

BACK PORCH RADIO BROADCASTING, INC.

FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION

December 31, 2017

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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 statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the 18 months 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 audit. We conducted our audit 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 December 31, 2017, and the changes in its net assets and its cash flows for the 18 months then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is 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
March 5, 2018

BACK PORCH RADIO BROADCASTING, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2017

ASSETS	
CURRENT ASSETS	
Cash	\$ 292,553
Accounts receivable	3,682
Pledges receivable - net	8,465
Grants receivable	26,332
Prepaid expenses	19,230
Inventory	<u>6,280</u>
Total current assets	356,542
Property and equipment - net	<u>28,793</u>
Total assets	<u><u>\$ 385,335</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 7,862
Accrued expenses	10,220
Deferred revenue	<u>8,777</u>
Total liabilities	26,859
NET ASSETS	
Undesignated	(28,011)
Board designated	<u>375,000</u>
Total unrestricted	346,989
Temporarily restricted	<u>11,487</u>
Total net assets	<u>358,476</u>
Total liabilities and net assets	<u><u>\$ 385,335</u></u>

See accompanying notes.

BACK PORCH RADIO BROADCASTING, INC.
STATEMENT OF ACTIVITIES
18 months ended December 31, 2017

UNRESTRICTED NET ASSETS	
SUPPORT AND REVENUE	
Contributions	\$ 771,771
CPB grant	173,753
Program underwriting	100,723
Special events	62,245
Donated materials and services	43,560
Interest	162
Other income	4,987
	<hr/>
Total unrestricted support and revenue	1,157,201
EXPENSES	
Program services	
Programming and production	298,453
Broadcasting	113,380
Program information and promotion	137,161
	<hr/>
Total program services	548,994
Supporting activities	
Management and general	126,781
Fundraising and membership development	170,299
Underwriting and grant solicitation	110,969
	<hr/>
Total supporting activities	408,049
Total expenses	<hr/> 957,043 <hr/>
Change in unrestricted net assets	200,158
TEMPORARILY RESTRICTED NET ASSETS	
Contributions and CPB grant	<hr/> 6,302 <hr/>
Change in net assets	206,460
Net assets - beginning of period	<hr/> 152,016 <hr/>
Net assets - end of period	<hr/> \$ 358,476 <hr/>

See accompanying notes.

BACK PORCH RADIO BROADCASTING, INC.
STATEMENT OF CASH FLOWS
18 months ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 206,460
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation	11,530
Change in allowance for uncollectible pledges	(3,961)
Contributions restricted for long-term purchases	(10,037)
(Increase) decrease in assets	
Accounts receivable	(2,010)
Pledges receivable	18,237
Grants receivable	(26,332)
Prepaid expenses	(4,855)
Inventory	1,649
Increase (decrease) in liabilities	
Accounts payable	7,862
Accrued expenses	(13,534)
Deferred revenue	(5,592)
	179,417
Net cash used in operating activities	179,417
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of equipment	(10,975)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from contributions restricted for investment in equipment	10,037
	178,479
Net change in cash	178,479
Cash - beginning of period	114,074
	114,074
Cash - end of period	\$ 292,553
	292,553

See accompanying notes.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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.

In 2016, WORT changed its fiscal year end date from June 30 to December 31. The financial statements presented cover the 18 months from July 1, 2016 through December 31, 2017.

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.

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 at December 31, 2017 is shown net of an allowance for uncollectible pledges of \$7,862. The allowance is based on the collections from previous pledge drives and management's uncollectible estimate of 3% of total pledges.

Grants Receivable

WORT considers all grants receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If grants receivable become uncollectible, they will be charged to operations when that determination is made.

Inventory

Inventory is valued at lower of cost or market on the first-in, first-out (FIFO) method. Inventory consists of premium items to be given to donors.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

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.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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.

