

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

**FINANCIAL STATEMENTS**

**JUNE 30, 2015 AND 2014**



**DISTRICT BOARD OF TRUSTEES  
PENSACOLA STATE COLLEGE  
WSRE-TV STATION  
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JUNE 30, 2015 AND 2014**

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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., as of June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the WSRE-TV Station's basic combined financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these 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 financial statements are free from material misstatement.

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

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

### ***Opinions***

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, 2015 and 2014, 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 opinions on the combined financial statements that collectively comprise the WSRE-TV Station's basic combined financial statements. The Schedule of Functional Expenses is presented for purposes of additional analysis and is not a required part of the basic combined financial statements. The 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 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 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*

February 9, 2016  
Pensacola, Florida

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

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**OVERVIEW**

Management's discussion and analysis of WSRE-TV Station's ("Station") financial statements provides an overview of the Station's financial activities for the years ended June 30, 2015 and 2014. Management has prepared the financial statements and the related footnote disclosures along with the accompanying management 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 the fiscal 2014-15 and 2013-14 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 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 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 1991, 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 contributed 25% of the Station's operating revenue in both 2015 and 2014. The Foundation operates under the governance of a 25-member 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 and 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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**2015 HIGHLIGHTS**

- The Station's financial position remained strong during fiscal year 2015, with operating revenues of \$4.4 million, an 8 percent increase from \$4.08 million in fiscal year 2014.
- The Foundation's revenues from special events and donations continued to hold steady in 2015 and 2014. Revenue generated from the Foundation continued to be well diversified, including memberships and contributions, program grants and special events. Foundation Board engagement was intensified, with several fundraising efforts helping to garner additional operational funds as well. These included a Wine & Food Classic event in Pensacola, and a spring WSRE PBS Kids and Family Day. Total net revenue for the events was approximately \$85,000. Contributions to the Station through the Foundation decreased from the prior year, from \$706,063 to \$658,399. These were supplemented by various program grants supporting the Station's productions, activities and outreach efforts in the community. Continuation of operating grants from the Corporation for Public Broadcasting, the Florida Department of Education and direct and indirect support from Pensacola State College provided a sound basis of operational support for the Station in 2015.
- In order to mitigate the anticipated effects of federal and state funding changes, in 2010-2011 the Foundation embarked on a major giving initiative, *EnvisionIt!* to raise funds to support WSRE's program acquisition and local production budgets, to provide funds for technology and equipment needs, and to promote giving to the Foundation's Endowment Fund. Funds received were expended for these purposes over the past fiscal years and will continue into 2016.
- 2015 continued the Station's efforts toward greater local program production. WSRE's lineup of regular programs continued with *AWARE*, *Pensacola State Today*, *Legislative Review*, *In Your Own Backyard*, *Conversations with Jeff Weeks*, a fourth season of *Studio Amped and Rally*, WSRE's signature pre-election debate program. These local programs joined the wide range of high-quality PBS programs featuring children's programming, arts and culture, history, science and public affairs that the Station is proud to deliver to viewers.
- A new and exciting outreach project began in the spring of 2013 with the creation of WSRE's *Imagination Station*. This hands-on, technology-based activity center is housed at the Blue Wahoos' Stadium at the Community Maritime Park in downtown Pensacola. The center features educational materials and technology tools for parents and caregivers of children ages 4-8 to experience interactively with their children. The content of the materials and technology applications feature PBS' award-winning children's programs and iconic characters. The *Imagination Station* is a joint collaboration with local philanthropists Quint and Rishy Studer, who provided the location, and is supported through donations to the Foundation for WSRE's early literacy and children's outreach projects.

