

Report 14-1
January 2014

WHA Television

STATE OF WISCONSIN



Legislative Audit Bureau ■

WHA Television

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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 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 \$14.8 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 Television'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 Television'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 ■



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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 Television 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 Television 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 Friends of Wisconsin Public Television, Inc., which represents 22.2 percent and 19.5 percent of the total assets as of June 30, 2013, and June 30, 2012, respectively, and 27.5 percent and 23.4 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 Friends of Wisconsin Public Television, 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 Friends of Wisconsin Public Television, 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 Television 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 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 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 Television 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 Television 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 Television. The supplementary information included as Management's Discussion and Analysis on pages 9 through 13 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 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* in considering WHA Television'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 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, 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 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 (GASB) statements. The financial statements also 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).

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 and endowments of purpose-restricted grants, contracts, and contributions. Over time, increases or decreases in net position are indicators of changes in WHA Television'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 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 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 Television as of and for the fiscal years ended June 30, 2013, June 30, 2012, and June 30, 2011, is shown in Table A.

Fiscal year (FY) 2012-13 activity reflects significant increases in investment income and decreases in grant and contract revenue and related expenses incurred by the National Center for Media Engagement (NCME), which is a program funded by the Corporation for Public Broadcasting (CPB) and managed by WHA Television. Telecasting, production, and other income also decreased significantly while several other revenue categories increased including Community Service Grant—CPB, major gifts, and state general appropriations.

Total assets increased 1 percent in FY 2012-13 after decreasing 4 percent in FY 2011-12. The increase in FY 2012-13 can be attributed to increases in cash and investment balances due to improved market conditions, while the decrease in FY 2011-12 can be attributed to decreases in the value of capital assets due to depreciation. Total liabilities decreased 22 percent in FY 2012-13 and 9 percent in FY 2011-12. Overall, these changes resulted in a 3 percent increase in net position in FY 2012-13 and a 4 percent decrease in net position in FY 2011-12. Unrestricted net position increased 10 percent in FY 2012-13 after increasing 3 percent in FY 2011-12. Unrestricted net position has increased for eight of the last ten fiscal years from FY 2003-04 through FY 2012-13.

Table A

WHA Television Condensed Financial Information
(in thousands)

	June 30, 2013	Change from Previous Year	June 30, 2012	Change from Previous Year	June 30, 2011 ¹
Capital Assets	\$ 3,320	(16)%	\$ 3,971	(17)%	\$ 4,812
Other Assets	13,678	6	12,922	1	12,856
Total Assets	<u>16,998</u>	1	<u>16,893</u>	(4)	<u>17,668</u>
Current Liabilities	581	(32)	851	(9)	932
Noncurrent Liabilities	519	(7)	556	(9)	610
Total Liabilities	<u>1,100</u>	(22)	<u>1,407</u>	(9)	<u>1,542</u>
Net Investment in Capital Assets	3,320	(16)	3,971	(17)	4,812
Restricted—Nonexpendable	1,160	0	1,160	0	1,160
Restricted—Expendable	1,082	10	983	(6)	1,045
Unrestricted	10,336	10	9,372	3	9,108
Total Net Position	<u>\$15,898</u>	3	<u>\$15,486</u>	(4)	<u>\$16,125</u>

	FY 2012-13	Change from Previous Year	FY 2011-12	Change from Previous Year	FY 2010-11
Operating Revenues	\$ 7,784	(14)%	\$ 9,008	(3)%	\$ 9,249
Operating Expenses	14,348	(9)	15,702	8	14,540
Net Operating Loss	<u>(6,564)</u>	(2)	<u>(6,694)</u>	27	<u>(5,291)</u>
Nonoperating Revenues	6,976	15	6,054	(19)	7,475
Capital Contributions	0	0	0	(100)	10
Change in Net Position	<u>\$ 412</u>	(164)	<u>\$ (640)</u>	(129)	<u>\$2,194</u>

¹ Certain FY 2010-11 amounts reflect prior-period restatements.

Capital assets decreased by \$651,000 in FY 2012-13 after decreasing by \$841,000 in FY 2011-12. Capital asset values tend to fluctuate due to annual depreciation and the timing of capital asset purchases. Capital asset purchases 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.

