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*Financial Report*

*Friends of WWOZ, Inc.*

*June 30, 1998*

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date DEC 23 1998

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New Orleans, Louisiana

June 30, 1998

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Bourgeois Bennett

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,  
Friends of WWOZ, Inc.  
New Orleans, Louisiana.

We have audited the accompanying statement of financial position of the Friends of WWOZ, Inc. (the Station, a nonprofit organization) as of June 30, 1998, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Station's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Friends of WWOZ, Inc. as of June 30, 1998, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 20, 1998 on our consideration of the Station's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, La.,  
October 20, 1998.

**STATEMENT OF FINANCIAL POSITION**

**Friends of WWOZ, Inc.**  
New Orleans, Louisiana

June 30, 1998

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Current Assets</b>			
Cash	\$ 75,990	\$ 3,700	\$ 79,690
Receivables:			
Unconditional promises to give	1,005		1,005
Prepaid expense	4,032		4,032
Other	677		677
	<u>81,704</u>	<u>3,700</u>	<u>85,404</u>
<b>Property and Equipment</b>			
Broadcast and other equipment	159,278	\$ 100,826	260,104
Office furniture and equipment	67,817		67,817
	<u>227,095</u>	<u>100,826</u>	<u>327,921</u>
Less accumulated depreciation	<u>141,077</u>	<u>46,347</u>	<u>187,424</u>
Net book value	<u>86,018</u>	<u>54,479</u>	<u>140,497</u>
Total assets	<u>\$ 167,722</u>	<u>\$ 58,179</u>	<u>\$ 225,901</u>
<b>Current Liabilities</b>			
Accounts payable	\$ 10,487		\$ 10,487
Due to New Orleans Jazz and Heritage Foundation	14,100		14,100
Total current liabilities	<u>24,587</u>		<u>24,587</u>
<b>Net Assets</b>			
Unrestricted	143,135		143,135
Temporarily restricted		<u>\$ 58,179</u>	<u>58,179</u>
Total net assets	<u>143,135</u>	<u>58,179</u>	<u>201,314</u>
Total liabilities and net assets	<u>\$ 167,722</u>	<u>\$ 58,179</u>	<u>\$ 225,901</u>

See notes to financial statements.

**STATEMENT OF ACTIVITIES****Friends of WWOZ, Inc.  
New Orleans, Louisiana**

For the year ended June 30, 1998

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues</b>			
Membership and general support	\$ 544,962		\$ 544,962
Development grants:			
CPB - Community Service Grant	79,783		79,783
CPB - National Program Production and Acquisition Grant	32,344		32,344
Other grants	62,939	\$ 3,750	66,689
In kind support:			
Goods and services	3,349		3,349
Rent	10,200		10,200
Special events (net of \$48,932 of related costs)	52,804		52,804
Miscellaneous	2,375		2,375
<b>Total revenues</b>	<u>788,756</u>	<u>3,750</u>	<u>792,506</u>
<b>Net Assets Released from Restrictions</b>			
Satisfaction of purpose restrictions:			
Other grant qualifying expenses	50	(50)	-
Expiration of time restrictions:			
Depreciation	13,930	(13,930)	-
<b>Total net assets released from restrictions</b>	<u>13,980</u>	<u>(13,980)</u>	<u>-</u>
<b>Total revenues and net assets released from restrictions</b>	<u>802,736</u>	<u>(10,230)</u>	<u>792,506</u>

**Exhibit B  
(Continued)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Expenses</b>			
Program services:			
Programming and production	127,685		127,685
Broadcasting	172,708		172,708
Program information and promotion	161,411		161,411
Supporting services:			
Management and general	161,273		161,273
Fund raising	163,679		163,679
Total expenses	<u>786,756</u>	<u>-</u>	<u>786,756</u>
<b>Increase (Decrease) in Net Assets</b>	15,980	(10,230)	5,750
<b>Net Assets</b>			
Beginning of year	<u>127,155</u>	<u>68,409</u>	<u>195,564</u>
End of year	<u>\$ 143,135</u>	<u>\$ 58,179</u>	<u>\$ 201,314</u>

See notes to financial statements.