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- During 2014, \$30,000 in major support was received from the Kugelman Foundation for the *Imagination Station*. Additional funding to support this exceptional facility was provided to the Station by the Florida Department of Education. The Imagination Station has proven to be a valued asset for early learners in the area, and is utilized regularly by several established groups that support early learners, including the targeted population of special needs children and children from low resource families. Some of these groups are Autism Pensacola, Early Steps, Pensacola Naval Air Station New Parents Support Group, Moms of Preschoolers, Title 1 Family Resources Activity Model for Early Education (FRAME) and Early Headstart.
- 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 4 channels and a robust website featuring PBS and WSRE programming, WSRE has met, and will continue to meet, the growing demand for high quality, relevant and important local programming. During 2014, WSRE engaged in a major re-work of its website to fully integrate with national PBS offerings through their BENTO platform. Efforts continued in 2015 to improve and expand digital content delivery, as well as to implement new web features and modules used to inform the public about WSRE's activities and content offerings. The Foundation will continue to seek grants and donations to continue support for content designed for the website and for other rapidly emerging delivery platforms.
- During 2008, the Foundation's Board of Directors selected Synovus Trust of Columbus, Georgia, to invest and manage 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 in 2006 to support the future technology needs of the Amos Performance Studio. The Foundation's Finance and Investment Committee has responsibility for the oversight of the management of the portfolio in accordance with the Foundation's investment policy, and meets regularly. The investment strategy for these funds is for long-term appreciation of the corpus, and reinvestment of earnings to achieve growth over time. The investment policy of the Foundation provides for a conservative target allocation of 50% equities /50% fixed income/cash. During 2014, the Foundation Board of Directors authorized the establishment of a separate, individually managed investment account with Synovus to house operational funds not required for short term liquidity. For the year ended June 30, 2015, the Foundation transferred an additional \$300,000 to this investment. This account is invested in a "Capital Preservation" strategy with a long-term target asset allocation of 80% fixed income and 20% equity. The components of the investment portfolio are detailed in Footnote C, pages 21-25, of the attached Financial Statements.



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- Operating expense exceeded operating revenue for both 2015 and 2014 due primarily to the significant levels 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. Revenue funding the purchases is recognized in the year the assets are acquired as non-operating Capital Grants and Donations, but the corresponding equipment expense is recognized as operating expense through charges to depreciation over the life of the assets. The effect of the recording of depreciation as an operating expense on the Station's Net Operating Income/Loss is shown below:

	<b>2015</b>	<b>2014</b>
Net operating loss as reported	\$ (444,546)	\$ (414,005)
Depreciation	396,350	438,899
Adjusted net operating income (loss)	\$ (48,196)	\$ 24,894

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 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 upon. 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.

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The *Statement of Cash Flows* provides details regarding the sources and uses of cash during the year(s) being reported upon.

**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).

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.

	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
Current	\$ 1,983,070	\$ 2,420,285
Noncurrent	44,690	50,018
Investments	1,710,504	1,479,433
Capital assets, net	5,755,439	5,951,707
<b>TOTAL ASSETS</b>	\$ 9,493,703	\$ 9,901,443
 <b>LIABILITIES AND NET POSITION</b>		
Liabilities:		
Current	\$ 1,044,696	\$ 1,246,443
Noncurrent	74,884	92,914
Total Liabilities	1,119,580	1,339,357
Net Position:		
Invested in capital assets	5,755,439	5,951,707
Restricted	1,080,782	1,080,268
Unrestricted	1,537,902	1,530,111
Total Net Position	8,374,123	8,562,086
<b>TOTAL LIABILITIES AND NET POSITION</b>	\$ 9,493,703	\$ 9,901,443

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The increase in investments reflects the transfer of \$300,000 of cash into investments, interest and dividend income and changes in the market value of the portfolio during 2015. The decrease in capital assets and net position invested in capital assets reflects depreciation expense in excess of the cost of new capital assets purchased in 2015, as well as deletions of obsolete equipment. (See Footnote E, page 27).

Current liabilities are comprised primarily of gifts and grant receipts, approximately \$940 thousand 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 Foundation maintains an open line of credit for \$100,000 with a local financial institution, which was not utilized in either 2014-15 or 2013-14. The Station did not utilize loans, cash advances or any other formalized debt during 2014-15 or 2013-14.

