

AN AUDIT

*Wisconsin Public Broadcasting  
Foundation, Inc.*

*December 2002*

**2001-2002 Joint Legislative Audit Committee Members**

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State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

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December 20, 2002

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

Senator Gary R. George, Chairperson  
Mr. Thomas Fletemeyer, Executive Director  
Wisconsin Public Broadcasting Foundation  
3319 West Beltline Highway  
Madison, Wisconsin 53713

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

We have completed a financial audit of the Wisconsin Public Broadcasting Foundation, Inc., as requested by the Wisconsin Educational Communications Board. The Foundation was organized by the Educational Communications Board under s. 39.12 and ch. 181, Wis. Stats., on September 29, 1983, for the exclusive purpose of raising funds for the Wisconsin educational radio and television networks. The audit covered the period July 1, 2001 through June 30, 2002.

We completed this audit in conjunction with our audits of the Wisconsin Educational Communications Board radio and television networks, report numbers 02-23 and 02-24. The Foundation's financial operations are separate and independent from the State of Wisconsin Treasury. 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 financial statements and related notes for the period July 1, 2001 through June 30, 2002. We were able to issue an unqualified independent auditor's report on these statements. A new financial reporting model was implemented for fiscal year 2001-02 that changed the presentation of the financial statements. An important feature of the new model is Management's Discussion and Analysis, which is prepared by management of the Educational Communications Board and provides an overview of the financial statements and an analysis of financial results.

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

Respectfully submitted,

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

Janice Mueller  
State Auditor

JM/DA/ss



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

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We have audited the accompanying balance sheet of the Wisconsin Public Broadcasting Foundation, Inc., as of June 30, 2002, and the related statement of revenues, expenses, and changes in fund net assets and statement of cash flows for the year then ended. These financial statements are the responsibility of the Wisconsin Educational Communications Board, which manages the Foundation. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Wisconsin Public Radio Association, of which net assets of \$332,308 are contractually committed to the Educational Communications Board and are reflected in the accompanying financial data contained in Note 5. Net assets and revenues of the Wisconsin Public Radio Association included in the accompanying financial statements represent 6.5 percent of the total assets and 42.4 percent of total support and revenue. The financial statements of the Wisconsin Public Radio Association were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Wisconsin Public Radio Association, is based solely upon the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Wisconsin Public Radio Association were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with the additional requirements of *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based upon our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Wisconsin Public Broadcasting Foundation, Inc., as of June 30, 2002, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 6, the Wisconsin Public Broadcasting Foundation has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of June 30, 2002.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Wisconsin Public Broadcasting Foundation Inc. Management's Discussion and Analysis on pages 5 through 6 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 12, 2002, on our consideration of the Wisconsin Public Broadcasting Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

December 12, 2002      by

LEGISLATIVE AUDIT BUREAU



Diann Allsen  
Audit Director



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## Management's Discussion and Analysis

### *Prepared by Educational Communications Board Management*

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Management's Discussion and Analysis (MD&A) is prepared by the Educational Communications Board's (ECB's) management and is a required element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement Number 34. Its purpose is to provide general information on the financial activities of the Educational Communications Board (ECB) and the Wisconsin Public Broadcasting Foundation, Incorporated (WPBF).

The ECB is an agency of the State of Wisconsin that operates a public television network of 5 stations as well as a public radio network of 12 FM stations and 1 AM station. The WPBF was organized by the 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 the WPBF. The Balance Sheet provides information on the types of assets and the liabilities of the WPBF, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the WPBF's financial position is improving or deteriorating. The Statement of Revenues, Expenses, and Changes in Fund Net Assets and Statement of Cash Flows provide information on income and expenses. 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 the WPBF for the fiscal year ended June 30, 2001, and the fiscal year ended June 30, 2002, is as follows:

