

**BACK PORCH RADIO BROADCASTING, INC.**

FINANCIAL STATEMENTS

December 31, 2019 and 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 statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, 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.

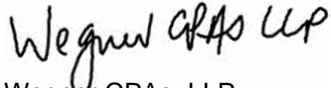
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***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 December 31, 2019 and 2018, 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.

**Adoption of New Accounting Guidance**

As discussed in Note 1 to the financial statements, Back Porch Radio Broadcasting, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, as of January 1, 2019. Our opinion is not modified with respect to this matter.



Wegner CPAs, LLP  
Madison, Wisconsin  
April 21, 2020

**BACK PORCH RADIO BROADCASTING, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
CURRENT ASSETS		
Cash	\$ 388,326	\$ 303,523
Promises to give	7,196	3,401
Pledges receivable, net	6,071	3,811
Grants receivable	-	32,076
Prepaid expenses	10,197	19,602
Inventory	<u>6,757</u>	<u>7,394</u>
Total current assets	418,547	369,807
Property and equipment, net	<u>78,478</u>	<u>60,594</u>
<b>Total assets</b>	<u><u>\$ 497,025</u></u>	<u><u>\$ 430,401</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES		
Accounts payable	\$ 13,247	\$ 7,620
Accrued expenses	<u>24,605</u>	<u>14,947</u>
Total liabilities	37,852	22,567
NET ASSETS		
Net assets without donor restrictions	433,138	391,379
Net assets with donor restrictions	<u>26,035</u>	<u>16,455</u>
Total net assets	<u>459,173</u>	<u>407,834</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 497,025</u></u>	<u><u>\$ 430,401</u></u>

See accompanying notes.

**BACK PORCH RADIO BROADCASTING, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years Ended December 31, 2019 and 2018

	2019	2018
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>SUPPORT AND REVENUE</b>		
Contributions	\$ 622,693	\$ 538,813
CPB grant	62,196	98,802
Program underwriting	25,119	39,620
Special events	45,118	42,551
Donated materials and services	15,881	20,575
Interest	1,525	1,292
Other income	4,050	7,110
	<u>776,582</u>	<u>748,763</u>
<b>EXPENSES</b>		
<b>Program services</b>		
Programming and production	238,550	262,111
Broadcasting	110,705	106,491
Program information and promotion	98,434	89,650
	<u>447,689</u>	<u>458,252</u>
<b>Supporting activities</b>		
Management and general	81,969	47,630
Fundraising and membership development	79,962	131,696
Underwriting and grant solicitation	139,858	87,786
	<u>301,789</u>	<u>267,112</u>
<b>Total expenses</b>	<u>749,478</u>	<u>725,364</u>
<b>NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>		
Satisfaction of purpose or time restrictions	14,655	20,991
	<u>14,655</u>	<u>20,991</u>
<b>Change in net assets without donor restrictions</b>	41,759	44,390
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions and CPB grant	24,235	14,655
Net assets released from donor restrictions		
Satisfaction of purpose or time restrictions	(14,655)	(20,991)
	<u>(14,655)</u>	<u>(20,991)</u>
<b>Change in net assets with donor restrictions</b>	9,580	(6,336)
<b>Change in net assets</b>	51,339	38,054
Net assets at beginning of year	407,834	369,780
	<u>407,834</u>	<u>369,780</u>
<b>Net assets at end of year</b>	<u>\$ 459,173</u>	<u>\$ 407,834</u>

See accompanying notes.

**BACK PORCH RADIO BROADCASTING, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2019

	Program Services				Supporting Activities				
	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	\$ 192,917	\$ 45,064	\$ 87,698	\$ 325,679	\$ 45,581	\$ 53,663	\$ 84,110	\$ 183,354	\$ 509,033
Office expense	15,851	6,089	5,372	27,312	8,531	22,438	27,174	58,143	85,455
Equipment rental and maintenance	2,993	52,246	780	56,019	1,675	484	1,003	3,162	59,181
Programs and subscriptions	15,099	403	313	15,815	150	292	2,084	2,526	18,341
Professional fees	1,210	1,548	246	3,004	12,632	123	1,948	14,703	17,707
Occupancy	6,328	2,603	2,651	11,582	1,977	1,180	1,747	4,904	16,486
Donated services	3,053	1,400	750	5,203	6,425	1,556	710	8,691	13,894
Other expenses	-	-	-	-	318	-	10,852	11,170	11,170
Printing and postage	88	37	180	305	780	16	9,902	10,698	11,003
Depreciation	-	1,014	72	1,086	3,722	-	-	3,722	4,808
Donated materials	753	176	342	1,271	178	210	328	716	1,987
Travel and training	258	125	30	413	-	-	-	-	413
<b>Total expenses</b>	<b>\$ 238,550</b>	<b>\$ 110,705</b>	<b>\$ 98,434</b>	<b>\$ 447,689</b>	<b>\$ 81,969</b>	<b>\$ 79,962</b>	<b>\$ 139,858</b>	<b>\$ 301,789</b>	<b>\$ 749,478</b>

See accompanying notes.

