

AN AUDIT

WHA Radio

01-4

January 2001

2001-2002 Joint Legislative Audit Committee Members

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State Auditor - Janice Mueller

Editor of Publications - Jeanne Thieme

Audit Prepared by

Diann Allsen, Director and Contact Person
Karen Durst
Stephanie Beardsley

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State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

JANICE MUELLER
STATE AUDITOR

22 E. MIFFLIN ST., STE. 500
MADISON, WISCONSIN 53703
(608) 266-2818
FAX (608) 267-0410
Leg.Audit.Info@legis.state.wi.us

January 30, 2001

Senator Gary R. George and
Representative Joseph K. Leibham, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Mr. Jay L. Smith
President of the Board of Regents
University of Wisconsin
Madison, Wisconsin 53706

Dear Senator George, Representative Leibham, and Mr. Smith:

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

WHA Radio is licensed to the Board of Regents of the University of Wisconsin System and is operated by the University of Wisconsin-Extension. WHA Radio received over \$7.3 million in support and revenue during fiscal year 1999-2000, including state support, member contributions, funding from the Corporation for Public Broadcasting, and various other grants.

Our audit report contains WHA Radio's financial statements and related notes for the period July 1, 1999 through June 30, 2000. We were able to issue an unqualified independent auditor's report on these statements.

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

Respectfully submitted,

Janice Mueller
State Auditor

JM/DA/ao

Independent Auditor's Report on the Financial Statements of WHA Radio

We have audited the accompanying balance sheet of WHA Radio as of June 30, 2000, and the related statements of financial activity and cash flows for the year then ended. These financial statements are the responsibility of the management of WHA Radio. 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, of which net assets of \$490,568 are contractually committed to WHA Radio and are reflected in the accompanying financial data contained in Note 7. Net assets and revenues of the Wisconsin Public Radio Association included in the accompanying financial statements represent 14.6 percent of total assets and 11.6 percent of total support and revenues. The financial statements of the Wisconsin Public Radio Association 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 Wisconsin Public Radio Association, is based solely on the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards 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 were audited by other auditors in accordance with generally accepted auditing standards, 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 provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only WHA Radio and are not intended to present fairly the financial position of the State of Wisconsin, the results of its operations and changes in fund balances of its fund types, and its cash flows in conformity with generally accepted accounting principles.

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 financial position of WHA Radio as of June 30, 2000, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also will issue a report dated January 23, 2001, on our consideration of the WHA Radio's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, and grants.

LEGISLATIVE AUDIT BUREAU

January 23, 2001

by

Diann Allsen
Audit Director

WHA Radio
A Public Telecommunications Entity
Operated by the University of Wisconsin-Extension
Balance Sheet
June 30, 2000

