

STATE OF LOUISIANA LEGISLATIVE AUDITOR

WWNO-FM Radio Station
University of New Orleans
State of Louisiana
New Orleans, Louisiana

January 26, 2000



Financial and Compliance Audit Division

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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LEGISLATIVE AUDITOR

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**WWNO-FM RADIO STATION
UNIVERSITY OF NEW ORLEANS
STATE OF LOUISIANA
New Orleans, Louisiana**

**Financial Statements and
Independent Auditor's Report
As of and for the Year Ended June 30, 1999**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge and New Orleans offices of the Legislative Auditor.

January 26, 2000

**WWNO-FM RADIO STATION
UNIVERSITY OF NEW ORLEANS
STATE OF LOUISIANA**

**Financial Statements and
Independent Auditor's Report
As of and for the Year Ended June 30, 1999**

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DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

January 7, 2000

Independent Auditor's Report
on the Financial Statements

WWNO-FM RADIO STATION
UNIVERSITY OF NEW ORLEANS
STATE OF LOUISIANA
New Orleans, Louisiana

We have audited the accompanying Statement of Financial Position, Statement of Financial Activity, Statement of Cash Flows, and Statement of Functional Expenses of WWNO-FM Radio Station, a public telecommunications entity operated by the University of New Orleans, as of and for the year ended June 30, 1999. These financial statements are the responsibility of management of the radio station. 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 misstatements. 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.

As described in note 1, the financial statements of WWNO-FM Radio Station are intended to present the financial position, results of operations, cash flows, and functional expenses of only that portion of the funds of the University of New Orleans that is attributable to the transactions of the radio station.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WWNO-FM Radio Station, University of New Orleans, at June 30, 1999, and the results of operations, cash flows, and functional expenses for the year then ended, in conformity with generally accepted accounting principles.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle", is written over a faint, larger version of the same signature.

Daniel G. Kyle, CPA, CFE
Legislative Auditor

YEA:JR:RCL:dl

[WWNO]

**WWNO-FM RADIO STATION
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF NEW ORLEANS**

Statement of Financial Position

June 30, 1999

(With Comparative Totals for 1998)

	1999		1998
	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
			<u>TOTAL</u>
ASSETS			
Cash and cash equivalents (note 2)		\$1,035,262	\$1,035,262
Accounts receivable		38,750	38,750
Long-term investments (note 3)		225,220	225,220
Equipment (note 4)	\$431,498		431,498
	<u>\$431,498</u>		<u>419,412</u>
TOTAL ASSETS	<u>\$431,498</u>	<u>\$1,299,232</u>	<u>\$1,730,730</u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable		\$1,000	\$1,000
Long-term liabilities - accrued sick and annual leave payable (note 5)		35,114	35,114
<i>Total Liabilities</i>	<i>None</i>	<u>36,114</u>	<u>38,734</u>
Net Assets:			
Restricted:			
Designated for capital outlay (note 9)		650,000	650,000
Operating		613,118	613,118
<i>Unrestricted</i>	<u>\$431,498</u>		<u>431,498</u>
Total Net Assets	<u>431,498</u>	<u>1,263,118</u>	<u>1,694,616</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$431,498</u>	<u>\$1,299,232</u>	<u>\$1,730,730</u>

The accompanying notes are an integral part of this statement.

WWNO-FM RADIO STATION
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF NEW ORLEANS

Statement of Financial Activity
For the Year Ended June 30, 1999
(With Comparative Totals for 1998)

	1999			1998
	UNRESTRICTED	RESTRICTED	TOTAL	TOTAL
Support and Revenues				
State and local grants		\$34,500	\$34,500	\$33,978
University support	\$197,062		197,062	201,043
Corporation for Public Broadcasting		129,591	129,591	130,135
Private restricted-other		808,478	808,478	734,421
Investment income		43,289	43,289	49,725
Total support and revenues	<u>197,062</u>	<u>1,015,858</u>	<u>1,212,920</u>	<u>1,149,302</u>
Expenses				
Program services:				
Programming and production	96,269	396,860	493,129	525,476
Broadcasting	29,771	122,729	152,500	160,413
Program information	25,944	106,951	132,895	178,838
Support services:				
Management and general	16,658	68,670	85,328	110,395
Fund raising	28,420	117,160	145,580	158,440
Total expenses	<u>197,062</u>	<u>812,370</u>	<u>1,009,432</u>	<u>1,133,562</u>
CHANGE IN NET ASSETS BEFORE CAPITAL DELETIONS	None	203,488	203,488	15,740
Capital deletions	<u>(26,280)</u>		<u>(26,280)</u>	<u>(85,290)</u>
CHANGE IN NET ASSETS AFTER CAPITAL DELETIONS	(26,280)	203,488	177,208	(69,550)
NET ASSETS AT BEGINNING OF YEAR	419,412	1,097,996	1,517,408	1,586,958
Equity transfer-equipment acquisition	<u>38,366</u>	<u>(38,366)</u>		
NET ASSETS AT END OF YEAR	<u>\$431,498</u>	<u>\$1,263,118</u>	<u>\$1,694,616</u>	<u>\$1,517,408</u>

