

WHA RADIO & TELEVISION

Madison, Wisconsin

Audited Financial Statements

Years Ended June 30, 2016 and 2015

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Independent Auditors' Report

Members of the Board of Regents
University of Wisconsin System

Mr. Malcolm Brett, Director
Broadcasting and Media Innovations Division
University of Wisconsin-Extension

We have audited the accompanying financial statements of the business-type activities and each major fund of WHA Radio & Television (WHA) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise WHA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Wisconsin Public Radio Association, Inc. and the Friends of Wisconsin Public Television, Inc., which represent 28% and 27% of total assets as of June 30, 2016 and 2015, respectively, 25% and 23% of net position as of June 30, 2016 and 2015, respectively, and 27% of total revenues for the fiscal years ended June 30, 2016 and 2015 of the business-type activities. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Wisconsin Public Radio Association, Inc. and the Friends of Wisconsin Public Television, Inc. is based upon the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditors' Responsibility (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and major funds of WHA Radio & Television as of June 30, 2016 and 2015, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only WHA Radio & Television and do not purport to, and do not present fairly the financial position of the University of Wisconsin System.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Change in Accounting Estimate

As discussed in Notes 1 and 5 to the financial statements, during the year ended June 30, 2016, WHA had a change in accounting estimate relating to employee accrued vacation time. Our opinion is not modified with respect to this matter.

January 20, 2017
Milwaukee, Wisconsin

WHA RADIO & TELEVISION
Madison, Wisconsin

Management Discussion and Analysis
June 30, 2016

Prepared by WHA Radio & Television Management

The Management's Discussion and Analysis (MD&A) section of the WHA Radio & Television (WHA) financial report provides general information on the financial activities of WHA Radio & Television and presents information on the financial performance of WHA Radio & Television during the fiscal years ended June 30, 2015, and June 30, 2016.

Using the Annual Financial Statements

WHA consists of certain stations licensed to the University of Wisconsin System's Board of Regents and is managed by the University of Wisconsin-Extension. WHA prepares its financial statements in accordance with Governmental Accounting Standards Board (GASB) statements. The financial statements also include WHA's allocated share of the accounts of the Wisconsin Public Radio Association, Inc. (WPRA), and the Friends of Wisconsin Public Television (Friends). Both WPRA and Friends are not-for-profit corporations that solicit funds for WHA and the Wisconsin Educational Communications Board (ECB).

The Statement of Net Position includes all assets and liabilities. The difference between assets and liabilities is reported as net position. Restricted net position reflects unspent balances of purpose-restricted grants, contracts, contributions and endowments. Over time, increases or decreases in net position are indicators of changes in WHA's financial health.

The Statement of Activities presents the revenues earned and expenses incurred during the year on an accrual basis. Activities are reported as either operating or nonoperating. WHA's dependence on state general appropriations and donated facilities and administrative support from the University of Wisconsin System results in operating deficits because the financial reporting model classifies state general appropriations and donated services as nonoperating revenues. 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.

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

WHA RADIO & TELEVISION
Madison, Wisconsin

Management Discussion and Analysis
June 30, 2016
(Continued)

Noteworthy Financial Activity

Condensed financial information for WHA as of and for the fiscal years ended June 30, 2016, June 30, 2015, and June 30, 2014, is as follows:

WHA Radio & Television Condensed Financial Information
(in thousands)

| | <u>June 30, 2016</u> | Change from Previous Year | <u>June 30, 2015</u> | Change from Previous Year | <u>June 30, 2014</u> |
|----------------------------|----------------------|------------------------------|----------------------|------------------------------|----------------------|
| Capital assets | \$ 2,068 | (21)% | \$ 2,626 | (25)% | \$ 3,506 |
| Other assets | 25,474 | 4 | 24,454 | 5 | 23,276 |
| Total assets | <u>27,542</u> | 2 | <u>27,080</u> | 1 | <u>26,782</u> |
| Current liabilities | 744 | (1) | 751 | 27 | 591 |
| Noncurrent liabilities | 717 | (40) | 1,189 | 7 | 1,113 |
| Total liabilities | <u>1,461</u> | (25) | <u>1,940</u> | 14 | <u>1,704</u> |
| Invested in capital assets | 2,068 | (21) | 2,626 | (25) | 3,506 |
| Restricted-nonexpendable | 1,199 | --- | 1,199 | --- | 1,199 |
| Restricted-expendable | 1,377 | (15) | 1,629 | 7 | 1,529 |
| Unrestricted | 21,437 | 9 | 19,686 | 4 | 18,844 |
| Total net position | <u>26,081</u> | 4 | <u>25,140</u> | --- | <u>25,078</u> |
| Operating revenues | 18,107 | 9 | 16,638 | 5 | 15,859 |
| Operating expenses | 26,386 | 2 | 25,885 | 2 | 25,356 |
| Net operating loss | <u>(8,279)</u> | (10) | <u>(9,247)</u> | (3) | <u>(9,497)</u> |
| Non-operating revenues | 8,903 | (4) | 9,309 | (18) | 11,345 |
| Special items | 317 | --- | --- | --- | --- |
| Change in net position | <u>941</u> | (15) | <u>62</u> | (97) | <u>1,848</u> |

Fiscal year 2015-16 activity reflects increases in operating revenue and decreases in nonoperating revenue. The increased operating revenue was primarily the result of increased membership income, increased telecasting, production and other income and increased grant and contract income. The decrease in nonoperating revenue reflected drops in state general appropriations and investment income. Fiscal year 2014-15 activity reflects increases in operating revenue and significant decreases in non-operating revenue. The increased operating revenue was driven largely by increases in membership income, telecasting, production and other income and underwriting. Reduced nonoperating revenue relates largely to significant decreases in investment income.

Total assets increased by 2 percent in FY 2015-16, while total liabilities decreased by 25 percent, resulting in a 4 percent increase in net position. These changes compare to FY 2014-15 which experienced a 1 percent increase in total assets in FY 2014-15, and a 14 percent in liabilities, which resulted in a slight increase in net position. The change in net position for FY 2015-16 was the result of increased operating revenue and by a one-time special item which reduced WHA's estimated liability for compensated absences by \$317,000. The change in net position for both years was also impacted bequests which, by policy, are not spent upon receipt but rather invested and placed in board designated endowments. Bequests totaled \$77,000 in FY 2015-16 and \$208,000 in FY2014-15.

WHA RADIO & TELEVISION
Madison, Wisconsin

Management Discussion and Analysis
June 30, 2016
(Continued)

Noteworthy Financial Activity (Continued)

Capital assets decreased by 21 percent in FY 2015-16 and by 25 percent in FY 2014-15. Capital asset values tend to fluctuate due to the timing of significant capital asset purchases. In addition, certain capital purchases have decreased as the cost of many capital items routinely purchased by WHA, such as cameras and production equipment, has dropped due to technological improvements.

Current liabilities decreased by 1 percent in FY 2015-16 after increasing by 27 percent in FY 2014-15. The increase in FY 2014-15 was due primarily to increases in accounts payable – ECB of \$94,000 and accounts payable of \$48,000. Noncurrent liabilities, which are payables for compensated absences, decreased by \$472,000 in FY 2015-16 after increasing by \$76,000 in FY 2014-15. As previously noted, the large decrease in FY 2015-16 compensated absences reflected a one-time special item which reduced WHA's liability by \$317,000. In addition to this one-time adjustment, the compensated absences liability tends to increase when there is relatively low staff turnover and staff accumulate leave time for use at a later date, and to decrease when there is relatively high staff turnover.

Operating revenues increased by 9 percent in FY 2015-16 and by 5 percent in FY 2014-15. The increase in FY 2015-16 reflected significant growth in membership income, telecasting, production and other income, and grant and contract income. The FY 2014-15 growth reflected increases in membership income, telecasting, production and other income, CPB Community Service Grant revenue and underwriting. These increases were partially offset by decreases in major gifts and grant and contract revenue.

Operating expenses increased by 2 percent in both FY 2015-16 and in FY 2014-15. The increases for both years related largely to staffing costs.

Nonoperating revenues consist of investment income, State of Wisconsin general appropriations, gain or loss on the sale of assets, insurance proceeds, capital contributions and donated support from the University of Wisconsin System. Nonoperating revenues decreased by 4 percent in FY 2015-16 and by 18 percent in FY 2014-15. The decrease in FY 2015-16 relates primarily to a \$510,000 decrease in state general appropriation revenue and a \$106,000 decrease in investment income. These decreases were partially offset by increases in capital contributions. The decrease in FY 2014-15 relates largely to decreases in investment income of \$1,622,000, decreases in capital contributions of \$205,000, decreases in state general appropriations of \$153,000 and decreases in state insurance proceeds of \$114,000.

WHA RADIO & TELEVISION
Madison, Wisconsin

Management Discussion and Analysis
June 30, 2016
(Continued)

Contacting WHA's Financial Management

This financial report is designed to provide a general overview of WHA Radio and Television's finances. Questions concerning 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, WI 53706.