## STATEMENT OF FUNCTIONAL EXPENSES

**Friends of WWOZ, Inc.**  
New Orleans, Louisiana

For the year ended June 30, 1998

	Program Services			Total Program Services
	Programming and Production	Broadcasting	Public Information and Promotion	
Salaries, payroll taxes and employee benefits	\$ 13,301	\$ 100,526	\$ 2,392	\$ 116,219
Professional services	20,029	12,781	12	32,822
Affiliation fees	5,196			5,196
Office supplies and postage	564	1,004	198	1,766
Telephone	11,107	2,639		13,746
Advertising			151,124	151,124
Rental and maintenance of equipment	5,376	3,427	3,028	11,831
Printing, publications, and graphics	1,143	69	694	1,906
Travel, seminars and training	1,305		30	1,335
Programming	2,750			2,750
Production	40,709			40,709
Miscellaneous	16,040	305	1,886	18,231
Occupancy	3,060	16,114		19,174
Insurance		7,421	2,047	9,468
Depreciation	7,105	28,422		35,527
Totals	<u>\$ 127,685</u>	<u>\$ 172,708</u>	<u>\$ 161,411</u>	<u>\$ 461,804</u>

See notes to financial statements.

Supporting Services

<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
\$ 72,558	\$ 39,458	\$ 112,016	\$ 228,235
15,692	39,014	54,706	87,528
4,597		4,597	9,793
3,368	11,119	14,487	16,253
7,815	261	8,076	21,822
	60,681	60,681	211,805
13,978	3,572	17,550	29,381
7,784	2,084	9,868	11,774
810	32	842	2,177
			2,750
			40,709
13,845	3,624	17,469	35,700
13,530	2,040	15,570	34,744
121		121	9,589
7,175	1,794	8,969	44,496
<u>\$ 161,273</u>	<u>\$ 163,679</u>	<u>\$ 324,952</u>	<u>\$ 786,756</u>

**STATEMENT OF CASH FLOWS**

**Friends of WWOZ, Inc.**  
New Orleans, Louisiana

For the year ended June 30, 1998

**Cash Flows From Operating Activities**

Increase in net assets	\$ 5,750
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	44,496
Decrease in operating assets:	
Receivables	12,591
Prepaid expense	858
Decrease in operating liabilities:	
Accounts payable	(2,929)
Due to New Orleans Jazz and Heritage Foundation	<u>(12,000)</u>
Net cash provided by operating activities	48,766

**Cash Flows Used in Investing Activities**

Equipment purchases	<u>(20,844)</u>
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**Net Increase in Cash** 27,922

**Cash Balance**

Beginning of year	<u>51,768</u>
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End of year	<u>\$ 79,690</u>
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See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**Friends of WWOZ, Inc.**  
New Orleans, Louisiana

June 30, 1998

**Note 1 - NATURE OF ACTIVITIES**

Friends of WWOZ, Inc. (the Station) is a nonprofit corporation which was organized under the laws of the State of Louisiana on June 16, 1986. The Corporation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code.

The Corporation operates a noncommercial, educational radio station which was licensed by the Federal Communications Commission on October 29, 1981. The Station's call letters are WWOZ-FM.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****a. Basis of Accounting**

The financial statements of the Station are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

**b. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**c. Allowance for Uncollectible Receivables**

The Station provides for possible uncollectible receivables as determined by management. At June 30, 1998, no allowance was considered to be necessary.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**d. Property and Equipment**

The Station records all asset acquisitions at cost, except for assets donated to the Station. Donated assets are recorded at appraised value as of the date of donation.

