

WCIJ INC.

FINANCIAL STATEMENTS

December 31, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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.

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

Wegner CPAs, LLP
Madison, Wisconsin
August 26, 2022

WCIJ INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 1,263,485	\$ 738,731
Accounts receivable	-	81,785
Unconditional promises to give	813,250	526,250
Prepaid expenses	8,589	24,775
Furniture and equipment less accumulated depreciation of \$35,655 and \$28,565	<u>13,799</u>	<u>20,889</u>
Total assets	<u><u>\$ 2,099,123</u></u>	<u><u>\$ 1,392,430</u></u>
LIABILITIES		
Accounts payable	\$ 52,123	\$ 31,879
Accrued payroll liabilities	13,649	11,580
Deferred revenue	<u>-</u>	<u>14,027</u>
Total liabilities	65,772	57,486
NET ASSETS		
Without donor restrictions	887,575	789,932
With donor restrictions	<u>1,145,776</u>	<u>545,012</u>
Total net assets	<u>2,033,351</u>	<u>1,334,944</u>
Total liabilities and net assets	<u><u>\$ 2,099,123</u></u>	<u><u>\$ 1,392,430</u></u>

See accompanying notes.

WCIJ INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2021 and 2020

	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
REVENUES						
Contributions and grants						
Contributions and grants	\$ 542,287	\$ 1,145,776	\$ 1,688,063	\$ 736,435	\$ 520,000	\$ 1,256,435
Paycheck Protection Program	-	-	-	93,581	-	93,581
In-kind contributions	79,338	-	79,338	73,277	-	73,277
Events and sponsorships	6,000	-	6,000	8,186	-	8,186
Exchange transactions and other revenues						
Program service fees	169,781	-	169,781	193,569	-	193,569
Fees for services	20,000	-	20,000	20,000	-	20,000
Interest income	1,024	-	1,024	3,130	-	3,130
Other income	12,057	-	12,057	925	-	925
Total revenues	830,487	1,145,776	1,976,263	1,129,103	520,000	1,649,103
EXPENSES						
Investigative journalism	965,987	-	965,987	1,019,589	-	1,019,589
Management and general	102,281	-	102,281	99,159	-	99,159
Marketing and development	209,588	-	209,588	156,449	-	156,449
Total expenses	1,277,856	-	1,277,856	1,275,197	-	1,275,197
NET ASSETS RELEASED FROM RESTRICTIONS	545,012	(545,012)	-	334,988	(334,988)	-
Change in net assets	97,643	600,764	698,407	188,894	185,012	373,906
Net assets at beginning of year	789,932	545,012	1,334,944	601,038	360,000	961,038
Net assets at end of year	<u>\$ 887,575</u>	<u>\$ 1,145,776</u>	<u>\$ 2,033,351</u>	<u>\$ 789,932</u>	<u>\$ 545,012</u>	<u>\$ 1,334,944</u>

See accompanying notes.

WCIJ INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2021 and 2020

	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
	2020			
	Investigative Journalism	Management and General	Marketing and Development	Total Expenses
Personnel	\$ 542,695	\$ 44,837	\$ 112,709	\$ 700,241
Payroll taxes	27,437	2,616	6,942	36,995
Occupancy	15,579	1,502	3,794	20,875
Travel and meetings	2,936	1,074	520	4,530
Professional services	340,632	37,052	18,282	395,966
Depreciation	6,356	-	-	6,356
Office expenses	17,784	536	4,307	22,627
Marketing	54,782	1,721	9,475	65,978
Insurance	-	9,753	-	9,753
Information technology	11,388	68	420	11,876
Total expenses	\$ 1,019,589	\$ 99,159	\$ 156,449	\$ 1,275,197

See accompanying notes.

WCIJ INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 698,407	\$ 373,906
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	7,090	6,356
(Increase) decrease in assets		
Accounts receivable	81,785	(77,289)
Unconditional promises to give	(287,000)	(260,500)
Prepaid expenses	16,186	(17,020)
Increase (decrease) in liabilities		
Accounts payable	20,244	24,543
Accrued payroll liabilities	2,069	5,402
Deferred revenue	(14,027)	14,027
Net cash flows from operating activities	<u>524,754</u>	<u>69,425</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and equipment	<u>-</u>	<u>(13,182)</u>
Net change in cash	524,754	56,243
Cash at beginning of year	<u>738,731</u>	<u>682,488</u>
Cash at end of year	<u><u>\$ 1,263,485</u></u>	<u><u>\$ 738,731</u></u>

See accompanying notes.

