

BACK PORCH RADIO BROADCASTING, INC.

FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION

June 30, 2016 and 2015

CONTENTS

Independent Auditor's Report	1
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Cash Flows	5
Notes to Financial Statements	6
Schedules of Functional Expenses.....	11



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Back Porch Radio Broadcasting, Inc., which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities 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 Back Porch Radio Broadcasting, Inc. as of June 30, 2016 and 2015, 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.

Janesville Office:
101 E. Milwaukee Street
Suite 425
Janesville, WI 53545
P: (608) 756-4020

Baraboo Office:
123 Second Street
P.O. Box 150
Baraboo, WI 53913
P: (608) 356-3966
F: (608) 356-2966

Milwaukee Office:
W229 N1433 Westwood Drive
Suite 105
Waukesha, WI 53186
P: (262) 522-7555
F: (262) 522-7550

Madison Office:
2110 Luann Lane
Madison, WI 53713
P: (608) 274-4020
F: (608) 274-0775

www.wegnercpas.com
info@wegnercpas.com
(888) 204-7665

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are 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.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
October 19, 2016

BACK PORCH RADIO BROADCASTING, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	\$ 114,074	\$ 131,281
Accounts receivable	1,672	1,372
Pledges receivable - net	22,741	54,984
Prepaid expenses	14,375	17,355
Inventory	7,929	11,832
Total current assets	160,791	216,824
Property and equipment - net	29,348	42,770
Total assets	\$ 190,139	\$ 259,594
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 1,881
Accrued expenses	23,754	33,106
Deferred revenue	14,369	5,360
Capital lease payable	-	1,381
Bonds payable	-	1,734
Total liabilities	38,123	43,462
NET ASSETS		
Undesignated	(228,169)	(164,053)
Board designated	375,000	375,000
Total unrestricted	146,831	210,947
Temporarily restricted	5,185	5,185
Total net assets	152,016	216,132
Total liabilities and net assets	\$ 190,139	\$ 259,594

See accompanying notes.

BACK PORCH RADIO BROADCASTING, INC.
STATEMENTS OF ACTIVITIES
Years ended June 30, 2016 and 2015

	2016	2015
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Contributions	\$ 467,732	\$ 478,226
CPB grant	65,954	68,454
Special events	51,315	55,910
Program underwriting	55,535	44,009
Donated materials and services	10,165	11,262
Interest	33	211
Other income	7,496	3,822
Total unrestricted support and revenue	658,230	661,894
EXPENSES		
Program services		
Programming and production	197,268	206,393
Broadcasting	214,100	253,790
Program information and promotion	49,399	35,245
Total program services	460,767	495,428
Supporting activities		
Management and general	96,008	107,722
Fundraising and membership development	122,794	134,626
Underwriting and grant solicitation	65,866	39,865
Total supporting activities	284,668	282,213
Total expenses	745,435	777,641
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of purpose restrictions	23,089	24,517
Change in unrestricted net assets	(64,116)	(91,230)
TEMPORARILY RESTRICTED NET ASSETS		
CPB grant	23,089	24,517
Net assets released from restrictions		
Satisfaction of purpose restrictions	(23,089)	(24,517)
Change in temporarily restricted net assets	-	-
Change in net assets	(64,116)	(91,230)
Net assets - beginning of year	216,132	307,362
Net assets - end of year	\$ 152,016	\$ 216,132

See accompanying notes.

BACK PORCH RADIO BROADCASTING, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (64,116)	\$ (91,230)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	13,422	25,589
Change in allowance for uncollectible pledges	(15,213)	(113)
Bonds payable forgiveness	(1,734)	-
(Increase) decrease in assets		
Accounts receivable	(300)	-
Pledges receivable	47,456	(16,041)
Grants receivable	-	30,930
Prepaid expenses	2,980	440
Inventory	3,903	4,832
Increase (decrease) in liabilities		
Accounts payable	(1,881)	1,881
Accrued expenses	(9,352)	2,994
Deferred revenue	9,009	(2,841)
Net cash used in operating activities	(15,826)	(43,559)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	(1,460)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease payable	(1,381)	(4,143)
Net change in cash	(17,207)	(49,162)
Cash - beginning of year	131,281	180,443
Cash - end of year	\$ 114,074	\$ 131,281
SUPPLEMENTAL DISCLOSURES		
Noncash financing transactions		
Bonds payable forgiveness	\$ 1,734	\$ -

See accompanying notes.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

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

WORT 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 WORT in perpetuity.

