

WISCONSIN PUBLIC RADIO ASSOCIATION, INC.

**FINANCIAL STATEMENTS
WITH SUPPLEMENTAL SCHEDULES**

June 30, 2004 and 2003

CONTENTS

| | |
|--|----|
| Independent Auditor's Report | 1 |
| Statements of Financial Position | 2 |
| Statements of Activities | 3 |
| Statements of Cash Flows | 5 |
| Notes to Financial Statements | 6 |
| Schedule of Unrestricted Expenses and Support Compared with Budget | 13 |
| Schedule of Administration, Fundraising, and Support Expenses | 14 |



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Wisconsin Public Radio Association, Inc.
Madison, Wisconsin

We have audited the accompanying statements of financial position of Wisconsin Public Radio Association, Inc. as of June 30, 2004 and 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wisconsin Public Radio Association, Inc. as of June 30, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedules on pages 13 and 14 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements

Wegner LLP

Wegner LLP
August 26, 2004

WISCONSIN PUBLIC RADIO ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2004 and 2003

| | 2004 | 2003 |
|---|---------------------|---------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 1,261,590 | \$ 1,050,944 |
| Investments | 115,285 | 113,080 |
| Accounts receivable - net | 45,567 | 55,239 |
| Pledges receivable - net | 266,602 | 207,458 |
| Inventories | 11,227 | 7,093 |
| Prepaid expenses | 38,423 | 30,227 |
| Total current assets | 1,738,694 | 1,464,041 |
| OTHER ASSETS | | |
| Investments | 392,597 | 110,405 |
| Investments - board designated endowment | 248,085 | 214,255 |
| Total other assets | 640,682 | 324,660 |
| Total assets | \$ 2,379,376 | \$ 1,788,701 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 416,921 | \$ 325,265 |
| NET ASSETS | | |
| Unrestricted | 1,383,598 | 979,281 |
| Unrestricted - board designated endowment | 248,085 | 214,255 |
| Total unrestricted | 1,631,683 | 1,193,536 |
| Temporarily restricted | 330,772 | 269,900 |
| Total net assets | 1,962,455 | 1,463,436 |
| Total liabilities and net assets | \$ 2,379,376 | \$ 1,788,701 |

See accompanying notes.

WISCONSIN PUBLIC RADIO ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
Years ended June 30, 2004 and 2003

| | 2004 | | |
|--|---------------------|---------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total |
| SUPPORT AND REVENUE | | | |
| Membership contributions | \$ 4,338,610 | \$ 266,602 | \$ 4,605,212 |
| Whad' Ya Know | 171,478 | - | 171,478 |
| Event and regional | 26,942 | - | 26,942 |
| Bequests | 32,153 | - | 32,153 |
| Investment income | 10,012 | - | 10,012 |
| Investment income - endowment | 34,965 | - | 34,965 |
| Affinity card and other income | 7,592 | 6,039 | 13,631 |
| Donated materials | 19,235 | - | 19,235 |
| Net assets released from restrictions | | | |
| Expiration of time restrictions | 207,458 | (207,458) | - |
| Satisfaction of program restrictions | 4,311 | (4,311) | - |
| Total support and revenue | 4,852,756 | 60,872 | 4,913,628 |
| EXPENSES | | | |
| Program services | | | |
| Contractual support to licensees | 3,253,208 | - | 3,253,208 |
| Promotions | 42,710 | - | 42,710 |
| Whad'Ya Know | 131,231 | - | 131,231 |
| Research | 19,800 | - | 19,800 |
| Restricted accounts | 4,311 | - | 4,311 |
| Endowment fund expenses | 937 | - | 937 |
| Total program services | 3,452,197 | - | 3,452,197 |
| Supporting activities | | | |
| Fundraising - direct expenses | 429,700 | - | 429,700 |
| Fundraising - contractual support to licensees | 396,510 | - | 396,510 |
| Total fundraising | 826,210 | - | 826,210 |
| Management and general | 136,202 | - | 136,202 |
| Total supporting activities | 962,412 | - | 962,412 |
| Total expenses | 4,414,609 | - | 4,414,609 |
| Increase (decrease) in net assets | 438,147 | 60,872 | 499,019 |
| Net assets - beginning of year | 1,193,536 | 269,900 | 1,463,436 |
| Net assets - end of year | \$ 1,631,683 | \$ 330,772 | \$ 1,962,455 |

