

December 2009

An Audit

Wisconsin Public Broadcasting Foundation, Inc.

2009-2010 Joint Legislative Audit Committee Members

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Janice Mueller
State Auditor

December 18, 2009

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

Mr. Gene Purcell, Executive Director
Wisconsin Public Broadcasting Foundation, Inc.
3319 West Beltline Highway
Madison, Wisconsin 53713

Dear Senator Vinehout, Representative Barca, and Mr. Purcell:

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

We completed this audit in conjunction with our audits of the Wisconsin Educational Communications Board television and radio networks, reports 09-16 and 09-17. The Foundation's financial operations are separate and independent from the State of Wisconsin. The Foundation's financial statements are presented in two separate funds (radio and television) to accommodate reporting requirements and the Educational Communications Board's desire to maintain the funds separately.

Our audit report contains the Foundation's financial statements and related notes as of and for the periods ending June 30, 2009, and June 30, 2008. We were able to issue an unqualified independent auditor's report on these statements.

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

Respectfully submitted,

Janice Mueller
State Auditor

JM/DA/ss

Audit Opinion ■

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

We have audited the accompanying financial statements of the Wisconsin Public Broadcasting Foundation, Inc.'s Radio Fund and Television Fund, as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Wisconsin Educational Communications Board, which manages the Foundation. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Wisconsin Public Radio Association, Inc., of which net assets of \$895,426 as of June 30, 2009, and \$775,872 as of June 30, 2008, are allocated to the Educational Communications Board and are reflected in the accompanying financial data contained in Note 7B. Assets and revenues of the Wisconsin Public Radio Association, Inc., included in the accompanying financial statements represent 8.0 percent of the Foundation's total assets as of June 30, 2009, and 7.1 percent of the Foundation's total assets as of June 30, 2008, and 54.3 percent of the Foundation's total support and revenue during fiscal year (FY) 2008-09 and 51.5 percent of its total support and revenue during FY 2007-08. The financial statements of the Wisconsin Public Radio Association, Inc., were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Wisconsin Public Radio Association, Inc., is based solely upon the report of the other auditors.

We conducted our 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 referred to in the first paragraph present only the Wisconsin Public Broadcasting Foundation, Inc., and do not purport to, and do not, present fairly the financial position of the State of Wisconsin and the changes in its financial position and its cash flows, where applicable, 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 respective financial positions of the Wisconsin Public Broadcasting Foundation, Inc.'s Radio Fund and Television Fund as of June 30, 2009 and 2008, and the respective changes in their financial positions 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 the Wisconsin Public Broadcasting Foundation, Inc. The supplementary information included as Management's Discussion and Analysis on pages 5 through 7 is presented for purposes of additional analysis and is not a required part of the financial statements referred to in the first paragraph. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 8, 2009, on our consideration of the Wisconsin Educational Communications Board'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.

December 8, 2009

LEGISLATIVE AUDIT BUREAU
by 
Diann Allsen
Audit Director

Management's Discussion and Analysis ■

Prepared by Educational Communications Board Management

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

ECB is an agency of the State of Wisconsin that operates a public television network of 5 digital stations as well as a public radio network of 13 FM stations and 1 AM station. (Nine of the FM sites and the AM site are currently broadcasting a digital radio signal in addition to analog.) ECB also operates 3 FM translators, 6 TV translators, a network of 26 weather service broadcast sites, and multiple Educational Broadband Service licenses. WPBF was organized by ECB under s. 39.12 and ch. 181, Wis. Stats., on September 29, 1983, for the exclusive purpose of raising funds for the Wisconsin educational television and radio networks.

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

Condensed financial information relating to WPBF as of and for the fiscal years ended June 30, 2009, June 30, 2008, and June 30, 2007, is as follows:

WPBF Condensed Financial Information

	June 30, 2009	Change from Previous Year	June 30, 2008	Change from Previous Year	June 30, 2007
Total Assets	\$11,480,215	2%	\$11,287,122	1%	\$11,220,817
Total Liabilities	295,722	(44)	526,381	(6)	562,384
Invested in Capital Assets	20,108	(32)	29,388	(24)	38,669
Restricted by Grants or Donors	103,409	269	27,998	(1)	28,422
Unrestricted	11,060,976	3	10,703,355	1	10,591,342
Total Net Assets	<u>\$11,184,493</u>		<u>\$10,760,741</u>		<u>\$10,658,433</u>