WCIJ INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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 and individuals for projects and documentaries, of which the Center has an unconditional right to receive. Accounts receivable are stated at the amount management expects to be collected from outstanding balances. As of December 31, 2021 and 2020, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

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 \$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.

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, 2021 and 2020

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, 2021 and 2020 were as follows:

ACCOUNTS RECEIVABLE

	2021	2020
Beginning of year	\$ 81,785	\$ 4,496

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

DEFERRED REVENUE

	2021	2020
Beginning of year	\$ 14,027	\$ -

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, 2021 and 2020

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.

Paycheck Protection Program Loan

The Center received a loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security Act and administered by the U.S. Small Business Administration. The loan was subsequently forgiven as the funds were used for payroll costs, interest on mortgages, rent, and/or utilities. The Center met the PPP’s eligibility criteria confirming the Center’s beliefs that the loan was, in substance, a grant that to be forgiven. The Center recorded the proceeds from the loan as a deferred income liability and subsequently reduced the liability as it recognized eligible expenses. The reduction of the liability was offset through earnings presented under Paycheck Protection Program income in the statement of activities.

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 26, 2022, the date which the financial statements were available to be issued.

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, 2021 and 2020, the Center’s uninsured cash balances total approximately \$670,000 and \$347,000.

WCIJ INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 3 – PROMISES TO GIVE

Unconditional promises to give consist of the following:

	2021	2020
Receivable in less than one year	\$ 298,250	\$ 376,250
Receivable in one to five years	475,000	150,000
Receivable in more than five years	77,500	-
Unconditional promises to give	850,750	526,250
Discount to net present value	(37,500)	-
Unconditional promises to give, net	\$ 813,250	\$ 526,250

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

During 2021, the Center received restricted grants totaling \$1,065,000 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 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 has ended in March 2020 and has renewed another three years, now ending in March 2023. The agreement for 2021 and 2020 was valued at \$20,000.

NOTE 5 – PAYCHECK PROTECTION PROGRAM LOANS PAYABLE

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 Act and administered by the U.S. Small Business Administration (SBA). 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. The loan accrues interest at 1%, but payments are deferred until a determination of the amount of forgiveness is made. The amount of forgiveness depends, in part, on the total amount of eligible expenses paid by the Center during the covered period. Eligible expenses include payroll costs, rent, and utilities. Any unforgiven portion is payable over two years. Management has applied for and was granted loan forgiveness on December 23, 2020.

WCIJ INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 6 – DONATED SERVICES AND FACILITIES

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

	2021		
	Investigative Journalism	Management and General	Marketing and development
Legal services	\$ -	\$ 13,577	\$ -
Contract management services	20,800	-	-
Reporting services	33,000	-	-
Facilities	14,228	1,286	22,771
	\$ 68,028	\$ 14,863	\$ 22,771
		2020	
		Investigative Journalism	Management and General
Legal services		\$ -	\$ 13,577
Contract management services		20,800	-
Reporting services		33,000	-
		\$ 53,800	\$ 13,577

These donated services and facilities are included in personnel, professional services, and office expenses in the statements of functional expenses.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Troller Fund	\$ 35,000	\$ 30,000
Salaries	298,276	70,000
Subsequent years' activities	812,500	445,012
	\$ 1,145,776	\$ 545,012

WCIJ INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 8 – LIQUIDITY AND AVAILABILITY

The following table reflects the Center’s financial assets at December 31, 2021 and 2020, reduced by amounts not available to meet cash needs for general expenditures within one year of the dates of the statement of financial position.

	2021	2020
Cash	\$ 1,263,485	\$ 738,731
Accounts receivable	-	81,785
Unconditional promises to give	813,250	526,250
 Total financial assets at end of year	 2,076,735	 1,346,766
 Less those unavailable for general expenditures within one year:		
Restricted by donors with time or purpose restrictions	(587,500)	(30,000)
 Financial assets available to meet general expenditures within one year	 \$ 1,489,235	 \$ 1,316,766

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.