

FRIENDS OF WWOZ, INC.

Audits of Financial Statements

August 31, 2017 and 2016

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Independent Auditor's Report

To the Officers and Board of Directors
Friends of WWOZ, Inc.

We have audited the accompanying financial statements of the Friends of WWOZ, Inc. (the Station) (a nonprofit organization), which comprise the statements of financial position as of August 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements (collectively, 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 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 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 Friends of WWOZ, Inc. as of August 31, 2017 and 2016, 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.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of grant activity and the schedule of compensation, benefits, and other payments to agency head or chief executive officer are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2017, on our consideration of Friends of WWOZ, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Friends of WWOZ, Inc.'s internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA
December 27, 2017

FRIENDS OF WWOZ, INC.
Statements of Financial Position
August 31, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash	\$ 460,427	\$ 639,084
Grants and Accounts Receivable	24,724	91,613
Other Current Assets	-	2,061
Prepaid Expenses	18,943	20,941
	<hr/>	<hr/>
Total Current Assets	504,094	753,699
Property and Equipment, Net	518,723	653,713
	<hr/>	<hr/>
Total Assets	\$ 1,022,817	\$ 1,407,412
	<hr/>	<hr/>
Current Liabilities		
Accounts Payable	\$ 19,684	\$ 67,592
Accrued Payroll Liabilities	431	-
Deferred Revenue	16,500	-
Line of Credit	-	249,900
	<hr/>	<hr/>
Total Current Liabilities	36,615	317,492
	<hr/>	<hr/>
Net Assets		
Unrestricted		
Undesignated	467,479	436,207
Designated for Equipment	518,723	653,713
	<hr/>	<hr/>
Total Unrestricted	986,202	1,089,920
	<hr/>	<hr/>
Total Net Assets	986,202	1,089,920
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 1,022,817	\$ 1,407,412
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The accompanying notes are an integral part of these financial statements.

FRIENDS OF WWOZ, INC.
Statements of Activities
For the Year Ended August 31, 2017 and 2016

	2017	2016
Revenue and Support		
Contributions and Membership Fees	\$ 2,621,244	\$ 2,592,377
Foundation and Nonprofit Contributions	1,155,000	1,020,000
Development Production Grants	777,901	630,409
Underwriting	280,258	392,010
Special Events	147,604	194,867
Other Revenues	35,486	404,654
	<hr/>	<hr/>
Total Revenue and Support	5,017,493	5,234,317
Expenses		
Program Services		
Programming and Production	1,108,350	997,698
Broadcasting and Internet Services	687,471	913,818
Program Information and Promotion	-	246,544
	<hr/>	<hr/>
Total Program Services	1,795,821	2,158,060
Supporting Services		
Management and General	906,036	673,412
Fundraising and Membership Development	2,419,354	2,481,795
	<hr/>	<hr/>
Total Supporting Services	3,325,390	3,155,207
	<hr/>	<hr/>
Total Expenses	5,121,211	5,313,267
Change in Net Assets	(103,718)	(78,950)
Net Assets, Beginning of Year	1,089,920	1,168,870
	<hr/>	<hr/>
Net Assets, End of Year	\$ 986,202	\$ 1,089,920
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The accompanying notes are an integral part of these financial statements.

FRIENDS OF WWOZ, INC.
Statement of Functional Expenses
For the Year Ended August 31, 2017