	Unrestricted Fund	Restricted Fund	Property Fund	Total June 30, 2000	Total June 30, 1999
Assets					
Current Assets:					
Cash and cash equivalents (Note 2)	\$ 55,522	\$ 0	\$ 0	\$ 55,522	\$ 86,592
Grants and contracts receivable	196,862	18,276	0	215,138	98,148
Accounts and interest receivable	56,520	0	0	56,520	53,784
Accounts receivable - ECB (Note 7)	174,122	1,107,620	0	1,281,742	1,309,485
Due from the University of Wisconsin System	308,209	0	0	308,209	0
Net assets of WPRA (Note 7)	490,568	0	0	490,568	483,262
Prepaid expenses	31,709	0	0	31,709	29,567
Total Current Assets	1,313,512	1,125,896	0	2,439,408	2,060,838
Investments (Note 2)	717,850	0	0	717,850	702,868
Property and Equipment:					
Production equipment	0	0	490,697	490,697	608,507
Transmission equipment	0	0	342,804	342,804	257,084
Furniture and fixtures	0	0	0	0	102,384
Vehicles	0	0	0	0	12,156
Total Property and Equipment	0	0	833,501	833,501	980,131
Less accumulated depreciation	0	0	(632,077)	(632,077)	(768,817)
Net Property and Equipment	0	0	201,424	201,424	211,314
Total Assets	\$ 2,031,362	\$ 1,125,896	\$ 201,424	\$ 3,358,682	\$ 2,975,020
Liabilities and Fund Balances					
Current Liabilities:					
Accounts payable and accrued expenses	\$ 264,136	\$ 60,140	\$ 0	\$ 324,276	\$ 370,423
Due to the University of Wisconsin System	0	1,065,756	0	1,065,756	734,078
Deferred support (Note 6)	0	0	0	0	3,704
Total Current Liabilities	264,136	1,125,896	0	1,390,032	1,108,205
Fund Balances:					
Designated for operations	1,276,658	0	0	1,276,658	1,172,239
Net investment in property and equipment	0	0	201,424	201,424	211,314
WPRA fund balance (Note 7)	490,568	0	0	490,568	483,262
Total Fund Balances	1,767,226	0	201,424	1,968,650	1,866,815
Total Liabilities and Fund Balances	\$ 2,031,362	\$ 1,125,896	\$ 201,424	\$ 3,358,682	\$ 2,975,020

The accompanying notes are an integral part of this statement.

WHA Radio
A Public Telecommunications Entity
Operated by the University of Wisconsin-Extension
Statement of Financial Activity
for the Year Ended June 30, 2000

	Unrestricted Fund	Restricted Fund	Property Fund	Total 1999-2000	Total 1998-1999
Support and Revenue					
State General Appropriations	\$ 1,558,860	\$ 0	\$ 0	\$ 1,558,860	\$ 1,513,325
State Building Trust Funds	0	13,250	0	13,250	0
Donated Facilities and Administrative Support from the University of Wisconsin System (Note 3)	1,156,809	0	0	1,156,809	1,170,080
Community Service Grant - CPB	491,275	0	0	491,275	397,471
Other Grants and Contracts	448,014	1,949,880	0	2,397,894	2,394,352
Underwriting	397,912	0	0	397,912	373,992
In-kind Contributions (Note 4)	53,098	0	0	53,098	78,041
Investment Income	47,981	0	0	47,981	51,036
Telecasting, Production, and Other Income	350,644	0	0	350,644	253,557
Donations from WPRA (Note 7)	807,552	42,660	0	850,212	910,064
Total Support and Revenue	5,312,145	2,005,790	0	7,317,935	7,141,918
Expenses					
Program Services:					
Programming and production	3,337,458	1,154,219	32,375	4,524,052	4,478,991
Broadcasting	244,630	25,455	0	270,085	115,042
Program information	33,089	139,455	0	172,544	120,448
Total Program Services	3,615,177	1,319,129	32,375	4,966,681	4,714,481
Support Services:					
Management and general	1,314,427	169,573	0	1,484,000	1,402,942
Fund-raising and membership development	131,612	321,890	0	453,502	513,951
Underwriting	139,204	172,713	0	311,917	267,005
Total Support Services	1,585,243	664,176	0	2,249,419	2,183,898
Total Expenses	5,200,420	1,983,305	32,375	7,216,100	6,898,379
Excess (Deficiency) of Support and Revenue Over Expenses	<u>\$ 111,725</u>	<u>\$ 22,485</u>	<u>\$ (32,375)</u>	<u>\$ 101,835</u>	<u>\$ 243,539</u>
Fund Balances					
Fund Balance at Beginning of Year	\$ 1,655,501	\$ 0	\$ 211,314	\$ 1,866,815	\$ 1,623,276
Excess (Deficiency) of Support and Revenue Over Expenses	111,725	22,485	(32,375)	101,835	243,539
Interfund Transfer for Equipment Acquisition	0	(22,485)	22,485	0	0
Fund Balance at End of Year	<u>\$ 1,767,226</u>	<u>\$ 0</u>	<u>\$ 201,424</u>	<u>\$ 1,968,650</u>	<u>\$ 1,866,815</u>

The accompanying notes are an integral part of this statement.

