

**BACK PORCH RADIO BROADCASTING, INC.**

**FINANCIAL STATEMENTS WITH  
SUPPLEMENTARY INFORMATION**

June 30, 2007 and 2006

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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, 2007 and 2006, 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 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 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 the 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, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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  
December 11, 2007



**BACK PORCH RADIO BROADCASTING, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 203,229	\$ 250,002
Certificates of deposit	-	157,991
Accounts receivable	2,925	13,135
Pledges receivable	39,250	45,590
Prepaid expenses	11,854	11,789
Inventory	11,663	10,691
Total current assets	268,921	489,198
<b>PROPERTY AND EQUIPMENT</b>		
Land	13,000	13,000
Buildings and improvements	196,704	196,704
Broadcasting and station equipment	423,258	425,899
Property and equipment	632,962	635,603
Less accumulated depreciation	477,098	454,475
Property and equipment - net	155,864	181,128
Land held for resale	9,500	-
Investments	224,323	-
<b>Total assets</b>	<u>\$ 658,608</u>	<u>\$ 670,326</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 3,592	\$ 428
Accrued expenses	14,488	13,203
Deferred revenue	4,913	5,273
Bonds payable	2,250	2,250
Total liabilities	25,243	21,154
<b>NET ASSETS</b>		
Undesignated	246,457	270,587
Board designated	375,000	375,000
Total unrestricted	621,457	645,587
Temporarily restricted	11,908	3,585
Total net assets	633,365	649,172
<b>Total liabilities and net assets</b>	<u>\$ 658,608</u>	<u>\$ 670,326</u>

See accompanying notes.

**BACK PORCH RADIO BROADCASTING, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years ended June 30, 2007 and 2006

	2007	2006
<b>UNRESTRICTED NET ASSETS</b>		
<b>SUPPORT, REVENUE AND RECLASSIFICATIONS</b>		
Contributions	\$ 343,678	\$ 335,297
CPB grant	59,772	67,154
Donated materials and services	9,352	17,010
Special events	42,975	35,588
Program underwriting	40,715	41,200
Investment income	29,369	9,050
Other income	3,898	8,006
 Total support and revenue	 529,759	 513,305
 Net assets released from restrictions		
Satisfaction of program restrictions	19,935	25,455
 Total support, revenue and reclassifications	 549,694	 538,760
 <b>EXPENSES</b>		
<b>Program services</b>		
Programming and production	140,866	123,546
Broadcasting	170,325	147,593
Program information and promotion	41,887	27,407
 Total program services	 353,078	 298,546
 <b>Supporting activities</b>		
Management and general	90,826	92,325
Fundraising and membership development	129,920	132,320
 Total supporting activities	 220,746	 224,645
 Total expenses	 573,824	 523,191
 <b>Change in unrestricted net assets</b>	 (24,130)	 15,569
 <b>TEMPORARILY RESTRICTED NET ASSETS</b>		
CPB grant	28,258	25,485
Net assets released from restrictions		
Satisfaction of program restrictions	(19,935)	(25,455)
 <b>Change in temporarily restricted net assets</b>	 8,323	 30
 <b>Change in net assets</b>	 (15,807)	 15,599
 Net assets - beginning of year	 649,172	 633,573
 <b>Net assets - end of year</b>	 \$ 633,365	 \$ 649,172

See accompanying notes.

**BACK PORCH RADIO BROADCASTING, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (15,807)	\$ 15,599
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	25,265	28,186
Unrealized gain on investments	(17,548)	-
Donated land held for resale	(9,500)	-
Donated equipment	-	(13,885)
Change in allowance for uncollectible pledges	235	513
(Increase) decrease in assets		
Accounts receivable	10,210	(8,081)
Pledges receivable	6,105	19,267
Prepaid expenses	(65)	4,048
Inventory	(973)	(2,172)
Increase (decrease) in liabilities		
Accounts payable	3,164	(66,328)
Accrued expenses	1,285	(319)
Deferred revenue	(360)	359
<b>Net cash provided by (used in) operating activities</b>	<u>2,011</u>	<u>(22,813)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of certificate of deposit	-	(5,150)
Redemption of certificates of deposit	157,991	-
Purchase of investments	(206,775)	-
<b>Net cash used in investing activities</b>	<u>(48,784)</u>	<u>(5,150)</u>
<b>Net change in cash</b>	(46,773)	(27,963)
Cash - beginning of year	<u>250,002</u>	<u>277,965</u>
<b>Cash - end of year</b>	<u>\$ 203,229</u>	<u>\$ 250,002</u>
<b>SUPPLEMENTARY INFORMATION</b>		
Noncash investing activities		
Donated land held for resale	\$ 9,500	\$ -
Donated equipment	-	13,885

See accompanying notes.

**BACK PORCH RADIO BROADCASTING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007 and 2006

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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 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 restrictions. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects or investments. The Board has designated \$175,000 as an operating reserve and \$200,000 as the Independence Fund at June 30, 2007 and 2006.

**Temporarily Restricted Net Assets** - Net assets subject to donor-imposed restrictions 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.

**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.

**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, 2007 and 2006

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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 and grants from government entities, which are all due within one year. Pledges receivable are shown net of an allowance for uncollectible pledges of \$9,104 and \$8,869 for the years ended June 30, 2007 and 2006. This amount is based on the collection of pledges from previous pledge drives. Past experience shows that about 4% of pledges made are not collected.

**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.

**Investments**

Investments in marketable securities with readily determinable fair values are stated at their fair values in the statements of financial position. Realized and unrealized gains and losses are included in the change in unrestricted net assets in the accompanying statements of activities

**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.



**BACK PORCH RADIO BROADCASTING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007 and 2006

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

**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.

**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. 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 members, fundraising events, and member mailings.

