

An Audit

## **WHA Radio**

### **2009-2010 Joint Legislative Audit Committee Members**

Senate Members:

Kathleen Vinehout, Co-chairperson  
Robert Jauch  
Mark Miller  
Robert Cowles  
Mary Lazich

Assembly Members:

Peter Barca, Co-chairperson  
Andy Jorgensen  
Mark Pocan  
Bill Kramer  
Samantha Kerkman

---

## LEGISLATIVE AUDIT BUREAU

The Bureau is a nonpartisan legislative service agency responsible for conducting financial and program evaluation audits of state agencies. The Bureau's purpose is to provide assurance to the Legislature that financial transactions and management decisions are made effectively, efficiently, and in compliance with state law and that state agencies carry out the policies of the Legislature and the Governor. Audit Bureau reports typically contain reviews of financial transactions, analyses of agency performance or public policy issues, conclusions regarding the causes of problems found, and recommendations for improvement.

Reports are submitted to the Joint Legislative Audit Committee and made available to other committees of the Legislature and to the public. The Audit Committee may arrange public hearings on the issues identified in a report and may introduce legislation in response to the audit recommendations. However, the findings, conclusions, and recommendations in the report are those of the Legislative Audit Bureau. For more information, write the Bureau at 22 East Mifflin Street, Suite 500, Madison, WI 53703, call (608) 266-2818, or send e-mail to [leg.audit.info@legis.wisconsin.gov](mailto:leg.audit.info@legis.wisconsin.gov). Electronic copies of current reports are available at [www.legis.wisconsin.gov/lab](http://www.legis.wisconsin.gov/lab).

---

State Auditor – Janice Mueller

### **Audit Prepared by**

Diann Allsen, *Director and Contact Person*

Dan Purcell

Mike White

# CONTENTS

---

<b>Letter of Transmittal</b>	<b>1</b>
<b>Audit Opinion</b>	<b>3</b>
Independent Auditor's Report on the Financial Statements of WHA Radio	
<b>Management's Discussion and Analysis</b>	<b>5</b>
<b>Financial Statements</b>	<b>9</b>
Balance Sheet as of June 30, 2009 and June 30, 2008	10
Statement of Revenues, Expenses, and Changes in Net Assets for the Years Ended June 30, 2009 and June 30, 2008	11
Statement of Cash Flows for the Years Ended June 30, 2009 and June 30, 2008	12
<b>Notes to the Financial Statements</b>	<b>15</b>
<b>Report on Control and Compliance</b>	<b>31</b>
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	





STATE OF WISCONSIN  
Legislative Audit Bureau

22 East Mifflin Street, Suite 500  
Madison, Wisconsin 53703  
(608) 266-2818  
Fax (608) 267-0410  
[www.legis.wisconsin.gov/lab](http://www.legis.wisconsin.gov/lab)

Janice Mueller  
State Auditor

January 29, 2010

Senator Kathleen Vinehout and  
Representative Peter Barca, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Mr. Charles Pruitt  
President of the Board of Regents  
University of Wisconsin System  
Madison, Wisconsin 53706

Dear Senator Vinehout, Representative Barca, and President Pruitt:

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

WHA Radio is licensed to the University of Wisconsin System's Board of Regents and is operated by the University of Wisconsin-Extension. WHA Radio earned \$10.1 million in revenues during fiscal year 2008-09, including state support, member contributions, funding from the Corporation for Public Broadcasting, and various other grants.

Our audit report contains WHA Radio's financial statements and related notes as of and for the periods ended June 30, 2009, and June 30, 2008. We were able to issue an unqualified independent auditor's report on these statements. However, our report on internal control and compliance discusses the need for expanded procedures to more fully address proper accounting treatment for the acquisition of capital assets.

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/ss



---

# Audit Opinion ■

---

## *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, 2009 and 2008, and the related Statement of Revenues, Expenses, and Changes in Net Assets and Statement of Cash Flows for the years then ended, as listed in the table of contents. 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 audits. We did not audit the financial statements of the Wisconsin Public Radio Association, Inc., of which net assets of \$865,801 as of June 30, 2009, and \$855,842 as of June 30, 2008, are allocated to WHA Radio and are reflected in the accompanying financial data contained in Note 9. Assets and revenues of the Wisconsin Public Radio Association, Inc., included in the accompanying financial statements represent 19.4 percent and 19.7 percent of WHA Radio's total assets as of June 30, 2009 and 2008, respectively, and 14.4 percent and 13.3 percent of WHA Radio's total revenue during fiscal years 2008-09 and 2007-08, respectively. 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 on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 *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 audits and the report of the other auditors provide a reasonable basis for our opinion.


As discussed in Note 1, the financial statements present only WHA Radio and do not purport to, and do not, present fairly the financial positions of the State of Wisconsin or the University of Wisconsin System, the changes in their financial positions, and their cash flows in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based upon our audits and the report of the other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of WHA Radio as of June 30, 2009 and 2008, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements of WHA Radio. The supplementary information included as Management's Discussion and Analysis on pages 5 through 8 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 January 22, 2010, on our consideration of WHA Radio's internal control over financial reporting; our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

January 22, 2010

LEGISLATIVE AUDIT BUREAU  
by   
Diann Allsen  
Audit Director



---

# Management's Discussion and Analysis ■

---

*Prepared by WHA Radio Management*

This section of the WHA Radio annual financial report presents management's discussion and analysis of the financial performance of WHA Radio during the fiscal years ended June 30, 2009 and 2008. This discussion should be read in conjunction with the accompanying financial statements and notes. The financial statements, notes, and this discussion are the responsibility of WHA Radio management.

## **Using the Annual Financial Statements**

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

The Balance Sheet includes all assets and liabilities. Assets and liabilities are subtotaled as current and noncurrent. Current assets will be used within one year to satisfy obligations, while current liabilities will be liquidated within one year. The difference between assets and liabilities is reported as net assets. Restricted net assets reflect unspent balances of purpose-restricted grants, contracts, and contributions. Over time, increases or decreases in net assets are indicators of changes in WHA Radio's financial health.

