

**BACK PORCH RADIO BROADCASTING, INC.**

**FINANCIAL STATEMENTS WITH  
SUPPLEMENTARY INFORMATION**

June 30, 2004 and 2003

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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, 2004 and 2003, 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, 2004 and 2003, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying 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  
November 22, 2004

**BACK PORCH RADIO BROADCASTING, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2004 and 2003

	2004	2003
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 292,388	\$ 408,309
Certificates of deposit	150,959	-
Accounts receivable	16,949	16,674
Pledges receivable	2,679	8,272
Prepaid expenses	12,228	9,291
Inventory	6,226	7,681
<b>Total current assets</b>	<b>481,429</b>	<b>450,227</b>
<b>PROPERTY AND EQUIPMENT</b>		
Land	13,000	13,000
Buildings and improvements	196,704	196,704
Broadcasting and station equipment	326,998	326,998
<b>Property and equipment</b>	<b>536,702</b>	<b>536,702</b>
Less accumulated depreciation	405,089	385,178
<b>Property and equipment - net</b>	<b>131,613</b>	<b>151,524</b>
<b>Total assets</b>	<b>\$ 613,042</b>	<b>\$ 601,751</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 2,250	\$ 7,470
Accounts payable	1,497	1,554
Accrued expenses	10,371	16,547
Deferred revenue	2,119	2,904
<b>Total current liabilities</b>	<b>16,237</b>	<b>28,475</b>
Long-term debt less current maturities	-	26,260
<b>Total liabilities</b>	<b>16,237</b>	<b>54,735</b>
<b>NET ASSETS</b>		
Unrestricted	244,934	205,300
Board designated	350,000	327,177
<b>Total unrestricted</b>	<b>594,934</b>	<b>532,477</b>
Temporarily restricted	1,871	14,539
<b>Total net assets</b>	<b>596,805</b>	<b>547,016</b>
<b>Total liabilities and net assets</b>	<b>\$ 613,042</b>	<b>\$ 601,751</b>

See accompanying notes

**BACK PORCH RADIO BROADCASTING, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years ended June 30, 2004 and 2003

	2004	2003
<b>UNRESTRICTED NET ASSETS</b>		
<b>SUPPORT, REVENUE AND RECLASSIFICATIONS</b>		
Contributions	\$ 353,790	\$ 552,626
CPB grant	59,712	56,503
Donated equipment and services	3,388	5,438
Special events	26,078	23,993
Program underwriting	52,435	37,080
Other income	10,071	7,572
<b>Total support and revenue</b>	<b>505,474</b>	<b>683,212</b>
Net assets released from restrictions		
Satisfaction of program restrictions	35,432	27,917
<b>Total support, revenue and reclassifications</b>	<b>540,906</b>	<b>711,129</b>
<b>EXPENSES</b>		
Program services		
Programming and production	128,657	157,348
Broadcasting	119,956	118,852
Program information and promotion	24,722	24,196
<b>Total program services</b>	<b>273,335</b>	<b>300,396</b>
Supporting activities		
Management and general	82,850	75,851
Fundraising and membership development	45,146	41,077
Underwriting and grant solicitation	77,118	59,834
<b>Total supporting activities</b>	<b>205,114</b>	<b>176,762</b>
<b>Total expenses</b>	<b>478,449</b>	<b>477,158</b>
<b>Change in unrestricted net assets</b>	<b>62,457</b>	<b>233,971</b>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
CPB grant	22,764	22,734
Net assets released from restrictions	(35,432)	(27,917)
<b>Change in temporarily restricted net assets</b>	<b>(12,668)</b>	<b>(5,183)</b>
<b>Change in net assets</b>	<b>49,789</b>	<b>228,788</b>
Net assets - beginning of year	547,016	318,228
<b>Net assets - end of year</b>	<b>\$ 596,805</b>	<b>\$ 547,016</b>

See accompanying notes

**BACK PORCH RADIO BROADCASTING, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 49,789	\$ 228,788
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	19,911	19,937
Increase in allowance for uncollectible pledges	7,979	12,640
(Increase) decrease in assets		
Accounts receivable	(275)	4,744
Pledges receivable	(2,386)	(10,547)
Prepaid expenses	(2,937)	(2,086)
Inventory	1,455	(2,835)
Increase (decrease) in liabilities		
Accounts payable	(57)	540
Accrued expenses	(6,176)	2,671
Deferred revenue	(785)	(4,061)
<b>Net cash provided by operating activities</b>	<u>66,518</u>	<u>249,791</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of certificate of deposit	(150,959)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds of refinanced debt	-	36,180
Payments of debt	(31,480)	(65,880)
<b>Net cash used in financing activities</b>	<u>(31,480)</u>	<u>(29,700)</u>
<b>Net change in cash</b>	(115,921)	220,091
Cash - beginning of year	<u>408,309</u>	<u>188,218</u>
<b>Cash - end of year</b>	<u>\$ 292,388</u>	<u>\$ 408,309</u>
<b>SUPPLEMENTARY INFORMATION</b>		
Cash paid for interest	\$ 1,779	\$ 2,500

