

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

COMBINED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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

Board of Trustees - Pensacola State College
WSRE-TV Station

Report on the Financial Statements

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., (herein collectively referred to as "WSRE-TV Station") which comprise the combined statements of net position as of June 30, 2020 and 2019, 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 financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the respective financial position of the WSRE-TV Station, as of June 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 auditing standards generally accepted in the United States of America, 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 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 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 February 9, 2021 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. 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.



Pensacola, Florida
February 9, 2021

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

OVERVIEW

Management's discussion and analysis of WSRE-TV Station's ("Station") financial statements provide an overview of the Station's financial activities for the years ended June 30, 2020 and 2019. Management has prepared the 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 contain the financial activities of the Station combined with the WSRE-TV Foundation, Inc. (its direct-support organization) for both the fiscal years and should be read in conjunction with the accompanying financial statements.

The following activities are included in the basic 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 non-commercial, 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 four 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 provides approximately 30% of the total funds required for the annual operation of the Station, supplementing grants from the State of Florida, the Corporation for Public Broadcasting and general state appropriations. The Foundation operates under the governance of a Board of Directors comprised of local business and community leaders. The Foundation reports its financial activities to the State of Florida, as a component unit of the College, and issues separately audited annual financial statements.

Financial and non-financial 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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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

HIGHLIGHTS

- The Station's financial position remained strong during fiscal year 2020, with operating revenues of approximately \$4.6 million and an increase in net assets of approximately \$1.6 million.
- Foundation funding allows the Station to continue creating local, impactful programs, including AWARE, inStudio, Conversations with Jeff Weeks, In Your Own Backyard, Legislative Review, Nightmare Theatre, Pensacola State Today, Rally and StudioAmped.
- StudioAmped celebrated 12 seasons of creating energized performances by regional bands in 2020 and serving the community by collecting donations of canned foods for a local food bank from audience members. This season included 12 live performances; three of which followed the "Country Music" theme of PBS fall programming.
- The Station 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 the Imagination Station to provide exposure to the educational programming for visiting parents and children. In addition to the Imagination Station location at the Blue Wahoos Baseball stadium, the Station launched a project for a satellite Imagination Station at C.A. Weis Elementary School in Pensacola, which is located in an area where a high percentage of the population is poverty stricken and underserved. Through partnership with the School District of Escambia County and through the use of funding from the Amplify grant awarded to the Foundation by the Gulf Power Foundation, the satellite station opened in fall of 2019.
- Due to restrictions placed on schools and other organizations as a result of the spread of the Covid 19 virus, both Imagination Stations were closed to the public in March 2020 and remained closed for the rest of the fiscal year. As a part of Pensacola State College, the Station was also closed to the public from March through June 2020. During the closure, operations were continued with staff working remotely and alternating working in the station building. Staff quickly adapted to the restrictions on gatherings and developed alternate methods of operations that allowed local productions to continue.
- In response to the sudden change to remote teaching of K-12 students made necessary by the Covid 19 virus, the Station changed the daytime programming schedule to provide educational programming by subject matter for elementary, middle school and high school students. The programming was provided as a resource for teachers and parents to supplement or be included in the remote educational plans of local schools.
- The Station continues to implement the WSRE Passport program, which provides access to an on-demand library of public television programming to members. Passport use continues to grow as more viewers shift from conventional methods of accessing television programming to digital methods.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

- 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 increased during 2020 to \$114,000 from \$94,000 in 2019. The Foundation's revenues from donations decreased during 2020, with memberships and contributions of \$716,000 down from 2019's \$769,000. The Station has been fortunate to have and is very appreciative of its strong and consistent support base.
- The Foundation's fundraising events during the year followed the PBS theme of "Country Music" including a Barn Dance themed Wine & Food Classic, and a fall country music concert held at the Saenger Theatre with Marty Stuart and His Fabulous Superlatives performing, and the annual WSRE PBS Kids & Family Day at Gulfarium Marine Adventure Park in Fort Walton Beach. Total net revenue from these events was \$105,000 in fiscal year 2020.
- The Foundation has partnered with Pensacola State College Foundation to kick off a comprehensive campaign to raise funds over several years for the needs of the College and capital needs of the Station. Several Foundation Board members and station staff members are serving on the Campaign Cabinet. Due to the economic downturn resulting from business closures caused by Covid 19 restrictions, the comprehensive campaign has been temporarily suspended.
- The Foundation funded community and family engagement events presented by the Station, including PBS Kids and Family Day at Gulfarium Marine Adventure Park and Hit a Home Run for Early Learning at the Blue Wahoos Baseball Stadium. The third annual Be My Neighbor Day that was planned for spring of 2020 was postponed due to the restrictions on public gatherings.
- As part of a grant to promote awareness of a PBS series focused on Country Music, the Station began work on a local companion piece focusing on the influence of an area native on early country music. The local documentary will premier in the fall of 2020.
- 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.
- As media delivery platforms continue to expand, local high-definition content production remains a high priority for the Station. Through free, digital over-the-air delivery of four channels and a robust website featuring PBS and WSRE programming, the Station continues to meet the growing demand for high-quality, relevant and important local programming. The Foundation will continue to seek grants and donations to continue support for content designed for rapidly changing delivery platforms.

