

FRIENDS OF WWOZ, INC.

Audits of Financial Statements

August 31, 2022 and 2021



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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Friends of WWOZ, Inc. (the Station), which comprise the statements of financial position as of August 31, 2022 and 2021, the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Station as of August 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Station and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Station's ability to continue as a going concern for one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Station's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Station's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.

Supplementary 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 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 November 10, 2022 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 grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of the Station's 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 the Station's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA
November 10, 2022

FRIENDS OF WWOZ, INC.
Statements of Financial Position
August 31, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash	\$ 4,152,635	\$ 5,068,118
Grants and Accounts Receivable	62,486	60,760
Prepaid Expenses	64,049	31,934
Total Current Assets	4,279,170	5,160,812
Property and Equipment, Net	230,102	258,583
Total Assets	\$ 4,509,272	\$ 5,419,395
Current Liabilities		
Accounts Payable	\$ 112,082	\$ 53,381
Deferred Revenue	55,000	1,619,650
PPP Loan Reserve	-	309,235
Total Current Liabilities	167,082	1,982,266
Net Assets		
Without Donor Restrictions		
Undesignated	1,690,326	758,201
Board Designated Cash Reserves	2,421,762	2,420,345
Designated for Equipment	230,102	258,583
Total Net Assets Without Donor Restrictions	4,342,190	3,437,129
Total Liabilities and Net Assets	\$ 4,509,272	\$ 5,419,395

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

FRIENDS OF WWOZ, INC.
Statements of Activities and Changes in Net Assets
For the Years Ended August 31, 2022 and 2021

	2022	2021
Revenue and Support		
Contributions and Membership		
Brass Pass Revenue	\$ 2,341,490	\$ -
Membership Fees and Contributions	1,734,724	2,428,572
Underwriting	278,760	285,503
Underwriting, In-Kind	45,400	57,489
Total Contributions and Membership	4,400,374	2,771,564
Grant Revenues		
Foundation Grants	600,000	600,000
Corporation for Public Broadcasting	206,311	548,615
State and Local	3,015	11,446
Grant Revenues	809,326	1,160,061
Other Revenues		
Special Events and Sponsorships	118,456	163,345
Merchandise Sales, Net	162,940	62,199
Other Revenues	26,657	43,956
Paycheck Protection Program Loan Forgiveness	309,235	323,700
Total Other Revenues	617,288	593,200
Total Revenue and Support	5,826,988	4,524,825
Expenses		
Program Services		
Programming and Production	1,539,442	586,482
Broadcasting and Internet Services	1,006,627	660,263
Program Information and Promotion	10,338	-
Total Program Services	2,556,407	1,246,745
Supporting Services		
Fundraising and Membership Development	1,393,626	763,077
Management and General	971,894	840,232
Total Supporting Services	2,365,520	1,603,309
Total Expenses	4,921,927	2,850,054
Changes in Net Assets	905,061	1,674,771
Net Assets Without Donor Restrictions, Beginning of Year	3,437,129	1,762,358
Net Assets Without Donor Restrictions, End of Year	\$ 4,342,190	\$ 3,437,129