#### **WPBF Condensed Financial Information**

<u>Fiscal Year Ended</u>	<u>2002</u>	<u>2001</u>	<u>Percentage Change</u>
Total Assets	\$5,118,581	\$5,274,442	-3%
Total Liabilities	423,700	784,612	-46%
Net Assets	4,694,881	4,489,830	
Operating Revenue	8,736,244	8,287,240	5%
Operating Expenses	1,778,891	1,849,740	-4%
Net Operating Income	6,957,353	6,437,500	
Nonoperating Income (Loss)	(535,015)	(181,267)	-195%
Interfund transfer	(6,217,287)	(7,156,560)	-13%
Changes in Net Assets	205,051	(900,327)	

The Total Assets reduction of 3 percent was primarily due to the decline in the market value of WPBF investments in FY 2001-02. The decrease in Total Liabilities was due to timing of payments to affiliates.

The increase in operating revenue was due to an increase in contributions and underwriting. Expenses overall decreased slightly from the level of last fiscal year.

Nonoperating income and losses consist of investment earnings and losses, both realized and unrealized. The value of investments decreased in both FY 2000-01 and FY 2001-02 because of the market decline.

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

Transfers to the ECB are based on cash required for operations during the fiscal year. The transfers declined from FY 2000-01 to FY 2001-02 due to timing of payments by the ECB.

This financial report is designed to provide a general overview of the Wisconsin Public Broadcasting Foundations finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the ECB in care of the Associate Director for Finance and Administration, 3319 West Beltline Highway, Madison, WI 53713-4296.

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

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**Wisconsin Public Broadcasting Foundation, Inc.**  
**Balance Sheet**  
June 30, 2002

	Radio Fund	Television Fund	Total June 30, 2002	Total June 30, 2001
<b>Assets</b>				
Current Assets:				
Cash and cash equivalents (Notes 1 and 2)	\$ 545,514	\$ 659,035	\$ 1,204,549	\$ 1,067,355
Investments (Notes 1 and 2)	1,572,461	1,988,638	3,561,099	3,926,655
Equity in resources held by WPRA (Note 5)	332,308	0	332,308	157,855
Grants and contracts receivable	0	9,603	9,603	3,657
Interest receivable	3,021	2,041	5,062	6,371
Other receivables	0	5,960	5,960	112,549
<b>Total Assets</b>	<b>\$ 2,453,304</b>	<b>\$ 2,665,277</b>	<b>\$ 5,118,581</b>	<b>\$ 5,274,442</b>
<b>Liabilities and Net Assets</b>				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 733	\$ 6,299	\$ 7,032	\$ 23,084
Accrued liabilities due to affiliates	164,234	122,159	286,393	493,540
Due to ECB (Note 3)	12,000	118,275	130,275	267,988
<b>Total Current Liabilities</b>	<b>176,967</b>	<b>246,733</b>	<b>423,700</b>	<b>784,612</b>
Net Assets				
Unrestricted	2,276,337	2,418,544	4,694,881	4,489,830
<b>Total Net Assets</b>	<b>2,276,337</b>	<b>2,418,544</b>	<b>4,694,881</b>	<b>4,489,830</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,453,304</b>	<b>\$ 2,665,277</b>	<b>\$ 5,118,581</b>	<b>\$ 5,274,442</b>

The accompanying notes are an integral part of this statement.

**Wisconsin Public Broadcasting Foundation, Inc.**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
for the Year Ended June 30, 2002

