

**December 2006**

An Audit

# **Wisconsin Public Broadcasting Foundation, Inc.**

## **2005-2006 Joint Legislative Audit Committee Members**

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Robert Cowles  
Scott Fitzgerald  
Mark Miller  
Julie Lassa

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State Auditor - Janice Mueller

Audit Prepared by

Diann Allsen, Director and Contact Person  
Dana Klauk  
Aimee Wierzba

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**STATE OF WISCONSIN**  
Legislative Audit Bureau

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Janice Mueller  
State Auditor

December 15, 2006

Senator Carol A. Roessler and  
Representative Suzanne Jeskewitz, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Ms. Wendy Wink, Executive Director  
Wisconsin Public Broadcasting Foundation, Inc.  
3319 West Beltline Highway  
Madison, Wisconsin 53713

Dear Senator Roessler, Representative Jeskewitz, and Ms. Wink:

We have completed a financial audit of the Wisconsin Public Broadcasting Foundation, Inc.'s Television Fund and Radio Fund, as requested by the Wisconsin Educational Communications Board. The Foundation was organized by the Educational Communications Board under s. 39.12 and ch. 181, Wis. Stats., on September 29, 1983, for the exclusive purpose of raising funds for the Wisconsin educational radio and television networks. The audit covered the period July 1, 2005, through June 30, 2006.

We completed this audit in conjunction with our audits of the Wisconsin Educational Communications Board television and radio networks, reports 06-17 and 06-18. The Foundation's financial operations are separate and independent from the State of Wisconsin. The Foundation's financial statements are presented in two separate funds (radio and television) to accommodate reporting requirements and the Educational Communications Board's desire to maintain the funds separately. We were able to issue an unqualified independent auditor's report on these statements.

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

Respectfully submitted,

Janice Mueller  
State Auditor

JM/DA/ss



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# Audit Opinion ■

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## *Independent Auditor's Report on the Financial Statements of the Wisconsin Public Broadcasting Foundation, Inc.*

We have audited the accompanying Balance Sheet of the Wisconsin Public Broadcasting Foundation, Inc.'s Radio Fund and Television Fund, as of June 30, 2006, and the related Statement of Revenues, Expenses, and Changes in Fund Net Assets and Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the Wisconsin Educational Communications Board, which manages the Foundation. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Wisconsin Public Radio Association, Inc., of which net assets of \$1,257,507 are allocated to the Educational Communications Board and are reflected in the accompanying financial data contained in Note 6B. Assets and revenues of the Wisconsin Public Radio Association, Inc., included in the accompanying financial statements represent 13.0 percent of the Foundation's total assets and 43.3 percent of the Foundation's total support and revenue. The financial statements of the Wisconsin Public Radio Association, Inc., were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Wisconsin Public Radio Association, Inc., is based solely upon the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Wisconsin Public Radio Association, Inc., were audited by other auditors in accordance with auditing standards generally

accepted in the United States of America, but not in accordance with the additional requirements of *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.


As discussed in Note 1, the financial statements referred to in the first paragraph present only the Wisconsin Public Broadcasting Foundation, Inc., and do not purport to, and do not, present fairly the financial position of the State of Wisconsin as of June 30, 2006, and changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based upon our audit and the report of the other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial positions of the Wisconsin Public Broadcasting Foundation, Inc.'s Radio Fund and Television Fund as of June 30, 2006, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Wisconsin Public Broadcasting Foundation, Inc. The supplementary information included as Management's Discussion and Analysis on pages 5 through 7 is presented for purposes of additional analysis and is not a required part of the financial statements referred to in the first paragraph. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 5, 2006, on our consideration of the Wisconsin Public Broadcasting Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

December 5, 2006

LEGISLATIVE AUDIT BUREAU  
by   
Diann Allsen  
Audit Director



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# Management's Discussion and Analysis ■

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## *Prepared by Educational Communications Board Management*

The Management's Discussion and Analysis (MD&A) section is prepared by the Educational Communications Board's (ECB's) management and is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement Number 34. The MD&A provides the reader with general information on the financial activities of ECB and the Wisconsin Public Broadcasting Foundation, Inc. (WPBF).

