\$ 1,912,705	\$ (2,155,007)
Noncapital Financing Activities Capital and Related Financing Activities	3,809,167	(1,825,413)	1,983,754
Investing Activities	(94,988)	0	(94,988)
	<u>(78,671)</u>	<u>(90,730)</u>	<u>(169,401)</u>
Net Decrease in Cash and Cash Equivalents	(432,204)	(3,438)	(435,642)
Beginning Cash and Cash Equivalents	<u>1,328,182</u>	<u>559,429</u>	<u>1,887,611</u>
Ending Cash and Cash Equivalents	<u>\$ 895,978</u>	<u>\$ 555,991</u>	<u>\$ 1,451,969</u>

Condensed Balance Sheet

FY 2011-12	<u>WHA Radio</u>	<u>WPRA</u>	<u>Total</u>
Assets:			
Current Assets	\$5,715,313	\$673,163	\$6,388,476
Interfund Receivable/(Payable)	314,685	(314,685)	0
Interfund Prepaid/(Deferred Support)	(145,000)	145,000	0
Capital Assets	730,425	0	730,425
Other Assets	<u>848,211</u>	<u>412,387</u>	<u>1,260,598</u>
Total Assets	<u>7,463,634</u>	<u>915,865</u>	<u>8,379,499</u>
Liabilities:			
Current Liabilities	984,642	(4,429)	980,213
Noncurrent Liabilities	<u>456,065</u>	<u>0</u>	<u>456,065</u>
Total Liabilities	<u>1,440,707</u>	<u>(4,429)</u>	<u>1,436,278</u>
Net Position:			
Net Investment in Capital Assets	730,425	0	730,425
Restricted:			
Nonexpendable	0	38,491	38,491
Expendable	148,586	16,384	164,970
Unrestricted	<u>5,143,916</u>	<u>865,419</u>	<u>6,009,335</u>
Total Net Position	<u>\$6,022,927</u>	<u>\$920,294</u>	<u>\$6,943,221</u>

Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position

FY 2011-12	<u>WHA Radio</u>	<u>WPRA</u>	<u>Total</u>
Operating Revenues:			
Grants and Contracts	\$4,182,649	\$ 0	\$4,182,649
Community Service Grant—CPB	574,298	0	574,298
Underwriting	773,218	0	773,218
Membership Income	0	1,381,680	1,381,680
Major Gifts	402,892	258,390	661,282
Other Income	<u>155,947</u>	<u>29,799</u>	<u>185,746</u>
Total Operating Revenues	<u>6,089,004</u>	<u>1,669,869</u>	<u>7,758,873</u>
Operating Expenses:			
Non-Depreciation Expenses	10,582,343	131,378	10,713,721
Depreciation Expense	<u>112,729</u>	<u>489</u>	<u>113,218</u>
Total Operating Expenses	<u>10,695,072</u>	<u>131,867</u>	<u>10,826,939</u>
Operating Income (Loss)	<u>(4,606,068)</u>	<u>1,538,002</u>	<u>(3,068,066)</u>
Nonoperating Revenues:			
State General Appropriations Donated Facilities and Administrative Support from the University of Wisconsin System	1,861,846	0	1,861,846
Investment Income	<u>61,204</u>	<u>8,820</u>	<u>70,024</u>
Total Nonoperating Revenues	<u>3,300,289</u>	<u>8,820</u>	<u>3,309,109</u>
Transfers	<u>1,571,379</u>	<u>(1,571,379)</u>	<u>0</u>
Change in Net Position	265,600	(24,557)	241,043
Beginning Net Position	<u>5,757,327</u>	<u>944,851</u>	<u>6,702,178</u>
Ending Net Position	<u>\$ 6,022,927</u>	<u>\$ 920,294</u>	<u>\$6,943,221</u>