WHA RADIO & TELEVISION
Madison, Wisconsin

Statements of Net Position
June 30, 2016 and 2015

| | 2016 | | | 2015 | | |
|--|---------------------|----------------------|----------------------|---------------------|----------------------|----------------------|
| | WHA Radio | WHA TV | Total | WHA Radio | WHA TV | Total |
| Assets: | | | | | | |
| Current assets: | | | | | | |
| Cash and equivalents | \$ 1,707,678 | \$ 705,678 | \$ 2,413,356 | \$ 853,282 | \$ 1,701,426 | \$ 2,554,708 |
| Investments | 68,080 | 1,670,173 | 1,738,253 | 190,182 | 1,304,253 | 1,494,435 |
| Contributions receivable, net | 30,835 | 38,208 | 69,043 | 315,561 | 32,220 | 347,781 |
| Grants receivable | --- | 146,712 | 146,712 | --- | 77,901 | 77,901 |
| Accounts and interest receivable, net | 110,932 | 140,017 | 250,949 | 108,013 | 101,152 | 209,165 |
| Accounts receivable - related party | 793,646 | 238,386 | 1,032,032 | 1,403,316 | 248,914 | 1,652,230 |
| Due from University of Wisconsin System | 775,300 | --- | 775,300 | 205,763 | --- | 205,763 |
| Prepaid expenses | 11,007 | 73,596 | 84,603 | 5,364 | 70,479 | 75,843 |
| Inventory | 422 | 10,390 | 10,812 | 1,399 | --- | 1,399 |
| Total current assets | 3,497,900 | 3,023,160 | 6,521,060 | 3,082,880 | 3,536,345 | 6,619,225 |
| Noncurrent assets: | | | | | | |
| Investments | 5,975,662 | 12,977,796 | 18,953,458 | 5,533,515 | 12,301,370 | 17,834,885 |
| Capital assets: | | | | | | |
| Nondepreciable | --- | 107,239 | 107,239 | --- | --- | --- |
| Depreciable, net of accumulated depreciation | 586,014 | 1,374,521 | 1,960,535 | 590,841 | 2,035,249 | 2,626,090 |
| Total noncurrent assets | 6,561,676 | 14,459,556 | 21,021,232 | 6,124,356 | 14,336,619 | 20,460,975 |
| Total assets | 10,059,576 | 17,482,716 | 27,542,292 | 9,207,236 | 17,872,964 | 27,080,200 |
| Liabilities: | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable and accrued expenses | 132,139 | 173,416 | 305,555 | 109,861 | 137,956 | 247,817 |
| Accounts payable - related party | 18,113 | --- | 18,113 | 23,770 | 156,665 | 180,435 |
| Wages payable | 99,084 | 139,667 | 238,751 | 60,587 | 107,002 | 167,589 |
| Due to University of Wisconsin System | --- | 1,151 | 1,151 | --- | 4,534 | 4,534 |
| Unearned revenue | 2,516 | 177,513 | 180,029 | 8,471 | 141,877 | 150,348 |
| Total current liabilities | 251,852 | 491,747 | 743,599 | 202,689 | 548,034 | 750,723 |
| Noncurrent liabilities: | | | | | | |
| Compensated absences payable | 367,784 | 349,660 | 717,444 | 536,213 | 652,877 | 1,189,090 |
| Total noncurrent liabilities | 367,784 | 349,660 | 717,444 | 536,213 | 652,877 | 1,189,090 |
| Total liabilities | 619,636 | 841,407 | 1,461,043 | 738,902 | 1,200,911 | 1,939,813 |
| Net position: | | | | | | |
| Net investment in capital assets | 586,014 | 1,481,760 | 2,067,774 | 590,841 | 2,035,249 | 2,626,090 |
| Restricted: | | | | | | |
| Nonexpendable - endowments | 38,491 | 1,160,378 | 1,198,869 | 38,491 | 1,160,378 | 1,198,869 |
| Expendable - endowments | --- | 528,861 | 528,861 | --- | 632,115 | 632,115 |
| Expendable - grantee and donor restrictions | 318,892 | 529,613 | 848,505 | 247,334 | 749,423 | 996,757 |
| Unrestricted | 8,496,543 | 12,940,697 | 21,437,240 | 7,591,668 | 12,094,888 | 19,686,556 |
| Total net position | \$ 9,439,940 | \$ 16,641,309 | \$ 26,081,249 | \$ 8,468,334 | \$ 16,672,053 | \$ 25,140,387 |

The accompanying notes to the financial statements
are an integral part of these statements

WHA RADIO & TELEVISION
Madison, Wisconsin

Statements of Activities
Years Ended June 30, 2016 and 2015

| | 2016 | | | 2015 | | |
|---|---------------------|----------------------|----------------------|---------------------|----------------------|----------------------|
| | WHA Radio | WHA TV | Total | WHA Radio | WHA TV | Total |
| Operating revenues: | | | | | | |
| Grants | \$ 816,810 | \$ 576,533 | \$ 1,393,343 | \$ 664,955 | \$ 480,554 | \$ 1,145,509 |
| Community Services Grant from CPB | 562,279 | 1,533,124 | 2,095,403 | 569,362 | 1,541,607 | 2,110,969 |
| Underwriting | 1,475,645 | 540,851 | 2,016,496 | 1,269,273 | 668,902 | 1,938,175 |
| Telecasting, production and other income | 4,824,580 | 1,246,429 | 6,071,009 | 4,363,081 | 1,218,094 | 5,581,175 |
| Membership income | 1,651,132 | 3,193,881 | 4,845,013 | 1,494,087 | 2,786,825 | 4,280,912 |
| Major gifts | 800,023 | 870,444 | 1,670,467 | 732,416 | 836,117 | 1,568,533 |
| Contributed in-kind support | 6,401 | 8,355 | 14,756 | 11,759 | 1,250 | 13,009 |
| Total operating revenues | 10,136,870 | 7,969,617 | 18,106,487 | 9,104,933 | 7,533,349 | 16,638,282 |
| Operating expenses: | | | | | | |
| Program services: | | | | | | |
| Programming and production | 6,802,639 | 7,016,242 | 13,818,881 | 6,620,492 | 7,182,616 | 13,803,108 |
| Broadcasting | 561,271 | 620,315 | 1,181,586 | 555,110 | 612,144 | 1,167,254 |
| Program information | 474,420 | 1,881,848 | 2,356,268 | 432,374 | 2,083,943 | 2,516,317 |
| Total program services expenses | 7,838,330 | 9,518,405 | 17,356,735 | 7,607,976 | 9,878,703 | 17,486,679 |
| Supporting services: | | | | | | |
| Management and general | 2,044,751 | 2,299,446 | 4,344,197 | 1,948,474 | 2,311,345 | 4,259,819 |
| Fundraising | 1,197,389 | 2,267,442 | 3,464,831 | 1,060,079 | 1,902,604 | 2,962,683 |
| Underwriting | 1,062,533 | 157,310 | 1,219,843 | 1,021,740 | 154,582 | 1,176,322 |
| Total supporting services expenses | 4,304,673 | 4,724,198 | 9,028,871 | 4,030,293 | 4,368,531 | 8,398,824 |
| Total operating expenses | 12,143,003 | 14,242,603 | 26,385,606 | 11,638,269 | 14,247,234 | 25,885,503 |
| Operating loss | (2,006,133) | (6,272,986) | (8,279,119) | (2,533,336) | (6,713,885) | (9,247,221) |
| Non-operating revenues: | | | | | | |
| State general appropriations | 1,783,019 | 4,276,150 | 6,059,169 | 2,052,864 | 4,516,529 | 6,569,393 |
| Donated facilities and administrative support from the University of Wisconsin System | 980,989 | 1,583,745 | 2,564,734 | 957,352 | 1,541,331 | 2,498,683 |
| Loss on sale of assets | --- | (26,321) | (26,321) | --- | (3,367) | (3,367) |
| Capital contributions | 56,971 | 132,924 | 189,895 | --- | 22,807 | 22,807 |
| Investment income | 40,837 | 74,545 | 115,382 | 78,128 | 143,696 | 221,824 |
| Total non-operating revenues | 2,861,816 | 6,041,043 | 8,902,859 | 3,088,344 | 6,220,996 | 9,309,340 |
| Special Item: Change in accounting estimate | 115,923 | 201,199 | 317,122 | --- | --- | --- |
| Change in net position | 971,606 | (30,744) | 940,862 | 555,008 | (492,889) | 62,119 |
| Net position, beginning of year | 8,468,334 | 16,672,053 | 25,140,387 | 7,913,326 | 17,164,942 | 25,078,268 |
| Net position, end of year | \$ 9,439,940 | \$ 16,641,309 | \$ 26,081,249 | \$ 8,468,334 | \$ 16,672,053 | \$ 25,140,387 |

The accompanying notes to the financial statements
are an integral part of these statements

WHA RADIO & TELEVISION

Madison, Wisconsin

Statements of Cash Flows

Years Ended June 30, 2016 and 2015

| | 2016 | | | 2015 | | |
|--|---------------------|--------------------|---------------------|--------------------|---------------------|---------------------|
| | WHA Radio | WHA TV | Total | Radio | TV | Total |
| Cash flows from operating activities: | | | | | | |
| Receipts from grants | \$ 840,637 | \$ 463,354 | \$ 1,303,991 | \$ 640,796 | \$ 438,905 | \$ 1,079,701 |
| Receipts from Community Service Grant - CPB | 539,815 | 1,505,235 | 2,045,050 | 541,701 | 1,564,247 | 2,105,948 |
| Receipts from contributed support | 3,772,320 | 4,182,788 | 7,955,108 | 2,396,403 | 3,835,927 | 6,232,330 |
| Receipts from sales and services | 5,446,445 | 1,716,789 | 7,163,234 | 3,637,411 | 1,172,798 | 4,810,209 |
| Payments to vendors | (2,393,057) | (4,098,249) | (6,491,306) | (968,026) | (3,481,936) | (4,449,962) |
| Payments to employees | (8,570,297) | (7,941,357) | (16,511,654) | (8,280,389) | (7,695,348) | (15,975,737) |
| Net cash used by operating activities | (364,137) | (4,171,440) | (4,535,577) | (2,032,104) | (4,165,407) | (6,197,511) |
| Cash flows from non-capital financing activities: | | | | | | |
| Receipts from state government | 1,783,019 | 4,276,150 | 6,059,169 | 2,052,864 | 4,516,529 | 6,569,393 |
| Net cash provided by non-capital financing activities | 1,783,019 | 4,276,150 | 6,059,169 | 2,052,864 | 4,516,529 | 6,569,393 |
| Cash flows from capital financing activities: | | | | | | |
| Capital contributions | 56,971 | 132,924 | 189,895 | --- | 22,807 | 22,807 |
| Purchases of capital assets | (340,017) | (255,291) | (595,308) | (228,085) | (65,136) | (293,221) |
| Net cash used by capital financing activities | (283,046) | (122,367) | (405,413) | (228,085) | (42,329) | (270,414) |
| Cash flows from investing activities: | | | | | | |
| Net (purchases) and sales of investments | (436,094) | (1,319,679) | (1,755,773) | (175,320) | 627,875 | 452,555 |
| Interest and dividend income | 154,654 | 341,588 | 496,242 | 135,152 | 308,566 | 443,718 |
| Net cash provided (used) by investing activities | (281,440) | (978,091) | (1,259,531) | (40,168) | 936,441 | 896,273 |
| Net increase (decrease) in cash | 854,396 | (995,748) | (141,352) | (247,493) | 1,245,234 | 997,741 |
| Cash and equivalents at beginning of year | 853,282 | 1,701,426 | 2,554,708 | 1,100,775 | 456,192 | 1,556,967 |
| Cash and equivalents at end of year | \$ 1,707,678 | \$ 705,678 | \$ 2,413,356 | \$ 853,282 | \$ 1,701,426 | \$ 2,554,708 |

