

**BACK PORCH RADIO BROADCASTING, INC.**

**FINANCIAL STATEMENTS WITH  
SUPPLEMENTARY INFORMATION**

June 30, 2008 and 2007

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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, 2008 and 2007, 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, 2008 and 2007, 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 audits were 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  
Madison, Wisconsin  
January 14, 2009



**BACK PORCH RADIO BROADCASTING, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 106,540	\$ 203,372
Accounts receivable	6,975	2,925
Pledges receivable	61,293	39,250
Prepaid expenses	11,988	11,711
Inventory	<u>12,656</u>	<u>11,663</u>
Total current assets	199,452	268,921
<b>PROPERTY AND EQUIPMENT</b>		
Land	13,000	13,000
Buildings and improvements	196,704	196,704
Broadcasting and station equipment	<u>461,522</u>	<u>423,258</u>
Property and equipment	671,226	632,962
Less accumulated depreciation	<u>498,318</u>	<u>477,098</u>
Property and equipment - net	172,908	155,864
Land held for resale	9,500	9,500
Investments	<u>201,168</u>	<u>224,323</u>
<b>Total assets</b>	<u>\$ 583,028</u>	<u>\$ 658,608</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 2,995	\$ 3,592
Accrued expenses	15,170	14,488
Deferred revenue	8,016	4,913
Bonds payable	<u>2,250</u>	<u>2,250</u>
Total liabilities	28,431	25,243
<b>NET ASSETS</b>		
Undesignated	174,412	246,457
Board designated	<u>375,000</u>	<u>375,000</u>
Total unrestricted	549,412	621,457
Temporarily restricted	<u>5,185</u>	<u>11,908</u>
Total net assets	<u>554,597</u>	<u>633,365</u>
<b>Total liabilities and net assets</b>	<u>\$ 583,028</u>	<u>\$ 658,608</u>

See accompanying notes.

**BACK PORCH RADIO BROADCASTING, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years ended June 30, 2008 and 2007

	2008	2007
<b>UNRESTRICTED NET ASSETS</b>		
<b>SUPPORT, REVENUE AND RECLASSIFICATIONS</b>		
Contributions	\$ 389,157	\$ 343,678
CPB grant	57,988	59,772
Donated materials and services	8,320	9,352
Special events	26,744	42,975
Program underwriting	27,603	40,715
Investment return	(18,941)	29,369
Other income	2,808	3,898
<b>Total unrestricted support and revenue</b>	<b>493,679</b>	<b>529,759</b>
Net assets released from restrictions		
Satisfaction of program restrictions	29,095	19,935
<b>Total unrestricted support, revenue and reclassifications</b>	<b>522,774</b>	<b>549,694</b>
<b>EXPENSES</b>		
Program services		
Programming and production	138,696	140,866
Broadcasting	185,728	170,325
Program information and promotion	32,106	41,887
<b>Total program services</b>	<b>356,530</b>	<b>353,078</b>
Supporting activities		
Management and general	92,587	90,826
Fundraising	94,378	103,452
Underwriting and grant solicitation	51,324	26,468
<b>Total supporting activities</b>	<b>238,289</b>	<b>220,746</b>
<b>Total expenses</b>	<b>594,819</b>	<b>573,824</b>
<b>Change in unrestricted net assets</b>	<b>(72,045)</b>	<b>(24,130)</b>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
CPB grant	22,372	28,258
Net assets released from restrictions		
Satisfaction of program restrictions	(29,095)	(19,935)
<b>Change in temporarily restricted net assets</b>	<b>(6,723)</b>	<b>8,323</b>
<b>Change in net assets</b>	<b>(78,768)</b>	<b>(15,807)</b>
Net assets - beginning of year	633,365	649,172
<b>Net assets - end of year</b>	<b>\$ 554,597</b>	<b>\$ 633,365</b>

**BACK PORCH RADIO BROADCASTING, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (78,768)	\$ (15,807)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	21,220	25,265
Unrealized (gain) loss on investments	32,676	(17,548)
Donated land held for resale	-	(9,500)
Change in allowance for uncollectible pledges	2,713	235
(Increase) decrease in assets		
Accounts receivable	(4,050)	10,210
Pledges receivable	(24,756)	6,105
Prepaid expenses	(277)	(718)
Inventory	(993)	(973)
Increase (decrease) in liabilities		
Accounts payable	(597)	3,164
Accrued expenses	682	1,285
Deferred revenue	3,103	(360)
<b>Net cash provided by (used in) operating activities</b>	<u>(49,047)</u>	<u>1,358</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(38,264)	-
Redemption of certificates of deposit	-	157,991
Purchase of investments	(9,521)	(206,775)
<b>Net cash used in investing activities</b>	<u>(47,785)</u>	<u>(48,784)</u>
<b>Net change in cash</b>	(96,832)	(47,426)
Cash - beginning of year	<u>203,372</u>	<u>250,798</u>
<b>Cash - end of year</b>	<u>\$ 106,540</u>	<u>\$ 203,372</u>
<b>SUPPLEMENTARY INFORMATION</b>		
Noncash investing activities		
Donated land held for resale	\$ -	\$ 9,500

See accompanying notes.