	FY 2008-09	Change from Previous Year	FY 2007-08	Change from Previous Year	FY 2006-07
Operating Revenues	\$8,915,266	4%	\$8,604,044	(7)%	\$9,223,097
Operating Expenses	2,073,947	8	1,913,935	7	1,792,828
Net Operating Income	6,841,319		6,690,109		7,430,269
Nonoperating Revenues	(264,094)	(591)	(38,209)	(104)	965,104
Transfers to ECB	(6,153,473)	(6)	(6,549,592)	(11)	(7,338,021)
Changes in Net Assets	<u>\$ 423,752</u>		<u>\$ 102,308</u>		<u>\$1,057,352</u>

The small increases in total assets and unrestricted net assets during fiscal year (FY) 2008-09 and FY 2007-08 were due to the timing of transfers to ECB. The variation in total liabilities for the three years is due to timing of payments to liquidate the liabilities.

The only capital asset of WPBF is software purchased by the Wisconsin Public Radio Association, Inc. (WPRA) to track contributions. It is being depreciated over five years.

The variation in restricted net assets in both years is due to changes in the program restrictions placed on assets received from donors to WPRA. WPBF operating revenues increased during FY 2008-09 due to an increase in radio contributions and television major gifts. WPBF operating revenues decreased during FY 2007-08 because the television portion of grants from the Corporation for Public

Broadcasting was deposited directly to the State's bank rather than to WPBF, as in past years. Operating expenses increased by 8 percent in FY 2008-09 due to an increase in expenditures for production of programs. Operating expenses increased by 7 percent in FY 2007-08 due to an increase in expenditures for fund-raising.

Nonoperating revenues consist of investment earnings and losses, both realized and unrealized. Investment income decreased in FY 2008-09 and in FY 2007-08 because of market conditions.

Transfers to ECB are based on cash required for operations during the fiscal year. The transfers decreased by 6 percent in FY 2008-09 and decreased by 11 percent in FY 2007-08. This was affected by the timing of invoicing by vendors for programming and fund-raising costs.

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

General information relating to ECB can be found at ECB's Web site, www.ecb.org.

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Financial Statements ■

Balance Sheet June 30, 2009

	Radio Fund	Television Fund	Total June 30, 2009
ASSETS			
Current Assets:			
Cash and cash equivalents (Notes 1D and 2)	\$ 2,138,677	\$ 4,119,017	\$ 6,257,694
Investments (Notes 1E and 2)	2,080,222	2,872,883	4,953,105
Pledges receivable	176,874	0	176,874
Interest receivable	3,310	4,575	7,885
Other receivables	21,251	24,201	45,452
Prepaid expense	11,632	0	11,632
Inventory	7,465	0	7,465
Total Current Assets	<u>4,439,431</u>	<u>7,020,676</u>	<u>11,460,107</u>
Noncurrent Assets:			
Equipment, net of accumulated depreciation (Note 4)	20,108	0	20,108
Total Noncurrent Assets	<u>20,108</u>	<u>0</u>	<u>20,108</u>
TOTAL ASSETS	<u>\$ 4,459,539</u>	<u>\$ 7,020,676</u>	<u>\$ 11,480,215</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable and accrued expenses	\$ 11,989	\$ 33,719	\$ 45,708
Accrued liabilities due to affiliates	188,108	56,206	244,314
Deferred revenue	5,700	0	5,700
Total Current Liabilities	<u>205,797</u>	<u>89,925</u>	<u>295,722</u>
Net Assets			
Invested in capital assets	20,108	0	20,108
Restricted by grants or donors (Note 1F)	35,009	0	35,009
Restricted—nonexpendable (Note 1F and 5)	68,400	0	68,400
Unrestricted	4,130,225	6,930,751	11,060,976
Total Net Assets	<u>4,253,742</u>	<u>6,930,751</u>	<u>11,184,493</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,459,539</u>	<u>\$ 7,020,676</u>	<u>\$ 11,480,215</u>

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Fund Net Assets for the Year Ended June 30, 2009