Purchases of assets and other expenses related to the remote production facility were \$910,000 in FY 2010-11 and \$2,184,000 in FY 2009-10.

Current liabilities decreased 32 percent to \$581,000 in FY 2012-13 after decreasing 9 percent in FY 2011-12. The changes in the current liabilities were largely related to the timing of typical operating activities.

Operating revenues decreased 14 percent in FY 2012-13 after decreasing 3 percent in FY 2011-12. A major component of operating income is grant and contract revenue, which decreased by \$1,117,000 in FY 2012-13 after increasing by \$590,000 in FY 2011-12. CPB grants other than the Community Service Grant are a major source of grant and contract revenue for WHA Television, providing \$1,573,000 in FY 2012-13 and \$2,594,000 in FY 2011-12. CPB funding received by the NCME decreased by \$978,000 in FY 2012-13 after increasing by \$1,287,000 in FY 2011-12.

Operating revenues were also affected by decreases in telecasting, production, and other income of \$416,000 in FY 2012-13 and \$462,000 in FY 2011-12, which were largely the result of decreased television production activity and the conclusion of the LZ Lambeau project in FY 2011-12. Major gifts increased by \$82,000 in FY 2012-13 after decreasing by \$143,000 in FY 2011-12.

Total operating expenses decreased by \$1,354,000 in FY 2012-13 after increasing by \$1,162,000 in FY 2011-12. The FY 2012-13 change relates largely to a reduction in program information activity. This includes NCME reductions of \$919,000 and other reductions of \$366,000. The other reductions related to staffing vacancies and to a reorganization of staff within WHA. The FY 2011-12 change related primarily to increases in FY 2011-12 NCME activity of \$1,287,000. NCME activity has tended to fluctuate as it has provided grant awards to other public broadcasting entities, creating a high degree of volatility with annual NCME revenues and expenses. In addition, NCME expenses declined during FY 2012-13 in anticipation of the conclusion of the underlying grant on June 30, 2013. Expenses relating to other operating expense categories did not vary significantly between fiscal years.

Operating expenses include \$1,521,000 in donated facilities and administrative support from the University of Wisconsin System, a \$27,000 increase compared to the prior year. Of the donated facilities and administrative support, \$1,251,000 is reported as management and general expense.

Nonoperating revenues consist of investment income, gain or loss on sale of assets, State of Wisconsin general appropriations, and donated support from the University of Wisconsin System. Nonoperating revenues increased 15 percent and were \$6,976,229 in FY 2012-13 after decreasing 19 percent in FY 2011-12. Investment income increased by \$659,000 in FY 2012-13 and decreased by \$1,002,000 in FY 2011-12. These changes reflect the volatility seen in investment markets over the last several years. State general appropriation income increased by \$149,000 in FY 2012-13 and decreased by \$280,000 in FY 2011-12. Donated facilities and administrative support income increased by \$27,000 in FY 2012-13 after decreasing by \$110,000 in FY 2011-12. WHA Television 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 television. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to:

