

BACK PORCH RADIO BROADCASTING, INC.

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

June 30, 2002 and 2001

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Wegner LLP

CPAs & Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Back Porch Radio Broadcasting, Inc.
Madison, Wisconsin

We have audited the accompanying statements of financial position of Back Porch Radio Broadcasting, Inc. as of June 30, 2002 and 2001, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Back Porch Radio Broadcasting, Inc. as of June 30, 2002 and 2001, and the changes in its net assets and its cash flows for the years then ended in conformity with U. S. generally accepted accounting principles.

The accompanying supplementary schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Wegner LLP

Wegner LLP
September 17, 2002

BACK PORCH RADIO BROADCASTING, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2002 and 2001

	2002	2001
ASSETS		
CURRENT ASSETS		
Cash	\$ 188,218	\$ 177,139
Accounts receivable	21,418	29,379
Pledges receivable	10,365	3,464
Prepaid expenses	7,205	5,910
Inventory	4,846	6,914
Total current assets	232,052	222,806
PROPERTY AND EQUIPMENT		
Land	13,000	13,000
Buildings and improvements	196,704	196,704
Broadcasting and station equipment	326,998	323,498
Property and equipment	536,702	533,202
Less accumulated depreciation	365,241	345,248
Property and equipment - net	171,461	187,954
Total assets	\$ 403,513	\$ 410,760
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 31,736	\$ 9,016
Accounts payable	1,014	3,528
Accrued expenses	13,876	15,966
Deferred revenue	6,965	3,662
Total current liabilities	53,591	32,172
Long-term debt less current maturities	31,694	61,120
Total liabilities	85,285	93,292
NET ASSETS		
Unrestricted	235,184	296,943
Board Designated	63,322	-
Total unrestricted	298,506	296,943
Temporarily restricted	19,722	20,525
Total net assets	318,228	317,468
Total liabilities and net assets	\$ 403,513	\$ 410,760

See accompanying notes

BACK PORCH RADIO BROADCASTING, INC.
STATEMENTS OF ACTIVITIES
Years ended June 30, 2002 and 2001

	2002	2001
UNRESTRICTED NET ASSETS		
SUPPORT, REVENUE AND RECLASSIFICATIONS		
Contributions	\$ 315,741	\$ 275,927
CPB Grant	54,420	49,768
Donated materials	7,698	566
Donated services	6,564	6,564
Special events	17,440	24,262
Program underwriting	25,791	39,930
Other income	7,527	24,535
Total support and revenue	435,181	421,552
Net assets released from restrictions		
Satisfaction of program restrictions	23,193	21,637
Total support, revenue and reclassifications	458,374	443,189
EXPENSES		
Program services		
Programming and production	118,268	99,474
Broadcasting	131,211	60,674
Program information and promotion	23,361	41,935
Total program services	272,840	202,083
Support services		
Management and general	70,012	116,685
Fundraising and membership development	56,234	79,252
Underwriting and grant solicitation	57,725	18,511
Total support services	183,971	214,448
Total expenses	456,811	416,531
Increase in unrestricted net assets	1,563	26,658
TEMPORARILY RESTRICTED NET ASSETS		
CPB Grant	22,390	20,525
Net assets released from restrictions	(23,193)	(21,637)
Decrease in temporarily restricted net assets	(803)	(1,112)
Increase in net assets	760	25,546
Net assets - beginning of year	317,468	291,922
Net assets - end of year	<u>\$ 318,228</u>	<u>\$ 317,468</u>

See accompanying notes

BACK PORCH RADIO BROADCASTING, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2002 and 2001

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 760	\$ 25,546
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	19,993	19,830
Donated equipment	(3,500)	-
Increase in allowance for uncollectible pledges	81	-
(Increase) decrease in assets		
Accounts receivable	7,961	509
Pledges receivable	(6,982)	3,828
Prepaid expenses	(1,295)	(2,346)
Inventory	2,068	(2,068)
Increase (decrease) in liabilities		
Accounts payable	(2,514)	(3,899)
Accrued expenses	(2,090)	1,813
Deferred revenue	3,303	330
Net cash provided by operating activities	17,785	43,543
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of debt	(6,706)	(6,109)
Net increase in cash	11,079	37,434
Cash - beginning of year	177,139	139,705
Cash - end of year	<u>\$ 188,218</u>	<u>\$ 177,139</u>
SUPPLEMENTARY INFORMATION		
Cash paid for interest	\$ 5,245	\$ 5,844
Non cash investing activities		
Donated equipment	3,500	-

