

WCIJ INC.

FINANCIAL STATEMENTS

December 31, 2018 and 2017

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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, 2018 and 2017, and the related statements of activities, functional expenses, 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, 2018 and 2017, 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.

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, WCIJ Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
September 20, 2019

WCIJ INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	2018	2017
ASSETS		
Cash	\$ 333,475	\$ 269,230
Accounts receivable	1,250	25,400
Unconditional promises to give	227,500	28,000
Prepaid expenses	7,782	7,805
Furniture and equipment less accumulated depreciation of \$17,830 and \$14,700	10,688	11,319
Total assets	580,695	\$ 341,754
LIABILITIES		
Accounts payable	\$ 6,642	\$ 7,852
Accrued payroll liabilities	15,677	13,629
Total liabilities	22,319	21,481
NET ASSETS		
Without donor restrictions	358,376	320,273
With donor restrictions	200,000	-
Total net assets	558,376	320,273
Total liabilities and net assets	\$ 580,695	\$ 341,754

See accompanying notes.

WCIJ INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2018 and 2017

	2018			2017		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
REVENUES						
Contributions and grants	\$ 345,744	\$ 300,000	\$ 645,744	\$ 301,957	\$ 15,000	\$ 316,957
In-kind contributions	93,295	-	93,295	154,984	-	154,984
Fees for services	20,000	-	20,000	20,000	-	20,000
Program service fees	42,479	-	42,479	32,130	-	32,130
Events and sponsorships	15,469	-	15,469	20,470	-	20,470
Interest income	792	-	792	1,030	-	1,030
Other income	1,817	-	1,817	50	-	50
	<u>519,596</u>	<u>300,000</u>	<u>819,596</u>	<u>530,621</u>	<u>15,000</u>	<u>545,621</u>
Total revenues						
EXPENSES						
Investigative journalism	450,465	-	450,465	495,182	-	495,182
Management and general	64,068	-	64,068	61,612	-	61,612
Marketing and development	66,960	-	66,960	65,402	-	65,402
	<u>581,493</u>	<u>-</u>	<u>581,493</u>	<u>622,196</u>	<u>-</u>	<u>622,196</u>
Total expenses						
NET ASSETS RELEASED FROM RESTRICTIONS	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>	<u>265,000</u>	<u>(265,000)</u>	<u>-</u>
Change in net assets	38,103	200,000	238,103	173,425	(250,000)	(76,575)
Net assets at beginning of year	<u>320,273</u>	<u>-</u>	<u>320,273</u>	<u>146,848</u>	<u>250,000</u>	<u>396,848</u>
Net assets at end of year	<u><u>\$ 358,376</u></u>	<u><u>\$ 200,000</u></u>	<u><u>\$ 558,376</u></u>	<u><u>\$ 320,273</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 320,273</u></u>

See accompanying notes.

WCIJ INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2018 and 2017

	2018			
	Investigative Journalism	Management and General	Marketing and Development	Total Expenses
Personnel	\$ 303,761	\$ 33,958	\$ 52,881	\$ 390,600
Payroll taxes	19,589	2,190	3,399	25,178
Occupancy	16,214	2,002	3,092	21,308
Travel and meetings	30,354	1,659	3,669	35,682
Professional services	54,196	13,249	-	67,445
Depreciation	2,435	272	423	3,130
Office expenses	7,833	2,753	989	11,575
Marketing	13,714	645	2,316	16,675
Insurance	-	7,217	-	7,217
Information technology	2,369	123	191	2,683
Total expenses	\$ 450,465	\$ 64,068	\$ 66,960	\$ 581,493
	2017			
	Investigative Journalism	Management and General	Marketing and Development	Total Expenses
Personnel	\$ 309,736	\$ 33,823	\$ 50,443	\$ 394,002
Payroll taxes	20,341	2,226	3,313	25,880
Occupancy	16,440	1,974	2,942	21,356
Travel and meetings	24,527	1,065	2,509	28,101
Professional services	99,109	13,901	-	113,010
Depreciation	2,453	268	400	3,121
Office expenses	8,200	173	649	9,022
Marketing	8,486	768	3,976	13,230
Insurance	-	7,279	-	7,279
Information technology	5,890	135	1,170	7,195
Total expenses	\$ 495,182	\$ 61,612	\$ 65,402	\$ 622,196

See accompanying notes.

