

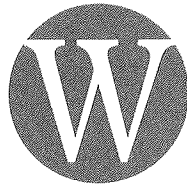
BACK PORCH RADIO BROADCASTING, INC.

FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION

June 30, 2011 and 2010

CONTENTS

Independent Auditor's Report.....	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows.....	4
Notes to Financial Statements.....	5
Schedules of Functional Expenses	12



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, 2011 and 2010, 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 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, 2011 and 2010, 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 financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wegner LLP

Wegner LLP
Madison, Wisconsin
December 23, 2011



BACK PORCH RADIO BROADCASTING, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 176,482	\$ 94,528
Certificates of deposit	10,411	46,359
Accounts receivable	-	331
Pledges receivable	39,085	55,837
Prepaid expenses	13,994	14,211
Inventory	8,188	4,221
Total current assets	<u>248,160</u>	<u>215,487</u>
Property and equipment - net	140,774	138,782
OTHER ASSETS		
Investments	<u>57,186</u>	<u>52,181</u>
Total assets	<u><u>\$ 446,120</u></u>	<u><u>\$ 406,450</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 6,162	\$ -
Accrued expenses	25,070	22,123
Deferred revenue	9,369	5,877
Current portion of capital lease payable	4,143	-
Bonds payable	<u>2,102</u>	<u>2,102</u>
Total current liabilities	46,846	30,102
OTHER LIABILITIES		
Capital lease payable - less current portion	<u>13,809</u>	<u>-</u>
Total liabilities	60,655	30,102
NET ASSETS		
Undesignated	5,280	(3,837)
Board designated	<u>375,000</u>	<u>375,000</u>
Total unrestricted	380,280	371,163
Temporarily restricted	<u>5,185</u>	<u>5,185</u>
Total net assets	<u>385,465</u>	<u>376,348</u>
Total liabilities and net assets	<u><u>\$ 446,120</u></u>	<u><u>\$ 406,450</u></u>

See accompanying notes.

BACK PORCH RADIO BROADCASTING, INC.
STATEMENTS OF ACTIVITIES
Years ended June 30, 2011 and 2010

	2011	2010
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Contributions	\$ 432,053	\$ 406,725
CPB grant	64,913	67,855
Program underwriting	36,916	29,383
Special events	49,430	35,190
Donated materials and services	5,744	8,255
Investment return	6,408	7,300
Other income	9,866	11,938
Total unrestricted support and revenue	605,330	566,646
EXPENSES		
Program services		
Programming and production	144,352	143,281
Broadcasting	191,427	186,694
Program information and promotion	33,012	31,946
Total program services	368,791	361,921
Supporting activities		
Management and general	91,664	99,998
Fundraising	102,157	99,827
Underwriting and grant solicitation	56,610	54,037
Total supporting activities	250,431	253,862
Total expenses	619,222	615,783
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of purpose restrictions	23,009	21,308
Change in unrestricted net assets	9,117	(27,829)
TEMPORARILY RESTRICTED NET ASSETS		
CPB grant	23,009	21,308
Net assets released from restrictions		
Satisfaction of purpose restrictions	(23,009)	(21,308)
Change in temporarily restricted net assets	-	-
Change in net assets	9,117	(27,829)
Net assets - beginning of year	376,348	404,177
Net assets - end of year	\$ 385,465	\$ 376,348

See accompanying notes.

BACK PORCH RADIO BROADCASTING, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 9,117	\$ (27,829)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	26,109	22,830
Realized and unrealized gain on investments	(3,839)	(4,271)
Gain on sale of property and equipment	-	(500)
Gain on bonds payable	-	(148)
Loss on sale of land	-	5,171
Change in allowance for uncollectible pledges	785	11,226
(Increase) decrease in assets		
Accounts receivable	331	(331)
Pledges receivable	15,967	(47,788)
Prepaid expenses	217	288
Inventory	(3,967)	3,527
Increase (decrease) in liabilities		
Accounts payable	6,162	-
Accrued expenses	2,947	(809)
Deferred revenue	3,492	(511)
Net cash provided by (used in) operating activities	57,321	(39,145)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of and dividends retained in investments	(1,166)	(487)
Purchases of and interest retained in certificates of deposit	(97)	(1,272)
Redemptions of certificates of deposit	36,045	-
Purchases of property and equipment	(7,388)	(2,337)
Proceeds from sale of property and equipment	-	500
Proceeds from sale of land	-	4,329
Net cash provided by investing activities	27,394	733
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease payable	(2,761)	-
Net change in cash	81,954	(38,412)
Cash - beginning of year	94,528	132,940
Cash - end of year	\$ 176,482	\$ 94,528
SUPPLEMENTARY INFORMATION		
Noncash investing and financing activities		
Equipment financed by capital lease payable	\$ 20,713	\$ -