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- To make additional licensed wireless spectrum available, the Middle Class Tax Relief and Job Creation Act of 2012 (the "Spectrum Act") authorized the Federal Communications Commission (FCC) to conduct an incentive auction to repurpose broadcast television spectrum. The incentive auction was comprised of three separate, but interdependent, parts: (1) a "reverse auction" in which broadcast television licensees submitted bids to voluntarily relinquish their spectrum usage rights in exchange for payments; (2) a reorganization or "repacking" of the broadcast television bands in order to free up a portion of the ultra-high frequency ("UHF") band for other uses; and (3) a "forward auction" of wireless licenses for flexible use of the newly available spectrum. Beginning in 2017, stations across the United States began moving to new channels/frequencies as dictated by the FCC. The Station began the process of engaging a broadcast engineering firm to manage this significant undertaking in 2017, which required the replacement of the main transmitter and antenna for the station. The plan for channel relocation was submitted to the FCC and approved in concept. The Station's project costs for replacement of equipment to accomplish the channel relocation were reimbursed by the FCC, using proceeds from the reverse auction.
- 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, 2020, the portfolio is in compliance with this target allocation. Portfolio holdings are detailed in Note 2.

Operating expense exceeded operating revenue for both 2020 and 2019, due primarily to the significant level of depreciation expense recognized on the Station's buildings and equipment purchased in the last few years as the broadcast infrastructure for full power HD digital transmission was completed and the Station's production facility was expanded significantly. The effect of the recording of depreciation as an operating expense on the Station's Net Operating Loss is shown below:

	2020	2019
Net operating loss as reported	\$ (295,281)	\$ (303,944)
Depreciation	589,497	278,995
Adjusted net operating income (loss)	<u>\$ 294,216</u>	<u>\$ (24,949)</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

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

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 non-operating 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 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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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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 Capital Campaign contributions 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>2020</u>	<u>2019</u>
ASSETS		
Current	\$ 2,695,924	\$ 2,107,875
Pledges receivable, net	41,018	41,018
Investments	2,258,295	2,152,392
Capital assets, net	<u>7,111,809</u>	<u>5,634,890</u>
TOTAL ASSETS	<u>\$ 12,107,046</u>	<u>\$ 9,936,175</u>
LIABILITIES AND NET POSITION		
Liabilities:		
Current	\$ 1,687,354	\$ 1,122,481
Non-current	<u>30,187</u>	<u>63,942</u>
Total liabilities	1,717,541	1,186,423
Net position:		
Invested in capital assets	7,111,809	5,634,890
Restricted	1,328,548	1,279,625
Unrestricted	<u>1,949,148</u>	<u>1,835,237</u>
Total net position	<u>10,389,505</u>	<u>8,749,752</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 12,107,046</u>	<u>\$ 9,936,175</u>

The increase in investments reflects interest and dividend income and changes in market value of the portfolio during 2020. The increase in capital assets and net position invested in capital assets reflects current year additions and depreciation expense in excess of the cost of new capital assets purchased in 2020 (see Note 4).

Current liabilities are comprised primarily of grant receipts, approximately \$1.5 million that are recorded as unearned revenue until the monies are expended for the purposes authorized. Non-current liabilities reflect deferred compensation (annual and sick leave earned and available to employees). The Station did not utilize loans, cash advances or any other formalized debt during 2020 or 2019.

