

BACK PORCH RADIO BROADCASTING, INC.

FINANCIAL STATEMENTS

December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Back Porch Radio Broadcasting, Inc.
Madison, Wisconsin

Opinion

We have audited the financial statements of Back Porch Radio Broadcasting, Inc., which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Back Porch Radio Broadcasting, Inc. as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Back Porch Radio Broadcasting, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Back Porch Radio Broadcasting, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Back Porch Radio Broadcasting, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Back Porch Radio Broadcasting, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

A handwritten signature in black ink that reads "Wegner CPAs LLP". The signature is written in a cursive, flowing style.

Wegner CPAs, LLP
Madison, Wisconsin
June 19, 2024

BACK PORCH RADIO BROADCASTING, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	\$ 560,586	\$ 708,866
Promises to give	4,260	3,363
Pledges receivable, net	10,346	6,293
Prepaid expenses	40,991	28,250
Inventory	2,902	2,902
Total current assets	619,085	749,674
NONCURRENT ASSETS		
Investments	52,169	-
Property and equipment, net	173,471	76,635
Operating lease right-of-use asset	143,023	188,033
Total noncurrent assets	368,663	264,668
Total assets	\$ 987,748	\$ 1,014,342
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 7,695	\$ 1,199
Accrued expenses	38,034	36,380
Operating lease liability	45,459	42,564
Total current liabilities	91,188	80,143
Noncurrent operating lease liability	104,599	150,059
Total liabilities	195,787	230,202
NET ASSETS		
Without donor restrictions	738,815	751,552
With donor restrictions	53,146	32,588
Total net assets	791,961	784,140
Total liabilities and net assets	\$ 987,748	\$ 1,014,342

See accompanying notes.

BACK PORCH RADIO BROADCASTING, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2023 and 2022

	2023	2022
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUE		
Contributions	\$ 644,032	\$ 672,424
CPB grant	104,436	96,710
Program underwriting sponsorships	38,541	26,572
Donated materials and services	12,018	9,047
Special events	54,585	48,266
Interest	5,286	-
Other income	-	775
Total support and revenue without donor restrictions	858,898	853,794
EXPENSES		
Program services		
Programming and production	278,120	266,967
Broadcasting	158,057	159,911
Program information and promotion	64,422	58,363
Total program services	500,599	485,241
Supporting activities		
Management and general	140,549	140,933
Fundraising and membership development	141,219	117,946
Underwriting and grant solicitation	101,617	89,846
Total supporting activities	383,385	348,725
Total expenses	883,984	833,966
NET ASSETS RELEASED FROM DONOR RESTRICTIONS		
Satisfaction of purpose or time restrictions	12,349	16,975
Change in net assets without donor restrictions	(12,737)	36,803
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	32,907	11,588
Net assets released from donor restrictions		
Satisfaction of purpose or time restrictions	(12,349)	(16,975)
Change in net assets with donor restrictions	20,558	(5,387)
Change in net assets	7,821	31,416
Net assets at beginning of year	784,140	752,724
Net assets at end of year	<u>\$ 791,961</u>	<u>\$ 784,140</u>

See accompanying notes.

BACK PORCH RADIO BROADCASTING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2023

	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	\$ 239,144	\$ 59,528	\$ 50,871	\$ 349,543	\$ 44,410	\$ 102,964	\$ 66,180	\$ 213,554	\$ 563,097
Office expense	8,943	22,527	6,503	37,973	31,739	22,782	33,152	87,673	125,646
Equipment rental and maintenance	359	24,591	2,282	27,232	3,112	1,518	-	4,630	31,862
Programs and subscriptions	17,775	-	-	17,775	1,266	-	-	1,266	19,041
Professional fees	13	-	-	13	13,482	-	-	13,482	13,495
Occupancy	8,079	3,095	1,825	12,999	5,564	2,220	1,480	9,264	22,263
Donated services	1,320	889	234	2,443	3,244	350	234	3,828	6,271
Other expenses	-	-	-	-	15,912	-	-	15,912	15,912
Printing and postage	89	-	2,464	2,553	714	10,945	468	12,127	14,680
Depreciation and amortization	-	45,038	-	45,038	19,942	-	-	19,942	64,980
Donated materials	2,377	2,389	18	4,784	803	126	34	963	5,747
Travel and training	21	-	225	246	361	314	69	744	990
Total expenses	<u>\$ 278,120</u>	<u>\$ 158,057</u>	<u>\$ 64,422</u>	<u>\$ 500,599</u>	<u>\$ 140,549</u>	<u>\$ 141,219</u>	<u>\$ 101,617</u>	<u>\$ 383,385</u>	<u>\$ 883,984</u>

See accompanying notes.

