

FRIENDS OF WWOZ, INC.

Audits of Financial Statements

August 31, 2020 and 2019



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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Friends of WWOZ, Inc. (the Station) (a non-profit organization), which comprise the statements of financial position as of August 31, 2020 and 2019, and 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 (collectively, financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of WWOZ, Inc. as of August 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of grant activity and the schedule of compensation, benefits, and other payments to agency head or chief executive officer are presented for purposes of additional analysis and are 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 January 11, 2021, on our consideration of Friends of WWOZ, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely 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 Friends of WWOZ, Inc.'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 Friends of WWOZ, Inc.'s internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA
January 11, 2021

FRIENDS OF WWOZ, INC.
Statements of Financial Position
August 31, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash	\$ 2,921,661	\$ 946,474
Grants and Accounts Receivable	42,350	27,624
Prepaid Expenses	51,724	12,487
	<hr/>	
Total Current Assets	3,015,735	986,585
Property and Equipment, Net	287,944	387,678
	<hr/>	
Total Assets	\$ 3,303,679	\$ 1,374,263
	<hr/>	
Current Liabilities		
Accounts Payable	\$ 13,991	\$ 68,542
Deferred Revenue	1,203,630	94,575
PPP Loan Reserve	323,700	-
	<hr/>	
Total Current Liabilities	1,541,321	163,117
	<hr/>	
Net Assets		
Without Donor Restrictions		
Undesignated	1,474,414	823,468
Designated for Equipment	287,944	387,678
	<hr/>	
Total Net Assets Without Donor Restrictions	1,762,358	1,211,146
	<hr/>	
Total Net Assets	1,762,358	1,211,146
	<hr/>	
Total Liabilities and Net Assets	\$ 3,303,679	\$ 1,374,263
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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, 2020 and 2019

	2020	2019
Revenue and Support		
Contributions and Membership		
Brass Pass Revenue	\$ -	\$ 2,370,280
Foundation Contributions	-	1,200,000
Membership Fees and Contributions	1,713,333	1,018,257
Underwriting	236,065	284,805
	<hr/>	<hr/>
Total Contributions and Membership	1,949,398	4,873,342
	<hr/>	<hr/>
Grant Revenues	1,170,170	752,388
	<hr/>	<hr/>
Other Revenues		
Special Events and Sponsorships	207,118	177,012
Merchandise Sales, Net	70,365	106,630
Other Revenues	23,867	42,586
	<hr/>	<hr/>
Total Other Revenues	301,350	326,228
	<hr/>	<hr/>
Total Revenue and Support	3,420,918	5,951,958
	<hr/>	<hr/>
Expenses		
Program Services		
Broadcasting and Internet Services	690,397	715,749
Programming and Production	649,079	1,356,328
	<hr/>	<hr/>
Total Program Services	1,339,476	2,072,077
	<hr/>	<hr/>
Supporting Services		
Management and General	853,319	1,033,828
Fundraising and Membership Development	676,911	2,709,955
	<hr/>	<hr/>
Total Supporting Services	1,530,230	3,743,783
	<hr/>	<hr/>
Total Expenses	2,869,706	5,815,860
	<hr/>	<hr/>
Change in Net Assets	551,212	136,098
	<hr/>	<hr/>
Net Assets, Beginning of Year	1,211,146	1,075,048
	<hr/>	<hr/>
Net Assets, End of Year	\$ 1,762,358	\$ 1,211,146
	<hr/> <hr/>	<hr/> <hr/>