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

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Financial Statements ■

Balance Sheet

June 30, 2013, and June 30, 2012

	June 30, 2013	June 30, 2012
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 2)	\$ 1,023,166	\$ 732,647
Investments (Note 2)	4,689,669	4,501,440
Grants and Contracts Receivable	73,665	20,503
Accounts and Interest Receivable, Net	270,097	318,410
Accounts Receivable—ECB (Note 9A)	103,611	115,514
Due from the University of Wisconsin System (Note 1H)	0	88,776
Prepaid Expenses	48,610	86,875
Total Current Assets	<u>6,208,818</u>	<u>5,864,165</u>
Noncurrent Assets:		
Investments (Note 2)	7,468,563	7,057,733
Equipment, Net of Accumulated Depreciation (Notes 3 and 4)	3,179,288	3,878,919
Intangible Assets, Net of Accumulated Amortization (Note 3)	140,941	63,114
Work-in-Process (Note 3)	0	28,758
Total Noncurrent Assets	<u>10,788,792</u>	<u>11,028,524</u>
TOTAL ASSETS	<u>\$ 16,997,610</u>	<u>\$ 16,892,689</u>
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 220,466	\$ 231,356
Accounts Payable—ECB (Note 9A)	162,522	325,895
Due to the University of Wisconsin System (Note 1H)	63,511	0
Unearned Revenue (Note 1I)	134,932	293,837
Total Current Liabilities	<u>581,431</u>	<u>851,088</u>
Noncurrent Liabilities:		
Compensated Absences Payable (Note 5)	518,458	555,943
Total Noncurrent Liabilities	<u>518,458</u>	<u>555,943</u>
Total Liabilities	<u>1,099,889</u>	<u>1,407,031</u>
Net Position:		
Net Investment in Capital Assets	3,320,229	3,970,791
Restricted (Note 1K):		
Nonexpendable—Endowments	1,160,378	1,160,378
Expendable:		
Endowments	610,502	574,534
Grantee and Donor Restrictions	470,869	407,918
Unrestricted	10,335,743	9,372,037
Total Net Position	<u>15,897,721</u>	<u>15,485,658</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 16,997,610</u>	<u>\$ 16,892,689</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 (Restated)**

	<u>FY 2012-13</u>	<u>FY 2011-12</u>
OPERATING REVENUES		
Grants and Contracts	\$ 1,609,612	\$ 2,726,371
Community Service Grant—CPB	1,497,763	1,385,083
Underwriting	198,598	164,841
Telecasting, Production, and Other Income	1,172,970	1,588,924
Membership Income	2,358,419	2,303,593
Auction Income	155,106	129,703
Major Gifts	791,359	709,858
Total Operating Revenues	<u>7,783,827</u>	<u>9,008,373</u>
OPERATING EXPENSES		
Program Services:		
Programming and Production	7,108,913	7,100,207
Broadcasting	621,339	632,132
Program Information	2,861,997	4,147,558
Total Program Services	<u>10,592,249</u>	<u>11,879,897</u>
Support Services:		
Management and General	2,213,484	2,283,649
Fundraising and Membership Development	1,440,288	1,429,515
Underwriting	101,972	108,802
Total Support Services	<u>3,755,744</u>	<u>3,821,966</u>
Total Operating Expenses	<u>14,347,993</u>	<u>15,701,863</u>
OPERATING LOSS	<u>(6,564,166)</u>	<u>(6,693,490)</u>
NONOPERATING REVENUES AND EXPENSES		
State General Appropriations	4,550,055	4,401,351
Donated Facilities and Administrative Support from the University of Wisconsin System (Note 6)	1,520,630	1,493,492
Gain (Loss) on Sale of Assets	40,471	(28,987)
State Insurance Funds	17,842	0
Investment Income	847,231	188,005
Total Nonoperating Revenues	<u>6,976,229</u>	<u>6,053,861</u>
CHANGE IN NET POSITION	412,063	(639,629)
Total Net Position—Beginning of the Year	<u>15,485,658</u>	<u>16,125,287</u>
Total Net Position—End of the Year	<u>\$ 15,897,721</u>	<u>\$ 15,485,658</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 (Restated)