See accompanying notes.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

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

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 \$32,751 and \$31,966 at June 30, 2011 and 2010. This amount is based on the collection of pledges from previous pledge drives. Management has set the uncollectible estimate to 6% for the years ended June 30, 2011 and 2010.

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, 2011 and 2010

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

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's federal exempt organization information is subject to examination by the Internal Revenue Service, generally for three years after they are filed. With few exceptions, WORT is no longer subject to such examinations for tax years before 2007.

Date of Management Review

Management has evaluated subsequent events through December 23, 2011, the date which the financial statements were available to be issued.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

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 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2011 and 2010 consisted of the following:

	2011	2010
Land	13,000	13,000
Buildings and improvements	205,622	205,622
Broadcasting and station equipment	488,898	460,797
Property and equipment	707,520	679,419
Less accumulated depreciation	566,746	540,637
Property and equipment - net	\$ 140,774	\$ 138,782

Depreciation expense for the years ended June 30, 2011 and 2010 was \$26,109 and \$22,380.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 3 – INVESTMENTS

Investments at June 30, 2011 and 2010 consisted of various mutual funds.

Investment return for the years ended June 30, 2011 and 2010 consisted of the following:

	2011	2010
Interest and dividends	\$ 2,569	\$ 3,029
Realized and unrealized gains	3,839	4,271
Investment return	\$ 6,408	\$ 7,300

NOTE 4 – BONDS PAYABLE

Debt consists of various building bonds payable totaling \$2,102 at June 30, 2011 and 2010 that have been issued to the general public in denominations of \$250 to \$1,000. Rates range between 8.5% and 9.5% for terms between 1 year and 5 years with interest compounded annually and payable upon maturity. The bonds are secured by real estate. All of the bonds have matured, and no interest was paid in the years ended June 30, 2011 and 2010.

NOTE 5 – NET ASSETS

Board designated net assets at June 30, 2011 and 2010 were comprised of \$175,000 as an operating reserve and \$200,000 for unspecified future projects. Temporarily restricted net assets at June 30, 2011 and 2010 were restricted for the purpose of creating a media justice toolkit.

NOTE 6 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2011 were 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)
Mutual funds	\$ 57,186	\$ 57,186	\$ -	\$ -

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 6 – FAIR VALUE MEASUREMENTS (continued)

Fair values of assets measured on a recurring basis at June 30, 2010 were 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)
Mutual funds	\$ 52,181	\$ 52,181	\$ -	\$ -

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

NOTE 7 – DONATED MATERIALS AND SERVICES

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

	2011	2010
Donated materials	\$ 300	\$ 3,635
Donated services		
Website and e-mail services	2,220	2,220
Telecommunications	1,400	-
Maintenance services	1,824	2,400
Donated materials and services	\$ 5,744	\$ 8,255

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.

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, 2011 and 2010 was \$5,656 and \$5,490.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 9 – LEASE OBLIGATIONS

Operating Lease

WORT leases tower space for its antenna used in broadcasting under a three-year lease that expires January 31, 2014. Lease payments are \$2,098 per month with a 5% increase each year. Total lease expense for the years ended June 30, 2011 and 2010 was \$25,263 and \$22,933.