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

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

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

### **Noteworthy Financial Activity**

Condensed financial information relating to WHA Radio as of and for the fiscal years ended June 30, 2009, June 30, 2008, and June 30, 2007, is shown in Table A.

Total assets decreased 2 percent in fiscal year (FY) 2008-09, and total liabilities decreased by 16 percent, resulting in a 3 percent increase in net assets. This compares to a total asset increase of 18 percent in FY 2007-08, when total liabilities increased 39 percent, resulting in a 13 percent increase in net assets. Net assets have increased for 12 consecutive years. The net assets invested in capital assets decreased \$4,000, or 1 percent, in FY 2008-09 following a decrease of \$80,000 in FY 2007-08. A \$255,000 grant from the federal Department of Commerce Public Telecommunications Facilities Program (PTFP) for a new broadcast station in Ashland was awarded in FY 2008-09. Actual construction is not anticipated until FY 2010-11.

Current liabilities decreased 26 percent in FY 2008-09 after experiencing an increase of 60 percent in FY 2007-08. A liability due to the University of Wisconsin System accounts for more than 75 percent of all current liabilities in both fiscal years. The liability is the result of spending university funds in anticipation of reimbursement under grants and contracts. Noncurrent liabilities, which are payables for compensated absences, increased \$33,000 and totaled \$434,000 in FY 2008-09. In FY 2007-08, noncurrent liabilities increased \$9,000. The compensated liability tends to increase when there is relatively low staff turnover and staff bank leave time for use at a later date.

Table A

**WHA Radio Condensed Financial Information**  
(in thousands)

	June 30, 2009	Change from Previous Year	June 30, 2008 <sup>1</sup>	Change from Previous Year	June 30, 2007 <sup>1</sup>
Capital Assets	\$ 635	(1)%	\$ 639	(11)%	\$ 719
Other Assets	6,035	(2)	6,134	22	5,030
<b>Total Assets</b>	<b><u>6,670</u></b>	<b>(2)</b>	<b><u>6,773</u></b>	<b>18</b>	<b><u>5,749</u></b>
Current Liabilities	786	(26)	1,057	60	658
Noncurrent Liabilities	434	8	401	2	392
<b>Total Liabilities</b>	<b><u>1,220</u></b>	<b>(16)</b>	<b><u>1,458</u></b>	<b>39</b>	<b><u>1,050</u></b>
Invested in Capital Assets	635	(1)	639	(11)	719
Restricted—Nonexpendable	22	N/A	0	N/A	0
Restricted—Expendable	132	(84)	803	57	510
Unrestricted	4,661	20	3,873	12	3,470
<b>Total Net Assets</b>	<b><u>\$5,450</u></b>	<b>3</b>	<b><u>\$5,315</u></b>	<b>13</b>	<b><u>\$4,699</u></b>

	FY 2008-09	Change from Previous Year	FY 2007-08 <sup>1</sup>	Change from Previous Year	FY 2006-07 <sup>1</sup>
Operating Revenues	\$6,905	(2)%	\$7,037	10%	\$6,414
Operating Expenses	9,956	3	9,689	0	9,651
<b>Net Operating Loss</b>	<b>(3,051)</b>	<b>15</b>	<b>(2,652)</b>	<b>(18)</b>	<b>(3,237)</b>
Nonoperating Revenues	3,186	(2)	3,255	(10)	3,628
Capital Contributions	0	(100)	13	(89)	124
<b>Change in Net Assets</b>	<b><u>\$ 135</u></b>	<b>(78)</b>	<b><u>\$ 616</u></b>	<b>20</b>	<b><u>\$ 515</u></b>

<sup>1</sup> Certain FY 2007-08 and FY 2006-07 amounts reflect prior-period restatements.

Operating revenues decreased \$132,000 and totaled \$6,905,000 in FY 2008-09, after a \$623,000 increase in FY 2007-08. Grants and contracts are the single largest source of operating revenues and totaled \$3,792,000 in FY 2008-09, a 4 percent decrease compared to FY 2007-08. ECB was the source of \$3,297,000 in grants and contracts revenue in FY 2008-09, a 4 percent decrease from the previous year. ECB and WHA Radio share WPRAs revenue (see Note 9; ECB's share is 76 percent). Since FY 1999-2000, WPRAs revenue has increased \$2,370,000. WPRAs revenue increased \$369,000 in FY 2008-09, but the increase was retained by WPRAs rather than passed

on to ECB and WHA Radio. WPRA contractual support to the licensees decreased by \$135,000 in FY 2008-09.

Capital contributions decreased from \$304,000 in FY 2005-06 to \$124,000 in FY 2006-07, \$13,000 in FY 2007-08, and \$0 in FY 2008-09. Capital contributions can vary significantly from year to year because they are highly dependent upon receipt of one-time funding from state and federal organizations in competition with other state and broadcast entities. State Building Trust funds and grants from the Corporation for Public Broadcasting have been available for digital transmission equipment. As noted, a \$255,000 federal grant for a new broadcast station in Ashland was awarded in FY 2008-09. However, capital contributions are not recognized until expenses are incurred, which is not expected until construction begins in FY 2010-11.

Nonoperating revenues consist of investment income, State of Wisconsin general appropriations, and donated support from the University of Wisconsin System. Nonoperating revenues decreased by 2 percent and totaled \$3,186,000 in FY 2008-09. In FY 2007-08, nonoperating revenues decreased 10 percent. Volatile equity markets contributed to an unrealized loss of \$194,000 in FY 2008-09, following an \$83,000 unrealized loss on marketable securities in FY 2007-08. State general appropriations increased \$75,000 and were \$2,013,000 in FY 2008-09.

Donated support from the University of Wisconsin System increased 2 percent to \$1,288,000 following a decrease of 13 percent in FY 2007-08. WHA-AM uses the federally negotiated University of Wisconsin-Extension indirect cost rate as the basis for estimating revenues and expenses provided by the licensee, the University of Wisconsin System. A new rate was negotiated for FY 2007-08 and will remain in effect through FY 2009-10. The new rate calculation decreased the WHA-AM base expenses used for estimating indirect support. The new rate was the basis for the \$194,000 decrease in donated support in FY 2007-08.

