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Financial Report

Friends of WWOZ, Inc.

June 30, 1997

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APR 22 1998

Release Date _____



Bourgeois Bennett

Certified Public Accountants | Consultants
A Limited Liability Company

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New Orleans, Louisiana

June 30, 1997

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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 corporation) as of June 30, 1997, and the related statements of activities 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. 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, 1997, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Bourgeois Bennett, LLC.

Certified Public Accountants.

New Orleans, La.,
October 1, 1997.

STATEMENT OF FINANCIAL POSITION

Friends of WWOZ, Inc.
New Orleans, Louisiana

June 30, 1997

	Unrestricted	Temporarily Restricted	Total
Current Assets			
Cash	\$ 51,768		\$ 51,768
Receivables:			
Unconditional promises to give	598		598
Miscellaneous	12,998		12,998
Prepaid expense	4,890		4,890
Other	677		677
Total current assets	<u>70,931</u>		<u>70,931</u>
Property and Equipment			
Broadcast and other equipment	216,673	\$ 100,826	317,499
Office furniture and equipment	68,726		68,726
	285,399	100,826	386,224
Less accumulated depreciation	190,058	33,417	223,475
Net book value	<u>95,340</u>	<u>68,409</u>	<u>164,149</u>
Total assets	<u>\$ 166,671</u>	<u>\$ 68,409</u>	<u>\$ 235,080</u>
Current Liabilities			
Accounts payable	\$ 13,416		\$ 13,416
Due to New Orleans Jazz and Heritage Foundation	26,100		26,100
Total current liabilities	<u>39,516</u>		<u>39,516</u>
Net Assets			
Unrestricted	127,155		127,155
Temporarily restricted		\$ 68,409	68,409
Total net assets	<u>127,155</u>	<u>68,409</u>	<u>195,564</u>
Total liabilities and net assets	<u>\$ 166,671</u>	<u>\$ 68,409</u>	<u>\$ 235,080</u>

See notes to financial statements.

STATEMENT OF ACTIVITIES

Friends of WWOZ, Inc.
New Orleans, Louisiana

For the year ended June 30, 1997

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Membership and general support	\$ 390,883		\$ 390,883
Development grants:			
CPB - Community Service Grant	87,879		87,879
CPB - National Program Production and Acquisition Grant	36,372		36,372
Other grants	33,714		33,714
In kind support:			
Goods and services	17,134		17,134
Rent	10,725		10,725
Special events (net of \$25,113 of related costs)	42,524		42,524
Miscellaneous	5,713		5,713
	<u>624,944</u>		<u>624,944</u>
Total revenues			
Net Assets Released from Restrictions			
Satisfaction of purpose restrictions:			
CPB - National Program Production and Acquisition Grant qualifying expenses	377	\$ (377)	-
Expiration of time restrictions:			
Depreciation	13,800	(13,800)	-
	<u>14,707</u>	<u>(14,707)</u>	<u>-</u>
Total net assets released from restrictions			
	<u>14,707</u>	<u>(14,707)</u>	<u>-</u>
Total revenues and net assets released from restrictions	<u>639,651</u>	<u>(14,707)</u>	<u>624,944</u>

Exhibit B
(Continued)

Expenses	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Program services:			
Programming and production	128,071		128,071
Broadcasting	141,120		141,120
Program information and promotion	26,054		26,054
Supporting services:			
Management and general	139,129		139,129
Fund raising	191,779		191,779
Total expenses	<u>626,153</u>	<u>-</u>	<u>626,153</u>
 Increase (Decrease) in Net Assets	 13,498	 (14,707)	 (1,209)
 Net Assets			
Beginning of year	<u>113,657</u>	<u>83,116</u>	<u>196,773</u>
End of year	<u>\$ 127,155</u>	<u>\$ 68,409</u>	<u>\$ 195,564</u>

See notes to financial statements.