**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 inkind support from the licensee and others. These components are detailed on the *Statement of Revenues, Expenses, and Changes in Net Position* on page 14.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

Summarized *Statements of Revenues, Expenses and Changes in Net Position* for the Station for the years ended June 30, 2015 and 2014 follow:

	<u>2015</u>	<u>2014</u>
<b>Operating Revenues</b>		
Revenues	\$ 4,398,470	\$ 4,081,336
Expenses	(4,843,016)	(4,495,341)
<b>Net Operating Loss</b>	<u>(444,546)</u>	<u>(414,005)</u>
<b>Non-operating Revenue</b>		
Net investment income	31,082	22,762
Gain (loss) on investments	3,732	134,501
<b>Net Non-operating Revenue</b>	<u>34,814</u>	<u>157,263</u>
<b>Capital Grants</b>	<u>221,769</u>	<u>21,568</u>
<b>Increase (decrease) in Net Position</b>	(187,963)	(235,174)
<b>Net Position, Beginning of Year</b>	<u>8,562,086</u>	<u>8,797,260</u>
<b>Net Position, Beginning of Year</b>	<u>\$ 8,374,123</u>	<u>\$ 8,562,086</u>

Operating revenues for 2015 increased over 2014 due to increased grant funding of specific projects and additional salaries. Expenses increased in 2015 from 2014 due to vacant positions that were filled in 2015, changes in programming fees, depreciation and other contracted services. (As noted previously, operating expense includes the recognition of depreciation expense, which comprises a major component of the Station's net operating loss each year).

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

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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 "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
- 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, 2015 and 2014. As part of the detailed statement on page 15, a reconciliation is provided to show how Operating Income (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 Income (Loss). Operating Income (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 Income (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 Income (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 decrease in (use of) cash during 2015 reflects a use of operating cash for investment activities and a use of cash collected in prior years for current use with specific projects in the future.

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Summarized *Statements of Cash Flows* for the years ended June 30, 2015 and 2014 follow.

	<u>2015</u>	<u>2014</u>
<b>Cash Provided (Used) By:</b>		
Operating Activities	\$ (266,420)	\$ 220,704
Capital and Related Financing Activities	21,687	6,750
Investing Activities	<u>(201,257)</u>	<u>(95,070)</u>
<b>Net Increase (Decrease) in Cash</b>	(445,990)	132,384
<b>Cash, Beginning of Year</b>	<u>2,134,209</u>	<u>2,001,825</u>
<b>Cash, End of Year</b>	<u><u>\$ 1,688,219</u></u>	<u><u>\$ 2,134,209</u></u>

## **FINANCIAL STATEMENTS**

**WSRE TV STATION**  
**A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY**  
**THE DISTRICT BOARD OF TRUSTEES, PENSACOLA STATE COLLEGE**  
**STATEMENTS OF NET POSITION**  
**FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

<b>ASSETS</b>	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 1,688,219	\$ 2,134,209
Accounts receivable	101,554	79,069
Real estate held for sale	30,000	30,000
Pledges receivable (net of allowance for uncollectible pledges of \$1,439 and \$5,695 )	14,316	52,768
Due from government agencies	66,880	-
Prepaid assets	<u>82,101</u>	<u>124,239</u>
<b>Total current assets</b>	<b>1,983,070</b>	<b>2,420,285</b>
<b>NONCURRENT ASSETS</b>		
Pledges receivable (net of allowance for uncollectible pledges of \$4,767 and \$5,410)	44,690	50,018
Investments	1,710,504	1,479,433
Capital assets (net)	<u>5,755,439</u>	<u>5,951,707</u>
<b>Total noncurrent assets</b>	<b><u>7,510,633</u></b>	<b><u>7,481,158</u></b>
<b>Total assets</b>	<b><u>\$ 9,493,703</u></b>	<b><u>\$ 9,901,443</u></b>
<b>LIABILITIES &amp; NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 66,028	\$ 39,014
Accrued liabilities	37,493	31,562
Unearned revenue	<u>941,175</u>	<u>1,175,867</u>
<b>Total current liabilities</b>	<b>1,044,696</b>	<b>1,246,443</b>
<b>NONCURRENT LIABILITIES</b>		
Compensated absences	74,884	92,914
<b>NET POSITION</b>		
Invested in capital assets	5,755,439	5,951,707
Restricted	1,080,782	1,080,268
Unrestricted	<u>1,537,902</u>	<u>1,530,111</u>
<b>Total net position</b>	<b><u>8,374,123</u></b>	<b><u>8,562,086</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 9,493,703</u></b>	<b><u>\$ 9,901,443</u></b>