The accompanying notes to the financial statements
are an integral part of these statements

WHA RADIO & TELEVISION

Madison, Wisconsin

Statements of Cash Flows

Years Ended June 30, 2016 and 2015

| | 2016 | | | 2015 | | |
|---|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | WHA Radio | WHA TV | Total | Radio | TV | 2015 |
| Reconciliation of operating loss to net cash used for operating activities: | | | | | | |
| Operating loss | \$ (2,006,133) | \$ (6,272,986) | \$ (8,279,119) | \$ (2,533,336) | \$ (6,713,885) | \$ (9,247,221) |
| Adjustments to reconcile operating loss to net cash used for operating activities: | | | | | | |
| Depreciation and amortization expense | 344,844 | 782,460 | 1,127,304 | 328,580 | 841,332 | 1,169,912 |
| Donated facilities and administrative support from the University of Wisconsin System expense | 980,989 | 1,583,745 | 2,564,734 | 957,352 | 1,541,331 | 2,498,683 |
| Change in accounting estimate | 115,923 | 201,199 | 317,122 | --- | --- | --- |
| Changes in assets and liabilities: | | | | | | |
| Accounts receivables, net | 893,709 | (92,847) | 800,862 | (1,058,566) | (128,385) | (1,186,951) |
| Prepaid expenses | (5,643) | (3,117) | (8,760) | (2,144) | (20,227) | (22,371) |
| Inventory | 977 | (10,390) | (9,413) | (469) | --- | (469) |
| Accounts payable and accrued expenses | (113,311) | (391,757) | (505,068) | 7,306 | 218,638 | 225,944 |
| Due (from) to the University of Wisconsin System | (569,537) | (3,383) | (572,920) | 263,964 | 95,542 | 359,506 |
| Unearned revenue | (5,955) | 35,636 | 29,681 | 5,209 | 247 | 5,456 |
| Total adjustments | <u>1,641,996</u> | <u>2,101,546</u> | <u>3,743,542</u> | <u>501,232</u> | <u>2,548,478</u> | <u>3,049,710</u> |
| Net cash used by operating activities | <u>\$ (364,137)</u> | <u>\$ (4,171,440)</u> | <u>\$ (4,535,577)</u> | <u>\$ (2,032,104)</u> | <u>\$ (4,165,407)</u> | <u>\$ (6,197,511)</u> |
| Supplemental Information: | | | | | | |
| In-kind services, property, and trade contributions | <u>\$ 987,390</u> | <u>\$ 1,592,100</u> | <u>\$ 2,579,490</u> | <u>\$ 969,111</u> | <u>\$ 1,542,581</u> | <u>\$ 2,511,692</u> |

The accompanying notes to the financial statements
are an integral part of these statements

WHA RADIO & TELEVISION
Madison, Wisconsin

Notes to the Financial Statements
June 30, 2016 and 2015

1. Summary of Significant Accounting Policies

Organization

WHA Radio is a public telecommunications entity operated by the University of Wisconsin-Extension, and is part of the University of Wisconsin System. WHA Radio consists of eight 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 Wisconsin Education Communications Board (ECB) radio networks. All significant inter-organizational accounts and transactions have been eliminated. See Note 12 for further information regarding WPRA.

WHA Television is licensed to the University of Wisconsin System's Board of Regents, is operated by the University of Wisconsin-Extension, and is part of the University of Wisconsin System. WHA Television's financial statements include its allocated share of the assets, liabilities, revenues and expenses of the Friends of Wisconsin Public Television, Inc. (Friends), a not-for-profit corporation that receives contributions for the Wisconsin Public Television partnership, which includes WHA Television and the Wisconsin Education Communications Board (ECB) television network. All significant inter-organizational accounts and transactions have been eliminated. See Note 12 for further information regarding Friends.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). 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. Significant inter-organization accounts and transactions have been eliminated.

Revenues from government-mandated or voluntary non-exchange transactions, such as contributions, gifts 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 non-exchange revenue is recognized.

Contributions, gifts and grants that do not have eligibility requirements are reported as revenue when WHA is entitled to the funds. Contributed membership fees of the Friends are nonrefundable and are recorded as revenue in the year earned; pledged WPRA and Friend's 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.

Expenses are shown in the functional categories contained in the statement of activities. Expenses that relate to more than one category are allocated to the respective categories, using estimates if necessary. When an expense is incurred for purposes for which both restricted and unrestricted net position are available, restricted resources are applied first.

WHA RADIO & TELEVISION
Madison, Wisconsin

Notes to the Financial Statements
June 30, 2016 and 2015
(Continued)

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Non-cash contributions are recognized as non-operating revenues in the period of receipt unless they involve trades for which on-air underwriting credits have not yet been broadcast. Non-cash expenses are shown in the functional categories of operating expenses contained in the statement of activities.

Operating revenues are directly related to programming, production, and development activities. Non-operating revenues, such as investment income, are indirectly related to programming, production, and development activities.

Certain significant revenue streams relied upon for operations are reported as non-operating 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.

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. Depreciation expense is included in the functional expense categories.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires WHA management to make estimates and assumptions that affect the reported amounts of assets and liabilities. These estimates and assumptions also affect the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Cash and Equivalents

Cash and equivalents include deposits with the State of Wisconsin and shares in the State Investment Fund, a short-term investment pool of state and local funds. Cash and cash equivalents also include WHA's allocated share of WPRA and Friend's cash deposits.

Investments

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Additional information regarding the fair value measurement of investments is disclosed in footnote 2.

Inventory

Inventory is valued at cost using the first-in/first-out (FIFO) method. Costs are recorded as expenditures at the time individual inventory items are consumed.

WHA RADIO & TELEVISION
Madison, Wisconsin

Notes to the Financial Statements
June 30, 2016 and 2015
(Continued)

1. Summary of Significant Accounting Policies (continued)

Capital Assets

Items classified as capital assets are recorded at cost or for donated property, at the estimated fair-market value at the date of the donation. 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 may also include certain constructed or fabricated items and certain component parts.

Depreciation and amortization are calculated using the straight-line method over the useful life 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.

Due from (to) the University of Wisconsin System

All cash received by WHA from grants and contracts is deposited with the University of Wisconsin System. Expenses related to certain WHA grants and contracts may be paid 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 payable, due to the University of Wisconsin System, on the Statement of Net Position. When receipts from the granting agency exceed the expenses, the difference is reported as a receivable, due from the University of Wisconsin System, on the Statement of Net Position.

Unearned Revenue

Payments received but not yet earned for grants with eligibility requirements are reported as liabilities on the Statements of Net Position.

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' rate of pay. The related employer's share of Social Security taxes, Medicare taxes, and contributions to the Wisconsin Retirement System (WRS) are also accrued with a resulting liability.

Starting in fiscal year 2017, WHA is no longer liable for any accumulated banked leave that would be paid out as a lump sum. This is now a liability of the University of Wisconsin - Extension. WHA is still liable for accumulated vacation time to be used for day-to-day purposes. See footnote 5 for more information.

Restricted Net Position

Restricted net position is reported when constraints placed on net position are externally imposed, such as by donors or grantors. WHA's restricted net position includes purpose restrictions placed by donors on contributed support or gifts. Restricted nonexpendable net position is restricted by donors to be maintained in perpetuity. Unrestricted net position may be used at the discretion of management.

WHA RADIO & TELEVISION
Madison, Wisconsin

Notes to the Financial Statements
June 30, 2016 and 2015
(Continued)

1. Summary of Significant Accounting Policies (continued)

Net Position

GASB has established standards for reporting net position. Under GASB, WHA classifies net position as follows:

- *Net Investment in Capital Assets* – includes WHA's capital assets (net of accumulated depreciation) reduced by the outstanding balances of any borrowings attributable to the acquisition, construction or improvement for those assets.
- *Restricted Net Position* – includes assets that have limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- *Unrestricted Net Position* – the residual classification for balances that do not fall into the other two categories and deficit balances.

WHA applies restricted resources first when expense is incurred for purposes for which both a restricted and unrestricted net position are available.

Subsequent Events

Management has evaluated all subsequent events through the date the financial statements were available to be distributed (January 20, 2017) for possible inclusion as a disclosure in the financial statements. There were no subsequent events that required disclosure.

2. Deposits and Investments

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

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, 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 bankers acceptances. The Investment Board's trustees may specifically approve other prudent investments.

WHA'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 U.S. Securities and Exchange Commission as an investment company. The asset allocation policy for the Intermediate Term Funds sets a target of 15 percent marketable equities, 70 percent fixed-income, 10 percent alternatives, and 5 percent cash. The asset allocation for the Long Term Fund sets a target of 35 percent marketable equities, 30 percent fixed-income and 35 percent alternatives.