	<u>FY 2012-13</u>	<u>FY 2011-12</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Grants and Contracts	\$ 1,398,382	\$ 3,024,497
Receipts from Community Service Grant—CPB	1,497,763	1,385,083
Receipts from Contributed Support	3,434,563	3,132,388
Receipts from Sales and Services	1,384,992	1,553,967
Payments to Suppliers	(4,444,723)	(5,402,258)
Payments to Employees	<u>(7,558,455)</u>	<u>(7,947,828)</u>
Net Cash Used by Operating Activities	<u>(4,287,478)</u>	<u>(4,254,151)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from State Government	<u>4,550,055</u>	<u>4,401,351</u>
Net Cash Provided by Noncapital Financing Activities	<u>4,550,055</u>	<u>4,401,351</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Insurance Proceeds	17,842	0
Purchases of Capital Assets	<u>(243,962)</u>	<u>(121,091)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(226,120)</u>	<u>(121,091)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (Purchases) and Sales of Investments	(43,483)	(703,532)
Interest and Dividends Received	<u>297,545</u>	<u>309,185</u>
Net Cash Provided (Used) by Investing Activities	<u>254,062</u>	<u>(394,347)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	290,519	(368,238)
Balances—Beginning of the Year	<u>732,647</u>	<u>1,100,885</u>
Balances—End of the Year	<u>\$ 1,023,166</u>	<u>\$ 732,647</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 BY OPERATING ACTIVITIES		
Operating Loss	\$ (6,564,166)	\$ (6,693,490)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation and Amortization Expenses	934,994	933,053
Donated Facilities and Administrative Support from the University of Wisconsin System Expense	1,520,630	1,493,492
Change in Assets and Liabilities:		
Receivables, Net	1,169	201,498
Prepaid Expenses	38,265	(43,763)
Accounts and Other Payables	(211,752)	(33,169)
Due (from) to the University of Wisconsin System	152,287	(9,544)
Unearned Revenue	(158,905)	(102,228)
Net Cash Used by Operating Activities	<u>\$ (4,287,478)</u>	<u>\$ (4,254,151)</u>

Noncash Activities:

The fair value of investments increased \$413,780 in FY 2012-13 and decreased \$126,161 in FY 2011-12.

Donated facilities and administrative support from the University of Wisconsin System totaled \$1,520,630 in FY 2012-13 and \$1,493,492 in FY 2011-12.

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements ■

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

WHA Television is licensed to the University of Wisconsin System's Board of Regents, is operated by the University of Wisconsin-Extension, and is part of the University of Wisconsin System. WHA Television's financial statements include its 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. All significant interorganizational accounts and transactions have been eliminated. See Note 9B for further information regarding the Friends.

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 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. Individual gifts equal to or greater than \$1,000 are reported as major gifts. Noncash contributions and donated services are recognized as revenues in the period of receipt.

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 Fund Net Position. 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 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 Television. 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 Television's share of the Friends' deposits.

F. Valuation of Investments

Investments 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 through 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 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 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. 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.

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.

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 Television's restricted net position includes purpose restrictions placed by donors on grants or gifts. Restricted nonexpendable net position is restricted by donors to be maintained in perpetuity.

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 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 Television'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

The Friends’ cash and investment activities are managed separately from the cash and investment activities of the State Investment Fund and University of Wisconsin funds. A cash deposit balance is maintained at one financial institution, and current investments consist of money market funds. 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 does not have a deposit policy for custodial credit risk. Deposits maintained by the Friends are insured by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration for up to \$250,000 at each depository institution. As of June 30, 2013, \$28,544 of WHA Television’s share of Friends’ deposits was uninsured and uncollateralized. As of June 30, 2012, the Friends’ deposit balance was fully insured or collateralized.

B. Investments

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

<u>Investment</u>	<u>June 30, 2013</u> <u>Fair Value</u>	<u>June 30, 2012</u> <u>Fair Value</u>
Money Market Funds Awaiting Investment	\$ 193,388	\$ 56,559
Fixed-Income Funds	1,258,024	1,187,764
Equity Mutual Funds	2,014,607	1,878,526
UW Intermediate Term Fund	6,569,812	6,502,558
UW Long Term Fund	<u>2,122,401</u>	<u>1,933,766</u>
Total Investments on the Balance Sheet	<u>\$12,158,232</u>	<u>\$11,559,173</u>

WHA Television's shares in the State Investment Fund were \$877,800 as of June 30, 2013, and \$701,422 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 disclosure.

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/Baa3 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, 2013, and June 30, 2012, the UW Intermediate Term and Long Term funds, the Friends' 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. The Friends does not have an investment policy for interest rate risk. As of June 30, 2013, and June 30, 2012, the fixed-income investments of the Friends had the following modified durations:

<u>Investment</u>	June 30, 2013 <u>Fair Value</u>	Modified Duration (in years)
Vanguard Short-Term Investment Grade Fund	\$ 252,709	2.4
Vanguard Intermediate-Term Investment Grade Fund	375,133	5.4
Vanguard Total Bond Market Index Fund	<u>630,181</u>	5.4
Total Fixed-Income Investments	<u>\$1,258,023</u>	
<u>Investment</u>	June 30, 2012 <u>Fair Value</u>	Modified Duration (in years)
Vanguard Short-Term Investment Grade Fund	\$ 117,353	2.4
Vanguard Intermediate-Term Investment Grade Fund	411,224	5.4
Vanguard Total Bond Market Index Fund	<u>659,187</u>	5.1
Total Fixed-Income Investments	<u>\$1,187,764</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 foreign currency exposure is not hedged, as this enhances the diversification benefits from non-U.S. investments. The Friends does not have an investment policy for foreign currency risk. WHA Television was exposed to foreign currency risk through international investments in the UW Long Term and Intermediate Term funds. In addition, the Friends held investments that were exposed to foreign currency risk totaling \$641,013 as of June 30, 2013, and \$388,127 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:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets:				
Equipment	\$14,136,634	\$ 182,887	\$(414,047)	\$13,905,474
Intangible Assets	85,950	133,832	(6,000)	213,782
Work-in-Process	<u>28,758</u>	<u>77,411</u>	<u>(106,169)</u>	<u>0</u>
Total	<u>14,251,342</u>	<u>394,130</u>	<u>(526,216)</u>	<u>14,119,256</u>
Less Accumulated Depreciation (or Amortization):				
Equipment	(10,257,715)	(878,989)	410,518	(10,726,186)
Intangible Assets	<u>(22,836)</u>	<u>(56,005)</u>	<u>6,000</u>	<u>(72,841)</u>
Total	<u>(10,280,551)</u>	<u>(934,994)</u>	<u>416,518</u>	<u>(10,799,027)</u>
Total Capital Assets, Net:				
Equipment	3,878,919	(696,102)	(3,529)	3,179,288
Intangible Assets	63,114	77,827	0	140,941
Work-in-Process	<u>28,758</u>	<u>77,411</u>	<u>(106,169)</u>	<u>0</u>
Total Capital Assets, Net	<u>\$ 3,970,791</u>	<u>\$(540,863)</u>	<u>\$(109,698)</u>	<u>\$ 3,320,229</u>

Depreciation and amortization expenses were charged to functions as follows:

Programming and Production	\$788,320
Program Information	2,225
Broadcasting	<u>144,449</u>
Total Expenses	<u>\$934,994</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	\$15,267,413	\$ 83,788	\$(1,214,567)	\$14,136,634
Intangible Assets	29,644	72,817	(16,511)	85,950
Work-in-Process	<u>64,273</u>	<u>28,758</u>	<u>(64,273)</u>	<u>28,758</u>
Total	<u>15,361,330</u>	<u>185,363</u>	<u>(1,295,351)</u>	<u>14,251,342</u>
Less Accumulated Depreciation (or Amortization):				
Equipment	(10,538,842)	(904,453)	1,185,580	(10,257,715)
Intangible Assets	<u>(10,747)</u>	<u>(28,600)</u>	<u>16,511</u>	<u>(22,836)</u>
Total	<u>(10,549,589)</u>	<u>(933,053)</u>	<u>1,202,091</u>	<u>(10,280,551)</u>
Total Capital Assets, Net:				
Equipment	4,728,571	(820,665)	(28,987)	3,878,919
Intangible Assets	18,897	44,217	0	63,114
Work-in-Process	<u>64,273</u>	<u>28,758</u>	<u>(64,273)</u>	<u>28,758</u>
Total Capital Assets, Net	<u>\$ 4,811,741</u>	<u>\$(747,690)</u>	<u>\$ (93,260)</u>	<u>\$ 3,970,791</u>

Depreciation and amortization expenses were charged to functions as follows:

Programming and Production	\$787,737
Broadcasting	<u>145,316</u>
Total Expenses	<u>\$933,053</u>

Work-in-process is related to website software that was put into service during FY 2012-13. Intangible assets include costs incurred for the right to broadcast programs beyond fiscal year-end and purchased and internally generated software. These costs are amortized over the useful life of the program or 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 Television was awarded five NTIA capital equipment grants from FY 2004-05 through FY 2010-11. The depreciated value of equipment subject to a priority lien was \$1,104,199 as of June 30, 2013, and \$1,846,301 as of June 30, 2012. The June 30, 2012 amount

excludes equipment with a book value of \$21,675 that was disposed of prior to June 30, 2012, but whose priority lien did not expire until September 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	\$555,943	\$5,609	\$(43,094)	\$518,458