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total</u>
	<u>Programming and Production</u>	<u>Broadcasting and Internet Services</u>	<u>Total Program Services</u>	<u>Fundraising and Membership Development</u>	<u>Management and General</u>	<u>Total Supporting Services</u>	
Expenses							
Salaries, Payroll Taxes, and Employee Benefits	\$ 410,638	\$ 348,048	\$ 758,686	\$ 363,191	\$ 439,081	\$ 802,272	\$1,560,958
Jazz Fest Related Expenses	642,383	-	642,383	642,383	-	642,383	1,284,766
Special Events	-	-	-	1,218,472	-	1,218,472	1,218,472
Occupancy	-	24,613	24,613	56,200	93,432	149,632	174,245
Depreciation	-	-	-	-	140,840	140,840	140,840
Professional Services	31,761	-	31,761	-	68,577	68,577	100,338
Website Expense (Digital Deployment)	-	89,423	89,423	-	-	-	89,423
Related Business	-	75,930	75,930	-	-	-	75,930
Telephone	-	14,678	14,678	-	56,177	56,177	70,855
Insurance	-	57,364	57,364	-	-	-	57,364
IT Support Services	-	-	-	37,351	9,830	47,181	47,181
Other Expenses	-	-	-	-	45,701	45,701	45,701
Contract Labor	-	42,485	42,485	-	-	-	42,485
Membership Premiums	-	-	-	42,227	-	42,227	42,227
Development and Training	-	-	-	34,431	5,152	39,583	39,583
Mobile Truck	-	34,930	34,930	-	-	-	34,930
Financial Fees	-	-	-	20,400	12,075	32,475	32,475
Program Production	20,710	-	20,710	-	-	-	20,710
Printing, Publications, and Graphics	-	-	-	4,699	10,853	15,552	15,552
Office Supplies and Postage	2,858	-	2,858	-	12,611	12,611	15,469
Affiliation Fees	-	-	-	-	10,707	10,707	10,707
Bad Debt Expense	-	-	-	-	1,000	1,000	1,000
Total Expenses	\$ 1,108,350	\$ 687,471	\$ 1,795,821	\$ 2,419,354	\$ 906,036	\$ 3,325,390	\$ 5,121,211

The accompanying notes are an integral part of these financial statements.

FRIENDS OF WWOZ, INC.
Statement of Functional Expenses
For the Year Ended August 31, 2016

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total
	Programming and Production	Broadcasting and Internet Services	Program Information and Promotion		Fundraising and Membership Development	Management and General		
Expenses								
Salaries, Payroll Taxes, and Employee Benefits	\$ 290,388	\$ 433,936	\$ 37,687	\$ 762,011	\$ 358,270	\$ 348,995	\$ 707,265	\$ 1,469,276
Professional Services	-	23,403	-	23,403	8,564	49,252	57,816	81,219
IT Support Services	-	6,279	-	6,279	-	10,143	10,143	16,422
Contract Labor	35,470	38,533	-	74,003	111,065	-	111,065	185,068
Website Expense (Digital Deployment)	-	156,664	-	156,664	-	-	-	156,664
Program Production	100,415	-	153,467	253,882	67,261	-	67,261	321,143
Membership Premiums	-	-	-	-	75,839	-	75,839	75,839
Occupancy	19,790	56,678	-	76,468	69,593	14,568	84,161	160,629
Telephone	11,762	25,612	-	37,374	19,195	11,486	30,681	68,055
Office Supplies and Postage	706	4,597	-	5,303	7,553	12,678	20,231	25,534
Jazz Fest Related Expenses	510,000	-	-	510,000	510,000	-	510,000	1,020,000
Printing, Publications, and Graphics	3,989	-	-	3,989	7,428	2,882	10,310	14,299
Special Events	-	5,535	-	5,535	1,113,398	-	1,113,398	1,118,933
Affiliation Fees	-	-	21,180	21,180	-	100	100	21,280
Financial Fees	-	-	-	-	76,715	26,529	103,244	103,244
Insurance	-	51,544	-	51,544	-	-	-	51,544
Mobile Truck	-	2,628	-	2,628	-	-	-	2,628
Operations and Maintenance	15,533	37,517	-	53,050	41,568	4,849	46,417	99,467
Related Business	-	66,349	22,662	89,011	-	-	-	89,011
Development and Training	9,645	4,543	-	14,188	15,346	29,893	45,239	59,427
Other Expenses	-	-	11,548	11,548	-	8,317	8,317	19,865
Bad Debt Expense	-	-	-	-	-	10,061	10,061	10,061
Depreciation	-	-	-	-	-	143,659	143,659	143,659
Total Expenses	\$ 997,698	\$ 913,818	\$ 246,544	\$ 2,158,060	\$ 2,481,795	\$ 673,412	\$ 3,155,207	\$ 5,313,267

The accompanying notes are an integral part of these financial statements.