WHA Radio
A Public Telecommunications Entity
Operated by the University of Wisconsin-Extension
Statement of Cash Flows
for the Year Ended June 30, 2000

	Operating Funds	Property Fund	Total 1999-2000	Total 1998-1999
Cash Flows from Operating Activities				
Excess (Deficiency) of Support and Revenues Over Expenses	\$ 134,210	\$ (32,375)	\$ 101,835	\$ 243,539
Adjustments to Reconcile Excess Revenues Over Expenses to Net Cash Provided by Operating Activities:				
Depreciation	0	(136,740)	(136,740)	49,847
Unrealized gain on investments	(1,282)	0	(1,282)	4,524
Realized gain on investments	1,333	0	1,333	1,550
Changes in Cash Due to:				
(Increase) decrease in grants and contracts receivable	(116,990)	0	(116,990)	89,544
(Increase) decrease in accounts and interest receivable	(2,736)	0	(2,736)	25,084
(Increase) decrease in accounts receivable - ECB	27,743	0	27,743	(394,108)
(Increase) decrease in due from University of Wisconsin System	(308,209)	0	(308,209)	0
(Increase) decrease in prepaid expenses	(2,142)	0	(2,142)	459
Increase (decrease) in accounts payable and accrued expenses	(46,147)	0	(46,147)	70,444
Increase (decrease) in due to University of Wisconsin System	331,678	0	331,678	197,830
Increase (decrease) in deferred support	(3,704)	0	(3,704)	(71,802)
Net Cash Provided (Used) by Operating Activities	13,754	(169,115)	(155,361)	216,911
Cash Flows from Capital and Related Financing Activities				
(Increase) Decrease in Net Assets of WPRA	(7,306)	0	(7,306)	18,300
Sale (Purchase) of Property and Equipment	0	146,630	146,630	(88,639)
Interfund Transfer for Equipment Acquisition	(22,485)	22,485	0	0
Net Cash Provided (Used) by Capital and Related Financing Activities	(29,791)	169,115	139,324	(70,339)
Cash Flows from Investing Activities				
Proceeds from Sale of Long-term Investments	116,751	0	116,751	31,919
Purchase of Long-term Investments	(131,784)	0	(131,784)	(147,651)
Net Cash (Used) by Investing Activities	(15,033)	0	(15,033)	(115,732)
Increase (Decrease) in Cash and Cash Equivalents	(31,070)	0	(31,070)	30,840
Cash and Cash Equivalents				
Beginning of Year	86,592	0	86,592	55,752
End of Year	\$ 55,522	\$ 0	\$ 55,522	\$ 86,592

The accompanying notes are an integral part of this statement.

1. Summary of Significant Accounting Policies

- A. Organization - WHA Radio is licensed to the Board of Regents of the University of Wisconsin System and is operated by the University of Wisconsin-Extension. The financial statements include the accounts of the Wisconsin Public Radio Association, Inc. (WPRA). WPRA solicits funds in the name of, and with the approval of, WHA Radio and the Wisconsin Educational Communications Board. By agreement, 24 percent of receipts and expenses of WPRA are attributed to WHA Radio. All significant inter-organization accounts and transactions have been eliminated.
- 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). As permitted by GASB, WHA Radio follows the American Institute of Certified Public Accountants (AICPA) not-for-profit model, which includes the accounting and financial reporting principles contained in AICPA's Statement of Position (SOP) 78-10, *Accounting Principles and Reporting Practices for Certain Nonprofit Organizations*, as modified by all applicable Financial Accounting Standards Board pronouncements issued through November 30, 1989, and as modified by all applicable GASB pronouncements. In addition, the accompanying financial statements are prepared in conformity with the provisions of the Corporation for Public Broadcasting's *Principles of Accounting and Financial Reporting for Public Telecommunications Entities (1990 ed.)*, as amended by its *Supplemental Guide (1996 ed.)*
- C. Fund Accounting - The assets, liabilities, and fund balances of WHA Radio are reported in two fund groups, which use the flow of economic resource measurement focus and the accrual basis of accounting:
- Operating Funds - include restricted and unrestricted resources used to support WHA Radio operations.
 - Property Fund - includes the resources expended for property and equipment.
- D. Revenue Recognition - Contributions, pledges, and grants that are unrestricted as to use are recorded as support in the statement of financial activity when WHA Radio is entitled to receive the revenue.