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, 2022

	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	\$ 543,599	\$ 396,995	\$ -	\$ 940,594	\$ 329,704	\$ 613,228	\$ 942,932	\$ 1,883,526
Jazz Fest Related Expenses	833,276	249,983	-	1,083,259	583,293	-	583,293	1,666,552
Membership Premiums	-	-	-	-	288,270	-	288,270	288,270
Occupancy	17,247	42,393	-	59,640	28,153	56,957	85,110	144,750
Telephone	-	3,252	-	3,252	-	118,852	118,852	122,104
Related Business	-	99,614	-	99,614	-	-	-	99,614
Website Expense (Digital Deployment)	-	85,557	-	85,557	-	-	-	85,557
Depreciation	26,017	-	-	26,017	-	50,762	50,762	76,779
Professional Services	18,787	-	-	18,787	-	55,672	55,672	74,459
Special Events	22,028	-	-	22,028	51,400	-	51,400	73,428
IT Support Services	15,595	-	-	15,595	36,388	18,777	55,165	70,760
Financial Fees	19,100	-	-	19,100	44,567	6,748	51,315	70,415
Development and Training	13,473	-	-	13,473	31,437	8,209	39,646	53,119
Operations and Maintenance	-	45,611	-	45,611	-	-	-	45,611
Contract Labor	-	42,510	-	42,510	-	-	-	42,510
Insurance	-	40,712	-	40,712	-	-	-	40,712
Office Supplies and Postage	15,810	-	-	15,810	-	15,658	15,658	31,468
Program Production	14,314	-	-	14,314	-	-	-	14,314
Other Expenses	-	-	-	-	-	13,626	13,626	13,626
Printing, Publications, and Graphics	-	-	10,338	10,338	414	-	414	10,752
Affiliation Fees	-	-	-	-	-	8,905	8,905	8,905
Bad Debt Expense	-	-	-	-	-	4,500	4,500	4,500
(Gain)/Loss on Asset	196	-	-	196	-	-	-	196
Total Expenses	\$ 1,539,442	\$ 1,006,627	\$ 10,338	\$ 2,556,407	\$ 1,393,626	\$ 971,894	\$ 2,365,520	\$ 4,921,927

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, 2021

	Program Services			Supporting Services			Total
	Programming and Production	Broadcasting and Internet Services	Total Program Services	Fundraising and Membership Development	Management and General	Total Supporting Services	
Expenses							
Salaries, Payroll Taxes, and Employee Benefits	\$ 493,126	\$ 392,001	\$ 885,127	\$ 286,088	\$ 550,856	\$ 836,944	\$ 1,722,071
Membership Premiums	-	-	-	249,269	-	249,269	249,269
Occupancy	-	36,909	36,909	57,489	53,119	110,608	147,517
Website Expense (Digital Deployment)	-	82,891	82,891	-	-	-	82,891
Professional Services	29,506	-	29,506	-	52,702	52,702	82,208
Telephone	-	45,435	45,435	-	33,224	33,224	78,659
IT Support Services	-	-	-	53,882	20,017	73,899	73,899
Depreciation	-	-	-	-	69,005	69,005	69,005
Financial Fees	-	-	-	59,395	6,703	66,098	66,098
Insurance	-	51,724	51,724	-	-	-	51,724
Jazz Fest Related Expenses	25,854	-	25,854	25,854	-	25,854	51,708
Office Supplies and Postage	13,187	-	13,187	-	25,884	25,884	39,071
Development and Training	-	-	-	25,790	6,802	32,592	32,592
Operations and Maintenance	-	31,854	31,854	-	-	-	31,854
Program Production	24,809	-	24,809	-	-	-	24,809
Contract Labor	-	19,449	19,449	-	-	-	19,449
Affiliation Fees	-	-	-	-	8,085	8,085	8,085
Printing, Publications, and Graphics	-	-	-	-	7,859	7,859	7,859
Special Events	-	-	-	5,310	-	5,310	5,310
Other Expenses	-	-	-	-	4,280	4,280	4,280
(Gain)/Loss on Asset	-	-	-	-	1,696	1,696	1,696
Total Expenses	\$ 586,482	\$ 660,263	\$ 1,246,745	\$ 763,077	\$ 840,232	\$ 1,603,309	\$ 2,850,054

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, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Changes in Net Assets	\$ 905,061	\$ 1,674,771
Adjustment to Reconcile Changes in Net Assets to Net Cash (Used in) Provided by Operating Activities		
Depreciation	76,779	69,005
Bad Debt Expense	4,500	-
(Gain)/Loss on Asset	196	1,696
Paycheck Protection Program Loan Forgiveness	(309,235)	(323,700)
(Increase) Decrease in Assets		
Grants and Accounts Receivable	(6,226)	(18,410)
Prepaid Expenses	(32,115)	19,790
Increase (Decrease) in Liabilities		
Accounts Payable	58,701	39,390
Deferred Revenue	(1,564,650)	416,020
Net Cash (Used in) Provided by Operating Activities	(866,989)	1,878,562
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(48,494)	(41,340)
Net Cash Used in Investing Activities	(48,494)	(41,340)
Cash Flows from Financing Activities		
Cash Proceeds from Paycheck Protection Program Loan	-	309,235
Net Cash Provided by Financing Activities	-	309,235
Net (Decrease) Increase in Cash	(915,483)	2,146,457
Cash, Beginning of Year	5,068,118	2,921,661
Cash, End of Year	\$ 4,152,635	\$ 5,068,118
Supplemental Disclosures of Cash Flow Information		
Cash Paid During the Year for Interest	\$ 311	\$ 57