FRIENDS OF WWOZ, INC.
Statements of Cash Flows
For the Years Ended August 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in Net Assets	\$ (103,718)	\$ (78,950)
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	140,840	143,659
Bad Debt Expense	1,000	10,061
(Increase) Decrease in Assets		
Other Current Assets	2,061	-
Grants and Accounts Receivable	65,889	98,190
Prepaid Expenses	1,998	1,085
Increase (Decrease) in Liabilities		
Accounts Payable	(47,477)	23,114
Deferred Revenue	16,500	-
	<u>77,093</u>	<u>197,159</u>
Net Cash Provided by Operating Activities	<u>77,093</u>	<u>197,159</u>
Cash Flows from Investing Activities		
Purchase of Property and Equipment	<u>(5,850)</u>	<u>(134,519)</u>
	<u>(5,850)</u>	<u>(134,519)</u>
Net Cash Used in Investing Activities	<u>(5,850)</u>	<u>(134,519)</u>
Cash Flows from Financing Activities		
Repayments on Line of Credit	(249,900)	(200,000)
Borrowings on Line of Credit	-	449,900
	<u>(249,900)</u>	<u>249,900</u>
Net Cash (Used in) Provided by Financing Activities	<u>(249,900)</u>	<u>249,900</u>
Net (Decrease) Increase in Cash	<u>(178,657)</u>	<u>312,540</u>
Cash, Beginning of Year	<u>639,084</u>	<u>326,544</u>
Cash, End of Year	<u>\$ 460,427</u>	<u>\$ 639,084</u>
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for Interest	<u>\$ 6,371</u>	<u>\$ 6,383</u>
Cash Paid During the Year for Taxes	<u>\$ 5,593</u>	<u>\$ 13,287</u>

The accompanying notes are an integral part of these financial statements.

Note 1. Summary of Significant Accounting Policies

Nature of Activities

The Friends of WWOZ, Inc. (the Station) is a nonprofit community radio station which was organized under the laws of the State of Louisiana on June 16, 1986. The Station operates a noncommercial, educational radio station which was licensed to operate by the Federal Communications Commission on October 29, 1981. The Station's call letters are WWOZ-FM. The mission of the Station is to celebrate the cultural diversity of New Orleans and its surrounding regions through music and information. The Station is funded mainly by federal and state grants, support from the New Orleans Jazz and Heritage Foundation (the Foundation), community fundraising, and underwriting contributions.

Basis of Accounting

The accounts of the Station are maintained in conformity with the principles of not-for-profit accounting. The accompanying financial statements of the Station have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Estimates

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

Allowance for Doubtful Accounts

Accounts receivable are recorded at the amount the Station expects to collect on balances outstanding as of August 31, 2017. Management closely monitors outstanding balances and writes off balances when they are deemed to be uncollectible on the basis of specific identification. The use of this method does not differ materially from the allowance method required by accounting principles generally accepted in the United States of America. No allowance for doubtful accounts was considered necessary at August 31, 2017 and 2016.

Property and Equipment

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

Acquisitions of property and equipment in excess of \$2,500, computer equipment in excess of \$3,000, and all expenditures for improvements that materially prolong the useful lives of assets are capitalized.

Equipment acquired with funds received through grants or contributions on which specific objectives are stipulated are reported as net assets designated for equipment.

