

**DISTRICT BOARD OF TRUSTEES
PENSACOLA STATE COLLEGE
WSRE-TV STATION**

**COMBINED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2023 AND 2022

**DISTRICT BOARD OF TRUSTEES
PENSACOLA STATE COLLEGE
WSRE-TV STATION
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INDEPENDENT AUDITORS' REPORT

To the District Board of Trustees, Pensacola State College
WSRE-TV Station

Opinion

We have audited the accompanying combined financial statements of WSRE-TV Station, a public telecommunications entity locally owned and licensed to the District Board of Trustees, Pensacola State College (the College) and the WSRE-TV Foundation, Inc., [a 501(c)(3) direct support organization for WSRE-TV] (herein collectively referred to as WSRE-TV Station) which comprise the combined statements of net position as of June 30, 2023 and 2022, and the combined statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of WSRE-TV Station as of June 30, 2023 and 2022, and the changes in their net assets and their 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to the 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of WSRE-TV Station and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 combined 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 combined 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 combined 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 WSRE TV-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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about WSRE TV-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 audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic combined financial statements. Such information, although not a part of the basic combined financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic combined financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic combined financial statements and other knowledge we obtained during our audit of the basic combined financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements that collectively comprise the WSRE-TV Station's basic combined financial statements. The Combined Schedule of Functional Expenses is presented for purposes of additional analysis and is not a required part of the basic combined financial statements. The Combined Schedule of Functional Expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic combined financial statements or to the basic combined financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the basic combined 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 24, 2024, on our consideration of the WSRE-TV Station'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 included under the heading: *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards*. The purpose of that report is 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 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 WSRE-TV Station's internal control over financial reporting and compliance.

Warren Averett, LLC

Pensacola, Florida
January 24, 2024

**WSRE-TV STATION
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE DISTRICT BOARD OF TRUSTEES, PENSACOLA STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023 AND 2022**

OVERVIEW

Management's discussion and analysis of WSRE-TV Station's ("Station") combined financial statements provide an overview of the Station's financial activities for the years ended June 30, 2023 and 2022. Management has prepared the combined financial statements and the related note disclosures, along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with management. The management discussion and analysis contains the financial activities of the Station combined with the WSRE-TV Foundation, Inc. (its direct-support organization) for both fiscal years and should be read in conjunction with the accompanying combined financial statements.

The following activities are included in the basic combined financial statements:

WSRE-TV STATION – The Station is a viewer-supported, public media entity locally-owned and licensed to the District Board of Trustees of Pensacola State College ("College"), Pensacola, Florida. The Station operates as a noncommercial, public television station regulated by the Federal Communications Commission under licensure to the District Board of Trustees of the College. The Station's over-the-air digital television broadcast area encompasses Northwest Florida and South Alabama and serves to further the mission of the College to bring educational and informative programs and services to the local communities in those areas. The Station is a member station of the nationwide network of public television stations known as the Public Broadcasting Service (PBS). The Station broadcasts five digital streams 24 hours a day, seven days a week over the air and via cable and satellite systems.

WSRE-TV FOUNDATION, INC. ("Foundation") – The Foundation, a 501(c)(3) tax exempt entity formed in 1990, functions as a direct-support organization of Pensacola State College, authorized under Florida Statutes to provide support and foster the activities, operations and capital needs of the Station. The Foundation provided approximately 30% and 20% of the total funds required for the operation of the Station during fiscal years 2023 and 2022, respectively, supplementing grants from the State of Florida, the Corporation for Public Broadcasting and general state appropriations. In an average year, the Foundation provides approximately 30% of the operating funds for the Station. During fiscal year 2022, a higher percentage of the costs was provided by the College due to restoration costs for the Station facilities to correct damages from Hurricane Sally. The Foundation operates under the governance of a Board of Directors comprised of local business and community leaders. The Foundation reports its financial activities directly to the State of Florida, indirectly as a component unit of the College, and issues separately audited annual financial statements.

Financial and nonfinancial considerations that impact the activities of the Station and the Foundation, which should be considered by the reader, include:

- Trends in Federal appropriations for public broadcasting
- Trends in State funding, both to Pensacola State College (a portion of its operational budget consists of State funding to support Station operations) and to the Station directly (in the form of Community Service and other grants)
- National, statewide and local economic conditions that affect corporate and individual philanthropy
- Technological and regulatory changes occurring within the broadcast/public media industry

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JUNE 30, 2023 AND 2022**

HIGHLIGHTS

- The Station's financial position remained strong during fiscal year 2023, despite the decrease in operating revenues of approximately \$2.2 million and a decrease in net assets of approximately \$347,000.
- Foundation funding allows WSRE to continue creating local, impactful programs, including Connecting the Community, inStudio, Conversations with Jeff Weeks, Legislative Review, Nightmare Theatre, and Pensacola State Today.
- WSRE continued to offer the 24/7 PBS Kids channel within its programming. This channel supplements the children's programming offered on the main channel and is utilized at community engagement events to provide exposure to the educational programming for visiting parents and children.
- Revenue generation continued to be diversified among several sources: annual memberships, major gifts and donations, special events, television program underwriting and corporate support and program grants. Supplemental income continues to be received for production and uplink services provided to others. Studio related income decreased during 2023 to \$63,000 from \$66,000 in 2022. The Foundation's revenues from donations decreased during 2023, with memberships and contributions totaling \$667,000 from \$773,000 in 2022. WSRE has been fortunate to have, and is very appreciative of, its strong and consistent support base.
- The annual Be My Neighbor Day returned to a live, in person event in 2022. The 2023 event was very successful, with attendance estimated at 2,000. Community organizations and vendors related to the enrichment of children participated by providing information for parents and/or providing hands on activities for children.
- In 2023, WSRE held the first Amazing Kids Day in the Amos Studio, providing a safe place for children affected by autism spectrum disorder to enjoy programs and sensory friendly activities, while offering educational resources to parents. WSRE partners with Autism Pensacola and other local organizations and sponsors to hold the event.
- Due to past generous gifts that helped fund the creation of the Jean and Paul Amos Performance Studio, numerous community and college events are held in the Studio every year, providing opportunities for community engagement, community service and educational events.
- WSRE began to air a fifth channel last year, which will be further developed to provide local community and educational programming and will be officially launched next year as the "Connect" channel. Plans are in progress to develop and produce local programming to be aired on this channel and to coordinate with local governments and school districts for development of programming.