Condensed Statement of Cash Flows

FY 2011-12	<u>WHA Radio</u>	<u>WPRA</u>	<u>Total</u>
Net Cash Provided (Used) by:			
Operating Activities	\$(3,240,147)	\$1,497,685	\$(1,742,462)
Noncapital Financing Activities Capital and Related Financing Activities	3,756,467	(1,894,621)	1,861,846
Investing Activities	<u>(86,786)</u>	0	<u>(86,786)</u>
Net Decrease in Cash and Cash Equivalents	<u>(681,516)</u>	<u>1,372</u>	<u>(680,144)</u>
Beginning Cash and Cash Equivalents	(251,982)	(395,564)	(647,546)
Ending Cash and Cash Equivalents	<u>1,580,164</u>	<u>954,993</u>	<u>2,535,157</u>
Ending Cash and Cash Equivalents	<u>\$ 1,328,182</u>	<u>\$ 559,429</u>	<u>\$ 1,887,611</u>

WPRA issues separate financial statements, which are audited by other auditors. Copies of WPRA's separately issued financial statements may be obtained by contacting:

Financial Manager
 Wisconsin Public Radio Association, Inc.
 821 University Avenue
 Madison, Wisconsin 53706

C. The University of Wisconsin Foundation

The University of Wisconsin Foundation is the official not-for-profit fundraising 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 System. The fair value of endowments and accumulated interest held by the Foundation for WHA Radio was \$771,078 as of June 30, 2013, and \$730,622 as of June 30, 2012. The accumulated interest is available to be transferred to the University of Wisconsin-Extension and spent by WHA Radio. Accumulated interest totaled \$164,870 as of June 30, 2013, and \$166,523 as of June 30, 2012. WHA Radio transferred \$27,000 from the Foundation in FY 2012-13 and \$61,125 in FY 2011-12. Only the actual transfers from the Foundation are reflected in WHA Radio's financial statements.

11. ALLOCATION OF WLSU-FM

WLSU-FM is qualified for Community Service Grant assistance from the Corporation for Public Broadcasting (CPB). Beginning in FY 2002-03, its affiliated Music Network stations, WUEC-FM and WVSS-FM, were also combined with WLSU-FM for purposes of applying for Community Service Grant assistance.

WLSU-FM and WHA Radio and their affiliates are licensed to the University of Wisconsin System's Board of Regents. Financial transactions for WLSU-FM and its affiliated stations are included as a part of WHA Radio's financial statements.

The portion of WHA Radio's Statement of Revenues, Expenses, and Changes in Fund Net Position attributable to WLSU-FM and its affiliated stations' revenues, direct expenses, and related allocable indirect expenses has been identified in the following tables for FY 2012-13 and FY 2011-12. The remaining revenues and expenses are attributable to WHA Radio and its affiliated Ideas Network stations and include any unallocated amounts of WLSU-FM.

Statement of Revenues, Expenses, and Changes in Fund Net Position

FY 2012-13	<u>WHA-AM and Affiliates</u>	<u>WLSU-FM and Affiliates</u>	<u>WHA Radio Total</u>
Operating Revenues:			
Grants and Contracts	\$4,432,733	\$ 0	\$4,432,733
Community Service Grant—CPB	395,729	136,149	531,878
Underwriting	931,589	71,133	1,002,722
Telecasting, Production, and Other Income	107,159	0	107,159
Membership Income	1,109,829	244,615	1,354,444
Major Gifts	668,835	0	668,835
Contributed In-Kind Support	<u>31,224</u>	<u>2,348</u>	<u>33,572</u>
Total Operating Revenues	<u>7,677,098</u>	<u>454,245</u>	<u>8,131,343</u>
Operating Expenses:			
Program Services:			
Programming and Production	6,012,766	470,665	6,483,431
Broadcasting	374,027	46,095	420,122
Program Information	<u>387,112</u>	<u>29,492</u>	<u>416,604</u>
Total Program Services	<u>6,773,905</u>	<u>546,252</u>	<u>7,320,157</u>
Support Services:			
Management and General	2,161,556	215,197	2,376,753
Fundraising and Membership Development	989,097	12,793	1,001,890
Underwriting	<u>663,848</u>	<u>112,961</u>	<u>776,809</u>
Total Support Services	<u>3,814,501</u>	<u>340,951</u>	<u>4,155,452</u>
Total Operating Expenses	<u>10,588,406</u>	<u>887,203</u>	<u>11,475,609</u>
Operating Loss	<u>(2,911,308)</u>	<u>(432,958)</u>	<u>(3,344,266)</u>
Nonoperating Revenues:			
State General Appropriations	1,722,503	261,251	1,983,754
Donated Facilities and Administrative Support from the University of Wisconsin System	1,326,213	124,850	1,451,063
Investment Income	<u>299,048</u>	<u>0</u>	<u>299,048</u>
Total Nonoperating Revenues	<u>3,347,764</u>	<u>386,101</u>	<u>3,733,865</u>
Change in Net Position	<u>\$ 436,456</u>	<u>\$ (46,857)</u>	<u>\$ 389,599</u>