See accompanying notes

**BACK PORCH RADIO BROADCASTING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2004 and 2003

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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, 2004 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.

**Certificates of Deposit**

Certificates of deposit are stated at cost, which approximates fair value.

**Accounts Receivable**

WORT considers all 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.

**BACK PORCH RADIO BROADCASTING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2004 and 2003

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**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 \$30,537 and \$22,558 for the years ended June 30, 2004 and 2003. This amount is based on the collection of pledges from previous pledge drives.

**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 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 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. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

**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, 2004 and 2003

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**NOTE 2 – ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2004 and 2003 consisted of the following:

	<u>2004</u>	<u>2003</u>
Community Shares of Wisconsin	\$ 15,176	\$ 13,403
Underwriting services to local businesses	<u>1,773</u>	<u>3,271</u>
Accounts receivable	<u>\$ 16,949</u>	<u>\$ 16,674</u>

**NOTE 3 – LONG-TERM DEBT**

Long-term debt at June 30, 2004 and 2003 consisted of the following:

	<u>2004</u>	<u>2003</u>
6.75% mortgage, monthly payments of \$600 including interest, matures August 2008, secured by real estate and a general business security agreement. Paid in April 2004.	\$ -	\$ 31,480
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	2,250	33,730
Less current maturities	<u>2,250</u>	<u>7,470</u>
Long-term debt less current maturities	<u>\$ -</u>	<u>\$ 26,260</u>

Interest expense was \$1,779 and \$2,500 for the years ended June 30, 2004 and 2003. Future maturity of long-term debt is \$2,250 due in the coming year.

**BACK PORCH RADIO BROADCASTING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2004 and 2003

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**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 \$4,229 and \$4,332 for the years ended June 30, 2004 and 2003.

**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, 2004 and 2003 was \$15,619 and \$14,578. Future minimum lease payments for the years ending June 30, 2005 and 2006 are \$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:

	<u>2004</u>	<u>2003</u>
Donated equipment	\$ 700	\$ 350
Donated services		
Website and e-mail services	2,688	2,688
Parking	-	2,400
	<u>3,388</u>	<u>5,438</u>
Donated materials and services	\$ <u>3,388</u>	\$ <u>5,438</u>

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, 2004 and 2003

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**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 \$91,939 and \$302,791 at June 30, 2004 and 2003.

**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, 2004 is recorded at a cost of \$126,214, with accumulated depreciation of \$96,674.

**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, 2004 expires in June 2006.

**BACK PORCH RADIO BROADCASTING, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
Year ended June 30, 2004

	<u>Programming &amp; Production</u>	<u>Broadcasting</u>	<u>Program Information &amp; Promotion</u>	<u>Total Program Services</u>
Personnel	\$ 81,784	\$ 71,097	\$ 19,867	\$ 172,748
Occupancy	4,984	4,332	1,211	10,527
Direct expenses	38,582	25,885	3,460	67,927
Donated equipment	700	-	-	700
Donated services	759	660	184	1,603
Depreciation	1,848	17,982	-	19,830
<b>Total expenses</b>	<b><u>\$ 128,657</u></b>	<b><u>\$ 119,956</u></b>	<b><u>\$ 24,722</u></b>	<b><u>\$ 273,335</u></b>

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<u>Management and General</u>	<u>Fundraising &amp; Membership Development</u>	<u>Underwriting and Grant Solicitation</u>	<u>Total Supporting Activities</u>	<u>Total Expenses</u>
\$ 49,187	\$ 39,829	\$ 29,257	\$ 118,273	\$ 291,021
2,906	2,427	1,782	7,115	17,642
30,233	2,520	45,807	78,560	146,487
-	-	-	-	700
443	370	272	1,085	2,688
81	-	-	81	19,911
<u>\$ 82,850</u>	<u>\$ 45,146</u>	<u>\$ 77,118</u>	<u>\$ 205,114</u>	<u>\$ 478,449</u>