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- As media delivery platforms continue to expand, local high-definition content production remains a high priority for WSRE. Through free, digital over-the-air delivery of four channels and a robust website featuring PBS and WSRE programming, WSRE continues to meet the growing demand for high-quality, relevant and important local programming. The Foundation will continue to seek grants and donations to support content designed for rapidly changing delivery platforms. WSRE programming is available through the on-demand Passport service and YouTube TV. WSRE is in the process of adding additional streaming platforms.

- Synovus Trust of Columbus, Georgia, is the investment manager for the Foundation's endowment assets. The endowments are composed of a board-designated endowment fund, whose earnings are to be reinvested until the corpus reaches \$1,000,000, at which time the earnings may be used for operations and a donor-restricted endowment received to support the future technology needs of the Amos Performance Studio. The Foundation's Investment Committee is responsible for the oversight of the management of the portfolio in accordance with the Foundation's investment policy and meets regularly. The investment strategy for the endowment fund is for long-term appreciation of the corpus and reinvestment of earnings to achieve growth over time and provides for a conservative target asset allocation of 65% equity and 35% fixed income and cash. The Foundation also has an individually managed investment account to house operational funds not required for short-term liquidity. This account is invested in a "Capital Preservation" strategy with target asset allocation of 80% fixed income and cash and 20% equity. As of June 30, 2023 and 2022, the portfolio is in compliance with this target allocation. Portfolio holdings are detailed in Note 3.

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The following sections provide information about the various financial statements, including condensed summary financial statements for the current and past fiscal year.

THE FINANCIAL STATEMENTS

This report consists of three basic financial statements. The *Statement of Net Position*, the *Statement of Revenues, Expenses and Changes in Net Position* and the *Statement of Cash Flows* provide a comprehensive financial picture of the Station's financial health. The statements are prepared using the accrual basis of accounting, which is similar to the accounting methods used by most private-sector organizations. Under this method, revenues are recognized when earned, and expenses are recognized when incurred, regardless of when cash is received or payments are made.

The Station also classifies revenue and expenses as operating and nonoperating and recognizes donor pledges as receivable when pledges are formalized, net of estimated uncollectible pledges.

The *Statement of Net Position* and the *Statement of Revenues, Expenses and Changes in Net Position* report information in a way that helps the reader determine if the Station is in a better position from one year to the next and allows the reader to analyze the information over long periods of time. In the *Statement of Net Position*, the difference between assets and liabilities, i.e., net position, is one way to measure the Station's financial solvency or health at the close of the fiscal year.

Over time, increases and decreases in the Station's net position is one indicator of whether its financial health is improving or deteriorating. The *Statement of Revenues, Expenses and Changes in Net Position* summarizes the components of these increases and decreases for the year(s) being reported. If revenues and other support exceed expenses, the result is an increase in net position. If the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as a measurement of the Station's profitability for a given year. The *Statement of Cash Flows* provides details regarding the sources and uses of cash during the year(s) being reported.

STATEMENT OF NET POSITION

The *Statement of Net Position* presents the assets, liabilities and net position of the Station as of the end of the fiscal year. Its purpose is to present to the readers of the combined financial statements a fiscal snapshot of the Station at a certain point in time. This statement allows the reader to determine assets available to continue the Station's activities in the short term ("Current Assets") and the long term ("Noncurrent Assets") and to ascertain the amounts due vendors and others that represent claims to those assets ("Current" and "Noncurrent" Liabilities).

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The difference between Assets and Liabilities is designated as "Net Position." Within this Statement, Net Position is divided into three major categories. The first category, *Invested in Capital Assets*, represents the Station's investment (net of depreciation) in property, plant and equipment available for future operations. *Restricted Net Position* represents the net funds available for expenditure by the Station for specific purposes or periods as determined by donors, grantors or other external entities and includes the Foundation's past Capital Campaign and Endowment contributions. The final category is *Unrestricted Net Position*, representing accumulated surpluses from prior years available for any future lawful purpose of the Station.

	<u>2023</u>	<u>2022</u>
ASSETS		
Current	\$ 3,093,076	\$ 2,231,381
Pledges receivable, net	41,018	41,018
Investments	3,104,891	2,458,717
Capital assets, net	<u>6,099,752</u>	<u>6,866,315</u>
TOTAL ASSETS	<u>\$ 12,338,737</u>	<u>\$ 11,597,431</u>
LIABILITIES AND NET POSITION		
Liabilities:		
Current	\$ 2,244,625	\$ 1,132,579
Noncurrent	<u>659,132</u>	<u>682,905</u>
Total liabilities	2,903,757	1,815,484
Net position:		
Invested in capital assets	6,099,752	6,866,315
Restricted	1,513,081	1,434,916
Unrestricted	<u>1,822,147</u>	<u>1,480,716</u>
Total net position	<u>9,434,980</u>	<u>9,781,947</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 12,338,737</u>	<u>\$ 11,597,431</u>

The increase in investments during 2023 reflects interest and dividend income and changes in market value of the portfolio. The decrease in capital assets and net position invested in capital assets reflects an increase in depreciation expense as 2023 was the first fiscal year depreciation was taken on broadcasting equipment that was placed into service in 2022 (see Note 6). Current liabilities are comprised primarily of grant receipts – approximately \$2.0 million that are recorded as unearned revenue until the monies are expended for the purposes authorized. Noncurrent liabilities reflect deferred compensation (annual and sick leave earned and available to employees). Current liabilities of approximately \$28,000 and noncurrent liabilities of approximately \$624,000 reflect short-term and long-term lease payments, respectively, for antenna space on a tower and building space for the connected transmitter. The Station did not utilize loans, cash advances or any other formalized debt during 2023.

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STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Changes in total net position as presented on the *Statement of Net Position* are based on the activity presented in the *Statement of Revenues, Expenses and Changes in Net Position*. The purpose of this statement is to present the operating revenues generated by the Station, the Station's operating expenses incurred during the year and all non-operating revenue used to support the Station's operation. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Station.

These activities include the acquisition and/or production of program material for public broadcast, the broadcast of program content via over-the-air signal, cable, satellite and internet distribution, complementary programmatic educational and community outreach services and provision of broadcast/production services to others.

Major sources of operating revenue are grants from the State of Florida and the Corporation for Public Broadcasting, direct support from the licensee (Pensacola State College), contributions from viewers and members, contracted services to others and indirect and in-kind support from the licensee and others. These components are detailed on the *Statement of Revenues, Expenses and Changes in Net Position* below.