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

FRIENDS OF WWOZ, INC.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Nature of Activities

The Friends of WWOZ, Inc. (the Station) is a non-profit 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 fiscal year end. 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, 2022 and 2021.

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:

Asset Category	Estimated Useful Life
Leasehold Improvements	Lesser of Lease Term or 3 - 10 Years
Broadcast Equipment	7 - 45 Years
Radio Station Equipment	5 - 10 Years
Furniture and Fixtures	7 - 10 Years
Broadcast Trucks	5 Years
Computers and Website	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, 2022 and 2021, 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.

Note 1. Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Contracts vs. Contributions

The Station utilizes the guidance in Accounting Standards Update (ASU) 2018-08 in the assessment of whether a revenue is an exchange transaction (contract) or contribution (non-contract) and considers factors including commensurate value received, reciprocity, and donor-imposed conditions. Performance obligations are determined based on the nature of the services provided by the Station. Revenue from performance obligations satisfied over time is recognized based on actual time incurred in relation to the total expected period of providing the service.

The Station believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to sponsorship efforts. The Station measures the performance obligation throughout the fiscal year. Revenue for performance obligations satisfied at a point in time, which include events and merchandise sales, are recognized when events, services, or goods are provided. The Station determines the transaction price based on standard charges for goods or services provided to customers, which are predetermined by management.

Contracts and contributions are both generally nonrefundable unless approved by senior management. Total refunds were insignificant during the year ended August 31, 2022. Total refunds issued during the year ended August 31, 2021 increased significantly due to Brass Pass Revenue refunds.

Brass Pass Revenue

Brass Pass revenue includes 1) contributions from donors and 2) the transfer of a Brass Pass which is satisfied upon providing access to The New Orleans Jazz and Heritage Festival (Jazz Fest) and the related VIP amenities. The contributions are treated as a conditional contribution and the sales are treated as contracts with customers. Contribution values for Brass Passes vary based on the timing and cost of Brass Passes purchased from the Foundation. During the years ended August 31, 2022 and 2021, the contribution value associated with a Brass Pass was \$280 and \$330, respectively.

Contributions

Contributions 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. Support that is restricted by a donor is reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

Note 1. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Contributions (Continued)

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. The Station considers the value of membership premiums provided for regular membership contributions to be immaterial to the overall financial statements.

Underwriting

The Station categorizes underwriting credit revenue from donors as contributions. Underwriting credits are presumed to be of nominal value to the donor and, as such, are not determined to be exchange transactions.

In-Kind Contributions

The Station records as revenue the value of the free air space that they provide to other businesses through underwriting credit 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 and changes in net assets. 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.

Grant Revenues

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 it is a recipient of these grants, the amounts are included as donor restricted grant revenue in the accompanying statements of activities and changes in net assets. Grant funding received in advance of expenditures for allowable grant purposes is recognized as deferred (unearned) grant revenue.

Note 1. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Other Revenue

The Station recognizes revenue from special events, sponsorships, and merchandise sales as revenue from contracts with customers at the time the event or sale occurs, which is considered the performance obligation. Payments for these events are generally nonrefundable. Any significant contributed amounts associated with these transactions are recorded as a contribution. The Station has not identified any significant contributions associated with other revenue.

