

REPORT

WWNO-FM RADIO STATION
A PUBLIC TELECOMMUNICATIONS ENTITY

JUNE 30, 2004 AND 2003

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

Release Date 1-26-05

WWNO-FM RADIO STATION
A PUBLIC TELECOMMUNICATIONS ENTITY

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INDEPENDENT AUDITOR'S REPORT

October 29, 2004

Dr. Timothy P. Ryan, Chancellor
University of New Orleans
New Orleans, Louisiana

We have audited the financial statements of the WWNO-FM Radio Station (the Station), which is operated as a public telecommunications entity by the University of New Orleans, as of and for the years ended June 30, 2004 and 2003, as listed in the accompanying table of contents. 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 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 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 audits provide 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 Station as of June 30, 2004 and 2003, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2004, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis (MD&A) on pages 3 - 6 and the Schedule of Functional Expenses on page 20 are not required parts of the basic financial statements but are supplementary information. The MD&A is required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Duplantier, Hrapmann, Hogan & Maher, LLP

WWNO-FM RADIO STATION
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

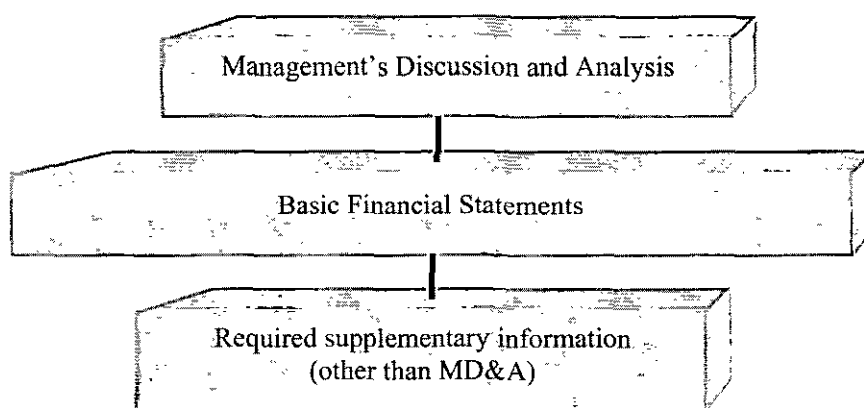
The Management's Discussion and Analysis of the WWNO-FM Radio Station financial performance presents a narrative overview and analysis of WWNO-FM Radio Station's financial activities for the year ended June 30, 2004. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the information contained in the WWNO-FM Radio Station financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

- ★ The WWNO-FM Radio Station's assets of business-type activities exceeded liabilities at the close of fiscal year 2004 by \$1,738,684, which represents a decrease from the last fiscal year. The net assets decreased by \$51,348 or 3%.
- ★ The WWNO-FM Radio Station's revenue of business-type activities decreased \$55,550 (or 4%) while expenses increased \$23,393 (or 1%).

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for the Station established by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*:



These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

WWNO-FM RADIO STATION
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MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

The financial statements also include notes that explain some of the information in the financial statements and provide more detail data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The graph shows how the required parts of this annual report are arranged and relate to one another.

BASIC FINANCIAL STATEMENTS

The basic financial statements present information for WWNO-FM Radio Station as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows.

The Statement of Net Assets (page 7) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of WWNO-FM Radio Station is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets (page 8) presents information showing how WWNO-FM Radio Station's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flows (pages 9-10) presents information showing how WWNO-FM Radio Station's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets
 as of June 30, 2004 and 2003
 (in thousands)

	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 1,624	\$ 1,592
Capital assets	<u>188</u>	<u>273</u>
Total assets	<u>1,812</u>	<u>1,865</u>
Current liabilities	14	18
Noncurrent liabilities	<u>59</u>	<u>57</u>
Total liabilities	<u>73</u>	<u>75</u>
Net assets:		
Invested in capital assets, net of debt	188	273
Restricted	819	725
Unrestricted	<u>732</u>	<u>792</u>
Total net assets	<u>\$ 1,739</u>	<u>\$ 1,790</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

Restricted net assets represent those assets that are not available for spending as a result of legislative requirements, donor agreements or grant requirements. Conversely, unrestricted net assets are those that do not have any limitations on what these amounts may be used for.