Property and Equipment acquired with funds received through grants or contributions which stipulate a time period for the asset to be maintained are reported as temporarily restricted net assets. Temporarily restricted net assets are reclassified to unrestricted net assets as an expiration of time restrictions as the assets are depreciated or the time period expires.

Depreciation expense is determined using the straight-line method and is intended to allocate the cost of the assets over their estimated useful lives. Depreciation expense for the year ended June 30, 1998 totaled \$44,496.

**e. Revenue Recognition**

**Membership and General Support** - Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. For the year ended June 30, 1998, all promises to give were recognized as assets and revenues.

Support that is restricted by a donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**e. Revenue Recognition (Continued)**

**Grants** - Revenues are recognized when the grant is received or when the grantor makes a promise that is, in substance, unconditional. For certain grants that eligibility is determined based on the Station's ability to secure financial support from other sources, the grant is recognized as temporarily restricted until these requirements have been accomplished. Grants that require providing services are recognized as temporarily restricted until the services have been provided.

**Fund Raising Activities** - Revenues from various activities conducted for the purpose of raising funds for the Station's operations, other than membership drives, are reported at the net amount received less costs incurred in their production. The value of items donated for such events are not recorded as these amounts are not determinable.

**f. In-Kind Support**

The Station records as revenue the value of the substantially free use of radio broadcast and office facilities and an office building and recognizes a similar amount as expense. See Note 4 for additional information regarding revenue recognized from these in-kind rental values.

For the year ended June 30, 1998, in-kind goods and services totaling \$3,349 were recorded as management and general expense in the statement of activities.

**g. Statement of Cash Flows**

For purposes of reporting cash flows, the Station considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 1998.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**h. Financial Statement Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-For-Profit Organizations. Under SFAS No. 117, the Station is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The Station maintains its accounting records using separate accounts for recordation of specific assets, liabilities, and transactions as follows:

**Unrestricted Net Assets** - Receives membership support, grants, and other revenues and expends funds for the general operation of the Station.

**Temporarily Restricted Net Assets** - Receives grants and other revenues specifically authorized by the grantor or donor to be used for a certain purpose or to benefit a specific accounting period.

The Station does not have any permanently restricted net assets.

**Note 3 - RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are restricted by the donor for specific purposes or are available for future periods. Temporarily restricted net assets at June 30, 1998, are available for the following purposes or periods:

Arts Council of New Orleans - Decentralized	
Arts Funding Program grant for restricted purposes	\$ 3,700
Net book value of broadcast equipment	
purchased under Department of Commerce -	
Public Telecommunications Facilities Grants	
(Note 5)	<u>54,479</u>
	<u>\$58,179</u>

**Note 4 - IN-KIND SUPPORT - RENTAL VALUE OF LEASED FACILITIES**

The Station's radio broadcast and office facility is leased on a month-to-month basis at a rental rate which equates to the cost of utilities for the facility. An independent appraisal as of October 2, 1997 established a fair rental value for the facility at approximately \$7,800 per year.

The Station also has substantially free use of an office building near the Station. An independent appraisal as of October 2, 1997 established a fair rental value for this building at approximately \$4,800 per year. During December 1992, the Station entered into an agreement to pay a nominal amount of rent on a month-to-month basis to lease this office space. Rent expense in the amount of \$2,400 was paid during the year ended June 30, 1998, for the facility.

For the year ended June 30, 1998, the following in-kind rent amounts were recorded:

Programming and production	\$ 3,060
Broadcasting	3,060
Management and general	2,040
Fund raising	<u>2,040</u>
Total	<u>\$10,200</u>

Rent expense paid for the transmitter site totaled \$6,000 for the year ended June 30, 1998.

**Note 5 - EQUIPMENT GRANTS**

On September 1, 1993, the Station was awarded a grant by the U.S. Department of Commerce, Public Telecommunications Facilities Program which provided a percentage of the cost of new equipment. The terms of the grant provides for repayment under certain conditions which generally relate to a change in ownership from nonprofit to proprietary or changes in uses of such assets acquired with grant funds. The restrictions apply during a ten-year period beginning on the date of the grant. No additional proceeds relating to this grant were received during fiscal year ending June 30, 1998. The equipment purchased relating to this grant is being held as temporarily restricted.