Deferred Revenue

Amounts paid in advance for events and merchandise are deferred to the period to which the underlying event takes place. Typically, due to the nature and timing of the performance and/or transfer of services, substantially all contract liabilities as of August 31st of each year are recognized in the following year. Of the August 31, 2021 deferred revenue balances, \$1,619,650 (100%) was recognized in the year ended August 31, 2022. Of the August 31, 2020 deferred revenue balances, \$1,000 (<1%) was recognized in the year ended August 31, 2021.

At August 31, 2022, deferred revenues primarily consisted of sponsorships paid in advance for future periods. At August 31, 2021, deferred revenues primarily consisted of patron deposits from payments towards Brass Passes for a future Jazz Fest, which was cancelled due to the COVID-19 pandemic. These deposits were being held for patrons who had communicated to the Station that they would prefer to receive a future Jazz Fest Brass Pass rather than receive a refund, as well as payments from patrons who had not yet responded to the Station. These deposits are inclusive of the conditional contribution value and the sales value associated with a Brass Pass. The condition and the sale were realized upon the occurrence of the 2022 Jazz Fest production during May 2022.

Corporation for Public Broadcasting Community Service Grants

The Corporation for Public Broadcasting (CPB) is a private, non-profit 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 net assets without donor restrictions. The Station also received a supplementary COVID-19 Community Service Grant during the year ended August 31, 2021.

Note 1. Summary of Significant Accounting Policies (Continued)

Corporation for Public Broadcasting Community Service Grants (Continued)

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 net assets with donor restrictions until satisfaction of the time and purpose restrictions, after which they are reported as a release from net assets with donor restrictions and an increase in net assets without donor restrictions. If restrictions are satisfied within the period received, funds are reported as an increase in net assets without donor restrictions.

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

Basis of Net Asset Presentation

The Station reports information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions - Net assets for general use that are not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Once expended for their restricted purpose, these restricted net assets are released to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

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, 2022 and 2021, the Station had no cash equivalents.

FRIENDS OF WWOZ, INC.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Functional Expenses

The costs of providing the program services and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated on a reasonable basis that is consistently applied. When possible, expenses are first allocated by direct identification and then allocated if an expenditure benefits more than one program or function. The expenses that are allocated are allocated on the basis of estimates of time and effort. Expenses which were allocated during the year ended August 31, 2022 and 2021 include salaries, payroll taxes, and employee benefits, occupancy, depreciation, and jazz fest related expenses.

Liquidity and Availability

The Station's objective is to maintain liquid financial assets without donor restrictions sufficient to cover 60 days of program expenditures. The Station regularly monitors liquidity required to meet its operating needs and other contractual commitments.

Expenditures are generally met within 30 days, utilizing the financial resources the Station has available. In addition, the Station operates with a budget to monitor sources and uses of funds throughout the year.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position sheet date, comprise the following:

	2022	2021
Cash	\$ 4,152,635	\$ 5,068,118
Grants and Accounts Receivable	62,486	60,760
Total Liquid Financial Assets	4,215,121	5,128,878
Less: Cash Held in Reserves	(2,421,762)	(2,420,345)
Total Liquid Financial Assets Available for General Expenditure	\$ 1,793,359	\$ 2,708,533

Funds on hand associated with designated balances have been excluded from cash to present a more accurate liquidity calculation.

The Station also has access to a line of credit for additional liquidity, as needed. See Note 4.

Note 1. Summary of Significant Accounting Policies (Continued)

Liquidity and Availability (Continued)

The Board of the Station has designated certain funds to be set aside as “rainy” day fund reserves, reserves for future capital projects, and reserves for specific future events, including purchasing Brass Passes to satisfy deferred revenue obligations for a future Jazz and Heritage Festival. As of August 31, 2022 and 2021, cash held in reserves, which are subject to finance committee or executive committee approval to be used, totaled \$2,421,762 and \$2,420,345, respectively.

Recent Accounting Pronouncements - Not Yet Adopted

In January 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as finance or operating. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15, 2021, pursuant to the most recent extension granted under ASU 2020-05. The Station is currently evaluating the impact of adopting the new standard on its financial statements.