Restricted resources of WHA Radio are those that are to be used for specific programming, broadcasts, or acquisitions. The unexpended portion of restricted grants is reported on the balance sheet as deferred support until the related expenses have been incurred.

WPRA also recognizes revenue for contributions pledged that are not yet received at fiscal year-end, but are expected to be collected within one year.

- E. Due to (from) the University - Substantially all contributions and grant funds received by WHA Radio are deposited with the University of Wisconsin System until the related expenses are incurred. In addition, expenses related to certain contributions and grants may be incurred by the University of Wisconsin System prior to receipt of funding from the granting agency. The receivable or payable that results is reflected in the balance sheet.
- F. Allocation of Expenses to Functional Categories - Expenses are shown in the functional categories contained in the statement of financial activity. Expenses that relate to more than one category are allocated to the respective categories, using estimates if necessary.
- G. Cash and Cash Equivalents - Cash and cash equivalents in WHA Radio's unrestricted fund include cash balances deposited with the State Treasurer and shares in the State Investment Fund, a short-term investment pool of state and local funds.
- H. Valuation of Investments - All investments of WHA Radio are carried at fair value based on quoted market prices. State Investment Fund shares are valued at amortized cost, which approximates fair value. As of June 30, 2000, the fair value of these pool shares was 99.674 percent of amortized cost.
- I. Property and Equipment - Items classified as fixed assets are recorded at cost or, for donated property, at the estimated fair-market value at date of receipt. Assets with values in excess of \$5,000 are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, ranging from 4 to 15 years. Expenses for repairs and maintenance are charged to operating expenses as incurred.
- J. Employee Compensated Absences - Unused, earned compensated absences, other than accumulated sick leave, are accrued with a resulting liability. The related employer's share of social security taxes, Medicare taxes, and contributions to the Wisconsin Retirement System are also accrued with a resulting liability. The liability and the expense for compensated absences are based on current rates of pay.

- K. Prior-year Financial Statements - The financial information shown for fiscal year (FY) 1998-1999 in the accompanying financial statements presents summarized totals and is included only to provide a basis for comparison with FY 1999-2000.

2. Deposits and Investments

- A. Deposits - GASB Statement 3 requires deposits with financial institutions to be categorized to indicate the level of credit risk assumed. These risk categories are: 1) insured or collateralized, with securities held by the entity, or held by its agent, in the entity's name; 2) collateralized, with securities held by the financial institution's trust department, or the entity's agent, in the entity's name; and 3) uninsured or uncollateralized, with the securities not held by the entity or in the entity's name.

Cash and cash equivalents of \$55,522 in WHA Radio's unrestricted fund are in the custody of the State of Wisconsin Treasurer and are invested through the State Investment Fund, a short-term pool of state and local funds managed by the State of Wisconsin Investment Board with oversight by its Board of Trustees and Wisconsin Statutes. The State Investment Fund is not registered with the Securities and Exchange Commission as an investment company. At June 30, 2000, the deposit balance invested in the State's bank is in risk category 1.