	Radio Fund	Television Fund	Total FY 2008-09
OPERATING REVENUES			
Contributed Support (Notes 1B and 7B)	\$ 4,425,136	\$ 2,356,341	\$ 6,781,477
Corporation for Public Broadcasting Grants	581,618	0	581,618
Underwriting Grants	781,847	172,011	953,858
Other Grants and Contracts	9,600	0	9,600
Contributed In-kind Support (Note 6)	13,164	0	13,164
Major Gifts	96,579	368,880	465,459
Other Revenue	107,464	2,626	110,090
Total Operating Revenues	6,015,408	2,899,858	8,915,266
OPERATING EXPENSES			
Program Services:			
Programming and production	113,673	222,374	336,047
Program information	75,389	84,085	159,474
Total Program Services	189,062	306,459	495,521
Support Services:			
Management and general	106,651	15,171	121,822
Fund-raising and membership development	607,432	833,745	1,441,177
Underwriting	7,724	7,703	15,427
Total Support Services	721,807	856,619	1,578,426
Total Operating Expenses	910,869	1,163,078	2,073,947
OPERATING INCOME	5,104,539	1,736,780	6,841,319
NONOPERATING REVENUES			
Investment Income	(82,465)	(181,629)	(264,094)
Income Before Transfers	5,022,074	1,555,151	6,577,225
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Transfers to ECB (Note 3)	(4,977,519)	(1,175,954)	(6,153,473)
CHANGE IN NET ASSETS	44,555	379,197	423,752
Total Net Assets—Beginning of the Year	4,209,187	6,551,554	10,760,741
Total Net Assets—End of the Year	\$ 4,253,742	\$ 6,930,751	\$ 11,184,493

The accompanying notes are an integral part of this statement.

Statement of Cash Flows for the Year Ended June 30, 2009

	Radio Fund	Television Fund	Total FY 2008-09
CASH FLOWS FROM OPERATING ACTIVITIES			
Contributed Support	\$ 5,332,753	\$ 2,897,232	\$ 8,229,985
Receipts from Grants	594,498	0	594,498
Receipts from Other Sales	97,773	(21,575)	76,198
Payments to Suppliers	<u>(1,062,276)</u>	<u>(1,205,583)</u>	<u>(2,267,859)</u>
Net Cash Provided by Operating Activities	<u>4,962,748</u>	<u>1,670,074</u>	<u>6,632,822</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to ECB	<u>(4,985,519)</u>	<u>(1,187,954)</u>	<u>(6,173,473)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Purchases, Sales, and Maturities of Investments	80,662	158,233	238,895
Interest and Dividends	<u>133,003</u>	<u>105,892</u>	<u>238,895</u>
Net Cash Provided (Used) for Investing Activities	<u>213,665</u>	<u>264,125</u>	<u>477,790</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	190,894	746,245	937,139
Balances—Beginning of the Year	<u>1,947,783</u>	<u>3,372,772</u>	<u>5,320,555</u>
Balances—End of the Year	<u>\$ 2,138,677</u>	<u>\$ 4,119,017</u>	<u>\$ 6,257,694</u>

The accompanying notes are an integral part of this statement.



	Radio Fund	Television Fund	Total FY 2008-09
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income	\$ 5,104,539	\$ 1,736,780	\$ 6,841,319
Adjustments to Reconcile Operating Income to Net Cash			
Cash Provided by Operating Activities:			
Depreciation expense	9,280	0	9,280
Change in assets and liabilities:			
Receivables, net	19,500	(24,201)	(4,701)
Inventories	(1,480)	0	(1,480)
Prepaid expense	(937)	0	(937)
Deferred revenue	3,280	0	3,280
Accounts and other payables	(171,434)	(42,505)	(213,939)
Net Cash Provided by Operating Activities	<u>\$ 4,962,748</u>	<u>\$ 1,670,074</u>	<u>\$ 6,632,822</u>

Noncash Investing Activities:
 Contributed in-kind support totaled \$13,164.
 The net decrease in the fair value of investments was \$112,373.