The accompanying notes are an integral part of this statement.

**WWNO-FM RADIO STATION
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED
BY THE UNIVERSITY OF NEW ORLEANS**

Statement of Cash Flows - Operating Fund - Restricted
For the Year Ended June 30, 1999
(With Comparative Totals for 1998)

	<u>1999</u>	<u>1998</u>
Cash flows from operating activities:		
Change in net assets	\$203,488	\$15,740
Adjustments to reconcile excess of support and revenues over expenses to net cash used in operating activities - changes in assets and liabilities:		
Increase in accounts receivable	(38,750)	
Loss on investments	4,814	171
Increase (decrease) in accounts payable	(1,647)	1,901
Increase (decrease) in accrued sick and annual leave payable	(973)	4,494
Net cash provided by operating activities	<u>166,932</u>	<u>22,306</u>
Cash flows from investing activities:		
Proceeds from sale of investments	96,672	61,862
Purchase of property and equipment	(38,366)	(14,298)
Net cash used by capital activities	<u>58,306</u>	<u>47,564</u>
Net increase in cash and cash equivalents	225,238	69,870
Cash and cash equivalents at beginning of year	<u>810,024</u>	<u>740,154</u>
Cash and cash equivalents at end of year	<u><u>\$1,035,262</u></u>	<u><u>\$810,024</u></u>

The accompanying notes are an integral part of this statement.

WWNO-FM RADIO STATION
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED
BY THE UNIVERSITY OF NEW ORLEANS

Statement of Functional Expenses
For the Year Ended June 30, 1999
(With Comparative Totals for 1998)

	PROGRAM SERVICES			
	PROGRAMMING AND PRODUCTION	BROADCASTING	PUBLIC INFORMATION AND PROMOTION	TOTAL PROGRAM SERVICES
Employee salaries and wages	\$140,465	\$34,826	\$53,685	\$228,976
Employee benefits	22,436	6,125	8,942	37,503
Travel	6,960	823	3,015	10,798
Tower rent		10,000		10,000
Utilities		22,352		22,352
Program costs	208,297			208,297
Premiums				
Contracts	10,814	35,764	1,441	48,019
Repairs and maintenance	53	1,901	53	2,007
Advertising			10,073	10,073
Subscriptions and memberships	1,112	1,327	866	3,305
Radio research corporation	4,299			4,299
Music collection	637			637
Printing, publications, and graphi	5,602	1,770	21,529	28,901
Telephones, FAX	4,787	1,513	1,480	7,780
Supplies	8,422	5,020	1,538	14,980
Satellite		5,800		5,800
Visa/mastercard				
Auditor's fee				
Sick/annual leave	(432)	(136)	(133)	(701)
Indirect administrative support	72,054	22,771	22,283	117,108
Postage and shipping	4,748	1,501	6,818	13,067
Work study				
Construction	2,532	800	783	4,115
Software	343	343	343	1,029
Miscellaneous			179	179
Total expenses	\$493,129	\$152,500	\$132,895	\$778,524

The accompanying notes are an integral part of this statement.

