

BACK PORCH RADIO BROADCASTING, INC.

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

June 30, 2009 and 2008

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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, 2009 and 2008, 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, 2009 and 2008, 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 schedules of functional expenses are presented for purposes of additional analysis and are 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
November 9, 2009

BACK PORCH RADIO BROADCASTING, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2009 and 2008

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash	\$ 132,940	\$ 106,540
Certificates of deposit	35,041	-
Accounts receivable	-	6,975
Pledges receivable	19,275	61,293
Prepaid expenses	14,499	11,988
Inventory	7,748	12,656
Total current assets	209,503	199,452
PROPERTY AND EQUIPMENT		
Land	13,000	13,000
Buildings and improvements	205,622	196,704
Broadcasting and station equipment	458,959	461,522
Property and equipment	677,581	671,226
Less accumulated depreciation	518,306	498,318
Property and equipment - net	159,275	172,908
OTHER ASSETS		
Certificate of deposit - noncurrent	10,046	-
Land held for resale	9,500	9,500
Investments	47,423	201,168
Total other assets	66,969	210,668
Total assets	\$ 435,747	\$ 583,028
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 2,995
Accrued expenses	22,932	15,170
Deferred revenue	6,388	8,016
Bonds payable	2,250	2,250
Total liabilities	31,570	28,431
NET ASSETS		
Undesignated	23,992	174,412
Board designated	375,000	375,000
Total unrestricted	398,992	549,412
Temporarily restricted	5,185	5,185
Total net assets	404,177	554,597
Total liabilities and net assets	\$ 435,747	\$ 583,028

See accompanying notes.

BACK PORCH RADIO BROADCASTING, INC.
STATEMENTS OF ACTIVITIES
Years ended June 30, 2009 and 2008

	2009	2008
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Contributions	\$ 407,259	\$ 389,157
CPB grant	60,135	57,988
Program underwriting	40,775	27,603
Special events	33,552	26,744
Donated materials and services	5,637	8,320
Investment return	(44,259)	(18,941)
Other income	5,384	2,808
	<u>508,483</u>	<u>493,679</u>
Total unrestricted support and revenue	508,483	493,679
EXPENSES		
Program services		
Programming and production	145,953	138,696
Broadcasting	202,112	185,728
Program information and promotion	43,172	32,106
	<u>391,237</u>	<u>356,530</u>
Total program services	391,237	356,530
Supporting activities		
Management and general	111,989	92,587
Fundraising	123,032	94,378
Underwriting and grant solicitation	53,895	51,324
	<u>288,916</u>	<u>238,289</u>
Total supporting activities	288,916	238,289
Total expenses	680,153	594,819
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of program restrictions	21,250	29,095
	<u>21,250</u>	<u>29,095</u>
Change in unrestricted net assets	(150,420)	(72,045)
TEMPORARILY RESTRICTED NET ASSETS		
CPB grant	21,250	22,372
Net assets released from restrictions		
Satisfaction of program restrictions	(21,250)	(29,095)
	<u>(21,250)</u>	<u>(29,095)</u>
Change in temporarily restricted net assets	-	(6,723)
Change in net assets	(150,420)	(78,768)
Net assets - beginning of year	554,597	633,365
Net assets - end of year	<u>\$ 404,177</u>	<u>\$ 554,597</u>

See accompanying notes.

BACK PORCH RADIO BROADCASTING, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (150,420)	\$ (78,768)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	24,564	21,220
Realized and unrealized loss on investments	47,965	32,676
Gain on sale of property and equipment	(500)	-
Change in allowance for uncollectible pledges	8,923	2,713
(Increase) decrease in assets		
Accounts receivable	6,975	(4,050)
Pledges receivable	33,095	(24,756)
Prepaid expenses	(2,511)	(277)
Inventory	4,908	(993)
Increase (decrease) in liabilities		
Accounts payable	(2,995)	(597)
Accrued expenses	7,762	682
Deferred revenue	(1,628)	3,103
Net cash used in operating activities	<u>(23,862)</u>	<u>(49,047)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of and interest retained in certificates of deposit	(45,087)	-
Purchases of property and equipment	(10,931)	(38,264)
Proceeds from sale of property and equipment	500	-
Purchases of and dividends retained in investments	(3,051)	(9,521)
Proceeds from sales of investments	108,831	-
Net cash provided by (used in) investing activities	<u>50,262</u>	<u>(47,785)</u>
Net change in cash	26,400	(96,832)
Cash - beginning of year	106,540	203,372
Cash - end of year	<u>\$ 132,940</u>	<u>\$ 106,540</u>

See accompanying notes.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

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.

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.

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 \$20,740 and \$11,817 at June 30, 2009 and 2008. 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.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

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.

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.

WORT has elected to defer the application of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, in accordance with FASB Staff Position No. FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. WORT evaluates any uncertain tax positions in accordance with SFAS No. 5, *Accounting for Contingencies*, until it applies the provisions of Interpretation 48.

Date of Management Review

Management has evaluated subsequent events through November 9, 2009, the date which the financial statements were available to be issued.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

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. 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.