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, 2020

	Program Services			Supporting Services		Total Supporting Services	Total
	Programming and Production	Broadcasting and Internet Services	Total Program Services	Fundraising and Membership Development	Management and General		
Expenses							
Salaries, Payroll Taxes, and Employee Benefits	\$ 487,098	\$ 390,439	\$ 877,537	\$ 270,630	\$ 526,281	\$ 796,911	\$ 1,674,448
Membership Premiums	-	-	-	169,673	-	169,673	169,673
Occupancy	32,578	51,083	83,661	17,974	35,947	53,921	137,582
Professional Services	54,355	-	54,355	-	71,748	71,748	126,103
Jazz Fest Related Expenses	58,750	-	58,750	58,750	-	58,750	117,500
Website Expense (Digital Deployment)	-	94,266	94,266	-	-	-	94,266
Telephone	-	62,093	62,093	-	31,248	31,248	93,341
Depreciation	-	-	-	-	91,677	91,677	91,677
Development and Training	-	-	-	55,985	7,819	63,804	63,804
IT Support Services	-	-	-	39,995	13,745	53,740	53,740
Financial Fees	-	-	-	39,199	6,670	45,869	45,869
Operations and Maintenance	-	34,180	34,180	-	-	-	34,180
Insurance	-	31,081	31,081	-	-	-	31,081
Contract Labor	-	26,283	26,283	-	-	-	26,283
Office Supplies and Postage	6,655	-	6,655	-	19,309	19,309	25,964
Special Events	-	-	-	24,705	-	24,705	24,705
Printing, Publications, and Graphics	-	-	-	-	13,323	13,323	13,323
Bad Debt Expense	-	-	-	-	12,495	12,495	12,495
Program Production	9,643	-	9,643	-	-	-	9,643
Affiliation Fees	-	-	-	-	8,624	8,624	8,624
Gain/Loss on Asset	-	-	-	-	8,057	8,057	8,057
Other Expenses	-	-	-	-	6,376	6,376	6,376
Related Business	-	972	972	-	-	-	972
Total Expenses	\$ 649,079	\$ 690,397	\$ 1,339,476	\$ 676,911	\$ 853,319	\$ 1,530,230	\$ 2,869,706

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, 2019

	Program Services			Supporting Services		Total Supporting Services	Total
	Programming and Production	Broadcasting and Internet Services	Total Program Services	Fundraising and Membership Development	Management and General		
Expenses							
Salaries, Payroll Taxes, and Employee Benefits	\$ 500,508	\$ 359,516	\$ 860,024	\$ 343,946	\$ 493,118	\$ 837,064	\$ 1,697,088
Special Events	788,399	-	788,399	788,399	-	788,399	1,576,798
Jazz Fest Related Expenses	-	-	-	1,286,921	-	1,286,921	1,286,921
Professional Services	43,414	-	43,414	-	141,329	141,329	184,743
Occupancy	-	25,143	25,143	57,490	68,012	125,502	150,645
Depreciation	-	-	-	-	141,483	141,483	141,483
Telephone	-	4,843	4,843	-	87,780	87,780	92,623
Insurance	-	79,037	79,037	-	-	-	79,037
Development and Training	-	-	-	64,257	12,778	77,035	77,035
Website Expense (Digital Deployment)	-	72,900	72,900	-	-	-	72,900
IT Support Services	-	-	-	63,077	8,678	71,755	71,755
Related Business	-	64,443	64,443	-	-	-	64,443
Membership Premiums	-	-	-	63,085	-	63,085	63,085
Operations and Maintenance	-	56,719	56,719	-	-	-	56,719
Financial Fees	-	-	-	41,710	6,497	48,207	48,207
Contract Labor	-	45,300	45,300	-	-	-	45,300
Office Supplies and Postage	5,464	-	5,464	-	22,203	22,203	27,667
Other Expenses	-	-	-	-	20,824	20,824	20,824
Printing, Publications, and Graphics	-	-	-	1,070	18,687	19,757	19,757
Program Production	18,543	-	18,543	-	-	-	18,543
Affiliation Fees	-	-	-	-	9,039	9,039	9,039
Mobile Truck	-	7,848	7,848	-	-	-	7,848
Gain/Loss on Asset	-	-	-	-	3,400	3,400	3,400
Total Expenses	\$ 1,356,328	\$ 715,749	\$ 2,072,077	\$ 2,709,955	\$ 1,033,828	\$ 3,743,783	\$ 5,815,860

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, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in Net Assets	\$ 551,212	\$ 136,098
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	91,677	141,483
Bad Debt Expense	12,495	-
Loss on Disposal of Equipment	8,057	3,400
(Increase) Decrease in Assets		
Grants and Accounts Receivable	(27,221)	13,860
Prepaid Expenses	(39,237)	3,555
Increase (Decrease) in Liabilities		
Accounts Payable	(54,551)	35,698
Deferred Revenue	1,109,055	42,275
	<u>1,651,487</u>	<u>376,369</u>
Net Cash Provided by Operating Activities		
Cash Flows from Financing Activities		
Cash Proceeds from PPP Loan Reserve	<u>323,700</u>	-
	<u>323,700</u>	-
Net Cash Provided by Financing Activities		
Net Increase in Cash	1,975,187	376,369
Cash, Beginning of Year	<u>946,474</u>	<u>570,105</u>
Cash, End of Year	<u><u>\$ 2,921,661</u></u>	<u><u>\$ 946,474</u></u>
Supplemental Disclosures of Cash Flow Information		
Cash Paid During the Year for Interest	\$ 161	\$ 2,058
Cash Paid During the Year for Taxes	<u>\$ 472</u>	<u>\$ 4,127</u>

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, 2020 and 2019.

