

**BACK PORCH RADIO BROADCASTING, INC.**

**FINANCIAL STATEMENTS WITH  
SUPPLEMENTARY INFORMATION**

June 30, 2012 and 2011

## 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 .....	11



## 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, 2012 and 2011, 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, 2012 and 2011, 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 CPAs, LLP*

Wegner CPAs, LLP  
Madison, Wisconsin  
December 28, 2012

**BACK PORCH RADIO BROADCASTING, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2012 and 2011

	2012	2011
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 268,650	\$ 176,482
Certificates of deposit	-	10,411
Accounts receivable	1,459	-
Pledges receivable	27,687	39,085
Prepaid expenses	14,305	13,994
Inventory	18,207	8,188
Total current assets	330,308	248,160
Property and equipment - net	116,409	140,774
<b>OTHER ASSETS</b>		
Investments	-	57,186
<b>Total assets</b>	<b>\$ 446,717</b>	<b>\$ 446,120</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ -	\$ 6,162
Accrued expenses	27,567	25,070
Deferred revenue	6,412	9,369
Current portion of capital lease payable	4,143	4,143
Bonds payable	1,734	2,102
Total current liabilities	39,856	46,846
<b>OTHER LIABILITIES</b>		
Capital lease payable less current portion	9,666	13,809
Total liabilities	49,522	60,655
<b>NET ASSETS</b>		
Undesignated	17,010	5,280
Board designated	375,000	375,000
Total unrestricted	392,010	380,280
Temporarily restricted	5,185	5,185
Total net assets	397,195	385,465
<b>Total liabilities and net assets</b>	<b>\$ 446,717</b>	<b>\$ 446,120</b>

See accompanying notes.

**BACK PORCH RADIO BROADCASTING, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years ended June 30, 2012 and 2011

	2012	2011
<b>UNRESTRICTED NET ASSETS</b>		
<b>SUPPORT AND REVENUE</b>		
Contributions	\$ 435,029	\$ 432,053
CPB grant	66,197	64,813
Program underwriting	47,546	36,916
Special events	38,717	49,430
Donated materials and services	6,606	5,744
Investment return	(807)	6,408
Other income	45,108	9,966
<b>Total unrestricted support and revenue</b>	<b>638,396</b>	<b>605,330</b>
<b>EXPENSES</b>		
<b>Program services</b>		
Programming and production	152,376	144,352
Broadcasting	197,892	191,427
Program information and promotion	32,068	33,012
<b>Total program services</b>	<b>382,336</b>	<b>368,791</b>
<b>Supporting activities</b>		
Management and general	103,709	91,664
Fundraising	114,666	102,157
Underwriting and grant solicitation	49,335	56,610
<b>Total supporting activities</b>	<b>267,710</b>	<b>250,431</b>
<b>Total expenses</b>	<b>650,046</b>	<b>619,222</b>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>		
Satisfaction of purpose restrictions	23,380	23,009
<b>Change in unrestricted net assets</b>	<b>11,730</b>	<b>9,117</b>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
CPB grant	23,380	23,009
Net assets released from restrictions		
Satisfaction of purpose restrictions	(23,380)	(23,009)
<b>Change in temporarily restricted net assets</b>	<b>-</b>	<b>-</b>
<b>Change in net assets</b>	<b>11,730</b>	<b>9,117</b>
Net assets - beginning of year	385,465	376,348
<b>Net assets - end of year</b>	<b>\$ 397,195</b>	<b>\$ 385,465</b>

See accompanying notes.