See notes to the financial statements.



**WSRE TV STATION**  
**A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY**  
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**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

<b>OPERATING REVENUES</b>	<u>2015</u>	<u>2014</u>
Operating grants	\$ 1,294,518	\$ 1,077,255
Direct support - Pensacola State College	1,294,664	1,223,975
Contributions and program underwriting	658,399	706,063
Use of facilities and other indirect administrative support from Pensacola State College	833,534	749,662
Inkind support	219,702	171,521
Sales and services	77,771	90,587
Other operating revenues	<u>19,882</u>	<u>62,273</u>
 Total operating revenues	 4,398,470	 4,081,336
 <b>OPERATING EXPENSES</b>		
Program services		
Programming and production	2,777,056	2,507,927
Broadcasting	<u>829,851</u>	<u>894,010</u>
Total program services	3,606,907	3,401,937
 Supporting services		
Fundraising and development	618,289	539,638
Management and general	<u>617,820</u>	<u>553,766</u>
Total supporting services	<u>1,236,109</u>	<u>1,093,404</u>
 Total operating expenses	 <u>4,843,016</u>	 <u>4,495,341</u>
 Net operating loss	 (444,546)	 (414,005)
 <b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income (net)	31,082	22,762
Gain (Loss) on investments	<u>3,732</u>	<u>134,501</u>
	<u>34,814</u>	<u>157,263</u>
 Loss before capital grants and donations	 (409,732)	 (256,742)
 <b>CAPITAL GRANTS AND DONATIONS</b>	 <u>221,769</u>	 <u>21,568</u>
 Increase (decrease) in net assets	 (187,963)	 (235,174)
 <b>NET POSITION</b>		
Beginning of year	<u>8,562,086</u>	<u>8,797,260</u>
End of year	<u>\$ 8,374,123</u>	<u>\$ 8,562,086</u>

See notes to the financial statements.

**WSRE TV STATION**  
**A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY**  
**THE DISTRICT BOARD OF TRUSTEES, PENSACOLA STATE COLLEGE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from operating grants	\$ 1,218,076	\$ 1,178,814
Cash receipts from Pensacola State College	1,294,664	1,223,975
Cash receipts from contributions and program underwriting	702,179	750,177
Cash receipts from sales and services to others	62,752	82,866
Cash receipts from other operating revenue	148,308	62,274
Cash payments to employees	(1,297,838)	(1,072,810)
Cash payments for operating expenses	(2,394,561)	(2,004,592)
<b>Net cash flows from operating activities</b>	(266,420)	220,704
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital grants, gifts, and allocations received	221,769	21,568
Purchase of capital assets	(200,082)	(14,818)
<b>Net cash flows from capital and related financing activities</b>	21,687	6,750
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(844,529)	(577,668)
Sale of investments	612,698	459,838
Payments for investment management	(6,539)	(5,464)
Dividends/interest proceeds	37,113	28,224
<b>Net cash flows used in investing activities</b>	(201,257)	(95,070)
<b>NET INCREASE (DECREASE) IN CASH</b>	(445,990)	132,384
<b>CASH AT BEGINNING OF YEAR</b>	2,134,209	2,001,825
<b>CASH AT END OF YEAR</b>	\$ 1,688,219	\$ 2,134,209
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (444,546)	\$ (414,005)
Adjustments to reconcile to net cash provided (used) by operating activities:		
Depreciation	396,350	438,899
Uncollectible pledges	-	(4,793)
(Increase) decrease in operating assets:		
Accounts receivable	(22,485)	(7,721)
Pledges receivable	43,780	48,907
Due from other governments	(66,880)	-
Prepaid assets	42,138	57,885
Increase (decrease) in operating liabilities:		
Accounts payable	27,014	1,766
Accrued liabilities	5,931	5,688
Unearned revenue	(229,692)	101,559
Compensated absences	(18,030)	(7,481)
<b>Net cash flows from operating activities</b>	\$ (266,420)	\$ 220,704
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Taxes paid	\$ 6,894	\$ 8,950