Recent Accounting Pronouncements - Adopted

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This guidance is effective for fiscal years beginning after June 15, 2021, and for interim periods within annual periods beginning after June 15, 2022. This ASU was effective for the Station beginning on September 1, 2021. The adoption of ASU 2020-07 did not have a significant impact on the Station’s financial statements.

FRIENDS OF WWOZ, INC.

Notes to Financial Statements

Note 2. Property and Equipment

Property and equipment at August 31, 2022 and 2021 consisted of the following:

	2022	2021
Office Furniture and Fixtures	\$ -	\$ 12,980
Broadcast Equipment	354,609	692,299
Broadcast Trucks	126,523	207,802
Radio Station Equipment	125,244	156,151
Leasehold Improvements	381,480	396,768
Website	173,038	173,038
Total	1,160,894	1,639,038
Less: Accumulated Depreciation	(930,792)	(1,380,455)
Property and Equipment, Net	\$ 230,102	\$ 258,583

During the years ended August 31, 2022 and 2021, the amount charged to depreciation totaled \$76,779 and \$69,005, respectively.

Note 3. Concentration of Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Station's deposits may not be recovered. The Station periodically maintains cash in bank accounts in excess of insured limits. As of August 31, 2022, the Station's bank balances were \$4,228,495. Balances insured by the Federal Deposit Insurance Corporation (FDIC), which covers the total balance of accounts up to \$250,000 per financial institution, totaled \$250,000. Deposits of \$3,978,495 were uninsured and subject to custodial credit risk at August 31, 2022. 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. The Station has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

Note 4. Line of Credit

The Station has a \$300,000 line of credit with a bank, maturing on August 12, 2024. The line is unsecured and carries a variable rate of interest payable monthly at the Wall Street Journal prime rate (5.50% at August 31, 2022) plus 0.75%, for a total interest rate of 6.25% at August 31, 2022). There were no borrowings outstanding against the line of credit as of August 31, 2022 and 2021. There was no interest expense recognized related to the line of credit for the years ended August 31, 2022 and 2021.

FRIENDS OF WWOZ, INC.

Notes to Financial Statements

Note 5. Operating Leases

The Station leases its office and studio in New Orleans, Louisiana, pursuant to a lease dated July 1, 2008. Under the most recent amendment to this lease dated May 8, 2014, the lease stipulates monthly rent payments and monthly utility payments. During 2019, the lessor orally agreed to an adjusted monthly rent and utility payment of \$1,187 and converted the lease to a month-to-month arrangement. 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. This lease currently operates on a month-to-month basis while the agreement is being renegotiated. The current estimated monthly contribution value of the underwriting provided to the lessor is \$3,183, totaling \$38,200 annually. Rent expense related to this office space totaled \$52,438 for each of the years ended August 31, 2022 and 2021.

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 initial lease expiration date, December 31, 2022. The lease offers two (2) five-year renewal terms through December 31, 2032, which the Station intends to exercise. The first year of each renewal term results in an increase in the rent payment of 5%. Rent expense related to this lease totaled \$7,753 and \$7,527 for the years ended August 31, 2022 and 2021, 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, 2021, the lease stipulates a monthly rent payments of \$1,450 through July 12, 2023. Rent expense related to this warehouse totaled \$17,835 and \$17,471 for the years ended August 31, 2022 and 2021, respectively.

Various rental expenses resulting from month-to-month operating leases of equipment and storage facilities totaled \$10,210 and \$9,520 for the years ended August 31, 2022 and 2021, 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.

FRIENDS OF WWOZ, INC.

Notes to Financial Statements

Note 5. Operating Leases (Continued)

The Station leases additional office space in New Orleans, Louisiana, pursuant to a commercial lease agreement dated July 1, 2015. Under the most recent amendment to this lease effective April, 2021, the lease stipulates monthly rent payments of \$1,200, totaling \$14,400 annually, inclusive of operating expenses estimated at \$800 per month. This lease currently matures August 31, 2023. The lease includes a special stipulation between the Station and the lessor which is used to value a trade with the lessor for 120 annual underwriting spot credits through the Station. The current estimated monthly value of the underwriting provided to the lessor is \$600, totaling \$7,200 annually. Rent expense related to this office space totaled \$21,600 and \$30,189 for the years ended August 31, 2022 and 2021, respectively.

