

WCIJ INC.

FINANCIAL STATEMENTS

December 31, 2020 and 2019

CONTENTS

| | |
|-----------------------------------------|---|
| Independent Auditor's Report | 1 |
| Statements of Financial Position..... | 2 |
| Statements of Activities..... | 3 |
| Statements of Functional Expenses | 4 |
| Statements of Cash Flows | 5 |
| Notes to Financial Statements | 6 |

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
WCIJ Inc.
Madison, Wisconsin

We have audited the accompanying financial statements of WCIJ Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, 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, 2020 and 2019, 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.



Wegner CPAs, LLP
Madison, Wisconsin
September 24, 2021

WCIJ INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

| | 2020 | 2019 |
|-----------------------------------------------------------------------------------|---------------------|-------------------|
| ASSETS | | |
| Cash | \$ 738,731 | \$ 682,488 |
| Accounts receivable | 81,785 | 4,496 |
| Unconditional promises to give | 526,250 | 265,750 |
| Prepaid expenses | 24,775 | 7,755 |
| Furniture and equipment less accumulated depreciation of \$28,565 and \$22,209 | 20,889 | 14,064 |
| Total assets | \$ 1,392,430 | \$ 974,553 |
| LIABILITIES | | |
| Accounts payable | \$ 31,879 | \$ 7,336 |
| Accrued payroll liabilities | 11,580 | 6,179 |
| Deferred revenue | 14,027 | - |
| Total liabilities | 57,486 | 13,515 |
| NET ASSETS | | |
| Without donor restrictions | 789,932 | 601,038 |
| With donor restrictions | 545,012 | 360,000 |
| Total net assets | 1,334,944 | 961,038 |
| Total liabilities and net assets | \$ 1,392,430 | \$ 974,553 |

See accompanying notes.

WCIJ INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2020 and 2019

| | 2020 | | | 2019 | | |
|----------------------------------------------|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|-------------------|
| | Without donor restrictions | With donor restrictions | Total | Without donor restrictions | With donor restrictions | Total |
| REVENUES | | | | | | |
| Contributions and grants | | | | | | |
| Contributions and grants | \$ 736,435 | \$ 520,000 | \$ 1,256,435 | \$ 613,462 | \$ 360,000 | \$ 973,462 |
| Paycheck Protection Program | 93,581 | - | 93,581 | - | - | - |
| In-kind contributions | 73,277 | - | 73,277 | 103,005 | - | 103,005 |
| Events and sponsorships | 8,186 | - | 8,186 | 19,917 | - | 19,917 |
| Exchange transactions and other revenues | | | | | | |
| Program service fees | 193,569 | - | 193,569 | 71,233 | - | 71,233 |
| Fees for services | 20,000 | - | 20,000 | 20,000 | - | 20,000 |
| Interest income | 3,130 | - | 3,130 | 1,236 | - | 1,236 |
| Other income | 925 | - | 925 | 3,835 | - | 3,835 |
| Total revenues | 1,129,103 | 520,000 | 1,649,103 | 832,688 | 360,000 | 1,192,688 |
| EXPENSES | | | | | | |
| Investigative journalism | 1,019,589 | - | 1,019,589 | 628,336 | - | 628,336 |
| Management and general | 99,159 | - | 99,159 | 69,960 | - | 69,960 |
| Marketing and development | 156,449 | - | 156,449 | 91,730 | - | 91,730 |
| Total expenses | 1,275,197 | - | 1,275,197 | 790,026 | - | 790,026 |
| NET ASSETS RELEASED FROM RESTRICTIONS | 334,988 | (334,988) | - | 200,000 | (200,000) | - |
| Change in net assets | 188,894 | 185,012 | 373,906 | 242,662 | 160,000 | 402,662 |
| Net assets at beginning of year | 601,038 | 360,000 | 961,038 | 358,376 | 200,000 | 558,376 |
| Net assets at end of year | <u>\$ 789,932</u> | <u>\$ 545,012</u> | <u>\$ 1,334,944</u> | <u>\$ 601,038</u> | <u>\$ 360,000</u> | <u>\$ 961,038</u> |

See accompanying notes.

