

An Audit

WHA Radio

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State Auditor – Janice Mueller

Audit Prepared by

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STATE OF WISCONSIN

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Janice Mueller
State Auditor

January 28, 2011

Senator Robert Cowles and
Representative Samantha Kerkman, 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 Cowles, Representative Kerkman, 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 \$10.7 million in revenues during fiscal year 2009-10, 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, 2010, and June 30, 2009. We were able to issue an unqualified independent auditor's report on these statements.

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

Respectfully submitted,

Janice Mueller
State Auditor

JM/DA/ss

Audit Opinion ■

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

We have audited the accompanying financial statements of WHA Radio as of and for the years ended June 30, 2010 and 2009, 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 \$922,060 as of June 30, 2010, and \$865,801 as of June 30, 2009, are allocated to WHA Radio. Assets and revenues of the Wisconsin Public Radio Association, Inc., included in the accompanying financial statements represent 19.9 percent and 19.4 percent of WHA Radio's total assets as of June 30, 2010 and 2009, respectively, and 14.9 percent and 14.4 percent of WHA Radio's total revenue during fiscal years 2009-10 and 2008-09, 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 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 referred to in the first paragraph 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 and the changes in their financial positions and 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, 2010 and 2009, 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 19, 2011, 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 19, 2011

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, 2010 and 2009. 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, 2010, June 30, 2009, and June 30, 2008, is shown in Table A.

Total assets increased 12 percent in fiscal year (FY) 2009-10, and total liabilities increased 23 percent, resulting in a 10 percent increase in net assets. This compares to a total asset decrease of 2 percent in FY 2008-09, when total liabilities decreased 16 percent, resulting in a 3 percent increase in net assets. Net assets have increased for 13 consecutive years. The net assets invested in capital assets decreased \$82,000, or 13 percent, in FY 2009-10 following a decrease of \$4,000 in FY 2008-09. 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 increased 31 percent in FY 2009-10 after decreasing 26 percent in FY 2008-09. A liability due to the University of Wisconsin System accounts for more than 78 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 and typically fluctuates year to year. Noncurrent liabilities, which are payables for compensated absences, increased \$36,000 and totaled \$470,000 as of June 30, 2010. In FY 2008-09, noncurrent liabilities increased \$33,000. 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, 2010	Change from Previous Year	June 30, 2009	Change from Previous Year	June 30, 2008
Capital Assets	\$ 553	(13)%	\$ 635	(1)%	\$ 639
Other Assets	6,918	15	6,035	(2)	6,134
Total Assets	<u>7,471</u>	12	<u>6,670</u>	(2)	<u>6,773</u>
Current Liabilities	1,029	31	786	(26)	1,057
Noncurrent Liabilities	470	8	434	8	401
Total Liabilities	<u>1,499</u>	23	<u>1,220</u>	(16)	<u>1,458</u>
Invested in Capital Assets	553	(13)	635	(1)	639
Restricted—Nonexpendable	39	77	22	N/A	0
Restricted—Expendable	158	20	132	(84)	803
Unrestricted	5,222	12	4,661	20	3,873
Total Net Assets	<u>\$5,972</u>	10	<u>\$5,450</u>	3	<u>\$5,315</u>

	FY 2009-10	Change from Previous Year	FY 2008-09	Change from Previous Year	FY 2007-08
Operating Revenues	\$ 7,144	3%	\$6,905	(2)%	\$7,037
Operating Expenses	10,213	3	9,956	3	9,689
Net Operating Loss	<u>(3,069)</u>	1	<u>(3,051)</u>	15	<u>(2,652)</u>
Nonoperating Revenues	3,591	13	3,186	(2)	3,255
Capital Contributions	0	N/A	0	(100)	13
Change in Net Assets	<u>\$ 522</u>	287	<u>\$ 135</u>	(78)	<u>\$ 616</u>

Operating revenues increased \$239,000 and totaled \$7,144,000 in FY 2009-10, after a \$132,000 decrease in FY 2008-09. Grants and contracts are the single largest source of operating revenues and totaled \$4,067,000 in FY 2009-10, a 7 percent increase compared to FY 2008-09. ECB was the source of \$3,461,000 in grants and contracts revenue in FY 2009-10, a 5 percent increase from the previous year. ECB and WHA Radio share WPRA revenue (see Note 9; ECB's share is 76 percent and WHA Radio's share is 24 percent). Since FY 1999-2000, WPRA revenue has increased over

\$2,800,000. WPRA revenue increased \$450,000 in FY 2009-10. WPRA contractual support to the licensees increased by \$303,000 in FY 2009-10.