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DISTRICT BOARD OF TRUSTEES, PENSACOLA STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

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 for the years ended June 30, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
OPERATING REVENUE AND EXPENSES		
Revenues	\$ 4,611,180	\$ 4,754,696
Expenses	<u>(4,906,461)</u>	<u>(5,058,640)</u>
Net operating loss	(295,281)	(303,944)
NON-OPERATING REVENUE		
Net investment income	36,425	40,997
Gain on investments	<u>69,481</u>	<u>99,684</u>
Net non-operating revenue	105,906	140,681
CAPITAL GRANTS	<u>1,829,128</u>	<u>847,404</u>
INCREASE IN NET POSITION	1,639,753	684,141
NET POSITION, BEGINNING OF YEAR	<u>8,749,752</u>	<u>8,065,611</u>
NET POSITION, END OF YEAR	<u><u>\$ 10,389,505</u></u>	<u><u>\$ 8,749,752</u></u>

Operating revenues for 2020 were less than operating revenues in 2019. Expenses decreased in 2020 from 2019 levels in part due to the decrease in indirect support provided by the College.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities. Non-operating revenue consists of investment income and "market 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
- Non-capital financing activities (Cash received and spent for non-operating, non-investing and non-capital financing purposes)

The information below is summarized to show the total net change in cash for the years ended June 30, 2020 and 2019. 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 2020 reflects the receipts from operating grants. Summarized *Statements of Cash Flows* for the years ended June 30, 2020 and 2019, are as follows:

	2020	2019
CASH PROVIDED BY (USED IN):		
Operating activities	\$ 1,582,561	\$ (836,834)
Capital and related financing activities	(237,288)	(127,631)
Investing activities	3	47,367
NET INCREASE (DECREASE) IN CASH	1,345,276	(917,098)
CASH, BEGINNING OF YEAR	1,080,141	1,997,239
CASH, END OF YEAR	\$ 2,425,417	\$ 1,080,141

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, 2020 AND 2019

ASSETS		
	2020	2019
CURRENT ASSETS		
Cash	\$ 2,425,417	\$ 1,080,141
Accounts receivable	84,340	38,826
Related party accounts receivable	104,712	33,824
Real estate held for sale	25,000	25,000
Due from government agencies	-	880,201
Prepaid assets	56,455	49,883
Total current assets	2,695,924	2,107,875
NONCURRENT ASSETS		
Pledges receivable, net	41,018	41,018
Investments	2,258,295	2,152,392
Capital assets, net	7,111,809	5,634,890
Total noncurrent assets	9,411,122	7,828,300
TOTAL ASSETS	\$ 12,107,046	\$ 9,936,175
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 132,593	\$ 837,865
Accrued liabilities	63,762	46,985
Unearned revenue	1,490,999	237,631
Total current liabilities	1,687,354	1,122,481
NONCURRENT LIABILITIES		
Compensated absences	30,187	63,942
NET POSITION		
Invested in capital assets	7,111,809	5,634,890
Restricted - expendable	1,328,548	1,279,625
Unrestricted	1,949,148	1,835,237
Total net position	10,389,505	8,749,752
TOTAL LIABILITIES AND NET POSITION	\$ 12,107,046	\$ 9,936,175

See notes to the financial statements.

WSRE-TV STATION
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE DISTRICT BOARD OF TRUSTEES, PENSACOLA STATE COLLEGE
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Operating grants	\$ 1,142,095	\$ 1,305,634
Direct support - Pensacola State College	1,374,421	1,464,421
Contributions and program underwriting	715,815	768,709
Use of facilities and other indirect administrative support from Pensacola State College	905,178	1,069,179
In-kind support	29,959	30,164
Sales and services	113,948	94,142
Other operating revenues	<u>329,764</u>	<u>22,447</u>
Total operating revenues	4,611,180	4,754,696
OPERATING EXPENSES		
Program services:		
Programming and production	2,490,590	2,758,677
Broadcasting	<u>981,079</u>	<u>789,439</u>
Total program services	3,471,669	3,548,116
Supporting services:		
Fundraising and development	598,098	585,747
Management and general	<u>836,694</u>	<u>924,777</u>
Total supporting services	<u>1,434,792</u>	<u>1,510,524</u>
Total operating expenses	<u>4,906,461</u>	<u>5,058,640</u>
NET OPERATING LOSS	(295,281)	(303,944)
NON-OPERATING REVENUES		
Investment income, net	36,425	40,997
Gain on investments	<u>69,481</u>	<u>99,684</u>
Total non-operating revenues	<u>105,906</u>	<u>140,681</u>
Loss before capital grants and donations	(189,375)	(163,263)
CAPITAL GRANTS AND DONATIONS	<u>1,829,128</u>	<u>847,404</u>
Increase in net assets	1,639,753	684,141
NET POSITION, BEGINNING OF YEAR	<u>8,749,752</u>	<u>8,065,611</u>
NET POSITION, END OF YEAR	<u><u>\$ 10,389,505</u></u>	<u><u>\$ 8,749,752</u></u>