See accompanying notes

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2002 and 2001

Back Porch Radio Broadcasting, Inc. (WORT) is a not-for-profit radio station that broadcasts from Madison, Wisconsin under the call letters WORT-FM. WORT began operations in 1975 and offers a wide variety of music and community-oriented broadcasts. The station is non-commercial and depends primarily upon contributions from the general public and grants from the Corporation for Public Broadcasting (CPB) for funding. The following summary of significant accounting policies is presented to enhance the usefulness of the financial statements to the reader.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of WORT and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Board Designated Net Assets - Unrestricted net assets subject to self-imposed limits by action of the Board of Directors. The Board has designated a goal of \$150,000 for an operating reserve. The fund is being established with annual contributions of at least \$50,000 for three years.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by action of WORT and/or by passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Temporarily restricted net assets consists of a CPB grant for program acquisition.

Estimates

The preparation of financial statements in conformity with U.S. 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.

Accounts Receivable

WORT considers accounts receivable 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.

Inventory

Inventory is valued at lower of cost or market on the first-in, first-out (FIFO) method. Inventory consists of parts for use in equipment repairs and premium items to be given to donors.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2002 and 2001

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pledges Receivable

Pledges receivable consist of amounts due from listener sponsors for recent pledge drives, which are all due within one year. Pledges receivable are shown net of an allowance for uncollectible pledges of \$9,918 and \$9,837 for the years ended June 30, 2002 and 2001. This amount is based on the results of past pledge drives and on management's evaluation of the current pledge drives.

Property and Equipment

Expenditures for purchases of property and equipment of value greater than \$500 are capitalized at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Expenditure for purchases of equipment with a value of less than \$500 are expended against the grant which authorized the expenditure. In the event the grant is canceled in future years, the equipment may have to be returned to the grantor.

Property and equipment, if donated, is recorded as support at its estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, WORT reports expirations of donor restrictions when the donated or acquired assets are placed in service and reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Revenue Recognition

Funds restricted by the grantor or other outside party for particular services are deemed to be earned and reported as revenue when WORT has incurred expenditures in compliance with specific restrictions. Such amounts received, but not earned, are reported as deferred revenue. Such amounts earned and not received are reported as accounts receivable.

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are received. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and support services.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2002 and 2001

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

WORT is a nonprofit public charity organized under Internal Revenue Code Section 501(c)(3) and is therefore not subject to federal and state income or franchise taxes.

NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2002 and 2001 consisted of the following:

	2002	2001
Community Shares of Wisconsin	\$ 13,104	\$ 12,644
Underwriting services to local businesses	8,314	15,682
Other	-	1,053
Accounts receivable	<u>\$ 21,418</u>	<u>\$ 29,379</u>

NOTE 3 – LONG-TERM DEBT

Long-term debt at June 30, 2002 and 2001 consisted of the following:

	2002	2001
8% mortgage, monthly payments of \$996, including interest, maturing April 2004, secured by real estate and a general business security agreement.	\$ 61,180	\$ 67,886
Various building bonds payable issued to the general public in denominations of \$250 - \$1,000 at rates between 8.5% and 9.5% for terms between 1 year and 5 years with interest compounded annually and payable upon maturity, secured by real estate. All of the bonds have matured.	<u>2,250</u>	<u>2,250</u>
Long-term debt	63,430	70,136
Less current maturities	<u>31,736</u>	<u>9,016</u>
Long-term debt less current maturities	<u>\$ 31,694</u>	<u>\$ 61,120</u>

Interest expense for the years ended June 30, 2002 and 2001 was \$5,245 and \$6,843.