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.

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:

FRIENDS OF WWOZ, INC.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

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

Costs Incurred for Programs Not Yet Broadcast

Costs incurred for programs not yet broadcast are capitalized. Such costs relate to programs produced by the Station that will be broadcast subsequent to August 31st. Programs to be completed and broadcast within one year are classified as current assets whereas programs to be completed and broadcast in more than one year are classified as long-term. As the programs are broadcast, the costs incurred will be included in operating expenses. Program status is evaluated annually. Costs associated with programs not considered to have future benefit are adjusted to net realizable value. As of August 31, 2020 and 2019, there were no costs incurred for programs not yet broadcast.

Income Taxes

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

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

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

Revenue Recognition

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.

FRIENDS OF WWOZ, INC.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Contracts vs. Contributions (Continued)

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 issued during the year ended August 31, 2020 increased significantly due to Brass Pass Revenue refunds. Management considers the total refunds issued during the year ended August 31, 2019 to be immaterial.

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, 2020 and 2019, the contribution value associated with a Brass Pass was \$310 and \$198, 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.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Contributions (Continued)

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 the 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.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

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, 2019 deferred revenue balances, \$94,575 (100%) was recognized in the year ended August 31, 2020. Of the August 31, 2018 deferred revenue balances, \$52,300 (100%) was recognized in the year ended August 31, 2019.

At August 31, 2020, deferred revenues primarily consist of patron deposits from payments towards Brass Passes for the 2020 Jazz Fest, which was cancelled due to the COVID-19 pandemic. These deposits are being held for patrons who have communicated to the Station that they would prefer to receive a 2021 Jazz Fest Brass Pass rather than receive a refund, as well as payments from patrons who have 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 are both expected to be realized upon the occurrence of a 2021 Jazz Fest production.

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 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.

Note 1. Summary of Significant Accounting Policies (Continued)

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, 2020 and 2019, the Station had no cash equivalents.

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, 2020 include occupancy costs. There were no such allocated expenses during the year ended August 31, 2019.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported changes in net asset.

FRIENDS OF WWOZ, INC.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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 balance sheet date, comprise the following:

	2020	2019
Cash	\$ 1,394,331	\$ 946,474
Grants and Accounts Receivable	42,350	27,624
Total	\$ 1,436,681	\$ 974,098

Funds on hand associated with deferred revenue and PPP loan reserve balances have been excluded from Cash to present a more accurate liquidity calculation.

Recent Accounting Pronouncements - Not Yet Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount to which an entity expects to be entitled when products are transferred to customers. ASU 2014-09 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020, though early adoption is permitted. The new revenue standard may be applied retrospectively as of the date of adoption. The Station is currently evaluating the impact of adopting the new revenue standard on its financial statements and expects the most significant changes to be related to the presentation of revenue streams.

In January 2016, the 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 revenue standard on its financial statements.

FRIENDS OF WWOZ, INC.

Notes to Financial Statements

Note 2. Property and Equipment

Property and equipment at August 31, 2020 and 2019 consisted of the following:

	2020	2019
Office Furniture and Fixtures	\$ 12,980	\$ 12,980
Broadcast Equipment	660,176	711,076
Broadcast Trucks	207,802	244,194
Radio Station Equipment	156,151	171,324
Leasehold Improvements	421,971	421,971
Website	173,038	173,038
Total	1,632,118	1,734,583
Less: Accumulated Depreciation	(1,344,174)	(1,346,905)
Property and Equipment, Net	\$ 287,944	\$ 387,678

During the years ended August 31, 2020 and 2019, the amount charged to depreciation totaled \$91,677 and \$141,483, 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, 2020, the Station's bank balances were \$2,935,790. 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 \$2,685,790 were uninsured and subject to custodial credit risk at August 31, 2020. 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 3, 2021. The line is unsecured and carries a variable rate of interest payable monthly at the Wall Street Journal prime rate plus 0.77%. There were no borrowings outstanding against the line of credit as of August 31, 2020 or 2019. There was no interest expense recognized related to the line of credit totaled for the years ended August 31, 2020 or 2019.