WHA RADIO & TELEVISION
Madison, Wisconsin

Notes to the Financial Statements
June 30, 2016 and 2015
(Continued)

2. Deposits and Investments (continued)

Additional information on the two funds is available in the University of Wisconsin System's Annual Financial Report. The report is publicly available at www.uwsa.edu or may be obtained by contacting:

UW System Financial Administration
780 Regent Street, Suite 255
Madison, Wisconsin 53715

WPRA's and Friends' cash and investments are managed separately from the cash and investment activities of the State Investment Fund and University of Wisconsin funds. WPRA cash balances are held in a checking account, and investments consist of money market funds. WPRA investments are managed by asset management or private trust companies and consist of fixed-income funds and equity mutual funds. Friends' cash deposit balance is maintained at one financial institution, and current investments consist of money market funds, fixed-income funds and equity mutual funds.

As of June 30, 2016 and 2015, WHA's deposits were \$2,413,356 and \$2,554,708, respectively.

WHA's shares of the State Investment Fund were \$877,372 and \$727,955 as of June 30, 2016 and 2015, respectively, and are reported as cash and cash equivalents on the Statement of Net Position, but are subject to the investment risk note disclosures.

Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows at June 30, 2016:

| <u>Description</u> | <u>Total</u> | <u>Fair Value Measurement</u> | | |
|---------------------------|----------------------|-------------------------------|----------------------|------------------|
| | | <u>(Level 1)</u> | <u>(Level 2)</u> | <u>(Level 3)</u> |
| Money market funds | \$ 296,892 | \$ 296,892 | \$ --- | \$ --- |
| Mutual funds: | | | | |
| Fixed income | 2,206,083 | 2,206,083 | --- | --- |
| Domestic equities | 2,133,574 | 2,133,574 | --- | --- |
| International equities | 1,207,321 | 1,207,321 | --- | --- |
| UW Intermediate Term Fund | 9,940,196 | --- | 9,940,196 | --- |
| UW Long Term Fund | 4,907,645 | --- | 4,907,645 | --- |
| | <u>\$ 20,691,711</u> | <u>\$ 5,843,870</u> | <u>\$ 14,847,841</u> | <u>\$ ---</u> |

WHA RADIO & TELEVISION
Madison, Wisconsin

Notes to the Financial Statements
June 30, 2016 and 2015
(Continued)

2. Deposits and Investments (continued)

Investments' fair value measurements are as follows at June 30, 2015:

| <u>Description</u> | <u>Total</u> | <u>Fair Value Measurement</u> | | |
|---------------------------|----------------------|-------------------------------|----------------------|------------------|
| | | <u>(Level 1)</u> | <u>(Level 2)</u> | <u>(Level 3)</u> |
| Money market funds | \$ 271,455 | \$ 271,455 | \$ --- | \$ --- |
| Mutual funds: | | | | |
| Fixed income | 2,056,004 | 2,056,004 | --- | --- |
| Domestic equities | 2,209,932 | 2,209,932 | --- | --- |
| International equities | 853,297 | 853,297 | --- | --- |
| UW Intermediate Term Fund | 9,333,362 | --- | 9,333,362 | --- |
| UW Long Term Fund | 4,605,270 | --- | 4,605,270 | --- |
| | <u>\$ 19,329,320</u> | <u>\$ 5,390,688</u> | <u>\$ 13,938,632</u> | <u>\$ ---</u> |

The following is a description of the valuation methodologies used for assets measured at fair value. Valuation methodologies used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at June 30, 2016.

Money market funds: Represent ownership of units of participation rather than ownership of specific assets. The value of a unit of participation is the total value of the fund divided by the number of units outstanding.

Mutual funds: Valued at quoted market prices, which represent the net asset value of shares held by the fund at year-end.

UW Intermediate and Long Term Fund: Represents WHA's ownership of funds in the University of Wisconsin System investment pool. See contact information on previous page to determine investments held by the funds and the valuation techniques used to value the funds.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although WHA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

WHA's deposits and investments are exposed to various risks. Policies regarding these risks are described below.

Custodial Credit Risk—Custodial credit risk for deposits is the risk that in the event of the failure of a financial institution, deposits may not be returned. As of June 30, 2016 and 2015, \$1,794,739 and \$2,275,409 of WHA's bank balance of \$2,721,143 and \$2,825,926 was not covered by the Federal Deposit Insurance Corporation (FDIC) and was exposed to custodial credit risk, respectively. WPR and Friends do not have a policy specifically for custodial credit risk.

WHA RADIO & TELEVISION
Madison, Wisconsin

Notes to the Financial Statements
June 30, 2016 and 2015
(Continued)

2. Deposits and Investments (continued)

Credit Risk—Credit risk is the risk that an issuer or other counterparty to a fixed-income 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 and Poor’s and/or Moody’s) with an average portfolio quality of at least AA/Aa as rate by Standard & Poor’s and/or Moody’s. WPRA’s investment guidelines require an average of at least AA by Standard & Poor’s. Friends’ investment policy requires that investments have a minimum quality rating of investment grade. The State Investment Fund’s investment guidelines establish specific maximum exposure limits by security types based on the minimum credit ratings as issued by nationally recognized statistical rating organizations. As of June 30, 2016 and 2015, the UW Intermediate Term and Long Term funds, WPRA and Friends’ fixed-income funds and the State Investment Fund 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’s 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. Friends does not have an investment policy specifically for interest rate risk. As of June 30, 2016 and 2015, the fixed-income investments for WPRA and Friends had the following modified durations:

| | 2016 | | 2015 | |
|---|---------------------|-------------------------------------|---------------------|-------------------------------------|
| | <u>Fair Value</u> | <u>Modified Duration (in years)</u> | <u>Fair Value</u> | <u>Modified Duration (in years)</u> |
| <u>Fixed-Income Investment</u> | | | | |
| Vanguard Intermediate-Term Investment Grade Fund | \$ --- | --- | \$ 34,419 | 5.44 |
| Vanguard Intermediate-Term Investment Grade Admin | 386,011 | 5.46 | 465,045 | 5.44 |
| Vanguard Short-Term Investment Grade Fund | --- | --- | 22,892 | 2.58 |
| Vanguard Short-Term Investment Grade Admin | 251,314 | 2.59 | 308,730 | 2.58 |
| Vanguard Total Bond Market Index Fund | 639,548 | 6.00 | 833,407 | 5.70 |
| Vanguard Total International Bond Index | 548,206 | 8.19 | --- | --- |
| Dodge and Cox Income Fund | 129,057 | 4.00 | 113,843 | 4.32 |
| Metropolitan West Total Return Bond | 87,045 | 4.82 | 82,526 | 5.00 |
| Baird Core Plus Bond Fund | 164,902 | 5.36 | 71,891 | 5.48 |
| MFS Bond Fund – Institutional | --- | --- | 9,350 | 6.39 |
| Thornburg Limited Term Income Fund | --- | --- | 72,797 | 2.98 |
| Goldman Sachs Global Income Fund | --- | --- | 41,104 | 5.97 |
| | | | | |
| Total Fixed-Income Investments | \$ <u>2,206,083</u> | | \$ <u>2,056,004</u> | |

The State Investment Fund investment guidelines mandate that the weighted average maturity for the entire portfolio not exceed one year. The weighted average maturity of the State Investment Fund was 80 and 80 days as of June 30, 2016 and 2015, respectively, which were the most current reports available.

WHA RADIO & TELEVISION
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Notes to the Financial Statements
June 30, 2016 and 2015
(Continued)

2. Deposits and Investments (continued)

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 accepted 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 mutual funds held by WPRA will not constitute more than 20 percent of the equity portion of the investment portfolio. Friends does not have an investment policy specifically for foreign currency risk. WHA was exposed to foreign currency risk through international investments in the UW Long Term and Intermediate Term funds. In addition, as of June 30, 2016 and 2015, WPRA held investments that were exposed to foreign currency risk totaling \$184,542 and \$223,224, respectively; Friends held investments that were exposed to foreign currency risk totaling \$1,202,833 and \$986,783, respectively.

3. Capital Assets

Capital asset balances and activity for the year ended June 30, 2016 were as follows:

| | <u>July 1, 2015</u> | <u>Additions</u> | <u>Reductions</u> | <u>June 30, 2016</u> |
|--|---------------------|------------------|-------------------|----------------------|
| Capital assets not being depreciated | | | | |
| Work in progress | \$ --- | \$ 107,239 | \$ --- | \$ 107,239 |
| Capital assets being depreciated | | | | |
| Equipment | 12,871,995 | 175,374 | 320,788 | 12,726,581 |
| Intangible assets | 564,929 | 312,696 | 274,411 | 603,214 |
| Total capital assets being depreciated | 13,436,924 | 488,070 | 595,199 | 13,329,795 |
| Less accumulated depreciation | 10,810,834 | 1,127,304 | 568,878 | 11,369,260 |
| Total capital assets being depreciated, net of accumulated depreciation | 2,626,090 | (639,234) | 26,321 | 1,960,535 |
| Governmental activities capital assets, net of accumulated depreciation | \$ 2,626,090 | \$ (531,995) | \$ 26,321 | \$ 2,067,774 |

Depreciation and amortization expenses were charged to functions as follows:

| | |
|----------------------------|---------------------|
| Programming and production | \$ 904,016 |
| Program information | 36,169 |
| Broadcasting | 187,119 |
| Total | \$ <u>1,127,304</u> |

Capital asset balances and activity for the year ended June 30, 2015 were as follows:

| | <u>July 1, 2014</u> | <u>Additions</u> | <u>Reductions</u> | <u>June 30, 2015</u> |
|--|---------------------|------------------|-------------------|----------------------|
| Capital assets not being depreciated | | | | |
| Work in progress | \$ 26,735 | \$ --- | \$ 26,735 | \$ --- |
| Capital assets being depreciated | | | | |
| Equipment | 12,893,505 | 108,386 | 129,896 | 12,871,995 |
| Intangible assets | 594,361 | 211,571 | 241,003 | 564,929 |
| Total capital assets being depreciated | 13,487,866 | 319,957 | 370,899 | 13,436,924 |
| Less accumulated depreciation | 10,008,454 | 1,169,912 | 367,532 | 10,810,834 |
| Total capital assets being depreciated, net of accumulated depreciation | 3,479,412 | (849,955) | 3,367 | 2,626,090 |
| Governmental activities capital assets, net of accumulated depreciation | \$ 3,506,147 | \$ (849,955) | \$ 30,102 | \$ 2,626,090 |

WHA RADIO & TELEVISION
Madison, Wisconsin

Notes to the Financial Statements
June 30, 2016 and 2015
(Continued)

3. Capital Assets (continued)

Depreciation and amortization expenses were charged to functions as follows:

| | | |
|----------------------------|----|-----------|
| Programming and production | \$ | 935,372 |
| Program information | | 23,459 |
| Broadcasting | | 211,081 |
| Total | \$ | 1,169,912 |

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 the period of ten years from the date of award completion, during which time the federal government retains priority reversionary interest in the equipment. WHA Television was awarded five NTIA capital equipment grants from FY 2004-05 through FY 2010-11. The depreciated value of equipment subject to a priority lien was \$427,121 and \$644,646 as of June 30, 2016 and 2015, respectively. WHA Radio was awarded four NTIA capital grants from FY2001-02 through FY 2010-11. The depreciated value of equipment subject to a priority lien was \$137,288 and \$158,518 as of June 30, 2016 and 2015, respectively.