SUPPORTING SERVICES						
MANAGEMENT AND GENERAL	FUND RAISING AND MEMBERSHIP DEVELOPMENT	UNDERWRITING AND GRANT SOLICITATION	TOTAL SUPPORTING SERVICES	TOTAL EXPENSES		
				1999	1998	
				\$39,388	\$51,154	\$14,576
6,075	7,333	3,043	16,451	53,954	62,018	
2,005	1,165	816	3,986	14,784	9,117	
				10,000	7,500	
				22,352	29,100	
				208,297	192,671	
					1,901	
7,904	6,328		14,232	62,251	53,040	
53	53		106	2,113	3,270	
1,832			1,832	11,905	8,134	
477	4,941	718	6,136	9,441	4,416	
				4,299		
				637	678	
2,628	8,360	1,258	12,246	41,147	37,607	
1,189	1,437	400	3,026	10,806		
1,235	1,494	416	3,145	18,125	33,203	
				5,800	5,800	
	9,115		9,115	9,115		
2,288			2,288	2,288	2,288	
(107)	(129)	(36)	(272)	(973)	4,495	
17,892	21,633	6,018	45,543	162,651	169,507	
1,179	3,209	397	4,785	17,852	19,398	
					1,775	
628	760	211	1,599	5,714	143,938	
573	343	343	1,259	2,288		
89	188	36	313	492	2,040	
<u>\$85,328</u>	<u>\$117,384</u>	<u>\$28,196</u>	<u>\$230,908</u>	<u>\$1,009,432</u>	<u>\$1,133,562</u>	

**WWNO-FM RADIO STATION
UNIVERSITY OF NEW ORLEANS
STATE OF LOUISIANA**

Notes to the Financial Statements
As of and for the Year Ended June 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of WWNO-FM Radio Station have been prepared on the accrual basis, except that no depreciation has been taken on equipment. The significant accounting policies followed are described below.

Organization

The Louisiana State University Board of Supervisors (the Board), the governing body over all campuses under the organizational structure of the LSU System, approved establishment of a public radio station (network) to be housed at, and operated by, the University of New Orleans (UNO). In February 1972, the Federal Communication Commission (FCC) assigned the radio station the call letters WWNO-FM. The Corporation for Public Broadcasting (CPB) was contacted in an effort to gain an understanding of the requirements to becoming a CPB "supported" station. In 1973, the radio station attained this status.

WWNO-FM Radio Station is a departmental budget unit of UNO and is reported in the university's annual financial statements in the same respect as a public service department. The total departmental expenditures are reported in Analysis Schedule C-2B of UNO's financial statements.

Fund Accounting

The assets, liabilities, and net assets of the station are reported in two self-balancing fund groups as follows:

Unrestricted funds include resources that are available for support of the station's operations and investment in equipment. Restricted funds include the amounts received with stipulations that limit the use of the assets.

Revenue Recognition

Contributions and pledges are recorded as revenue in the Statement of Financial Activity when received. Revenue from grants is recognized as revenue to the extent that expenses are incurred. WWNO-FM Radio Station does not recognize revenue from the fund raising activities by the UNO Foundation until the quarterly net collections are transferred to the WWNO revenue accounts.

WWNO-FM RADIO STATION
UNIVERSITY OF NEW ORLEANS
State of Louisiana
Notes to the Financial Statements (Continued)

Statement of Cash Flows

Cash flows are presented using the indirect method. Cash equivalents include demand deposits and bank certificates of original maturities of 90 days or less. Investments consist of United States Government securities.

Income Taxes

The radio station is exempt from federal income tax, except on activities unrelated to its exempt purpose, under Internal Revenue Code Section 501(c)(3). There was no required provision for income taxes for fiscal year 1999.

Equipment

Equipment is recorded at cost or, in the case of donated equipment, at their estimated fair market value at the date of receipt. Depreciation is not recognized, but equipment is adjusted when the equipment is replaced. Expenditures for repairs and maintenance are charged to operating expenses as incurred.

In-Kind Contributions

Donated facilities provided by UNO consist of office and studio space together with related occupancy costs and are recorded in revenue and expense.

2. CASH AND CASH EQUIVALENTS

At June 30, 1999, cash and cash equivalents consist of interest-bearing demand deposits totaling \$1,035,262. These deposits are part of pooled cash held and controlled by UNO (Louisiana State University System) and are secured from risk by the university through a custodial agreement. The risk disclosures required by generally accepted accounting principles are included within the Louisiana State University System's general purpose financial statements.

3. INVESTMENTS

At June 30, 1999, pooled investments have a book value of \$232,563 and are reported at fair market value of \$225,220 in accordance with GASB Statement No. 31. Investments are managed by UNO (Louisiana State University System) and credit risk disclosures required by generally accepted accounting principles are included within the Louisiana State University System's general purpose financial statements.