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

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

■ ■ ■ ■

---

## **Financial Statements ■**

---

## Balance Sheet

### June 30, 2009 and June 30, 2008

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents (Note 2)	\$ 1,783,456	\$ 1,754,873
Investments (Note 2)	1,874,907	1,724,836
Contributions receivable, net	55,855	65,073
Accounts and interest receivable, net	169,801	203,600
Accounts receivable—ECB (Note 9)	1,019,663	1,215,675
Prepaid expenses	111,200	103,704
Inventory	<u>2,357</u>	<u>1,890</u>
Total Current Assets	<u>5,017,239</u>	<u>5,069,651</u>
Noncurrent Assets:		
Capital assets, net of accumulated depreciation (Notes 3 and 4)	635,309	638,855
Investments (Note 2)	<u>1,017,124</u>	<u>1,064,369</u>
Total Noncurrent Assets	<u>1,652,433</u>	<u>1,703,224</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 6,669,672</u></b>	<b><u>\$ 6,772,875</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 168,519	\$ 155,210
Due to the University of Wisconsin System (Note 1G)	<u>617,664</u>	<u>901,168</u>
Total Current Liabilities	<u>786,183</u>	<u>1,056,378</u>
Noncurrent Liabilities:		
Compensated absences payable (Note 5)	<u>433,499</u>	<u>401,206</u>
Total Noncurrent Liabilities	<u>433,499</u>	<u>401,206</u>
<b>Total Liabilities</b>	<b><u>1,219,682</u></b>	<b><u>1,457,584</u></b>
Net Assets:		
Invested in capital assets	635,309	638,855
Restricted (Note 1):		
Nonexpendable—endowments	21,600	0
Expendable—grantee and donor restrictions	132,212	803,375
Unrestricted	<u>4,660,869</u>	<u>3,873,061</u>
<b>Total Net Assets</b>	<b><u>5,449,990</u></b>	<b><u>5,315,291</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 6,669,672</u></b>	<b><u>\$ 6,772,875</u></b>

The accompanying notes are an integral part of this statement.

**Statement of Revenues, Expenses, and Changes in Net Assets  
for the Years Ended June 30, 2009 and June 30, 2008**

	FY 2008-09	FY 2007-08
<b>OPERATING REVENUES</b>		
Grants and Contracts	\$ 3,791,974	\$ 3,958,271
Community Service Grant—CPB	472,662	518,901
Underwriting	795,994	761,344
Telecasting, Production, and Other Income	116,574	132,280
Membership Income	1,234,702	1,162,349
Major Gifts	493,208	504,171
<b>Total Operating Revenues</b>	<b>6,905,114</b>	<b>7,037,316</b>
<b>OPERATING EXPENSES</b>		
Program Services:		
Programming and production	6,143,661	5,796,314
Broadcasting	417,242	471,651
Program information	188,615	163,436
Total Program Services	6,749,518	6,431,401
Support Services:		
Management and general	1,940,416	2,039,204
Fund-raising and membership development	861,321	811,153
Underwriting	405,136	407,434
Total Support Services	3,206,873	3,257,791
<b>Total Operating Expenses</b>	<b>9,956,391</b>	<b>9,689,192</b>
<b>OPERATING LOSS</b>	<b>(3,051,277)</b>	<b>(2,651,876)</b>
<b>NONOPERATING REVENUES AND EXPENSES</b>		
State General Appropriations	2,013,057	1,937,528
Donated Facilities and Administrative Support from the University of Wisconsin System (Note 6)	1,287,538	1,258,763
Investment Income	(114,619)	58,578
<b>Total Nonoperating Revenues</b>	<b>3,185,976</b>	<b>3,254,869</b>
Income Before Contributions and Transfers	134,699	602,993
<b>CONTRIBUTIONS AND TRANSFERS</b>		
Capital Contributions	0	13,354
<b>CHANGE IN NET ASSETS</b>	<b>134,699</b>	<b>616,347</b>
Total Net Assets—Beginning of the Year	5,315,291	4,698,944
Total Net Assets—End of the Year	<b>\$ 5,449,990</b>	<b>\$ 5,315,291</b>

The accompanying notes are an integral part of this statement.

## Statement of Cash Flows for the Years Ended June 30, 2009 and June 30, 2008

	<u>FY 2008-09</u>	<u>FY 2007-08</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Grants and Contracts	\$ 3,996,580	\$ 3,748,041
Receipts from Community Service Grant—CPB	472,662	518,901
Receipts from Contributed Support	2,521,468	2,281,144
Receipts from Sales and Services	118,617	136,018
Payments to Suppliers	(2,557,384)	(1,738,547)
Payments to Employees	<u>(6,262,444)</u>	<u>(6,171,725)</u>
<b>Net Cash Used for Operating Activities</b>	<b><u>(1,710,501)</u></b>	<b><u>(1,226,168)</u></b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Receipts from State Government	<u>2,013,057</u>	<u>1,937,528</u>
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b><u>2,013,057</u></b>	<b><u>1,937,528</u></b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Contributions	0	13,354
Purchases of Capital Assets	<u>(90,878)</u>	<u>(37,635)</u>
<b>Net Cash Used for Capital and Related Financing Activities</b>	<b><u>(90,878)</u></b>	<b><u>(24,281)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net (Purchases) and Sales of Investments	(345,526)	(925,659)
Interest and Dividends Received	<u>162,431</u>	<u>276,058</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<b><u>(183,095)</u></b>	<b><u>(649,601)</u></b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>28,583</b>	<b>37,478</b>
Balances—Beginning of the Year	<u>1,754,873</u>	<u>1,717,395</u>
Balances—End of the Year	<b><u>\$ 1,783,456</u></b>	<b><u>\$ 1,754,873</u></b>

The accompanying notes are an integral part of this statement.