- B. Investments - WHA Radio's investments consisted of the following at June 30, 2000:

	<u>Carrying Fair Value</u>	<u>Cost</u>
Intermediate-term Pooled Bond Funds	\$683,664	\$689,707
Long-term Pooled Bond and Equity Funds	<u>34,186</u>	<u>23,266</u>
Total	<u>\$717,850</u>	<u>\$712,973</u>

All investments of WHA Radio are in pooled funds and, therefore, are not required to be categorized for credit risk under GASB Statement 3.

3. 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 \$170,099 and occupancy costs of \$76,361 for FY 1999-2000. Such contributions are recorded at the University of Wisconsin System's cost of providing them. Administrative support from the University of Wisconsin System consists of allocated financial and administrative costs and certain other expenses incurred by the University of Wisconsin System on behalf of WHA Radio. Administrative support provided in FY 1999-2000 totaled approximately \$910,349.

4. In-kind Contributions

In-kind contributions and donated professional services are recorded as revenue and expenses in the statement of financial activity. In-kind contributions of \$53,098 consisted primarily of donated professional services relating to the programming and production functions. These donations are recorded at fair-market value.

5. Employee Retirement Plan

Permanent and qualifying limited-term employees of WHA Radio are participants in the Wisconsin Retirement System, a cost-sharing, multiple-employer, defined benefit plan governed by Chapter 40 of Wisconsin Statutes. State and local government public employees are entitled to an annual formula retirement benefit based on: 1) the employee's final average earnings; 2) years of creditable service; and 3) a formula factor. If an employee's contributions, matching employer's contributions, and interest credited to the employee's account exceed the value of the formula benefit, the retirement benefit may instead be calculated as a money purchase benefit.

The Wisconsin Retirement System is considered part of the State of Wisconsin's financial reporting entity. Copies of the separately issued financial report that includes financial statements and required supplementary information for the year ending December 31, 1999, may be obtained by writing to:

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

Generally, the State's policy is to fund retirement contributions on a level-percentage-of-payroll basis to meet normal and prior service costs of the Wisconsin Retirement System. Prior service costs are amortized over 40 years, beginning January 1, 1990. The retirement plan requires employee contributions equal to specified percentages of qualified earnings based on the employee's classification, plus employer contributions at a rate determined annually.

WHA Radio's contributions to the plan were \$366,126 for FY 1999-2000. The relative position of WHA Radio in the Wisconsin Retirement System is not available, since the system is a statewide, multi-employer plan.

6. Changes in Deferred Support

Beginning-of-year balances	\$ 3,704
(-) Prior-year earned	(47,884)
+ Addition	<u>44,180</u>
End-of-year balances	<u>\$ 0</u>

7. Related Entities

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

- B. Wisconsin Public Radio Association (WPR) - WPR is a not-for-profit corporation that administers fund-raising for public radio and provides support to WHA Radio and the ECB Radio Network. WPR solicits funds in the name of, and with the approval of, both WHA and ECB Radio, a network of radio stations licensed to the Board of Regents of the University of Wisconsin System. WHA Radio and ECB Radio have access to WPR's net resources and retain an ongoing equity interest. WHA Radio's equity interest in WPR is calculated in accordance with an affiliation agreement that currently provides WHA with 24 percent of WPR net resources. This agreement is renegotiated annually based upon fund drive results.

WHA Radio includes in revenue the entire amount of WPR net resources to which it is entitled each year. WHA Radio also recognizes WPR expenses made on its behalf as both a contribution and an expense. A

summary of amounts related to WPRA included in the accompanying financial statements follows:

	<u>1999-2000</u>
Equity in Resources held by WPRA	\$ 490,568
Contributed Support	\$ 850,212
Expenses:	
Programming and Production	\$119,670
Management and General	28,332
Fund-raising and Membership Development	107,377
	\$ 255,379

WPRA issues separate financial statements, which are audited by other auditors. A summary of significant WPRA financial data follows:

	<u>For the Year Ended June 30, 2000</u>
Revenues	\$3,762,976
Operating Expenses	<u>3,864,172</u>
Excess (Deficiency) of Revenues Over Operating Expenses	<u>\$ (101,196)</u>
	<u>June 30, 2000</u>
Current Assets	\$ 868,586
Endowment	278,632
Long-term Investments	200,854
Accounts Payable	(713,524)
Restricted Fund Balance	<u>(132,789)</u>
Net Assets Contractually Committed for Distribution to WHA and ECB Radio	<u>\$ 501,759</u>

8. Allocation of WLSU Licensee

In September 1996, the University of Wisconsin-La Crosse transferred primary administration of radio station WLSU-FM to the University of Wisconsin-Extension. WLSU-FM is qualified for Community Service Grant assistance from the Corporation for Public Broadcasting. WLSU-FM and WHA Radio are both licensed to the University of Wisconsin Board of Regents. Financial transactions for WLSU-FM that had previously occurred through University of Wisconsin-La Crosse are now included as a part of WHA Radio's financial statements. The portion of WHA Radio's Statement of Financial Activity attributable to WLSU-FM's revenues, direct expenditures, and related allocable indirect expenditures has been identified in the following table. The remaining revenues

and expenses are attributable to WHA Radio and include any unallocated amounts of WLSU-FM.

FY 1999-2000

<u>Support and Revenue</u>	<u>Total</u>	<u>WLSU-FM</u>	<u>WHA-Radio</u>
State General Appropriations	\$1,558,860	\$83,739	\$1,475,121
State Building Trust Funds	13,250	0	13,250
Donated Facilities and Administrative Support from the University of Wisconsin System	1,156,809	64,869	1,091,940
Community Service Grant	491,275	61,669	429,606
Other Grants	2,397,894	0	2,397,894
Underwriting	397,912	0	397,912
In-kind Contributions	53,098	0	53,098
Telecasting, Production, and Other Income	350,644	9,742	340,902
Donations from WPRA	850,212	157,656	692,556
Investment Income	<u>47,981</u>	<u>0</u>	<u>47,981</u>
Total Support and Revenue	<u>\$7,317,935</u>	<u>\$377,675</u>	<u>\$6,940,260</u>
 <u>Expenses</u>			
Program Services:			
Programming and production	\$4,524,052	\$239,789	\$4,284,263
Broadcasting	270,085	21,037	249,048
Program information	<u>172,544</u>	<u>13,661</u>	<u>158,883</u>
Total Program Services	<u>4,966,681</u>	<u>274,487</u>	<u>4,692,194</u>
 Support Services:			
Management and general	1,484,000	57,088	1,426,912
Underwriting	311,917	0	311,917
Fund-raising and membership development	<u>453,502</u>	<u>57,489</u>	<u>396,013</u>
Total Support Services	<u>2,249,419</u>	<u>114,577</u>	<u>2,134,842</u>
Total Expenses	<u>\$7,216,100</u>	<u>\$389,064</u>	<u>\$6,827,036</u>

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

We have audited the financial statements of WHA Radio as of and for the year ended June 30, 2000, and have issued our report thereon dated January 23, 2001. We conducted our audit in accordance with generally accepted auditing standards 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 were audited in accordance with generally accepted auditing standards, but not in accordance with the additional requirements of *Government Auditing Standards*. 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 Wisconsin Public Radio Association, is based solely on the report of the other auditors.

Compliance

As part of obtaining reasonable assurance about whether WHA Radio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered WHA Radio'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 assurance 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 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 internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Regents, the University of Wisconsin-Extension, the Wisconsin Legislature, and the Corporation for Public Broadcasting. This restriction is not intended to limit the distribution of this report, which, upon submission to the Joint Legislative Audit Committee, is a public document. However, because we do not express an opinion on compliance or provide assurance on internal control over financial reporting, this report is not intended to be used by anyone other than these specified parties.

LEGISLATIVE AUDIT BUREAU

January 23, 2001

by

Diann Allsen
Audit Director