See accompanying notes.

| 2003 | | |
|--------------|---------------------------|--------------|
| Unrestricted | Temporarily Restricted | Total |
| \$ 4,225,685 | 207,458 | 4,433,143 |
| 177,719 | - | 177,719 |
| 28,966 | - | 28,966 |
| 40,938 | - | 40,938 |
| 23,354 | - | 23,354 |
| 17,502 | - | 17,502 |
| 11,562 | 13,065 | 24,627 |
| - | - | - |
| 207,458 | (207,458) | - |
| 34,883 | (34,883) | - |
| 4,768,067 | (21,818) | 4,746,249 |
| 3,067,206 | - | 3,067,206 |
| 132,441 | - | 132,441 |
| 113,312 | - | 113,312 |
| 25,866 | - | 25,866 |
| 9,001 | - | 9,001 |
| - | - | - |
| 3,347,826 | - | 3,347,826 |
| 459,693 | - | 459,693 |
| 379,361 | - | 379,361 |
| 839,054 | - | 839,054 |
| 105,062 | - | 105,062 |
| 944,116 | - | 944,116 |
| 4,291,942 | - | 4,291,942 |
| 476,125 | (21,818) | 454,307 |
| 717,411 | 291,718 | 1,009,129 |
| \$ 1,193,536 | \$ 269,900 | \$ 1,463,436 |

WISCONSIN PUBLIC RADIO ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2004 and 2003

| | 2004 | 2003 |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase in net assets | \$ 499,019 | \$ 454,307 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities | | |
| Donated stock | (34,744) | (15,580) |
| (Gain) loss on sales of investments | (1,853) | 2,904 |
| Unrealized gain on investments | (18,655) | (16,262) |
| Allowance for uncollectibles - pledges receivable | (47,187) | 130,151 |
| (Increase) decrease in assets | | |
| Accounts receivable | 9,672 | (25,431) |
| Pledges receivable | (11,957) | (130,151) |
| Inventories | (4,134) | (2,564) |
| Prepaid expenses | (8,196) | 7,194 |
| Increase in liabilities | | |
| Accounts payable | 91,656 | 44,918 |
| Net cash provided by operating activities | 473,621 | 449,486 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of investments | (310,215) | (398,323) |
| Proceeds from sales of investments | 12,496 | 386,467 |
| Proceeds from sales of donated stock | 34,744 | 15,580 |
| Net cash provided by (used in) investing activities | (262,975) | 3,724 |
| Net increase in cash and cash equivalents | 210,646 | 453,210 |
| Cash and cash equivalents - beginning of year | 1,050,944 | 597,734 |
| Cash and cash equivalents - end of year | \$ 1,261,590 | \$ 1,050,944 |
| SUPPLEMENTAL INFORMATION | | |
| Noncash investing activity | | |
| Donated stock | \$ 34,744 | \$ 15,580 |

See accompanying notes.

WISCONSIN PUBLIC RADIO ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

Wisconsin Public Radio Association, Inc. (Association) 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 the Educational Communications Board. Its fundraising efforts include the entire State of Wisconsin. The Association is primarily supported by public donations. The following summary of significant accounting policies is presented to enhance the usefulness of the financial statements to the reader.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Board Designated Net Assets – Unrestricted net assets that have been designated by the Board of Directors as an endowment fund.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that will be met either by the passage of time or by actions of the Association. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Association considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values are stated at their fair value in the statements of financial position. Realized and unrealized gains and losses are included in the change in unrestricted net assets in the accompanying statements of activities.

Accounts Receivable

The Association records an allowance for doubtful accounts for accounts receivable. The allowance at June 30, 2004 and 2003 was \$74,500.

Inventories

Inventories consist of merchandise held for resale and is valued at the lower of cost or market, with cost being determined on the first-in, first-out (FIFO) method.

WISCONSIN PUBLIC RADIO ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions, including pledges receivable, are recorded as received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Pledges receivable due in the next year are recorded at their net realizable value. Pledges receivable due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Donated Materials

The Association records donated materials at their estimated fair value when they are received.

Income Taxes

The Association is an exempt public charity under Section 501(c)(3) of the Internal Revenue Code and therefore is not subject to federal or state income and franchise taxes.

Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Fundraising – contractual support to licensees consists of reimbursements to the University of Wisconsin-Extension and ECB Radio Network for fundraising expenses they incur for the Association.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable at June 30, 2004 and 2003 consisted of the following:

| | 2004 | 2003 |
|--|------------|------------|
| Pledges receivable due within one year | \$ 441,139 | \$ 429,182 |
| Less allowance for uncollectibles | 174,537 | 221,724 |
| Pledges receivable - net | \$ 266,602 | \$ 207,458 |

WISCONSIN PUBLIC RADIO ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

NOTE 3 – INVESTMENTS

Investments at June 30, 2004 and 2003 consisted of the following:

| <u>June 30, 2004</u> | <u>Cost</u> | <u>Fair Value</u> | <u>Unrealized gain (loss)</u> |
|-------------------------|--------------------------|--------------------------|-------------------------------|
| Certificates of deposit | \$ 201,403 | \$ 201,403 | \$ - |
| Bond fund | 201,331 | 194,610 | (6,721) |
| Mutual funds | 114,562 | 111,869 | (2,693) |
| Investments | <u>\$ 517,296</u> | <u>\$ 507,882</u> | <u>\$ (9,414)</u> |
| | | | |
| <u>June 30, 2003</u> | <u>Cost</u> | <u>Fair Value</u> | <u>Unrealized gain (loss)</u> |
| Certificate of deposit | \$ 113,080 | \$ 113,080 | \$ - |
| Mutual funds | 109,816 | 110,405 | 589 |
| Investments | <u>\$ 222,896</u> | <u>\$ 223,485</u> | <u>\$ 589</u> |

Investments – board designated endowment at June 30, 2004 and 2003 consisted of the following:

| <u>June 30, 2004</u> | <u>Cost</u> | <u>Fair Value</u> | <u>Unrealized gain (loss)</u> |
|----------------------|-------------------|-------------------|-------------------------------|
| Mutual funds | <u>\$ 220,016</u> | <u>\$ 248,085</u> | <u>\$ 28,069</u> |
| | | | |
| <u>June 30, 2003</u> | <u>Cost</u> | <u>Fair Value</u> | <u>Unrealized gain (loss)</u> |
| Mutual funds | <u>\$ 198,582</u> | <u>\$ 214,255</u> | <u>\$ 15,673</u> |

Investment income for the years ended June 30, 2004 and 2003 consisted of the following:

| | <u>2004</u> | <u>2003</u> |
|--------------------------|-------------------------|-------------------------|
| Interest and dividends | \$ 24,469 | \$ 27,498 |
| Realized gain (loss) | 1,853 | (2,904) |
| Unrealized gain (loss) | 18,655 | 16,262 |
| Investment income | <u>\$ 44,977</u> | <u>\$ 40,856</u> |

Investment fees for the years ended June 30, 2004 and 2003 were \$1,134 and \$676.

WISCONSIN PUBLIC RADIO ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2004 and 2003:

| | 2004 | | | |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|
| | Beginning | Revenue | Released | Ending |
| Program restrictions | | | | |
| Ralph Johnson Bench Fund | \$ 2,500 | \$ - | \$ - | \$ 2,500 |
| WPR Program Archiving | 2,500 | - | - | 2,500 |
| Zorba Paster | 16,517 | 6,039 | 4,214 | 18,342 |
| Equipment upgrade | 36,839 | - | - | 36,839 |
| Chequamegon campaign | 2,618 | - | - | 2,618 |
| Platteville campaign | 558 | - | - | 558 |
| Calling All Pets | 910 | - | 97 | 813 |
| Total program restrictions | 62,442 | 6,039 | 4,311 | 64,170 |
| Time restrictions | | | | |
| Pledges | 207,458 | 266,602 | 207,458 | 266,602 |
| Total | \$ 269,900 | \$ 272,641 | \$ 211,769 | \$ 330,772 |
| | | | | |
| | 2003 | | | |
| | Beginning | Revenue | Released | Ending |
| Program restrictions | | | | |
| Milwaukee Promotions | \$ 1,622 | \$ - | \$ 1,622 | \$ - |
| Ralph Johnson Bench Fund | 2,500 | - | - | 2,500 |
| New Media | 1,053 | - | 1,053 | - |
| WPR Program Archiving | - | 2,500 | - | 2,500 |
| Zorba Paster | 12,402 | 9,345 | 5,230 | 16,517 |
| Young Artists Competition | 449 | - | 449 | - |
| Equipment upgrade | 36,839 | - | - | 36,839 |
| Chequamegon campaign | 2,618 | - | - | 2,618 |
| Platteville campaign | 558 | - | - | 558 |
| Door County campaign | 13,932 | - | 13,932 | - |
| Future fund | 1,668 | - | 1,668 | - |
| Calling All Pets | 786 | 1,220 | 1,096 | 910 |
| Milwaukee Special Program | 9,833 | - | 9,833 | - |
| Total program restrictions | 84,260 | 13,065 | 34,883 | 62,442 |
| Time restrictions | | | | |
| Pledges | 207,458 | 207,458 | 207,458 | 207,458 |
| Total | \$ 291,718 | \$ 220,523 | \$ 242,341 | \$ 269,900 |