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 and FY 2009-10. 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. For example, in the past 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 increased by 13 percent and totaled \$3,591,000 in FY 2009-10. In FY 2008-09, nonoperating revenues decreased 2 percent. Volatile equity markets over the last three years contributed to an unrealized gain of \$164,000 in FY 2009-10, following a \$194,000 unrealized loss on marketable securities in FY 2008-09. State general appropriations decreased \$51,000 and were \$1,962,000 in FY 2009-10.

Donated support from the University of Wisconsin System increased 3 percent to \$1,328,000 following an increase of 2 percent in FY 2008-09. WHA-Radio 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. The approved rate of 32 percent was modified to exclude certain cost components that do not benefit WHA-Radio or are separately allocated to WHA-Radio. The approved rate was modified to exclude departmental administration, equipment use charges, library and student administration and services, resulting in an applied rate of 21.7 percent.

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

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Financial Statements ■

Balance Sheet

June 30, 2010 and June 30, 2009

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
ASSETS		
Current Assets:		
Cash and cash equivalents (Note 2)	\$ 2,625,059	\$ 1,783,456
Investments (Note 2)	1,866,244	1,874,907
Contributions receivable, net	59,320	55,855
Accounts and interest receivable, net	160,905	169,801
Accounts receivable—ECB (Note 9)	1,014,291	1,019,663
Grants and contracts receivable	30,626	0
Prepaid expenses	49,898	111,200
Inventory	2,146	2,357
Total Current Assets	<u>5,808,489</u>	<u>5,017,239</u>
Noncurrent Assets:		
Capital assets, net of accumulated depreciation (Notes 3 and 4)	553,176	635,309
Investments (Note 2)	1,109,310	1,017,124
Total Noncurrent Assets	<u>1,662,486</u>	<u>1,652,433</u>
TOTAL ASSETS	<u>\$ 7,470,975</u>	<u>\$ 6,669,672</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 140,559	\$ 168,519
Due to the University of Wisconsin System (Note 1G)	888,480	617,664
Total Current Liabilities	<u>1,029,039</u>	<u>786,183</u>
Noncurrent Liabilities:		
Compensated absences payable (Note 5)	470,411	433,499
Total Noncurrent Liabilities	<u>470,411</u>	<u>433,499</u>
Total Liabilities	<u>1,499,450</u>	<u>1,219,682</u>
Net Assets:		
Invested in capital assets	553,176	635,309
Restricted (Note 1J):		
Nonexpendable—endowments	38,491	21,600
Expendable—grantee and donor restrictions	157,559	132,212
Unrestricted	5,222,299	4,660,869
Total Net Assets	<u>5,971,525</u>	<u>5,449,990</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,470,975</u>	<u>\$ 6,669,672</u>

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, 2010 and June 30, 2009

	<u>FY 2009-10</u>	<u>FY 2008-09</u>
OPERATING REVENUES		
Grants and Contracts	\$ 4,067,085	\$ 3,791,974
Community Service Grant—CPB	496,070	472,662
Underwriting	625,769	795,994
Telecasting, Production, and Other Income	136,111	116,574
Membership Income	1,301,018	1,234,702
Major Gifts	517,657	493,208
Total Operating Revenues	<u>7,143,710</u>	<u>6,905,114</u>
OPERATING EXPENSES		
Program Services:		
Programming and production	6,137,381	6,143,661
Broadcasting	458,683	417,242
Program information	242,180	188,615
Total Program Services	<u>6,838,244</u>	<u>6,749,518</u>
Support Services:		
Management and general	2,124,998	1,940,416
Fund-raising and membership development	863,313	861,321
Underwriting	386,691	405,136
Total Support Services	<u>3,375,002</u>	<u>3,206,873</u>
Total Operating Expenses	<u>10,213,246</u>	<u>9,956,391</u>
OPERATING LOSS	<u>(3,069,536)</u>	<u>(3,051,277)</u>
NONOPERATING REVENUES AND EXPENSES		
State General Appropriations	1,962,120	2,013,057
Donated Facilities and Administrative Support from the University of Wisconsin System (Note 6)	1,328,426	1,287,538
Gain/(Loss) on sale of assets	(5,779)	0
Investment Income	306,304	(114,619)
Total Nonoperating Revenues	<u>3,591,071</u>	<u>3,185,976</u>
Income Before Contributions and Transfers	521,535	134,699
CONTRIBUTIONS AND TRANSFERS		
Capital Contributions	<u>0</u>	<u>0</u>
CHANGE IN NET ASSETS	521,535	134,699
Total Net Assets—Beginning of the Year	<u>5,449,990</u>	<u>5,315,291</u>
Total Net Assets—End of the Year	<u>\$ 5,971,525</u>	<u>\$ 5,449,990</u>

The accompanying notes are an integral part of this statement.