5. Noncurrent Liabilities

Noncurrent liability balances and activity for the year ended June 30, 2016 and 2015 were as follows:

| | <u>July 1, 2015</u> | <u>Additions</u> | <u>Reductions</u> | <u>Change in Accounting Estimate (a)</u> | <u>June 30, 2016</u> |
|----------------------|-------------------------|------------------|-------------------|--|--------------------------|
| Compensated absences | \$ 1,274,309 | \$ 151,812 | \$ 248,806 | \$ (317,122) | \$ 860,195 |
| | <u>July 1, 2014</u> | <u>Additions</u> | <u>Reductions</u> | <u>June 30, 2015</u> | |
| Compensated absences | \$ 1,191,863 | \$ 191,097 | \$ 108,651 | \$ 1,274,309 | |

Included above is \$142,751 and \$85,219 that as of June 30, 2016 and 2015, respectively, was due within one year and is included in wages payable on the Statement of Net Position.

(a) Starting in fiscal year 2017, WHA is no longer liable for any accumulated bank leave that would be paid out as a lump sum. This is now a liability of the University of Wisconsin - Extension. Therefore, due to this change in accounting estimate, a \$317,122 decrease in the liability flowed through current year activities for the period ending June 30, 2016.

WHA RADIO & TELEVISION
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Notes to the Financial Statements
June 30, 2016 and 2015
(Continued)

6. Donated Goods and Services

Indirect administrative support from the University of Wisconsin-System is the most significant source of donated services to WHA. It is derived from an indirect cost rate the University of Wisconsin-Madison determines for the University of Wisconsin-Extension that is submitted to and approved by the federal government.

All other In-kind and traded goods and services are recorded as revenues and expenses at the estimated fair market value. Donated goods and services as of June 30, 2016 and 2015 are as follows:

| | <u>2016</u> | <u>2015</u> |
|---------------------------------|---------------------|---------------------|
| Indirect administrative support | \$ 2,248,685 | \$ 2,189,231 |
| Donated facilities: | | |
| Plant operating costs | 284,819 | 278,874 |
| Occupancy | 31,230 | 30,578 |
| Radio and TV advertising | 14,756 | 13,009 |
| Total | <u>\$ 2,566,750</u> | <u>\$ 2,500,698</u> |

7. Employee Retirement Plan

The employees of WHA are employees of the University of Wisconsin System. The employees of WHA are covered under the University of Wisconsin System's participation in the Wisconsin Retirement System, a cost-sharing, multiple-employer, defined benefit plan. The financial statements of WHA do not include pension expenses or the related liabilities other than those actually paid to the University of Wisconsin System, which are allocated to various functional expenses on the statement of activities. WHA's contribution to the plan via the University of Wisconsin System was \$1,192,477 and \$1,230,890 for the years ended June 30, 2016 and 2015, respectively. Any net pension obligation resulting from participation in this plan is included in the State of Wisconsin's financial statements but is not included in WHA's financial statements.

8. Postemployment Benefits Other than Pensions

In accordance with the provisions established by GASB, state and local government employers are required to display in financial reports other postemployment benefits (OPEB) expenses and related liabilities; note disclosures; and if applicable, required supplementary information. The employees of WHA are employees of the State of Wisconsin. The financial statements of WHA do not include OPEB expenses or the related liabilities other than those actually paid, which are allocated to various functional expenses on the statements of activities.

Health Insurance – The State's Health Insurance Program, a cost-sharing, multiple-employer, defined benefit plan not held in a trust, is an employer-sponsored program offering group medical coverage to eligible employees and retirees of the State, created under Chapter 40 of Wisconsin Statutes. The Department of Employee Trust Funds and the Group Insurance Board have program administration and oversight responsibilities under ss. 15.165(2) and 40.03(6) of Wisconsin Statutes. 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 \$542.7 million and \$502.6 million as of June 30, 2016 and 2015, respectively. The estimated portion of this obligation related to WHA employees was \$1.6 million and \$1.4 million as of June 30, 2016 and 2015, respectively. This obligation is included in the State of Wisconsin's financial statements but is not included in WHA's financial statements.

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Madison, Wisconsin

Notes to the Financial Statements
June 30, 2016 and 2015
(Continued)

8. Postemployment Benefits Other than Pensions (continued)

The State's financial statements, additional note disclosures, and required supplementary information for this plan are included in the State's Comprehensive Annual Financial Report. This 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 section 40.70 of Wisconsin Statutes. 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 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 Comprehensive Annual Financial Report also includes additional note disclosures for the plan.

9. Operating Leases

WHA Television entered into a 20 year lease for space on a Candelabra Tower and in related buildings located on the property and other improvements for communications purposes and use of the underlying land. The current lease expired on October 14, 2015. The agreement was amended in October 2015 to extend the lease through December 31, 2025. Total lease payments were \$110,741 and \$118,171 for the years ended June 30, 2016 and 2015, respectively.

Note that while this lease runs through December 31, 2025, lease payments are determined on an annual basis. Future payments are based on the estimated total costs for calendar year 2017. The estimated future minimum payments related to this lease are as follows for the fiscal years ended June 30:

| | |
|--------------|-------------------|
| 2017 | 96,538 |
| 2018 | 85,812 |
| 2019 | 85,812 |
| 2020 | 85,812 |
| 2021-2025 | 429,059 |
| Total | \$ 783,033 |

WHA RADIO & TELEVISION
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Notes to the Financial Statements
June 30, 2016 and 2015
(Continued)

9. Operating Leases (continued)

In 2002, the Department of Administration authorized WHA Radio to enter into a lease agreement for space on the lessor's tower and rights to use other portions of the tower and the real estate upon which the tower is located. The original lease agreement expired and was automatically renewed for an additional ten years in August of 2012. The current lease will expire on July 31, 2022. Total lease payments were \$14,319 and \$13,902 for the years ended June 30, 2016 and 2015.

The future minimum commitments related to this lease are as follows for the fiscal years ended June 30:

| | | |
|-------|----|---------------|
| 2017 | \$ | 14,748 |
| 2018 | | 15,191 |
| 2019 | | 15,646 |
| 2020 | | 16,116 |
| 2021 | | 16,599 |
| 2022 | | 17,097 |
| 2023 | | 1,428 |
| Total | \$ | <u>96,825</u> |

10. Restricted Net Position

Endowments

WHA, WPRA, and Friends have received endowment gifts that require the preservation of the fair value of the original gifts as of the gift date. WHA's share of the gifts is shown as restricted nonexpendable net position to comply with provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Management of WHA has interpreted UPMIFA as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

For the years ended June 30, 2016 and 2015, the principal balance of the WHA account was \$1,000,000 and the investment earnings account balance was \$528,861 and \$632,115, respectively. These amounts are reflected on the statement of net position as restricted for endowment – nonexpendable and restricted for endowment – expendable, respectively.

For the years ended June 30, 2016 and 2015, the principal balance of the WPRA accounts was \$38,491. For the years ended June 30, 2016 and 2015, the principal balance of the Friends' accounts was \$160,378.

Grantee and Donor Restrictions

Unexpended donations received for a specific purpose are reflected on the statement of net position as net position - restricted – expendable grantee and donor restrictions. For the years ended June 30, 2016 and 2015, WHA donations in this category totaled \$358,679 and \$528,674, respectively. For the years ended June 30, 2016 and 2015, the balances of the WPRA accounts were \$122,806 and \$82,051, respectively; the balances of the Friends' accounts were \$367,020 and \$386,032, respectively.

11. Concentrations

For the years ended June 30, 2016 and 2015, approximately 22% and 25%, respectively, of revenue came from state general appropriations.

WHA RADIO & TELEVISION
Madison, Wisconsin

Notes to the Financial Statements
June 30, 2016 and 2015
(Continued)

12. Related Entities

Wisconsin Educational Communications Board

ECB is an agency of the State of Wisconsin that operates a public television network (Wisconsin Television Network) and public radio networks. 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 a partnership called Wisconsin Public Television and Wisconsin Public Radio to manage and operate their licenses. The partnerships are maintained through an affiliation agreement outlining structural principles and functions, administrative staff allocations, stations (of both Wisconsin Public Television and Wisconsin Public Radio), and financial commitments of the partners. The directors of Wisconsin Public Television and Wisconsin Public Radio are jointly appointed by ECB and the University of Wisconsin System's Board of Regents. Staff and resources from both agencies work together to provide administrative and program services. The relationship pervades all aspects of the financial activities reported in the accompanying financial statements. Amounts due to or from the affiliated parties are separately disclosed on the statement of net position. For the years ended June 30, 2016 and 2015, WHA had a receivable of \$1,032,032 and \$1,652,230, respectively due from ECB and a payable due to ECB of \$18,113 and \$180,435, respectively.

