

BACK PORCH RADIO BROADCASTING, INC.

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

June 30, 2013 and 2012

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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 financial statements of Back Porch Radio Broadcasting, Inc., which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Janesville Office:
101 E. Milwaukee Street
Suite 425
Janesville, WI 53545
P: (608) 756-4020

Baraboo Office:
123 Second Street
P.O. Box 150
Baraboo, WI 53913
P: (608) 356-3966
F: (608) 356-2966

Pewaukee Office:
W239 N3490 Pewaukee Road
Suite 200
Pewaukee, WI 53072
P: (262) 522-7555
F: (262) 522-7550

Madison Office:
2110 Luann Lane
Madison, WI 53713
P: (608) 274-4020
F: (608) 274-0775

www.wegnercpas.com
info@wegnercpas.com
(888) 204-7665

Report on Supplementary Information

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 12, 2013

BACK PORCH RADIO BROADCASTING, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 269,243	\$ 268,650
Accounts receivable	1,015	1,459
Pledges receivable	34,388	27,687
Prepaid expenses	14,485	14,305
Inventory	9,940	18,207
Total current assets	329,071	330,308
Property and equipment - net	88,680	116,409
Total assets	<u><u>\$ 417,751</u></u>	<u><u>\$ 446,717</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,961	\$ -
Accrued expenses	26,301	27,567
Deferred revenue	2,872	6,412
Current portion of capital lease payable	4,143	4,143
Bonds payable	1,734	1,734
Total current liabilities	37,011	39,856
OTHER LIABILITIES		
Capital lease payable less current portion	5,524	9,666
Total liabilities	42,535	49,522
NET ASSETS		
Undesignated (deficit)	(4,969)	17,010
Board designated	375,000	375,000
Total unrestricted	370,031	392,010
Temporarily restricted	5,185	5,185
Total net assets	375,216	397,195
Total liabilities and net assets	<u><u>\$ 417,751</u></u>	<u><u>\$ 446,717</u></u>

See accompanying notes.

BACK PORCH RADIO BROADCASTING, INC.
STATEMENTS OF ACTIVITIES
Years ended June 30, 2013 and 2012

	2013	2012
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Contributions	\$ 480,081	\$ 435,029
CPB grant	64,750	66,197
Special events	39,016	38,717
Program underwriting	31,277	47,546
Donated materials and services	10,212	6,606
Investment return	535	(807)
Other income	20,695	45,108
Total unrestricted support and revenue	646,566	638,396
EXPENSES		
Program services		
Programming and production	153,848	152,376
Broadcasting	208,508	197,892
Program information and promotion	34,173	32,068
Total program services	396,529	382,336
Supporting activities		
Management and general	132,762	103,709
Fundraising and membership development	109,460	114,666
Underwriting and grant solicitation	52,662	49,335
Total supporting activities	294,884	267,710
Total expenses	691,413	650,046
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of purpose restrictions	22,868	23,380
Change in unrestricted net assets	(21,979)	11,730
TEMPORARILY RESTRICTED NET ASSETS		
CPB grant	22,868	23,380
Net assets released from restrictions		
Satisfaction of purpose restrictions	(22,868)	(23,380)
Change in temporarily restricted net assets	-	-
Change in net assets	(21,979)	11,730
Net assets - beginning of year	397,195	385,465
Net assets - end of year	\$ 375,216	\$ 397,195

See accompanying notes.

BACK PORCH RADIO BROADCASTING, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (21,979)	\$ 11,730
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	27,729	27,574
Realized and unrealized loss on investments	-	1,388
Change in allowance for uncollectible pledges	(220)	(138)
(Increase) decrease in assets		
Accounts receivable	444	(1,459)
Pledges receivable	(6,481)	11,536
Prepaid expenses	(180)	(311)
Inventory	8,267	(10,019)
Increase (decrease) in liabilities		
Accounts payable	1,961	(6,162)
Accrued expenses	(1,266)	2,497
Deferred revenue	(3,540)	(2,957)
Net cash provided by operating activities	4,735	33,679
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemptions of certificates of deposit	-	10,411
Purchases of property and equipment	-	(3,209)
Proceeds from sales of investments	-	55,798
Net cash provided by investing activities	-	63,000
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease payable	(4,142)	(4,143)
Payments on bonds payable	-	(368)
Net cash used in financing activities	(4,142)	(4,511)
Net change in cash	593	92,168
Cash - beginning of year	268,650	176,482
Cash - end of year	\$ 269,243	\$ 268,650

See accompanying notes.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

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 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 \$32,393 and \$32,613 at June 30, 2013 and 2012. 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, 2013 and 2012.

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.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

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 2009.