ECB is an agency of the State of Wisconsin that operates a public radio network of 12 FM stations (4 of the FM stations are currently broadcasting a digital radio signal in addition to analog) and 1 AM station, as well as a public television network of 5 digital stations and 5 analog stations. ECB also operates 3 FM translators, 6 TV translators, a network of 26 weather service broadcast sites, and multiple Educational Broadband Service licenses. WPBF was organized by ECB under s. 39.12 and ch. 181 Wis. Stats., on September 29, 1983, for the exclusive purpose of raising funds for the Wisconsin educational television and radio networks.

Following this section are the financial statements and notes as they relate to WPBF. The Balance Sheet provides information on the types of assets and the liabilities of WPBF, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether WPBF's financial position is improving or deteriorating. The Statement of Revenues, Expenses, and Changes in Fund Net Assets and the Statement of Cash Flows provide information on income and expenses and cash activities. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Condensed financial information relating to WPBF as of and for the fiscal years ended June 30, 2006, and June 30, 2005, is as follows:

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**WPBF Condensed Financial Information**

	June 30, 2006	June 30, 2005	Percentage Change
Total Assets	\$9,975,268	\$9,221,362	8%
Total Liabilities	374,187	391,578	(4)
Restricted by Grants or Donors	29,474	54,700	(46)
Unrestricted	9,571,607	8,775,084	9
<b>Total Net Assets</b>	<b><u>\$9,601,081</u></b>	<b><u>\$8,829,784</u></b>	

	FY 2005-06	FY 2004-05	Percentage Change
Operating Revenue	\$9,011,260	\$9,175,601	(2)%
Operating Expenses	1,627,352	1,627,953	>(1)
Net Operating Income	7,383,908	7,547,648	
Nonoperating Revenue	425,469	192,462	121
Transfers to ECB	(7,038,080)	(6,337,972)	11
<b>Changes in Net Assets</b>	<b><u>\$ 771,297</u></b>	<b><u>\$ 1,402,138</u></b>	

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The total assets increase of 8 percent and total unrestricted net assets increase of 9 percent was due to an increase in the amount of WPBF cash and an increase in the value of the investments. The decrease in total liabilities was due to timing of payments to liquidate the liabilities.

The decrease in restricted net assets was due to a decrease in the program restrictions placed on assets received from donors to the Wisconsin Public Radio Association, Inc.

Operating revenues decreased slightly overall, due to a reduction in the amount of grants from the Corporation for Public Broadcasting. Operating expenses were virtually unchanged from the last fiscal year.

Nonoperating revenue consists of investment earnings and losses, both realized and unrealized. Investment income increased in fiscal year (FY) 2005-06 because of the market conditions.

The WPBF does not have capital assets and therefore does not have capital contributions for either fiscal year.

Transfers to ECB are based on cash required for operations during the fiscal year. The transfers increased by 11 percent from FY 2004-05 to FY 2005-06 due to timing of payments by ECB.

This financial report is designed to provide a general overview of WPBF's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to ECB in care of the Executive Director, 3319 West Beltline Highway, Madison, WI 53713-4296.

General information relating to the Educational Communications Board can be found at ECB's Web site, [www.ecb.org](http://www.ecb.org).

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# **Financial Statements ■**