	<u>FY 2008-09</u>	<u>FY 2007-08</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES</b>		
Operating Loss	\$ (3,051,277)	\$ (2,651,876)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:		
Depreciation expense	94,424	117,423
Donated facilities and administrative support from the University of Wisconsin System expense	1,287,538	1,258,763
Change in assets and liabilities:		
Receivables, net	204,679	(354,003)
Prepaid expenses	(7,496)	(5,137)
Inventory	(467)	791
Accounts and other payables	45,602	62,362
Due to the University of Wisconsin System	<u>(283,504)</u>	<u>345,509</u>
<b>Net Cash Used for Operating Activities</b>	<b><u>\$ (1,710,501)</u></b>	<b><u>\$ (1,226,168)</u></b>

Noncash Activities:

The fair value of investments decreased \$193,718 in FY 2008-09 and decreased \$161,526 in FY 2007-08.

Donated facilities and administrative support from the University of Wisconsin System totaled \$1,287,538 in FY 2008-09 and \$1,258,763 in FY 2007-08.

The accompanying notes are an integral part of this statement.



---

# Notes to the Financial Statements ■

---

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Organization

WHA Radio is a public telecommunications entity operated by the University of Wisconsin-Extension and consists of seven FM stations and one AM station that are licensed to the University of Wisconsin System's Board of Regents. WHA Radio's financial statements include its allocated share of the assets, liabilities, revenues, and expenses of the Wisconsin Public Radio Association, Inc. (WPRA), a not-for-profit corporation that collects funds for Wisconsin Public Radio and provides support to WHA Radio and the Educational Communications Board (ECB). All significant interorganization accounts and transactions have been eliminated. See Note 9 for further information regarding WPRA.

### B. Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). WHA Radio has not applied Financial Accounting Standards Board pronouncements issued after November 30, 1989. GASB allows governmental entities that previously used the American Institute of Certified Public Accountants' not-for-profit model to use enterprise fund accounting and financial reporting. Enterprise fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

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

Contributions, gifts, and grants that do not have eligibility requirements are reported as revenue when WHA Radio is entitled to the funds. Pledged WPRA contributions that are expected to be collected within one year are recorded as revenue at the net realizable value. There are no pledges due in more than one year. Individual gifts equal to or greater than \$1,000 are reported as major gifts. Contributions, gifts, and grants with eligibility requirements, such as expense-driven grants, are recognized when the eligibility requirements are met. Noncash contributions are recognized as revenues in the period of receipt.

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

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

**C. 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 include cash balances deposited with the State; shares in the State Investment Fund, a short-term investment pool of state and local funds; and WHA Radio's allocated share of WPRA's cash and cash equivalents, which include cash deposits and highly liquid investments with an original maturity of three months or less.

**E. Valuation of Investments**

All investments of WHA Radio are carried at fair-market value based on quoted market prices. State Investment Fund shares are valued at amortized cost, which approximates fair value.

**F. Capital Assets**

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

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives for capital assets are based on standards for the public broadcasting industry developed by the Public Broadcasting Service and range from 4 to 15 years. Expenses for repairs and maintenance are charged to operating expenses as incurred.

**G. Due to the University of Wisconsin System**

All cash received by WHA Radio from grants and contracts is deposited with the University of Wisconsin System. Expenses related to certain WHA Radio grants and contracts may be incurred by the University of Wisconsin System prior to receipt of funding from the granting agency. The difference between cash received and expenses is reported as a payable, Due to the University of Wisconsin System, on the Balance Sheet.

**H. Unearned Revenue**

Payments received but not yet earned for grants with eligibility requirements are reported as a liability on the Balance Sheet.

**I. Compensated Absences for Employees**

Unused, earned compensated absences, other than accumulated sick leave, are accrued with a resulting liability. The liability and the expense for compensated absences are based on the subsequent years' rates of pay. The related employer's share of social security taxes, Medicare taxes, and contributions to the Wisconsin Retirement System is also accrued with a resulting liability.

**J. Restricted Net Assets**

Restricted net assets are reported when constraints placed on net assets are externally imposed, such as by donors or grantors. WHA Radio's restricted net assets include purpose restrictions placed by donors on

contributed support or gifts. Restricted nonexpendable net assets are restricted by donors to be maintained in perpetuity. Unrestricted net assets may be used at the discretion of WHA Radio management.

## 2. DEPOSITS AND INVESTMENTS

WHA Radio's cash balances are deposited with the State of Wisconsin and are invested in the State Investment Fund, a short-term investment pool of state and local funds. The State Investment Fund is managed by the State of Wisconsin Investment Board with oversight by its Board of Trustees and is not registered with the Securities and Exchange Commission as an investment company.

The types of securities in which the State Investment Fund may invest are enumerated in ss. 25.17(3)(b), (ba), (bd), and (dg), Wis. Stats., and include direct obligations of the United States or its agencies, corporations wholly owned by the United States or chartered by an act of Congress, securities guaranteed by the United States, the unsecured notes of financial and industrial issuers, direct obligations of or guaranteed by the government of Canada, certificates of deposit issued by banks in the United States and solvent financial institutions in Wisconsin, and banker's acceptances. The Investment Board's trustees may specifically approve other prudent investments.

WHA Radio's investment balances are deposited with the University of Wisconsin System and invested in two different pools of University of Wisconsin funds: the UW Intermediate Term Fund, which invests primarily in fixed-income securities, and the UW Long Term Fund, which primarily invests in fixed-income and equity securities. These two funds are managed by the University of Wisconsin System, with oversight and authorization of the investment policies and guidelines by its Board of Regents, and are not registered with the Securities and Exchange Commission as an investment company.

WPRA's cash and investment activities are managed separately from the cash and investment activities of the State Investment Fund and the University of Wisconsin funds. WPRA cash balances are held in deposit and money market accounts at one financial institution. WPRA investments are managed by asset management or private trust companies and consist of certificates of deposit, fixed-income funds, and equity mutual funds. While WPRA investments include certificates of deposit, they are classified as deposits for purposes of this note disclosure.

**A. Deposits**

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, deposits may not be returned. WPRA does not have a deposit policy for custodial credit risk. Deposits maintained by WPRA are insured by the Federal Deposit Insurance Corporation for up to \$250,000 at each depository institution. As of June 30, 2009, \$56,036 of WHA Radio's share of WPRA's deposits was uninsured and uncollateralized. As of June 30, 2008, the uninsured and uncollateralized balance was \$33,930.