WISCONSIN PUBLIC RADIO ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

NOTE 5 – ALLOCATION OF NET ASSETS

The Association solicits funds in the name of, and with the approval of, both ECB Radio Network (ECB), a public telecommunications entity operated by the Education Communications Board and WHA-Radio (WHA), a public telecommunications entity operated by the University of Wisconsin - Extension. Both ECB and WHA have access to the Association's net assets, retain an ongoing equity interest and are considered to be financially interrelated organizations under Financial Accounting Standards Board (FASB) Number 136, *Transfers of Net Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. ECB's and WHA's equity interests in the Association are calculated in accordance with affiliation agreements that currently provides ECB with 76 percent and WHA 24 percent of the Association's net assets.

The allocations of the net assets between ECB and WHA – Radio are as follows:

| | 2004 | | |
|--|---------------------|-------------------|---------------------|
| | ECB | WHA-Radio | Total |
| Allocated net assets July 1, 2003 | \$ 694,163 | \$ 706,831 | \$ 1,400,994 |
| Unrestricted support and revenue | 3,500,576 | 1,105,446 | 4,606,022 |
| Time restricted support | 202,618 | 63,984 | 266,602 |
| Net income from WHA Quasi endowment | - | 34,028 | 34,028 |
| Release of program restrictions | 3,276 | 1,035 | 4,311 |
| Less expenses net of contractual support | (580,604) | (183,350) | (763,954) |
| Subtotal | 3,820,029 | 1,727,974 | 5,548,003 |
| Less contractual support | (2,773,786) | (875,932) | (3,649,718) |
| Allocated net assets - end of year | <u>\$ 1,046,243</u> | <u>\$ 852,042</u> | 1,898,285 |
| Program restricted net assets | | | <u>64,170</u> |
| Net assets June 30, 2004 | | | <u>\$ 1,962,455</u> |
| | | | |
| | 2003 | | |
| | ECB | WHA-Radio | Total |
| Allocated net assets July 1, 2002 | \$ 332,308 | \$ 592,561 | \$ 924,869 |
| Unrestricted support and revenue | 3,439,552 | 1,086,174 | 4,525,726 |
| Time restricted support | 157,668 | 49,790 | 207,458 |
| Release of program restrictions | 26,511 | 8,372 | 34,883 |
| Less expenses net of contractual support | (642,485) | (202,890) | (845,375) |
| Subtotal | 3,313,554 | 1,534,007 | 4,847,561 |
| Less contractual support | (2,619,391) | (827,176) | (3,446,567) |
| Allocated net assets - end of year | <u>\$ 694,163</u> | <u>\$ 706,831</u> | 1,400,994 |
| Program restricted net assets | | | <u>62,442</u> |
| Net assets June 30, 2003 | | | <u>\$ 1,463,436</u> |

WISCONSIN PUBLIC RADIO ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

NOTE 6 – MEMBERSHIP CONTRIBUTIONS

Membership contributions for the years ended June 30, 2004 and 2003 consisted of the following:

| | 2004 | 2003 |
|--|--------------|--------------|
| On-air pledge drives | \$ 1,595,631 | \$ 1,418,332 |
| Direct mail-renewal, additional gifts, etc. | 2,217,385 | 2,239,423 |
| Renewal via telemarketing | 30,179 | 85,284 |
| Employees' company matching | 77,056 | 70,875 |
| Web site via wpr.org | 169,040 | 156,721 |
| Electronic funds transfer/payroll deductions | 332,969 | 312,506 |
| Other sources | 182,952 | 150,002 |
| Membership contributions | 4,605,212 | 4,433,143 |
| Less time restricted support | 266,602 | 207,458 |
| Unrestricted membership contributions | \$ 4,338,610 | \$ 4,225,685 |

The Association telemarkets only current members whose memberships are expiring and whose names are not on the Wisconsin's No Call List.