**Balance Sheet**  
**June 30, 2006**

	<u>Radio Fund</u>	<u>Television Fund</u>	<u>Total June 30, 2006</u>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents (Notes 1D and 2)	\$ 1,731,098	\$ 2,510,769	\$ 4,241,867
Investments (Notes 1E and 2)	2,429,120	3,010,789	5,439,909
Pledges receivable	221,302	0	221,302
Grants and contracts receivable	0	2,665	2,665
Interest receivable	1,474	2,337	3,811
Other receivables	20,893	0	20,893
Prepaid expense	39,655	0	39,655
Inventory	5,166	0	5,166
<b>TOTAL ASSETS</b>	<b><u>\$ 4,448,708</u></b>	<b><u>\$ 5,526,560</u></b>	<b><u>\$ 9,975,268</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
Current Liabilities:			
Accounts payable and accrued expenses	\$ 35,696	\$ 68,831	\$ 104,527
Accrued liabilities due to affiliates	164,055	66,799	230,854
Due to ECB (Note 3)	6,000	14,000	20,000
Deferred revenue	8,419	10,387	18,806
Total Current Liabilities	<u>214,170</u>	<u>160,017</u>	<u>374,187</u>
Net Assets			
Restricted by grants or donors (Note 1F)	29,474	0	29,474
Unrestricted	4,205,064	5,366,543	9,571,607
<b>Total Net Assets</b>	<b><u>4,234,538</u></b>	<b><u>5,366,543</u></b>	<b><u>9,601,081</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 4,448,708</u></b>	<b><u>\$ 5,526,560</u></b>	<b><u>\$ 9,975,268</u></b>

The accompanying notes are an integral part of this statement.

**Statement of Revenues, Expenses, and Changes in Fund Net Assets  
for the Year Ended June 30, 2006**

	Radio Fund	Television Fund	Total FY 2005-06
<b>OPERATING REVENUES</b>			
Contributions Undesignated (Notes 1B and 6B)	\$ 3,822,235	\$ 2,311,672	\$ 6,133,907
Corporation for Public Broadcasting Grants	729,112	1,021,540	1,750,652
Underwriting Grants	647,081	197,573	844,654
Other Grants	0	15,348	15,348
Major Gifts	63,498	49,701	113,199
Contributed In-Kind Support (Note 5)	9,410	0	9,410
Other Revenue	136,646	7,444	144,090
<b>Total Operating Revenues</b>	<b>5,407,982</b>	<b>3,603,278</b>	<b>9,011,260</b>
<b>OPERATING EXPENSES</b>			
Program Services:			
Programming and production	80,249	1,253	81,502
Program information	151,942	70,046	221,988
<b>Total Program Services</b>	<b>232,191</b>	<b>71,299</b>	<b>303,490</b>
Support Services:			
Management and general	130,028	38,915	168,943
Fund-raising and membership development	402,009	742,752	1,144,761
Underwriting	762	9,396	10,158
<b>Total Support Services</b>	<b>532,799</b>	<b>791,063</b>	<b>1,323,862</b>
<b>Total Operating Expenses</b>	<b>764,990</b>	<b>862,362</b>	<b>1,627,352</b>
<b>OPERATING INCOME</b>	<b>4,642,992</b>	<b>2,740,916</b>	<b>7,383,908</b>
<b>NONOPERATING REVENUES</b>			
Investment Income	202,791	222,678	425,469
Income Before Transfers	4,845,783	2,963,594	7,809,377
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>			
Transfers to ECB (Note 3)	(4,001,225)	(3,036,855)	(7,038,080)
<b>CHANGE IN NET ASSETS</b>	<b>844,558</b>	<b>(73,261)</b>	<b>771,297</b>
Total Net Assets—Beginning of the Year	3,389,980	5,439,804	8,829,784
Total Net Assets—End of the Year	<b>\$ 4,234,538</b>	<b>\$ 5,366,543</b>	<b>\$ 9,601,081</b>

The accompanying notes are an integral part of this statement.

## Statement of Cash Flows for the Year Ended June 30, 2006

	Radio Fund	Television Fund	Total FY 2005-06
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Contributed Support	\$ 4,532,814	\$ 2,558,946	\$ 7,091,760
Received from Grants	737,531	1,048,078	1,785,609
Received from Other Sales	186,342	7,444	193,786
Payments to Suppliers	<u>(787,248)</u>	<u>(872,135)</u>	<u>(1,659,383)</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>4,669,439</u></b>	<b><u>2,742,333</u></b>	<b><u>7,411,772</u></b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers to ECB	<u>(4,001,225)</u>	<u>(3,036,855)</u>	<u>(7,038,080)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net Purchases, Sales, and Maturities of Investments	(435,809)	296,223	(139,586)
Interest and Dividends	<u>154,053</u>	<u>122,085</u>	<u>276,138</u>
<b>Net Cash Provided (Used) for Investing Activities</b>	<b><u>(281,756)</u></b>	<b><u>418,308</u></b>	<b><u>136,552</u></b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>386,458</b>	<b>123,786</b>	<b>510,244</b>
Balances—Beginning of the Year	<u>1,344,640</u>	<u>2,386,983</u>	<u>3,731,623</u>
Balances—End of the Year	<b><u>\$ 1,731,098</u></b>	<b><u>\$ 2,510,769</u></b>	<b><u>\$ 4,241,867</u></b>

The accompanying notes are an integral part of this statement.