WCIJ INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 238,103	\$ (76,575)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	3,130	3,121
(Increase) decrease in assets		
Accounts receivable	24,150	(19,400)
Promises to give	(199,500)	247,000
Prepaid expenses	23	(11)
Increase (decrease) in liabilities		
Accounts payable	(1,210)	(4,718)
Accrued payroll liabilities	2,048	1,655
Net cash flows from operating activities	<u>66,744</u>	<u>151,072</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and equipment	<u>(2,499)</u>	<u>(4,917)</u>
Net change in cash	64,245	146,155
Cash at beginning of year	<u>269,230</u>	<u>123,075</u>
Cash at end of year	<u><u>\$ 333,475</u></u>	<u><u>\$ 269,230</u></u>

WCIJ INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

The mission of WCIJ Inc. (Center), an independent nonpartisan and nonprofit news organization, is "to increase the quality, quantity and understanding of investigative journalism to foster an informed citizenry and strengthen democracy." 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. Housed in the journalism school, the Center trains current and future generations of investigative journalists as it produces fact-checked investigative reports that are distributed via its website, WisconsinWatch.org, and to news organizations who are provided access via a password-protected system that allows them to add reporting and editing to embargoed content before sharing it with their print, online and broadcast audiences.

The Center's guiding principles: *Protect the vulnerable. Expose wrongdoing. Explore solutions.*

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncement

The Center adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by the update are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

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 revenues 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

All acquisitions of furniture and equipment in excess of \$2,000 are capitalized. Purchases of furniture and equipment is carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is provided using the straight-line method.

WCIJ INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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 financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Professional services, marketing, and insurance expenses were directly allocated. All other expenses are allocated on the basis of time and effort.

The following program services and supporting activities are included in the accompanying financial statements:

Investigative journalism—The Center produces investigative reports independently and partnership with other organizations; educates and trains students and working journalists in investigative reporting techniques; and helps commercial news outlets pursue their own investigations.

Management and general—Provides the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Center's program activities; secure proper administrative functioning of the board of directors; and manage the financial and budgetary responsibilities of the Center.

Marketing and development—Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

WCIJ INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 September 20, 2019, 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.

NOTE 2 – CONCENTRATION

The Center maintains its cash balances in one financial institution based in Madison, Wisconsin. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2018, the Center’s uninsured cash balances total approximately \$50,000.

NOTE 3 – DONATED SERVICES

The fair value of donated services and facilities included as contributions in the financial statements and the corresponding expenses are as follows:

	2018	
	Investigative Journalism	Management and General
Legal services	\$ -	\$ 4,510
Advertising services	500	-
Convention registration and booth fees	685	-
Contract management services	52,000	-
Reporting services	29,700	-
	\$ 82,885	\$ 4,510

WCIJ INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 3 – DONATED SERVICES (continued)

	2017	
	Investigative Journalism	Management and General
Legal services	\$ -	\$ 5,790
Advertising services	500	-
Convention registration and booth fees	685	-
Contract management services	52,000	-
Production Services	47,109	-
Reporting services	45,000	-
	\$ 145,294	\$ 5,790

NOTE 4 – 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 2018 and 2017 was valued at \$20,000.

NOTE 5 – LIQUIDITY AND AVAILABILITY

The following table reflects the Center's financial assets as of the date of the statement of financial position reduced by amounts not available to meet cash needs for general expenditures within one year of the date of the statement of financial position.

Cash	\$ 333,475
Accounts receivable	1,250
Unconditional promises to give	227,500
Total financial assets at end of year	562,225
Less those unavailable for general expenditures within one year:	
Restricted by donors with time or purpose restrictions	(200,000)
Financial assets available to meet general expenditures within one year	\$ 362,225

As part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As a non-profit, service fee and donor funded organization, the Center receives significant revenue each year from program service fees and contributions, which are available to meet annual cash needs for allowable general operating expenditures.