Summarized *Statements of Revenues, Expenses and Changes in Net Position* for the Station are as follows:

	<u>2023</u>	<u>2022</u>
OPERATING REVENUE AND EXPENSES		
Revenue	\$ 4,287,312	\$ 6,501,680
Expenses	<u>(4,881,948)</u>	<u>(6,779,692)</u>
Net operating loss	(594,636)	(278,012)
NONOPERATING REVENUES (EXPENSES)		
Net investment income	48,343	29,912
Gain (loss) on investments	<u>199,326</u>	<u>(382,317)</u>
Net nonoperating revenues (expenses)	247,669	(352,405)
CAPITAL GRANTS	<u>-</u>	<u>391</u>
DECREASE IN NET POSITION	(346,967)	(630,026)
NET POSITION, BEGINNING OF YEAR	<u>9,781,947</u>	<u>10,411,973</u>
NET POSITION, END OF YEAR	<u>\$ 9,434,980</u>	<u>\$ 9,781,947</u>

In 2023, operating revenues and expenses declined compared to 2022, partly attributed a reduction in indirect support from the College and insurance funds received in 2022 for Hurricane Sally-related repairs and maintenance.

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Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities. Nonoperating revenue consists of investment income and “mark to market” adjustments in the value of the Station’s investment portfolio during the year. Also shown separately are donations and grants received for the acquisition of capital assets.

STATEMENT OF CASH FLOWS

The final statement presented is the *Statement of Cash Flows*. The *Statement of Cash Flows* presents detailed information about the cash activity of the Station during the year and shows the change in cash resulting from different types of activities:

- Operating flows (Net cash used by operating activities)
- Capital and related financing activities (Cash used for the acquisition and construction of capital and related items)
- Investing activities
- Noncapital financing activities (Cash received and spent for nonoperating, non-investing and noncapital financing purposes)

The information below is summarized to show the total net change in cash for the years ended June 30, 2023 and 2022. As part of the detailed statement on pages 13-14, a reconciliation is provided to show how Operating Loss, as shown on the *Statement of Revenues, Expenses and Changes in Net Position*, is related to the net cash generated or consumed by operations. The difference occurs because of the use of accrual accounting to report Operating Loss. Operating Loss for the year will reflect revenues earned, but not collected in cash as of the end of the year and will not include cash received that will be recognized as income in a future period as it is earned. Operating Loss will also reflect expenses incurred, but not paid as of the end of the year and will not include cash paid in advance for expenses that properly belong to future periods. The most common example of this is the purchase of capital assets, in which the cash used to purchase equipment is reflected in the *Statement of Cash Flows* in the year of purchase, but the operating expense for the use of the equipment is recognized by allocating a portion of that original cost as “depreciation expense” to each year’s Operating Expense over the future periods benefited. Thus, Operating Loss may be more or less than Net Cash Provided by Operating Activities.

The Statement is helpful to readers because it shows the Station’s ability to generate cash required for its operations and payment of obligations in a timely fashion. It also provides information as to the decisions made by management as to the use of cash available. The increase in cash during 2023 reflects the receipts from operating grants. The increase in cash provided by operating activities is due to a decrease in operating expenses. The increase in capital and related financing activities is due to a decrease in capital assets purchased. Summarized *Statements of Cash Flows* are as follows:

	2023	2022
NET CASH PROVIDED BY (USED IN):		
Operating activities	\$ 1,429,658	\$ (782,484)
Capital and related financing activities	(28,116)	(460,886)
Investing activities	(398,505)	302
NET INCREASE (DECREASE) IN CASH	1,003,037	(1,243,068)
CASH, BEGINNING OF YEAR	1,912,251	3,155,319
CASH, END OF YEAR	\$ 2,915,288	\$ 1,912,251

COMBINED FINANCIAL STATEMENTS

WSRE-TV STATION
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE DISTRICT BOARD OF TRUSTEES, PENSACOLA STATE COLLEGE
COMBINED STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,915,288	\$ 1,912,251
Accounts receivable	44,049	117,857
Related party accounts receivable	16,064	123,901
Real estate held for sale	25,000	25,000
Prepaid assets	92,675	52,372
Total current assets	3,093,076	2,231,381
NONCURRENT ASSETS		
Pledges receivable, net	41,018	41,018
Investments	3,104,891	2,458,717
Capital assets, net	6,099,752	6,866,315
Total noncurrent assets	9,245,661	9,366,050
TOTAL ASSETS	<u><u>\$ 12,338,737</u></u>	<u><u>\$ 11,597,431</u></u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 89,734	\$ 9,414
Accrued liabilities	27,875	52,615
Due to other government agencies	5,818	-
Short-term lease liability	28,344	28,116
Unearned revenue	2,092,854	1,042,434
Total current liabilities	2,244,625	1,132,579
NONCURRENT LIABILITIES		
Compensated absences	35,527	30,956
Long-term lease liability	623,605	651,949
Total noncurrent liabilities	659,132	682,905
NET POSITION		
Invested in capital assets	6,099,752	6,866,315
Restricted – expendable	1,513,081	1,434,916
Unrestricted	1,822,147	1,480,716
Total net position	9,434,980	9,781,947
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 12,338,737</u></u>	<u><u>\$ 11,597,431</u></u>

See notes to the combined financial statements.

WSRE-TV STATION
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
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COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Operating grants	\$ 1,378,664	\$ 1,537,514
Direct support – Pensacola State College	1,207,021	1,183,850
Contributions and program underwriting	667,067	772,835
Use of facilities and other indirect administrative support from Pensacola State College	870,409	1,512,022
In-kind support	58,086	12,540
Sales and services	63,083	66,492
Hurricane insurance proceeds	-	1,312,288
Other operating revenues	42,982	104,139
Total operating revenues	<u>4,287,312</u>	<u>6,501,680</u>
OPERATING EXPENSES		
Program services:		
Programming and production	2,456,584	3,434,874
Broadcasting	1,212,720	1,454,839
Total program services	<u>3,669,304</u>	<u>4,889,713</u>
Supporting services:		
Fundraising and development	488,952	867,758
Management and general	723,692	1,022,221
Total supporting services	<u>1,212,644</u>	<u>1,889,979</u>
Total operating expenses	<u>4,881,948</u>	<u>6,779,692</u>
NET OPERATING LOSS	(594,636)	(278,012)
NONOPERATING REVENUES (EXPENSES)		
Investment income, net	48,343	29,912
Gain (loss) on investments	199,326	(382,317)
Total nonoperating revenues (expenses)	<u>247,669</u>	<u>(352,405)</u>
LOSS BEFORE CAPITAL GRANTS AND DONATIONS	(346,967)	(630,417)
Capital grants and donations	-	391
DECREASE IN NET ASSETS	(346,967)	(630,026)
NET POSITION, BEGINNING OF YEAR	<u>9,781,947</u>	<u>10,411,973</u>
NET POSITION, END OF YEAR	<u>\$ 9,434,980</u>	<u>\$ 9,781,947</u>

See notes to the combined financial statements.