	Radio Fund	Television Fund	Total FY 2005-06
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income	\$ 4,642,992	\$ 2,740,916	\$ 7,383,908
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Change in assets and liabilities:			
Receivables, net	49,696	803	50,499
Inventories	1,802	0	1,802
Prepaid expense	(7,046)	0	(7,046)
Deferred revenue	8,419	10,387	18,806
Accounts and other payables	(26,424)	(9,773)	(36,197)
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 4,669,439</u></b>	<b><u>\$ 2,742,333</u></b>	<b><u>\$ 7,411,772</u></b>
Noncash Investing Activities:			
Contributed in-kind support totaled \$9,410.			
The net increase in the fair value of investments was \$145,284.			

The accompanying notes are an integral part of this statement.



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# Notes to the Financial Statements ■

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Organization

The Wisconsin Public Broadcasting Foundation, Inc. (WPBF), created on September 29, 1983, is a statutorily defined not-for-profit Wisconsin corporation (s. 39.12, Wis. Stats.) wholly owned by the Wisconsin Educational Communications Board (ECB), an agency of the State of Wisconsin. ECB operates a public television network of 5 digital stations and 5 analog stations, as well as a public radio network of 12 FM stations (4 of the FM sites are currently broadcasting a digital radio signal in addition to analog) and 1 AM station. ECB also operates 3 FM translators, 6 TV translators, a network of 26 weather service broadcast sites, and multiple Educational Broadband Service licenses. WPBF solicits funds in the name of, and with the approval of, ECB. WPBF financial operations are separate and independent from the State of Wisconsin. WPBF is managed by a statutorily defined five-member board of trustees consisting of the Executive Director of ECB and four members of the ECB Board. Because the State has fiscal accountability for and can influence WPBF operations through legislation, WPBF is considered a blended component unit of the State of Wisconsin's financial reporting entity.

The WPBF financial statements include an 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 the ECB Radio Network and some other Wisconsin Public Radio stations licensed to the University of Wisconsin Board of Regents. See Note 6B

for further information regarding WPRA support for ECB. WPBF's Radio Fund is included in the ECB Radio Network's financial statements, and WPBF's Television Fund is included in the ECB Television Network's financial statements.

**B. Basis of Presentation**

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). WPBF has not applied Financial Accounting Standards Board pronouncements issued after November 30, 1989. The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under accrual accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Revenues from government-mandated or voluntary nonexchange transactions, such as contributions and grants, are recognized when all applicable eligibility requirements are met. Eligibility requirements are established by the provider of the funds and may stipulate the qualifying characteristics of recipients, time requirements, allowable costs, and other contingencies. Purpose restrictions that specify the purpose for which resources are required to be used are not considered eligibility requirements and do not affect when a nonexchange revenue is recognized.

Contributions, gifts, and grants that do not have eligibility requirements are reported as revenue when WPBF is entitled to the funds. Television pledges for contributions and membership fees are reported as income when cash is received. Revenue is recognized for pledged WPRA contributions that are expected to be collected within one year at their net realizable value. Contributions, gifts, and grants with eligibility requirements, such as expenditure-driven grants, are recognized when the eligibility requirements are met. Noncash contributions and donated services are recognized as revenues in the period of receipt.

Operating revenues and expenses are directly related to programming, production, development, and delivery of telecommunication services. Nonoperating revenues and expenses, such as investment income, are indirectly associated with programming, production, development, and delivery of telecommunication services.