NOTE 7 – DONATED MATERIALS

The Association received the following donated materials during the year ended June 30, 2004:

| | |
|-----------------------------------|-----------|
| Administration | |
| Election ballots | \$ 7,725 |
| Membership Development | |
| Premiums | 2,185 |
| Printing | 9,325 |
| Donated materials | \$ 19,235 |

No donated materials were received during the year ended June 30, 2003.

The Association staff occupies space provided by the University of Wisconsin Extension and is not charged for rent or utilities.

NOTE 8 – CONCENTRATION OF CREDIT RISK

The Association maintains cash balances at several financial institutions. The Federal Deposit Insurance Corporation insures accounts up to \$100,000 at each institution. The Association's cash balances in excess of this limit was \$919,599 and \$1,042,415 at June 30, 2004 and 2003. In addition, the Association maintains cash and cash equivalent deposits in brokerage accounts that are uninsured.

SUPPLEMENTAL SCHEDULE

WISCONSIN PUBLIC RADIO ASSOCIATION, INC.
SCHEDULE OF EXPENSES AND SUPPORT COMPARED WITH BUDGET
 Years ended June 30, 2004 and 2003

| | 2004 | | | 2003 | | |
|------------------------------|---------------------|---------------------|------------------------------------|---------------------|---------------------|------------------------------------|
| | Budget | Actual | Expenses (Over) Under Budget | Budget | Actual | Expenses (Over) Under Budget |
| UNRESTRICTED EXPENSES | | | | | | |
| INTERNAL OPERATIONS | | | | | | |
| Administration | \$ 117,182 | \$ 136,202 | \$ (19,020) | \$ 110,723 | \$ 105,062 | \$ 5,661 |
| Development | 509,450 | 429,700 | 79,750 | 566,795 | 459,693 | 107,102 |
| Promotion/Activities | 25,850 | 23,794 | 2,056 | 111,665 | 78,400 | 33,265 |
| State Promotions | 26,500 | 18,916 | 7,584 | 47,000 | 26,418 | 20,582 |
| National Promotions | - | - | - | 25,000 | 27,623 | (2,623) |
| Research | 23,000 | 19,800 | 3,200 | 34,000 | 25,866 | 8,134 |
| Whad'Ya Know | 131,000 | 131,231 | (231) | 136,000 | 113,312 | 22,688 |
| Total internal operations | 832,982 | 759,643 | 73,339 | 1,031,183 | 836,374 | 194,809 |
| SUPPORT ACTIVITIES | | | | | | |
| Contractual agreement - ECB | 2,773,786 | 2,773,786 | - | 2,619,391 | 2,619,391 | - |
| Contractual agreement - WHA | 875,932 | 875,932 | - | 827,176 | 827,176 | - |
| Total support activities | 3,649,718 | 3,649,718 | - | 3,446,567 | 3,446,567 | - |
| Total unrestricted expenses | 4,482,700 | 4,409,361 | 73,339 | 4,477,750 | 4,282,941 | 194,809 |
| RESTRICTED EXPENSES | | | | | | |
| Endowment fund expenses | - | 937 | (937) | - | - | - |
| Restricted accounts | - | 4,311 | (4,311) | - | 9,001 | (9,001) |
| Total expenses | \$ 4,482,700 | \$ 4,414,609 | \$ 69,028 | \$ 4,477,750 | \$ 4,291,942 | \$ 185,808 |

WISCONSIN PUBLIC RADIO ASSOCIATION, INC.
SCHEDULE OF ADMINISTRATION, FUNDRAISING, AND SUPPORT EXPENSES
Years ended June 30, 2004 and 2003

