

**December 2004**

An Audit

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

## **2003-2004 Joint Legislative Audit Committee Members**

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Jeffrey Plale  
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State Auditor - Janice Mueller

Audit Prepared by

Diann Allsen, Director and Contact Person  
Dana Klauk

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State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

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December 21, 2004

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, 2003, through June 30, 2004.

We completed this audit in conjunction with our audits of the Wisconsin Educational Communications Board television and radio networks, reports 04-16 and 04-17. 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,

A handwritten signature in cursive script that reads 'Janice Mueller'.

Janice Mueller  
State Auditor

JM/DA/ss



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## Audit Opinion ■

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### *Independent Auditor's Report on the Financial Statements of 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, 2004, 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 \$1,095,012 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 14.6 percent of total assets and 38.1 percent of 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 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, 2004, and the 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 other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the Wisconsin Public Broadcasting Foundation, Inc.'s Radio Fund and Television Fund as of June 30, 2004, 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. Management's Discussion and Analysis on pages 7 through 9 is presented for purposes of additional analysis and is not a required part of the financial statements referred to in the first paragraph. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

As discussed in Notes 6B and 7, the presentation of Wisconsin Public Radio Association, Inc.'s balances and activities allocated to ECB was changed as a result of a reassessment of the relationship between the Association and the ECB Radio Network under Governmental Accounting Standards Board Statement Number 39, *Determining Whether Certain Organizations Are Component Units*.



In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2004, 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, 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 the 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 10, 2004

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 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 television network of 5 digital stations and 5 analog stations, as well as a public radio network of 12 FM stations and 1 AM station. ECB also operates 3 FM translators, 6 TV translators, and a network of 26 weather service broadcast sites. 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 a useful indicator 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

**8 ■ ■ ■ ■ MANAGEMENT'S DISCUSSION AND ANALYSIS**

understanding of the data provided in the financial statements. GASB 34 redirects the focus of the reader from operating income gain or loss to the changes in fund net assets.

Condensed financial information relating to WPBF as of and for the fiscal years ended June 30, 2004, and June 30, 2003, is as follows:

**WPBF Condensed Financial Information**

	June 30, 2004	June 30, 2003 <sup>1</sup>	Percentage Change
Total Assets	\$7,848,448	\$5,927,907	32%
Total Liabilities	420,802	543,822	-23
<b>Net Assets</b>	<b><u>\$7,427,646</u></b>	<b><u>\$5,384,085</u></b>	

	FY 2003-04	FY 2002-03	Percentage Change
Operating Revenue	\$8,991,432	\$8,725,559	3%
Operating Expenses	1,635,344	1,704,059	-4
<b>Net Operating Income</b>	<b>7,356,088</b>	<b>7,021,500</b>	
Nonoperating Revenue	746,170	(7,218)	10,438
Transfers to ECB	(6,058,697)	(6,402,417)	-5
<b>Changes in Net Assets</b>	<b><u>\$2,043,561</u></b>	<b><u>\$ 611,865</u></b>	

<sup>1</sup> Certain FY 2002-03 amounts have been restated to reflect prior-period restatements and have been reclassified for comparative purposes to conform with presentation of current-year amounts.

The total assets increase of 32 percent was due to an increase in the amount of WPBF cash and an increase in the value of the WPBF and the Wisconsin Public Radio Association, Inc. (WPRA) investments. The decrease in total liabilities was due to timing of payments to liquidate the liabilities.

Operating revenues in total were slightly larger than in the last fiscal year because of an increase in the grants received from the Corporation for Public Broadcasting (CPB) and other sources. Operating expenses decreased slightly from the level of last fiscal year.

Nonoperating revenue consists of investment earnings and losses, both realized and unrealized. Investment income increased in FY 2003-04 because of the market improvement.

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 decreased by 5 percent from FY 2002-03 to FY 2003-04 due to timing of payments by the ECB.

This financial report is designed to provide a general overview of the Wisconsin Public Broadcasting Foundation, Inc.'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*.