FRIENDS OF WWOZ, INC.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

Depreciation expense is determined using the straight-line method and is intended to allocate the cost of the assets over their estimated useful lives as follows:

<u>Asset Category</u>	<u>Estimated Useful Life</u>
Leasehold Improvements	Lesser of Lease Term or 10 Years
Furniture and Fixtures	10 Years
Equipment	7 - 10 Years
Automobiles	5 Years
Computers	3 Years

Costs Incurred for Programs Not Yet Broadcast

Costs incurred for programs not yet broadcast are capitalized. Such costs relate to programs produced by the Station that will be broadcast subsequent to August 31st. Programs to be completed and broadcast within one year are classified as current assets whereas programs to be completed and broadcast in more than one year are classified as long-term. As the programs are broadcast, the costs incurred will be included in operating expenses. Program status is evaluated annually. Costs associated with programs not considered to have future benefit are adjusted to net realizable value. As of August 31, 2017 and 2016, there were no costs incurred for programs not yet broadcast.

Income Taxes

The Station's activities relating to the operation of its radio station are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). The Station qualifies as an organization that is not a private foundation as defined in Section 509(a) of the IRC. However, income from certain activities not directly related to the Station's tax-exempt purpose is subject to taxation as unrelated business income.

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Station believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in income tax expense.

Revenue Recognition

Contributions and membership fees are recognized when they are received or unconditionally pledged. Conditional contributions are recognized when they are received with donor stipulations that limit the use of the contributions.

Note 1. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

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 purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period is reported as unrestricted support.

Grant revenues are recognized when the grant is received or when the grantor makes a promise that is, in substance, unconditional. For certain grants where eligibility is determined based on the Station's ability to secure financial support from other sources, the grant revenue is recognized when the conditions are substantially met. Certain grants are restricted for the purchase of equipment and for the payment of certain operational expenses. When the Station is notified that they are a recipient of these grants, the amounts are included as temporarily restricted grant revenue in the accompanying statements of activities. Grant funding received in advance of expenditures for allowable grant purposes is recognized as deferred (unearned) grant revenue.

Revenues and expenses from various activities conducted for the purpose of raising funds for the Station's operations, other than membership drives, are reported at gross amounts. The expenses include the cost of direct benefits to donors. The value of items donated for such events are not recorded as these amounts are not readily determinable.

In-Kind Contributions

The Station records as revenue the value of the free air space that they give to other businesses through trade agreements in exchange for free use of office facilities and supplies. Likewise, a similar amount is thus recorded as rent and supplies expense.

Contributed materials, supplies, facilities, and property are recorded at their estimated fair value at the date of the donation. The Station reports gifts of equipment, professional services, materials, and other non-monetary contributions as unrestricted revenue in the accompanying statements of activities.

If the fair value of contributed materials, supplies, facilities, and property cannot be reasonably determined, they are not recorded. Donated personal services of non-professional volunteers, as well as national and local programming services, are not recorded as revenue and expenses as there is no objective basis available to measure the value of such services.

Contributed advertising and promotion are recorded at the fair value of the contribution portion of the total value received.

Note 1. Summary of Significant Accounting Policies (Continued)

Corporation for Public Broadcasting Community Service Grants

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. The CPB was established by Congress with the purpose of providing services, funding, and advocacy for public television and radio stations in America. In doing so, the CPB annually awards grants to qualified stations, such as WWOZ-FM.

The Station receives a Community Service Grant from CPB annually. The funds from this grant may be used for general operations and are, therefore, reported on the accompanying financial statements as an increase in unrestricted net assets. The Station also receives a National Program Production and Acquisition Grant (NPPAG), which provides funding for restricted uses: either for the acquisition of programs produced for national distribution or the actual production of programs that are distributed nationally. NPPAG funds must be expended within 18 months of receipt. NPPAG funds are reported on the accompanying financial statements as an increase in temporarily restricted net assets until satisfaction of the time and purpose restrictions, after which they are reported as a release from temporarily restricted net assets and an increase in unrestricted net assets. If restrictions are satisfied within the period received, funds are reported as an increase in unrestricted net assets.

Certain general provisions must be satisfied in connection with the application for and use of grants to maintain eligibility and meet compliance requirements. These general provisions pertain to the use of grant funds, record keeping audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

Advertising Costs

Advertising costs are expensed in the year incurred.

Commissions

The Station has agreements with independent consultants to solicit and acquire funds for program underwriting and other activities related to public broadcasting. The agreements provide for payment of commissions to the consultants based on varying percentages of funds received.