Balance Sheet June 30, 2008

	Radio Fund	Television Fund	Total June 30, 2008
ASSETS			
Current Assets:			
Cash and cash equivalents (Notes 1D and 2)	\$ 1,947,783	\$ 3,372,772	\$ 5,320,555
Investments (Notes 1E and 2)	2,371,462	3,312,957	5,684,419
Pledges receivable	206,065	0	206,065
Interest receivable	8,200	10,255	18,455
Other receivables	11,560	0	11,560
Prepaid expense	10,695	0	10,695
Inventory	5,985	0	5,985
Total Current Assets	<u>4,561,750</u>	<u>6,695,984</u>	<u>11,257,734</u>
Noncurrent Assets:			
Equipment, net of accumulated depreciation (Note 4)	29,388	0	29,388
Total Noncurrent Assets	<u>29,388</u>	<u>0</u>	<u>29,388</u>
TOTAL ASSETS	<u>\$ 4,591,138</u>	<u>\$ 6,695,984</u>	<u>\$ 11,287,122</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable and accrued expenses	\$ 27,017	\$ 53,241	\$ 80,258
Accrued liabilities due to affiliates	344,514	79,189	423,703
Due to ECB (Note 3)	8,000	12,000	20,000
Deferred revenue	2,420	0	2,420
Total Current Liabilities	<u>381,951</u>	<u>144,430</u>	<u>526,381</u>
Net Assets			
Invested in capital assets	29,388	0	29,388
Restricted by grants or donors (Note 1F)	27,998	0	27,998
Unrestricted	4,151,801	6,551,554	10,703,355
Total Net Assets	<u>4,209,187</u>	<u>6,551,554</u>	<u>10,760,741</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,591,138</u>	<u>\$ 6,695,984</u>	<u>\$ 11,287,122</u>

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Fund Net Assets for the Year Ended June 30, 2008

	Radio Fund	Television Fund	Total FY 2007-08
OPERATING REVENUES			
Contributed Support (Notes 1B and 7B)	\$ 4,188,499	\$ 2,487,369	\$ 6,675,868
Corporation for Public Broadcasting Grants	643,349	10,642	653,991
Underwriting Grants	762,497	168,335	930,832
Other Grants and Contracts	16,320	0	16,320
Contributed In-kind Support	15,556	0	15,556
Major Gifts	46,493	118,608	165,101
Other Revenue	143,662	2,714	146,376
Total Operating Revenues	5,816,376	2,787,668	8,604,044
OPERATING EXPENSES			
Program Services:			
Programming and production	96,736	0	96,736
Broadcasting	424	0	424
Program information	153,716	75,503	229,219
Total Program Services	250,876	75,503	326,379
Support Services:			
Management and general	115,772	17,716	133,488
Fund-raising and membership development	533,305	912,723	1,446,028
Underwriting	0	8,040	8,040
Total Support Services	649,077	938,479	1,587,556
Total Operating Expenses	899,953	1,013,982	1,913,935
OPERATING INCOME	4,916,423	1,773,686	6,690,109
NONOPERATING REVENUES			
Investment Income	8,022	(46,231)	(38,209)
Income Before Transfers	4,924,445	1,727,455	6,651,900
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Transfers to ECB (Note 3)	(4,915,608)	(1,633,984)	(6,549,592)
CHANGE IN NET ASSETS	8,837	93,471	102,308
Total Net Assets—Beginning of the Year	4,200,350	6,458,083	10,658,433
Total Net Assets—End of the Year	<u>\$ 4,209,187</u>	<u>\$ 6,551,554</u>	<u>\$ 10,760,741</u>

The accompanying notes are an integral part of this statement.

Statement of Cash Flows for the Year Ended June 30, 2008

	Radio Fund	Television Fund	Total FY 2007-08
CASH FLOWS FROM OPERATING ACTIVITIES			
Contributed Support	\$ 5,007,859	\$ 2,774,312	\$ 7,782,171
Receipts from Grants	463,645	0	463,645
Receipts from Other Sales	132,102	2,714	134,816
Payments to Suppliers	(710,502)	(994,413)	(1,704,915)
Net Cash Provided by Operating Activities	4,893,104	1,782,613	6,675,717
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to ECB	(4,913,608)	(1,635,984)	(6,549,592)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Purchases, Sales, and Maturities of Investments	801,122	2,644,760	3,445,882
Interest and Dividends	149,832	152,568	302,400
Net Cash Provided (Used) for Investing Activities	950,954	2,797,328	3,748,282
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	930,450	2,943,957	3,874,407
Balances—Beginning of the Year	1,017,333	428,815	1,446,148
Balances—End of the Year	\$ 1,947,783	\$ 3,372,772	\$ 5,320,555

The accompanying notes are an integral part of this statement.

