

WCIJ INC.

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

December 31, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
WCIJ Inc.
Madison, Wisconsin

We have audited the accompanying financial statements of WCIJ Inc., which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor's 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WCIJ Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
August 16, 2017

WCIJ INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	2016	2015
ASSETS		
Cash	\$ 123,075	\$ 240,915
Accounts receivable	6,000	-
Promises to give	275,000	50,000
Prepaid expenses	7,794	9,362
Furniture and equipment less accumulated depreciation of \$11,579 and \$10,260	9,523	3,433
Total assets	\$ 421,392	\$ 303,710
LIABILITIES		
Accounts payable	\$ 12,570	\$ 7,061
Accrued payroll liabilities	11,974	9,813
Total liabilities	24,544	16,874
NET ASSETS		
Unrestricted	146,848	236,836
Temporarily restricted	250,000	50,000
Total net assets	396,848	286,836
Total liabilities and net assets	\$ 421,392	\$ 303,710

See accompanying notes.

WCIJ INC.
STATEMENTS OF ACTIVITIES
Years ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Contributions and grants	\$ 174,995	\$ 345,000	\$ 519,995	\$ 69,143	\$ 130,000	\$ 199,143
In-kind contributions	84,470	-	84,470	6,912	-	6,912
Fees for services	20,000	-	20,000	20,000	-	20,000
Program service fees	14,397	-	14,397	3,300	-	3,300
Events and sponsorships	10,675	-	10,675	16,170	-	16,170
Other income	1,905	-	1,905	763	-	763
Total support and revenue	306,442	345,000	651,442	116,288	130,000	246,288
EXPENSES						
Program services	279,899	-	279,899	295,994	-	295,994
Management and general	76,232	-	76,232	29,439	-	29,439
Marketing and development	185,299	-	185,299	122,794	-	122,794
Total expenses	541,430	-	541,430	448,227	-	448,227
Net assets released from restrictions	145,000	(145,000)	-	502,500	(502,500)	-
Change in net assets	(89,988)	200,000	110,012	170,561	(372,500)	(201,939)
Nets assets - beginning of year	236,836	50,000	286,836	66,275	422,500	488,775
Net assets - end of year	<u>\$ 146,848</u>	<u>\$ 250,000</u>	<u>\$ 396,848</u>	<u>\$ 236,836</u>	<u>\$ 50,000</u>	<u>\$ 286,836</u>

See accompanying notes.

WCIJ INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 110,012	\$ (201,939)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	1,319	2,314
(Increase) decrease in assets		
Accounts receivable	(6,000)	-
Promises to give	(225,000)	337,575
Prepaid expenses	1,568	(4,268)
Increase in liabilities		
Accounts payable	5,509	6,066
Accrued payroll liabilities	2,161	1,867
Net cash flows from operating activities	(110,431)	141,615
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and equipment	(7,409)	-
Net change in cash	(117,840)	141,615
Cash - beginning of year	240,915	99,300
Cash - end of year	<u>\$ 123,075</u>	<u>\$ 240,915</u>

See accompanying notes.

WCIJ INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

WCIJ Inc. (Center) is a nonpartisan and nonprofit news organization that increases the quality and quantity of investigative reporting in Wisconsin, fostering an informed citizenry and strengthening democracy, while training the current and next generations of investigative journalists. The Center collaborates with Wisconsin Public Radio, Wisconsin Public Television, the University of Wisconsin-Madison School of Journalism and Mass Communication, and mainstream and ethnic media across the nation, including members of the Institute for Nonprofit News and Investigative Journalism Education Consortium. *Our guiding values: Protect the vulnerable. Expose wrongdoing. Seek solutions to problems.*

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Center is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets – Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily Restricted Net Assets – Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions. Temporarily restricted net assets at December 31, 2016 and 2015 are restricted for subsequent periods.

Permanently Restricted Net Assets – Net assets that have been restricted by donors to be maintained by the Center in perpetuity.

Accounts Receivable

The Center considers all receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Promises to Give

Unconditional promises to give are recognized as support or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. All unconditional promises to give are receivable in less than one year.

Furniture and Equipment

Acquisitions of furniture and equipment in excess of \$1,000 are capitalized. Purchases of furniture and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

WCIJ INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. 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.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center. Volunteers also provide various services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria are not met.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Income Tax Status

The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Date of Management's Review

Management has evaluated subsequent events through August 16, 2017, the date which the financial statements were available to be issued.

Reclassifications

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

WCIJ INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 2 – FACILITIES USE AGREEMENT

The Center has an agreement with University of Wisconsin School of Journalism and Mass Communication that allows the Center the right to use the facilities in the School of Journalism and Mass Communication. In exchange, the Center must provide paid internships to the students of the School of Journalism and Mass Communication. Unless terminated by either party, the agreement automatically renews for three year terms. The agreement for 2016 and 2015 was valued at \$20,000.

NOTE 3 – DONATED SERVICES

The Center received donated services used for program and supporting activities. During 2016 and 2015 the following donated services have been recorded in the statements of activities:

2016	<u>Investigative Journalism</u>	<u>Mangement and General</u>	<u>Fundraising</u>
Legal services	\$ 6,183	\$ 687	\$ -
Contract management	-	29,120	12,480
Reporting services	<u>33,000</u>	<u>-</u>	<u>-</u>
Donated services	<u>\$ 39,183</u>	<u>\$ 29,807</u>	<u>\$ 12,480</u>
2015	<u>Investigative Journalism</u>	<u>Mangement and General</u>	<u>Fundraising</u>
Legal services	<u>\$ 6,221</u>	<u>\$ 691</u>	<u>\$ -</u>

NOTE 4 – CONCENTRATION OF SUPPORT

In October 2016, the Center received an unconditional promise to give from the Foundation to Promote Open Society of \$200,000 that was received in January 2017. This unconditional promise to give represented 31% of the Center's support and revenue for 2016.

WCIJ INC.
SCHEDULES OF FUNCTIONAL EXPENSES
Years ended December 31, 2016 and 2015

	Program Services	Management and General	Marketing and Development	2016 Total
Personnel	\$ 211,787	\$ 27,385	\$ 115,323	\$ 354,495
Payroll taxes	14,790	1,914	8,054	24,758
Occupancy	12,926	1,672	7,038	21,636
Travel and meetings	14,772	1,911	8,043	24,726
Professional services	6,262	30,106	21,125	57,493
Depreciation	788	102	429	1,319
Office expenses	2,509	325	1,366	4,200
Marketing	-	3,646	14,584	18,230
Insurance	14,105	8,930	7,680	30,715
Information technology	1,657	215	903	2,775
Miscellaneous	303	26	754	1,083
Total expenses	\$ 279,899	\$ 76,232	\$ 185,299	\$ 541,430
	Program Services	Management and General	Marketing and Development	2015 Total
Personnel	\$ 220,276	\$ 12,476	\$ 77,325	\$ 310,077
Payroll taxes	17,610	997	6,182	24,789
Occupancy	15,152	858	5,319	21,329
Travel and meetings	13,875	786	4,871	19,532
Professional services	9,365	8,485	4,945	22,795
Depreciation	1,643	93	578	2,314
Office expenses	5,860	332	2,058	8,250
Marketing	-	4,307	17,229	21,536
Insurance	9,213	522	3,234	12,969
Information technology	3,000	170	1,053	4,223
Miscellaneous	-	413	-	413
Total expenses	\$ 295,994	\$ 29,439	\$ 122,794	\$ 448,227