BACK PORCH RADIO BROADCASTING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	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	\$ 233,087	\$ 62,718	\$ 49,614	\$ 345,419	\$ 61,309	\$ 85,868	\$ 60,082	\$ 207,259	\$ 552,678
Office expense	9,129	23,837	4,788	37,754	30,208	21,155	27,930	79,293	117,047
Equipment rental and maintenance	128	21,231	302	21,661	1,310	565	-	1,875	23,536
Programs and subscriptions	16,398	-	20	16,418	3,263	20	65	3,348	19,766
Professional fees	209	-	17	226	13,330	-	-	13,330	13,556
Occupancy	6,102	2,792	1,387	10,281	5,547	1,664	1,109	8,320	18,601
Donated services	1,769	1,564	1,272	4,605	8,646	693	318	9,657	14,262
Other expenses	-	-	-	-	7,652	-	-	7,652	7,652
Printing and postage	131	-	927	1,058	344	7,916	342	8,602	9,660
Depreciation and amortization	-	47,484	-	47,484	8,675	-	-	8,675	56,159
Donated materials	14	285	11	310	410	65	-	475	785
Travel and training	-	-	25	25	239	-	-	239	264
Total expenses	<u>\$ 266,967</u>	<u>\$ 159,911</u>	<u>\$ 58,363</u>	<u>\$ 485,241</u>	<u>\$ 140,933</u>	<u>\$ 117,946</u>	<u>\$ 89,846</u>	<u>\$ 348,725</u>	<u>\$ 833,966</u>

See accompanying notes.

BACK PORCH RADIO BROADCASTING, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 7,821	\$ 31,416
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	17,673	8,675
Amortization of operating lease right-of-use asset	45,010	44,407
Bad debt expense	10,733	6,474
(Increase) decrease in assets		
Promises to give	(897)	12,017
Pledges receivable	(14,786)	(9,140)
Prepaid expenses	(12,741)	(12,978)
Increase (decrease) in liabilities		
Accounts payable	6,496	(3,083)
Accrued expenses	1,654	165
Operating lease liability	(42,565)	(39,817)
Net cash provided by operating activities	18,398	38,136
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of and interest reinvested in investments	(52,169)	-
Purchases of broadcasting and station equipment	(114,509)	(5,771)
Net change in cash	(148,280)	32,365
Cash at beginning of year	708,866	676,501
Cash at end of year	<u>\$ 560,586</u>	<u>\$ 708,866</u>

See accompanying notes.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

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.

Promises to Give

Unconditional promises to give are recognized as support in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Uncollectible promises are written off after management has used reasonable collection efforts and determines the promises will not be collected.

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, 2023 and 2022 is shown net of an allowance for uncollectible pledges of \$9,039 and \$8,390, respectively. The allowance is based on the collections from previous pledge drives and management's uncollectible estimate of 2-4% of total pledges.

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.

Investments

Back Porch Radio Broadcasting, Inc. holds investments in an annuity, which is carried at fair value. Annuities are valued using a market approach that uses as inputs observed interest rates and yield curves, prices in active markets for similar assets, and prices for identical assets in inactive markets that have been adjusted by observable indexes, which are Level 2 fair value measurements.

Donated Services

Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

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. Depreciation expense for the years ended December 31, 2023 and 2022 was \$17,673 and \$8,675.

Property and equipment, if donated, is recorded as support at its estimated fair value. Such donations are reported as support without donor restrictions 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.

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from 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 directly allocated except for personnel, office expense, and occupancy, which are allocated based on time and effort. 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.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

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.

Leases

WORT does not recognize short-term leases in the statements of financial position. For these leases, WORT recognizes the lease payments in the change in net assets in the period in which the obligation for those payments is incurred. WORT also does not separate nonlease components from lease components for all classes of underlying assets and instead accounts for each separate lease component and the nonlease components associated with that lease component as a single lease component. If the rate implicit in the lease is not readily determinable, WORT uses a risk-free rate as the discount rate for the lease for all classes of underlying assets.

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.

Date of Management Review

Management has evaluated subsequent events through June 19, 2024, the date which the financial statements were available to be issued.