	Radio Fund	Television Fund	Total <u>2001-02</u>	Total <u>2000-01</u>
<b>Operating Revenues</b>				
Contributions Undesignated (Note 1)	\$ 3,480,046	\$ 2,471,266	\$ 5,951,312	\$ 5,556,041
Community Services Grant—CPB	603,263	954,329	1,557,592	1,493,002
Underwriting Grants	622,069	291,975	914,044	802,402
Other Grants	0	52,678	52,678	22,340
Major Gifts	0	43,070	43,070	26,004
Royalties and Other Income	8,514	209,034	217,548	387,451
Total Operating Revenues	<u>4,713,892</u>	<u>4,022,352</u>	<u>8,736,244</u>	<u>8,287,240</u>
<b>Operating Expenses</b>				
Program Services:				
Programming and production	44,697	235	44,932	170,992
Broadcasting	1,778	9,561	11,339	(6,400)
Program information	272,481	87,290	359,771	479,579
Total Program Services	<u>318,956</u>	<u>97,086</u>	<u>416,042</u>	<u>644,171</u>
Support Services:				
Management and general	113,378	66,907	180,285	185,224
Fund-raising and membership development	378,710	786,904	1,165,614	893,801
Underwriting	678	16,272	16,950	126,544
Total Support Services	<u>492,766</u>	<u>870,083</u>	<u>1,362,849</u>	<u>1,205,569</u>
Total Operating Expenses	<u>811,722</u>	<u>967,169</u>	<u>1,778,891</u>	<u>1,849,740</u>
Operating Income (Loss)	3,902,170	3,055,183	6,957,353	6,437,500
<b>Nonoperating Revenues (Expenses)</b>				
Investment Income	(229,980)	(305,035)	(535,015)	(181,267)
Income (Loss) Before Transfers	3,672,190	2,750,148	6,422,338	6,256,233
<b>Capital Contributions and Transfers</b>				
Interfund Transfers (Note 3)	(3,585,946)	(2,631,341)	(6,217,287)	(7,156,560)
Change in Net Assets	86,244	118,807	205,051	(900,327)
Total Net Assets—Beginning of the Year	<u>2,190,093</u>	<u>2,299,737</u>	<u>4,489,830</u>	<u>5,390,157</u>
Total Net Assets—Ending of the Year	<u>\$ 2,276,337</u>	<u>\$ 2,418,544</u>	<u>\$ 4,694,881</u>	<u>\$ 4,489,830</u>

The accompanying notes are an integral part of this statement.

**Wisconsin Public Broadcasting Foundation, Inc.**  
**Statement of Cash Flows**  
for the Year Ended June 30, 2002

	Radio Fund	Television Fund	Total 2001-02	Total 2000-01
<b>Cash Flows from Operating Activities</b>				
Contributed Support	\$ 4,102,115	\$ 2,806,311	\$ 6,908,426	\$ 6,384,447
Received from Grants	603,263	1,001,061	1,604,324	1,511,685
Received from Royalties and Other Sales	8,514	177,910	186,424	424,744
Payments to Suppliers	<u>(832,378)</u>	<u>(1,169,712)</u>	<u>(2,002,090)</u>	<u>(1,969,481)</u>
Net Cash Provided by Operating Activities	<u>3,881,514</u>	<u>2,815,570</u>	<u>6,697,084</u>	<u>6,351,395</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Operating Subsidies and Transfers to Other Funds	<u>(3,585,946)</u>	<u>(2,631,341)</u>	<u>(6,217,287)</u>	<u>(7,156,560)</u>
<b>Cash Flows from Investing Activities</b>				
Net Purchases, Sales, and Maturities of Investments	(102,435)	(125,670)	(228,105)	24,191
Interest and Dividends	34,610	25,345	59,955	227,504
Equity in Resources Held by WPRA	<u>(174,453)</u>	<u>0</u>	<u>(174,453)</u>	<u>(146,665)</u>
Net Cash Provided (Used) by Investing Activities	<u>(242,278)</u>	<u>(100,325)</u>	<u>(342,603)</u>	<u>105,030</u>
Net Increase (Decrease) in Cash and Cash Equivalents	53,290	83,904	137,194	(700,135)
<b>Cash and Cash Equivalents</b>				
Balances—Beginning of the Year	<u>492,224</u>	<u>575,131</u>	<u>1,067,355</u>	<u>1,767,490</u>
Balances—End of the Year	<u>\$ 545,514</u>	<u>\$ 659,035</u>	<u>\$ 1,204,549</u>	<u>\$ 1,067,355</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>				
Operating Income (Loss)	\$ 3,902,170	\$ 3,055,183	\$ 6,957,353	\$ 6,437,500
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Change in Assets and Liabilities:				
Receivables, net	0	(37,070)	(37,070)	33,636
Accounts and other payables	<u>(20,656)</u>	<u>(202,543)</u>	<u>(223,199)</u>	<u>(119,741)</u>
Net Cash Provided by Operating Activities	<u>\$ 3,881,514</u>	<u>\$ 2,815,570</u>	<u>\$ 6,697,084</u>	<u>\$ 6,351,395</u>
Noncash Investing Activities:				
The net decrease in the fair value of investments was \$395,420.				