Statement of Revenues, Expenses and Changes in Net Assets
as of June 30, 2004 and 2003
(in thousands)

	<u>2004</u>	<u>2003</u>
REVENUES		
Program revenues:		
Operating grants and contributions	\$ 1,307	\$ 1,268
Capital grants and contributions	27	122
General revenues:		
University support	301	320
Investment earnings	<u>7</u>	<u>23</u>
Total revenues	<u>1,642</u>	<u>1,733</u>
OPERATING EXPENSES:		
Public broadcasting	<u>1,693</u>	<u>1,670</u>
Total expenses	<u>1,693</u>	<u>1,670</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ (51)</u>	<u>\$ 45</u>

The WWNO-FM Radio Station's total revenues decreased approximately \$90,815 (or 5%). The total cost of all programs and services increased by approximately \$23,393 (or 1%).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2003, the WWNO-FM Radio Station had \$187,986, net of accumulated depreciation of \$460,270 invested in capital assets, all of which is equipment.

ECONOMIC FACTORS AND NEXT YEAR'S OPERATIONS

The WWNO-FM Radio Station management considered the following factors and indicators when planning next year's operations:

- Industry factors
- Cost of living adjustments for salaries and other expenses

WWNO-FM RADIO STATION
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MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

CONTACTING THE WWNO-FM RADIO STATION MANAGEMENT

This financial report is designed to provide our supporters, benefactors, listeners and creditors with a general overview of the WWNO-FM Radio Station's finances and to show the WWNO-FM Radio Station's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John Batson, General Manager, WWNO, University of New Orleans, New Orleans, Louisiana 70148.

WWNO-FM RADIO STATION
 A PUBLIC TELECOMMUNICATIONS ENTITY
 OPERATED BY THE UNIVERSITY OF NEW ORLEANS
 STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u> (restated)
<u>ASSETS</u>		
Current Assets		
Cash	\$ 718,451	\$ 767,976
Receivables, net, restated	35,235	32,663
Deferred charges and prepaid expenses, restated	<u>78,004</u>	<u>66,836</u>
Total current assets	<u>831,690</u>	<u>867,475</u>
Noncurrent Assets		
Restricted cash	5,104	673,675
Investments	786,830	51,325
Capital assets, net	<u>187,986</u>	<u>272,663</u>
Total noncurrent assets	<u>979,920</u>	<u>997,663</u>
Total assets	<u>1,811,610</u>	<u>1,865,138</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable and accrued liabilities	14,290	18,350
Compensated absences	<u>3,802</u>	<u>3,375</u>
Total current liabilities	<u>18,092</u>	<u>21,725</u>
Noncurrent Liabilities		
Compensated absences	<u>54,834</u>	<u>53,381</u>
Total noncurrent liabilities	<u>54,834</u>	<u>53,381</u>
Total liabilities	<u>72,926</u>	<u>75,106</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	187,986	272,663
Restricted for:		
Expendable	791,934	725,000
Capital outlay	27,032	-
Unrestricted, restated	<u>731,732</u>	<u>792,369</u>
Total Net Assets	<u>\$ 1,738,684</u>	<u>\$ 1,790,032</u>

See accompanying notes.

WWNO-FM RADIO STATION
 A PUBLIC TELECOMMUNICATIONS ENTITY
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 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u> (restated)
OPERATING REVENUES		
State and local grants and contracts	\$ 19,054	\$ 27,000
Corporation for Public Broadcasting	149,844	144,770
Other operating revenues, restated	<u>1,138,468</u>	<u>1,096,181</u>
Total operating revenues	<u>1,307,366</u>	<u>1,267,951</u>
OPERATING EXPENSES		
Program services:		
Programming and production	756,990	701,339
Broadcasting	354,071	448,338
Program information	245,245	207,819
Support services:		
Management and general	118,636	126,740
Fund raising and membership development	185,265	155,880
Underwriting and grant solicitation	<u>33,548</u>	<u>30,246</u>
Total operating expenses	<u>1,693,755</u>	<u>1,670,362</u>
Operating (loss)	<u>(386,389)</u>	<u>(402,411)</u>
NONOPERATING REVENUES		
University support	301,403	320,063
Net investment income	<u>6,606</u>	<u>23,211</u>
Net nonoperating revenues	<u>308,009</u>	<u>343,274</u>
Loss before other revenues, expenses, gains, and losses	(78,380)	(59,137)
Capital gifts and grants	<u>27,032</u>	<u>121,997</u>
Increase (decrease) in net assets	<u>(51,348)</u>	<u>62,860</u>
Net assets at beginning of year, restated	<u>1,790,032</u>	<u>1,727,172</u>
Net assets at end of year	<u>\$ 1,738,684</u>	<u>\$ 1,790,032</u>

See accompanying notes.

