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Financial Report

Friends of WWOZ, Inc.

June 30, 1999

Under provisions of state law, this report is a public document. A copy of this report has been submitted to the parish, or reviewed, orally and where 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 1-12-00

TABLE OF CONTENTS

Friends of WWOZ, Inc.
New Orleans, Louisiana

June 30, 1999

	<u>Exhibits</u>	<u>Page Number</u>
Financial Section		
Independent Auditor's Report		1 - 2
Statement of Financial Position	A	3
Statement of Activities	B	4 - 5
Statement of Functional Expenses	C	6 - 7
Statement of Cash Flows	D	8
Notes to Financial Statements	E	9 - 14
Special Report of Certified Public Accountants		
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		15 - 16
Schedule of Findings		17
Reports By Management		
Schedule of Prior Year Findings		18
Management's Corrective Action Plan		19



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, 1999, 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, 1999, 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 August 9, 1999 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.,
August 9, 1999.

STATEMENT OF FINANCIAL POSITION

Friends of WWOZ, Inc.
New Orleans, Louisiana

June 30, 1999

	Unrestricted	Temporarily Restricted	Total
Current Assets			
Cash		\$ 2,000	\$ 2,000
Receivables:			
Unconditional promises to give	\$ 1,510		1,510
Grants	8,438		8,438
Other	39,619		39,619
Prepaid expense	5,012		5,012
Other	677		677
Total current assets	55,256	2,000	57,256
Property and Equipment			
Broadcast and other equipment	169,389	100,826	270,215
Office furniture and equipment	87,236		87,236
Automobile	31,280		31,280
	287,905	100,826	388,731
Less accumulated depreciation	167,599	60,277	227,876
Net book value	120,306	40,549	160,855
Total assets	\$ 175,562	\$ 42,549	\$ 218,111
Current Liabilities			
Bank overdraft	\$ 25,786		\$ 25,786
Accounts payable	19,740		19,740
Due to New Orleans Jazz and Heritage Foundation	16,050		16,050
Total current liabilities	61,576		61,576
Net Assets			
Unrestricted	113,986		113,986
Temporarily restricted		\$ 42,549	42,549
Total net assets	113,986	42,549	156,535
Total liabilities and net assets	\$ 175,562	\$ 42,549	\$ 218,111

See notes to financial statements.

STATEMENT OF ACTIVITIES

Friends of WWOZ, Inc.

New Orleans, Louisiana

For the year ended June 30, 1999

	Unrestricted	Temporarily Restricted	Total
Revenues			
Membership and general support	\$ 732,549		\$ 732,549
Development grants:			
CPB - Community Service Grant	88,522		88,522
CPB - National Program Production and Acquisition Grant	35,649		35,649
Other grants	81,887	\$ 2,000	83,887
In kind support:			
Goods and services	2,375		2,375
Rent	10,200		10,200
Special events (net of \$51,600 of related costs)	44,515		44,515
Miscellaneous	134		134
 Total revenues	 995,831	 2,000	 997,831
 Net Assets Released from Restrictions			
Satisfaction of purpose restrictions:			
Other grant qualifying expenses	3,700	(3,700)	-
Expiration of time restrictions:			
Depreciation	13,930	(13,930)	-
 Total net assets released from restrictions	 17,630	 (17,630)	 -
 Total revenues and net assets released from restrictions	 1,013,461	 (15,630)	 997,831

**Exhibit B
(Continued)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	Total
Expenses			
Program services:			
Programming and production	260,370		260,370
Broadcasting	171,999		171,999
Program information and promotion	232,845		232,845
Supporting services:			
Management and general	178,415		178,415
Fund raising	198,981		198,981
Total expenses	1,042,610	-	1,042,610
 Decrease in Net Assets	 (29,149)	 (15,630)	 (44,779)
 Net Assets			
Beginning of year	143,135	58,179	201,314
End of year	\$ 113,986	\$ 42,549	\$ 156,535

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

Friends of WWOZ, Inc.