**B. Investments**

Investment balances for WHA Radio as of June 30, 2009, and June 30, 2008, were as follows:

<u>Investment</u>	June 30, 2009 <u>Fair Value</u>	June 30, 2008 <u>Fair Value</u>
Certificates of Deposit	\$ 21,600	\$ 0
Money Market Funds Awaiting Investment	9,240	5,342
Fixed-Income Funds	138,400	131,564
Equity Mutual Funds	128,408	166,936
UW Intermediate Term Fund	1,874,907	1,424,836
UW Long Term Fund	<u>719,476</u>	<u>1,060,527</u>
Total Investments on the Balance Sheet	<u>\$2,892,031</u>	<u>\$2,789,205</u>

The investments of WHA Radio and its share of WPRA investments are exposed to the following risks:

*Credit Risk*—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University of Wisconsin System's investment guidelines prohibit security transactions that involve a counterparty rated below AA by Standard & Poor's and/or Moody's. In addition, all securities held must have a minimum quality rating of investment grade (BBB/Baa by Standard & Poor's and/or Moody's) with an average portfolio quality of at least AA as rated by Standard & Poor's and/or Moody's. WPRA does not have an investment policy for credit risk. As of June 30, 2009, and June 30, 2008, the UW Intermediate and Long Term Funds and WPRA's fixed-income investments listed in the preceding table were all unrated.

*Interest Rate Risk*—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University of Wisconsin System's investment guidelines mandate that the UW Intermediate and Long Term Funds must maintain an effective modified duration within one year of the effective modified duration of the underlying portfolios' benchmark indices. WPRA does not have an investment policy for interest rate risk. As of June 30, 2009 and 2008, the fixed-income investments of WHA Radio and WPRA had the following modified durations:

<u>Investment</u>	June 30, 2009 <u>Fair Value</u>	Modified Duration <u>(In Years)</u>
UW Intermediate Term Fund	\$1,874,907	3.82
Vanguard Inflation-Protected	16,536	4.24
Vanguard Intermediate-Term Investment Grade Fund	16,753	5.00
PIM Co. Total Return Institutional Fund	75,470	4.79
Dodge & Cox Income Fund	<u>29,641</u>	3.87
Total Fixed-Income Investments	<u>\$2,013,307</u>	

<u>Investment</u>	June 30, 2008 <u>Fair Value</u>	Modified Duration <u>(In Years)</u>
UW Intermediate Term Fund	\$1,424,836	3.17
Goldman Sachs Government Income Fund	35,424	3.8
PIM Co. Total Return Institutional Fund	22,471	4.4
Dodge & Cox Income Fund	<u>73,669</u>	3.8
Total Fixed-Income Investments	<u>\$1,556,400</u>	

In addition, as of June 30, 2009, 14.4 percent of the UW Long Term Fund, in which WHA Radio had an investment of \$719,476, was invested in fixed-income securities that had a modified duration of 3.99 years. As of June 30, 2008, 13.9 percent of that Fund, in which WHA Radio had an investment of \$1,060,527, was invested in fixed-income securities that had a modified duration of 4.29 years.

*Foreign Currency Risk*—Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The University of Wisconsin System’s investment guidelines state that it is generally expected that the foreign currency exposure is not hedged, as this enhances the diversification benefits from non-U.S. investments. WPRA does not have an investment policy for foreign currency risk. As of June 30, 2009, WHA Radio was exposed to foreign currency risk through its investment of \$719,476 in the UW Long Term Fund and its share of WPRA’s investments of \$23,926 in three international equity mutual funds. As of June 30, 2008, exposure to foreign currency risk was through a \$1,060,527 investment in the UW Long Term Fund and WHA Radio’s share of WPRA’s investments of \$34,901 in three international equity mutual funds.



**3. CAPITAL ASSETS**

The change in book value from July 1, 2008, to June 30, 2009, is summarized as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets:				
Equipment	\$1,541,825	\$90,878	\$(34,757)	\$1,597,946
Less Accumulated Depreciation for:				
Equipment	<u>(902,970)</u>	<u>(94,424)</u>	<u>34,757</u>	<u>(962,637)</u>
Total Capital Assets, Net	<u>\$ 638,855</u>	<u>\$(3,546)</u>	<u>\$ 0</u>	<u>\$ 635,309</u>

Depreciation expense was charged to functions as follows:

Programming and Production	\$46,301
Broadcasting	45,192
Fund-raising	<u>2,931</u>
Total Depreciation Expense	<u>\$94,424</u>

The change in book value from July 1, 2007, to June 30, 2008, is summarized as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets:				
Equipment	\$1,656,335	\$ 37,635	\$(152,145)	\$1,541,825
Less Accumulated Depreciation for:				
Equipment	<u>(937,692)</u>	<u>(117,423)</u>	<u>152,145</u>	<u>(902,970)</u>
Total Capital Assets, Net	<u>\$ 718,643</u>	<u>\$(79,788)</u>	<u>\$ 0</u>	<u>\$ 638,855</u>

Depreciation expense was charged to functions as follows:

Programming and Production	\$ 69,301
Broadcasting	45,192
Fund-raising	<u>2,930</u>
Total Depreciation Expense	<u>\$117,423</u>

**4. CAPITAL ASSET LIEN**

Federal grant funds received from the National Telecommunications and Information Administration (NTIA) to purchase equipment contain a priority lien. The lien extends for a period of ten years from the date of award completion, during which time the federal government retains priority reversionary interest in the equipment. WHA Radio was awarded three NTIA capital equipment grants from FY 2001-02 through FY 2008-09. The depreciated value of equipment subject to a priority lien was \$53,417 as of June 30, 2009, and \$67,011 as of June 30, 2008.

**5. NONCURRENT LIABILITIES**

Noncurrent liability activity for the year ended June 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Compensated Absences	\$401,206	\$77,927	\$(45,634)	\$433,499

Noncurrent liability activity for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Compensated Absences	\$391,677	\$77,409	\$(67,880)	\$401,206

In addition, another \$12,773 as of June 30, 2009, and 15,627 as of June 30, 2008, was due within one year and included in the accounts payable and accrued expenses balance on the Balance Sheet.