The University of Wisconsin Foundation

The University of Wisconsin Foundation is the official not-for-profit fundraising corporation for the University of Wisconsin-Madison and provides gift management services to 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 System. The fair value of endowments and accumulated interest held by the Foundation for WHA was \$1,109,800 and \$1,187,987, respectively as of June 30, 2016 and 2015. The accumulated interest is available to be transferred to the University of Wisconsin-Extension and spent by WHA. Accumulated interest totaled \$181,400 and \$191,531 as of June 30, 2016 and 2015, respectively. WHA transferred \$53,505 and \$31,815 from the Foundation in fiscal years 2016 and 2015, respectively. Only actual transfers from the Foundation are reflected in WHA financial statements.

Wisconsin Public Radio Association, Inc.

Wisconsin Public Radio Association, Inc. (WPRA) is a publicly supported not-for-profit corporation whose purpose is to administer various fundraising and membership duties of Wisconsin Public Radio and to provide support to WHA Radio and ECB's radio networks. WPRA solicits funds in the name of, and with the approval of, both WHA Radio and ECB. Under and affiliation agreement, WHA Radio and ECB staff, along with the WPRA Board of Directors, approve WPRA's budget. WHA provides facilities as well as administrative and clerical services to WPRA. WHA Radio and ECB have access to WPRA's net resources and retain an ongoing allocated interest in WPRA's net position. WHA Radio's and ECB's allocated interests in WPRA are calculated in accordance with an allocation agreement that currently provides WHA Radio with 24 percent of WPRA's 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 negotiated annually.

WHA Radio includes its allocated share of WPRA assets, liabilities, revenues, and expenses in its financial statements. The financial statement amounts are reported net of eliminations of \$158,581 and \$432,266 for both assets and liabilities as of June 30, 2016 and 2015, respectively. The financial statement amounts are also reported net of eliminations of \$2,079,463 and \$1,845,968 for both revenues and expenses for fiscal years 2016 and 2015, respectively.

WHA RADIO & TELEVISION
Madison, Wisconsin

Notes to the Financial Statements
June 30, 2016 and 2015
(Continued)

12. Related Entities (Continued)

Wisconsin Public Radio Association, Inc. (Continued)

The following provides a summary of amounts for both WHA Radio and WHA Radio's allocation portion of WPRA as of June 30, 2016.

Condensed Statement of Net Position – 2016

| | <u>WHA Radio</u> | <u>WPRA</u> | <u>Total</u> |
|---|---------------------|---------------------|---------------------|
| Assets: | | | |
| Current assets | \$ 2,514,799 | \$ 983,101 | \$ 3,497,900 |
| Intercompany receivable/(payable) | 148,581 | (148,581) | --- |
| Capital assets | 586,014 | --- | 586,014 |
| Other assets | 4,930,303 | 1,045,359 | 5,975,662 |
| Total assets | <u>8,179,697</u> | <u>1,879,879</u> | <u>10,059,576</u> |
| Liabilities: | | | |
| Current liabilities | 230,549 | 21,303 | 251,852 |
| Intercompany unearned revenue/ (prepaid expense) | 10,000 | (10,000) | --- |
| Noncurrent liabilities | 367,784 | --- | 367,784 |
| Total liabilities | <u>608,333</u> | <u>11,303</u> | <u>619,636</u> |
| Net Position: | | | |
| Net investment in capital assets | 586,014 | --- | 586,014 |
| Restricted | | | |
| Nonexpendable | --- | 38,491 | 38,491 |
| Expendable | 196,086 | 122,806 | 318,892 |
| Unrestricted | 6,789,264 | 1,707,279 | 8,496,543 |
| Total net position | <u>\$ 7,571,364</u> | <u>\$ 1,868,576</u> | <u>\$ 9,439,940</u> |

WHA RADIO & TELEVISION
Madison, Wisconsin

Notes to the Financial Statements
June 30, 2016 and 2015
(Continued)

12. Related Entities (Continued)

Wisconsin Public Radio Association, Inc. (Continued)

Condensed Statement of Activities – 2016

| | <u>WHA Radio</u> | <u>WPRA</u> | <u>Total</u> |
|---|---------------------|---------------------|---------------------|
| Operating revenues: | | | |
| Grants | \$ 816,810 | \$ --- | \$ 816,810 |
| Community Services Grant from CPB | 562,279 | --- | 562,279 |
| Underwriting | 1,475,645 | --- | 1,475,645 |
| Telecasting, production and other income | 4,782,934 | 41,646 | 4,824,580 |
| Membership income | --- | 1,651,132 | 1,651,132 |
| Major gifts | 43,028 | 756,995 | 800,023 |
| Contributed in-kind support | 6,401 | --- | 6,401 |
| Total operating revenues | <u>7,687,097</u> | <u>2,449,773</u> | <u>10,136,870</u> |
| Operating expenses: | | | |
| Non-depreciation expenses | 11,625,913 | 172,246 | 11,798,159 |
| Depreciation expense | 344,844 | --- | 344,844 |
| Total operating expenses | <u>11,970,757</u> | <u>172,246</u> | <u>12,143,003</u> |
| Operating income (loss) | (4,283,660) | 2,277,527 | (2,006,133) |
| Non-operating revenues: | | | |
| State general appropriations | 1,783,019 | --- | 1,783,019 |
| Donated facilities and administrative support for the UW System | 980,989 | --- | 980,989 |
| Investment income | 24,456 | 16,381 | 40,837 |
| Capital contributions | 56,971 | --- | 56,971 |
| Total non-operating revenues | <u>2,845,435</u> | <u>16,381</u> | <u>2,861,816</u> |
| Transfers | 2,079,463 | (2,079,463) | --- |
| Special Item – change in accounting estimate | <u>115,923</u> | <u>---</u> | <u>115,923</u> |
| Change in net position | 757,161 | 214,445 | 971,606 |
| Beginning net position | 6,814,203 | 1,654,131 | 8,468,334 |
| Ending net position | <u>\$ 7,571,364</u> | <u>\$ 1,868,576</u> | <u>\$ 9,439,940</u> |

WHA RADIO & TELEVISION
Madison, Wisconsin

Notes to the Financial Statements
June 30, 2016 and 2015
(Continued)

12. Related Entities (Continued)

Wisconsin Public Radio Association, Inc. (Continued)

Condensed Statement of Cash Flow – 2016

| | <u>WHA Radio</u> | | <u>WPRA</u> | | <u>Total</u> |
|--|-------------------|-----------|----------------|-----------|------------------|
| Net cash provided (used) by: | | | | | |
| Operating activities | \$ (560,460) | \$ | 196,323 | \$ | (364,137) |
| Noncapital financing activities | 1,783,019 | | --- | | 1,783,019 |
| Capital and related financing activities | (283,046) | | --- | | (283,046) |
| Investing activities | (293,344) | | 11,904 | | (281,440) |
| Net increase in cash and cash equivalents | 646,169 | | 208,227 | | 854,396 |
| Beginning cash and cash equivalents | 119,393 | | 733,889 | | 853,282 |
| Ending cash and cash equivalents | \$ 765,562 | \$ | 942,116 | \$ | 1,707,678 |

The following provides a summary of amounts for both WHA Radio and WHA Radio's allocation portion of WPRA as of June 30, 2015.

Condensed Statement of Net Position – 2015

| | <u>WHA Radio</u> | | <u>WPRA</u> | | <u>Total</u> |
|-----------------------------------|---------------------|-----------|------------------|-----------|------------------|
| Assets: | | | | | |
| Current assets | \$ 2,022,397 | \$ | 1,060,483 | \$ | 3,082,880 |
| Intercompany receivable/(payable) | 432,266 | | (432,266) | | --- |
| Capital assets | 590,841 | | --- | | 590,841 |
| Other assets | 4,492,633 | | 1,040,882 | | 5,533,515 |
| Total assets | 7,538,137 | | 1,669,099 | | 9,207,236 |
| Liabilities: | | | | | |
| Current liabilities | 187,721 | | 14,968 | | 202,689 |
| Noncurrent liabilities | 536,213 | | --- | | 536,213 |
| Total liabilities | 723,934 | | 14,968 | | 738,902 |
| Net Position: | | | | | |
| Net investment in capital assets | 590,841 | | --- | | 590,841 |
| Restricted | | | | | |
| Nonexpendable | --- | | 38,491 | | 38,491 |
| Expendable | 165,283 | | 82,051 | | 247,334 |
| Unrestricted | 6,058,079 | | 1,533,589 | | 7,591,668 |
| Total net position | \$ 6,814,203 | \$ | 1,654,131 | \$ | 8,468,334 |

WHA RADIO & TELEVISION
Madison, Wisconsin

Notes to the Financial Statements
June 30, 2016 and 2015
(Continued)

12. Related Entities (Continued)

Wisconsin Public Radio Association, Inc. (Continued)