Supporting Services

Management and General	Fund Raising	Total Supporting Services	Total Expenses
\$ 87,318	\$ 70,884	\$ 158,202	\$ 228,498
14,768	17,279	32,039	74,959
3,391		3,391	8,029
1,593	1,866	3,459	6,448
7,665	1,021	8,686	24,390
	78,000	78,000	99,816
4,961	3,719	10,671	24,299
4,435	3,826	7,261	9,115
630		630	870
			1,373
			19,419
17,096	14,115	31,211	38,746
11,192	2,148	13,340	44,808
<u>6,693</u>	<u>1,517</u>	<u>7,564</u>	<u>13,188</u>
<u>\$ 179,129</u>	<u>\$ 191,779</u>	<u>\$ 370,908</u>	<u>\$ 528,151</u>

STATEMENT OF CASH FLOWS

Friends of WWJZ, Inc.
New Orleans, Louisiana

For the year ended June 30, 1997

Cash Flows From Operating Activities	
Decrease in net assets	\$ (1,205)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	33,139
Decrease (increase) in operating assets:	
Receivables	(9,083)
Prepaid expense	(3,286)
Due from New Orleans Jazz and Heritage Foundation	1,598
Increase (decrease) in operating liabilities:	
Accounts payable	1,378
Payroll taxes payable	(1,712)
Due to New Orleans Jazz and Heritage Foundation	<u>20,391</u>
Net cash provided by operating activities	49,515
Cash Flows Used in Investing Activities	
Equipment purchases	<u>(37,823)</u>
Net Increase in Cash	11,692
Cash Balance	
Beginning of year	<u>38,776</u>
End of year	<u>\$ 51,768</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Friends of WWOZ, Inc.
New Orleans, Louisiana

June 30, 1997

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.

On December 31, 1986, the Corporation acquired the radio station operations of another nonprofit organization, including all tangible and intangible assets, recorded liabilities and obligations. Accordingly, the Station has recorded the predecessor's assets and liabilities at their former book value (cost basis) as of December 31, 1986.

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.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Allowance for Uncollectible Receivables

The Station provides for possible uncollectible receivables as determined by management. As June 30, 1997, no allowance was considered to be necessary.

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 included to allocate the cost of the assets over their estimated useful lives. Depreciation expense for the year ended June 30, 1997 totaled \$33,189.

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, 1997 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)

c. 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 those 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 realizable less costs incurred in their production. The value of items donated for such events are not recorded as these amounts are not determinable.

d. 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.

During the year ended June 30, 1997, the Station had the free use of a broadcast and programming and production facility at the New Orleans Jazz and Heritage Festival. Amounts paid for similar facilities, by others at the festival, established a fair rental value for the facilities of \$12,000 for the year ended June 30, 1997. (Note - These amounts are included in the tabulation presented in the next paragraph.)

For the year ended June 30, 1997 the following in-kind goods and services were recorded:

Programming and production	\$11,000
Management and general	5,134
Fund raising	<u>1,899</u>
Total	<u>\$17,934</u>

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 1997.

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 - Receive membership support, grants, and other revenues and expend funds for the general operation of the Station.

Temporarily Restricted Net Assets - Receive 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, 1997, are available for the following purposes or periods:

Net book value of broadcast equipment purchased under Department of Commerce - Public Telecommunications Facilities Grants (Note 3)	<u>\$2,809</u>
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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 \$7,866 per year.

The Station also has substantially five one 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 \$1,875 was paid during the year ended June 30, 1997, for the facility.

For the year ended June 30, 1997, the following in-kind rent amounts were recorded:

Programming and production	\$ 3,218
Broadcasting	3,217
Management and general	3,145
Fundraising	<u>3,145</u>
Total	<u>\$10,725</u>

Rent expense paid for the transmitter site totaled \$6,000 for the year ended June 30, 1997.

Note 5 - EQUIPMENT GRANTS

On September 1, 1997, 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 provide 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, 1997. The equipment purchased relating to this grant is being held as temporarily restricted.

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, 1997. 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 for the year ended June 30, 1997.

Note 7 - RELATED PARTY TRANSACTIONS

The New Orleans Jazz and Heritage Foundation appoints three of its board members to the Board of Directors of the Station. For the year ended June 30, 1997, the Foundation granted the Station \$108,000, for operations which is recorded as membership and general support.

During the year ended June 30, 1997, the New Orleans Jazz and Heritage Foundation waived certain fees for broadcast, programming and production, and related facilities (\$11,000) to allow the Station to broadcast at the Jazz and Heritage Festival. Also, certain special event facility fees (\$8,000) were waived at the Festival.