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.

Pledges Receivable

Pledges receivable consist of amounts due from listener sponsors for recent pledge drives and grants from government entities, which are all due within one year. Pledges receivable at June 30, 2016 and 2015 are shown net of an allowance for uncollectible pledges of \$11,823 and \$27,036. The allowance is based on the collections from previous pledge drives and management's uncollectible estimate of 5%.

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, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Purchases of property and equipment that exceed \$1,000 are capitalized at cost and depreciated using the straight-line method over the assets' estimated useful lives. Certain purchases of equipment are made with grant funds. In the event the grant terminates 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 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 restrictions 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 provided by the grantor or other outside party for particular services are deemed to be earned and reported as revenue when WORT has incurred expenses in compliance with specific requirements. Such amounts received, but not earned, are reported as deferred revenue. Such amounts earned, but 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 temporarily or permanently restricted net assets depending on the nature of the restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. When a restriction expires, temporarily restricted net assets are classified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions

Income Tax Status

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.

Date of Management Review

Management has evaluated subsequent events through October 19, 2016, the date which the financial statements were available to be issued.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The costs of providing WORT's 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 services and supporting activities benefited. The following programs and supporting activities are included in the accompanying financial statements:

Programming and Production – Includes program acquisition costs and the expenses related to the production of non-commercial, educational radio programming.

Broadcasting – Includes radio tower rental, broadcasting equipment costs and other expenses related to the dissemination of non-commercial, educational radio programming.

Program Information and Promotion – Includes expenses related to the dissemination of information about non-commercial, educational radio programming to members and the public at large.

Management and General – Includes accounting and production of financial reports, development of the annual budget, supervision of all departments and maintenance of personnel records.

Fundraising and Membership Development – Includes the cultivation of new donor-members, fundraising events, and mailings.

Underwriting and Grant Solicitation – Includes the costs associated with grant writing and solicitation of underwriters.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2016 and 2015 consisted of the following:

	2016	2015
Land	\$ 13,000	\$ 13,000
Buildings and improvements	205,622	205,622
Broadcasting and station equipment	478,121	498,834
Property and equipment	696,743	717,456
Less accumulated depreciation	667,395	674,686
Property and equipment - net	\$ 29,348	\$ 42,770

Depreciation expense for the years ended June 30, 2016 and 2015 was \$13,422 and \$25,589.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 3 – BONDS PAYABLE

Debt consists of various building bonds payable at June 30, 2015 that have been issued to the general public in denominations of \$250 to \$1,000. Rates range between 8.5% and 9.5% for terms between 1 year and 5 years with interest compounded annually and payable upon maturity. The bonds were secured by real estate. All of the bonds have matured and been forgiven. No interest was paid in the years ended June 30, 2016 and 2015.

NOTE 4 – NET ASSETS

Board designated net assets at June 30, 2016 and 2015 were comprised of \$175,000 as an operating reserve and \$200,000 for unspecified future projects.

Temporarily restricted net assets at June 30, 2016 and 2015 were available for the purpose of creating a media justice toolkit.

NOTE 5 – COMMITMENTS

WORT leases tower space for its antenna used in broadcasting under a three-year lease that expires January 31, 2017 with monthly payments of \$2,429. Future minimum lease payments for the year ending June 30, 2017 are \$18,746.

WORT leases office equipment under a five-year lease that expires January 15, 2020 with monthly payments of \$376. Future minimum lease payments for the years ending June 30, 2017, 2018, 2019, and 2020 are \$4,512, \$4,512, \$4,512, and \$2,632.

Total lease expense for the years ended June 30, 2016 and 2015 was \$36,250 and \$31,560.

NOTE 6 – DONATED MATERIALS AND SERVICES

The estimated fair value of donated materials and services for the years ended June 30, 2016 and 2015 recorded in the financial statements are as follows:

	2016	2015
Donated materials	\$ 55	\$ 550
Donated services		
Website and e-mail services	-	6,012
Server work	2,100	-
Legal services	5,200	-
Telecommunications	-	3,000
Maintenance services	2,810	1,700
	\$ 10,165	\$ 11,262

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.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 7 – RETIREMENT PLAN

WORT maintains a SIMPLE IRA retirement plan for its employees. Employer contributions to the plan are 2% of the employee's annual compensation, and these contributions vest immediately. Retirement expense for the years ended June 30, 2016 and 2015 was \$5,676 and \$5,488.

