

**BACK PORCH RADIO BROADCASTING, INC.**

FINANCIAL STATEMENTS

December 31, 2018

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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, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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***Adoption of New Accounting Pronouncement***

As discussed in Note 1 to the financial statements, Back Porch Radio Broadcasting, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, as of and for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

***Correction of an Error***

As discussed in Note 9 to the financial statements, deferred revenue, accounts receivable, promises to give, and program underwriting as of December 31, 2017 have been restated in the 2018 financial statements now presented, and an adjustment has been made to net assets without donor restrictions as of December 31, 2017 to correct this error. Our opinion is not modified with respect to this matter.

*Wegner CPAs LLP*

Wegner CPAs, LLP  
Madison, Wisconsin  
April 16, 2019

**BACK PORCH RADIO BROADCASTING, INC.**  
STATEMENT OF FINANCIAL POSITION  
December 31, 2018

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**ASSETS**

CURRENT ASSETS

Cash	\$ 303,523
Promises to give	3,401
Pledges receivable - net	3,811
Grants receivable	32,076
Prepaid expenses	19,602
Inventory	<u>7,394</u>

Total current assets 369,807

Property and equipment - net 60,594

**Total assets** \$ 430,401

**LIABILITIES AND NET ASSETS**

CURRENT LIABILITIES

Accounts payable	\$ 7,620
Accrued expenses	<u>14,947</u>

Total liabilities 22,567

NET ASSETS

Net assets without donor restrictions	391,379
Net assets with donor restrictions	<u>16,455</u>

Total net assets 407,834

**Total liabilities and net assets** \$ 430,401

See accompanying notes.

**BACK PORCH RADIO BROADCASTING, INC.**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2018

<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	
SUPPORT AND REVENUE	
Contributions	\$ 538,813
CPB grant	98,802
Program underwriting	39,620
Special events	42,551
Donated materials and services	20,575
Interest	1,292
Other income	7,110
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Total unrestricted support and revenue	748,763
EXPENSES	
Program services	
Programming and production	262,111
Broadcasting	106,491
Program information and promotion	89,650
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Total program services	458,252
Supporting activities	
Management and general	47,630
Fundraising and membership development	131,696
Underwriting and grant solicitation	87,786
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Total supporting activities	267,112
Total expenses	<hr/> 725,364 <hr/>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	
Satisfaction of purpose restrictions	<hr/> 20,991 <hr/>
<b>Change in net assets without donor restrictions</b>	44,390
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>	
Contributions and CPB grant	14,655
Net assets released from donor restrictions	
Satisfaction of purpose restrictions	<hr/> (20,991) <hr/>
<b>Change in net assets with donor restrictions</b>	<hr/> (6,336) <hr/>
<b>Change in net assets</b>	38,054
Net assets at beginning of year as restated	<hr/> 369,780 <hr/>
<b>Net assets at end of year</b>	<hr/> <b>\$ 407,834</b> <hr/>

See accompanying notes.

**BACK PORCH RADIO BROADCASTING, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2018

	Programming and Production	Broadcasting	Program Information and Promotion	Total Program Services	Management and General	Fundraising and Membership Development	Underwriting and Grant Solicitation	Total Supporting Activities	Total Expenses
Personnel	\$ 202,134	\$ 33,868	\$ 75,093	\$ 311,095	\$ 16,413	\$ 85,574	\$ 54,398	\$ 156,385	\$ 467,480
Office expense	14,864	6,350	6,235	27,449	14,076	16,054	24,317	54,447	81,896
Equipment rental and maintenance	3,727	51,279	593	55,599	1,498	944	1,007	3,449	59,048
Professional fees	6,539	2,949	1,709	11,197	12,241	3,310	1,116	16,667	27,864
Occupancy	10,975	4,784	2,557	18,316	785	3,068	2,047	5,900	24,216
Donated services	5,838	2,090	2,233	10,161	876	2,898	4,060	7,834	17,995
Programs and subscriptions	15,896	30	62	15,988	13	1,620	14	1,647	17,635
Printing and postage	822	336	487	1,645	1,367	10,815	527	12,709	14,354
Other expenses	-	-	-	-	-	6,747	-	6,747	6,747
Depreciation	-	4,618	252	4,870	250	-	-	250	5,120
Donated materials	1,116	187	414	1,717	91	472	300	863	2,580
Travel and training	200	-	15	215	20	194	-	214	429
Total expenses	<u>\$ 262,111</u>	<u>\$ 106,491</u>	<u>\$ 89,650</u>	<u>\$ 458,252</u>	<u>\$ 47,630</u>	<u>\$ 131,696</u>	<u>\$ 87,786</u>	<u>\$ 267,112</u>	<u>\$ 725,364</u>

See accompanying notes.