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	\$610,223	\$51,026	\$(105,306)	\$555,943

In addition, another \$35,669 as of June 30, 2013, and \$38,804 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 \$228,216 and occupancy costs of \$46,852 for FY 2012-13, and operating costs of \$245,003 and occupancy costs of \$50,299 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 incurred by the University of Wisconsin System on behalf of WHA Television. Administrative support totaled \$1,245,562 in FY 2012-13 and \$1,198,190 in FY 2011-12.

7. EMPLOYEE RETIREMENT PLAN

Permanent and qualifying limited-term employees of WHA Television 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 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 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 Television provided the employer share and a portion of the employee share of contributions. Beginning in FY 2011-12, WHA Television's contribution was limited to the employer share. WHA Television's contribution to the plan, including employer and employee contributions, was \$608,864 in FY 2012-13 and \$629,264 in FY 2011-12. The relative position of WHA Television 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 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 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 Television employees was \$0.8 million as of June 30, 2013, and \$0.7 million as of June 30, 2012. This obligation is included in the State of Wisconsin's financial statements but is not included in WHA Television's financial statements.

The 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 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 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. RELATED ENTITIES**A. Wisconsin Educational Communications Board**

ECB is an agency of the State of Wisconsin that operates a public television network (Wisconsin Television Network). 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.

The Friends of Wisconsin Public Television, Inc., is a publicly supported not-for-profit corporation whose purpose is to administer various fundraising and membership duties of Wisconsin Public Television and to provide support to WHA Television and ECB. The Friends of Wisconsin Public Television, Inc., was the result of a reorganization of the Friends of WHA-TV, Inc., that occurred on July 1, 2009. Net position of Friends of WHA-TV, Inc., as of the reorganization was wholly allocable to WHA Television. The Friends 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' Board of Directors, approve the Friends' budget. WHA Television provides facilities as well as administrative and clerical services to the Friends. WHA Television and ECB have access to the Friends' net resources and retain an ongoing allocated interest in the Friends' net position. WHA Television's and ECB's allocated interests in the Friends 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.

WHA Television includes its allocated share of the Friends’ assets, liabilities, revenues, and expenses in its financial statements. The financial statement amounts are reported net of eliminations of \$571,186 for both assets and liabilities as of June 30, 2013, and \$383,214 for both assets and liabilities as of June 30, 2012. The financial statements amounts are also reported net of eliminations of \$3,400,093 for both revenues and expenses for FY 2012-13, and \$3,290,451 for both revenues and expenses for FY 2011-12. The following provides a summary of amounts for both WHA Television and WHA Television’s allocated portion of the Friends.

Condensed Balance Sheet

FY 2012-13	<u>WHA TV</u>	<u>Friends</u>	<u>Total</u>
Assets:			
Current Assets	\$ 5,769,873	\$ 438,945	\$ 6,208,818
Interfund			
Receivable/(Payable)	571,186	(571,186)	0
Capital Assets	3,320,229	0	3,320,229
Other Assets	<u>4,126,683</u>	<u>3,341,880</u>	<u>7,468,563</u>
Total Assets	<u>13,787,971</u>	<u>3,209,639</u>	<u>16,997,610</u>
Liabilities:			
Current Liabilities	321,968	259,463	581,431
Noncurrent Liabilities	<u>518,458</u>	<u>0</u>	<u>518,458</u>
Total Liabilities	<u>840,426</u>	<u>259,463</u>	<u>1,099,889</u>
Net Position:			
Net Investment in Capital Assets	3,320,229	0	3,320,229
Restricted:			
Nonexpendable	1,000,000	160,378	1,160,378
Expendable	863,956	217,415	1,081,371
Unrestricted	<u>7,763,360</u>	<u>2,572,383</u>	<u>10,335,743</u>
Total Net Position	<u>\$12,947,545</u>	<u>\$2,950,176</u>	<u>\$15,897,721</u>