Date of Management Review

Management has evaluated subsequent events through March 5, 2018, the date which the financial statements were available to be issued.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2017 consisted of the following:

Land	\$ 13,000
Buildings and improvements	205,622
Broadcasting and station equipment	480,541
Equipment in progress	<u>8,555</u>
Property and equipment	707,718
Less accumulated depreciation	<u>678,925</u>
Property and equipment - net	<u><u>\$ 28,793</u></u>

Depreciation expense for the 18 months ended December 31, 2017 was \$11,530.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 3 – NET ASSETS

Board designated net assets at December 31, 2017 were available for the following purposes:

Operating reserve	\$ 175,000
Future projects	<u>200,000</u>
Board designated net assets	<u><u>\$ 375,000</u></u>

Temporarily restricted net assets at December 31, 2017 were available for the following purposes:

Program acquisition	\$ 4,502
New studio construction	1,800
Media Justice Toolkit	<u>5,185</u>
Temporarily restricted net assets	<u><u>\$ 11,487</u></u>

NOTE 4 – COMMITMENTS

WORT leases tower space for its antenna used in broadcasting under a three-year lease that expires January 31, 2020 with monthly payments of \$2,812 that increase by 5% each year. Future minimum lease payments for 2018, 2019, and 2020 are \$35,289, \$37,053, and \$3,100.

WORT leases office equipment under a five-year lease that expires January 15, 2020 with monthly payments of \$376. Future minimum lease payments for 2018, 2019, and 2020 are \$4,512, \$4,512, and \$376.

Total lease expense for the 18 months ended December 31, 2017 was \$64,969.

NOTE 5 – DONATED MATERIALS AND SERVICES

The estimated fair value of donated materials and services for the 18 months ended December 31, 2017 recorded in the financial statements are as follows:

Donated materials	\$ 7,117
Donated services	
IT and website hosting	16,818
Accounting	5,550
Legal services	4,780
Advertising	7,928
Maintenance services	<u>1,367</u>
Donated materials and services	<u><u>\$ 43,560</u></u>

WORT relies on volunteers from the community to operate the station and receives in excess of 93,600 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.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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 18 months ended December 31, 2017 was \$6,905.

NOTE 7 – 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, 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, 2018.

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 was required. The PTFP equipment held by WORT as of December 31, 2017 is recorded at a cost of \$161,738, with accumulated depreciation of \$159,961. The 10-year Federal interest has now been satisfied and the equipment is owned by WORT without encumbrance.

BACK PORCH RADIO BROADCASTING, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
18 months ended December 31, 2017

	Programming & Production	Broadcasting	Program Information & Promotion	Total Program Services	Management and General	Fundraising & Membership Development	Underwriting and Grant Solicitation	Total Supporting Activities	Total
Personnel	\$ 244,572	\$ 30,618	\$ 111,991	\$ 387,181	\$ 34,287	\$ 101,808	\$ 71,709	\$ 207,804	\$ 594,985
Equipment rental and maintenance	1,334	76,896	306	78,536	8,500	1,889	5,978	16,367	94,903
Occupancy	24,673	3,089	11,298	39,060	3,459	10,271	7,234	20,964	60,024
Office expense	885	527	1,353	2,765	17,453	23,515	2,791	43,759	46,524
Professional fees	-	-	7,344	7,344	21,772	554	5,946	28,272	35,616
Programs and subscriptions	25,570	-	172	25,742	5,640	588	56	6,284	32,026
Printing and postage	592	353	905	1,850	11,677	15,735	1,868	29,280	31,130
Donated services	-	-	3,036	3,036	9,000	229	2,458	11,687	14,723
Depreciation	306	1,579	-	1,885	9,645	-	-	9,645	11,530
Donated materials	62	318	-	380	1,927	-	18	1,945	2,325
Travel and training	104	-	-	104	-	-	-	-	104
Other expenses	355	-	756	1,111	3,421	15,710	12,911	32,042	33,153
Total expenses	<u>\$ 298,453</u>	<u>\$ 113,380</u>	<u>\$ 137,161</u>	<u>\$ 548,994</u>	<u>\$ 126,781</u>	<u>\$ 170,299</u>	<u>\$ 110,969</u>	<u>\$ 408,049</u>	<u>\$ 957,043</u>

See Note 5 for discussion of the 93,600 volunteer hours.