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## **Financial Statements ■**

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**Balance Sheet**  
**June 30, 2004**

	<u>Radio Fund</u>	<u>Television Fund</u>	<u>Total June 30, 2004</u>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents (Notes 1 and 2)	\$ 1,449,176	\$ 1,538,903	\$ 2,988,079
Investments (Notes 1 and 2)	1,931,018	2,643,242	4,574,260
Pledges receivable	202,618	0	202,618
Grants and contracts receivable	0	1,645	1,645
Interest receivable	2,168	2,945	5,113
Receivable—due from affiliates	0	4,368	4,368
Inventory	8,533	0	8,533
Other receivables	34,631	0	34,631
Prepaid expense	29,201	0	29,201
<b>TOTAL ASSETS</b>	<b><u>\$ 3,657,345</u></b>	<b><u>\$ 4,191,103</u></b>	<b><u>\$ 7,848,448</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
Current Liabilities:			
Accounts payable and accrued expenses	\$ 58,120	\$ 102,235	\$ 160,355
Accrued liabilities due to affiliates	178,302	62,358	240,660
Due to ECB (Note 3)	7,915	11,872	19,787
Total Current Liabilities	<u>244,337</u>	<u>176,465</u>	<u>420,802</u>
Net Assets			
Restricted by donors	48,769	0	48,769
Unrestricted	3,364,239	4,014,638	7,378,877
<b>Total Net Assets</b>	<b><u>3,413,008</u></b>	<b><u>4,014,638</u></b>	<b><u>7,427,646</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 3,657,345</u></b>	<b><u>\$ 4,191,103</u></b>	<b><u>\$ 7,848,448</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, 2004

	Radio Fund	Television Fund	Total 2003-04
<b>OPERATING REVENUES</b>			
Contributions Undesignated (Note 1)	\$ 3,499,961	\$ 2,439,391	\$ 5,939,352
Community Services Grant—CPB	683,922	1,053,439	1,737,361
Underwriting Grants	631,979	205,358	837,337
Other Grants	0	68,952	68,952
Major Gifts	24,436	165,483	189,919
Contributed In-Kind Support (Note 5)	14,619	0	14,619
Other Revenue	167,423	36,469	203,892
<b>Total Operating Revenues</b>	<b>5,022,340</b>	<b>3,969,092</b>	<b>8,991,432</b>
<b>OPERATING EXPENSES</b>			
Program Services:			
Programming and production	82,057	15,327	97,384
Program information	150,520	79,077	229,597
Total Program Services	232,577	94,404	326,981
Support Services:			
Management and general	151,945	82,908	234,853
Fund-raising and membership development	326,572	734,243	1,060,815
Underwriting	774	11,921	12,695
Total Support Services	479,291	829,072	1,308,363
<b>Total Operating Expenses</b>	<b>711,868</b>	<b>923,476</b>	<b>1,635,344</b>
<b>OPERATING INCOME</b>	<b>4,310,472</b>	<b>3,045,616</b>	<b>7,356,088</b>
<b>NONOPERATING REVENUES</b>			
Investment Income	313,769	432,401	746,170
Income Before Transfers	4,624,241	3,478,017	8,102,258
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>			
Transfers to ECB (Note 3)	(3,744,321)	(2,314,376)	(6,058,697)
<b>CHANGE IN NET ASSETS</b>	<b>879,920</b>	<b>1,163,641</b>	<b>2,043,561</b>
Total Net Assets—Beginning of the Year	2,485,632	2,850,997	5,336,629
Prior-Period Restatement (Note 7)	47,456	0	47,456
Total Net Assets—End of the Year	<b>\$ 3,413,008</b>	<b>\$ 4,014,638</b>	<b>\$ 7,427,646</b>

The accompanying notes are an integral part of this statement.