Minimum future lease payments required under the various lease agreements in effect at August 31, 2022 are as follows:

Year Ending August 31,	Amount
2023	\$ 38,970
2024	8,516
2025	8,767
2026	9,026
2027	9,293
Thereafter	<u>53,633</u>
Total Minimum Lease Payments	<u>\$ 128,205</u>

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.

Due to the continued deferral of Jazz Fest in 2021, the Station was committed to providing Brass Passes to various members for a future Jazz Fest event. This commitment was satisfied during May 2022 once Jazz Fest occurred.

As part of the normal course of business, the Station occasionally enters into purchase commitments to manage its various operating needs. Other than operating leases noted in Note 5, the Station had no other significant long-term purchase commitments as of August 31, 2022 and 2021.

FRIENDS OF WWOZ, INC.

Notes to Financial Statements

Note 7. Broadcast Hours (Unaudited)

The broadcast hours of the radio station were approximately 8,760 and 8,701 for the years ended August 31, 2022 and 2021, respectively.

Note 8. Retirement Plan

The Station has a qualified defined contribution retirement plan in the form of a simplified employee pension plan (SEP) which covers substantially all employees. Eligibility in the SEP is based upon three years of continuous employment with the Station. Contributions made by the Station are discretionary up to a maximum of six percent (6%) of total pay. Retirement contribution expense for the years ended August 31, 2022 and 2021 totaled \$78,078 and \$64,273, respectively.

Note 9. Risk Management

The Station is exposed to various risks of loss related to torts and 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.

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 year ended August 31, 2022, the Station received and expended the Community Service Grants as follows:

Grants Received	Purpose	Fiscal Year Ended August 31, 2022		
		Amount Funded	Amount Expended	Balance at August 31, 2022
Community Services Grant	Operations	\$ 151,411	\$ 151,411	\$ -
National Program Production and Acquisition Grant	Operations	\$ 54,900	\$ 54,900	\$ -

FRIENDS OF WWOZ, INC.

Notes to Financial Statements

Note 11. Corporation for Public Broadcasting Community Service Grants (Continued)

For the year ended August 31, 2021, the Station received and expended the Community Service Grants as follows:

Grants Received	Purpose	Fiscal Year Ended August 31, 2021		
		Amount Funded	Amount Expended	Balance at August 31, 2021
Community Services Grant	Operations	\$ 239,845	\$ 239,845	\$ -
COVID-19 Community Services Grant	Operations	\$ 228,822	\$ 228,822	\$ -
National Program Production and Acquisition Grant	Operations	\$ 79,948	\$ 79,948	\$ -

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 each of the years ended August 31, 2022 and 2021, the Station recorded revenue from the Foundation as part of the Foundation's operational and infrastructure grants for the Station totaling \$600,000.

Note 13. PPP Loans

On April 21, 2020, the Station entered into a U.S. Small Business Association (SBA) Paycheck Protection Program loan (First PPP loan) with a bank in the amount of \$323,700, at an interest rate of 1.00% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the SBA.

On March 25, 2021, the Station entered into a SBA Paycheck Protection Program loan (Second PPP loan) with a bank in the amount of \$309,235, at an interest rate of 1.00% per annum, with the first six months of interest deferred, has a term of five years, and is unsecured and guaranteed by the SBA.

The principal amount of the PPP loans are subject to forgiveness under the Paycheck Protection Program upon the Station's request to the extent that the PPP loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Station. The SBA may undertake a review of a loan of any size during the six-year period following forgiveness or repayment of the loan.

FRIENDS OF WWOZ, INC.

Notes to Financial Statements

Note 13. PPP Loans (Continued)

During 2021, the Station applied for forgiveness of the First PPP Loan with respect to the covered expenses. The Station's First PPP Loan was fully forgiven by the SBA on March 22, 2021. The Station recognized Paycheck Protection Program Loan Forgiveness income totaling \$323,700 on the statement of activities and changes in net assets for the year ended August 31, 2021.