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 subsequent to year end. 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 and \$53,147 for the years ended August 31, 2020 and 2019, respectively.

The Station leases a transmitter site at Tulane University pursuant to a lease dated June 1, 2013. The lease stipulates monthly rent payment of \$500, with a 3% annual increase through the lease expiration date, December 31, 2022. Rent expense related to this lease totaled \$7,308 and \$7,095 for the years ended August 31, 2020 and 2019, 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, 2020, the lease stipulates monthly rent payments of \$1,450 through July 12, 2021. Rent expense related to this warehouse totaled \$16,759 and \$16,974 for the years ended August 31, 2020 and 2019, respectively.

Various rental expenses resulting from month-to-month operating leases of equipment and storage facilities totaled \$10,500 and \$8,589 for the years ended August 31, 2020 and 2019, respectively.

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

The Station leases additional office space in New Orleans, Louisiana, pursuant to a commercial lease agreement dated July 1, 2015. The renewal of this lease in June of 2017 stipulated monthly rent payments of \$932, totaling \$11,184 annually, plus operating expenses estimated at \$67.50 per month, totaling \$810 annually. During 2019, this lease was converted to a month-to-month lease. This lease currently operates on a month-to-month basis while the agreement is being renegotiated subsequent to year end. The lease includes a special stipulation between the Station and the lessor which is used to value a trade with the lessor for underwriting credits through the Station. The current estimated monthly value of the underwriting provided to the lessor is \$1,608. Rent expense related to this office space totaled \$19,290 for both of the years ended August 31, 2020 and 2019.

FRIENDS OF WWOZ, INC.

Notes to Financial Statements

Note 5. Operating Leases (Continued)

Minimum future lease payments required under the various lease agreements in effect at August 31, 2020 are as follows:

Year Ending August 31,	Amount
2021	\$ 23,442
2022	7,715
2023	4,028
2024	131
2025	131
Thereafter	<u>2,813</u>
Total Minimum Lease Payments	<u>\$ 38,260</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.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern", and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Station operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Station, to date, the Station has continued to operate successfully with zero downtime days during the pandemic. The Station has successfully sought additional funding from members, sponsors, and grantors during the pandemic. The Station is primarily experiencing interruptions associated with the timing and performance of live events and festivals, but is otherwise experiencing minimal interruptions in operations. Additionally, it is reasonably possible that estimates made in the financial statements could be impacted in the near-term as a result of these conditions.

Due to the deferral of Jazz Fest in 2020, the Stations is currently committed to providing Brass Passes to various members for a future Jazz Fest event, once one occurs, in order to satisfy its obligations to these members. The cost of these Brass Passes is currently estimated to be \$600,000 to \$700,000.

FRIENDS OF WWOZ, INC.

Notes to Financial Statements

Note 7. Broadcast Hours (Unaudited)

The broadcast hours of the radio station were approximately 8,784 and 8,750 for the years ended August 31, 2020 and 2019, respectively.

Note 8. Retirement Plan

The Station has a qualified defined contribution retirement plan (the Plan) covering substantially all employees. Eligibility in the Plan is based upon three years of continuous employment with the Station. Contributions made by the Station are discretionary. Retirement expense for the years ended August 31, 2020 and 2019 totaled \$62,281 and \$50,871, 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, 2020, the Station received and expended the Community Service Grants as follows:

Grants Received	Purpose	Fiscal Year Ended August 31, 2020		
		Amount Funded	Amount Expended	Balance at August 31, 2020
Community Services Grant	Operations	\$ 306,182	\$ 306,182	\$ -
National Program Production and Acquisition Grant	Operations	\$ 83,481	\$ 83,481	\$ -

FRIENDS OF WWOZ, INC.