## Statement of Cash Flows for the Year Ended June 30, 2004

	Radio Fund	Television Fund	Total 2003-04
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Contributed Support	\$ 4,111,426	\$ 2,810,232	\$ 6,921,658
Received from Grants	683,922	1,125,041	1,808,963
Received from Other Sales	174,774	32,301	207,075
Payments to Suppliers	<u>(693,679)</u>	<u>(877,170)</u>	<u>(1,570,849)</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>4,276,443</u></b>	<b><u>3,090,404</u></b>	<b><u>7,366,847</u></b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers to ECB	<u>(3,817,618)</u>	<u>(2,416,438)</u>	<u>(6,234,056)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net Purchases, Sales, and Maturities of Investments	(138,545)	(242,102)	(380,647)
Interest and Dividends	<u>34,503</u>	<u>24,908</u>	<u>59,411</u>
<b>Net Cash Used for Investing Activities</b>	<b><u>(104,042)</u></b>	<b><u>(217,194)</u></b>	<b><u>(321,236)</u></b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>354,783</b>	<b>456,772</b>	<b>811,555</b>
Balances—Beginning of the Year	<u>1,094,393</u>	<u>1,082,131</u>	<u>2,176,524</u>
Balances—End of the Year	<b><u><u>\$ 1,449,176</u></u></b>	<b><u><u>\$ 1,538,903</u></u></b>	<b><u><u>\$ 2,988,079</u></u></b>

The accompanying notes are an integral part of this statement.

	Radio Fund	Television Fund	Total 2003-04
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income	\$ 4,310,472	\$ 3,045,616	\$ 7,356,088
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Change in assets and liabilities:			
Receivables, net	(37,599)	(1,518)	(39,117)
Inventories	(3,142)	0	(3,142)
Prepaid expense	(80)	759	679
Accounts and other payables	6,792	45,547	52,339
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 4,276,443</u></b>	<b><u>\$ 3,090,404</u></b>	<b><u>\$ 7,366,847</u></b>

Noncash Investing Activities:

Contributed In-Kind Support totaled \$14,619.

The net increase in the fair value of investments was \$571,303.



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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 (WPBF), Inc., 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 and 1 AM station. ECB also operates 3 FM translators, 6 TV translators, and a network of 26 weather service broadcast sites. 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 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 WHA Radio. 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. 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 non-exchange 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 an eligibility requirement 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. Non-cash contributions and donated services are recognized as revenues in the period of receipt.

Expenses are categorized in functional categories. Expenses that relate to more than one category are allocated to the 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.

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.

**C. Accounting Estimates**

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

**D. Cash and Cash Equivalents**

Cash and cash equivalents generally include cash deposits with financial institutions. WPBF's share of WPRA cash and cash equivalents include 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 and are managed by private trust companies. Investments authorized by WPBF's Board of Trustees and held by WPBF include publicly traded stock and equity mutual funds. WPRA investments are managed by asset management or private trust companies. Investments held by WPRA include bond and government securities mutual funds. Investment income is presented as a nonoperating revenue in the Statement of Revenues, Expenses, and Changes in Fund Net Assets.

**A. Deposits**

GASB Statement 3 requires deposits with financial institutions to be categorized to indicate the level of risk assumed. These risk categories are: 1) insured or collateralized, with securities held by the entity or by its agent in the entity's name; 2) collateralized, with securities held by the financial institution's trust department or agent in the entity's name; and 3) uninsured or uncollateralized.

At year-end, the carrying amount of WPBF's deposits with financial institutions was \$3,141,145, and the bank balance was \$3,431,994. The Federal Deposit Insurance Corporation (FDIC) covers deposits up to \$100,000 at each institution. Of the bank balance, \$470,750 was insured and is classified in risk category 1, and \$2,961,244 was uninsured and uncollateralized and is classified in risk category 3.

**B. Investments**

GASB Statement 3 also requires investments to be categorized to indicate the level of risk assumed by the State at year-end. The risk categories for investments are: 1) insured or registered, or the securities are held by the entity or its agent in the entity’s name; 2) uninsured and unregistered, with securities held by counterparty or its agent in the entity’s name; and 3) uninsured and unregistered, or the securities are held by counterparty or its agent but not in the entity’s name. With the exception of open-end mutual funds, which are not categorized, investments at June 30, 2004, meet the criteria for risk category 1.