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

NOTE 2 – CERTIFICATES OF DEPOSIT

Current certificates of deposit mature within the fiscal year ending June 30, 2010 and consisted of the following at June 30, 2009:

Certificate Term	Maturity Date	Interest Rate	Balance
Nine months	1/23/2010	2.18%	\$ 10,041
Thirteen months	6/6/2010	3.05%	25,000
Certificates of deposit - current			<u>\$ 35,041</u>

WORT also has a fifteen-month certificate of deposit with a balance of \$10,046 and an interest rate of 2.48% that matures on July 23, 2010.

NOTE 3 – LAND HELD FOR RESALE

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

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 4 – INVESTMENTS

Investments at June 30, 2009 and 2008 consisted of various mutual funds. Investment return for the years ended June 30, 2009 and 2008 consisted of the following:

	2009	2008
Interest and dividends	\$ 5,437	\$ 13,735
Realized and unrealized losses	(47,965)	(32,676)
Investment fees	(1,731)	(2,285)
Investment return	\$ (44,259)	\$ (18,941)

NOTE 5 – 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, 2009 and 2008.

NOTE 6 – NET ASSETS

Board designated net assets at June 30, 2009 and 2008 were comprised of \$175,000 set aside as an operating reserve and \$200,000 set aside for unspecified future projects. Temporarily restricted net assets at June 30, 2009 and 2008 were restricted for the purpose of creating a media justice toolkit.

NOTE 7 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2009 are as follows:

	Fair Value	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	\$ 47,423	\$ 47,423	\$ -	\$ -

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 8 – 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, 2009 and 2008 was \$5,821 and \$6,477.

NOTE 9 – LEASES

WORT leases tower space for its antenna used in broadcasting for \$1,925 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, 2009 and 2008 was \$22,372 and \$20,801. Future minimum lease payments for the years ending June 30, 2010 and 2011 are \$23,583 and \$14,150.

NOTE 10 – DONATED MATERIALS AND SERVICES

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

	2009	2008
Donated materials	\$ 959	\$ 3,775
Donated services		
Website and e-mail services	2,220	2,220
Graphic arts	350	1,200
Maintenance services	2,108	1,125
Donated materials and services	\$ 5,637	\$ 8,320

During the year ended June 30, 2009 various supplies, valued at \$959, were donated and were used for program services, fundraising, and station administration. Various services such as web streaming, webhosting, building repair, and graphic arts services, valued at \$4,678, were also donated to the station and were used for program services, fundraising, and station administration.

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.

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 No. 116.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 11 – 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, 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 as of June 30, 2009 is recorded at a cost of \$161,738, with accumulated depreciation of \$129,766.

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, 2009 is up for renewal on June 30, 2010.

BACK PORCH RADIO BROADCASTING, INC.
SCHEDULES OF FUNCTIONAL EXPENSES
Years ended June 30, 2009 and 2008

2009	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	\$ 91,001	\$ 130,260	\$ 37,570	\$ 258,831	\$ 76,382	\$ 38,827	\$ 39,636	\$ 154,845	\$ 413,676
Office expenses	1,516	1,559	605	3,680	7,326	46,524	973	54,823	58,503
Equipment rental and maintenance	9,099	34,957	565	44,621	1,142	584	596	2,322	46,943
Occupancy	8,815	10,724	3,067	22,606	6,616	3,170	3,236	13,022	35,628
Programs and subscriptions	27,442	-	75	27,517	6,056	243	30	6,329	33,846
Depreciation	2,279	22,184	-	24,463	101	-	-	101	24,564
Printing and postage	514	808	865	2,187	403	16,440	210	17,053	19,240
Professional fees	-	-	-	-	10,902	1,000	-	11,902	11,902
Travel and training	1,879	145	-	2,024	1,651	18	1,039	2,708	4,732
Donated services	1,030	1,475	425	2,930	859	440	449	1,748	4,678
Donated materials	-	-	-	-	-	959	-	959	959
Other expenses	2,378	-	-	2,378	551	14,827	7,726	23,104	25,482
Total expenses	\$ 145,953	\$ 202,112	\$ 43,172	\$ 391,237	\$ 111,989	\$ 123,032	\$ 53,895	\$ 288,916	\$ 680,153
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
Office 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
Occupancy	9,435	12,243	2,724	24,402	6,706	3,952	3,883	14,541	38,943
Programs and subscriptions	26,665	-	25	26,690	5,229	-	80	5,309	31,999
Depreciation	1,969	19,164	-	21,133	87	-	-	87	21,220
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
Travel and training	1,638	230	-	1,868	1,909	23	995	2,927	4,795
Donated services	1,058	1,470	328	2,856	745	476	468	1,689	4,545
Donated materials	-	-	-	-	-	3,775	-	3,775	3,775
Other expenses	1,828	-	50	1,878	983	13,332	6,867	21,182	23,060
Total expenses	\$ 138,696	\$ 185,728	\$ 32,106	\$ 356,530	\$ 92,587	\$ 94,378	\$ 51,324	\$ 238,289	\$ 594,819