WWNO-FM RADIO STATION
A PUBLIC TELECOMMUNICATIONS ENTITY
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STATEMENTS OF CASH FLOWS
FOR YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u> (restated)
Cash flows from operating activities:		
State grants and contracts	\$ 18,041	\$ 14,500
Corporation for Public Broadcasting	149,844	144,770
Payments for employee compensation	(539,145)	(457,880)
Payments for benefits	(121,927)	(92,186)
Payments for supplies and services	(882,912)	(1,020,125)
Other receipts	1,058,468	1,080,670
Net cash (used) by operating activities	<u>(317,631)</u>	<u>(330,251)</u>
Cash flows from non-capital financing activities:		
State appropriations	301,403	320,063
Net cash provided by noncapital financing sources	<u>301,403</u>	<u>320,063</u>
Cash flows from capital financing activities:		
Capital grants and gifts received	27,032	121,997
Purchase of capital assets	-	(121,997)
Net cash provided by capital financing activities	<u>27,032</u>	<u>-</u>
Cash flows from investing activities:		
Proceeds from maturities of investments	30,241	56,100
Interest received on investments	13,463	21,130
Purchase of investments	(772,604)	-
Net cash provided (used) by investing activities	<u>(728,900)</u>	<u>77,230</u>
Net increase (decrease) in cash	(718,096)	67,042
Cash at beginning of the year	<u>1,441,651</u>	<u>1,374,609</u>
Cash at the end of the year	<u>\$ 723,555</u>	<u>\$ 1,441,651</u>

See accompanying notes.

WWNO-FM RADIO STATION
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 STATEMENTS OF CASH FLOWS
FOR YEARS ENDED JUNE 30, 2004 AND 2003

(Continued)

	<u>2004</u>	<u>2003</u> (restated)
Reconciliation of Net Operating Revenues (Losses) to Net Cash Provided (used) by Operating Activities:		
Operating (loss)	\$ (386,389)	\$ (402,411)
Adjustments to reconcile net (loss) to net cash provided (used) by operating activities:		
Depreciation expense	84,677	84,248
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(2,572)	(15,512)
(Increase) decrease in deferred charges and prepaid expenses	(11,167)	(3,943)
Increase (decrease) in accounts payable and accrued liabilities	(4,060)	15,419
Increase (decrease) in deferred revenues	-	(12,500)
Increase (decrease) in compensated absences	<u>1,880</u>	<u>4,448</u>
Net cash (used) by operating activities:	<u>\$ (317,631)</u>	<u>\$ (330,251)</u>
 Reconciliation of Cash and Cash Equivalents to the SNA		
Cash and cash equivalents classified as current assets	\$ 718,451	\$ 767,976
Cash and cash equivalents classified as noncurrent assets	<u>5,104</u>	<u>673,675</u>
	<u>\$ 723,555</u>	<u>\$ 1,441,651</u>

See accompanying notes.

WWNO-FM RADIO STATION
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

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.

In December 1994, WWNO received permission to establish a second radio station to serve the Thibodaux and Houma areas. In February 1995, the FCC assigned this second radio station the call letters, KTLN. KTLN received its license and began operating as a simulcast station of WWNO-FM in August 1995.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Station's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The Station applies the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) unless those pronouncements conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Station are discussed below.

In June 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis -for State and Local Governments*. A significant change in the Statement requires the financial statements to include:

- * A Management's Discussion and Analysis (MD&A) section providing an analysis of the Station's overall financial position and results of operations.
- * Financial statements prepared using full accrual accounting for all of the Station's activities.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

WWNO-FM RADIO STATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Reporting Entity:

The Station is a public telecommunications entity operated by the University of New Orleans. The accompanying financial statements of the Station contain sub-account information of the University of New Orleans. As such, the accompanying statements present information only as to the transactions of the Station as authorized by Louisiana statutes and administrative regulations. Annually, the University of New Orleans issues both comprehensive and general-purpose financial statements, which include the activity contained in the accompanying financial statements.