Statement of Cash Flows

For the purposes of reporting cash flows, the Station considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. At August 31, 2017 and 2016, the Station had no cash equivalents.

Financial Statement Presentation

The Station follows the guidance of the *Not-for-Profit Entities* Topic of the Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC). The Station is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Station is required to present a statement of cash flows. As of August 31, 2017 and 2016, the Station has no temporarily nor permanently restricted net assets.

Note 1. Summary of Significant Accounting Policies (Continued)

Allocation of Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, program and supporting service expenses are specifically identified with or allocated to the Station's various functions. Expenses are allocated based primarily on direct payroll charges, equipment usage or space occupied, and on estimates made by the Station's management.

Recent Accounting Pronouncements

In August 2016, the FASB issued Accounting Standard Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which amends the existing requirements for the financial statements and notes of Not-for-Profit (NFP) Entities. This update is the first phase of the FASB's two phase project. Entities are required to present on the face of the statements of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes. That is, a NFP will report amounts for *net assets without donor restrictions*, as well as the currently required amount for total net assets. There are additional enhanced disclosure requirements included in this update. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. The amendments in this update should be applied on a retrospective basis in the year that the update is first applied. However, if presenting comparative financial statements, a NFP has the option to omit certain information for any periods presented before the period of adoption.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which amends the existing accounting standards for revenue recognition. ASU 2017-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled to when products are transferred to customers. ASU 2014-09 will be effective for the Station beginning in the year ending August 31, 2019, though early adoption is permitted. The new revenue standard may be applied retrospectively as of the date of adoption. The Station is currently evaluating the impact of adopting the new revenue standard on its financial statements.

FRIENDS OF WWOZ, INC.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. The standard is effective on January 1, 2020, with early adoption permitted. The Station is in the process of evaluating the impact of this new guidance.

Note 2. Property and Equipment

Property and equipment at August 31, 2017 and 2016 consisted of the following:

	2017	2016
Office Furniture and Fixtures	\$ 12,980	\$ 12,980
Broadcast Equipment	853,162	853,162
Broadcast Trucks	163,558	163,558
Radio Station Equipment	263,756	263,756
Leasehold Improvements	415,625	409,775
Website	90,720	90,720
New Orleans Jazz History Application	37,500	-
Software Development in Progress	-	37,500
Total	<u>1,837,301</u>	<u>1,831,451</u>
Less: Accumulated Depreciation	<u>(1,318,578)</u>	<u>(1,177,738)</u>
Property and Equipment, Net	<u>\$ 518,723</u>	<u>\$ 653,713</u>

During the years ended August 31, 2017 and 2016, the amount charged to depreciation totaled \$140,840 and \$143,659 respectively

FRIENDS OF WWOZ, INC.

Notes to Financial Statements

Note 3. Concentration of Credit Risk

The Station maintains demand deposit account balances at a bank and a stock brokerage firm. The accounts contain cash and marketable securities. The Station maintains cash deposits in a commercial bank that at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Station has entered into an agreement with a financial institution to invest its cash in overnight repurchase agreements in order to secure its cash balances.

Note 4. Line of Credit

The Station has a \$300,000 line of credit with a bank, maturing on July 12, 2018. The line is unsecured and carries a variable rate of interest payable monthly at the Wall Street Journal prime rate (4.25% at August 31, 2017) plus 0.50% (totaling 4.750% at August 31, 2017). Borrowings outstanding against the line of credit as of August 31, 2017 totaled \$-0-. Borrowings outstanding against the line of credit at August 31, 2016 totaled \$249,900. Interest expense recognized related to the line of credit totaled \$6,371 and \$6,383, for the years ended August 31, 2017 and 2016, respectively.