Expenses are categorized in functional categories. Expenses that relate to more than one category are allocated to their respective categories, using estimates if necessary. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

**C. Accounting Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Whenever possible, actual costs are applied; however, actual results may differ from those estimates.

**D. Cash and Cash Equivalents**

Cash and cash equivalents generally include cash deposits with financial institutions. WPBF's share of WPRA cash and cash equivalents includes cash deposits and highly liquid investments with an original maturity of three months or less.

**E. Valuation of Investments**

Investments are carried at fair-market value based on quoted market prices.

**F. Restricted Net Assets**

Restricted net assets are reported when constraints placed on net assets are externally imposed, such as by donors or grantors. WPBF's restricted assets include program or purpose restrictions placed by donors on contributed support or gifts. Unrestricted net assets may be used at WPBF's discretion.

**2. DEPOSITS AND INVESTMENTS**

WPBF's cash and investment activities are separate from the cash and investment activities of the State. Cash balances are held in demand deposit and money market accounts at a financial institution. Investments authorized by WPBF's Board of Trustees and held by WPBF include publicly traded stocks and equity mutual funds and are managed by private trust companies. WPRA cash balances are held in deposit and money market accounts at one financial institution. WPRA investments include certificates of deposit; however, they are classified as deposits for purposes of this note disclosure. Investment income is presented as a nonoperating revenue in the Statement of Revenues, Expenses, and Changes in Fund Net Assets.

WPBF has a policy in place regarding concentration of credit risk and a range of other investment practices; however, as of June 30, 2006, WPBF had no deposit and investment policies relating to custodial credit risk or foreign currency risk. WPBF is in the process of developing policies to address these other investment risks. In addition, as of June 30, 2006, there are no deposit and investment policies relating to custodial credit risk for WPRA.

**A. Deposits**

Custodial credit risk is the risk that in the event of the failure of a financial institution, deposits may not be returned. As of June 30, 2006, \$4,956,300 of WPBF's bank balance of \$5,663,248 was exposed to custodial credit risk. Deposits of up to \$100,000 at each institution are covered by the Federal Deposit Insurance Corporation (FDIC). Of the bank balance, \$706,948 was insured; therefore, the remainder was uninsured and uncollateralized.

**B. Investments**

*Foreign Currency Risk*—Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. As of June 30, 2006, WPBF's exposure to foreign currency risk is its investment of \$212,860 in international equity mutual funds.

**3. FUND TRANSFERS**

WPBF transfers funds monthly to ECB's operating funds based upon funding requirements. The transfers are reflected as transfers to ECB on the Statement of Revenues, Expenses, and Changes in Fund Net Assets. The timing of those transfers resulted in a payable to ECB, which is reflected in the Balance Sheet.

**4. ENDOWMENT**

The management of WPBF established an endowment for the Television Network during FY 1992-93 and an endowment for the Radio Network during FY 2004-05. The balance as of June 30, 2006, is \$748,323 for the Television Network's endowment and \$232,958 for the Radio Network's endowment. Investment income earned on the endowments is used for operations. None of the assets in the endowments at June 30, 2006, are donor-restricted. Assets in the endowments follow the investment policy disclosed in Notes 1 and 2.

**5. CONTRIBUTED IN-KIND SUPPORT**

Contributed in-kind support represents expenses paid on behalf of WPRA by other entities and includes donated materials. In-kind support is reported both as revenue and expenses and, therefore, has no effect on net assets. WPRA records donated materials at their estimated fair value when they are received. The financial statements include \$9,410 in donated materials.

## 6. RELATED ENTITIES

### A. **Wisconsin Public Radio—University of Wisconsin Board of Regents Stations and WHA Television**

WHA Radio, some other Wisconsin Public Radio stations, and WHA Television are public telecommunications entities licensed to the University of Wisconsin (UW) Board of Regents and operated by UW- Extension. In order to achieve statewide services and economies of scale, in the mid-1980s ECB and the UW Board of Regents developed partnerships called Wisconsin Public Radio and Wisconsin Public Television to manage and operate stations. 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. ECB and the UW Board of Regents jointly appoint the directors of Wisconsin Public Television and Wisconsin Public Radio. Staff and resources from both agencies work together to provide administrative and program services. Amounts due to or from affiliated parties are separately disclosed on the Balance Sheet. The relationship pervades all aspects of the financial activities reported in the accompanying financial statements.