NOTE 8 – CONCENTRATIONS

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. A significant reduction in the level of this support may have an adverse effect on WORT's programs and activities.

Broadcasting License

WORT is licensed to broadcast by the Federal Communications Commission. This license is subject to periodic review and renewal by the Commission. The current license is for an eight-year term ending December 1, 2020.

Collective Bargaining Agreement

WORT has a collective bargaining agreement with employee union SEIU Local 150 that covers full time staff. The agreement expires June 30, 2018.

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 was required. The PTFP equipment held by WORT as of June 30, 2016 is recorded at a cost of \$161,738, with accumulated depreciation of \$154,633. The 10-year Federal interest has now been satisfied and the equipment is owned by WORT without encumbrance.

NOTE 9 – SUBSEQUENT EVENT

On July 28, 2016, WORT opened a \$40,000 line of credit with a fixed interest rate of 6.5%. Future minimum payments on any unpaid principal and interest balance are \$9,600 and \$9,600 for the years ending June 30, 2018 and 2019, respectively. The final payment of unpaid principal and interest is due July 28, 2019. The credit line is secured by the WORT building.

BACK PORCH RADIO BROADCASTING, INC.
SCHEDULES OF FUNCTIONAL EXPENSES
Years ended June 30, 2016 and 2015

	Programming & Production	Broadcasting	Program Information & Promotion	Total Program Services	Management and General	Fundraising & Membership Development	Underwriting and Grant Solicitation	Total Supporting Activities	2016 Total
Personnel	\$ 158,475	\$ 133,713	\$ 39,619	\$ 331,807	\$ 54,475	\$ 59,428	\$ 49,523	\$ 163,426	\$ 495,233
Equipment rental and maintenance	6,062	34,353	3,031	43,446	504	4,547	2,021	7,072	50,518
Office expense	5,903	4,340	1,389	11,632	8,000	17,988	1,736	27,724	39,356
Occupancy	9,656	13,132	3,090	25,878	4,249	4,635	3,862	12,746	38,624
Programs and subscriptions	9,899	14,849	-	24,748	-	-	-	-	24,748
Depreciation	2,685	9,396	-	12,081	1,341	-	-	1,341	13,422
Printing and postage	1,451	1,209	726	3,386	2,661	14,513	3,628	20,802	24,188
Professional fees	-	-	-	-	13,165	-	-	13,165	13,165
Donated services	1,227	1,669	393	3,289	5,741	589	491	6,821	10,110
Travel and training	183	-	-	183	183	-	-	183	366
Donated materials	-	-	-	-	-	55	-	55	55
Other expenses	1,727	1,439	1,151	4,317	5,689	21,039	4,605	31,333	35,650
Total expenses	\$ 197,268	\$ 214,100	\$ 49,399	\$ 460,767	\$ 96,008	\$ 122,794	\$ 65,866	\$ 284,668	\$ 745,435

See Note 6 for discussion of the 23,500 volunteer hours.

	Programming & Production	Broadcasting	Program Information & Promotion	Total Program Services	Management and General	Fundraising & Membership Development	Underwriting and Grant Solicitation	Total Supporting Activities	2015 Total
Personnel	\$ 146,476	\$ 160,590	\$ 30,653	\$ 337,719	\$ 71,856	\$ 47,147	\$ 33,724	\$ 152,727	\$ 490,446
Equipment rental and maintenance	9,513	42,439	174	52,126	406	267	191	864	52,990
Office expense	3,614	3,743	772	8,129	7,354	27,281	1,032	35,667	43,796
Occupancy	12,420	13,617	2,599	28,636	6,092	3,998	2,860	12,950	41,586
Programs and subscriptions	27,275	-	35	27,310	5,192	1,600	-	6,792	34,102
Depreciation	2,431	23,030	-	25,461	128	-	-	128	25,589
Printing and postage	1,239	1,359	1,012	3,610	609	15,474	1,609	17,692	21,302
Professional fees	225	-	-	225	11,674	113	-	11,787	12,012
Donated services	-	9,012	-	9,012	1,700	-	-	1,700	10,712
Travel and training	444	-	-	444	190	1	-	191	635
Donated materials	150	-	-	150	400	-	-	400	550
Other expenses	2,606	-	-	2,606	2,121	38,745	449	41,315	43,921
Total expenses	\$ 206,393	\$ 253,790	\$ 35,245	\$ 495,428	\$ 107,722	\$ 134,626	\$ 39,865	\$ 282,213	\$ 777,641