The mortgage was refinanced on July 1, 2002. WORT prepaid \$25,000 of principal at the time of refinancing and signed a new note for \$36,180. The renegotiated terms are 6.75% with monthly payments of \$600, maturing August 1, 2008.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2002 and 2001

NOTE 3 – LONG-TERM DEBT (continued)

Future maturities of long-term debt are as follows for years ended June 30:

2003	\$ 31,736
2004	5,220
2005	5,584
2006	5,972
2007	6,388
Future	8,530
	<hr/>
Total	\$ 63,430
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NOTE 4 – LEASES

WORT leases tower space on the antenna used in broadcasting for \$1,133 per month under a month-to-month lease. Total rent expense for the years ended June 30, 2002 and 2001 was \$14,280 and \$13,938.

NOTE 5 – DONATED MATERIALS AND SERVICES

The estimated fair value of donated materials and services recorded in the financial statements as follows:

	2002	2001
	<hr/>	<hr/>
Donated materials and equipment	\$ 7,698	\$ 566
Donated services		
Website and e-mail services	4,164	4,164
Parking	2,400	2,400
	<hr/>	<hr/>
Donated services	6,564	6,564
	<hr/>	<hr/>
Donated materials and services	\$ 14,262	\$ 7,130
	<hr/>	<hr/>

WORT relies on volunteers from the community to operate the station and receives in excess of 23,500 hours per year of volunteer service. The value of this service is not reflected in the financial statements as it does not meet the criteria for recognition set forth in SFAS 116.

NOTE 6 – CONTINGENCIES

Economic Dependency

WORT receives a substantial amount of its support from the Corporation for Public Broadcasting (CPB) and from public donations. CPB has the authority to audit the costs associated with its grants. If there were a significant reduction in the level of this support, it may have an effect on WORT's programs and activities.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2002 and 2001

NOTE 6 – CONTINGENCIES (continued)

Broadcasting License

WORT is licensed to broadcast by the Federal Communications Commission (FCC). This license is subject to periodic review and renewal by the FCC.

Concentration of Credit Risk

WORT maintains cash balances at several financial institutions. The Federal Deposit Insurance Corporation insures accounts up to \$100,000 at each institution. WORT's cash balances in excess of this limit were \$52,062 and \$60,694 at June 30, 2002 and 2001.

Equipment Grants

A substantial portion of the station's broadcasting equipment was purchased under grants funded by the Public Telecommunications Facilities Program (PTFP). In order to insure that facilities funded under the PTFP will continue to be used to provide public telecommunications services, a ten-year Federal interest (lien) on the facilities is required. The PTFP equipment held by WORT as of June 30, 2002 is recorded at a cost of \$126,214, with accumulated depreciation of \$80,946.

Collective Bargaining Agreement

WORT has a collective bargaining agreement with employee union SEIU Local 150 that covers the full time staff. The agreement in effect at June 30, 2002 has no expiration date.

BACK PORCH RADIO BROADCASTING, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
Year ended June 30, 2002

	<u>Programming & Production</u>	<u>Broadcasting</u>	<u>Program Information & Promotion</u>	<u>Total Program Services</u>
Personnel	\$ 68,531	\$ 69,196	\$ 17,348	\$ 155,075
Occupancy	4,683	4,728	1,185	10,596
Direct expenses	37,275	37,526	4,396	79,197
Donated goods	4,198	-	-	4,198
Donated services	1,708	1,723	432	3,863
Depreciation	<u>1,873</u>	<u>18,038</u>	<u>-</u>	<u>19,911</u>
Total expenses	<u>\$ 118,268</u>	<u>\$ 131,211</u>	<u>\$ 23,361</u>	<u>\$ 272,840</u>

Management and General	Fundraising & Membership Development	Underwriting and Grant Solicitation	Total Support Services	Total
\$ 44,021	\$ 47,913	\$ 16,557	\$ 108,491	\$ 263,566
3,008	3,274	1,131	7,413	18,009
21,805	3,854	39,625	65,284	144,481
-	-	-	-	4,198
1,096	1,193	412	2,701	6,564
82	-	-	82	19,993
<u>\$ 70,012</u>	<u>\$ 56,234</u>	<u>\$ 57,725</u>	<u>\$ 183,971</u>	<u>\$ 456,811</u>