| | 2004 | 2003 |
|---|---------------------|---------------------|
| ADMINISTRATION | | |
| Salaries, wages and fringe benefits | \$ 50,132 | \$ 37,070 |
| Accountant, audit and tax preparation | 7,500 | 7,563 |
| General office and computer | 2,664 | 2,550 |
| Board expenses | 9,061 | 8,918 |
| Election expense | 7,902 | - |
| Bank service charges | 49,701 | 47,562 |
| PBMA | 500 | - |
| Donated materials | 7,725 | - |
| WHA/ECB discretionary | 1,017 | 1,399 |
| Total administration | 136,202 | 105,062 |
| DEVELOPMENT | | |
| Member solicitation | 418,190 | 459,693 |
| Donated materials | 11,510 | - |
| Total development | 429,700 | 459,693 |
| PROMOTION/ACTIVITIES | | |
| Regional bureau promotions | 23,794 | 78,400 |
| State promotion | 18,916 | 26,418 |
| National promotion | - | 27,623 |
| Total promotion/activities | 42,710 | 132,441 |
| INDEPENDENT PROJECTS | | |
| Restricted accounts | 4,311 | 9,001 |
| Endowment fund expenses | 937 | - |
| Research | 19,800 | 25,866 |
| Whad'Ya Know | 131,231 | 113,312 |
| Total independent projects | 156,279 | 148,179 |
| CONTRACTUAL SUPPORT TO LICENSEES | | |
| Contractual agreement - ECB | 2,773,786 | 2,619,391 |
| Contractual agreement - WHA | 875,932 | 827,176 |
| Total expenses | \$ 4,414,609 | \$ 4,237,901 |



August 26, 2004

Board of Directors
Wisconsin Public Radio Association, Inc.
Madison, Wisconsin

To the Members of the Board:

We have audited the financial statements of Wisconsin Public Radio Association, Inc. for the year ended June 30, 2004, and have issued our report thereon dated August 26, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 11, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Wisconsin Public Radio Association, Inc. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Wisconsin Public Radio Association, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2004. We noted no transactions entered into by the Organization during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the organization's financial reporting process (that is, cause future financial statements to be materially misstated).

We proposed 4 audit adjustments that, in our judgment, indicate matters that could have a significant effect on the organization's financial reporting process. These adjustments were recorded by the organization and are summarized below:

- Adjust board designated net assets
- Adjust temporarily restricted net assets
- Reclassify expenses of services provided by licensees
- Record donated materials

In addition, the attached schedule summarizes uncorrected financial statement misstatements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Board of Directors and management of Wisconsin Public Radio Association, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Wegner LLP
CPAs & Consultants



Scott R. Haumersen, CPA
Partner

WISCONSIN PUBLIC RADIO ASSOCIATION, INC.
SUMMARY OF AUDIT DIFFERENCES
Year ended June 30, 2004

| | <u>Over (Under) Statement</u> |
|---|-----------------------------------|
| Statement of Financial Position Misstatements | |
| Total assets | \$ - |
| Total liabilities | (7,500) |
| Total net assets | 7,500 |
| Statement of Activities Misstatements | |
| Effect of unadjusted audit differences - current year | |
| Overstatement of accounts payable | \$ 7,500 |
| Donated space not recorded as support and expense | - |
| Effect of unadjusted audit differences - prior year | |
| Overstatement of accounts payable | <u>(7,200)</u> |
| Cumulative effect | 300 |
| Net assets - beginning of year | <u>7,200</u> |
| Net assets - end of year | <u><u>\$ 7,500</u></u> |



August 26, 2004

Board of Directors
Wisconsin Public Radio Association, Inc.
Madison, Wisconsin

To the Members of the Board:

We are pleased to provide this management letter regarding our observations of Wisconsin Public Radio Association Inc.'s (Association) internal controls and operations. This letter is based on our audit of the financial statements of the Association for the year ended June 30, 2004.

We noted the following comments and recommendations during our audit:

- Review Volunteer Screening Procedures
- Consider Adopting Conflict of Interest Policy for Board
- Review Controls Over Regional Fundraising Events

Appendix I further describes the above comments and recommendations. We will review the status of the comments during our next audit engagement. Appendix II reviews the comments and recommendations from the prior year. We have discussed the comments and recommendations with the Association's management and will be pleased to discuss them in further detail at the Board's convenience, perform additional study of the matters, or assist in implementing the recommendations.

We have enjoyed working with the staff of the Association during our audit and would like to thank you for the opportunity to serve your organization.