The following is a schedule of future minimum payments required under the operating lease as of June 30, 2011:

2012	\$	25,704
2013		26,989
2014		16,193

Capital Lease

WORT leases equipment under a capital lease. Monthly lease payments are \$345. The economic substance of the lease is that WORT is financing the acquisition of the asset through the lease, and accordingly, it is recorded in WORT's assets and liabilities. The lease agreement contains a bargain purchase option at the end of the lease term. Future interest expense on the lease obligation is immaterial. The leased asset included in property and equipment totals \$20,713 with accumulated depreciation of \$2,762 at June 30, 2011.

The following is a schedule of future minimum payments required under the capital lease as of June 30, 2011:

2012	\$	4,143
2013		4,143
2014		4,143
2015		4,143
2016		1,380

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 eight-year term ending December 1, 2012.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 10 – CONCENTRATIONS (continued)

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, 2011 is recorded at a cost of \$161,738, with accumulated depreciation of \$136,871.

Collective Bargaining Agreement

WORT has a collective bargaining agreement with employee union SEIU Local 150 that covers full time staff. The agreement expires June 30, 2012.

BACK PORCH RADIO BROADCASTING, INC.
SCHEDULES OF FUNCTIONAL EXPENSES
Years ended June 30, 2011 and 2010

	Programming & Production	Broadcasting	Program Information & Promotion	Total Program Services	Management and General	Fundraising & Membership Development	Underwriting and Grant Solicitation	Total Supporting Activities	Total Expenses
2011									
Personnel	\$ 90,544	\$ 116,431	\$ 25,978	\$ 232,953	\$ 63,425	\$ 40,806	\$ 40,932	\$ 145,163	\$ 378,116
Equipment rental and maintenance	8,516	34,655	203	43,374	492	318	319	1,129	44,503
Occupancy	9,589	10,767	2,391	22,747	6,482	3,756	3,768	14,006	36,753
Programs and subscriptions	25,799	-	80	25,879	4,025	2,000	-	6,025	31,904
Office expenses	1,676	2,492	2,253	6,421	4,831	21,457	723	27,011	33,432
Depreciation	2,423	23,579	-	26,002	107	-	-	107	26,109
Printing and postage	1,272	1,635	1,733	4,640	885	14,182	803	15,870	20,510
Professional fees	-	-	-	-	9,440	1,232	-	10,672	10,672
Travel and training	2,102	190	-	2,292	181	530	825	1,536	3,828
Donated services	1,305	1,678	374	3,357	909	588	590	2,087	5,444
Donated materials	-	-	-	-	-	300	-	300	300
Other expenses	1,126	-	-	1,126	887	16,988	8,650	26,525	27,651
Total expenses	\$ 144,352	\$ 191,427	\$ 33,012	\$ 368,791	\$ 91,664	\$ 102,157	\$ 56,610	\$ 250,431	\$ 619,222
2010									
Personnel	\$ 90,568	\$ 115,640	\$ 26,166	\$ 232,374	\$ 62,299	\$ 39,235	\$ 37,021	\$ 138,555	\$ 370,929
Equipment rental and maintenance	8,896	35,477	499	44,872	1,179	749	706	2,634	47,506
Occupancy	9,643	10,619	2,385	22,647	5,737	3,576	3,375	12,688	35,335
Programs and subscriptions	25,601	-	175	25,776	5,075	2,400	-	7,475	33,251
Office expenses	1,910	1,999	462	4,371	5,645	12,717	640	19,002	23,373
Depreciation	2,118	20,618	-	22,736	94	-	-	94	22,830
Printing and postage	843	769	1,659	3,271	411	17,218	1,030	18,659	21,930
Professional fees	-	-	-	-	11,331	759	-	12,090	12,090
Travel and training	1,000	130	-	1,130	1,822	-	1,750	3,572	4,702
Donated services	1,130	1,442	326	2,898	771	489	462	1,722	4,620
Donated materials	-	-	-	-	-	3,635	-	3,635	3,635
Other expenses	1,572	-	274	1,846	5,634	19,049	9,053	33,736	35,582
Total expenses	\$ 143,281	\$ 186,694	\$ 31,946	\$ 361,921	\$ 99,998	\$ 99,827	\$ 54,037	\$ 253,862	\$ 615,783