Date of Management Review

Management has evaluated subsequent events through December 12, 2013, the date which the financial statements were available to be issued.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

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 and membership development – 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, 2013 and 2012 consisted of the following:

	2013	2012
Land	\$ 13,000	\$ 13,000
Buildings and improvements	205,622	205,622
Broadcasting and station equipment	492,105	492,105
Property and equipment	710,727	710,727
Less accumulated depreciation	622,047	594,318
Property and equipment - net	\$ 88,680	\$ 116,409

Depreciation expense for the years ended June 30, 2013 and 2012 was \$27,729 and \$27,574.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 3 – BONDS PAYABLE

Debt consists of various building bonds payable totaling \$1,734 at June 30, 2013 and 2012 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, 2013 and 2012.

NOTE 4 – NET ASSETS

Board designated net assets at June 30, 2013 and 2012 were comprised of \$175,000 as an operating reserve and \$200,000 for unspecified future projects. Temporarily restricted net assets at June 30, 2013 and 2012 were restricted for the purpose of creating a media justice toolkit.

NOTE 5 – LEASE OBLIGATIONS

Operating Lease

WORT leases tower space for its antenna used in broadcasting under a three-year lease that expires January 31, 2014. Current lease payments are \$2,313 per month. Total lease expense for the years ended June 30, 2013 and 2012 was \$26,989 and \$25,704.

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 \$11,047 and \$6,904 at June 30, 2013 and 2012.

Future minimum payments required under the capital lease for years ending June 30 are as follows:

2014	\$	4,143
2015		4,143
2016		1,381

NOTE 6 – 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, 2013 and 2012 was \$5,527 and \$5,604.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 7 – DONATED MATERIALS AND SERVICES

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

	2013	2012
Donated materials	\$ -	\$ 750
Donated services		
Website and e-mail services	5,712	4,356
Telecommunications	3,000	-
Maintenance services	1,500	1,500
Donated materials and services	\$ 10,212	\$ 6,606

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 – CONCENTRATIONS

Credit Risk

WORT maintains cash balances at one financial institution in Madison, Wisconsin. The Federal Deposit Insurance Corporation insures accounts up to \$250,000. At June 30, 2013 and 2012 WORT's uninsured cash balances were \$37,398 and \$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, 2020.

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.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 8 – 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, 2013 is recorded at a cost of \$161,738, with accumulated depreciation of \$143,975.

BACK PORCH RADIO BROADCASTING, INC.
SCHEDULES OF FUNCTIONAL EXPENSES
Years ended June 30, 2013 and 2012

	Programming & Production	Broadcasting	Program Information & Promotion	Total Program Services	Management and General	Fundraising & Membership Development	Underwriting and Grant Solicitation	Total Supporting Activities	2013 Total
Personnel	\$ 96,615	\$ 113,814	\$ 28,708	\$ 239,137	\$ 84,920	\$ 43,909	\$ 37,204	\$ 166,033	\$ 405,170
Equipment rental and maintenance	10,432	48,113	120	58,665	350	183	235	768	59,433
Occupancy	8,843	9,497	2,395	20,735	7,483	3,664	3,104	14,251	34,986
Programs and subscriptions	28,349	-	35	28,384	3,935	2,234	-	6,169	34,553
Office expenses	2,850	2,694	680	6,224	8,172	17,872	1,019	27,063	33,287
Depreciation	2,573	25,042	-	27,615	114	-	-	114	27,729
Printing and postage	431	606	2,235	3,272	375	18,175	177	18,727	21,999
Professional fees	-	-	-	-	19,818	1,000	-	20,818	20,818
Donated services	-	8,712	-	8,712	1,500	-	-	1,500	10,212
Travel and training	2,828	30	-	2,858	2,747	-	1,004	3,751	6,609
Other expenses	927	-	-	927	3,348	22,423	9,919	35,690	36,617
Total expenses	\$ 153,848	\$ 208,508	\$ 34,173	\$ 396,529	\$ 132,762	\$ 109,460	\$ 52,662	\$ 294,884	\$ 691,413

See Note 7 for discussion of the 23,500 volunteer hours.

	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
Occupancy	9,255	10,435	2,328	22,018	5,649	3,657	3,669	12,975	34,993
Programs and subscriptions	32,052	-	155	32,207	3,965	2,125	-	6,090	38,297
Office expenses	2,618	2,716	2,511	7,845	17,385	18,511	1,300	37,196	45,041
Depreciation	2,620	24,817	-	27,437	137	-	-	137	27,574
Printing and postage	662	872	440	1,974	462	33,717	567	34,746	36,720
Professional fees	100	1,000	-	1,100	9,671	1,949	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
Total expenses	\$ 152,376	\$ 197,892	\$ 32,068	\$ 382,336	\$ 103,709	\$ 114,666	\$ 49,335	\$ 267,710	\$ 650,046