The accompanying notes are an integral part of this statement.



### 1. Summary of Significant Accounting Policies

- A. Organization - The Wisconsin Public Broadcasting Foundation (WPBF), Inc., created on September 29, 1983, is a nonprofit Wisconsin corporation wholly owned by the Wisconsin Educational Communications Board (ECB), a unit of the State of Wisconsin. ECB operates a network of 5 television stations and 13 radio stations. 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 Treasury. 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 equity interest in the Wisconsin Public Radio Association (WPRA), a not-for-profit corporation that collects funds for public radio and provides support to the ECB Radio Network and WHA Radio. See Note 5 for further information regarding WPRA raising support for ECB. Nonoperating revenues relate to revenues indirectly associated to raising support for ECB.
- 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). ECB has not applied Financial Accounting Standards Board pronouncements issued after November 30, 1989. The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Contributions and grants that are unrestricted are recorded as support when ECB is entitled to them. Restricted revenues are recorded as support when the purpose for which the resource was provided has been accomplished. Television pledges for contributions and membership fees are recorded as income when cash is received. Radio revenue is recognized for pledged WPRA contributions that are expected to be collected within one year. Non-cash contributions are recognized as revenues in the period of receipt.

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

Operating revenues and expenses are directly related to programming, production, development, and delivery of telecommunication services. Nonoperating revenues and expenses relate to revenues and expenses indirectly associated to programming, production, development, and delivery of telecommunication services, such as interest revenue.

- 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 in the WPBF fund include cash deposits with financial institutions.
- E. Valuation of Investments - All investments of WPBF are carried at fair value based on quoted market prices.
- F. Prior-Year Financial Statements - The financial information shown for fiscal year (FY) 2000-01 in the accompanying financial statements presents summarized totals and is included to provide a basis for comparison with FY 2001-02. Certain amounts presented in the prior year totals have been reclassified in order to be consistent with the current year's presentation.

## 2. Deposits and Investments

WPBF manages its cash and investment activities separate from the cash and investment activities of the State. Interest earnings are income to the Foundation and are not transferred to the State of Wisconsin. These investments are managed by private trust companies. Investments authorized by WPBF's Board of Trustees and held by WPBF include publicly traded stock and equity mutual funds.

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

At year-end, the carrying amount of the Foundation's deposits with financial institutions was \$1,204,549, and the bank balance was \$2,433,125. The Federal Deposit Insurance Corporation (FDIC) covers deposits up to \$100,000 at each institution. Of the bank balance, \$100,000 was insured and is classified in risk category 1, and \$2,333,125 was uninsured and uncollateralized and is classified in risk category 3.



- B. Investments - GASB Statement 3 also requires investments to be categorized to indicate the level of risk assumed by the State at year-end. The risk categories for investments are: 1) insured or registered, or the securities are held by the entity or its agent in the entity's name; 2) uninsured and unregistered, with securities held by counterparty or its agent in the entity's name; and 3) uninsured and unregistered, or the securities are held by counterparty or its agent but not in the entity's name. With the exception of open-end mutual funds, which are not categorized, investments at June 30, 2002, meet the criteria for risk category 1.

	<u>Fair Value</u>	<u>Cost</u>
Equity Securities	\$ 3,230,232	\$ 3,426,763
Mutual Funds	<u>330,867</u>	<u>385,243</u>
Total	<u>\$3,561,099</u>	<u>\$3,812,006</u>

### 3. Fund Transfers

WPBF transfers funds to ECB's operating fund monthly, based on funding requirements and reflected as interfund transfers. The timing of those transfers and the expenses result in an interfund payable and receivable at year-end.