WSRE-TV STATION
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
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COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from operating grants	\$ 2,434,902	\$ 437,570
Cash receipts from Pensacola State College	1,207,021	1,183,850
Cash receipts from contributions and program underwriting	841,420	619,868
Cash receipts from sales and services to others	63,083	66,492
Cash receipts from insurance proceeds	-	1,312,288
Cash receipts from other operating revenue	42,982	104,139
Cash payments to employees	(1,340,393)	(1,250,657)
Cash payments for operating expenses	<u>(1,819,357)</u>	<u>(3,256,034)</u>
Net cash provided by (used in) operating activities	1,429,658	(782,484)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants	-	391
Payments on lease liability	(28,116)	(28,431)
Purchase of capital assets	<u>-</u>	<u>(432,846)</u>
Net cash used in capital and related financing activities	(28,116)	(460,886)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,027,364)	(377,083)
Sale of investments	591,170	358,816
Payments for investment management	(10,654)	(11,343)
Dividends/interest proceeds	<u>48,343</u>	<u>29,912</u>
Net cash provided by (used in) investing activities	<u>(398,505)</u>	<u>302</u>
NET INCREASE (DECREASE) IN CASH	1,003,037	(1,243,068)
CASH, BEGINNING OF YEAR	<u>1,912,251</u>	<u>3,155,319</u>
CASH, END OF YEAR	<u>\$ 2,915,288</u>	<u>\$ 1,912,251</u>

See notes to the combined financial statements.

**WSRE-TV STATION
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE DISTRICT BOARD OF TRUSTEES, PENSACOLA STATE COLLEGE
COMBINED STATEMENTS OF CASH FLOWS – CONTINUED
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES		
Net operating loss	\$ (594,636)	\$ (278,012)
Adjustments to reconcile net operating loss to net cash provided by (used in) operating activities:		
Depreciation	766,563	783,428
Uncollectible accounts receivable	7,292	-
(Increase) decrease in operating assets:		
Accounts receivable	66,516	(38,517)
Related party accounts receivable	107,837	(114,450)
Prepaid assets	(40,303)	(4,736)
Increase (decrease) in operating liabilities:		
Accounts payable	80,320	(64,691)
Accrued liabilities	(24,740)	32,911
Due to other government agencies	5,818	-
Unearned revenue	1,050,420	(1,099,944)
Compensated absences	4,571	1,527
Net cash provided by (used in) operating activities	\$ 1,429,658	\$ (782,484)
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION AND NONCASH INVESTING AND FINANCING ACTIVITIES		
Cash paid during the year for:		
Income taxes	\$ 12,091	\$ 17,370

See notes to the combined financial statements.

**WSRE-TV STATION
A PUBLIC COMMUNICATIONS ENTITY OPERATED BY
THE DISTRICT BOARD OF TRUSTEES, PENSACOLA STATE COLLEGE
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

WSRE-TV Station (the Station) is a non-commercial, viewer-supported broadcast entity regulated by the Federal Communications Commission, operating under licensure to the District Board of Trustees, Pensacola State College, Pensacola, Florida, (the College). The College is under the general direction and control of the Florida Department of Education, Florida College System, and governed by Florida Statutes and Rules of the Florida State Board of Education. All full-time, permanent employees of the Station are employees of the College. The Station's over-the-air television broadcast area encompasses Northwest Florida and South Alabama and serves to further the mission of the College to bring educational and informative programs and services to the local communities in those areas. The Station is an affiliated member of the nationwide network of public television stations known as the Public Broadcasting Service (PBS). The Station broadcasts five digital streams 24 hours a day, seven days a week.

The accompanying combined financial statements include the activity of the WSRE-TV Foundation, Inc., (Foundation), a nonprofit corporation established in 1990, which functions under Florida Statutes and a formal affiliation agreement as a direct support organization to the College for the benefit of the Station. The Foundation is the designated custodian of funds received from the Station's various fundraising activities. Such funds are expended by the Foundation pursuant to written disbursement requests of the Station. Significant interorganizational transactions have been eliminated in these combined financial statements.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying combined financial statements follows:

Basis of Presentation and Accounting

The Station is engaged in business type activities only for purposes of reporting under Governmental Accounting Standards Board (GASB) Statement No. 34. Therefore, only the combined financial statements required for enterprise funds are required to be presented. The Station's combined financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recognized when incurred. When both restricted and unrestricted resources are available for use, it is the Station's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents

For purposes of the combined statement of cash flows, the Station considers all highly liquid investments purchased within three months of maturity to be cash equivalents.

Accounts Receivable

Accounts receivable primarily consists of grant receivables due from governmental agencies and receivables due from third parties for contracted services provided by the Station and are considered to be fully collectible.

**WSRE-TV STATION
A PUBLIC COMMUNICATIONS ENTITY OPERATED BY
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NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accounts Receivable- Continued

Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements. Historically, differences between receivables and amounts collected have been insignificant.

Pledges Receivable

Pledges receivable are unconditional promises to make future payments to the Foundation. Pledges meeting the requirements specified by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* (GASB 33) are included in the combined financial statements as pledges receivable and recognized in the period pledged. Pledges extending beyond one year are discounted to recognize the present value of the future cash flows. Management deems the amounts are fully collectible; therefore, no allowance for uncollectible pledges is recorded.

Conditional pledges, which depend on the occurrence of a specified future or uncertain event such as matching gifts from other donors, plus all pledges for endowment purposes, are recognized when the conditions are substantially met.

Capital Assets

Capital assets represent buildings and equipment acquired for the operation of the Station. Assets are owned by the College for the use of the Station and by the Foundation. Capital assets purchased (including assets acquired through grants and contracts, where the grantor retains a reversionary interest) costing \$5,000 or more are recorded at cost and depreciated over their estimated useful lives. Donated assets are recorded at estimated fair market value at the date of receipt. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Lives</u>
Buildings	40 years
Structures and improvements	10 - 25 years
Studio, broadcast and other equipment	3 - 7 years

Net Position

Net position comprises the various net earnings from operating and nonoperating revenues, expenses and contributions of capital. Net position is classified in the following components:

Invested in capital assets consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets (there is no outstanding debt related to these assets at this time).