Note 5. Operating Leases

The Station leases its office and studio in New Orleans, Louisiana pursuant to a non-cancellable lease dated July 1, 2008. Under the most recent amendment to this lease dated May 8, 2014, the lease stipulates monthly rent payments of \$1,750 totaling \$21,000 annually and monthly utility payments of \$296 totaling \$3,552 annually. The lease references a cooperative endeavor agreement between the Station and the lessor which is used to value a trade with the lessor for underwriting through the Station. The current monthly value of the underwriting provided to the lessor is \$3,183, totaling \$38,200 annually. The cooperative endeavor agreement must be renegotiated annually to the satisfaction of the lessor. Rent expense related to this office space totaled \$62,752 for both of the years ended August 31, 2017, and 2016.

The Station leases a transmitter site at Tulane University pursuant to a lease dated June 1, 2013. The lease stipulates monthly rent payment of \$500, with a 3% annual increase through the lease expiration date, December 31, 2022. Rent expense related to this lease totaled \$6,687 and \$6,493, for the years ended August 31, 2017, and 2016, respectively.

The Station leases a storage warehouse in Kenner, Louisiana pursuant to a lease dated July 16, 2007. Under the most recent extension to this lease dated July 13, 2015, the lease stipulates monthly rent payments of \$1,346. Rent expense related to this warehouse totaled \$16,629 and \$16,087, for the years ended August 31, 2017, and 2016, respectively.

FRIENDS OF WWOZ, INC.

Notes to Financial Statements

Note 5. Operating Leases (Continued)

Various rental expenses resulting from month-to-month operating leases of equipment and storage facilities totaled \$16,217 and \$15,504, for the years ended August 31, 2017, and 2016, respectively.

The Station executed a long-term lease agreement effective April 1, 2002, with the City of New Orleans for a parcel of land. The initial term of the lease is for forty (40) years ending on March 31, 2042. The annual rental was \$75 for the first five (5) years and escalates by 15% for each subsequent five year period within the initial term. The agreement provides for two (2) optional renewal periods of twenty-five (25) and twenty-four (24) years duration, respectively.

The Station leases additional office space in New Orleans, Louisiana pursuant to a commercial lease agreement dated July 1, 2015. The renewal of this lease in June of 2017 stipulates monthly rent payments of \$932 totaling \$11,184 annually, plus operating expenses estimated at \$67.50 per month totaling \$810 annually. The lease includes a special stipulation between the Station and the lessor which is used to value a trade with the lessor for underwriting through the Station. The current monthly value of the underwriting provided to the lessor is \$1,607. Rent expense related to this office space totaled \$18,321 and \$18,000, for the years ended August 31, 2017 and 2016, respectively.

The Station executed a short-term lease agreement effective January 1, 2016, for an apartment occupied by the Station's Chief Operating Officer. The lease stipulates monthly rent payments of \$1,500, of which the Station was responsible for 50% (\$750 per month). The lease expired on June 30, 2016. Rent expense, related to this corporate office totaled \$4,650 during the year ended August 31, 2016. There were no rental payments related to this agreement during the year ended August 31, 2017.

Minimum future lease payments required under the various lease agreements in effect at August 31, 2017, are as follows:

2018	\$ 99,873
2019	69,857
2020	7,314
2021	7,530
2022	6,448
Thereafter	<u>3,275</u>
Total Minimum Lease Payments	<u>\$ 194,297</u>

FRIENDS OF WWOZ, INC.

Notes to Financial Statements

Note 6. Commitments and Contingencies

The Station is a recipient of grants from federal and state funds. These grants are governed by various federal and state guidelines, regulations, and contractual agreements. The administration of the program and activities funded by these grants is under the control and administration of the Station and is subject to audit and/or review by the applicable funding sources. Any grant or award of funds found not to be properly spent in accordance with the terms, conditions, and regulations of the funding sources may be subject to recapture.

Note 7. Broadcast Hours

The broadcast hours of the radio station were approximately 8,758 (unaudited) and 8,755 (unaudited), for the years ended August 31, 2017 and 2016, respectively.