See notes to the financial statements.

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JUNE 30, 2015 AND 2014**

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**NOTE A - ORGANIZATION AND OPERATIONS**

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 financial statements include the activity of the WSRE-TV Foundation, Inc., (Foundation), a nonprofit corporation established in 1991 which functions as a direct support organization under Florida Statute 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 during consolidation of the Station and the Foundation.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**1. 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 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.

**2. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Station considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**3. Accounts Receivable**

Accounts receivable primarily consist 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.

**4. 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 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.

**5. 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>Years</u>
Buildings	40
Structures & improvements	10 - 25
Studio, broadcast, and other equipment	3 - 7

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**6. 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).

*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 eighty 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 and which are available for the support of the Station's operations. This category also includes the Foundation's Board Designated Endowment.

**7. 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.

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**8. Revenues and Expenses – (Continued)**

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 inkind 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.

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.

**9. 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.

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**9. Endowments Policy – (Continued)**

- Other resources of the Foundation and Station.
- The investment policies of the Foundation.

**10. 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.

**11. 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.

**12. 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.

**13. Advertising**

Advertising costs are expensed as incurred and were \$35,683 and \$19,060 for the years ended June 30, 2015 and 2014, respectively.

**14. 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.

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**15. Events Occurring After Reporting Date**

The Station has evaluated events and transactions that occurred between June 30, 2015 and February 9, 2016, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the combined financial statements.

**NOTE C - CASH AND INVESTMENTS**

The Foundation has an investment policy which 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, State Board of Administration (SBA) Florida PRIME investments (formerly the Local Government Investment Pool (LGIP), 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, in the case of 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.

**1. Cash**

The amount reported as cash consists of cash on hand, cash in demand accounts, money market funds, and the SBA Florida PRIME investment account.

At year end the carrying amounts of the Station's bank deposits held in the accounts of the College were \$889,834 and \$1,237,640 as of June 30, 2015 and 2014, respectively. These accounts are held by qualified public depositories under Chapter 280, Florida Statutes. As such, these deposits are considered to be fully insured.

At June 30, 2015 and 2014, the carrying amounts of the Foundation's cash and money funds held in bank and brokerage accounts were \$798,385 and \$896,569, respectively. Brokerage account funds are subject to custodial credit risk - the risk that the deposits might not be recovered if the financial institution becomes insolvent. The Foundation does not have a policy prohibiting investment due to custodial credit risk, however, as of June 30, 2015 and 2014 the balances in the cash and money market funds were FDIC or SIPC insured.



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**NOTE C – CASH AND INVESTMENTS – (Continued)**

**1. Cash – (Continued)**

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, a Securities and Exchange Commission Rule 2a7-like external investment pool, are reported at amortized cost. As of June 30, 2015 and 2014, the Foundation's balances in Florida PRIME were \$46,806 and \$45,972, respectively.

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. 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 Poor's, and carries an AAAM rating for both June 30, 2015 and 2014.