**6. DONATED FACILITIES AND ADMINISTRATIVE SUPPORT FROM THE UNIVERSITY OF WISCONSIN SYSTEM**

Donated facilities from the University of Wisconsin System consist of physical plant operating costs of \$178,001 and occupancy costs of \$41,533 for FY 2008-09, and \$174,022 and \$40,606 for FY 2007-08. Such contributions are recorded at the University of Wisconsin System’s cost of providing them. Administrative support from the University of Wisconsin System consists of allocated financial and administrative costs and certain other expenses incurred by the University of Wisconsin System on behalf of WHA Radio. Administrative support totaled \$1,068,004 in FY 2008-09 and \$1,044,135 in FY 2007-08.

**7. 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 ch. 40, Wis. Stats. State and local government public employees are entitled to an annual formula retirement benefit based on: 1) the employee’s final average earnings; 2) years of creditable service; and 3) a formula factor. If an employee’s contributions, matching employer’s contributions, and interest credited to the employee’s account exceed the value of the formula benefit, the retirement benefit may instead be calculated as a money purchase benefit.

The 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 may be obtained by writing to:

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

The report is also available on the Department of Employee Trust Funds' Web site, *www.etf.wi.gov*.

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. However, in December 2003, the State issued bonds and subsequently fully liquidated its prior service liability balance as of January 2003. State agencies are required to make future contributions to fund the bond payments.

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 contribution to the plan, including employer and employee contributions, was \$550,247 in FY 2008-09 and \$538,017 in FY 2007-08. The relative position of WHA Radio in the Wisconsin Retirement System is not available because the Wisconsin Retirement System is a statewide, multi-employer plan.

## 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In accordance with the provisions of GASB Statement No. 45, state and local governmental employers are required to display in financial reports other postemployment benefits (OPEB) expenses and related liabilities; notes disclosures; and if applicable, required supplementary information. The employees of WHA Radio are employees of the State of Wisconsin. The financial statements of WHA Radio do not include OPEB expenses or the related liabilities other than those actually paid, which are included in salary and fringe benefits on the financial statements.

*Health Insurance*—The State's Health Insurance Program, a cost-sharing, multiple-employer, defined benefit plan not held in trust, is an employer-sponsored program offering group medical coverage to eligible employees and retirees of the State created under ch. 40, Wis. Stats. The Department of Employee Trust Funds and the Group Insurance Board have program administration and oversight responsibilities under ss. 15.1565(2) and 40.03(6), Wis. Stats.

Under this plan, retired employees of the State contribute the same healthcare premium as active employees, creating an implicit rate subsidy for retirees. This implicit rate subsidy, which is calculated to cover pre-age 65 retirees (since at age 65 retirees are required to enroll in Medicare, when eligible) is treated as an OPEB.

As of the January 1, 2007 actuarial valuation, the State's annual required contributions were \$158.7 million for 2008 and \$148.5 million for 2007. The State's actual contributions were \$48.8 million in 2008 and \$44.3 million in 2007, which results in a net OPEB obligation for the State of \$214.1 million as of December 31, 2008, and \$104.2 million as of December 31, 2007. The portion of this obligation allocated to the University of Wisconsin System increased from \$47.1 million in FY 2007-08 to \$96.6 million in FY 2008-09. WHA Radio's portion is estimated at less than \$0.3 million in FY 2008-09 and less than \$0.2 million in FY 2007-08. This obligation is included in the State's Comprehensive Annual Financial Report (CAFR) but is not included in WHA Radio's financial statements.

The State's CAFR includes financial statements, additional note disclosures, and required supplementary information for this plan. That report is publicly available at [www.doa.wi.gov](http://www.doa.wi.gov) or may be obtained by writing to:

State Controller's Office  
Department of Administration  
101 East Wilson Street  
Madison, Wisconsin 53703

*Life insurance*—The State's Life Insurance program, a cost-sharing, multiple-employer, defined benefit plan held in trust, provides post-employment coverage to all eligible employees. The plan is administered under s. 40.70, Wis. Stats. Beginning at age 65, retirees and terminating participants continue to receive, at no cost to themselves, basic life insurance coverage. Retirees and terminating participants under age 65 must continue to pay the employee premium to maintain coverage. The relative portion of the State's contributions to the Life Insurance OPEB plan attributable to WHA Radio is not readily available.

The Department of Employee Trust Funds issues a publicly available financial report that includes financial statements, additional note disclosures, and required supplementary information for the Life Insurance OPEB plan. That report is available at [www.etf.wi.gov](http://www.etf.wi.gov) or may be obtained by writing to:

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

The State's CAFR also includes additional employer note disclosures for the plan.

## 9. RELATED ENTITIES

### A. Educational Communications Board Radio Network

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

### B. Wisconsin Public Radio Association, Inc.

WPRA is a publicly supported not-for-profit corporation whose purpose is to administer various fund-raising and membership duties of Wisconsin Public Radio and to provide support to WHA Radio and the ECB Radio Network. WPRA solicits funds in the name of, and with the approval of, both WHA Radio and ECB. Under an affiliation agreement, WHA Radio and ECB staff, along with the WPRA Board of Directors, approve WPRA's budget. WHA Radio and ECB have access to WPRA's net resources and retain an ongoing allocated interest in WPRA's net assets. WHA Radio's and the ECB Radio Network's allocated interest in WPRA are calculated in accordance with the affiliation agreement that currently provides WHA Radio with 24 percent of WPRA net resources and ECB with 76 percent. In addition, all net income from a quasi endowment held by WPRA on behalf of WHA is allocated to WHA Radio. This agreement is renegotiated annually based upon membership proportion.

WHA Radio includes its allocated share of WPRA assets, liabilities, revenues, and expenses in its financial statements. A summary of amounts related to WPRA prior to interorganizational eliminations is included in the following table. The financial statement amounts are reported net of eliminations of \$424,690 for both assets and liabilities as of June 30, 2009, and \$466,179 as of June 30, 2008. The financial statement amounts are also reported net of eliminations of \$1,259,058 for both revenues and expenses for FY 2008-09 and \$1,277,691 for FY 2007-08.

