

WCIJ INC.

FINANCIAL STATEMENTS

December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
WCIJ Inc.
Madison, Wisconsin

Opinion

We have audited the accompanying financial statements of WCIJ Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of WCIJ Inc. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of WCIJ Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, as of January 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about WCIJ Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional

omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 WCIJ Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about WCIJ Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Wegner CPAs, LLP
Madison, Wisconsin
July 31, 2023

WCIJ INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 1,214,251	\$ 1,263,485
Unconditional promises to give	744,417	813,250
Prepaid expenses	15,412	8,589
Furniture and equipment less accumulated depreciation of \$40,680 and \$35,655	<u>8,774</u>	<u>13,799</u>
Total assets	<u>\$ 1,982,854</u>	<u>\$ 2,099,123</u>
LIABILITIES		
Accounts payable	\$ 57,113	\$ 52,123
Accrued payroll liabilities	<u>25,589</u>	<u>13,649</u>
Total liabilities	82,702	65,772
NET ASSETS		
Without donor restrictions	473,899	887,575
With donor restrictions	<u>1,426,253</u>	<u>1,145,776</u>
Total net assets	<u>1,900,152</u>	<u>2,033,351</u>
Total liabilities and net assets	<u>\$ 1,982,854</u>	<u>\$ 2,099,123</u>

See accompanying notes.

WCIJ INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2022 and 2021

	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
REVENUES						
Contributions and grants						
General contributions and grants	\$ 623,439	\$ 946,000	\$ 1,569,439	\$ 542,287	\$ 1,145,776	\$ 1,688,063
In-kind contributions	150,094	-	150,094	79,338	-	79,338
Events and sponsorships	8,319	-	8,319	6,000	-	6,000
Exchange transactions and other revenues						
Program service fees	88,517	-	88,517	169,781	-	169,781
Fees for services	20,000	-	20,000	20,000	-	20,000
Interest income	2,394	-	2,394	1,024	-	1,024
Other income	121	-	121	12,057	-	12,057
Total revenues	892,884	946,000	1,838,884	830,487	1,145,776	1,976,263
EXPENSES						
Investigative journalism	1,577,553	-	1,577,553	965,987	-	965,987
Management and general	138,194	-	138,194	102,281	-	102,281
Marketing and development	256,336	-	256,336	209,588	-	209,588
Total expenses	1,972,083	-	1,972,083	1,277,856	-	1,277,856
NET ASSETS RELEASED FROM RESTRICTIONS	665,523	(665,523)	-	545,012	(545,012)	-
Change in net assets	(413,676)	280,477	(133,199)	97,643	600,764	698,407
Net assets at beginning of year	887,575	1,145,776	2,033,351	789,932	545,012	1,334,944
Net assets at end of year	\$ 473,899	\$ 1,426,253	\$ 1,900,152	\$ 887,575	\$ 1,145,776	\$ 2,033,351

See accompanying notes.

WCIJ INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2022 and 2021

	2022			
	Investigative Journalism	Management and General	Marketing and Development	Total Expenses
Personnel	\$ 984,518	\$ 23,816	\$ 157,422	\$ 1,165,756
Payroll taxes	65,851	7,721	16,127	89,699
Occupancy	14,342	1,923	4,103	20,368
Travel and meetings	33,154	2,541	5,807	41,502
Professional services	249,055	63,673	28,694	341,422
Depreciation	3,542	481	1,002	5,025
Office expenses	105,371	23,969	26,787	156,127
Marketing	83,259	262	15,665	99,186
Insurance	-	13,659	-	13,659
Information technology	38,461	149	729	39,339
Total expenses	\$ 1,577,553	\$ 138,194	\$ 256,336	\$ 1,972,083
	2021			
	Investigative Journalism	Management and General	Marketing and Development	Total Expenses
Personnel	\$ 599,518	\$ 49,998	\$ 139,024	\$ 788,540
Payroll taxes	42,489	5,278	10,837	58,604
Occupancy	14,878	1,454	3,792	20,124
Travel and meetings	9,541	346	2,411	12,298
Professional services	193,747	27,135	15,043	235,925
Depreciation	5,270	476	1,344	7,090
Office expenses	18,991	6,484	28,542	54,017
Marketing	63,201	143	8,186	71,530
Insurance	-	10,950	-	10,950
Information technology	18,274	10	388	18,672
Miscellaneous	78	7	21	106
Total expenses	\$ 965,987	\$ 102,281	\$ 209,588	\$ 1,277,856

See accompanying notes.

WCIJ INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (133,199)	\$ 698,407
Adjustments to reconcile change in net assets to net cash flows		
Depreciation	5,025	7,090
Net amortization on long-term promises to give	23,500	-
(Increase) decrease in assets		
Accounts receivable	-	81,785
Unconditional promises to give	45,333	(287,000)
Prepaid expenses	(6,823)	16,186
Increase (decrease) in liabilities		
Accounts payable	4,990	20,244
Accrued payroll liabilities	11,940	2,069
Deferred revenue	-	(14,027)
	(49,234)	524,754
Net change in cash		
Cash at beginning of year	1,263,485	738,731
Cash at end of year	\$ 1,214,251	\$ 1,263,485

See accompanying notes.

