

BACK PORCH RADIO BROADCASTING, INC.

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

June 30, 2003 and 2002

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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, 2003 and 2002, 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, 2003 and 2002, 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 4, 2003

BACK PORCH RADIO BROADCASTING, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2003 and 2002

	2003	2002
ASSETS		
CURRENT ASSETS		
Cash	\$ 408,306	\$ 188,218
Accounts receivable	16,674	21,418
Pledges receivable	8,272	10,365
Prepaid expenses	9,294	7,205
Inventory	7,681	4,846
Total current assets	450,227	232,052
PROPERTY AND EQUIPMENT		
Land	13,000	13,000
Buildings and improvements	196,704	196,704
Broadcasting and station equipment	326,998	326,998
Property and equipment	536,702	536,702
Less accumulated depreciation	385,178	365,241
Property and equipment - net	151,524	171,461
Total assets	\$ 601,751	\$ 403,513
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 7,470	\$ 31,736
Accounts payable	1,554	1,014
Accrued expenses	16,547	13,876
Deferred revenue	2,904	6,965
Total current liabilities	28,475	53,591
Long-term debt less current maturities	26,260	31,694
Total liabilities	54,735	85,285
NET ASSETS		
Unrestricted	205,300	235,184
Board Designated	327,177	63,322
Total unrestricted	532,477	298,506
Temporarily restricted	14,539	19,722
Total net assets	547,016	318,228
Total liabilities and net assets	\$ 601,751	\$ 403,513

See accompanying notes

BACK PORCH RADIO BROADCASTING, INC.
STATEMENTS OF ACTIVITIES
Years ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
UNRESTRICTED NET ASSETS		
SUPPORT, REVENUE AND RECLASSIFICATIONS		
Contributions	\$ 552,626	\$ 315,741
CPB Grant	56,503	54,420
Donated materials	350	7,698
Donated services	5,088	6,564
Special events	23,993	17,440
Program underwriting	37,080	25,791
Other income	<u>7,572</u>	<u>7,527</u>
Total support and revenue	683,212	435,181
Net assets released from restrictions		
Satisfaction of program restrictions	<u>27,917</u>	<u>23,193</u>
Total support, revenue and reclassifications	711,129	458,374
EXPENSES		
Program services		
Programming and production	157,348	118,268
Broadcasting	118,852	131,211
Program information and promotion	<u>24,196</u>	<u>23,361</u>
Total program services	300,396	272,840
Supporting activities		
Management and general	75,851	70,012
Fundraising and membership development	41,077	56,234
Underwriting and grant solicitation	<u>59,834</u>	<u>57,725</u>
Total supporting activities	<u>176,762</u>	<u>183,971</u>
Total expenses	<u>477,158</u>	<u>456,811</u>
Change in unrestricted net assets	233,971	1,563
TEMPORARILY RESTRICTED NET ASSETS		
CPB Grant	22,734	22,390
Net assets released from restrictions	<u>(27,917)</u>	<u>(23,193)</u>
Change in temporarily restricted net assets	<u>(5,183)</u>	<u>(803)</u>
Change in net assets	228,788	760
Net assets - beginning of year	<u>318,228</u>	<u>317,468</u>
Net assets - end of year	<u><u>\$ 547,016</u></u>	<u><u>\$ 318,228</u></u>

See accompanying notes

BACK PORCH RADIO BROADCASTING, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2003 and 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 228,788	\$ 760
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	19,937	19,993
Donated equipment	-	(3,500)
Increase in allowance for uncollectible pledges	12,640	81
(Increase) decrease in assets		
Accounts receivable	4,744	7,961
Pledges receivable	(10,547)	(6,982)
Prepaid expenses	(2,089)	(1,295)
Inventory	(2,835)	2,068
Increase (decrease) in liabilities		
Accounts payable	540	(2,514)
Accrued expenses	2,671	(2,090)
Deferred revenue	(4,061)	3,303
	249,788	17,785
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of refinanced debt	36,180	-
Payments of debt	(65,880)	(6,706)
	(29,700)	(6,706)
Net cash used in financing activities		
	220,088	11,079
Net change in cash		
Cash - beginning of year	188,218	177,139
	\$ 408,306	\$ 188,218
	\$ 408,306	\$ 188,218
SUPPLEMENTARY INFORMATION		
Cash paid for interest	\$ 2,500	\$ 5,245
Non cash investing activities		
Donated equipment	-	3,500

See accompanying notes

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2003 and 2002

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 \$150,000 as an operating reserve. In addition, WORT received a large donation in 2003, which the Board will designate for specific purposes. As of June 30, 2003 these purposes had not been determined.