Interest Rate Risk: The weighted average days to maturity (WAM) of Florida PRIME's investment portfolio was 34.3 days at June 30, 2015 and 40.2 days at June 30, 2014. A portfolio's 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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**NOTE C – CASH AND INVESTMENTS – (Continued)**

**2. Investments**

Investments held by the Foundation at June 30, 2015 and June 30, 2014, 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:

<u>2015 Investment Type</u>	<u>Maturity</u>	<u>Fair Market Value</u>
Federated Government Obligations	n/a	\$ 101,359
<b>Equities:</b>		
Alliance Bernstein Small Cap Growth		42,656
American EuroPacific Growth Fund		56,644
Fidelity Small Cap Value Fund		39,956
Harbor International Fund		57,297
Victory Munder Midcap Core Growth Fund		40,421
Oppenheimer Developing Markets Fund		30,268
Sentinel Common Stock Fund Class I		192,080
Vanguard 500 Index Fund		290,458
JP Morgan Mid Cap Value Fund		39,904
<b>Fixed Income:</b>		
Federated Total Return Bond Fund	Avg maturity 7.1 years Average quality A-	343,849
Pimco Funds Low Duration	Avg maturity 1.96 years Average quality A	204,505
Dodge and Cox Income Fund	Avg maturity 6.95 years average quality A	271,107
<b>TOTAL INVESTMENTS</b>		<u>\$ 1,710,504</u>

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**NOTE C – CASH AND INVESTMENTS – (Continued)**

**2. Investments – (Continued)**

<b>2014 Investment Type</b>	<b>Maturity</b>	<b>Fair Market Value</b>
Federated Government Obligations	n/a	\$ 127,972
<b>Equities:</b>		
Alliance Bernstein Small Cap Growth		37,623
American EuroPacific Growth Fund		48,662
Fidelity Small Cap Value Fund		36,978
Harbor International Fund		47,810
Mainstay Marketfield Fund		21,395
Munder Midcap Core Growth Fund		36,834
Oppenheimer Developing Markets Fund		29,234
Sentinel Common Stock Fund Class I		217,696
Vanguard 500 Index Fund		217,808
Vanguard Selected Value Fund		37,227
<b>Fixed Income:</b>		
Federated Total Return Bond Fund	Avg maturity 6.8 years Average quality A	265,278
Pimco Funds Low Duration	Avg maturity 3.5 years Average quality A	101,229
Pimco Total Return	Avg maturity 8.4 years Average quality A+	197,648
Goldman Sachs Strategic Income Fund	Avg maturity 5.8 years average quality A+	54,651
Other		1,387
<b>TOTAL INVESTMENTS</b>		<b>\$ 1,479,432</b>

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**NOTE C - CASH AND INVESTMENTS – (Continued)**

**2. Investments – (Continued)**

Credit Risk

The investment policy guidelines provide for a general portfolio allocation in which cash funds or equivalents (90 days or less) will generally not exceed 25% of investable assets; equity investments will not exceed 60%, and fixed income investments generally will not exceed 75%. The investment portfolio at June 30, 2015 meets the policy guidelines, with equities representing 46.2%, fixed income representing 47.9% and cash representing 5.9%.

Concentration of Credit Risk

There were no investments at June 30, 2015 and 2014 in which over 5% of the total investment portfolio derived from one issuer, excluding US government and US government agency-backed securities.

Interest Rate Risk

The Foundation's fixed income portfolio at June 30, 2015 and 2014 consisted primarily of mutual funds.

At June 30, 2015, the Federated Total Return Bond Fund held an average rating of A-. The average duration was 4.6 years and the average maturity was 7.1 years, with a weighted average price of 103.47% of par. At June 30, 2014, the Federated Total Return Bond Fund held an average rating of A and had 93% of its holdings rated B or better. The average duration was 4.30 years and the average maturity was 6.8 years, with a weighted average price of 106.94% of par.

At June 30, 2015, the PIMCO Low Duration Fund held an average rating of A. Effective average duration of this fund was 1.10 years, the effective average maturity was 1.96 years.

At June 30, 2014, the PIMCO Low Duration Fund held an average rating of A. Effective average duration of this fund was 2.8 years; the effective average maturity was 3.5 years.

At June 30, 2014, the PIMCO Total Return Fund held an average rating of A+. Effective average duration of this fund was 5.7 years, the effective average maturity was 8.4 years.