See notes to the financial statements.

WSRE-TV STATION
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE DISTRICT BOARD OF TRUSTEES, PENSACOLA STATE COLLEGE
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from operating grants	\$ 3,275,664	\$ 440,411
Cash receipts from Pensacola State College	1,374,421	1,464,421
Cash receipts from contributions and program underwriting	599,413	803,577
Cash receipts from sales and services to others	113,948	94,142
Cash receipts from other operating revenue	329,764	22,447
Cash payments to employees	(1,424,478)	(1,462,356)
Cash payments for operating expenses	<u>(2,686,171)</u>	<u>(2,199,476)</u>
Net cash provided by (used in) operating activities	1,582,561	(836,834)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants	1,829,128	-
Purchase of capital assets	<u>(2,066,416)</u>	<u>(127,631)</u>
Net cash flows used in capital and related financing activities	(237,288)	(127,631)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(382,448)	(380,396)
Sale of investments	355,038	393,424
Payments for investment management	(9,012)	(6,658)
Dividends/interest proceeds	<u>36,425</u>	<u>40,997</u>
Net cash provided by investing activities	<u>3</u>	<u>47,367</u>
NET INCREASE (DECREASE) IN CASH	1,345,276	(917,098)
CASH, BEGINNING OF YEAR	<u>1,080,141</u>	<u>1,997,239</u>
CASH, END OF YEAR	<u><u>\$ 2,425,417</u></u>	<u><u>\$ 1,080,141</u></u>

See notes to the 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, 2020 AND 2019

**RECONCILIATION OF NET OPERATING LOSS
TO NET CASH FROM OPERATING ACTIVITIES**

	<u>2020</u>	<u>2019</u>
Operating loss	\$ (295,281)	\$ (303,944)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation	589,497	278,995
Uncollectible accounts receivable	-	(1,416)
(Increase) decrease in operating assets:		
Accounts receivable	(45,514)	35,819
Related party accounts receivable	(70,888)	(3,213)
Pledges receivable	-	1,543
Due from government agencies	880,201	(31,372)
Prepaid assets	(6,572)	11,771
Increase (decrease) in operating liabilities:		
Accounts payable	(705,272)	10,409
Accrued liabilities	16,777	(1,650)
Unearned revenue	1,253,368	(833,851)
Compensated absences	(33,755)	75
Net cash flows provided by (used in) operating activities	<u><u>\$ 1,582,561</u></u>	<u><u>\$ (836,834)</u></u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION
NONCASH INVESTING AND FINANCING ACTIVITIES:

Construction in progress financed through accounts payable	<u><u>\$ -</u></u>	<u><u>\$ 847,404</u></u>
CASH PAID DURING THE YEAR FOR:		
Income taxes	<u><u>\$ 13,775</u></u>	<u><u>\$ 10,678</u></u>

See notes to the financial statements.

**WSRE-TV STATION
A PUBLIC COMMUNICATIONS ENTITY OPERATED BY THE
DISTRICT BOARD OF TRUSTEES, PENSACOLA STATE COLLEGE
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

WSRE-TV Station (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, (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 four 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 1991, which functions under Florida Statutes 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 fund-raising activities. Such funds are expended by the Foundation pursuant to written disbursement requests of the Station. Significant inter-organizational 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 statement of cash flows, the Station considers all highly-liquid investments purchased within three months of maturity to be cash equivalents.

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

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. Accordingly, no provision has been made for uncollectible amounts. Any amounts that become uncollectible are written off using the direct write-off method. 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. In addition, an allowance for uncollectible pledges is recorded as determined by management.

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:

	Years
Buildings	40
Structures and improvements	10 - 25
Studio, broadcast and other equipment	3 - 7

Net Position

Net position comprises the various net earnings from operating and non-operating 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).