**Note 5 - EQUIPMENT GRANTS (Continued)**

On September 1, 1994, the Station was also awarded another grant by the U.S. Department of Commerce, Public Telecommunications Facilities Program for a percentage of the cost of satellite equipment. The same restrictions related to the above-mentioned grant apply to this grant. No additional proceeds relating to this grant were received during fiscal year ended June 30, 1998. The equipment purchased relating to this grant is also being held as temporarily restricted.

**Note 6 - BROADCAST HOURS**

The broadcast hours of the radio station were 8,760 (unaudited) for the year ended June 30, 1998.

**Note 7 - RELATED PARTY TRANSACTIONS**

The New Orleans Jazz and Heritage Foundation (the Foundation) appoints three of its board members to the Board of Directors of the Station. For the year ended June 30, 1998, the Foundation granted the Station \$80,000, for operations which is recorded as membership and general support.

In addition, the Foundation also granted the Station \$134,350 to cover certain fees relating to the Jazz and Heritage Festival including broadcast, programming, and production facilities; broadcast rights and licenses; tent sponsorship; special event facilities and tickets to the festival to be used as premiums. This grant was subsequently repaid to the festival to cover the previously mentioned costs.

During the year, the Station also paid to the Foundation \$26,918 for additional special event facility fees and Jazz and Heritage Festival premium passes.

**SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**



Bourgeois Bennett

**REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors,  
Friends of WWOZ, Inc.,  
New Orleans, Louisiana.

We have audited the financial statements of the Friends of WWOZ, Inc. (the Station, a nonprofit organization) as of and for the year ended June 30, 1998, and have issued our report thereon dated October 20, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Friends of WWOZ, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Friends of WWOZ, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that

might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, La.,  
October 20, 1998.

## SCHEDULE OF FINDINGS

**Friends of WWOZ, Inc.**  
New Orleans, Louisiana

For the year ended June 30, 1998

### **Section I Summary of Auditor's Report**

#### a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified?                     yes  no
- Reportable condition(s) identified that are  
not considered to be material weakness                     yes  none reported

Noncompliance material to financial statements noted?     yes  no

#### b) Federal Awards

For the year ended June 30, 1998, the Friends of WWOZ, Inc. was not subject to OMB Circular A-133, Audits of States, Local Government and Non-Profit Organizations.

### **Section II Financial Statement Findings**

There were no financial statement findings required to be reported for the year ended June 30, 1998.

### **Section III Federal Award Findings and Questioned Costs**

Not applicable.

**REPORTS BY MANAGEMENT**

**SCHEDULE OF PRIOR YEAR FINDINGS**

**Friends of WWOZ, Inc.  
New Orleans, Louisiana**

For the year ended June 30, 1998

**Section I Internal Control and Compliance Material to the Financial Statements**

For the year ended June 30, 1997 there were no internal control or compliance issues reported or noted.

**Section II Internal Control and Compliance Material To Federal Awards**

For the year ended June 30, 1997 there were no internal control or compliance issues material to federal awards reported.

**Section III Management Letter**

Not applicable.

**MANAGEMENT'S CORRECTIVE ACTION PLAN**

**Friends of WWOZ, Inc.  
New Orleans, Louisiana**

For the year ended June 30, 1998

**Section I Internal Control and Compliance Material to the Financial Statements**

For the year ended June 30, 1998 there were no internal control or compliance issues reported or noted.

**Section II Internal Control and Compliance Material To Federal Awards**

For the year ended June 30, 1998, the Friends of WWOZ, Inc. was not subject to OMB Circular A-133, Audits of States, Local Government and Non-Profit Organizations.

**Section III Management Letter**

Not applicable.