

WCIJ INC.

FINANCIAL STATEMENTS

December 31, 2019 and 2018

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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, 2019 and 2018, 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.

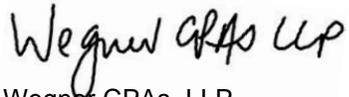
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2019 and 2018, 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 Guidance

As discussed in Note 1 to the financial statements, WCIJ Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and all subsequently issued clarifying ASUs and ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, as of January 1, 2019. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Wegner CPAs LLP". The signature is written in a cursive, flowing style.

Wegner CPAs, LLP
Madison, Wisconsin
November 27, 2020

WCIJ INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 682,488	\$ 333,475
Accounts receivable	4,496	1,250
Unconditional promises to give	265,750	227,500
Prepaid expenses	7,755	7,782
Furniture and equipment less accumulated depreciation of \$22,209 and \$17,830	<u>14,064</u>	<u>10,688</u>
Total assets	<u><u>974,553</u></u>	<u><u>\$ 580,695</u></u>
LIABILITIES		
Accounts payable	\$ 7,336	\$ 6,642
Accrued payroll liabilities	<u>6,179</u>	<u>15,677</u>
Total liabilities	13,515	22,319
NET ASSETS		
Without donor restrictions	601,038	358,376
With donor restrictions	<u>360,000</u>	<u>200,000</u>
Total net assets	<u>961,038</u>	<u>558,376</u>
Total liabilities and net assets	<u><u>\$ 974,553</u></u>	<u><u>\$ 580,695</u></u>

See accompanying notes.

WCIJ INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2019 and 2018

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
REVENUES						
Contributions and grants						
Contributions and grants	\$ 613,462	\$ 360,000	\$ 973,462	\$ 445,744	\$ 200,000	\$ 645,744
In-kind contributions	103,005	-	103,005	93,295	-	93,295
Events and sponsorships	19,917	-	19,917	15,469	-	15,469
Exchange transactions and other revenues						
Program service fees	71,233	-	71,233	42,479	-	42,479
Fees for services	20,000	-	20,000	20,000	-	20,000
Interest income	1,236	-	1,236	792	-	792
Other income	3,835	-	3,835	1,817	-	1,817
Total revenues	832,688	360,000	1,192,688	619,596	200,000	819,596
EXPENSES						
Investigative journalism	628,336	-	628,336	450,465	-	450,465
Management and general	69,960	-	69,960	64,068	-	64,068
Marketing and development	91,730	-	91,730	66,960	-	66,960
Total expenses	790,026	-	790,026	581,493	-	581,493
NET ASSETS RELEASED FROM RESTRICTIONS	200,000	(200,000)	-	-	-	-
Change in net assets	242,662	160,000	402,662	38,103	200,000	238,103
Net assets at beginning of year	358,376	200,000	558,376	320,273	-	320,273
Net assets at end of year	\$ 601,038	\$ 360,000	\$ 961,038	\$ 358,376	\$ 200,000	\$ 558,376

See accompanying notes.

WCIJ INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2019 and 2018

	2019			
	Investigative Journalism	Management and General	Marketing and Development	Total Expenses
Personnel	\$ 362,104	\$ 36,209	\$ 38,627	\$ 436,940
Payroll taxes	25,980	2,601	2,758	31,339
Occupancy	15,874	2,974	3,085	21,933
Travel and meetings	21,804	1,098	15,387	38,289
Professional services	61,794	17,101	20,058	98,953
Depreciation	3,629	365	385	4,379
Office expenses	15,199	1,013	4,706	20,918
Marketing	117,635	759	6,492	124,886
Insurance	-	7,616	-	7,616
Information technology	4,317	224	232	4,773
Total expenses	\$ 628,336	\$ 69,960	\$ 91,730	\$ 790,026
	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

See accompanying notes.

WCIJ INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 402,662	\$ 238,103
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	4,379	3,130
(Increase) decrease in assets		
Accounts receivable	(3,246)	24,150
Promises to give	(38,250)	(199,500)
Prepaid expenses	27	23
Increase (decrease) in liabilities		
Accounts payable	694	(1,210)
Accrued payroll liabilities	(9,498)	2,048
Net cash flows from operating activities	356,768	66,744
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and equipment	(7,754)	(2,499)
Net change in cash	349,014	64,245
Cash at beginning of year	333,475	269,230
Cash at end of year	\$ 682,489	\$ 333,475

See accompanying notes.