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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 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 necessitate the use of the funds in accordance with the intended purpose of the fund.

Unrestricted net position consists of all other net position 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 *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 and are reported net of an allowance for estimated uncollectible pledges. 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 expected usage.

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

Revenues and Expenses – Continued

Non-operating 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 \$26,000 and \$27,000 for the years ended June 30, 2020 and 2019, 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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

The Station has evaluated events and transactions that occurred between June 30, 2020 and February 9, 2021, which is the date that the combined financial statements were available to be issued for possible recognition or disclosure in the combined financial statements.

Reclassifications

Certain prior period combined financial statement amounts have been reclassified to conform to current period presentation.

2. CASH AND INVESTMENTS

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 may include overnight repurchase agreements, 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 and are invested overnight in repurchase agreements.

Cash

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 and an overnight repurchase agreement.

The carrying amounts of the Station's bank deposits held in the accounts of the College were approximately \$1,486,000 and \$155,000 as of June 30, 2020 and 2019, 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 or collateralized with securities held in Florida's multiple financial institution collateral pool required by Florida law.

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2. CASH AND INVESTMENTS – CONTINUED

Cash – Continued

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 and an overnight repurchase agreement. At June 30, 2020 and 2019, the carrying amounts of cash and money market funds held at year end were approximately \$940,000 and \$925,000, 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, 2020 and 2019, the balance was approximately \$51,000 and \$50,000, 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, 2020, 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 for both June 30, 2020 and 2019.

Interest Rate Risk:

The weighted average days to maturity (WAM) of Florida PRIME's investment portfolio was 53 days at June 30, 2020, and 28 days at June 30, 2019. 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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2. CASH AND INVESTMENTS – CONTINUED

Investments

Investments held by the Foundation at June 30, 2020 and 2019, 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:

2020 Investment Type	Maturity	Fair Market Value
Federal Government Obligations - Cash Equivalent	N/A	\$ 141,356
Equities:		
Alliance Bernstein Small Cap Growth	N/A	63,920
American EuroPacific Growth Fund	N/A	92,254
Fidelity Small Cap Value Fund	N/A	54,035
Vanguard Developed Markets	N/A	92,501
Oppenheimer Developing Markets Fund	N/A	44,921
Vanguard 500 Index Fund	N/A	670,535
JP Morgan Mid Cap Value Fund	N/A	57,567
Touchstone Large Cap Focused Fund	N/A	118,758
Janus Henderson Enterprise Fund	N/A	62,688
Fixed Income:		
Federated Total Return Bond Fund	Avg maturity 6.4 years Average quality A- Average duration 5.7 years	348,889
Vanguard Intermediate Bond Index	Avg maturity 7.4 years Average duration 6.5 years	29,084
Pimco Funds Low Duration	Avg maturity 2.7 years Average quality A+ Average duration 2.5 years	133,049
Dodge and Cox Income Fund	Avg maturity 9.2 years Average quality BBB Average duration 5.0 years	348,738
TOTAL INVESTMENTS		\$ 2,258,295

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2. CASH AND INVESTMENTS – CONTINUED

Investments – Continued

2019 Investment Type	Maturity	Fair Market Value
Federal Government Obligations - Cash Equivalent	N/A	\$ 92,055
Equities:		
Alliance Bernstein Small Cap Growth	N/A	61,790
American EuroPacific Growth Fund	N/A	94,504
Fidelity Small Cap Value Fund	N/A	54,604
Vanguard Developed Markets	N/A	90,508
Oppenheimer Developing Markets Fund	N/A	48,433
Vanguard 500 Index Fund	N/A	686,981
JP Morgan Mid Cap Value Fund	N/A	63,151
Touchstone Large Cap Focused Fund	N/A	123,122
Janus Henderson Enterprise Fund	N/A	67,108
Fixed Income:		
Federated Total Return Bond Fund	Avg maturity 6.8 years Average quality A Average duration 5.6 years	307,106
Pimco Funds Low Duration	Avg maturity 2.4 years Average quality AA Average duration 1.9 years	175,355
Dodge and Cox Income Fund	Avg maturity 5.8 years Average quality A Average duration 4.2 years	287,675
TOTAL INVESTMENTS		\$ 2,152,392

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, 2020, meets the policy guidelines, with equities representing 63%, fixed income representing 31% and cash representing 6%. The short-term investment portfolio meets these requirements at June 30, 2020, with 20% in equity investments, 74% in fixed income investments and 6% in cash.