**BACK PORCH RADIO BROADCASTING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2008 and 2007

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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**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, 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. The Board has designated \$175,000 as an operating reserve and \$200,000 as the Independence Fund at June 30, 2008 and 2007.

**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**

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.

**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.

**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 \$11,817 and \$9,104 for the years ended June 30, 2008 and 2007. This amount is based on the collection of pledges from previous pledge drives. Past experience shows that about 3% of pledges made are not collected.

**BACK PORCH RADIO BROADCASTING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2008 and 2007

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**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.

**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.

**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.



**BACK PORCH RADIO BROADCASTING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2008 and 2007

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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* – Includes the cultivation of new donor-members, fundraising events, and mailings and the costs associated with grant writing and solicitation of underwriters.

NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2008 and 2007 consisted of the following:

	2008	2007
Underwriting services to local businesses	\$ 6,862	\$ 2,925
Other receivable	113	-
Accounts receivable	\$ 6,975	\$ 2,925

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.

**BACK PORCH RADIO BROADCASTING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2008 and 2007

**NOTE 4 – INVESTMENTS**

Investments at June 30, 2008 and 2007 consisted of various mutual funds. Investment returns for the years ended June 30, 2008 and 2007 consisted of:

	2008	2007
Interest and dividends	\$ 13,735	\$ 13,282
Unrealized gains (losses)	(32,676)	17,548
Investment fees	(2,285)	(1,461)
Investment return	\$ (18,941)	\$ 29,369

Subsequent to the year ended June 30, 2008, the fair value of the investments has declined approximately \$85,000.

**NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2008 and 2007 were restricted for specific projects and consisted of the following:

	2008	2007
Program acquisition	\$ -	\$ 6,723
Media Justice Toolkit	5,185	5,185
Temporarily restricted net assets	\$ 5,185	\$ 11,908

**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 June 30, 2008 and 2007.

**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, 2008 and 2007 was \$5,660 and \$4,973.

**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, 2008 and 2007 was \$20,801 and \$20,273. Future minimum lease payments for the year ending June 30, 2009, 2010, 2011, and 2012 are \$21,390, \$22,460, \$23,583, and \$14,150.

**BACK PORCH RADIO BROADCASTING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2008 and 2007

**NOTE 9 – DONATED MATERIALS AND SERVICES**

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

	2008	2007
Donated materials	\$ 3,775	\$ 3,900
Donated services		
Website and e-mail services	2,220	1,608
Graphic arts	1,200	770
Maintenance services	1,125	3,074
Donated materials and services	\$ 8,320	\$ 9,352

During the year ended June 30, 2008 various supplies, valued at \$3,775 were donated and were used for fundraising. Various services such as web streaming, webhosting, building repair and graphic arts services, valued at \$4,545 were also donated to the station and were used for program services, fundraising and station administration and .

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.

**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.

**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

**BACK PORCH RADIO BROADCASTING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2008 and 2007

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NOTE 10 – CONCENTRATIONS (continued)

as of June 30, 2008 is recorded at a cost of \$161,737, with accumulated depreciation of \$124,240.

**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, 2008 is up for renewal on June 30, 2009.

**BACK PORCH RADIO BROADCASTING, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
Year ended June 30, 2008

	Programming & Production	Broadcasting	Program Information & Promotion	Total Program Services	Management and General	Fundraising & Membership Development	Underwriting and Grant Solicitation	Total Supporting Activities	Total Expenses
Personnel	\$ 84,937	\$ 118,005	\$ 26,328	\$ 229,270	\$ 60,370	\$ 38,195	\$ 37,508	\$ 136,073	\$ 365,343
Occupancy	9,435	12,243	2,724	24,402	6,706	3,952	3,883	14,541	38,943
Administrative expenses	1,536	2,013	487	4,036	4,893	16,195	766	21,854	25,890
Equipment, rental, and maintenance	9,074	32,020	394	41,488	895	731	560	2,186	43,674
Programs and subscriptions	26,665	-	25	26,690	5,229	-	80	5,309	31,999
Printing and postage	556	583	1,770	2,909	233	16,699	197	17,129	20,038
Professional fees	-	-	-	-	10,537	1,000	-	11,537	11,537
Other expenses	1,828	-	50	1,878	983	13,332	6,867	21,182	23,060
Travel and training	1,638	230	-	1,868	1,909	23	995	2,927	4,795
Donated materials	-	-	-	-	-	3,775	-	3,775	3,775
Donated services	1,058	1,470	328	2,856	745	476	468	1,689	4,545
Depreciation	1,969	19,164	-	21,133	87	-	-	87	21,220
<b>Total expenses</b>	<b>\$ 138,696</b>	<b>\$ 185,728</b>	<b>\$ 32,106</b>	<b>\$ 356,530</b>	<b>\$ 92,587</b>	<b>\$ 94,378</b>	<b>\$ 51,324</b>	<b>\$ 186,965</b>	<b>\$ 594,819</b>