**BACK PORCH RADIO BROADCASTING, INC.**  
**STATEMENT OF CASH FLOWS**  
Year Ended December 31, 2018

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 38,054
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation	5,120
Change in allowance for uncollectible pledges	(512)
Contributions restricted for long-term purchases	(3,300)
(Increase) decrease in assets	
Accounts receivable	(657)
Pledges receivable	8,631
Grants receivable	(5,744)
Prepaid expenses	(372)
Inventory	(1,114)
Increase (decrease) in liabilities	
Accounts payable	(242)
Accrued expenses	4,727
	44,591
<b>Net cash provided by operating activities</b>	<b>44,591</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of equipment	(36,921)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from contributions restricted for investment in equipment	3,300
	10,970
<b>Net change in cash</b>	<b>10,970</b>
Cash at beginning of year	292,553
	303,523
<b>Cash at end of year</b>	<b>\$ 303,523</b>

See accompanying notes.



**BACK PORCH RADIO BROADCASTING, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

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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**

**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, 2018 is shown net of an allowance for uncollectible pledges of \$7,350. 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.

**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 net assets with donor restrictions to net assets without donor restrictions at that time.

**BACK PORCH RADIO BROADCASTING, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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 net assets with donor restrictions 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, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions.

**Expense Allocation**

The costs of providing the program services and supporting activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. All expenses are allocated on the basis of estimates of time and effort except for professional fees and other expenses. 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.

**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.

**BACK PORCH RADIO BROADCASTING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Adoption of New Accounting Pronouncement**

WORT adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The changes required by the update have been applied retrospectively to all periods presented. A key change required by the update are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets are now reported as net assets with donor 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.

**Date of Management Review**

Management has evaluated subsequent events through April 16, 2019, the date which the financial statements were available to be issued.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2018 consisted of the following:

Land	\$ 13,000
Buildings and improvements	228,572
Broadcasting and station equipment	<u>362,332</u>
Property and equipment	603,904
Less accumulated depreciation	<u>543,310</u>
Property and equipment - net	<u><u>\$ 60,594</u></u>

NOTE 3 – NET ASSETS

Net assets with donor restrictions at December 31, 2018 were available for the following purposes or periods:

Program acquisition	\$ 8,116
Underwriting for subsequent periods	6,539
New studio construction	<u>1,800</u>
Net assets with donor restrictions	<u><u>\$ 16,455</u></u>

**BACK PORCH RADIO BROADCASTING, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

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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 2019 and 2020 are \$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 2019 and 2020 are \$4,512 and \$376.

Total lease expense for the year ended December 31, 2018 was \$40,615.

NOTE 5 – 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 year ended December 31, 2018 was \$6,515.

NOTE 6 – DONATED MATERIALS AND SERVICES

The estimated fair value of donated materials and services for the year ended December 31, 2018 recorded in the financial statements are as follows:

Donated materials	\$ 2,580
Donated services	
IT and website hosting	9,250
Advertising	8,370
Maintenance services	375
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Donated materials and services	\$ 20,575
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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.

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.

**BACK PORCH RADIO BROADCASTING, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

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NOTE 7 – CONCENTRATIONS (continued)

**Collective Bargaining Agreement**

WORT has a collective bargaining agreement with employee union IBEW Local 2304 ALF-CIO that covers full time staff. The agreement expires June 30, 2021.

NOTE 8 – LIQUIDITY AND AVAILABILITY

The following table reflects WORT financial assets of December 31, 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations.

Cash	\$ 303,523
Grants receivable	32,076
Promises to give	3,401
Pledges receivable	<u>3,811</u>
Financial assets, at year-end	\$ 342,811
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with purpose or time restrictions	<u>(16,455)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 326,356</u></u>

As a non-profit, donor-funded organization, WORT receives significant contributions each year from donors on a regular basis, which are available to meet annual cash needs for general operating expenditures.

NOTE 9 – PRIOR PERIOD ADJUSTMENT

The financial statements as of and for the year ended December 31, 2017, have been restated for program underwriting revenue and other balances due to changing the accounting treatment for program underwriting. All payments are now treated as restricted contributions rather than exchange transaction revenue. Accordingly, an adjustment was made during the current year to increase net assets with donor restrictions as of December 31, 2017, by \$11,304. Corresponding adjustments were made to restate amounts previously reported for accounts receivable, deferred revenue, promises to give, and program underwriting revenue. The effect of the restatement increased the change in net assets for the year ended December 31, 2017, by \$11,304.