### 4. Endowment

The management of WPBF established an endowment during FY 1992-93. The balance as of June 30, 2002 is \$593,991. Interest income earned on the endowment is used for operations. None of the assets in the endowment at June 30, 2002 are donor restricted. Assets in the endowment follow the investment policy disclosed in Notes 1 and 2.

### 5. Related Entities

- A. WHA Radio and WHA Television - WHA Radio and WHA Television are public telecommunications entities operated by the University of Wisconsin (UW) Extension. In order to achieve statewide services and economies of scale, in the mid-1980s ECB and the UW Extension developed a partnership called Wisconsin Public Broadcasting to manage and operate their licenses. The partnership is 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 ECB and the UW Board of Regents jointly appoint the Directors of Wisconsin Public Television and Wisconsin Public Radio. Staff and resources from both agencies work together to provide administrative and program services. Amounts due to or from affiliated

parties are separately disclosed on the balance sheet. The relationship pervades all aspects of the financial activities reported in the accompanying financial statements.

- B. Wisconsin Public Radio Association (WPRA) - WPRA is a not-for-profit corporation that solicits funds for public radio and provides support to the ECB Radio Network and WHA Radio, a network of radio stations licensed to the UW Extension. WPRA solicits funds in the name of, and with the approval of, both ECB and WHA Radio. ECB Radio and WHA Radio have access to WPRA's net resources and retain an ongoing equity interest. ECB Radio's equity interest in WPRA is calculated in accordance with an affiliation agreement, which currently provides ECB Radio with 76 percent of WPRA net resources. This agreement is renegotiated annually based upon fund drive results.

WPBF includes in revenue the entire amount of WPRA net resources to which ECB Radio is entitled each year. WPBF also recognizes WPRA expenses made on ECB Radio's behalf as both a contribution and an expense. A summary of amounts related to WPRA included in the accompanying financial statements follows:

		<u>FY 2001-02</u>
Equity in Resources Held by WPRA		\$ 332,308
Contributed Support		\$3,480,046
Expenses:		
Program information	\$272,481	
Management and general	80,611	
Fund-raising and membership development	<u>378,710</u>	
Total Expenses		\$ 731,802

WPRA issues separate financial statements that are audited by other auditors. A summary of significant WPRA financial data is presented on the following page:

	Fiscal Year Ended <u>June 30, 2002</u>
Revenues	\$4,588,198
Expenses	<u>(4,349,465)</u>
Excess (Deficiency) of Revenue over Expenses	<u>\$ 238,733</u>
	<u>June 30, 2002</u>
Current Assets	\$ 986,950
Endowment	197,429
Long-term Investments	105,097
Accounts Payable	(280,347)
Restricted Fund Balance	<u>(84,260)</u>
Net Assets Contractually Committed for Distribution to ECB and WHA Radio	<u>\$ 924,869</u>

## 6. Change in Accounting Principle

WPBF implemented a new financial reporting model, as required by the provisions of GASB Statement Number 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of June 30, 2002. Financial statement presentation changed to reclassify revenues and expenses into operating and nonoperating revenues and expenses and capital contributions on the Statement of Revenues, Expenses, and Changes in Fund Net Assets, cash flow presentation changed to the direct method, and management added a discussion and analysis of operations.

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

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We have audited the financial statements of the Wisconsin Public Broadcasting Foundation, Inc., as of and for the year ended June 30, 2002, and have issued our report thereon dated December 12, 2002. We did not audit the financial statements of the Wisconsin Public Radio Association. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Wisconsin Public Radio Association, is based solely upon the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Wisconsin Public Radio Association were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with the additional requirements of *Government Auditing Standards*.

## **Compliance**

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

## **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

LEGISLATIVE AUDIT BUREAU

December 12, 2002

by   
Diann Allsen  
Audit Director