During 2022, the Station applied for forgiveness of the Second PPP Loan with respect to the covered expenses. The Station's Second PPP Loan was fully forgiven by the SBA on August 23, 2022. The Station recognized Paycheck Protection Program Loan Forgiveness income totaling \$309,235 on the statement of activities and changes in net assets for the year ended August 31, 2022.

Note 14. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 10, 2022 and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

FRIENDS OF WWOZ, INC.
Schedule of Grant Activity
For the Year Ended August 31, 2022

Schedule I

Sources	Identifying Number	Program Name	Contract Period	Grant Revenue / Expense
New Orleans Jazz and Heritage Foundation	FY 2022	NOJHF - Operational Grant	FY 2022	\$ 300,000
	FY 2022	NOJHF - Infrastructure Grant	FY 2022	<u>300,000</u>
Total New Orleans Jazz and Heritage Foundation				<u>600,000</u>
Corporation for Public Broadcasting	FY 2022	Community Service Grant	2/15/22-3/23/22	151,411
	FY 2022	National Program Production and Acquisition Grant	2/15/22-3/23/22	<u>54,900</u>
Total Corporation for Public Broadcasting				<u>206,311</u>
State and Local	FY 2022	ACNO Community Arts Grant	FY 2022	<u>3,015</u>
Total State and Local				<u>3,015</u>
Total Grants Revenue/Expenses				<u><u>\$ 809,326</u></u>

See independent auditor's report.

**FRIENDS OF WWOZ, INC.
Schedule of Grant Activity
For the Year Ended August 31, 2021**

Schedule I (Continued)

Sources	Identifying Number	Program Name	Contract Period	Grant Revenue / Expense
New Orleans Jazz and Heritage Foundation	FY 2021	NOJHF - Operational Grant	FY 2021	\$ 300,000
	FY 2021	NOJHF - Infrastructure Grant	FY 2021	<u>300,000</u>
Total New Orleans Jazz and Heritage Foundation				<u>600,000</u>
Corporation for Public Broadcasting	FY 2021	Community Service Grant	FY 2021	239,845
	FY 2021	COVID-19 Community Service Grant	FY 2021	228,822
	FY 2021	National Program Production and Acquisition Grant	FY 2021	<u>79,948</u>
Total Corporation for Public Broadcasting				<u>548,615</u>
State and Local	FY 2021	Louisiana Division of the Arts	FY 2021	2,400
	FY 2021	ACNO Community Arts Grant	FY 2021	<u>9,046</u>
Total State and Local				<u>11,446</u>
Total Grants Revenue/Expenses				<u><u>\$ 1,160,061</u></u>

See independent auditor's report.

FRIENDS OF WWOZ, INC.
Schedule of Compensation, Benefits, and Other Payments
to Agency Head or Chief Executive Officer
For the Year Ended August 31, 2022

Schedule II

Louisiana Revised Statute (R.S.) 24:513(A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expense, per diem, and registration fees, be reported as a supplemental report within the financial statements of local governmental and quasi-public auditees. In 2015, Act 482 of the 2015 Regular Session of the Louisiana Legislature further amended R.S. 24:513(A)(3) to clarify that non-governmental entities or not-for-profit entities that receive public funds shall report only the use of public funds for the expenditures itemized in the supplemental report.

Agency Head
 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 identified that a total of \$-0 in public funding was allocated to the agency head's salary. As such, all values reported on this schedule are \$-0-.

See independent auditor's report.

**INDEPENDENT AUDITOR'S 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**

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 non-profit organization), which comprise the statement of financial position as of August 31, 2022, the related statement of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2022.

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) as a basis for designing 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 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.

Report on 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 financial statements. 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 Professional Accounting Corporation

Metairie, LA
November 10, 2022

FRIENDS OF WWOZ, INC.
Schedule of Findings and Responses
For the Year Ended August 31, 2022

Section I. Summary of Auditor's 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. Non-compliance 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, 2022

Section II. Internal Control Over Financial Reporting

None.

Section III. Compliance and Other Matters

None.