Note 8. Retirement Plan

The Station has a qualified defined contribution retirement plan (the Plan) covering substantially all employees. Eligibility in the Plan is based upon three years of continuous employment with the Station. Contributions made by the Station are discretionary. Retirement expense for the years ended August 31, 2017 and 2016, totaled \$29,660 and \$24,631, respectively.

Note 9. Risk Management

The Station is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets for which the Station carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Note 10. Board of Directors' Compensation

The Board of Directors of the Friends of WWOZ, Inc. is a voluntary board; therefore, no compensation has been paid to any member.

FRIENDS OF WWOZ, INC.

Notes to Financial Statements

Note 11. Corporation for Public Broadcasting Community Service Grants

As disclosed in Note 1, the Station received various Community Service Grants from the Corporation for Public Broadcasting. For the years ended August 31, 2017 and 2016, the Station received and expended the Community Service Grants as follows:

Fiscal Year Ended August 31, 2017

<u>Grants Received</u>	<u>Purpose</u>	<u>Amount Funded</u>	<u>Amount Expended</u>	<u>Balance at August 31, 2017</u>
Community Services Grant	Operations	\$ 233,101	\$ 233,101	\$ -
National Program Production and Acquisition Grant	Operations	\$ 77,700	\$ 77,700	\$ -

Fiscal Year Ended August 31, 2016

<u>Grants Received</u>	<u>Purpose</u>	<u>Amount Funded</u>	<u>Amount Expended</u>	<u>Balance at August 31, 2016</u>
Community Services Grant	Operations	\$ 206,402	\$ 206,402	\$ -
National Program Production and Acquisition Grant	Operations	\$ 91,007	\$ 91,007	\$ -

Note 12. Related Party Transactions

The New Orleans Jazz and Heritage Foundation (the Foundation) appoints the president and the board members to the Board of Directors of the Station.

During the years ended August 31, 2017 and 2016, the Foundation granted the Station \$1,155,000 and \$1,020,000, respectively, to cover certain fees relating to the Jazz and Heritage Festival. This yearly grant covers all the rights, benefits, services, and uses of property and fixtures at the Fair Grounds during the annual New Orleans Jazz and Heritage Festival. The amount granted varies from year to year, depending on the nature, scope, and value of the rights, benefits, services, and uses accorded to the Station in any particular year. This grant was repaid to the Jazz and Heritage Festival during the years ended August 31, 2017 and 2016. The funds that were received from the Foundation are reported on the statement of activities within the foundation and nonprofit contributions line item. Expenses of an equal amount are reported on the statement of functional expenses within the Jazz Fest related expenses line item.

During each of the years ended August 31, 2017 and 2016, the Station recorded revenue from the Foundation as part of the Foundation's operational grant for the Station totaling \$300,000.

FRIENDS OF WWOZ, INC.

Notes to Financial Statements

Note 12. Related Party Transactions (Continued)

During the year ended August 31, 2017, the Station recorded revenue from the Foundation as part of the Station's strategic plan grant totaling \$118,850. There were no revenues nor receivables recorded under this grant during the year ended August 31, 2016.

Note 13. Other Revenues

Other revenues at August 31, 2017 and 2016 consisted of the following sources:

	2017	2016
Deepwater Horizon Settlement, Net of Legal and Accounting Expenses	\$ -	\$ 371,542
Other Broadcasts	9,788	19,150
Insurance Reimbursement	-	5,624
Interest	2,915	3,584
License Plates	4,523	2,596
Miscellaneous	18,260	2,158
Total	\$ 35,486	\$ 404,654

Note 14. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 27, 2017, and determined that the following event occurred that requires disclosure.

On September 1, 2017, the Station withdrew \$150,000 on its line of credit and repaid \$50,000 of this, bringing the outstanding amount on the line of credit to \$100,000 as of December 27, 2017. The current maturity date on the line of credit is July 12, 2018.