Statement of Revenues, Expenses, and Changes in Fund Net Position

FY 2011-12	<u>WHA-AM and Affiliates</u>	<u>WLSU-FM and Affiliates</u>	<u>WHA Radio Total</u>
Operating Revenues:			
Grants and Contracts	\$4,182,649	\$ 0	\$4,182,649
Community Service Grant—CPB	404,276	170,022	574,298
Underwriting	740,850	32,368	773,218
Telecasting, Production, and Other Income	143,878	0	143,878
Membership Income	1,134,319	247,361	1,381,680
Major Gifts	661,282	0	661,282
Contributed In-Kind Support	<u>40,115</u>	<u>1,753</u>	<u>41,868</u>
Total Operating Revenues	<u>7,307,369</u>	<u>451,504</u>	<u>7,758,873</u>
Operating Expenses:			
Program Services:			
Programming and Production	5,951,686	440,417	6,392,103
Broadcasting	365,826	39,330	405,156
Program Information	<u>334,402</u>	<u>29,985</u>	<u>364,387</u>
Total Program Services	<u>6,651,914</u>	<u>509,732</u>	<u>7,161,646</u>
Support Services:			
Management and General	1,965,498	203,380	2,168,878
Fundraising and Membership Development	941,453	4,668	946,121
Underwriting	<u>466,158</u>	<u>84,136</u>	<u>550,294</u>
Total Support Services	<u>3,373,109</u>	<u>292,184</u>	<u>3,665,293</u>
Total Operating Expenses	<u>10,025,023</u>	<u>801,916</u>	<u>10,826,939</u>
Operating Loss	<u>(2,717,654)</u>	<u>(350,412)</u>	<u>(3,068,066)</u>
Nonoperating Revenues:			
State General Appropriations	1,608,123	253,723	1,861,846
Donated Facilities and Administrative Support from the University of Wisconsin System	1,267,579	109,660	1,377,239
Investment Income	<u>70,024</u>	<u>0</u>	<u>70,024</u>
Total Nonoperating Revenues	<u>2,945,726</u>	<u>363,383</u>	<u>3,309,109</u>
Change in Net Position	<u>\$ 228,072</u>	<u>\$ 12,971</u>	<u>\$ 241,043</u>

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Auditor's Report ■



STATE OF WISCONSIN

Legislative Audit Bureau

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Joe Chrisman
State Auditor

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee

Members of the Board of Regents
University of Wisconsin System

Mr. Malcolm Brett, Director
Broadcasting and Media Innovations Division
University of Wisconsin-Extension

We have audited the financial statements and the related notes of WHA Radio as of and for the years ended June 30, 2013, and June 30, 2012, and have issued our report thereon dated January 22, 2014. 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*, which is issued by the Comptroller General of the United States. Our report includes a reference to other auditors who audited the financial statements of the Wisconsin Public Radio Association, Inc., as described in our report on WHA Radio's financial statements. While the financial statements of the Wisconsin Public Radio Association, 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*. Accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Wisconsin Public Radio Association, Inc.

Internal Control over Financial Reporting

Management of WHA Radio is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audits of the financial statements, we considered WHA Radio's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of WHA Radio's internal control. Accordingly, we do not express an opinion on the effectiveness of WHA Radio'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 misstatements, or to detect and correct 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 Radio's financial statements will not be prevented, or that a material misstatement 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 material weaknesses. Given these limitations, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WHA Radio's financial statements are free from material misstatement, we performed tests of 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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of WHA Radio's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WHA Radio's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

LEGISLATIVE AUDIT BUREAU



Joe Chrisman
State Auditor

January 22, 2014