Condensed Statement of Activities – 2015

| | <u>WHA Radio</u> | <u>WPRA</u> | <u>Total</u> |
|---|---------------------|---------------------|---------------------|
| Operating revenues: | | | |
| Grants | \$ 664,955 | \$ --- | \$ 664,955 |
| Community Services Grant from CPB | 569,362 | --- | 569,362 |
| Underwriting | 1,269,273 | --- | 1,269,273 |
| Telecasting, production and other income | 4,318,878 | 44,203 | 4,363,081 |
| Membership income | --- | 1,494,087 | 1,494,087 |
| Major gifts | 42,284 | 690,132 | 732,416 |
| Contributed in-kind support | 11,759 | --- | 11,759 |
| Total operating revenues | <u>6,876,511</u> | <u>2,228,422</u> | <u>9,104,933</u> |
| Operating expenses: | | | |
| Non-depreciation expenses | 11,175,927 | 186,662 | 11,362,589 |
| Depreciation expense | 275,680 | --- | 275,680 |
| Total operating expenses | <u>11,451,607</u> | <u>186,662</u> | <u>11,638,269</u> |
| Operating income (loss) | (4,575,096) | 2,041,760 | (2,533,336) |
| Non-operating revenues: | | | |
| State general appropriations | 2,052,864 | --- | 2,052,864 |
| Donated facilities and administrative support for the UW System | 957,352 | --- | 957,352 |
| Investment income | 63,001 | 15,127 | 78,128 |
| Total non-operating revenues | <u>3,073,217</u> | <u>15,127</u> | <u>3,088,344</u> |
| Transfers | <u>1,845,968</u> | <u>(1,845,968)</u> | <u>---</u> |
| Change in net position | 344,089 | 210,919 | 555,008 |
| Beginning net position | 6,470,114 | 1,443,212 | 7,913,326 |
| Ending net position | <u>\$ 6,814,203</u> | <u>\$ 1,654,131</u> | <u>\$ 8,468,334</u> |

WHA RADIO & TELEVISION
Madison, Wisconsin

Notes to the Financial Statements
June 30, 2016 and 2015
(Continued)

12. Related Entities (Continued)

Wisconsin Public Radio Association, Inc. (Continued)

Condensed Statement of Cash Flow – 2015

| | WHA Radio | WPRA | Total |
|---|----------------|------------|----------------|
| Net cash provided (used) by: | | | |
| Operating activities | \$ (2,264,611) | \$ 232,507 | \$ (2,032,104) |
| Noncapital financing activities | 2,052,864 | --- | 2,052,864 |
| Capital and related financing activities | (228,085) | --- | (228,085) |
| Investing activities | 12,859 | (53,027) | (40,168) |
| Net increase (decrease) in cash and cash equivalents | (426,973) | 179,480 | (247,493) |
| Beginning cash and cash equivalents | 546,366 | 554,409 | 1,100,775 |
| Ending cash and cash equivalents | \$ 119,393 | \$ 733,889 | \$ 853,282 |

WPRA issues separate financial statements which are audited by other auditors. Copies of WPRA's separately issued financial statements may be obtained by contacting:

Executive Director
Wisconsin Public Radio Association
821 University Avenue
Madison, Wisconsin 53706

Friends of Wisconsin Public Television, Inc.

The Friends of Wisconsin Public Television, Inc. is a publicly supported not-for-profit corporation whose purpose is to administer various fundraising and membership duties of Wisconsin Public Television and to provide support to WHA Television and ECB. The Friends of Wisconsin Public Television, Inc. was the result of a reorganization of the Friends of WHA-TV, Inc. that occurred on July 1, 2009. Net position of Friends of WHA-TV, Inc., as of the reorganization, was wholly allocable to WHA Television. The Friends solicits funds in the name of, and with the approval of, both WHA Television and ECB. Under an affiliation agreement, WHA Television and ECB staff, along with the Friends' Board of Directors, approve the Friends' budget. WHA Television provides facilities as well as administrative and clerical services to the Friends. WHA Television and ECB have access to the Friends' net resources and retain an ongoing allocated interest in the Friends' net position. WHA Television's and ECB's allocated interests in the Friends are calculated in accordance with an affiliation agreement that currently provides WHA Television with 50 percent of the Friends' net resources. This agreement is negotiated annually.

WHA Television includes its allocated share of the Friends' assets, liabilities, revenues, and expenses in its financial statements. The financial statement amounts are reported net of eliminations of \$888,947 and \$814,161 for both assets and liabilities as of June 30, 2016 and 2015, respectively. The financial statement amounts are also reported net of eliminations of \$4,145,514 and \$3,910,736 for both revenues and expenses for fiscal years 2016 and 2015, respectively.

WHA RADIO & TELEVISION
Madison, Wisconsin

Notes to the Financial Statements
June 30, 2016 and 2015
(Continued)

12. Related Entities (Continued)

Friends of Wisconsin Public Television, Inc. (Continued)

The following provides a summary of amounts for both WHA Television and WHA Television's allocation portion of Friends as of June 30, 2016.

Condensed Statement of Net Position – 2016

| | <u>WHA TV</u> | <u>Friends</u> | <u>Total</u> |
|---|----------------------|---------------------|----------------------|
| Assets: | | | |
| Current assets | \$ 2,053,631 | \$ 969,529 | \$ 3,023,160 |
| Intercompany receivable/(payable) | 830,623 | (830,623) | --- |
| Capital assets | 1,481,760 | --- | 1,481,760 |
| Other assets | 8,426,930 | 4,550,866 | 12,977,796 |
| Total assets | <u>12,792,944</u> | <u>4,689,772</u> | <u>17,482,716</u> |
| Liabilities: | | | |
| Current liabilities | 266,052 | 225,695 | 491,747 |
| Intercompany unearned revenue/ (prepaid expense) | 58,324 | (58,324) | --- |
| Noncurrent liabilities | 349,660 | --- | 349,660 |
| Total liabilities | <u>674,036</u> | <u>167,371</u> | <u>841,407</u> |
| Net Position: | | | |
| Net investment in capital assets | 1,481,760 | --- | 1,481,760 |
| Restricted | | | |
| Nonexpendable | 1,000,000 | 160,378 | 1,160,378 |
| Expendable | 691,454 | 367,020 | 1,058,474 |
| Unrestricted | 8,945,694 | 3,995,003 | 12,940,697 |
| Total net position | <u>\$ 12,118,908</u> | <u>\$ 4,522,401</u> | <u>\$ 16,641,309</u> |

WHA RADIO & TELEVISION
Madison, Wisconsin

Notes to the Financial Statements
June 30, 2016 and 2015
(Continued)

12. Related Entities (Continued)

Friends of Wisconsin Public Television, Inc. (Continued)

Condensed Statement of Activities – 2016

| | <u>WHA TV</u> | <u>Friends</u> | <u>Total</u> |
|---|----------------------|---------------------|----------------------|
| Operating revenues: | | | |
| Grants | \$ 576,533 | \$ --- | \$ 576,533 |
| Community Services Grant from CPB | 1,533,124 | --- | 1,533,124 |
| Underwriting | 293,085 | 247,766 | 540,851 |
| Telecasting, production and other income | 641,343 | 605,086 | 1,246,429 |
| Membership income | --- | 3,193,881 | 3,193,881 |
| Major gifts | 23,505 | 846,939 | 870,444 |
| Contributed in-kind support | 8,355 | --- | 8,355 |
| Total operating revenues | <u>3,075,945</u> | <u>4,893,672</u> | <u>7,969,617</u> |
| Operating expenses: | | | |
| Non-depreciation expenses | 12,934,734 | 525,409 | 13,460,143 |
| Depreciation expense | 782,460 | --- | 782,460 |
| Total operating expenses | <u>13,717,194</u> | <u>525,409</u> | <u>14,242,603</u> |
| Operating income (loss) | (10,641,249) | 4,368,263 | (6,272,986) |
| Non-operating revenues: | | | |
| State general appropriations | 4,276,150 | --- | 4,276,150 |
| Donated facilities and administrative support for the UW System | 1,583,745 | --- | 1,583,745 |
| Capital contributions | 132,924 | --- | 132,924 |
| Loss on sale of assets | (26,321) | --- | (26,321) |
| Investment income | 23,148 | 51,397 | 74,545 |
| Total non-operating revenues | <u>5,989,646</u> | <u>51,397</u> | <u>6,041,043</u> |
| Transfers | 4,145,514 | (4,145,514) | --- |
| Special Item – change in accounting estimate | <u>201,199</u> | <u>---</u> | <u>201,199</u> |
| Change in net position | (304,890) | 274,146 | (30,744) |
| Beginning net position | 12,423,798 | 4,248,255 | 16,672,053 |
| Ending net position | <u>\$ 12,118,908</u> | <u>\$ 4,522,401</u> | <u>\$ 16,641,309</u> |

WHA RADIO & TELEVISION
Madison, Wisconsin

Notes to the Financial Statements
June 30, 2016 and 2015
(Continued)

12. Related Entities (Continued)

Friends of Wisconsin Public Television, Inc. (Continued)

Condensed Statement of Cash Flow - 2016

| | <u>WHA TV</u> | | <u>Friends</u> | | <u>Total</u> |
|--|-------------------|-----------|-----------------|-----------|-------------------|
| Net cash provided (used) by: | | | | | |
| Operating activities | \$ (4,499,884) | \$ | 328,444 | \$ | (4,171,440) |
| Noncapital financing activities | 4,276,150 | | --- | | 4,276,150 |
| Capital and related financing activities | (122,367) | | --- | | (122,367) |
| Investing activities | (580,783) | | (397,308) | | (978,091) |
| Net decrease in cash and cash equivalents | (926,884) | | (68,864) | | (995,748) |
| Beginning cash and cash equivalents | 1,038,693 | | 662,733 | | 1,701,426 |
| Ending cash and cash equivalents | \$ 111,809 | \$ | 593,869 | \$ | \$ 705,678 |

The following provides a summary of amounts for both WHA Television and WHA Television's allocation portion of Friends as of June 30, 2015.