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.

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 \$22,558 and \$9,918 for the years ended June 30, 2003 and 2002. This amount is based on the collection of pledges from previous pledge drives.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2003 and 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Property and Equipment

Purchases of property and equipment that exceed \$500 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 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 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.

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.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2003 and 2002

NOTE 2 – ACCOUNTS RECEIVABLE

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

	<u>2003</u>	<u>2002</u>
Community Shares of Wisconsin	\$ 13,403	\$ 13,104
Underwriting services to local businesses	3,271	8,314
Accounts receivable	<u>\$ 16,674</u>	<u>\$ 21,418</u>

NOTE 3 – LONG-TERM DEBT

Long-term debt at June 30, 2003 and 2002 consisted of the following:

	<u>2003</u>	<u>2002</u>
6.75% mortgage, monthly payments of \$600 including interest, matures August 2008, secured by real estate and a general business security agreement	\$ 31,480	\$ -
8% mortgage, including interest, secured by real estate and a general business security agreement	-	61,180
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	33,730	63,430
Less current maturities	<u>7,470</u>	<u>31,736</u>
Long-term debt less current maturities	<u>\$ 26,260</u>	<u>\$ 31,694</u>

Interest expense was \$2,500 and \$5,245 for the years ended June 30, 2003 and 2002. Future maturities of long-term debt are as follows for years ending June 30:

2004	\$ 7,470
2005	5,584
2006	5,972
2007	6,388
2008	6,833
Thereafter	1,483

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
 June 30, 2003 and 2002

NOTE 4 – 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 was \$4,332 and \$4,086 for the years ended June 30, 2003 and 2002.

NOTE 5 – LEASES

WORT leases tower space on an antenna used in broadcasting for \$1,250 per month under a lease that expires in January 2006. Total rent expense for the years ended June 30, 2003 and 2002 was \$14,578 and \$14,280. Future minimum lease payments for the years ending June 30, 2004, 2005, and 2006 are \$15,000, \$15,000, and \$8,750.

NOTE 6 – DONATED MATERIALS AND SERVICES

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

	2003	2002
Donated materials and equipment	\$ 350	\$ 7,698
Donated services		
Website and e-mail services	2,688	4,164
Parking	2,400	2,400
Donated services	5,088	6,564
Donated materials and services	\$ 5,438	\$ 14,262

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 set forth in SFAS 116.

NOTE 7 – 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.

Broadcasting License

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

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2003 and 2002

NOTE 7 – CONTINGENCIES (continued)

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 \$302,791 and \$52,062 at June 30, 2003 and 2002.

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, 2003 is recorded at a cost of \$126,214, with accumulated depreciation of \$88,810.

Collective Bargaining Agreement

WORT has a collective bargaining agreement with employee union SEIU Local 150 that covers full time staff. The agreement in effect at June 30, 2003 expires in June 2006.

BACK PORCH RADIO BROADCASTING, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
Year ended June 30, 2003

	Programming & Production	Broadcasting	Program Information & Promotion	Total Program Services
Personnel	\$ 104,716	\$ 69,199	\$ 19,005	\$ 192,920
Occupancy	6,557	4,332	1,190	12,079
Direct expenses	42,044	26,105	3,669	71,818
Donated goods	350	-	-	350
Donated services	1,831	1,210	332	3,373
Depreciation	1,850	18,006	-	19,856
 Total expenses	 \$ 157,348	 \$ 118,852	 \$ 24,196	 \$ 300,396

<u>Management and General</u>	<u>Fundraising & Membership Development</u>	<u>Underwriting and Grant Solicitation</u>	<u>Total Supporting Activities</u>	<u>Total Expenses</u>
\$ 47,274	\$ 35,605	\$ 15,267	\$ 98,146	\$ 291,066
2,960	2,229	956	6,145	18,224
24,710	2,621	43,344	70,675	142,493
-	-	-	-	350
826	622	267	1,715	5,088
81	-	-	81	19,937
<u>\$ 75,851</u>	<u>\$ 41,077</u>	<u>\$ 59,834</u>	<u>\$ 176,762</u>	<u>\$ 477,158</u>