Statement of Cash Flows for the Years Ended June 30, 2010 and June 30, 2009

	<u>FY 2009-10</u>	<u>FY 2008-09</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Grants and Contracts	\$ 3,824,398	\$ 3,996,580
Receipts from Community Service Grant—CPB	496,070	472,662
Receipts from Contributed Support	2,533,613	2,521,468
Receipts from Sales and Services	130,252	118,617
Payments to Suppliers	(1,837,287)	(2,557,384)
Payments to Employees	<u>(6,452,497)</u>	<u>(6,262,444)</u>
Net Cash Used for Operating Activities	<u>(1,305,451)</u>	<u>(1,710,501)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from State Government	<u>1,962,120</u>	<u>2,013,057</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,962,120</u>	<u>2,013,057</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Contributions	0	0
Purchases of Capital Assets	<u>(41,646)</u>	<u>(90,878)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(41,646)</u>	<u>(90,878)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (Purchases) and Sales of Investments	80,813	(345,526)
Interest and Dividends Received	<u>145,767</u>	<u>162,431</u>
Net Cash Provided (Used) by Investing Activities	<u>226,580</u>	<u>(183,095)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	841,603	28,583
Balances—Beginning of the Year	<u>1,783,456</u>	<u>1,754,873</u>
Balances—End of the Year	<u>\$ 2,625,059</u>	<u>\$ 1,783,456</u>

The accompanying notes are an integral part of this statement.

	<u>FY 2009-10</u>	<u>FY 2008-09</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating Loss	\$ (3,069,536)	\$ (3,051,277)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:		
Depreciation expense	95,639	94,424
Donated facilities and administrative support from the University of Wisconsin System expense	1,328,426	1,287,538
Other Adjustment	22,361	0
Change in assets and liabilities:		
Receivables, net	(23,622)	204,679
Prepaid expenses	61,302	(7,496)
Inventory	211	(467)
Accounts and other payables	8,952	45,602
Due to the University of Wisconsin System	270,816	(283,504)
Net Cash Used for Operating Activities	<u>\$ (1,305,451)</u>	<u>\$ (1,710,501)</u>

Noncash Activities:

The fair value of investments increased \$158,400 in FY 2009-10 and decreased \$193,718 in FY 2008-09.

Donated facilities and administrative support from the University of Wisconsin System totaled \$1,328,426 in FY 2009-10 and \$1,287,538 in FY 2008-09.

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) Radio Network. 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 and the UW Long Term Fund. 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. The asset allocation policy for the Intermediate Term Fund sets a target of 15 percent marketable equities, 65 percent fixed-income, 10 percent alternatives, and 10 percent cash. The asset allocation policy for the Long Term Fund sets a target of 24.5 percent marketable equities, 16.5 percent fixed-income, 34 percent alternatives, and 25 percent tactical strategies. Additional information on the two funds is available in the University of Wisconsin System's annual financial report.

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, 2010, \$135,702 of WHA Radio’s share of WPRA’s deposits was uninsured and uncollateralized. As of June 30, 2009, the uninsured and uncollateralized balance was \$56,036.

B. Investments

Investment balances for WHA Radio as of June 30, 2010, and June 30, 2009, were as follows:

<u>Investment</u>	June 30, 2010 <u>Fair Value</u>	June 30, 2009 <u>Fair Value</u>
Certificates of Deposit	\$ 0	\$ 21,600
Money Market Funds Awaiting Investment	26,023	9,240
Fixed-Income Funds	130,754	138,400
Equity Mutual Funds	184,982	128,408
UW Intermediate Term Fund	1,866,244	1,874,907
UW Long Term Fund	<u>767,551</u>	<u>719,476</u>
Total Investments on the Balance Sheet	<u>\$2,975,554</u>	<u>\$2,892,031</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/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/Aa as rated by Standard & Poor’s and/or Moody’s. WPRA’s investment guidelines require an average of at least an Aa by Moody’s or at least an AA by Standard and Poor’s. As of June 30, 2010, and June 30, 2009, 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. WPRA investment guidelines require that the fixed-income investments contain a duration within 20 percent of the effective duration of the benchmark index under normal conditions. As of June 30, 2010 and 2009, the fixed-income investments of WPRA had the following modified durations:

<u>Investment</u>	June 30, 2010 <u>Fair Value</u>	Modified Duration <u>(In Years)</u>
PIMCO Total Return Fund	\$ 49,411	4.81
Metropolitan West Total Return Bond Fund	49,114	4.34
PIMCO Unconstrained Bond Fund	<u>32,229</u>	3.07
Total Fixed-Income Investments	<u>\$130,754</u>	

<u>Investment</u>	June 30, 2009 <u>Fair Value</u>	Modified Duration <u>(In Years)</u>
Vanguard Inflation-Protected Fund	\$ 16,536	4.24
Vanguard Intermediate-Term Investment Grade Fund	16,753	5.00
PIMCO Total Return Institutional Fund	75,470	4.79
Dodge & Cox Income Fund	<u>29,641</u>	3.87
Total Fixed-Income Investments	<u>\$138,400</u>	

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’s investment guidelines indicate that international equity investments held by WPRA will not constitute more than 20 percent of the equity portion of the investment portfolio. As of June 30, 2010, WHA Radio was exposed to foreign currency risk through its international investments in the UW Long Term Fund. In addition, as of June 30, 2010, WPRA held \$53,983 of investments that were exposed to foreign currency risk, and as of June 30, 2009, WPRA held \$23,926 of investments that were exposed to foreign currency risk.

3. CAPITAL ASSETS

The change in book value from July 1, 2009, to June 30, 2010, is summarized as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets:				
Equipment	\$1,597,946	\$ 41,646	\$(65,434)	\$1,574,158
Less Accumulated Depreciation for:				
Equipment	<u>(962,637)</u>	<u>(95,639)</u>	<u>37,294</u>	<u>(1,020,982)</u>
Total Capital Assets, Net	<u>\$ 635,309</u>	<u>\$(53,993)</u>	<u>\$(28,140)</u>	<u>\$ 553,176</u>

Depreciation expense was charged to functions as follows:

Programming and Production	\$47,516
Broadcasting	45,192
Fund-raising	<u>2,931</u>
Total Depreciation Expense	<u>\$95,639</u>

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>

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 \$41,319 as of June 30, 2010, and \$53,417 as of June 30, 2009.

5. NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Compensated Absences	\$433,499	\$81,790	\$(44,878)	\$470,411

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

In addition, another \$14,524 as of June 30, 2010, and \$12,773 as of June 30, 2009, 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 \$183,817 and occupancy costs of \$42,891 for FY 2009-10, and \$178,001 and \$41,533 for FY 2008-09. 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 \$1,101,718 in FY 2009-10 and \$1,068,004 in FY 2008-09.

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. The separately issued financial report that includes financial statements and required supplementary information is available at www.etf.wi.gov or by contacting:

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

Generally, the State's policy is to fund retirement contributions on a level-percentage-of-payroll basis to meet normal and prior service costs of the Wisconsin Retirement System. Prior service costs are amortized over 40 years, beginning January 1, 1990. 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 \$596,097 in FY 2009-10 and \$550,247 in FY 2008-09. 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 allocated to various functional expenses on the Statement of Revenues, Expenses, and Changes in Net Assets.

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.

The State’s net OPEB obligation was \$291.9 million as of June 30, 2010, and \$214.1 million as of June 30, 2009. The estimated portion of this obligation related to WHA Radio employees was \$0.4 million as of June 30, 2010, and \$0.3 million as of June 30, 2009. 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 or may be obtained by contacting:

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 or may be obtained by contacting:

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 \$558,901 for both assets and liabilities as of June 30, 2010, and \$424,690 as of June 30, 2009. The financial statement amounts are also reported net of eliminations of \$1,343,115 for both revenues and expenses for FY 2009-10, and \$1,259,058 for FY 2008-09.

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Cash and Investments	\$1,415,391	\$1,221,130
Receivables and Other Current Assets	71,013	68,596
Capital Assets	<u>3,419</u>	<u>6,350</u>
Total Assets	1,489,823	1,296,076
Payables and Other Current Liabilities	<u>(567,763)</u>	<u>(430,275)</u>
Net Assets	<u>\$ 922,060</u>	<u>\$ 865,801</u>
	Fiscal Year Ended	Fiscal Year Ended
	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Contributed Support and Revenue	<u>\$1,600,902</u>	<u>\$1,450,880</u>
Expenses:		
Programming and production	19,634	25,920
Program information	16,290	7,487
Management and general	33,000	30,488
Fund-raising	<u>204,012</u>	<u>177,518</u>
Total Expenses	<u>272,936</u>	<u>241,413</u>
Change in Net Assets before		
Contractual Support to WHA Radio	<u>\$1,327,966</u>	<u>\$1,209,467</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, 2010, and June 30, 2009, follows. Copies of WPRA's separately issued financial statements may be obtained by contacting:

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

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Cash and Investments	\$2,194,704	\$1,896,914
Receivables and Other Current Assets	295,889	285,818
Capital Assets	<u>14,246</u>	<u>26,458</u>
Total Assets	2,504,839	2,209,190
Payables and Other Current Liabilities	<u>(595,825)</u>	<u>(447,963)</u>
Net Assets	<u>\$1,909,014</u>	<u>\$1,761,227</u>

	<u>Fiscal Year Ended June 30, 2010</u>	<u>Fiscal Year Ended June 30, 2009</u>
Contributed Support and Revenue	<u>\$6,583,803</u>	<u>\$6,133,349</u>
Expenses:		
Programming and production	81,810	68,000
Program information	67,875	31,196
Management and general	137,501	127,035
Fund-raising	850,051	781,932
Contract Support to WHA and ECB	<u>5,298,779</u>	<u>4,995,673</u>
Total Expenses	<u>6,436,016</u>	<u>6,003,836</u>
Change in Net Assets	<u>\$ 147,787</u>	<u>\$ 129,513</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. The market value of endowments and accumulated interest held by the Foundation for WHA Radio was \$708,589 as of June 30, 2010, and \$667,163 as of June 30, 2009. The accumulated interest is available to be transferred to the University of Wisconsin-Extension and spent by WHA Radio. Accumulated interest totaled \$175,782 as of June 30, 2010, and \$156,695 as of June 30, 2009. WHA Radio transferred \$14,375 from the Foundation in FY 2009-10, and \$15,500 in FY 2008-09. 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. 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 2009-10 and FY 2008-09. 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 2009-10</u>	<u>WHA-AM and Affiliates</u>	<u>WLSU-FM and Affiliates</u>	<u>WHA Radio Total</u>
Operating Revenues			
Grants and Contracts	\$4,056,230	\$ 10,855	\$4,067,085
Community Service Grant—CPB	381,654	114,416	496,070
Underwriting	580,981	44,788	625,769
Telecasting, Production, and Other Income	136,111	0	136,111
Membership Income	1,049,913	251,105	1,301,018
Major Gifts	<u>517,657</u>	<u>0</u>	<u>517,657</u>
Total Operating Revenues	<u>6,722,546</u>	<u>421,164</u>	<u>7,143,710</u>
Operating Expenses			
Program Services:			
Programming and production	5,676,867	460,514	6,137,381
Broadcasting	418,850	39,833	458,683
Program information	<u>221,973</u>	<u>20,207</u>	<u>242,180</u>
Total Program Services	<u>6,317,690</u>	<u>520,554</u>	<u>6,838,244</u>
Support Services:			
Management and general	1,926,938	198,060	2,124,998
Fund-raising and membership development	846,250	17,063	863,313
Underwriting	<u>325,272</u>	<u>61,419</u>	<u>386,691</u>
Total Support Services	<u>3,098,460</u>	<u>276,542</u>	<u>3,375,002</u>
Total Operating Expenses	<u>9,416,150</u>	<u>797,096</u>	<u>10,213,246</u>
Operating Loss	<u>(2,693,604)</u>	<u>(375,932)</u>	<u>(3,069,536)</u>
Nonoperating Revenues (Expenses)			
State General Appropriations	1,697,202	264,918	1,962,120
Donated Facilities and Administrative Support from the University of Wisconsin System	1,220,779	107,647	1,328,426
Gain/(Loss) on Sale of Assets	0	(5,779)	(5,779)
Investment Income	<u>306,304</u>	<u>0</u>	<u>306,304</u>
Total Nonoperating Revenues	<u>3,224,285</u>	<u>366,786</u>	<u>3,591,071</u>
Change in Net Assets	<u>\$ 530,681</u>	<u>\$ (9,146)</u>	<u>\$ 521,535</u>

<u>FY 2008-09</u>	<u>WHA-AM and Affiliates</u>	<u>WLSU-FM and Affiliates</u>	<u>WHA Radio Total</u>
Operating Revenues			
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>
Operating Expenses			
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>
Nonoperating Revenues (Expenses)			
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>

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Report on Internal 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, 2010 and 2009, and have issued our report thereon dated January 19, 2011. Our report includes 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. 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.

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 audits 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 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 19, 2011

LEGISLATIVE AUDIT BUREAU
by 
Diann Allsen
Audit Director