**WSRE-TV STATION
A PUBLIC COMMUNICATIONS ENTITY OPERATED BY
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JUNE 30, 2023 AND 2022**

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Net Position- Continued

Restricted – non-expendable net position includes permanent endowments. Such funds are generally subject to donor restrictions requiring that the principal be invested in perpetuity for the purpose of producing income and appreciation that may be expended or added to principal in accordance with the donor's wishes. The Station did not hold any permanent endowments at year end.

Restricted – expendable net position relates to contributions designated for specific purposes by donors for use by particular programs or for specific purposes or functions of the Station. They also include funds functioning as endowments, of which the principal can be invaded. Income and change in fair market value of endowment investments are classified as restricted expendable, unless otherwise specified by the donor. The Amos Endowment is included in this category based on the ability of the Foundation Board of Directors to expend principal upon affirmative vote of 80 percent of the Board, coupled with the occurrence of unforeseen circumstances that necessitates the use of the funds in accordance with the intended purpose of the fund.

Unrestricted net position consists of all other net positions not included in the above categories, which are available for the support of the Station's operations. This category also includes the Foundation's Board Designated Endowment.

Revenues and Expenses

Operating revenues and expenses consist of those resulting from the ongoing principal operations of the Station. These activities include the acquisition and/or production of program material for public broadcast, the broadcast of program content via over-the-air signal, cable, satellite and internet distribution, complementary programmatic educational and community outreach services, and provision of broadcast/production services to others.

Sources of operating revenue are grants from the State of Florida and the Corporation for Public Broadcasting, direct support from the licensee (the College), contributions from viewers and members, contracted services to others and indirect and in-kind support from the licensee and others. Allocations from the College are recorded as revenue in the combined statement of revenues, expenses and changes in net position when expenditures are recorded. Unconditional promises to give (pledges) that are measurable are recorded as revenue after being discounted to the anticipated net present value of the future cash flows. Contributed materials, supplies, facilities and property are recorded at their fair market value at the date of donation as unrestricted revenue unless restricted by the donor. Grants are recorded as unearned revenue until the monies are expended for the purposes authorized.

Program production grants are reported as unearned revenue until the program is broadcast.

Program rights purchased are amortized over the respective contract periods on a straight-line basis or over the period of actual usage.

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JUNE 30, 2023 AND 2022**

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenues and Expenses- Continued

Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities, endowment contributions and donations and grants received for the acquisition of capital assets.

When an expense is incurred for purposes for which both restricted and unrestricted assets are available, restricted resources are used first. Gifts for permanent endowment purposes and other additions of permanently restricted net position are classified under other changes in net position.

Endowments Policy

Although no permanent endowments existed during the year, the Foundation has policies to follow the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the State of Florida in July 2012. UPMIFA does not set specific expenditure limits; instead, the Foundation can spend the amount it deems prudent after considering the following factors:

- The duration and preservation of the fund.
- The purpose of the fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Foundation and Station.
- The investment policies of the Foundation.

In-Kind Contributions

Donated services and materials are reflected as both revenue and an equal amount of expense in the combined financial statements at the estimated fair value of such contributions.

Estimates

The preparation of combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that may affect amounts reported in the combined financial statements. Actual results could differ from those estimates.

Income Taxes

The Foundation is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes. The Foundation is not aware of any uncertain tax positions that would require disclosure or accrual in accordance with generally accepted accounting principles.

Advertising

Advertising costs are expensed as incurred and were approximately \$19,000 and \$27,000 for the years ended June 30, 2023 and 2022, respectively.

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1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Functional Allocation of Expenses

The costs of various programs and activities have been summarized on a functional basis in the combined financial statements. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services based on estimates of time and effort. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Station.

Subsequent Events

The Station has evaluated events and transactions that occurred between June 30, 2023, and January 24, 2024, which is the date that the combined financial statements were available to be issued, for possible recognition or disclosure in the combined financial statements.

2. CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2023, the Station implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Agreements*. Implementation had no effect on the Station's financial statements.

3. CASH AND INVESTMENTS

Cash

The Foundation's investment policy provides guidelines for the investment of Foundation assets. The objectives of the Foundation's policy are to assure the preservation of capital, provide a reasonable rate of return and to provide liquidity and growth of assets to meet the operational and capital needs of the Station.

Allowable long-term investments include debt and equity securities; allowable short-term investments of cash, Florida State Board of Administration (SBA) Florida PRIME investments (an external investment pool), money market funds and bank-insured certificates of deposit. Prohibited investments include margin or derivative securities and investments greater than 5% with any one issuer (except for U.S. government bonds). Funds on deposit from grantors with the College are held in a demand deposit account.

The Station's cash and cash equivalents consists of cash on hand, cash in demand accounts, money market funds, the SBA Florida PRIME investment account.

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3. CASH AND INVESTMENTS – CONTINUED

Cash - Continued

The carrying amounts of the Station's bank deposits held in the accounts of the College were approximately \$2,161,000 and \$922,000 and as of June 30, 2023 and 2022, respectively. These accounts are held by qualified public depositories under Chapter 280, Florida Statutes. As such, these deposits are insured by federal depository insurance, up to specific limits of \$250,000 or collateralized with securities held in Florida's multiple financial institution collateral pools required by Florida law.

The Foundation's cash and cash equivalents consists of cash on hand, cash in demand accounts, money market funds, the SBA Florida PRIME investment account. At June 30, 2023 and 2022, the carrying amounts of cash and money market funds held at years end were approximately \$751,000 and \$995,000, respectively. Custodial credit risk is the risk that the Foundation's deposits might not be recovered. The Foundation does not have a deposit policy for custodial credit risk; however, the Foundation has not experienced any losses in its cash and money market fund accounts and believes it is not exposed to any significant risk.

Cash invested with the SBA represents the Foundation's participation in Florida PRIME, which is authorized by Section 218.415(17), Florida Statutes. Florida PRIME operates under investment guidelines established by Section 215.47, Florida Statutes. The Foundation's investments in Florida PRIME are reported at amortized cost. As of June 30, 2023 and 2022, the balance was approximately \$53,000 and \$51,000, respectively. The fair value of the Foundation's position in Florida PRIME is the same as the value of the pool shares. Since Florida PRIME is similar to money market funds, where shares are owned in the fund rather than the actual underlying investments, disclosures for foreign currency risk are not applicable. In addition, there are no security lending activities for these funds as the Foundation does not own the underlying shares. In accordance with GASB Statement 79, Florida Prime qualifies to measure its investments at amortized cost, and management of the pool believes that the pool is exempt from the GASB 72 fair value hierarchy disclosures. As of June 30, 2023 and 2022, there were no redemption fees, maximum transaction amounts or other requirements limiting participants' daily access to 100% of their account value.