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

	Program Services				Supporting Activities				
	Programming & Production	Broadcasting	Program Information & Promotion	Total Program Services	Management and General	Fundraising & 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
<b>Total expenses</b>	<b>\$ 262,111</b>	<b>\$ 106,491</b>	<b>\$ 89,650</b>	<b>\$ 458,252</b>	<b>\$ 47,630</b>	<b>\$ 131,696</b>	<b>\$ 87,786</b>	<b>\$ 267,112</b>	<b>\$ 725,364</b>

See accompanying notes.



**BACK PORCH RADIO BROADCASTING, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 51,339	\$ 38,054
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	4,808	5,120
Change in allowance for uncollectible pledges	1,324	(512)
Contributions restricted for long-term purchases	-	(3,300)
(Increase) decrease in assets		
Accounts receivable	(3,795)	(657)
Pledges receivable	(3,584)	8,631
Grants receivable	32,076	(5,744)
Prepaid expenses	9,405	(372)
Inventory	637	(1,114)
Increase (decrease) in liabilities		
Accounts payable	5,627	(242)
Accrued expenses	9,658	4,727
<b>Net cash provided by operating activities</b>	<u>107,495</u>	<u>44,591</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of equipment	(22,692)	(36,921)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for investment in equipment	<u>-</u>	<u>3,300</u>
<b>Net change in cash</b>	84,803	10,970
Cash at beginning of year	<u>303,523</u>	<u>292,553</u>
<b>Cash at end of year</b>	<u>\$ 388,326</u>	<u>\$ 303,523</u>

See accompanying notes.

**BACK PORCH RADIO BROADCASTING, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Activities**

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.

**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, 2019 and 2018 is shown net of an allowance for uncollectible pledges of \$8,674 and \$7,350 respectively. 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, 2019 and 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 statements 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 statements of activities and the statements 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, 2019 and 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Adoption of New Accounting Pronouncement**

On June 21, 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for evaluating whether transactions such as grants and similar contracts with government agencies and others should be accounted for as exchange transactions (that is, revenue from contracts with customers) or contributions. The ASU also assists entities in determining whether a contribution is conditional. WORT adopted the requirements of the ASU as of January 1, 2019. The changes in the ASU have been applied on a modified prospective basis, that is, the changes have been applied to agreements that are either not completed as of January 1, 2019, or entered into after that date.

**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 21, 2020, the date which the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact contributions to WORT. Other financial impacts could occur; however, the financial impact and duration cannot be reasonably estimated at this time.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2019	2018
Land	\$ 13,000	\$ 13,000
Buildings and improvements	237,947	228,572
Broadcasting and station equipment	371,748	362,332
Property and equipment	622,695	603,904
Less accumulated depreciation	544,217	543,310
Property and equipment, net	\$ 78,478	\$ 60,594

**BACK PORCH RADIO BROADCASTING, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

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NOTE 3 – NET ASSETS

Net assets with donor restrictions were available for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Program acquisition	\$ -	\$ 8,116
Summer journalism program	10,000	-
Underwriting for subsequent periods	14,235	6,539
New studio construction	<u>1,800</u>	<u>1,800</u>
Net assets with donor restrictions	<u>\$ 26,035</u>	<u>\$ 16,455</u>

NOTE 4 – COMMITMENTS

WORT leases tower space for its antenna used in broadcasting under a three-year lease that expires January 31, 2021 with monthly payments of \$2,952 that increase by 5% each year. Future minimum lease payments for 2020 and 2021 are \$38,906 and \$3,255.

WORT leases office equipment under a five-year lease that expired January 15, 2020 with monthly payments of \$376. WORT purchased this leased office equipment when the lease expired.

Total lease expense 2019 and 2018 was \$41,454 and \$40,615 respectively.

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 2019 and 2018 was \$7,213 and \$6,515 respectively.

NOTE 6 – CONDITIONAL GRANT

WORT has one grant that is conditioned upon WORT incurring qualifying expenses under the grant program. At December 31, 2019, the conditional grant amount was \$26,655. The conditional grant will be recognized as revenue when the respective conditions are met in the upcoming year.

**BACK PORCH RADIO BROADCASTING, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

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NOTE 7 – DONATED MATERIALS AND SERVICES

The estimated fair value of donated materials and services for 2019 and 2018 recorded in the financial statements are as follows:

	2019	2018
Donated materials	\$ 1,987	\$ 2,580
Donated services		
IT and website hosting	7,691	9,250
Advertising	4,690	8,370
Maintenance services	1,513	375
Donated materials and services	\$ 15,881	\$ 20,575

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 8 – 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 IBEW Local 2304 ALF-CIO that covers full time staff. The agreement expires June 30, 2021.

**BACK PORCH RADIO BROADCASTING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019 and 2018

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NOTE 9 – LIQUIDITY AND AVAILABILITY

The following table reflects WORT financial assets of December 31, 2019 and 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.

	<u>2019</u>	<u>2018</u>
Cash	\$ 388,326	\$ 303,523
Grants receivable	-	32,076
Promises to give	7,196	3,401
Pledges receivable	<u>6,071</u>	<u>3,811</u>
Financial assets, at year-end	401,593	342,811
Less those unavailable for general expenditures within one year, due to:		
Restricted by donor with purpose or time restrictions	<u>(16,455)</u>	<u>(16,455)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 385,138</u>	<u>\$ 326,356</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.