WCIJ INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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.*

Accounts Receivable

Accounts receivable primarily represents amounts due from organizations for program services. 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.

Furniture and Equipment

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

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, 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 donor restrictions.

WCIJ INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of New Accounting Guidance

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs supersedes the revenue recognition requirements and most industry-specific guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also includes a cohesive set of disclosure requirements that will provide users of the financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

WCIJ Inc. adopted the requirements of the new guidance as of January 1, 2019, using the modified retrospective method of transition. In applying the new guidance, WCIJ Inc. elected to use the practical expedient that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019.

The majority of WCIJ Inc.'s revenue from contracts with customers, which includes program service revenues and fee for service arrangements, are recognized at a point in time based on the transfer of control. Revenue recognized over time primarily consists of performance obligations that are satisfied within one year or less. In addition, the majority of WCIJ Inc.'s contracts do not contain variable consideration and contract modifications are generally minimal.

The adoption of the new guidance did not have a significant impact on WCIJ Inc.'s financial statements. The majority of WCIJ Inc.'s revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on WCIJ Inc.'s evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new guidance.

Also, on June 21, 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for evaluating whether transactions such as grants and similar contracts with government agencies and others should be accounted for as exchange transactions (that is, revenue from contracts with customers) or contributions. The ASU also assists entities in determining whether a contribution is conditional. WCIJ Inc. adopted the requirements of the ASU as of January 1, 2019. The changes in the ASU have been applied on a modified prospective basis, that is, the changes have been applied to agreements that are either not completed as of January 1, 2019, or entered into after that date.

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.

WCIJ INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 estimates 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.

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 November 27, 2020, 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, 2019 and 2018

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

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, 2019, the Center's uninsured cash balances total approximately \$50,000. There were no uninsured balances at December 31, 2018.

NOTE 3 – PROMISES TO GIVE

Unconditional promises to give consist of the following:

Receivable in less than one year	\$ 227,750	\$ 227,500
Receivable in more than one year	38,000	-
	<u>265,750</u>	<u>-</u>
Unconditional promises to give	<u>\$ 265,750</u>	<u>\$ 227,500</u>

NOTE 4 – CONDITIONAL PROMISES TO GIVE

During 2019, the Center received restricted grants totaling \$100,000 that contained donor conditions. Since these grants are promises conditioned on future uncertain events, they are not recorded as contribution revenue until donor conditions are met.

NOTE 5 – DONATED SERVICES

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

	Investigative Journalism	Management and General
Legal services	\$ -	\$ 3,720
Convention registration and booth fees	685	-
Contract management services	52,000	-
Reporting services	40,200	-
	<u>\$ 92,885</u>	<u>\$ 3,720</u>
	<u>2018</u>	
	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	-
	<u>\$ 82,885</u>	<u>\$ 4,510</u>

These in-kinds are included in personnel, travel and meetings, and professional services in the statement of functional expenses.

WCIJ INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	2019	2018
Troller Fund	\$ 30,000	\$ -
Subsequent years' activities	330,000	200,000
Net assets with donor restrictions	\$ 360,000	\$ 200,000

NOTE 7 – 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 has ended in March 2020 and has renewed another three years, now ending in March 2023. The agreement for 2019 and 2018 was valued at \$20,000.

NOTE 8 – LIQUIDITY AND AVAILABILITY

The following table reflects the Center's financial assets at December 31, 2019 and 2018, reduced by amounts not available to meet cash needs for general expenditures within one year of the date of the statement of financial position.

	2019	2018
Cash	\$ 682,488	\$ 333,475
Accounts receivable	4,496	1,250
Unconditional promises to give	265,750	227,500
Total financial assets at end of year	952,734	562,225
Less those unavailable for general expenditures within one year:		
Restricted by donors with time or purpose restrictions	(68,000)	(200,000)
Financial assets available to meet general expenditures within one year	\$ 884,734	\$ 362,225

As part of the Center's liquidity management, it has a policy to have cash on hand for six months' worth of expenditures. As a service-fee, donor-funded non-profit 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.

WCIJ INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 27, 2020, the date which the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen that could impact operating results. The related financial impact and duration cannot be reasonably estimated at this time.

Subsequent to year end, the Center applied for and was approved a \$93,581 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%. The Center is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government. Any unforgivable portion is payable over two years.