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

FY 2012-13	<u>WHA TV</u>	<u>Friends</u>	<u>Total</u>
Operating Revenues:			
Grants and Contracts	\$ 1,609,612	\$ 0	\$ 1,609,612
Community Service Grant—CPB	1,497,763	0	1,497,763
Underwriting	198,598	0	198,598
Telecasting, Production and Other	733,371	439,599	1,172,970
Membership Income	0	2,358,419	2,358,419
Major Gifts	13,933	777,426	791,359
Auction Income	<u>0</u>	<u>155,106</u>	<u>155,106</u>
Total Operating Revenues	<u>4,053,277</u>	<u>3,730,550</u>	<u>7,783,827</u>
Operating Expenses:			
Non-Depreciation Expenses	13,198,134	214,865	13,412,999
Depreciation Expense	<u>934,994</u>	<u>0</u>	<u>934,994</u>
Total Operating Expenses	<u>14,133,128</u>	<u>214,865</u>	<u>14,347,993</u>
Operating Income (Loss)	<u>(10,079,851)</u>	<u>3,515,685</u>	<u>(6,564,166)</u>
Nonoperating Revenues:			
State General Appropriations	4,550,055	0	4,550,055
Donated Facilities and Administrative Support from the University of Wisconsin System	1,520,630	0	1,520,630
Gain on Sale of Assets	40,471	0	40,471
State Insurance Funds	17,842	0	17,842
Investment Income	<u>517,106</u>	<u>330,125</u>	<u>847,231</u>
Total Nonoperating Revenues	<u>6,646,104</u>	<u>330,125</u>	<u>6,976,229</u>
Transfers	<u>3,400,093</u>	<u>(3,400,093)</u>	<u>0</u>
Change in Net Position	(33,654)	445,717	412,063
Beginning Net Position	<u>12,981,199</u>	<u>2,504,459</u>	<u>15,485,658</u>
Ending Net Position	<u>\$12,947,545</u>	<u>\$2,950,176</u>	<u>\$15,897,721</u>

Condensed Statement of Cash Flows

FY 2012-13

	<u>WHA TV</u>	<u>Friends</u>	<u>Total</u>
Net Cash Provided (Used) by:			
Operating Activities	\$(7,626,785)	\$3,339,307	\$(4,287,478)
Noncapital Financing Activities	7,762,176	(3,212,121)	4,550,055
Capital and Related Financing Activities	(226,120)	0	(226,120)
Investing Activities	<u>267,107</u>	<u>(13,045)</u>	<u>254,062</u>
Net Increase in Cash and Cash Equivalents	176,378	114,141	290,519
Beginning Cash and Cash Equivalents	<u>701,422</u>	<u>31,225</u>	<u>732,647</u>
Ending Cash and Cash Equivalents	<u>\$ 877,800</u>	<u>\$ 145,366</u>	<u>\$1,023,166</u>

Condensed Balance Sheet

FY 2011-12

	<u>WHA TV</u>	<u>Friends</u>	<u>Total</u>
Assets:			
Current Assets	\$ 5,630,372	\$ 233,793	\$ 5,864,165
Interfund Receivable/(Payable)	383,214	(383,214)	0
Capital Assets	3,970,791	0	3,970,791
Other Assets	<u>3,991,443</u>	<u>3,066,290</u>	<u>7,057,733</u>
Total Assets	<u>13,975,820</u>	<u>2,916,869</u>	<u>16,892,689</u>
Liabilities:			
Current Liabilities	438,678	412,410	851,088
Noncurrent Liabilities	<u>555,943</u>	<u>0</u>	<u>555,943</u>
Total Liabilities	<u>994,621</u>	<u>412,410</u>	<u>1,407,031</u>
Net Position:			
Net Investment in Capital Assets	3,970,791	0	3,970,791
Restricted:			
Nonexpendable	1,000,000	160,378	1,160,378
Expendable	779,425	203,027	982,452
Unrestricted	<u>7,230,983</u>	<u>2,141,054</u>	<u>9,372,037</u>
Total Net Position	<u>\$12,981,199</u>	<u>\$2,504,459</u>	<u>\$15,485,658</u>