Financial Statements:

The financial statement presentation required by GASB 34 provides a comprehensive perspective of the Station's assets, liabilities, net assets, revenues, expenses, changes in net assets, cash flows, and replaces the fund-group perspective previously required.

Basis of Accounting:

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Accordingly, the Station's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Restricted Assets and Liabilities:

Certain assets and liabilities are segregated and classified as restricted and may not be used except in accordance with contractual terms, under certain conditions, or for specific board-designated purposes.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Capital Assets:

Capital assets are reported at cost at the date of acquisition or their estimated fair value on the date of donation. For movable property, the Station's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Routine expenditures for maintenance and repairs which do not materially extend the useful life of the asset are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 3 to 12 years for movable property. In accordance with University policies, a full year of depreciation is taken in the year of acquisition.

Investments:

The radio station accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in the carrying value of investments resulting in unrealized gains or losses are reported as a component of investment income in the statement of revenue, expenses and changes in net assets.

Revenue Recognition:

Pledges are recorded as revenue when the promise to give is made. Contributions are recorded as revenue 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. For the years ended June 30, 2004 and 2003, the UNO Foundation collected \$206,507 and \$182,281, respectively, in contributions on behalf of WWNO that were used by the Foundation to pay expenses on behalf of WWNO. These amounts are not recorded in these financial statements.

In-Kind Contributions:

Donated facilities provided by UNO consist of office and studio space together with related occupancy costs. For the years ended June 30, 2004 and 2003, these donated facilities were valued at \$22,940, respectively, and are recorded in revenue and expense. A privately owned publishing company provides donated advertising space to WWNO without charge. For the years ended June 30, 2004 and 2003, respectively, the fair market value of this advertising, \$20,580, is also recorded in revenue and expense.

WWNO-FM RADIO STATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Net Assets:

The radio station's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt

This represents the station's total investment in capital assets, net of accumulated depreciation and reduced by outstanding debt obligations related to acquisition, construction or improvement of those capital assets.

Restricted Net Assets - Expendable

Restricted expendable net assets include resources that the station is legally or contractually obligated to spend in accordance with restrictions by external third parties.

Restricted Net Assets – Capital Outlay

This represents amounts contributed by individual donors with expressed purposes of capital improvements that were not expended in the current year.

Unrestricted Net Assets

Unrestricted net assets represent resources used for transactions relating to the general operations of the station and may be used at the discretion of the station's management to meet current expenses and for any purpose.

Classification of Revenues:

The radio station has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenue

Operating activity include activities that have the characteristics of exchange transactions, such as most federal, state and local grants, and contracts and federal appropriations.

Nonoperating Revenue

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as university support, investment income, and gifts and contributions.

WWNO-FM RADIO STATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

2. CASH AND CASH EQUIVALENTS

At June 30, 2004 and 2003, cash consisted of interest-bearing demand deposits totaling \$723,555 and \$1,441,651, respectively. Current cash of each year have been reduced by \$5,104 and \$673,675, which is part of a \$791,934 and \$725,000, respectively, quasi-endowment and is reported as restricted cash on the Statement of Net Assets. 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.

Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the State Treasurer. The deposits at June 30, 2004 and 2003 were secured as follows:

	2004 <u>Cash</u>	2003 <u>Cash</u>
Deposits in bank accounts per statements of net assets	\$ <u>723,555</u>	\$ <u>1,441,651</u>
<u>Bank balances:</u>		
Collateralized with securities by the pledging institution's trust department or agent <u>in the entity's name</u>	\$ <u>723,555</u>	\$ <u>1,441,651</u>
Total bank balances	\$ <u>723,555</u>	\$ <u>1,441,651</u>

3. INVESTMENTS:

At June 30, 2004 and 2003, pooled investments have a book value of \$794,896 and \$52,534, respectively, and are reported at fair market value of \$786,830 and \$51,325, respectively, in accordance with GASB Statement No. 31. This amount is the remainder of the quasi-endowment discussed in Note 2. WWNO maintains investment accounts as authorized by the Board of Regents and LSU System. Investments are classified according to the level of risk to the entity using the following categories:

Category 1 -Insured or registered in the entity's name, or securities held by the entity or its agent in the entity's name.