	Radio Fund	Television Fund	Total FY 2007-08
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income	\$ 4,916,423	\$ 1,773,686	\$ 6,690,109
Adjustments to Reconcile Operating Income to Net Cash			
Cash Provided by Operating Activities:			
Depreciation expense	9,281	0	9,281
Change in assets and liabilities:			
Receivables, net	(1,190)	0	(1,190)
Inventories	2,505	0	2,505
Prepaid expense	11,015	0	11,015
Deferred revenue	(196,024)	(10,642)	(206,666)
Accounts and other payables	151,094	19,569	170,663
Net Cash Provided by Operating Activities	<u>\$ 4,893,104</u>	<u>\$ 1,782,613</u>	<u>\$ 6,675,717</u>
Noncash Investing Activities:			
Contributed in-kind support totaled \$15,556.			
The net decrease in the fair value of investments was \$476,712.			

Notes to the Financial Statements ■

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Wisconsin Public Broadcasting Foundation, Inc. (WPBF), created on September 29, 1983, is a statutorily defined not-for-profit Wisconsin corporation (s. 39.12, Wis. Stats.) wholly owned by the Wisconsin Educational Communications Board (ECB), an agency of the State of Wisconsin. ECB operates a public radio network of 13 FM stations and 1 AM station (9 of the FM sites and the AM site are currently broadcasting a digital radio signal in addition to analog), as well as a public television network of 5 digital stations. ECB also operates 3 FM translators, 6 TV translators, a network of 26 weather service broadcast sites, and multiple Educational Broadband Service licenses. WPBF solicits funds in the name of, and with the approval of, ECB. WPBF financial operations are separate and independent from the State of Wisconsin. WPBF is managed by a statutorily defined five-member board of trustees consisting of the Executive Director of ECB and four members of the ECB Board. Because the State has fiscal accountability for and can influence WPBF operations through legislation, WPBF is considered a blended component unit of the State of Wisconsin's financial reporting entity.

The WPBF financial statements include an allocated share of the assets, liabilities, revenues, and expenses of the Wisconsin Public Radio Association, Inc. (WPRA), a not-for-profit corporation that collects funds for Wisconsin Public Radio and provides support to the ECB Radio Network and some other Wisconsin Public Radio stations licensed to the University of Wisconsin (UW) Board of Regents. See

Note 7B for further information regarding WPRA support for ECB. WPBF's Radio Fund is included in the ECB Radio Network's financial statements, and WPBF's Television Fund is included in the ECB Television Network's financial statements.

B. Basis of Presentation

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

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

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

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

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

C. Accounting Estimates

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

D. Cash and Cash Equivalents

Cash and cash equivalents generally include cash deposits with financial institutions and WPBF's share of WPRA cash.

E. Valuation of Investments

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

F. Restricted Net Assets

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

2. DEPOSITS AND INVESTMENTS

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

WPBF has investment policies in place regarding credit risk, concentration of credit risk, custodial credit risk, foreign currency risk, and interest rate risk. As of June 30, 2009, WPRA had no deposit and investment policies relating to custodial credit risk.

A. Deposits

Custodial credit risk is the risk that in the event of the failure of a financial institution, deposits may not be returned. As of June 30, 2009, \$6,247,651 of WPBF's bank balance of \$7,136,556 was not covered by the Federal Deposit Insurance Corporation (FDIC) and was exposed to custodial credit risk. As of June 30, 2008, \$6,369,392 of WPBF's bank balance of \$6,994,389 was exposed to custodial credit risk.

B. Investments

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

<u>Investment Type</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Equities	\$1,225,859	\$1,441,198
Equity Mutual Funds	1,290,365	1,227,007
Fixed-Income Mutual Funds	1,761,096	1,655,116
Certificate of Deposit	675,785	541,351
Repurchase Agreement Investments	<u>0</u>	<u>819,747</u>
Total Investments	\$4,953,105	\$5,684,419

The investments of WPBF are exposed to the following risks:

Credit Risk—Credit risk is the risk that an issuer or other counterparty to a fixed-income investment will not fulfill its obligations. WPBF's investment guidelines prohibit security transactions that involve a counterparty rated below A by a major recognized rating firm. As of June 30, 2009 and 2008, WPBF's fixed-income mutual funds were all unrated. The repurchase agreement investments as of June 30, 2008, were in fixed-income investments with a AAA rating.