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

FY 2011-12	<u>WHA TV</u>	<u>Friends</u>	<u>Total</u>
Operating Revenues:			
Grants and Contracts	\$ 2,726,371	\$ 0	\$ 2,726,371
Community Service Grant—CPB	1,385,083	0	1,385,083
Underwriting	164,841	0	164,841
Telecasting, Production and Other	1,035,064	553,860	1,588,924
Membership Income	0	2,303,593	2,303,593
Major Gifts	232,403	477,455	709,858
Auction Income	<u>0</u>	<u>129,703</u>	<u>129,703</u>
Total Operating Revenues	<u>5,543,762</u>	<u>3,464,611</u>	<u>9,008,373</u>
Operating Expenses:			
Non-Depreciation Expenses	14,485,231	283,579	14,768,810
Depreciation Expense	<u>933,053</u>	<u>0</u>	<u>933,053</u>
Total Operating Expenses	<u>15,418,284</u>	<u>283,579</u>	<u>15,701,863</u>
Operating Income (Loss)	<u>(9,874,522)</u>	<u>3,181,032</u>	<u>(6,693,490)</u>
Nonoperating Revenues (Expenses):			
State General Appropriations Donated Facilities and Administrative Support from the University of Wisconsin System	4,401,351	0	4,401,351
Loss on Sale of Assets	1,493,492	0	1,493,492
	(28,987)	0	(28,987)
Investment Income	<u>122,517</u>	<u>65,488</u>	<u>188,005</u>
Total Nonoperating Revenues	<u>5,988,373</u>	<u>65,488</u>	<u>6,053,861</u>
Transfers	<u>3,290,451</u>	<u>(3,290,451)</u>	<u>0</u>
Change in Net Position	(595,698)	(43,931)	(639,629)
Beginning Net Position	<u>13,576,897</u>	<u>2,548,390</u>	<u>16,125,287</u>
Ending Net Position	<u>\$12,981,199</u>	<u>\$2,504,459</u>	<u>\$15,485,658</u>

Condensed Statement of Cash Flows

FY 2011-12	<u>WHA TV</u>	<u>Friends</u>	<u>Total</u>
Net Cash Provided (Used) by:			
Operating Activities	\$(7,416,509)	\$3,162,358	\$(4,254,151)
Noncapital Financing Activities	7,712,248	(3,310,897)	4,401,351
Capital and Related			
Financing Activities	(121,091)	0	(121,091)
Investing Activities	<u>(481,913)</u>	<u>87,566</u>	<u>(394,347)</u>
Net Decrease in Cash and			
Cash Equivalents	(307,265)	(60,973)	(368,238)
Beginning Cash and Cash Equivalents	<u>1,008,687</u>	<u>92,198</u>	<u>1,100,885</u>
Ending Cash and Cash Equivalents	<u>\$ 701,422</u>	<u>\$ 31,225</u>	<u>\$ 732,647</u>

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

Executive Director
 Friends of Wisconsin Public Television, 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 Television was \$339,802 as of June 30, 2013, and \$317,580 as of June 30, 2012. The accumulated interest is available to be transferred to the University of Wisconsin-Extension and spent by WHA Television. Accumulated interest totaled \$8,093 as of June 30, 2013, and \$8,132 as of June 30, 2012. WHA Television transferred \$13,931 from the Foundation in FY 2012-13, and \$21,785 in FY 2011-12. Only actual transfers from the Foundation are reflected in WHA Television's financial statements.

10. RESTATEMENT OF FY 2011-12 FINANCIAL STATEMENTS

The FY 2011-12 financial statements have been restated to reclassify certain revenues. As a result, telecasting, production, and other income decreased by \$76,163 and major gifts increased by the same amount.

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 Television 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 Friends of Wisconsin Public Television, Inc., as described in our report on WHA Television's financial statements. While the financial statements of the Friends of Wisconsin Public Television, 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 Friends of Wisconsin Public Television, Inc.

Internal Control over Financial Reporting

Management of WHA Television 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 Television'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 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 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 Television'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 Television'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 Television'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 Television'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