WCIJ Inc.

Report on Audit of Financial Statements

Year ended December 31, 2012
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Independent Auditor's Report

Board of Directors
WCIJ Inc.
Madison, Wisconsin

We have audited the accompanying financial statements of WCIJ Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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 WCJ Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Jannsen Company, S.C.

Certified Public Accountants

October 31, 2013
WCJJ Inc.
Statement of Financial Position
December 31, 2012

<table>
<thead>
<tr>
<th>Assets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets:</td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$ 122,759</td>
</tr>
<tr>
<td>Promises to give</td>
<td>175,000</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>297,759</td>
</tr>
<tr>
<td>Property and Equipment:</td>
<td></td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>10,342</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>3,636</td>
</tr>
<tr>
<td></td>
<td>6,706</td>
</tr>
<tr>
<td></td>
<td>$ 304,465</td>
</tr>
</tbody>
</table>

| Liabilities and Net Assets    |       |
| Current Liabilities:         |       |
| Accounts payable             | $ 135 |
| Accrued payroll liabilities  | 6,706 |
| Total Current Liabilities    | 6,841 |
| Net Assets:                  |       |
| Unrestricted                 | 122,624 |
| Temporarily restricted        | 175,000 |
|                               | 297,624 |
|                               | $ 304,465 |

See notes to financial statements.

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WCIJ Inc.
Statement of Activities
For the year ended December 31, 2012

Unrestricted Net Assets:

Support and Revenue:
  Grants $275,000
  Contributions 8,635
  In-kind contributions 62,050
  Event and sponsorship 5,101
  Program service fees 27,649
  Other income 5,231
  383,666

Expenses:
  Investigative reporting 269,874
  Management and general 47,959
  Fundraising 46,556
  384,389

Net assets released from restrictions 105,000

Change in unrestricted net assets 104,277

Temporarily Restricted Net Assets:

Contributions 175,000

Net assets released from restrictions (105,000)

Change in temporarily restricted net assets 70,000

Change in net assets 174,277

Net assets - beginning of year 123,347

Net assets - end of year $297,624

See notes to financial statements.
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WCIJ Inc.
Statement of Cash Flows
For the year ended December 31, 2012

Cash Flows Provided (Used) By:
Operating activities:
  Change in net assets $ 174,277
  Non-cash items included in income:
    Depreciation 1,743
  Increase in assets:
    Promises to give (70,000)
  Decrease in liabilities
    Accounts payable (51,506)
    Accrued payroll liabilities (381)
  Net cash provided by operating activities 54,133

Investing activities:
  Additions to property and equipment (2,450)
  Net cash used by investing activities (2,450)

Increase in Cash 51,683

Cash:
  Beginning of year 71,076
  End of year $ 122,759

See notes to financial statements.
A. Summary of Significant Accounting Policies

**Nature of Business** - WCIJ Inc.'s (Center) mission is to protect the vulnerable, expose wrongdoing, and seek solutions to pressing problems. Our goal is to raise the quality and amount of investigative reporting across Wisconsin while training a new generation of investigative reporters. We distribute our content, which focuses upon government integrity and quality of life issues, for free to the media of Wisconsin. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

**Basis of Presentation** - The Center is required to report information regarding its financial position and activities according to three classes of net assets:

*Unrestricted Net Assets* - Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

*Temporarily Restricted Net Assets* - Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

*Permanently Restricted Net Assets* - Net assets that have been restricted by donors to be maintained by the Center in perpetuity.

**Cash** - Cash includes cash on hand and demand deposits held at bank. During the course of a normal business cycle, the Company at times, maintains cash balances in excess of the insured limits. There were no balances in excess of the insured limits at December 31, 2012.

**Promises to Give** - Unconditional promises to give are recognized as support in the period the promises are 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 less than one year are recorded at their net realizable value.

The Center considers all promises to give to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If promises to give become uncollectible, they will be charged to operations when that determination is made.

**Property and Equipment** - Property and equipment in excess of $1,000 are capitalized. Purchases of property and equipment are recorded at cost. 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.

**Support Recognition** - Support restricted by the grantor, donor or other outside party is reported as increases in unrestricted net assets if the restriction expires in the year in which the support is recognized. All other restricted support is reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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WCIJ Inc.  
Notes to Financial Statements

A. Summary of Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Expense Allocation - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Income Tax Status - The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Center’s federal exempt organization returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed. With few exceptions, The Center is no longer subject to such examination for tax years before 2009.

Subsequent Events - Management has evaluated subsequent events through October 31, 2013, the date the financial statements were available to be issued.

B. Net Assets

Temporarily restricted net assets at December 31, 2012 of $175,000 are restricted for subsequent periods.

C. Donated Services and Facilities

The Center received donated services used for program and supporting activities. During 2012 the following donated services have been recorded in the statement of activities:

<table>
<thead>
<tr>
<th>Service</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program services</td>
<td>$33,250</td>
</tr>
<tr>
<td>Legal services</td>
<td>$28,800</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$62,050</strong></td>
</tr>
</tbody>
</table>

The Center received the use of donated facilities from the University of Wisconsin School of Journalism. The value of the donated facilities during 2012 is not material and has not been recorded in the statement of activities.
WCIIJ Inc.  
Schedule of Functional Expenses  
For the year ended December 31, 2012

<table>
<thead>
<tr>
<th></th>
<th>Investigative Journalism</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>$184,115</td>
<td>$30,055</td>
<td>$32,135</td>
<td>$246,305</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>16,090</td>
<td>2,627</td>
<td>2,808</td>
<td>21,525</td>
</tr>
<tr>
<td>Occupancy</td>
<td>1,510</td>
<td>247</td>
<td>264</td>
<td>2,021</td>
</tr>
<tr>
<td>Travel and meetings</td>
<td>12,877</td>
<td>1,953</td>
<td>2,088</td>
<td>16,918</td>
</tr>
<tr>
<td>Professional services</td>
<td>55,845</td>
<td>8,707</td>
<td></td>
<td>64,552</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,303</td>
<td>213</td>
<td>227</td>
<td>1,743</td>
</tr>
<tr>
<td>Office expenses</td>
<td>4,858</td>
<td>1,492</td>
<td>780</td>
<td>7,130</td>
</tr>
<tr>
<td>Marketing</td>
<td>-</td>
<td>1,385</td>
<td>5,550</td>
<td>6,935</td>
</tr>
<tr>
<td>Insurance</td>
<td>6,002</td>
<td>980</td>
<td>1,047</td>
<td>8,029</td>
</tr>
<tr>
<td>Information technology</td>
<td>7,024</td>
<td>259</td>
<td>1,613</td>
<td>8,896</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>250</td>
<td>41</td>
<td>44</td>
<td>335</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>$289,874</strong></td>
<td><strong>$47,959</strong></td>
<td><strong>$46,556</strong></td>
<td><strong>$384,389</strong></td>
</tr>
</tbody>
</table>