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. WPBF's investment guidelines require that fixed-income investments maintain a weighted average maturity of less than ten years. As of June 30, 2009, the fixed-income investments for WPBF had the following durations:

<u>Fixed-Income Investment</u>	<u>Market Value</u>	<u>Duration</u>
Dodge and Cox Income Fund	\$ 515,264	3.3 years
Vanguard Total Bond Index Fund	518,091	3.7 years
Vanguard Fixed Income Short-Term	<u>727,741</u>	2.2 years
Total Fixed-Income Investments	\$1,761,096	

As of June 30, 2008, the fixed-income investments for WPBF had the following durations:

<u>Fixed-Income Investment</u>	<u>Market Value</u>	<u>Duration</u>
Dodge and Cox Income Fund	\$ 482,192	4.1 years
Vanguard Total Bond Index Fund	488,102	2.1 years
Vanguard Fixed Income Short-Term	684,822	4.4 years
Repurchase Agreement Investments	<u>819,747</u>	1 day
Total Fixed-Income Investments	\$2,474,863	

Foreign Currency Risk—Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. As of June 30, 2009 and 2008, WPBF’s exposure to foreign currency risk is its investments of \$347,859 and \$345,109, respectively, in international equity investments. WPBF’s investment guidelines related to foreign currency risk indicate that international equity mutual funds will not constitute more than 20 percent of the equity portion of the investment portfolio.

3. FUND TRANSFERS

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

4. CAPITAL ASSETS

WPBF’s only capital asset is software purchased by WPRA to track contributions.

<u>FY 2008-09</u>	Beginning Balance	Increases	Decreases	Ending Balance
Software at Historical Cost	\$46,347	\$ 0	\$ 0	\$46,347
Less Accumulated Depreciation	<u>(16,959)</u>	<u>(9,280)</u>	<u>0</u>	<u>(26,239)</u>
Total Capital Assets, Net	<u>\$29,388</u>	<u>\$(9,280)</u>	<u>\$ 0</u>	<u>\$20,108</u>
<u>FY 2007-08</u>	Beginning Balance	Increases	Decreases	Ending Balance
Software at Historical Cost	\$46,347	\$ 0	\$ 0	\$46,347
Less Accumulated Depreciation	<u>(7,678)</u>	<u>(9,281)</u>	<u>0</u>	<u>(16,959)</u>
Total Capital Assets, Net	<u>\$38,669</u>	<u>\$(9,281)</u>	<u>\$ 0</u>	<u>\$29,388</u>

Depreciation expenses of \$9,280 and \$9,281 were charged to fund-raising and membership development in FY 2008-09 and FY 2007-08, respectively.

5. ENDOWMENTS

During FY 2008-09, WPRA received an endowment gift that requires the preservation of the fair value of the original gift as of the gift date. WPBF’s share of that gift is shown as restricted—nonexpendable net assets, to comply with provisions of the Uniform Prudent Management of Institutional Funds Act. Additional disclosures about the endowment and the WPRA Board of

Directors' policies pertaining to the endowment are available in WPRA's separately issued financial statements.

The management of WPBF established an endowment for the ECB Television Network during FY 1992-93 and an endowment for the ECB Radio Network during FY 2004-05 to support the operations of the Television and Radio Networks, as determined necessary by ECB staff, with oversight by the WPBF board. Values as of June 30, 2009 and 2008, are \$985,128 and \$848,240, respectively, for the ECB Television Network's endowment and \$263,977 and \$275,209, respectively, for the ECB Radio Network's endowment. These balances are included in the investments and cash and cash equivalents accounts on the Balance Sheets. Investment income earned on the endowments is used for operations. None of the assets in the WPBF endowments as of June 30, 2009 and 2008, are donor-restricted. Assets in the endowments follow the investment policy disclosed in Notes 1 and 2.

6. CONTRIBUTED IN-KIND SUPPORT

Contributed in-kind support represents expenses paid on behalf of WPRA by other entities and includes donated materials. In-kind support is reported both as revenue and as expenses and, therefore, has no effect on net assets. WPRA records donated materials at their estimated fair value when they are received. The financial statements include donated materials of \$13,164 in FY 2008-09 and \$15,556 in FY 2007-08.