WWNO-FM RADIO STATION
A PUBLIC TELECOMMUNICATIONS ENTITY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

3. INVESTMENTS: (Continued)

Category 2 -Uninsured and unregistered with securities held by the counterparty's trust department or agent in the entity's name.

Category 3 -Unsecured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

At June 30, 2004 and 2003, the entire amount of the investments were held in U. S. Government Securities at a level 2 category of risk. For both years, the investments are reported at fair value as of June 30.

The institution does not invest in derivatives as part of its investment policy.

4. EQUIPMENT:

WWNO-FM follows Louisiana Property Assistance Agency (LPAA) policy for capitalizing and reporting equipment. The threshold for capitalizing equipment is \$5,000. The balance of equipment at June 30, 2004 and 2003 includes only movable property items with an acquisition cost of \$5,000 or more.

In order to comply with GASB Statement # 35, both accumulated and current year depreciation were recognized on the WWNO Financial Statements. Depreciation is recorded using the straight-line depreciation method with equipment assigned to different classes depending on its expected useful life.

Depreciation taken on equipment for the fiscal years ended June 30, 2004 and 2003 was \$84,677 and \$84,248, respectively. This amount is reflected as a current expense in the financial statements.

A summary of changes in equipment follows:

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
Balance at beginning of year	\$ 648,256	\$ 526,259
Accumulated depreciation	<u>(375,593)</u>	<u>(291,345)</u>
Balance at beginning of year, net	272,663	234,914
Additions during current year	--	121,997
Depreciation expense	<u>(84,677)</u>	<u>(84,248)</u>
Balance at end of year	<u>\$ 187,986</u>	<u>\$ 272,663</u>

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A PUBLIC TELECOMMUNICATIONS ENTITY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

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 Governmental 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 5 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, 2004 is estimated to be \$58,636. It was \$56,756 at June 30, 2003.

6. LONG-TERM DEBT:

There is no long-term debt at June 30, 2004 and 2003.

7. LEASES:

The radio station was obligated under two operating leases for the rental of tower space for the operation of WWNO-FM/KTLN Radio Stations.

The first lease is with Tower Management, Inc. in Houma, Louisiana for \$375 per quarter for a total of \$1,500. The lease with Tower Management is a long-term lease that extends ten years from March 1, 1995 through February 28, 2005. The second lease is with Spectrasite, formerly Lode Star New Orleans, Inc. for \$3,400 per month for a total of \$40,800. The Spectrasite lease is also a long-term lease that extends ten years from April 1, 1999 through March 30, 2009. Combined lease payments for tower rental were \$42,300 and \$38,900 for the years ended June 30, 2004 and 2003, respectively.

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7. LEASES: (Continued)

The future lease payments due under the noncancelable lease agreements at June 30, 2004, are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2005	\$ 41,800
2006	40,800
2007	40,800
2008	40,800
2009	<u>30,600</u>
Total	<u>\$ 194,800</u>

8. 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 5 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 13.8 percent of covered salaries to TRS and 15.8 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, 2004, 2003 and 2002 were \$21,142, \$16,004 and \$7,829, respectively, and to LASERS for the years ended June 30, 2004, 2003 and 2002 were \$7,804, \$6,358 and \$10,905, respectively, equal to the required contributions for each year.

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9. 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 5 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 13.8 percent of the covered payroll. The participant's contribution (8%), 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, 2004, 2003 and 2002 were \$38,430, \$27,480 and \$32,065, respectively.

10. BOARD DESIGNATED CAPITAL RESERVE:

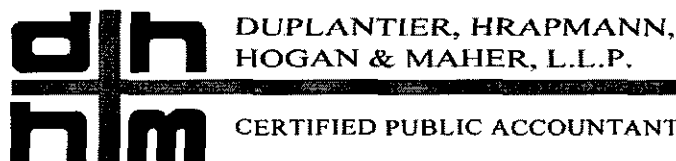
The Corporation for Public Broadcasting, *Principles of Accounting and Financial Reporting for Public Telecommunications Entities*, October 1990, provides that funds designated by the governing board of a station are not endowment funds but are board designations of unrestricted funds. Based on GASB No. 35 guidelines, totals of \$791,934 and \$725,000, respectively, are shown as restricted net assets on the Statements of Net Assets.