**BACK PORCH RADIO BROADCASTING, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years ended June 30, 2012 and 2011

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 11,730	\$ 9,117
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	27,574	26,109
Realized and unrealized (gain) loss on investments	1,388	(3,839)
Change in allowance for uncollectible pledges	(138)	785
(Increase) decrease in assets		
Accounts receivable	(1,459)	331
Pledges receivable	11,536	15,967
Prepaid expenses	(311)	217
Inventory	(10,019)	(3,967)
Increase (decrease) in liabilities		
Accounts payable	(6,162)	6,162
Accrued expenses	2,497	2,947
Deferred revenue	(2,957)	3,492
<b>Net cash provided by operating activities</b>	<b>33,679</b>	<b>57,321</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of and dividends retained in investments	-	(1,166)
Purchases of and interest retained in certificates of deposit	-	(97)
Redemptions of certificates of deposit	10,411	36,045
Purchases of property and equipment	(3,209)	(7,388)
Proceeds from sales of investments	55,798	-
<b>Net cash provided by investing activities</b>	<b>63,000</b>	<b>27,394</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on capital lease payable	(4,143)	(2,761)
Payments on bonds payable	(368)	-
<b>Net cash used in financing activities</b>	<b>(4,511)</b>	<b>(2,761)</b>
<b>Net change in cash</b>	<b>92,168</b>	<b>81,954</b>
Cash - beginning of year	176,482	94,528
<b>Cash - end of year</b>	<b>\$ 268,650</b>	<b>\$ 176,482</b>
<b>SUPPLEMENTARY INFORMATION</b>		
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, 2012 and 2011

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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**

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 \$32,613 and \$32,751 at June 30, 2012 and 2011. 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, 2012 and 2011.

**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, 2012 and 2011

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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 2008.

**Date of Management Review**

Management has evaluated subsequent events through December 28, 2012, the date which the financial statements were available to be issued.



**BACK PORCH RADIO BROADCASTING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

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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, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
Land	13,000	13,000
Buildings and improvements	205,622	205,622
Broadcasting and station equipment	<u>492,107</u>	<u>488,898</u>
Property and equipment	710,729	707,520
Less accumulated depreciation	<u>594,320</u>	<u>566,746</u>
Property and equipment - net	<u>\$ 116,409</u>	<u>\$ 140,774</u>

Depreciation expense for the years ended June 30, 2012 and 2011 was \$27,574 and \$26,109.

**BACK PORCH RADIO BROADCASTING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE 3 – INVESTMENTS**

Investments at June 30, 2011 consisted of various mutual funds. WORT redeemed all its investments during the year ended June 30, 2012.

Investment return for the years ended June 30, 2012 and 2011 consisted of the following:

	2012	2011
Interest and dividends	\$ 581	\$ 2,569
Realized and unrealized gains (losses)	(1,388)	3,839
	<u>\$ (807)</u>	<u>\$ 6,408</u>

**NOTE 4 – BONDS PAYABLE**

Debt consists of various building bonds payable totaling \$1,734 and 2,102 at June 30, 2012 and 2011 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, 2012 and 2011.

**NOTE 5 – NET ASSETS**

Board designated net assets at June 30, 2012 and 2011 were comprised of \$175,000 as an operating reserve and \$200,000 for unspecified future projects. Temporarily restricted net assets at June 30, 2012 and 2011 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	<u>\$ 57,186</u>	<u>\$ 57,186</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values for mutual funds 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, 2012 and 2011

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**NOTE 7 – DONATED MATERIALS AND SERVICES**

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

	2012	2011
Donated materials	\$ 750	\$ 300
Donated services		
Website and e-mail services	4,356	2,220
Telecommunications	-	1,400
Maintenance services	1,500	1,824
Donated materials and services	\$ 6,606	\$ 5,744

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, 2012 and 2011 was \$5,604 and \$5,656.

**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, 2012 and 2011 was \$25,704 and \$25,263.

Future minimum payments required under the operating lease are \$26,989 and \$16,193 for the years ending June 30, 2013 and 2014.

**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. Interest expense on the lease obligation is immaterial. The leased asset included in property and equipment totals \$20,713 with accumulated depreciation of \$6,904 and \$2,762 at June 30, 2012 and 2011.