7. RELATED ENTITIES

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

WHA Radio, some other Wisconsin Public Radio stations, and WHA Television are public telecommunications entities licensed to the UW Board of Regents and operated by UW-Extension. In order to achieve statewide services and economies of scale, in the mid-1980s ECB and the UW Board of Regents developed partnerships called Wisconsin Public Radio and Wisconsin Public Television to manage and operate stations. The partnerships are maintained through an affiliation agreement outlining structural principles and functions, administrative staff allocations, stations (of both Wisconsin Public Radio and Wisconsin Public Television), and financial commitments of the partners. ECB and the UW Board of Regents jointly appoint the directors of Wisconsin Public Television and Wisconsin Public Radio. Staff and resources from both agencies work together to provide administrative and program services. Amounts due to or from affiliated parties are separately disclosed on the Balance Sheets. 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 the ECB Radio Network and some radio stations licensed to the UW Board of Regents. WPRA solicits funds in the name of and with the approval of the licensees, ECB, and the UW Board of Regents. Under the affiliation agreement, ECB and UW staff, along with the WPRA Board of Directors, approve WPRA’s budget. The licensees have access to WPRA’s net resources and retain an ongoing legal allocated interest in WPRA’s net assets. ECB’s and the UW Board of Regents’ allocated interests in WPRA are calculated in accordance with an affiliation agreement, which currently provides ECB with 76 percent of WPRA net resources and the UW Board of Regents with 24 percent. This agreement is renegotiated annually based upon membership proportion.

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

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Cash and Investments	\$675,785	\$541,351
Receivables and Other Assets	<u>237,330</u>	<u>263,693</u>
Total Assets	913,115	805,044
Payables and Other		
Current Liabilities	<u>(17,689)</u>	<u>(29,172)</u>
Net Assets	<u>\$895,426</u>	<u>\$775,872</u>
	<u>Fiscal Year Ended</u> <u>June 30, 2009</u>	<u>Fiscal Year Ended</u> <u>June 30, 2008</u>
Contributed Support and Revenue	\$4,695,633	\$4,413,199
Expenses:		
Broadcasting	\$ 0	\$ 424
Program information	75,389	153,716
Management and general	96,547	100,675
Fund-raising	<u>607,432</u>	<u>526,818</u>
Total Expenses	779,368	781,633

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

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Cash and Investments	\$1,896,914	\$1,789,310
Receivables and Other Assets	<u>312,276</u>	<u>346,965</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>

	<u>Fiscal Year Ended June 30, 2009</u>	<u>Fiscal Year Ended June 30, 2008</u>
Contributed Support and Revenue	\$6,133,349	\$5,764,130
Expenses:		
Program information	\$ 99,196	\$ 162,592
Management and general	127,035	132,467
Fund-raising	781,932	672,713
Payments to ECB and WHA	<u>4,995,673</u>	<u>5,198,929</u>
Total Expenses	<u>6,003,836</u>	<u>6,166,701</u>
Net Change in Assets	<u>\$ 129,513</u>	<u>\$ (402,571)</u>

8. SUBSEQUENT EVENTS.

Effective July 1, 2009, Friends of WHA-TV, Inc., changed its name to Friends of Wisconsin Public Television (WPT), Inc., and assumed responsibility for the fund-raising efforts of both the former Friends of WHA-TV and WPBF to support public television in Wisconsin. Amended Articles of Incorporation to reflect the change in name and responsibilities were filed on July 15, 2009. In FY 2009-10, the allocated portion of the financial statements of the Friends of WPT related to ECB will be consolidated with those of WPBF.

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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 the Wisconsin Public Broadcasting Foundation, Inc.'s Radio Fund and Television Fund as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated December 8, 2009. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Wisconsin Public Radio Association, Inc., as described in our opinion on the Foundation. While the financial statements of the 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 the Educational Communications Board's internal control over financial reporting (internal control) for the Foundation 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 the Educational Communications Board's internal control for the Foundation. Accordingly, we do not express an

opinion on the effectiveness of the Educational Communications Board's internal control over financial reporting for the Foundation.

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 to detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation'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 would not necessarily 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 above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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*.

This independent auditor's report is intended for the information and use of the Foundation, the Educational Communications Board, and the Wisconsin Legislature. 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 the Educational Communications Board's internal control for the Foundation or on compliance, this report is not intended to be used by anyone other than these specified parties.

December 8, 2009

LEGISLATIVE AUDIT BUREAU
by 
Diann Allsen
Audit Director