NOTE 2 – CONDITIONAL GRANT

WORT has one grant that is conditioned upon WORT incurring qualifying expenses under the grant program. At December 31, 2023, the conditional grant amount was \$19,789. 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, 2023 and 2022

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2023	2022
Land	\$ 13,000	\$ 13,000
Buildings and improvements	247,057	247,056
Broadcasting and station equipment	473,310	358,802
Property and equipment	733,367	618,858
Less accumulated depreciation	559,896	542,223
Property and equipment, net	<u>\$ 173,471</u>	<u>\$ 76,635</u>

NOTE 4 – NET ASSETS

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

	2023	2022
Summer journalism program	\$ 40,476	\$ 20,000
Underwriting for future periods	12,431	11,588
Studio renovation	239	1,000
Net assets with donor restrictions	<u>\$ 53,146</u>	<u>\$ 32,588</u>

NOTE 5 – DONATED MATERIALS AND SERVICES

Donated materials and services recognized within the statements of activities include:

	2023	2022
Donated materials	\$ 5,724	\$ 785
Donated services		
Internet and website hosting	3,546	5,372
Advertising	2,140	2,500
Maintenance services	608	390
Donated materials and services	<u>\$ 12,018</u>	<u>\$ 9,047</u>

WORT received in-kind contributions within revenue, including supplies and services. Unless otherwise noted, there were no donor-imposed restrictions on the in-kind contributions.

Donated materials recognized are comprised of supplies used for programming and broadcasting. WORT estimated the fair value on the basis of estimates of the cost to purchase the items.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 5 – DONATED MATERIALS AND SERVICES (continued)

Donated services recognized are comprised of internet, advertising, and maintenance services, and were used across all programs and supporting activities. The services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

In addition, 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 6 – LEASES

WORT leases tower space for its antenna used in broadcasting under a lease that expires January 31, 2027. The lease has monthly payments that increase by 5% each year.

The components of total lease cost are as follows:

	<u>2023</u>	<u>2022</u>
Operating lease cost	<u>\$ 47,484</u>	<u>\$ 47,484</u>

Other information related to leases is as follows:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities operating cash flows from operating leases	\$ 45,039	\$ 42,894
Weighted-average remaining lease term	3.08 years	4.08 years
Weighted-average discount rate	1.46%	1.46%

The maturities of lease liabilities as of December 31, 2023, are as follows:

Year ending December 31:	
2024	\$ 47,291
2025	49,655
2026	52,138
2027	<u>4,361</u>
Total minimum lease payments	153,445
Imputed interest	<u>(3,387)</u>
Total operating lease liability	<u>\$ 150,058</u>

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 7 – CONCENTRATIONS

Concentration of Credit Risk

WORT maintains its cash balances at financial institutions located in Madison, Wisconsin. The balances are insured by National Credit Union Administration up to \$250,000. At December 31, 2023 and 2022, WORT's uninsured cash balances total approximately \$125,500 and \$285,000.

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, 2028.

Collective Bargaining Agreement

WORT has a collective bargaining agreement with employee union IBEW Local 2304 ALF-CIO that covers full time staff. WORT entered into a new collective bargaining agreement that will expire June 30, 2024.

NOTE 8 – LIQUIDITY AND AVAILABILITY

The following table reflects WORT financial assets of December 31, 2023 and 2022, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position dates because of donor restrictions.

	2023	2022
Cash	\$ 560,586	\$ 708,866
Investments	52,169	-
Promises to give	4,260	3,363
Pledges receivable	10,346	6,293
Financial assets, at year-end	627,361	718,522
Less those unavailable for general expenditures within one year, due to:		
Restricted by donor with purpose or time restrictions	(53,146)	(32,588)
Long-term investments	(52,169)	-
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 522,046</u>	<u>\$ 685,934</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 – 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 2023 and 2022 was \$10,212 and \$8,439, respectively.

BACK PORCH RADIO BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 10 – PAYCHECK PROTECTION PROGRAM

On April 28, 2021, Back Porch Radio Broadcasting, Inc. (WORT) received a \$99,330 loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). On June 4, 2021, the SBA approved forgiveness of the loan and related interest of \$100,419. WORT must retain PPP documentation in its files for six years after the date the loan was forgiven and permit authorized representatives of the SBA to access such files upon request. The SBA may review any loan at any time at its discretion. Therefore, the SBA may review WORT's good-faith certification concerning the necessity of its loan request, whether WORT calculated the loan amount correctly, whether WORT used loan proceeds for the allowable uses specified in the CARES Act, and whether WORT is entitled to loan forgiveness in the amount claimed on its application. If SBA determines WORT was ineligible for the loan or for full forgiveness in whole or in part, the SBA will seek repayment of the award.

NOTE 11 – CONTINGENCY

WORT is aware of a litigation matter that is related to volunteers at the station. The hearing for the case has not yet been determined as the date is pending in the court system. Due to uncertainties in the litigation process, it is not reasonably possible to estimate the cost of this matter and a liability has not been accrued in the financial statements. WORT's insurance will cover up to their limit at the time of the event.