No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

FRIENDS OF WWOZ, INC.
Supplementary Information
Schedule of Grant Activity
For the Year Ended August 31, 2017

Schedule I

Sources	Identifying Number	Program Name	Contract Period	Grant Revenue / Expense
New Orleans Jazz & Heritage Foundation	FY 2017	NOJHF - Operational	FY2016-2017	\$ 300,000
	FY 2017	NOJHF - Infrastructure Grant	FY2017	<u>118,850</u>
			Total NOJHF	<u>418,850</u>
Corporation for Public Broadcasting	FY 2017	Community Service Grant	11/27/16 - 4/4/17	233,101
	FY 2017	National Program Production and Acquisition Grant	11/27/16 - 4/4/17	<u>77,700</u>
			Total Corporation for Public Broadcasting	<u>310,801</u>
Arts Council of New Orleans	FY 2017	Community Arts Grant	FY 2017	<u>11,250</u>
			Total Arts Council of New Orleans	<u>11,250</u>
Recreation and Tourism Office of Cultural	FY 2017	LDOA Operational Grant	FY 2017	<u>12,000</u>
			Total LDOA	<u>12,000</u>
Entergy	FY 2017	School Groove Program Grant	FY 2017	<u>25,000</u>
			Total Entergy	<u>25,000</u>
			Total Grants Revenue/Expenses	<u>\$ 777,901</u>

See independent auditor's report.

FRIENDS OF WWOZ, INC.
Supplementary Information
Schedule of Grant Activity
For the Year Ended August 31, 2016

Schedule I (Continued)

Sources	Identifying Number	Program Name	Contract Period	Grant Revenue / Expense
New Orleans Jazz & Heritage Foundation	FY 2016	NOJHF - Operational	FY2015-2016	\$ 300,000
		Total NOJHF		<u>300,000</u>
Corporation for Public Broadcasting	FY 2016	Community Service Grant	11/27/15 - 4/4/16	206,402
	FY 2016	National Program Production and Acquisition Grant	11/27/15 - 4/4/16	<u>91,007</u>
		Total Corporation for Public Broadcasting		<u>297,409</u>
Arts Council of New Orleans	FY 2016	Community Arts Grant	FY2015-2016	18,000
	FY 2016	Community Arts Grant	FY2015-2016	<u>15,000</u>
		Total Arts Council of New Orleans		<u>33,000</u>
		Total Grants Revenue/Expenses		<u>\$ 630,409</u>

See independent auditor's report.

FRIENDS OF WWOZ, INC.
Supplementary Information
Schedule of Compensation, Benefits, and Other Payments
to Agency Head or Chief Executive Officer
For the Year Ended August 31, 2017

Agency Heads

Arthur Cohen, Chief Operating Office and General Manager
 Beth Utterback, General Manager

Purpose	Amount
Salary	\$0
Benefits - Insurance	\$0
Benefits - Retirement	\$0
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

Management has determined that a total of \$-0- in public funding received by the Station during the year ended August 31, 2017 was allocated to the Agency Heads' salaries. As such, all values reported on this schedule are reported as \$-0-.

See independent auditor's report.

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

Independent Auditor's Report

To the Officers and Board of Directors
Friends of WWOZ, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Friends of WWOZ, Inc. (the Station) (a nonprofit organization), which comprise the statements of financial position as of August 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 27, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Station's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control. Accordingly, we do not express an opinion on the effectiveness of the Station's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Station's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Station's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA
December 27, 2017

FRIENDS OF WWOZ, INC.
Schedule of Findings and Responses
For the Year Ended August 31, 2017

Section I. Summary of Audit Results

Financial Statement Section

- | | |
|--|-------------|
| 1. Type of auditor's report | Unmodified. |
| 2. Internal control over financial reporting and compliance and other matters | |
| a. Material weaknesses identified | None. |
| b. Significant deficiencies identified not considered
to be material weaknesses | None. |
| c. Noncompliance noted | None. |

Section II. Internal Control Over Financial Reporting

None.

Section III. Compliance and Other Matters

None.

FRIENDS OF WWOZ, INC.
Schedule of Prior Year Findings and Responses
For the Year Ended August 31, 2016

Section II. Internal Control Over Financial Reporting

None.

Section III. Compliance and Other Matters

None.