New Orleans, Louisiana

For the year ended June 30, 1999

	Program Services			Total Program Services
	Programming and Production	Broadcasting	Public Information and Promotion	
Salaries, payroll taxes and employee benefits	\$ 36,915	\$ 96,302		\$ 133,217
Professional services	73,316	6,313	\$ 6,340	85,969
Affiliation fees	5,800			5,800
Office supplies and postage	2,424	888		3,312
Telephone	13,823	8,035		21,858
Advertising	1,051		221,439	222,490
Rental and maintenance of equipment	20,019	12,061	1,738	33,818
Printing, publications, and graphics	1,345		1,274	2,619
Travel, seminars and training	2,015	955		2,970
Programming	1,144			1,144
Production	70,278			70,278
Miscellaneous	23,361	1,440	1,424	26,225
Occupancy	3,643	15,757		19,400
Insurance		9,302	630	9,932
Depreciation	5,236	20,946		26,182
Totals	\$ 260,370	\$ 171,999	\$ 232,845	\$ 665,214

See notes to financial statements.

Supporting Services

Management and General	Fund Raising	Total Supporting Services	Total Expenses
\$ 80,583	\$ 29,631	\$ 110,214	\$ 243,431
20,459	43,612	64,071	150,040
3,950		3,950	9,750
8,311	9,756	18,067	21,379
10,242	1,999	12,241	34,099
	93,758	93,758	316,248
5,812	4,596	10,408	44,226
2,898	3,181	6,079	8,698
1,755	1,084	2,839	5,809
			1,144
	2,964	2,964	73,242
18,824	3,506	22,330	48,555
13,196	2,040	15,236	34,636
969		969	10,901
11,416	2,854	14,270	40,452
<u>\$ 178,415</u>	<u>\$ 198,981</u>	<u>\$ 377,396</u>	<u>\$ 1,042,610</u>

STATEMENT OF CASH FLOWS

Friends of WWOZ, Inc.

New Orleans, Louisiana

For the year ended June 30, 1999

Cash Flows From Operating Activities

Decrease in net assets	\$ (44,779)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation	40,452
Increase in operating assets:	
Receivables	(48,562)
Prepaid expense	(980)
Increase in operating liabilities:	
Bank overdraft	25,786
Accounts payable	9,253
Due to New Orleans Jazz and Heritage Foundation	1,950
Net cash used in operating activities	(16,880)

Cash Flows Used in Investing Activities

Equipment purchases	(60,810)
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Net Decrease in Cash

(77,690)

Cash Balance

Beginning of year	79,690
End of year	\$ 2,000

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Friends of WWOZ, Inc.
New Orleans, Louisiana

June 30, 1999

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, 1999, 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 restriction 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, 1999 totaled \$40,452.

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, 1999, 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, 1999, in-kind goods and services totaling \$2,375 were recorded as management and general expense in the statement of activities.

g. Advertising Costs

Advertising costs are expensed in the year incurred.

h. 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, 1999.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. 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, 1999, are available for the following purposes or periods:

Private foundation grant for restricted purpose	\$ 2,000
Net book value of broadcast equipment purchased under Department of Commerce - Public Telecommunications Facilities Grants (Note 5)	<u>40,549</u>
	<u>\$42,549</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 in the amount of \$2,400 was paid during the year ended June 30, 1999, for the facility.

For the year ended June 30, 1999, 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 paid for the transmitter site totaled \$6,000 for the year ended June 30, 1999.

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, 1999. 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, 1999. 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, 1999.

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, 1999, 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 \$220,570 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 \$86,899 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, 1999, and have issued our report thereon dated August 9, 1999. 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.,
August 9, 1999.

SCHEDULE OF FINDINGS

Friends of WWOZ, Inc.

New Orleans, Louisiana

For the year ended June 30, 1999

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

Friends of WWOZ, Inc. did not receive any Federal awards during the year ended June 30, 1999.

Section II - Financial Statement Findings

There were no financial statement findings noted during the audit for the year ended June 30, 1999.

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, 1999

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

Internal Control

No material weaknesses were noted during the audit for the year ended June 30, 1998. No reportable conditions were reported during the audit for the year ended June 30, 1998.

Compliance

No compliance findings material to the financial statements were noted during the audit for the year ended June 30, 1998.

Section II - Internal Control and Compliance Material To Federal Awards

Friends of WWOZ, Inc. did not receive any Federal awards during the year ended June 30, 1998.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 1998.

MANAGEMENT'S CORRECTIVE ACTION PLAN

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

For the year ended June 30, 1999

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

Internal Control

No material weaknesses were noted during the audit for the year ended June 30, 1999. No reportable conditions were reported during the audit for the year ended June 30, 1999.

Compliance

No compliance findings material to the financial statements were noted during the audit for the year ended June 30, 1999.

Section II - Internal Control and Compliance Material To Federal Awards

Friends of WWOZ, Inc. did not receive any Federal awards during the year ended June 30, 1999.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 1999.