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

**BACK PORCH RADIO BROADCASTING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007 and 2006

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**NOTE 2 – ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2007 and 2006 consisted of the following:

	2007	2006
Underwriting services to local businesses	\$ 2,925	\$ 5,560
Other receivable	-	7,575
	<u>\$ 2,925</u>	<u>\$ 13,135</u>
Accounts receivable	<u>\$ 2,925</u>	<u>\$ 13,135</u>

**NOTE 3 – LAND HELD FOR RESALE**

During the year ended June 30, 2007, a donation of land was received. Management's intent is to have a fundraiser to sell this land at a future date.

**NOTE 4 – INVESTMENTS**

Investments at June 30, 2007 consists of various mutual funds. Investment income for the years ended June 30, 2007 and 2006 consisted of:

	2007	2006
Interest and dividends	\$ 11,821	\$ 9,050
Unrealized gains	17,548	-
	<u>\$ 29,369</u>	<u>\$ 9,050</u>
Investment income	<u>\$ 29,369</u>	<u>\$ 9,050</u>

**NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2007 and 2006 were restricted for specific projects and consisted of the following:

	2007	2006
Program acquisition	\$ 6,723	\$ 3,585
Media Justice Toolkit	5,185	-
	<u>\$ 11,908</u>	<u>\$ 3,585</u>
Temporarily restricted net assets	<u>\$ 11,908</u>	<u>\$ 3,585</u>

**BACK PORCH RADIO BROADCASTING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007 and 2006

**NOTE 6 – BONDS PAYABLE**

Debt consists of various building bonds payable totaling \$2,250 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, and no interest was paid in the years ending December 31, 2006 and 2005.

**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, 2007 and 2006 was \$4,973 and \$4,379.

**NOTE 8 – LEASES**

WORT leases tower space for its antenna used in broadcasting for \$1,663 per month, with a 5% increase each year, under a lease that expires January 31, 2011. Total rent expense for the years ended June 30, 2007 and 2006 was \$20,273 and \$18,899. Future minimum lease payments for the year ending June 30, 2008, 2009, 2010, 2011, and 2012 are \$20,372, \$21,390, \$22,460, \$23,583, and \$14,150.

**NOTE 9 – DONATED MATERIALS AND SERVICES**

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

	2007	2006
Donated equipment	\$ 3,900	\$ 14,785
Donated services		
Website and e-mail services	1,608	2,225
Graphic arts	770	-
Maintenance services	3,074	-
Donated equipment and services	\$ 9,352	\$ 17,010

During the year ended June 30, 2006, satellite equipment, valued at \$13,885, was donated from the Public Radio Satellite System as part of the FISPO (Future Interconnection System Project Office) program and is used for broadcasting. A computer, valued at \$900 was donated from an individual, and the website and email services are used for station administration.

During the year ended June 30, 2007, a computer, valued at \$1,200 was donated and is used for broadcasting. Various supplies, valued at \$2,783, and website hosting, email services, graphic design services and building repair services, valued at \$5,369, were also donated to the station, and are used for fundraising and station administration.

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.

**BACK PORCH RADIO BROADCASTING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007 and 2006

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NOTE 10 – 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 8-year term ending December 1, 2012.

**Concentration of Credit Risk**

WORT maintains cash balances at several financial institutions. The Federal Deposit Insurance Corporation insures accounts at each institution up to \$100,000. WORT maintains deposits in financial institutions that at times may exceed federally insured limits.

**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, 2007 is recorded at a cost of \$126,214, with accumulated depreciation of \$120,294.

**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, 2007 is up for renewal on June 30, 2009.

**BACK PORCH RADIO BROADCASTING, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
Year ended June 30, 2007

	<u>Programming &amp; Production</u>	<u>Broadcasting</u>	<u>Program Information &amp; Promotion</u>	<u>Total Program Services</u>
Personnel	\$ 87,961	\$ 103,090	\$ 24,910	\$ 215,961
Occupancy	8,935	9,504	2,253	20,692
Administrative expenses	1,898	2,161	1,379	5,438
Equipment, rental, and maintenance	9,021	29,692	363	39,076
Programs and subscriptions	20,070	-	50	20,120
Printing and postage	1,495	1,441	1,019	3,955
Professional fees	-	-	705	705
Other expenses	1,952	-	100	2,052
Conferences	-	-	10,720	10,720
Travel and training	1,825	-	-	1,825
Donated equipment	3,983	-	-	3,983
Donated services	1,382	1,620	388	3,390
Depreciation	2,344	22,817	-	25,161
	<u>\$ 140,866</u>	<u>\$ 170,325</u>	<u>\$ 41,887</u>	<u>\$ 353,078</u>
Total expenses	<u>\$ 140,866</u>	<u>\$ 170,325</u>	<u>\$ 41,887</u>	<u>\$ 353,078</u>

<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>
\$ 57,279	\$ 53,667	\$ 15,394	\$ 126,340	\$ 342,301
5,717	4,895	1,405	12,017	32,709
4,970	17,258	323	22,551	27,988
834	959	225	2,018	41,094
3,749	-	260	4,009	24,129
782	13,741	360	14,883	18,838
13,469	2,189	-	15,658	16,363
982	9,783	6,789	17,554	19,606
-	-	-	-	10,720
2,048	117	1,469	3,634	5,459
-	-	-	-	3,983
892	843	243	1,978	5,369
104	-	-	104	25,265
<u>\$ 90,826</u>	<u>\$ 103,452</u>	<u>\$ 26,468</u>	<u>\$ 220,746</u>	<u>\$ 573,824</u>