WCIJ INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

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 is primarily funded by contributions and grants and program service fees.

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

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. Promises to give receivable in more than one year are recorded at their net realizable value, using risk-free interest rate applicable to the years in which the promises are to be received, if material.

Furniture and Equipment

All acquisitions of furniture and equipment in excess of \$4,000 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.

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, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Program service fees consist of various documentaries and articles to consumers. Fees for services consists of the internship and mentorship program for college students provided to the University of Wisconsin. Revenue from these services are recognized over the term of the performance obligations. Program service fees and fees for service revenue received in advance is deferred to the applicable period in which the related services are performed and recognized as revenue at that time. Accounts receivable at December 31, 2022 and 2021 were as follows:

	2022	2021
Beginning of year	\$ -	\$ 81,785
End of year	-	-

Contract liabilities for the portion of documentaries and articles to consumer payments collected in advance are recorded as deferred revenue:

	2022	2021
Beginning of year	\$ -	\$ 14,027
End of year	-	-

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.

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.

WCIJ INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation (continued)

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

Investigative journalism—The Center produces investigative reports independently and in 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.

Adoption of New Accounting Guidance

On September 17, 2020, the FASB issued Accounting Standards Update ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The intent of this Update is to improve transparency in the reporting of contributed nonfinancial assets (also known as in-kind contributions) received by not-for-profit entities. This Update requires a not-for-profit entity to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. This Update also requires enhanced disclosures about the valuation of contributed nonfinancial assets and their use in programs and other activities, including any donor-imposed restrictions on such use. WCIJ Inc. adopted the requirements of this Update effective January 1, 2022. The changes required by this Update have been applied retrospectively to all periods presented.

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 July 31, 2023, the date which the financial statements were available to be issued.

WCIJ INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

The Center maintains its cash balances in two financial institutions based in Madison, Wisconsin. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2022 and 2021, the Center's uninsured cash balances total approximately \$580,000 and \$670,000.

NOTE 3 – 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 for no charge. 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. On September 6, 2022, the agreement was extended to June 30, 2024. The agreement for 2022 and 2021 was valued at \$20,000.

NOTE 4 – PROMISES TO GIVE

Unconditional promises to give consist of the following:

	2022	2021
Receivable in less than one year	\$ 330,417	\$ 298,250
Receivable in one to five years	402,500	475,000
Receivable in more than five years	35,000	77,500
Unconditional promises to give	767,917	850,750
Discount to net present value	(23,500)	(37,500)
Unconditional promises to give	\$ 744,417	\$ 813,250

Promises to give due in more than one year are discounted at an effective rate of 2.23%.

The Center has several grants that are conditioned upon meeting certain criteria in the grant agreement. At December 31, 2022 and 2021, these conditional grants total approximately \$425,000 and \$1,065,000, respectively. These conditional grants will be recognized as revenue when the respective conditions are met in future years.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
Troller Fund	\$ 35,000	\$ 35,000
Salaries	631,503	298,276
Subsequent years' activities	759,750	812,500
Net assets with donor restrictions	\$ 1,426,253	\$ 1,145,776

WCIJ INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 6 – PAYCHECK PROTECTION PROGRAM

On May 1, 2020, the Center received a \$93,581 loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). On December 23, 2020, the SBA preliminarily approved forgiveness of the loan. The Center must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of the SBA to access such files upon request. SBA may review the Center's good-faith certification concerning the necessity of its loan request, whether the Center calculated the loan amount correctly, whether the Center used loan proceeds for the allowable uses specified in the CARES Act, and whether the Center is entitled to loan forgiveness in the amount claimed on its application. If SBA determines the Center was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

NOTE 7 – DONATED SERVICES AND FACILITIES

In-kind contributions recognized within the statements of activities include:

	2022	2021
Legal services	\$ 14,812	\$ 9,153
Contract management services	41,869	26,000
Reporting services	16,348	5,900
Facilities	77,065	38,285
	\$ 150,094	\$ 79,338

In-kind contributions did not have donor-imposed restrictions. WCIJ Inc. valued the in-kind contributions based on the estimated fair value provided by the donor or value the donor could otherwise obtain for the services or facilities provided. Contributed services and facilities were used for program and administrative activities.

NOTE 8 – LIQUIDITY AND AVAILABILITY

The following table reflects the Center's financial assets at December 31, 2022 and 2021, reduced by amounts not available to meet cash needs for general expenditures within one year of the dates of the statement of financial position.

	2022	2021
Cash	\$ 1,214,251	\$ 1,263,485
Unconditional promises to give	744,417	813,250
Total financial assets at end of year	1,958,668	2,076,735
Less those unavailable for general expenditures within one year:		
Restricted by donors with time or purpose restrictions	(1,127,503)	(923,276)
Financial assets available to meet general expenditures within one year	\$ 831,165	\$ 1,153,459

WCIJ INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 8 – LIQUIDITY AND AVAILABILITY (continued)

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.