Condensed Statement of Net Position - 2015

| | <u>WHA TV</u> | | <u>Friends</u> | | <u>Total</u> |
|---|----------------------|-----------|------------------|-----------|----------------------|
| Assets: | | | | | |
| Current assets | \$ 2,446,455 | \$ | 1,089,890 | \$ | 3,536,345 |
| Intercompany receivable/(payable) | 772,951 | | (772,951) | | --- |
| Capital assets | 2,035,249 | | --- | | 2,035,249 |
| Other assets | 8,201,307 | | 4,100,063 | | 12,301,370 |
| Total assets | 13,455,962 | | 4,417,002 | | 17,872,964 |
| Liabilities: | | | | | |
| Current liabilities | 338,077 | | 209,957 | | 548,034 |
| Intercompany unearned revenue/ (prepaid expense) | 41,210 | | (41,210) | | --- |
| Noncurrent liabilities | 652,877 | | --- | | 652,877 |
| Total liabilities | 1,032,164 | | 168,747 | | 1,200,911 |
| Net Position: | | | | | |
| Net investment in capital assets | 2,035,249 | | --- | | 2,035,249 |
| Restricted | | | | | |
| Nonexpendable | 1,000,000 | | 160,378 | | 1,160,378 |
| Expendable | 995,506 | | 386,032 | | 1,381,538 |
| Unrestricted | 8,393,043 | | 3,701,845 | | 12,094,888 |
| Total net position | \$ 12,423,798 | \$ | 4,248,255 | \$ | \$ 16,672,053 |

WHA RADIO & TELEVISION
Madison, Wisconsin

Notes to the Financial Statements
June 30, 2016 and 2015
(Continued)

12. Related Entities (Continued)

Friends of Wisconsin Public Television, Inc. (Continued)

Condensed Statement of Activities - 2015

| | <u>WHA TV</u> | <u>Friends</u> | <u>Total</u> |
|---|----------------------|---------------------|----------------------|
| Operating revenues: | | | |
| Grants | \$ 480,554 | \$ --- | \$ 480,554 |
| Community Services Grant from CPB | 1,541,607 | --- | 1,541,607 |
| Underwriting | 265,376 | 403,526 | 668,902 |
| Telecasting, production and other income | 602,680 | 615,414 | 1,218,094 |
| Membership income | 250 | 2,786,575 | 2,786,825 |
| Major gifts | 7,265 | 828,852 | 836,117 |
| Contributed in-kind support | 1,250 | --- | 1,250 |
| Total operating revenues | <u>2,898,982</u> | <u>4,634,367</u> | <u>7,533,349</u> |
| Operating expenses: | | | |
| Non-depreciation expenses | 12,989,268 | 370,698 | 13,359,966 |
| Depreciation expense | 887,268 | --- | 887,268 |
| Total operating expenses | <u>13,876,536</u> | <u>370,698</u> | <u>14,247,234</u> |
| Operating income (loss) | (10,977,554) | 4,263,669 | (6,713,885) |
| Non-operating revenues: | | | |
| State general appropriations | 4,516,529 | --- | 4,516,529 |
| Donated facilities and administrative support for the UW System | 1,541,331 | --- | 1,541,331 |
| Capital contributions | 22,807 | --- | 22,807 |
| Loss on sale of assets | (3,367) | --- | (3,367) |
| Investment income | 50,208 | 93,488 | 143,696 |
| Total non-operating revenues | <u>6,127,508</u> | <u>93,488</u> | <u>6,220,996</u> |
| Transfers | <u>3,910,736</u> | <u>(3,910,736)</u> | <u>---</u> |
| Change in net position | (939,310) | 446,421 | (492,889) |
| Beginning net position | 13,363,108 | 3,801,834 | 17,164,942 |
| Ending net position | <u>\$ 12,423,798</u> | <u>\$ 4,248,255</u> | <u>\$ 16,672,053</u> |

WHA RADIO & TELEVISION
Madison, Wisconsin

Notes to the Financial Statements
June 30, 2016 and 2015
(Continued)

12. Related Entities (Continued)

Friends of Wisconsin Public Television, Inc. (Continued)

Condensed Statement of Cash Flow - 2015

| | <u>WHA TV</u> | | <u>Friends</u> | | <u>Total</u> |
|--|----------------|----|----------------|----|--------------|
| Net cash provided (used) by: | | | | | |
| Operating activities | \$ (4,621,523) | \$ | 456,116 | \$ | (4,165,407) |
| Noncapital financing activities | 4,516,529 | | --- | | 4,516,529 |
| Capital and related financing activities | (42,329) | | --- | | (42,329) |
| Investing activities | 910,748 | | 25,693 | | 936,441 |
| Net increase in cash and cash equivalents | 763,425 | | 481,809 | | 1,245,234 |
| Beginning cash and cash equivalents | 275,268 | | 180,924 | | 456,192 |
| Ending cash and cash equivalents | \$ 1,038,693 | \$ | 662,733 | \$ | 1,701,426 |

The Friends issues separate financial statements which are audited by other auditors. Copies of the Friends' separately issued financial statements may be obtained by contacting:

Executive Director
Friends of Wisconsin Public Television, Inc.
821 University Avenue
Madison, Wisconsin 53706

WHA RADIO & TELEVISION
Madison, Wisconsin

Notes to the Financial Statements
June 30, 2016 and 2015
(Continued)

13. Allocation of WLSU-FM

WLSU-FM is qualified for Community Service Grant assistance from the Corporation for Public Broadcasting (CPB). Beginning in fiscal year 2003, 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 part of WHA Radio's financial statements. The portion of WHA Radio's statement of activities attributable to WLSU-FM and its affiliated stations' revenues, direct expenses, and related allocable indirect expenses have been identified in the follow table for fiscal year 2016. The remaining revenues and expenses are attributable to WHA Radio and its affiliated Ideas Network stations and include any unallocated amounts of WLSU-FM.

Condensed Statement of Activities - 2016

| | WHA-AM and Affiliates | WLSU-FM and Affiliates | WHA Radio Total |
|---|----------------------------------|-----------------------------------|----------------------------|
| Operating revenues: | | | |
| Grants | \$ 816,810 | \$ --- | \$ 816,810 |
| Community Services Grant from CPB | 408,229 | 154,050 | 562,279 |
| Underwriting | 1,356,277 | 119,368 | 1,475,645 |
| Telecasting, production and other income | 4,782,756 | 41,824 | 4,824,580 |
| Membership income | 1,381,567 | 269,565 | 1,651,132 |
| Major gifts | 793,374 | 6,649 | 800,023 |
| Contributed in-kind support | 5,883 | 518 | 6,401 |
| Total operating revenues | 9,544,896 | 591,974 | 10,136,870 |
| Operating expenses: | | | |
| Program services: | | | |
| Programming and production | 6,377,280 | 425,359 | 6,802,639 |
| Broadcasting | 520,341 | 40,930 | 561,271 |
| Program information | 451,442 | 22,978 | 474,420 |
| Total program services | 7,349,063 | 489,267 | 7,838,330 |
| Support services: | | | |
| Management and general | 1,796,412 | 248,339 | 2,044,751 |
| Fundraising and membership development | 1,183,711 | 13,678 | 1,197,389 |
| Underwriting | 896,901 | 165,632 | 1,062,533 |
| Total support services | 3,877,024 | 427,649 | 4,304,673 |
| Total operating expenses | 11,226,087 | 916,916 | 12,143,003 |
| Operating loss | (1,681,191) | (324,942) | (2,006,133) |
| Non-operating revenues: | | | |
| State general appropriations | 1,606,987 | 176,032 | 1,783,019 |
| Donated facilities and administrative support for the UW System | 853,319 | 127,670 | 980,989 |
| Capital contributions | 56,971 | --- | 56,971 |
| Investment income | 40,837 | --- | 40,837 |
| Total non-operating revenues | 2,558,114 | 303,702 | 2,861,816 |
| Special Item – change in accounting estimate | 78,094 | 37,829 | 115,923 |
| Change in net position | \$ 955,017 | \$ 16,589 | \$ 971,606 |

WHA RADIO & TELEVISION
Madison, Wisconsin

Notes to the Financial Statements
June 30, 2016 and 2015
(Continued)

13. Allocation of WLSU-FM (continued)

The portion of WHA Radio's statement of activities attributable to WLSU-FM and its affiliated stations' revenues, direct expenses, and related allocable indirect expenses have been identified in the follow table for fiscal year 2015. The remaining revenues and expenses are attributable to WHA Radio and its affiliated Ideas Network stations and include any unallocated amounts of WLSU-FM.

Condensed Statement of Activities - 2015

| | WHA-AM and Affiliates | WLSU-FM and Affiliates | WHA Radio Total |
|---|----------------------------------|-----------------------------------|----------------------------|
| Operating revenues: | | | |
| Grants | \$ 664,955 | \$ --- | \$ 664,955 |
| Community Services Grant from CPB | 419,686 | 149,676 | 569,362 |
| Underwriting | 1,152,452 | 116,821 | 1,269,273 |
| Telecasting, production and other income | 4,363,081 | --- | 4,363,081 |
| Membership income | 1,244,414 | 249,673 | 1,494,087 |
| Major gifts | 732,416 | --- | 732,416 |
| Contributed in-kind support | 10,415 | 1,344 | 11,759 |
| Total operating revenues | 8,587,419 | 517,514 | 9,104,933 |
| Operating expenses: | | | |
| Program services: | | | |
| Programming and production | 6,128,481 | 492,011 | 6,620,492 |
| Broadcasting | 508,166 | 46,944 | 555,110 |
| Program information | 411,125 | 21,249 | 432,374 |
| Total program services | 7,047,772 | 560,204 | 7,607,976 |
| Support services: | | | |
| Management and general | 1,709,380 | 239,094 | 1,948,474 |
| Fundraising and membership development | 1,047,533 | 12,546 | 1,060,079 |
| Underwriting | 851,972 | 169,768 | 1,021,740 |
| Total support services | 3,608,885 | 421,408 | 4,030,293 |
| Total operating expenses | 10,656,657 | 981,612 | 11,638,269 |
| Operating loss | (2,069,238) | (464,098) | (2,533,336) |
| Non-operating revenues: | | | |
| State general appropriations | 1,744,612 | 308,252 | 2,052,864 |
| Donated facilities and administrative support for the UW System | 821,821 | 135,531 | 957,352 |
| Investment income | 78,128 | --- | 78,128 |
| Total non-operating revenues | 2,644,561 | 443,783 | 3,088,344 |
| Change in net position | \$ 575,323 | \$ (20,315) | \$ 555,008 |