This report is intended solely for the information and use of the Board of Directors and management of Wisconsin Public Radio Association, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Wegner LLP
CPAs & Consultants

Scott R. Haumersen, CPA
Partner

APPENDIX I

COMMENTS AND RECOMMENDATIONS

REVIEW VOLUNTEER SCREENING PROCEDURES

Volunteers provide important assistance to the Association in accomplishing its mission. Volunteers are often used during fund drives to assist with accepting telephone pledges. In rendering this assistance the volunteers may gain access to sensitive information such as credit card numbers. Currently new volunteers normally complete a personal information sheet and attend a volunteer orientation session prior to being assigned to various tasks. We recommend the Association monitor volunteer attitude and performance to reduce the chance of any problems.

Implementing a more formal volunteer application and screening process could reduce the possibility of a theft of personal information. The volunteers could be asked to provide background information such as items allowed to be asked on an employment application. A reference and criminal history check could then be made to verify the information on the application. These procedures, in addition to the orientation and ongoing supervision should provide a higher level of assurance that serious problems would not arise.

CONSIDER ADOPTING CONFLICT OF INTEREST POLICY FOR BOARD

IRS rules require that any transactions with Board members, paid staff or others must be conducted in such a way that there is no "excess benefit" to those parties. Transactions with Board members and paid staff are considered to be the most subject to abuse. Any such transaction should be explicitly approved with documentation of the fairness of the transaction to the Association. The Association should implement procedures to document that all such transactions have been considered and approved by the Board. The Board should have all members complete a conflict of interest statement annually, which discloses any direct or indirect interest that they may have in transactions of the Association. The conflict of interest forms should be reviewed annually by the full board or by a committee. As contracts or other transactions are initiated with Board members or paid staff, there should be a review and approval procedure followed by the full board or a committee. These procedures should help to reduce the possibility of misunderstandings or negative publicity about these types of transactions.

REVIEW CONTROLS OVER REGIONAL FUNDRAISING EVENTS

The regional stations hold several fundraising events each year for the Association. As part of its obligation to donors to safeguard the Association's assets we recommend that procedures be considered for handling cash, credit card numbers, and checks at these events. Each event will have its own unique issues to address, so there may need to be procedures recommended for each region or for each event. Such procedures as having two people controlling cash, screening volunteers, and preparing a signed summary of financial activities at events should help to reduce the chances of a problem. As in all decisions, the costs of implementing controls need to be weighed against the potential costs of loss or adverse publicity which might arise from a problem.

APPENDIX II PRIOR YEAR COMMENTS AND RECOMMENDATIONS

CONSIDER UPDATING ACCOUNTING MANUAL

During our audit we noted that the Association does not have an updated accounting manual. A written accounting manual documenting the procedures for financial operations is necessary to ensure that transactions are treated in a standardized manner and that proper segregation of duties and internal controls exist in the accounting system. We recommend that the Association consider having an accounting manual with written instructions for each accounting cycle: cash receipts, cash disbursements and payroll. The Board of Directors should approve the completed accounting manual. When the process is completed a schedule should be created for periodic updates.

2004 Update

The accounting manual has been partly updated and modified. We recommend that the manual be completed in the coming year.

CONSIDER INCREASING SEGREGATION OF DUTIES

Although the number of staff is limited in a small organization, if possible, incompatible duties should be separated. This increase in internal controls helps safeguard assets and facilitates the generation of accurate financial data. The basic premise of separating duties is that no one person should have access to both physical assets and the related accounting records or to all phases of a transaction. For instance, an individual in charge of handling cash receipts should not be in charge of recording transactions in the cash receipts journal. The following recommendations could strengthen the Association's segregation of duties:

- Have someone other than the financial manager handle bank deposits of items received at the Association offices.
- Have someone other than the financial manager sign checks.
- Have the unopened bank statement sent to a staff or Board member other than the financial manager for review of the bank statement and cancelled checks. The review should include scanning the statements for unusual transactions and examining the check copies for unusual vendors and for unauthorized signatures.

2004 Update

These recommendations have been implemented in the past year. We recommend that these procedures be incorporated into the accounting manual.

CONSIDER RECONCILIATION OF MEMBER DATABASE TO BANK DEPOSITS

We noted during our audit that there was an initial difference of \$18,000 between the member database record of total donations for the year and the total bank deposits for the year. During our inquiry, the financial manager was able to explain some of this difference. We recommend that the Association consider an additional internal control over donations by having the member database staff complete a reconciliation form, which would reconcile the amounts entered into the database with each bank deposit. This should result in the member database donations matching the financial records.