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2. CASH AND INVESTMENTS – CONTINUED

Investments – Continued

Concentration of Credit Risk

There were no investments at June 30, 2020 and 2019, 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, 2020 and 2019, 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.

3. PLEDGES RECEIVABLE

Pledges receivable at June 30, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Amounts pledged	\$ 50,018	\$ 50,018
Less present value discount	<u>(9,000)</u>	<u>(9,000)</u>
	<u>\$ 41,018</u>	<u>\$ 41,018</u>

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4. CAPITAL ASSETS

Capital assets consist of the following:

	Beginning Balance	Additions	Deletions	Prior Year CIP Transfers	Ending Balance
As of June 30, 2020:					
Non-depreciable assets:					
Construction in progress	\$ 847,404	\$ -	\$ -	\$ (847,404)	\$ -
Depreciable assets:					
Building	8,597,577	-	-	-	8,597,577
Studio, broadcast and other equipment	6,947,182	2,066,416	(2,449,690)	847,404	7,411,312
Total depreciable capital assets	15,544,759	2,066,416	(2,449,690)	847,404	16,008,889
Less accumulated depreciation for:					
Building	4,101,571	209,287	-	-	4,310,858
Studio, broadcast and other equipment	6,655,702	380,210	(2,449,690)	-	4,586,222
Total accumulated depreciation	10,757,273	589,497	(2,449,690)	-	8,897,080
Net capital assets	<u>\$ 5,634,890</u>	<u>\$ 1,476,919</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,111,809</u>
As of June 30, 2019:					
Non-depreciable assets:					
Construction in progress	\$ -	\$ 847,404	\$ -	\$ -	\$ 847,404
Depreciable assets:					
Building	8,597,577	-	-	-	8,597,577
Studio, broadcast and other equipment	7,325,891	95,788	(474,497)	-	6,947,182
Total depreciable capital assets	15,923,468	95,788	(474,497)	-	15,544,759
Less accumulated depreciation for:					
Building	3,892,284	209,287	-	-	4,101,571
Studio, broadcast and other equipment	7,060,491	69,708	(474,497)	-	6,655,702
Total accumulated depreciation	10,952,775	278,995	(474,497)	-	10,757,273
Net capital assets	<u>\$ 4,970,693</u>	<u>\$ 664,197</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,634,890</u>

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5. 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.

Changes in compensated absences for the year ended June 30, 2020, were as follows:

Balance at July 1, 2019	\$ 63,942
Deletions	<u>(33,755)</u>
Balance at June 30, 2020	<u><u>\$ 30,187</u></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 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.

6. COLLEGE SUPPORT

In addition to state appropriations and other direct support totaling \$1,374,421 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 \$905,178 for the year ended June 30, 2020. Comparable amounts for the year ended June 30, 2019, were direct support of \$1,464,421 and indirect support of \$1,069,179. These donated facilities and administrative support are recorded as revenue and expense in the accompanying combined financial statements.

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6. COLLEGE SUPPORT – CONTINUED

These indirect expenses for 2020 and 2019, respectively, are distributed functionally as follows:

	<u>2020</u>	<u>2019</u>
Programming and production	\$ 422,563	\$ 560,740
Broadcasting	110,104	148,339
Fund raising and development	142,951	134,530
Management and general	<u>229,560</u>	<u>225,570</u>
Total expenses	<u><u>\$ 905,178</u></u>	<u><u>\$ 1,069,179</u></u>

7. 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Revenue	<u><u>\$ 29,959</u></u>	<u><u>\$ 30,164</u></u>
Expenses		
Broadcasting	\$ 15,696	\$ 16,445
Fundraising and development	-	2,500
Management and general	<u>14,263</u>	<u>11,219</u>
Total expenses	<u><u>\$ 29,959</u></u>	<u><u>\$ 30,164</u></u>

8. 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 have been met, primarily time requirements, of the applicable grant.

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9. 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.

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 2020 or 2019 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 year's transfers available to the Station were approximately \$42,600, as of June 30, 2020 and 2019.

10. 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.

11. 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 provided 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.

**WSRE-TV STATION
A PUBLIC COMMUNICATIONS ENTITY OPERATED BY THE
DISTRICT BOARD OF TRUSTEES, PENSACOLA STATE COLLEGE
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

12. 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.