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Cash and Investments	\$1,221,130	\$1,247,960
Receivables and Other Current Assets	68,596	73,991
Capital Assets	<u>6,350</u>	<u>9,281</u>
Total Assets	1,296,076	1,331,232
Payables and Other Current Liabilities	<u>(430,275)</u>	<u>(475,390)</u>
Net Assets	<u>\$ 865,801</u>	<u>\$ 855,842</u>

	<u>Fiscal Year Ended June 30, 2009</u>	<u>Fiscal Year Ended June 30, 2008</u>
Contributed Support and Revenue	<u>\$1,450,880</u>	<u>\$1,366,487</u>
Expenses:		
Programming and production	25,920	23,120
Program information	7,487	15,902
Management and general	30,488	31,792
Fund-raising	<u>177,518</u>	<u>161,451</u>
Total Expenses	<u>241,413</u>	<u>232,265</u>
Change in Net Assets before Contractual Support to WHA Radio	<u>\$1,209,467</u>	<u>\$1,134,222</u>

WPRA issues separate financial statements, which are audited by other auditors. A summary of significant WPRA financial data as of and for periods ended June 30, 2009, and June 30, 2008, follows. Copies of WPRA's separately issued financial statements may be obtained by contacting:

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

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Cash and Investments	\$1,896,914	\$1,789,310
Receivables and Other Current Assets	285,818	308,296
Capital Assets	<u>26,458</u>	<u>38,669</u>
Total Assets	2,209,190	2,136,275
Payables and Other Current Liabilities	<u>(447,963)</u>	<u>(504,561)</u>
Net Assets	<u>\$1,761,227</u>	<u>\$1,631,714</u>

	Fiscal Year Ended <u>June 30, 2009</u>	Fiscal Year Ended <u>June 30, 2008</u>
Contributed Support and Revenue	<u>\$6,133,349</u>	<u>\$5,764,130</u>
Expenses:		
Programming and production	68,000	96,335
Program information	31,196	66,257
Management and general	127,035	132,467
Fund-raising	781,932	672,713
Contract Support to WHA and ECB	<u>4,995,673</u>	<u>5,198,929</u>
Total Expenses	<u>6,003,836</u>	<u>6,166,701</u>
Change in Net Assets	<u>\$ 129,513</u>	<u>\$ (402,571)</u>

**C. The University of Wisconsin Foundation**

The Foundation is the official not-for-profit fund-raising corporation for the University of Wisconsin-Madison and several other units of the University of Wisconsin System, including the University of Wisconsin-Extension. It receives gifts and bequests, administers and invests securities and property, and disburses payments to and on behalf of the University of Wisconsin. As of June 30, 2009, the market value of endowments and accumulated interest held by the Foundation for WHA Radio was \$667,163; as of June 30, 2008, that amount was \$785,974. The accumulated interest is available to be transferred to the university and spent by WHA Radio. Accumulated interest totaled \$156,695 as of June 30, 2009, and \$139,069 as of June 30, 2008. WHA Radio transferred \$15,500 from the Foundation and spent \$25,618 in FY 2008-09. WHA Radio transferred \$8,000 and spent \$17,020 in FY 2007-08. Only the actual transfers from the Foundation are reflected in WHA Radio's financial statements.

**10. ALLOCATION OF WLSU-FM**

WLSU-FM is qualified for Community Service Grant assistance from the Corporation for Public Broadcasting (CPB). Beginning in FY 2002-03, its affiliated Music Network stations, WUEC-FM and WVSS-FM, were also combined with WLSU-FM for purposes of applying for Community Service Grant assistance. WLSU-FM and WHA Radio and their affiliates are licensed to the University of Wisconsin System's Board of Regents. Financial transactions for WLSU-FM and its affiliated stations are included as a part of WHA Radio's financial statements.

The portion of WHA Radio's statement of financial activity attributable to WLSU-FM's and its affiliates' revenues, direct expenses, and related allocable indirect expenses has been identified in the following tables for FY 2008-09 and FY 2007-08. The remaining revenues and expenses are attributable to WHA Radio and its affiliated Ideas Network stations and include any unallocated amounts of WLSU-FM.

<u>FY 2008-09</u>	<u>WHA-AM and Affiliates</u>	<u>WLSU-FM and Affiliates</u>	<u>WHA Radio Total</u>
<b>Operating Revenues</b>			
Grants and Contracts	\$3,791,974	\$ 0	\$3,791,974
Community Service Grant—CPB	358,654	114,008	472,662
Underwriting	733,733	62,261	795,994
Telecasting, Production, and Other Income	116,574	0	116,574
Membership Income	1,004,890	229,812	1,234,702
Major Gifts	<u>493,208</u>	<u>0</u>	<u>493,208</u>
Total Operating Revenues	<u>6,499,033</u>	<u>406,081</u>	<u>6,905,114</u>
<b>Operating Expenses</b>			
Program Services:			
Programming and production	5,727,966	415,695	6,143,661
Broadcasting	375,377	41,865	417,242
Program information	<u>151,572</u>	<u>37,043</u>	<u>188,615</u>
Total Program Services	<u>6,254,915</u>	<u>494,603</u>	<u>6,749,518</u>
Support Services:			
Management and general	1,802,290	138,126	1,940,416
Fund-raising and membership development	829,358	31,963	861,321
Underwriting	<u>328,919</u>	<u>76,217</u>	<u>405,136</u>
Total Support Services	<u>2,960,567</u>	<u>246,306</u>	<u>3,206,873</u>
Total Operating Expenses	<u>9,215,482</u>	<u>740,909</u>	<u>9,956,391</u>
Operating Loss	<u>(2,716,449)</u>	<u>(334,828)</u>	<u>(3,051,277)</u>
<b>Nonoperating Revenues (Expenses)</b>			
State General Appropriations	1,778,810	234,247	2,013,057
Donated Facilities and Administrative Support from the University of Wisconsin System	1,202,957	84,581	1,287,538
Investment Income	<u>(114,619)</u>	<u>0</u>	<u>(114,619)</u>
Total Nonoperating Revenues	<u>2,867,148</u>	<u>318,828</u>	<u>3,185,976</u>
Change in Net Assets	<u>\$ 150,699</u>	<u>\$ (16,000)</u>	<u>\$ 134,699</u>