Notes to Financial Statements

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

For the year ended August 31, 2019, the Station received and expended the Community Service Grants as follows:

Grants Received	Purpose	Fiscal Year Ended August 31, 2019		
		Amount Funded	Amount Expended	Balance at August 31, 2019
Community Services Grant	Operations	\$ 217,959	\$ 217,959	\$ -
National Program Production and Acquisition Grant	Operations	\$ 78,706	\$ 78,706	\$ -

Note 12. Related-Party Transactions

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

During the years ended August 31, 2020 and 2019, the Foundation contributed to the Station \$- and \$1,200,000, respectively, to cover certain fees relating to the Jazz and Heritage Festival. This yearly contribution covers all the rights, benefits, services, and uses of property and fixtures at the Fair Grounds during the annual New Orleans Jazz and Heritage Festival. The amount contributed varies from year to year, depending on the nature, scope, and value of the rights, benefits, services, and uses accorded to the Station in any particular year. The contribution proceeds were fully utilized to pay the expenditures pertaining to the Station's participation with the Jazz and Heritage Festival during the years ended August 31, 2020 and 2019. The funds that were received from the Foundation are reported on the statements of activities and changes in net assets within the foundation contributions line item. Expenses of an equal amount are reported on the statements of functional expenses within the Jazz Fest related expenses line item.

During the years ended August 31, 2020 and 2019, the Station recorded revenue from the Foundation as part of the Foundation's operational grant for the Station totaling \$730,000 and \$430,000, respectively.

Note 13. PPP Loan Reserve

On April 21, 2020, the Station entered into a U.S. Small Business Association (SBA) Payroll Protection Program loan (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.

Note 13. PPP Loan Reserve (Continued)

The principal amount of the PPP loan is 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 Station has applied for forgiveness of the PPP loan with respect to these covered expenses. To the extent that all or part of the PPP loan is not forgiven, the Station will be required to pay interest on the PPP loan at a rate of 1.0% per annum, and, commencing in December 2020, principal and interest payments will be required through the maturity date in April 2022. The terms of the PPP loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of an event of default.

Note 14. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 11, 2021, 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, 2020

Schedule I

Sources	Identifying Number	Program Name	Contract Period	Grant Revenue / Expense
New Orleans Jazz and Heritage Foundation	FY 2020	NOJHF - Operational Grant	FY 2020	<u>\$ 730,000</u>
Total New Orleans Jazz and Heritage Foundation				<u>730,000</u>
Corporation for Public Broadcasting	FY 2020	Community Service Grant	FY 2020	306,182
	FY 2020	National Program Production and Acquisition Grant	FY 2020	<u>83,481</u>
Total Corporation for Public Broadcasting				<u>389,663</u>
State and Local	FY 2020	LA Endowment for the Humanities	FY 2020	7,500
	FY 2020	City of New Orleans - Wisner Grant	FY 2020	10,000
	FY 2020	Louisiana Division of the Arts	FY 2020	9,600
	FY 2020	OCD CARES Grant	FY 2020	5,000
	FY 2020	ACNO Community Arts Grant	FY 2020	<u>18,407</u>
Total State and Local				<u>50,507</u>
Total Grants Revenue/Expenses				<u>\$ 1,170,170</u>

See independent auditor's report.

**FRIENDS OF WWOZ, INC.
Schedule of Grant Activity
For the Year Ended August 31, 2019**

Schedule I (Continued)

Sources	Identifying Number	Program Name	Contract Period	Grant Revenue / Expense
New Orleans Jazz and Heritage Foundation	FY 2019	NOJHF - Operational Grant	FY 2019	\$ 430,000
Total New Orleans Jazz and Heritage Foundation				<u>430,000</u>
Corporation for Public Broadcasting	FY 2019	Community Service Grant	02/26/19 - 3/27/19	217,959
	FY 2019	National Program Production and Acquisition Grant	02/26/19 - 3/27/19	<u>78,706</u>
Total Corporation for Public Broadcasting				<u>296,665</u>
Arts Council of New Orleans	FY 2019	Community Arts Grant	FY 2019	10,223
		LDOA Grant	FY 2019	12,000
		OCD Arts Grant	FY 2019	<u>3,500</u>
Total Arts Council of New Orleans				<u>25,723</u>
Total Grants Revenue/Expenses				<u>\$ 752,388</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, 2020

Schedule II

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.

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Friends of WWOZ, Inc. (the Station) (a non-profit organization), which comprise the statements of financial position as of August 31, 2020 and 2019, and 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, and have issued our report thereon dated January 11, 2021.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Station's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 handwritten signature in cursive script that reads "LaPorte".

A Professional Accounting Corporation

Metairie, LA
January 11, 2021

FRIENDS OF WWOZ, INC.
Schedule of Findings and Responses
For the Year Ended August 31, 2020

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, 2020

Section II. Internal Control Over Financial Reporting

None.

Section III. Compliance and Other Matters

None.