The following depicts the activity of funds functioning as endowment funds for the years ended June 30, 2020 and 2019:

	Board Designated Endowment	Donor Restricted Endowment
Endowment net position 6/30/18	\$ 982,901	\$ 836,990
Investment income	71,898	60,872
Expense	(3,988)	(45,981)
Endowment net position 6/30/19	1,050,811	851,881
Investment income	52,921	45,761
Expense	(4,174)	(3,621)
Endowment net position 6/30/20	<u>\$ 1,099,558</u>	<u>\$ 894,021</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, 2020 WITH COMPARATIVE TOTALS FOR 2019

	Program Services			Supporting Services			2020 Total Expenses	2019 Total Expenses
	Programming and Production	Broadcasting	Total	Fundraising and Development	Management and General	Total		
Salaries	\$ 518,004	\$ 147,626	\$ 665,630	\$ 164,759	\$ 273,163	\$ 437,922	\$ 1,103,552	\$ 1,113,004
Payroll taxes	35,907	10,807	46,714	11,664	19,278	30,942	77,656	77,946
Fringe benefits	111,076	14,837	125,913	48,539	68,818	117,357	243,270	271,406
Total payroll costs	664,987	173,270	838,257	224,962	361,259	586,221	1,424,478	1,462,356
Rent	25,456	49,835	75,291	9,252	-	9,252	84,543	92,082
Utilities	132,161	1,504	133,665	2,076	75,854	77,930	211,595	292,089
Memberships and subscriptions	180	170	350	670	1,740	2,410	2,760	2,367
Repairs & maintenance	16,572	145,270	161,842	21,158	21,421	42,579	204,421	95,641
Accounting and legal services	-	-	-	-	33,463	33,463	33,463	36,939
Travel	5,178	427	5,605	706	2,662	3,368	8,973	22,341
Pledge premiums	-	-	-	52,891	20	52,911	52,911	43,492
Program acquisitions/license fees	832,440	-	832,440	-	-	-	832,440	818,854
Programming affinity group fees	-	-	-	-	39,584	39,584	39,584	41,169
Program traffic expense	24,000	-	24,000	-	-	-	24,000	24,000
Videotape/storage media	493	-	493	-	-	-	493	1,397
Minor equipment purchases	3,187	3,524	6,711	330	230	560	7,271	70,062
Hospitality	1,108	-	1,108	2,457	2,184	4,641	5,749	6,227
Contracted labor	80,218	7,999	88,217	3,992	4,971	8,963	97,180	122,274
Software	649	399	1,048	-	-	-	1,048	942
Insurance	-	14,072	14,072	1,264	5,035	6,299	20,371	20,345
Honoraria fees	-	-	-	-	300	300	300	-
Supplies	3,291	1,338	4,629	9,900	2,850	12,750	17,379	26,451
Freight and postage	623	-	623	14,242	55	14,297	14,920	15,806
Communication	6,978	2,313	9,291	1,161	3,186	4,347	13,638	12,840
Printing	7,645	-	7,645	14,014	2,380	16,394	24,039	23,418
Advertising	20,779	-	20,779	4,608	281	4,889	25,668	26,956
Taxes	2,172	11,348	13,520	-	255	255	13,775	10,677
Professional services	71,225	63,145	134,370	67,548	644	68,192	202,562	186,733
Bank fees	-	-	-	17,637	629	18,266	18,266	17,154
Depreciation	168,685	380,665	549,350	6,279	33,868	40,147	589,497	278,995
Bad debt expense (recovery)	-	-	-	-	-	-	-	(1,416)
Major equipment for station	-	-	-	-	-	-	-	23,695
Non capitalized repairs	-	-	-	-	-	-	-	185,411
In-kind value of goods and services	-	15,696	15,696	-	14,263	14,263	29,959	30,164
Indirect support provided by PSC	422,563	110,104	532,667	142,951	229,560	372,511	905,178	1,069,179
TOTAL FUNCTIONAL EXPENSES	\$ 2,490,590	\$ 981,079	\$ 3,471,669	\$ 598,098	\$ 836,694	\$ 1,434,792	\$ 4,906,461	\$ 5,058,640

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***

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, 2020, 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 February 9, 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 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pensacola, Florida
February 9, 2021