<b><u>FY 2007-08</u></b>	<u>WHA-AM and Affiliates</u>	<u>WLSU-FM and Affiliates</u>	<u>WHA Radio Total</u>
<b>Operating Revenues</b>			
Grants and Contracts	\$3,931,413	\$ 26,858	\$3,958,271
Community Service Grant—CPB	406,698	112,203	518,901
Underwriting	720,610	40,734	761,344
Telecasting, Production, and Other Income	132,280	0	132,280
Membership Income	936,196	226,153	1,162,349
Major Gifts	<u>504,171</u>	<u>0</u>	<u>504,171</u>
Total Operating Revenues	<u>6,631,368</u>	<u>405,948</u>	<u>7,037,316</u>
<b>Operating Expenses</b>			
Program Services:			
Programming and production	5,365,273	431,041	5,796,314
Broadcasting	406,520	65,131	471,651
Program information	<u>151,789</u>	<u>11,647</u>	<u>163,436</u>
Total Program Services	<u>5,923,582</u>	<u>507,819</u>	<u>6,431,401</u>
Support Services:			
Management and general	1,861,642	177,562	2,039,204
Fund-raising and membership development	781,528	29,625	811,153
Underwriting	<u>346,852</u>	<u>60,582</u>	<u>407,434</u>
Total Support Services	<u>2,990,022</u>	<u>267,769</u>	<u>3,257,791</u>
Total Operating Expenses	<u>8,913,604</u>	<u>775,588</u>	<u>9,689,192</u>
Operating Loss	<u>(2,282,236)</u>	<u>(369,640)</u>	<u>(2,651,876)</u>
<b>Nonoperating Revenues (Expenses)</b>			
State General Appropriations	1,695,616	241,912	1,937,528
Donated Facilities and Administrative Support from the University of Wisconsin System	1,173,057	85,706	1,258,763
Investment Income	<u>58,578</u>	<u>0</u>	<u>58,578</u>
Total Nonoperating Revenues	<u>2,927,251</u>	<u>327,618</u>	<u>3,254,869</u>
Capital Contributions	<u>13,354</u>	<u>0</u>	<u>13,354</u>
Change in Net Assets	<u>\$ 658,369</u>	<u>\$ (42,022)</u>	<u>\$ 616,347</u>

**11. RESTATEMENT OF FY 2007-08 FINANCIAL STATEMENTS**

The FY 2007-08 statements have been restated to correct for an error in which a capital asset was incorrectly recognized as equipment on WHA Radio's financial statements when it should have been considered a building of the University of Wisconsin System. As part of the correction, capital assets, capital contributions, and the ending net assets balance were decreased by \$38,631.

■ ■ ■ ■

---

# Report on Control and Compliance ■

---

***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 WHA Radio as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated January 22, 2010. Our report was modified to include a reference to other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Wisconsin Public Radio Association, Inc., as described in our opinion on WHA Radio. While the financial statements of Wisconsin Public Radio Association, Inc., were audited in accordance with auditing standards generally accepted in the United States of America, they were not audited in accordance with *Government Auditing Standards*.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audits, we considered WHA Radio's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of WHA Radio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of WHA Radio's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of WHA Radio's financial statements will not be prevented or will not be detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined in the preceding paragraph. However, we consider the occurrence of accounting errors for capital assets and a corresponding need for expanded procedures to more fully address proper accounting treatment for the acquisition of capital assets to be a significant deficiency. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The compilation process for the WHA Television and WHA Radio financial statements is complex and involves many supporting spreadsheets and adjusting journal entries. It is therefore important that clear and comprehensive procedures are in place to identify and determine how capital assets should be recorded in the financial statements.

Several errors resulted because University of Wisconsin-Extension staff incorrectly assessed the proper accounting treatment for the acquisition of capital assets. In the first case, University of Wisconsin-Extension staff capitalized assets in the WHA Television and WHA Radio financial statements at the time the assets were entered into the inventory system and inventory tags were placed on the assets, rather than at the time the assets were purchased. Incorrect financial reporting of the assets occurred when inventory tags were placed on the equipment in a different fiscal year than when the purchase occurred. We identified \$184,927 of equipment purchases and University of Wisconsin-Extension staff identified an additional \$127,906 of purchases that should have been capitalized in the WHA Television's draft financial statements in FY 2008-09.

In the second case, University of Wisconsin-Extension staff incorrectly reported a capital asset in both FY 2008-09 and FY 2007-08 and recognized related capital contributions for WHA Radio for the acquisition of a radio tower totaling \$277,769. After following up on audit questions about the asset, staff determined that it is considered a building of the University of Wisconsin System and that the costs of the tower are already recognized by WHA Radio through the calculation of donated facilities and administration support from the University of Wisconsin System.

University of Wisconsin-Extension staff corrected the draft financial statements for these errors. In addition, the University of Wisconsin-Extension agrees with our

recommendation to review and amend its procedures to ensure they fully identify and explain the proper accounting treatment for capital assets. In response, the University of Wisconsin-Extension will institute additional procedures to identify capital assets that have been purchased but not yet recorded on the inventory system and to request additional information from the University of Wisconsin System on the University of Wisconsin-Extension's buildings.

## COMPLIANCE AND OTHER MATTERS

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

WHA's written response to the findings identified in our audit is summarized in the preceding narrative. We did not audit the response and, accordingly, express no opinion on it.

This independent auditor's report is intended for the information and use of the University of Wisconsin-Extension, the University of Wisconsin System's Board of Regents, the Wisconsin Legislature, and the Corporation for Public Broadcasting. This report is a matter of public record and its distribution is not limited. However, because we do not express an opinion on the effectiveness of WHA Radio's internal control or on compliance, this report is not intended to be used by anyone other than these specified parties.

January 22, 2010

LEGISLATIVE AUDIT BUREAU

by 

Diann Allsen  
Audit Director