11. PRIOR PERIOD ADJUSTMENT:

The accompanying financial statements for the year ended June 30, 2003 have been restated to reflect the correction of prior-year errors. The effect of the restatement was to increase ending net assets by \$80,760 and to increase receivables and deferred charges by \$17,867 and \$62,893, respectively. Other operating revenue increased and the operating loss decreased by \$17,867, respectively, as a result of the restatement of receivables.

WWNO-FM RADIO STATION
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STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2004

	PROGRAM SERVICES				SUPPORTING SERVICES				TOTAL EXPENSES			
	PROGRAMMING AND PRODUCTION	BROADCASTING	PUBLIC INFORMATION AND PROMOTION		TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND RAISING AND MEMBERSHIP DEVELOPMENT		UNDERWRITING AND GRANT SOLICITATION	TOTAL SUPPORTING SERVICES	2004	2003
Employee salaries and wages	\$187,718	\$96,574	\$107,370	\$391,662	\$56,904	\$75,697	\$15,492	\$148,093	\$539,755	\$462,328		
Employee benefits	41,978	24,182	22,389	88,549	12,704	17,133	3,541	33,378	121,927	92,187		
Travel	1,899	2,451	1,824	6,174	2,055	942	151	3,148	9,322	11,506		
Tower rent	-	42,300	-	42,300	-	-	-	-	42,300	38,900		
Utilities	-	2,007	-	2,007	-	-	-	-	2,007	2,199		
Program costs	356,081	-	-	356,081	-	-	-	-	356,081	337,567		
Contracts	49,027	5,245	10,268	64,540	538	10,880	1,614	13,032	77,572	82,859		
Repairs and maintenance	680	2,223	6	2,909	-	-	-	-	2,909	19,287		
Advertising	-	399	23,001	23,400	-	-	-	-	23,400	25,105		
Subscriptions and memberships	6,399	2,483	2,560	11,442	598	1,512	343	2,453	13,895	14,222		
Radio research corporation	-	-	-	-	-	-	-	-	-	4,702		
Music collection	-	-	-	-	-	-	-	-	-	69		
Printing, publications, and graphics	688	407	11,852	12,947	679	5,333	69	6,081	19,028	19,610		
Telephones and postage	6,217	11,285	10,634	28,136	2,533	20,292	1,371	24,216	52,352	47,091		
Supplies	4,507	23,292	1,661	29,460	884	1,039	336	2,259	31,719	81,770		
Visa/mastercard	-	-	-	-	1,304	10,428	1,304	13,036	13,036	14,951		
Auditor's fee	-	-	-	-	9,845	-	-	9,845	9,845	10,800		
Sick/annual leave	622	368	350	1,340	201	276	63	540	1,880	4,448		
Indirect administrative support	89,724	53,129	50,420	193,273	29,005	39,847	8,944	77,796	271,069	287,751		
Work study	-	-	-	-	-	-	-	-	-	1,166		
Depreciation on Equipment	-	84,677	-	84,677	-	-	-	-	84,677	84,249		
Software / Other	7,086	1,902	1,805	10,793	1,038	1,427	320	2,785	13,578	8,414		
Miscellaneous	4,364	1,147	1,105	6,616	328	459	787	787	7,403	19,181		
Total	\$756,990	\$354,071	\$245,245	\$1,356,306	\$118,636	\$185,265	\$33,548	\$337,449	\$1,693,755	\$1,670,362		



DUPLANTIER, HRAPMANN,
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

October 29, 2004

Dr. Timothy P. Ryan, Chancellor
University of New Orleans
New Orleans, Louisiana

We have audited the financial statements of WWNO-FM Radio Station (the Station), as of and for the year ended June 30, 2004, and have issued our report thereon dated October 29, 2004. We conducted our audit 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.

Compliance

As part of obtaining reasonable assurance about whether WWNO-FM Radio Station's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions 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 WWNO-FM Radio Station'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 and use of WWNO-FM Radio Station and its management, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

WWNO-FM RADIO STATION
A PUBLIC TELECOMMUNICATIONS ENTITY
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of the WWNO-FM Radio Station for the year ended June 30, 2004 was unqualified.
2. Internal Control
Material weaknesses: none noted
Reportable conditions: none noted
3. Compliance
Noncompliance material to financial statements: none noted

FINDINGS REQUIRED TO BE REPORTED UNDER AUDITING STANDARDS
GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA:

None

SUMMARY OF PRIOR YEAR FINDINGS:

None