The SBA's interpretation of GASB Statement No. 40 is that information related to credit risk and interest rate risk are applicable to the SBA accounts as noted below:

Credit Quality:

Florida PRIME is rated by Standard and Poors and carries an AAAM rating as of June 30, 2023 and 2022.

Interest Rate Risk:

The weighted average days to maturity (WAM) of Florida PRIME's investment portfolio was 21 days at June 30, 2023, and 49 days at June 30, 2022. WAM reflects the average maturity in days based on final maturity or reset date in the case of floating rate instruments. WAM is relevant as an assessment of the sensitivity of Florida PRIME's investments to interest rate changes.

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3. CASH AND INVESTMENTS – CONTINUED

Investments

Investments held by the Foundation at June 30, 2023 and 2022, are reported at fair market value as determined by level one inputs (valuation based on unadjusted quoted prices for identical assets or liabilities in active markets), as shown in the following tables:

2023 Investment Type	Maturity	Fair Market Value
Federal Government Obligations – Cash Equivalent	N/A	\$ 295,177
Equities:		
Alliance Bernstein Small Cap Growth	N/A	78,566
American EuroPacific Growth Fund	N/A	112,818
Fidelity Small Cap Value Fund	N/A	78,195
Vanguard Developed Markets	N/A	160,612
DFA Emerging Markets Core Equity	N/A	47,506
Vanguard 500 Index Fund	N/A	597,138
JP Morgan Mid-Cap Value Fund	N/A	79,343
Touchstone Large Cap Focused Fund	N/A	399,286
Janus Henderson Enterprise Fund	N/A	78,403
Fixed Income:		
Federated Hermes Total Return Bond Fund	Avg maturity 8.6 years Average quality AA- Avg duration 6.0 years	439,739
Vanguard Short-Term Invest Grade Bond Index	Avg maturity 2.9 years Average quality A- Avg duration 2.7 years	175,987
Pimco Funds Low Duration Fund	Avg maturity 1.2 years Average quality AA+ Avg duration 1.8 years	123,384
Dodge and Cox Income Fund	Avg maturity 10.3 years Average quality A+ Avg duration 5.3 years	438,737
TOTAL INVESTMENTS		\$ 3,104,891

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3. CASH AND INVESTMENTS – CONTINUED

Investments - Continued

2022 Investment Type	Maturity	Fair Market Value
Federal Government Obligations – Cash Equivalent	N/A	\$ 166,504
Equities:		
Alliance Bernstein Small Cap Growth	N/A	58,733
American EuroPacific Growth Fund	N/A	89,743
Fidelity Small Cap Value Fund	N/A	69,176
Vanguard Developed Markets	N/A	125,463
DFA Emerging Markets Core Equity	N/A	38,619
Vanguard 500 Index Fund	N/A	572,539
JP Morgan Mid-Cap Value Fund	N/A	69,612
Touchstone Large Cap Focused Fund	N/A	310,991
Janus Henderson Enterprise Fund	N/A	58,658
Fixed Income:		
Federated Hermes Total Return Bond Fund	Avg maturity 8.5 years Average quality A+ Avg duration 6.0 years	350,587
Vanguard Short-Term Invest Grade Bond Index	Avg maturity 2.9 years Average quality A- Avg duration 2.8 years	130,886
Pimco Funds Low Duration Fund	Avg maturity 1.1 years Average quality AA- Avg duration 1.3 years	67,641
Dodge and Cox Income Fund	Avg maturity 8.9 years Average quality A+ Avg duration 5.0 years	349,565
TOTAL INVESTMENTS		\$ 2,458,717

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NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

3. CASH AND INVESTMENTS – CONTINUED

Investments – Continued

Credit Risk

The Foundation holds assets within two separate investment portfolios separated between operating funds and endowment funds. The investment policy guidelines provide for allocations in which equity investments will not exceed 65% for the endowment portfolio and 20% for the operating account. There is a caveat included in the investment policy that allows for up to a 5% deviation from those percentages to allow for market adjustments. The endowment portfolio at June 30, 2023, meets the policy guidelines, with equities representing 65%, fixed income representing 29% and cash representing 5%. The short-term investment portfolio meets these requirements at June 30, 2023, with 15% in equity investments, 63% in fixed income investments and 22% in cash. The endowment portfolio at June 30, 2022, meets the policy guidelines, with equities representing 66%, fixed income representing 29% and cash equivalents representing 5%. The short-term investment portfolio meets these requirements at June 30, 2022, with 20% in equity investments, 74% in fixed income investments and 6% in cash.

Concentration of Credit Risk

There were no investments at June 30, 2023 and 2022, in which over 5% of the total investment portfolio derived from one issuer, excluding US government and US government agency-backed securities, investments in mutual funds and other pooled investment funds.

Interest Rate Risk

The Foundation's fixed income portfolio at June 30, 2023 and 2022, consisted primarily of mutual funds.

Custodial credit risk is the risk that the Foundation will not be able to recover the value of its investments that are in the possession of an outside party if the counterparty fails. The Foundation does not have a policy for custodial credit risk; however, the Foundation has not experienced any losses and believes it is not exposed to any significant risk.

4. PLEDGES RECEIVABLE

Pledges receivable at June 30, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
Amounts pledged	\$ 50,018	\$ 50,018
Less present value discount	(9,000)	(9,000)
	<u>\$ 41,018</u>	<u>\$ 41,018</u>

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A PUBLIC COMMUNICATIONS ENTITY OPERATED BY
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5. LEASES

The Station's leasing operations consist of leasing a Transmission Tower (Tower) and Transmitter Building (Building). The College entered into a lease with Spectrasite Broadcast Towers, Inc. on June 27, 2000. It was renewed in 2015 for seven additional consecutive five-year periods. The College leases approximately 1,142 square feet within the Building with the right to install equipment in that space. The College leases space in the Tower with the right to install antenna(s) and related equipment on the Tower. The College operates these premises solely for the receiving, transmitting, and broadcasting of digital television signals for WSRE on digital Channel 24 and for transmitting, receiving, and broadcasting digital data for WSRE on and within the digital Channel 24 spectrum.

The lease is for a term of 50 years at a fixed interest rate of 3%. Principal payments totaled \$28,116 and \$28,431 and interest payments totaled \$23,018 and \$21,749 for the years ended June 30, 2023 and 2022, respectively.