WCIJ INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2020 and 2019

| | 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 |
| | 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 |

See accompanying notes.

WCIJ INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

| | 2020 | 2019 |
|-------------------------------------------------------------------------------------------|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 373,906 | \$ 402,662 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities | | |
| Depreciation | 6,356 | 4,379 |
| (Increase) decrease in assets | | |
| Accounts receivable | (77,289) | (3,246) |
| Unconditional promises to give | (260,500) | (38,250) |
| Prepaid expenses | (17,020) | 27 |
| Increase (decrease) in liabilities | | |
| Accounts payable | 24,543 | 693 |
| Accrued payroll liabilities | 5,402 | (9,498) |
| Deferred revenue | 14,027 | - |
| Net cash flows from operating activities | 69,425 | 356,767 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of furniture and equipment | (13,182) | (7,754) |
| Net change in cash | 56,243 | 349,013 |
| Cash at beginning of year | 682,488 | 333,475 |
| Cash at end of year | <u>\$ 738,731</u> | <u>\$ 682,488</u> |

See accompanying notes.

WCIJ INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

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, 2020 and 2019, 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.

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.

WCIJ INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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 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.

WCIJ INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 September 24, 2021, 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, 2020 and 2019, the Center's uninsured cash balances total approximately \$347,000 and \$50,000.

NOTE 3 – PROMISES TO GIVE

Unconditional promises to give consist of the following:

| | 2020 | 2019 |
|----------------------------------|-------------------|-------------------|
| Receivable in less than one year | \$ 376,250 | \$ 227,750 |
| Receivable in more than one year | 150,000 | 38,000 |
| Unconditional promises to give | <u>\$ 526,250</u> | <u>\$ 265,750</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.

WCIJ INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 5 – 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 2020 and 2019 was valued at \$20,000.

NOTE 6 – DONATED SERVICES

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

| | 2020 | |
|----------------------------------------|--------------------------|------------------------|
| | Investigative Journalism | Management and General |
| Legal services | \$ - | \$ 13,577 |
| Contract management services | 20,800 | - |
| Reporting services | 33,000 | - |
| | <u>\$ 53,800</u> | <u>\$ 13,577</u> |
| | 2019 | |
| | 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> |

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

NOTE 7 – 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, 2020 and 2019

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

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

| | 2020 | 2019 |
|------------------------------------|-------------------|-------------------|
| Troller Fund | \$ 30,000 | \$ 30,000 |
| Salaries | 70,000 | - |
| Subsequent years' activities | 445,012 | 330,000 |
| Net assets with donor restrictions | <u>\$ 545,012</u> | <u>\$ 360,000</u> |

NOTE 9 – RISKS AND UNCERTAINTIES

The Center's operations may be affected by the ongoing COVID-19 outbreak that was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption and effect on the Center is uncertain; however, it may result in a material adverse impact on the Center's financial position, activities, and cash flows. Possible effects may include but are not limited to, disruption to the Center's donors and revenues, cancellation of the Center's events or programs, and a decline in the value of assets held. Therefore, the Center cannot reasonably estimate the impact at this time.

NOTE 10 – LIQUIDITY AND AVAILABILITY

The following table reflects the Center's financial assets at December 31, 2020 and 2019, reduced by amounts not available to meet cash needs for general expenditures within one year of the dates of the statement of financial position.

| | 2020 | 2019 |
|-------------------------------------------------------------------------|---------------------|-------------------|
| Cash | \$ 738,731 | \$ 682,488 |
| Accounts receivable | 81,785 | 4,496 |
| Unconditional promises to give | 526,250 | 265,750 |
| Total financial assets at end of year | 1,346,766 | 952,734 |
| Less those unavailable for general expenditures within one year: | | |
| Restricted by donors with time or purpose restrictions | <u>(180,000)</u> | <u>(68,000)</u> |
| Financial assets available to meet general expenditures within one year | <u>\$ 1,166,766</u> | <u>\$ 884,734</u> |

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.