WWNO-FM RADIO STATION
UNIVERSITY OF NEW ORLEANS
 State of Louisiana
 Notes to the Financial Statements (Continued)

4. EQUIPMENT

A summary of changes in equipment follows:

Balance at July 1, 1998	\$ 419,412
Deletions	(26,280)
Additions	<u>38,366</u>
Balance at June 30, 1999	<u>\$ 431,498</u>

A breakdown of equipment (acquisition value of \$250 or more) follows:

Office furniture and fixtures	\$ 50,463
Satellite dish, transmitter, and antenna	117,885
Studio and other broadcast equipment	<u>263,150</u>
Balance at June 30, 1999	<u>\$431,498</u>

5. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. Upon separation of employment, both classified and non-classified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, unclassified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. The method for computing the liability for unused annual and sick leave has been modified to implement Government Accounting Standard Board (GASB) Statement No. 16, Accounting for Compensated Absences. The liability for compensated absences has thus been calculated on a maximum of 300 hours of accumulated annual leave and on a maximum of 200 hours of accumulated sick leave for unclassified employees having at least 10 years of retirement system credit. The employer's portion of the medicare tax and/or social security tax expected to be paid on the calculated liability for annual and sick leave has been included in the estimated liability for compensated absences.

The liability for unused annual leave and unused sick leave at June 30, 1999, is estimated to be \$35,114.

6. LEASES

The radio station is obligated for one noncancelable operating lease for rental of tower space for the operation of WWNO-FM Radio Station. Total rental expense for 1999 was \$1,500.

WWNO-FM RADIO STATION
UNIVERSITY OF NEW ORLEANS
State of Louisiana
Notes to the Financial Statements (Continued)

The future lease payments due under the noncancelable lease agreement at June 30, 1999, are as follows:

<u>Year</u>	<u>Amount</u>
2000	\$ 1,500
2001	1,500
2002	1,500
2003	1,500
2004-2005	2,500
Total	<u>\$ 8,500</u>

7. PENSION PLANS

Substantially all employees of the radio station are members of the Louisiana State Employees Retirement System (LASERS) or the Louisiana Teachers Retirement System (TRS). Both plans are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. TRS and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. Benefits granted by the retirement system are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974.

Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 10 years of service. Article 10, Section 29 of the Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information for the systems. The reports may be obtained by writing to the Teachers Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (504) 925-6446 and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (504) 922-0608 or (800) 256-3000.

The contribution requirements of plan members and the radio station are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in Louisiana Revised Statute (LSA-R.S.) 11:102. Employees contribute 8 percent (TRS) and 7.5 percent (LASERS) of covered salaries. The state is required to contribute 16.5 percent of covered salaries to TRS and 12.4 percent of covered salaries to LASERS. The radio station's employer contribution is funded by the State of Louisiana through the annual appropriation to the radio station. The radio station's employer contributions to TRS for the years ended June 30, 1999, 1998, and 1997, were \$9,725, \$16,817, and \$12,228, respectively, and to LASERS for the years ended June 30, 1999, 1998, and 1997, were \$11,044, \$11,844, and \$12,135, respectively, equal to the required contributions for each year.

WWNO-FM RADIO STATION
UNIVERSITY OF NEW ORLEANS
State of Louisiana
Notes to the Financial Statements (Concluded)

8. OPTIONAL RETIREMENT SYSTEM

LSA-R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program was designed to aid the radio station in recruiting employees who may not be expected to remain in the Teachers Retirement System (TRS) for 10 or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

The optional retirement plan is a defined contribution plan that provides for full and immediate vesting of all contributions remitted to the participating companies on behalf of the participants. Eligible employees make an irrevocable election to participate in the optional retirement plan rather than the TRS and purchase retirement and death benefits through contracts provided by designated companies.

Contributions by the radio station are 16.5 percent of the covered payroll. The participant's contribution, less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRS pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution, determined actuarially. The TRS retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Employer contributions to the optional retirement plan for the years ended June 30, 1999 and 1998, were \$11,745, and \$16,940, respectively.

9. BOARD DESIGNATED CAPITAL RESERVE

The Corporation for Public Broadcasting, *Principles of Accounting and Financial Reporting for Public Telecommunications Entities*, October 1990, provides that funds designated by the governing board of a station are not endowment funds but are board designations of unrestricted funds. The WWNO Advisory Board has designated a total of \$650,000 as a reserve for capital outlay. UNO has recorded the \$650,000 in the Endowment Fund on its annual financial statements.

10. PRIOR YEAR FINANCIAL STATEMENTS

The financial information shown for 1998 in the accompanying financial Statements is included to provide a basis for comparison with 1999 and presents summarized totals only.