Annual requirements to amortize long-term obligations and related interest are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 28,344	\$ 24,301
2025	27,496	25,599
2026	27,192	26,912
2027	26,891	28,241
2028	26,593	29,587
Thereafter	<u>515,433</u>	<u>1,029,622</u>
	<u>\$ 651,949</u>	<u>\$ 1,164,262</u>

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A PUBLIC COMMUNICATIONS ENTITY OPERATED BY
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6. CAPITAL ASSETS

Capital assets for the year ended June 30, 2023, consist of the following:

As of June 30, 2023	Beginning Balance	Additions	Deletions	Ending Balance
Depreciable assets:				
Building	\$ 8,597,577	\$ -	\$ -	\$ 8,597,577
Studio, broadcast and other equipment	7,621,605	-	(115,679)	7,505,926
Leased building	310,195	-	-	310,195
Leased equipment	398,301	-	-	398,301
Total depreciable capital assets	16,927,678	-	(115,679)	16,811,999
Less accumulated depreciation for:				
Building	4,729,434	209,287	-	4,938,721
Studio, broadcast and other equipment	5,303,498	529,160	(115,679)	5,716,979
Leased building	12,448	19,972	-	32,420
Leased equipment	15,983	8,144	-	24,127
Total accumulated depreciation	10,061,363	766,563	(115,679)	10,712,247
Net capital assets	<u>\$ 6,866,315</u>	<u>\$ (766,563)</u>	<u>\$ -</u>	<u>\$ 6,099,752</u>

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6. CAPITAL ASSETS – CONTINUED

Capital assets for the year ended June 30, 2022, consist of the following:

As of June 30, 2022	Beginning Balance	Additions	Deletions	Ending Balance
Depreciable assets:				
Building	\$ 8,597,577	\$ -	\$ -	\$ 8,597,577
Studio, broadcast and other equipment	7,188,759	432,846	-	7,621,605
Leased building	310,195	-	-	310,195
Leased equipment	398,301	-	-	398,301
Total depreciable capital assets	16,494,832	432,846	-	16,927,678
Less accumulated depreciation for:				
Building	4,520,146	209,288	-	4,729,434
Studio, broadcast and other equipment	4,757,789	545,709	-	5,303,498
Leased building	-	12,448	-	12,448
Leased equipment	-	15,983	-	15,983
Total accumulated depreciation	9,277,935	783,428	-	10,061,363
Net capital assets	<u>\$ 7,216,897</u>	<u>\$ (350,582)</u>	<u>\$ -</u>	<u>\$ 6,866,315</u>

7. COMPENSATED ABSENCES AND POSTEMPLOYMENT BENEFITS

Station employees, as employees of the college, may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The amount for accrued annual leave includes the employer's share of the Florida Retirement System and FICA contributions.

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7. COMPENSATED ABSENCES AND POSTEMPLOYMENT BENEFITS – CONTINUED

Changes in compensated absences for the years ended June 30, 2023 and 2022, were as follows:

Balance at July 1, 2021	\$	29,429
Net additions		1,527
Balance at June 30, 2022	\$	<u>30,956</u>
Balance at July 1, 2022	\$	30,956
Net additions		4,571
Balance at June 30, 2023	\$	<u>35,527</u>

The College provides for certain postemployment health care benefits provided through the Florida Community College Risk Management Consortium and life insurance benefits through purchased commercial insurance. In addition, all regular employees of the College are eligible to enroll as members of the State-administered Florida Retirement System. Station employees, as employees of the College, are eligible to receive these benefits. The future funding and any related liabilities associated with these postemployment offerings are not reflected in the Station's combined financial statements due to Station employees being direct employees of the College, which would ultimately provide for the costs of these benefits. All related disclosures for these postemployment benefits can be found in the financial statements for the College.

8. COLLEGE SUPPORT

In addition to state appropriations and other direct support totaling \$1,207,021 and \$1,183,850 for the years ended June 30, 2023 and 2022, respectively, for the operation of the Station, imputed indirect costs such as general administration, facility operations and maintenance and other overhead costs for the benefit of the Station totaled \$870,409 and \$1,512,022 for the years ended June 30, 2023 and 2022, respectively. These donated facilities and administrative support are recorded as revenue and expense in the accompanying combined financial statements.

These indirect expenses for 2023 and 2022 are distributed functionally as follows:

	<u>2023</u>	<u>2022</u>
Programming and production	\$ 427,831	\$ 601,710
Broadcasting	133,134	235,231
Fundraising and development	135,797	350,585
Management and general	<u>173,647</u>	<u>324,496</u>
Total expenses	<u>\$ 870,409</u>	<u>\$ 1,512,022</u>

**WSRE-TV STATION
A PUBLIC COMMUNICATIONS ENTITY OPERATED BY
THE DISTRICT BOARD OF TRUSTEES, PENSACOLA STATE COLLEGE
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

9. IN-KIND CONTRIBUTIONS

In-kind contributions consist of donated services and support primarily from the State of Florida and local businesses. The following is a summary of in-kind contribution revenue and expenses by functional category for the fiscal years ended June 30, 2023 and 2022:

	2023	2022
Revenue	\$ 58,086	\$ 12,540
Expenses		
Management and general	\$ 25,318	\$ 12,540
Broadcasting	32,768	-
	\$ 58,086	\$ 12,540

10. UNEARNED REVENUE

Cash advances received through community service grants from the Corporation for Public Broadcasting and from the Florida Department of Education are recorded as unearned revenue when received, and revenues are recognized when expenditures of the grant funds are incurred. Other unearned revenue is recorded from grants received that are not recognized as revenue because not all eligibility requirements of the applicable grant, primarily time requirements, have been met.

11. RELATED PARTIES

The Station is licensed to the District Board of Trustees of the College. All full-time, permanent employees of the Station are employees of the College and are eligible for participation in all employee benefit programs of the College. Related party receivable balances for salaries were \$16,064 and \$44,651 as of June 30, 2023 and 2022, respectively.

In prior years, the Foundation has transferred funds to the Pensacola State College (PSC) Foundation for aggregation with other College donations for matching grant funds from the Florida Academic Improvement Trust Fund. There were no transfers made in 2023 and 2022 for this purpose. Unspent funds, including matching portions appropriated by the State of Florida, are available for future expenditure for equipment needs of the Station. Remaining balances from prior years' transfers available to the Station were approximately \$0 and \$42,600 as of June 30, 2023 and 2022, respectively.

**WSRE-TV STATION
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NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

12. CONCENTRATIONS OF RISK

The Station's operations are funded by federal and state community service grants, cash and in-kind contributions from individuals and businesses in the Northwest Florida area, sales of production and broadcast services and by in-kind services and facilities provided by the College. The Station's ability to continue to operate at current levels is dependent on continued funding from these sources.