2004 Update

The member database reconciliation to the bank deposits was much closer in 2004 due to the efforts of the financial manager to periodically reconcile and adjust any discrepancies. We continue to recommend that the member database be reconciled to each deposit to ensure the accuracy of both the member database and the accounting records.

CONSIDER ACCOUNTS PAYABLE APPROVAL FORM

We noted during our audit that approvals on invoices were not consistent. We recommend that the Association consider using an approval stamp on each invoice or a voucher page attached to each invoice which provides spaces for account coding, check number, and signature of the person authorizing payment.

2004 Update

These additional procedures were implemented in the past year.



August 26, 2004

Wegner LLP
2110 Luann Lane
Madison, WI 53713

We are providing this letter in connection with your audits of the statements of financial position of Wisconsin Public Radio Association, Inc. as of June 30, 2004 and 2003, and the related statements of activities and cash flows for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, changes in net assets, and cash flows of Wisconsin Public Radio Association, Inc. in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in net assets, and cash flows in conformity with U.S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of August 26, 2004, the following representations made to you during your audits.

1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all assets and liabilities under the organization's control.
2. We have made available to you all –
 - a. Financial records and related data.
 - b. Minutes of the meetings of Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
5. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

6. We have reviewed and approved the adjusting journal entries you have recommended and they have been recorded in the organization's accounting records.
7. We understand, as part of your audit, you prepared the draft financial statements and related notes from the adjusted trial balance. We have reviewed and approved those financial statements and notes and believe they are adequately supported by the records of the organization.
8. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
9. We have no knowledge of any fraud or suspected fraud affecting Wisconsin Public Radio Association, Inc. involving –
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
10. We have no knowledge of any allegations of fraud or suspected fraud affecting Wisconsin Public Radio Association, Inc. received in communications from employees, former employees, grantors, regulators, or others.
11. Wisconsin Public Radio Association, Inc. has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances.
12. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions, including revenue, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the organization is contingently liable.
 - c. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the statement of financial position date and have been reduced to their estimated net realizable value.
 - d. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line-of-credit, or similar arrangements.
13. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that *near term* means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the organization vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements. We understand that *concentrations* include individual or group concentrations of contributors, grantors, clients, customers, suppliers, lenders, products, services, fund-raising events, sources of labor or materials, licenses or other

rights, or operating areas or markets. We further understand that *severe impact* means a significant financially disruptive effect on the normal functioning of the organization.

14. We are responsible for –
 - a. Compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts.
 - b. Establishing and maintaining effective internal control over financial reporting.
15. Wisconsin Public Radio Association, Inc. is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
16. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies," and we have not consulted a lawyer concerning litigation, claims, or assessments.
17. There are no –
 - a. Violations or possible violations of laws and regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5.
 - c. Designations of net assets disclosed to you that were not properly authorized and approved, or reclassifications of net assets that have not been properly reflected in the financial statements.
18. Wisconsin Public Radio Association, Inc. has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
19. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.

To the best of our knowledge and belief, no events have occurred subsequent to the statements of financial position date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

We have carefully read this letter before signing it and understand, while you have provided the language of this letter to us, we are making these representations to you. We understand our obligation to carefully consider the possibility that any of the representations are not accurate. We have inquired of other members of management or employees of Wisconsin Public Radio Association, Inc. to the extent

necessary to obtain a high degree of assurance that these representations are true. We know that you will be relying on them in the issuance of your report.

Very truly yours,

WISCONSIN PUBLIC RADIO ASSOCIATION, INC.

Patty Stockdale
Financial Manager

Bernard S. Kubale
President of the Board of Directors

WISCONSIN PUBLIC RADIO ASSOCIATION, INC.
SUMMARY OF AUDIT DIFFERENCES
Year ended June 30, 2004

| | <u>Over (Under) Statement</u> |
|---|-----------------------------------|
| Statement of Financial Position Misstatements | |
| Total assets | \$ - |
| Total liabilities | (7,500) |
| Total net assets | 7,500 |
| Statement of Activities Misstatements | |
| Effect of unadjusted audit differences - current year | |
| Overstatement of accounts payable | \$ 7,500 |
| Donated space not recorded as support and expense | - |
| Effect of unadjusted audit differences - prior year | |
| Overstatement of accounts payable | <u>(7,200)</u> |
| Cumulative effect | 300 |
| Net assets - beginning of year | <u>7,200</u> |
| Net assets - end of year | <u><u>\$ 7,500</u></u> |