**BACK PORCH RADIO BROADCASTING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

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**NOTE 9 – LEASE OBLIGATIONS (continued)**

The following is a schedule of future minimum payments required under the capital lease as of June 30, 2012:

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

**NOTE 10 – CONCENTRATIONS**

**Credit Risk**

WORT maintains cash balances at one financial institution in Madison, Wisconsin. The Federal Deposit Insurance Corporation insures interest-bearing accounts up to \$250,000. At June 30, 2012 WORT's uninsured cash balance was \$2,753.

**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. As of December 28, 2012 the license renewal has not yet occurred due to administrative delays. Management does not anticipate any problems with the license renewal process.

**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, 2012 is recorded at a cost of \$161,738, with accumulated depreciation of \$140,423.

**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, 2015.

**BACK PORCH RADIO BROADCASTING, INC.**  
**SCHEDULES OF FUNCTIONAL EXPENSES**  
Years ended June 30, 2012 and 2011

	Programming & Production	Broadcasting	Program Information & Promotion	Total Program Services	Management and General	Fundraising & Membership Development	Underwriting and Grant Solicitation	Total Supporting Activities	2012 Total
Personnel	\$ 90,432	\$ 116,288	\$ 25,946	\$ 232,666	\$ 63,538	\$ 40,756	\$ 40,882	\$ 145,176	\$ 377,842
Equipment rental and maintenance	9,069	39,059	285	48,413	693	448	450	1,591	50,004
Office expenses	2,618	2,716	2,511	7,845	17,385	18,511	1,300	37,196	45,041
Programs and subscriptions	32,052	-	155	32,207	3,965	2,125	-	6,090	38,297
Printing and postage	662	872	440	1,974	462	33,717	567	34,746	36,720
Occupancy	9,255	10,435	2,328	22,018	5,649	3,657	3,669	12,975	34,993
Depreciation	2,620	24,817	-	27,437	137	-	-	137	27,574
Professional fees	100	1,000	-	1,100	9,671	1,549	1,483	12,703	13,803
Donated services	1,404	1,805	403	3,612	977	633	634	2,244	5,856
Travel and training	3,050	150	-	3,200	857	-	-	857	4,057
Donated materials	-	750	-	750	-	-	-	-	750
Other expenses	1,114	-	-	1,114	375	13,270	350	13,995	15,109
<b>Total expenses</b>	<b>\$ 152,376</b>	<b>\$ 197,892</b>	<b>\$ 32,068</b>	<b>\$ 382,336</b>	<b>\$ 103,709</b>	<b>\$ 114,666</b>	<b>\$ 49,335</b>	<b>\$ 267,710</b>	<b>\$ 650,046</b>

  

	Programming & Production	Broadcasting	Program Information & Promotion	Total Program Services	Management and General	Fundraising & Membership Development	Underwriting and Grant Solicitation	Total Supporting Activities	2011 Total
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
Office expenses	1,676	2,492	2,253	6,421	4,831	21,457	723	27,011	33,432
Programs and subscriptions	25,799	-	80	25,879	4,025	2,000	-	6,025	31,904
Printing and postage	1,272	1,635	1,733	4,640	885	14,182	803	15,870	20,510
Occupancy	9,589	10,767	2,391	22,747	6,482	3,756	3,768	14,006	36,753
Depreciation	2,423	23,579	-	26,002	107	-	-	107	26,109
Professional fees	-	-	-	-	9,440	1,232	-	10,672	10,672
Donated services	1,305	1,678	374	3,357	909	588	590	2,087	5,444
Travel and training	2,102	190	-	2,292	181	530	825	1,536	3,828
Donated materials	-	-	-	-	-	300	-	300	300
Other expenses	1,126	-	-	1,126	887	16,988	8,650	26,525	27,651
<b>Total expenses</b>	<b>\$ 144,352</b>	<b>\$ 191,427</b>	<b>\$ 33,012</b>	<b>\$ 368,791</b>	<b>\$ 91,664</b>	<b>\$ 102,157</b>	<b>\$ 56,610</b>	<b>\$ 250,431</b>	<b>\$ 619,222</b>