13. RISK MANAGEMENT

The Station is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provides coverage for these risks through a self-insured program and the Florida Community Colleges Risk Management Consortium (Consortium). The Consortium was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public community colleges for the purpose of joining a cooperative effort to develop, implement and participate in a coordinated statewide community college risk management program. The Consortium is self-sustaining through member assessments (premiums) and reinsures through commercial insurance for claims in excess of specified amounts. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, health and hospitalization and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

Employee group life insurance is provided to Station employees through commercial insurance purchased by the College. General liability and property coverage for the Foundation are provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

14. ENDOWMENT FUNDS

The Foundation's endowment funds consist of individual funds established for the support of the future needs of the Station. They consist of a board-designated endowment fund (reported as part of unrestricted net position) and a donor-restricted endowment fund established for future technological upgrades to the Jean and Paul Amos Performance Studio (reported as part of restricted-expendable net position). The Foundation does not have any true permanent endowment funds.

**WSRE-TV STATION
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NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

14. ENDOWMENT FUNDS – CONTINUED

The following depicts the activity of funds functioning as endowment funds for the years ended June 30, 2023 and 2022:

	Board- Designated Endowment	Donor- Restricted Endowment
Endowment net position at June 30, 2021	\$ 1,375,330	\$ 1,143,257
Investment loss	(165,243)	(147,040)
Expense	<u>(5,339)</u>	<u>(4,671)</u>
Endowment net position at June 30, 2022	1,204,748	991,546
Investment income	126,925	115,022
Expense	<u>(4,861)</u>	<u>(4,263)</u>
Endowment net position at June 30, 2023	<u><u>\$ 1,326,812</u></u>	<u><u>\$ 1,102,305</u></u>

Spending Policy

The board-designated endowment was established with the policy that earnings are reinvested until the corpus reaches \$1,000,000, at which time the earnings may be used to supplement income from other sources for program or capital expenses benefitting the Station.

The donor-restricted Amos Endowment was established to provide corpus and earnings to fund technological upgrades to the Jean and Paul Amos Performance Studio as needed. The Foundation's Board of Directors is empowered to determine the timing and distribution of funds for this purpose.

SUPPLEMENTARY INFORMATION

WSRE-TV STATION
A PUBLIC COMMUNICATIONS ENTITY OPERATED BY
THE DISTRICT BOARD OF TRUSTEES, PENSACOLA STATE COLLEGE
COMBINED SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023, WITH COMPARATIVE TOTALS FOR 2022

	Program Services			Supporting Services			2023 Total Expenses	2022 Total Expenses
	Programming and Production	Broadcasting	Total	Fundraising and Development	Management and General	Total		
Salaries	\$ 474,845	\$ 154,333	\$ 629,178	\$ 144,517	\$ 194,535	\$ 339,052	\$ 968,230	\$ 925,805
Payroll taxes	31,581	10,681	42,262	9,167	13,046	22,213	64,475	62,614
Fringe benefits	152,026	40,025	192,051	55,170	60,467	115,637	307,688	262,238
Total payroll costs	658,452	205,039	863,491	208,854	268,048	476,902	1,340,393	1,250,657
Rent	100	54,548	54,648	2,568	-	2,568	57,216	34,991
Utilities	174,072	106,127	280,199	7,321	39,047	46,368	326,567	283,320
Memberships and subscriptions	185	170	355	470	1,150	1,620	1,975	2,362
Repairs and maintenance	16,005	27,738	43,743	6,462	27,166	33,628	77,371	1,413,054
Accounting and legal services	-	-	-	-	40,196	40,196	40,196	47,548
Travel	9,962	2,890	12,852	2,465	5,704	8,169	21,021	1,977
Pledge premiums	-	-	-	32,446	-	32,446	32,446	51,741
Program acquisitions/license fees	842,623	-	842,623	-	-	-	842,623	882,919
Programming affinity group fees	-	-	-	-	39,719	39,719	39,719	38,226
Program traffic expense	24,000	-	24,000	-	-	-	24,000	24,000
Minor equipment purchases	9,148	71,152	80,300	-	2,380	2,380	82,680	7,675
Hospitality	930	-	930	773	4,266	5,039	5,969	6,988
Contracted labor	26,222	758	26,980	2,857	2,788	5,645	32,625	30,485
Software	-	1,496	1,496	-	-	-	1,496	93,638
Insurance	-	15,485	15,485	393	6,365	6,758	22,243	21,536
Honoraria fees	-	-	-	400	-	400	400	-
Supplies	15,785	3,811	19,596	4,180	4,641	8,821	28,417	20,506
Freight and postage	1,400	637	2,037	10,429	186	10,615	12,652	14,434
Communication	2,387	637	3,024	604	1,877	2,481	5,505	7,499
Printing	9,542	-	9,542	7,678	70	7,748	17,290	17,776
Advertising	15,804	-	15,804	3,116	299	3,415	19,219	27,037
Taxes	5,879	1,196	7,075	-	5,016	5,016	12,091	17,370
Professional services	44,552	23,295	67,847	31,807	41,857	73,664	141,511	108,757
Bank fees	-	-	-	17,003	84	17,087	17,087	15,186
Interest	-	-	-	-	-	-	-	21,916
Depreciation	171,463	526,839	698,302	6,279	33,868	40,147	738,449	783,428
Bad debt expense	242	-	242	7,050	-	7,050	7,292	-
Major equipment for Station	-	5,000	5,000	-	-	-	5,000	30,104
In-kind value of goods and services	-	32,768	32,768	-	25,318	25,318	58,086	12,540
Indirect support provided by PSC	427,831	133,134	560,965	135,797	173,647	309,444	870,409	1,512,022
TOTAL FUNCTIONAL EXPENSES	\$ 2,456,584	\$ 1,212,720	\$ 3,669,304	\$ 488,952	\$ 723,692	\$ 1,212,644	\$ 4,881,948	\$ 6,779,692

See independent auditors' report on supplementary information.

**INDEPENDENT AUDITORS' 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 Board of Trustees, Pensacola State College
WSRE-TV Station

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 combined financial statements of WSRE-TV Station (the Station), a public telecommunications entity operated by the District Board of Trustees, Pensacola State College, as of and for the year ended June 30, 2023, and the related notes to the combined financial statements, which collectively comprise the Station's basic combined financial statements, and have issued our report thereon dated January 24, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the combined 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 combined 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 Station's combined 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Station's combined 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 combined 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 Station'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.

Warren Averett, LLC

Pensacola, Florida
January 24, 2024