	<u>Fair Value</u>	<u>Cost</u>
Equity Securities	\$ 3,951,089	\$ 3,446,713
Equity Mutual Funds	237,181	220,247
Bond Fund	147,904	153,012
Government Securities Mutual Funds	<u>85,020</u>	<u>87,067</u>
Subtotal	\$4,421,194	\$3,907,039
Certificates of Deposit Reported as Investments	<u>153,066</u>	<u>153,066</u>
Total	<u>\$4,574,260</u>	<u>\$4,060,105</u>

**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 during FY 1992-93. The balance as of June 30, 2004, is \$653,942. Investment income earned on the endowment is used for television programming operations. None of the assets in the endowment at June 30, 2004, are donor-restricted. Assets in the endowment 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 \$14,619 in donated materials.



## 6. RELATED ENTITIES

### A. WHA Radio and WHA Television

WHA Radio 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 their stations. The partnerships are maintained through affiliation agreements 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 WHA-Radio, a network of radio stations licensed to the UW Board of Regents. WPRA solicits funds in the name of, and with the approval of the licensees, ECB and the UW Board of Regents. Under the affiliation agreement, ECB and WHA-Radio 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 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. In prior fiscal years, only ECB's net equity in WPRA resources was reflected in WPBF's Balance Sheet. Presentation of ECB's allocated share of assets and liabilities was determined to be preferred as a result of a reassessment of the relationship between WPRA and Wisconsin Public Radio (ECB Radio Network and WHA-Radio) under GASB 39, *Determining Whether Certain Organizations Are Component Units*. A summary of amounts related to WPRA included in the accompanying financial statements follows:

	<u>June 30, 2004</u>
Cash and Cash Equivalents	\$ 487,014
Investments	385,990
Receivables and Other Current Assets	<u>274,983</u>
Total Assets	1,147,987
Accounts Payable	<u>(52,975)</u>
Net Assets	<u>\$1,095,012</u>
	Fiscal Year Ended
	<u>June 30, 2004</u>
Contributed Support and Revenue	\$3,707,784
Expenses:	
Program information	\$150,520
Management and general	103,513
Fund-raising	<u>326,572</u>
Total Expenses	<u>580,605</u>
Net Change in Assets	<u>\$3,127,179</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, 2004</u>
Cash and Cash Equivalents	\$1,261,590
Investments	755,967
Receivables and Other Current Assets	<u>361,819</u>
Total Assets	2,379,376
Accounts Payable	<u>(416,921)</u>
Net Assets	<u>\$1,962,455</u>
	Fiscal Year Ended
	<u>June 30, 2004</u>
Contributed Support and Revenue	\$4,913,628
Expenses:	
Program information	\$ 198,052
Management and general	137,139
Fund-raising	429,700
Payments to ECB and WHA	<u>3,649,718</u>
Total Expenses	<u>4,414,609</u>
Net Change in Assets	<u>\$ 499,019</u>

**7. RESTATEMENT OF BEGINNING NET ASSET BALANCES**

As discussed in Note 6B, the presentation of WPRA balances and activities allocated to ECB was changed as the result of a reassessment of the relationship between WPRA and Wisconsin Public Radio (ECB Radio Network and WHA-Radio) under GASB 39, *Determining Whether Certain Organizations Are Component Units*. The beginning net asset balance was adjusted to include ECB's allocated share of \$47,456 in WPRA program restricted net assets that previously was not included in ECB's net equity in WPRA resources. ECB's allocated share of the program restricted net assets is reported as restricted in the Balance Sheet.

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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., as of and for the year ended June 30, 2004, and have issued our report thereon dated December 10, 2004. 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 over financial reporting that might be material weaknesses. A material weakness is a 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 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 10, 2004

LEGISLATIVE AUDIT BUREAU

by   
Diann Allsen  
Audit Director