### B. **Wisconsin Public Radio Association, Inc. (WPRA)**

WPRA is a publicly supported not-for-profit corporation whose purpose is to administer various fund-raising and membership duties of Wisconsin Public Radio and to provide support to the ECB Radio Network and some radio stations licensed to the UW Board of Regents. WPRA solicits funds in the name of and with the approval of the licensees, ECB and the UW Board of Regents. Under the affiliation agreement, ECB and UW staff, along with the WPRA Board of Directors, approve WPRA's budget. The licensees have access to WPRA's net resources and retain an ongoing legal allocated interest in WPRA's net assets. ECB's and the UW Board of Regents' allocated interests in WPRA are calculated in accordance with an affiliation agreement, which currently provides ECB with 76 percent of WPRA net resources and the UW Board of Regents with 24 percent. This agreement is renegotiated annually based upon membership proportion.

WPBF includes in its financial statements ECB's allocated share of WPRA assets, liabilities, revenues, and expenses. A summary of amounts related to WPRA included in the accompanying financial statements follows:

	<u>June 30, 2006</u>
Cash and Investments	\$1,014,606
Receivables and Other Current Assets	<u>287,016</u>
Total Assets	1,301,622
Payables and Other Current Liabilities	<u>(44,115)</u>
Net Assets	<u>\$1,257,507</u>

	Fiscal Year Ended	<u>June 30, 2006</u>
Contributed Support and Revenue		\$4,084,585
Expenses:		
Program information	\$151,942	
Management and general	106,804	
Fund-raising	<u>399,201</u>	
Total Expenses		<u>657,947</u>
Net Change in Assets		<u>\$3,426,638</u>

WPRA issues separate financial statements that are audited by other auditors. A summary of significant WPRA financial data follows. Copies of WPRA's separately issued financial statements may be obtained by contacting the Financial Manager of the Wisconsin Public Radio Association, Inc., at 821 University Avenue, Madison, WI 53706.

	<u>June 30, 2006</u>
Cash and Investments	\$2,125,601
Receivables and Other Current Assets	<u>377,653</u>
Total Assets	2,503,254
Payables and Other Current Liabilities	<u>(278,161)</u>
Net Assets	<u>\$2,225,093</u>

	Fiscal Year Ended	<u>June 30, 2006</u>
Contributed Support and Revenue		\$5,395,556
Expenses:		
Program information	\$ 199,924	
Management and general	140,532	
Fund-raising	525,264	
Payments to ECB and WHA	<u>4,420,457</u>	
Total Expenses		<u>5,286,177</u>
Net Change in Assets		<u>\$ 109,379</u>



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# Report on Control and Compliance ■

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

We have audited the financial statements of the Wisconsin Public Broadcasting Foundation, Inc.'s Radio Fund and Television Fund as of and for the year ended June 30, 2006, and have issued our report thereon dated December 5, 2006. We did not audit the financial statements of the Wisconsin Public Radio Association, Inc. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Wisconsin Public Radio Association, Inc., is based solely upon the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Wisconsin Public Radio Association, Inc., were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with the additional requirements of *Government Auditing Standards*.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our


consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the Foundation's internal control over financial reporting and its operation that we consider to be material weaknesses.

### COMPLIANCE AND OTHER MATTERS

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

This independent auditor's report is intended for the information and use of the Wisconsin Public Broadcasting Foundation, Inc., the Educational Communications Board, and the Wisconsin Legislature's Joint Legislative Audit Committee. This independent auditor's report, upon submission to the Joint Legislative Audit Committee, is a matter of public record and its distribution is not limited. However, because we do not express an opinion on internal control over financial reporting or on compliance, this report is not intended to be used by anyone other than these specified parties.

December 5, 2006

LEGISLATIVE AUDIT BUREAU  
by   
Diann Allsen  
Audit Director