At June 30, 2014, the Goldman Sachs Strategic Income Fund held an average rating of A+. The average duration of this fund was 5.11 years, the effective average maturity was 5.8 years.

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**NOTE D – PLEDGES RECEIVABLE**

Pledges receivable at June 30, 2015 and 2014, consisted of the following:

	<u>2015</u>	<u>2014</u>
Amounts Pledged	\$ 74,401	\$ 121,647
Less present value discount	<u>(9,190)</u>	<u>(7,756)</u>
	65,211	113,891
Less allowance for uncollectible pledges	<u>(6,205)</u>	<u>(11,105)</u>
	<u>\$ 59,006</u>	<u>\$ 102,786</u>
Amounts due in:		
Less than one year	14,316	52,768
One to five years	<u>44,690</u>	<u>50,018</u>
	<u>\$ 59,006</u>	<u>\$ 102,786</u>

A ten percent allowance for uncollectible pledges has been provided for outstanding pledges from the Foundation's 40<sup>th</sup> Legacy Society and from the Foundation's EnvisionIt! Campaign which started during 2011.

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**NOTE E - CAPITAL ASSETS**

Capital assets consist of the following:

<b>As of June 30, 2015:</b>	Beginning Balance	Additions	Deletions	Ending Balance
Depreciable assets:				
Building	\$ 8,597,577	\$ -	\$ -	\$ 8,597,577
Studio, broadcast and other equipment	7,165,872	200,082	(211,344)	7,154,610
Total depreciable capital assets	<u>15,763,449</u>	<u>200,082</u>	<u>(211,344)</u>	<u>15,752,187</u>
Less accumulated depreciation for:				
Building	3,055,131	209,287	-	3,264,418
Studio, broadcast and other equipment	6,756,611	187,063	(211,344)	6,732,330
Total accumulated depreciation	<u>9,811,742</u>	<u>396,350</u>	<u>(211,344)</u>	<u>9,996,748</u>
Net depreciable assets	<u>\$ 5,951,707</u>	<u>\$ (196,268)</u>	<u>\$ -</u>	<u>\$ 5,755,439</u>
 <b>As of June 30, 2014:</b>				
Depreciable assets:				
Building	\$ 8,597,577	\$ -	\$ -	\$ 8,597,577
Studio, broadcast and other equipment	7,857,875	14,818	(706,821)	7,165,872
Total depreciable capital assets	<u>16,455,452</u>	<u>14,818</u>	<u>(706,821)</u>	<u>15,763,449</u>
Less accumulated depreciation for:				
Building	2,845,844	209,287	-	3,055,131
Studio, broadcast and other equipment	7,233,820	229,612	(706,821)	6,756,611
Total accumulated depreciation	<u>10,079,664</u>	<u>438,899</u>	<u>(706,821)</u>	<u>9,811,742</u>
Net depreciable assets	<u>\$ 6,375,788</u>	<u>\$ (424,081)</u>	<u>\$ -</u>	<u>\$ 5,951,707</u>

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**NOTE F - PREPAID LEASE**

In 2001, the Station entered into an operating lease for 160 acres of land improved with a transmitter building and a transmission tower. Under the terms of the lease the Station made a prepaid base rent payment of \$1,000,000. This prepaid rent is being recognized over the lease term of 15 years or \$65,000 per year. The lease was renewed on 2016 as specified in the terms of the original lease agreement.

**NOTE G - 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, 2015 were as follows:

Balance at July 1, 2014	\$ 92,914
Additions	13,331
Deletions	<u>(31,361)</u>
Balance at June 30, 2015	<u>\$ 74,884</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 obtained in the financial statements for the College.

**NOTE H - COLLEGE SUPPORT**

In addition to state appropriations and other direct support totaling \$1,294,664 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 \$833,534 for the year ended June 30, 2015. Comparable amounts for the year ended June 30, 2014 were direct support of \$1,223,975 and indirect support of \$749,662. These donated facilities and administrative support are recorded as revenue and expense in the accompanying financial statements.

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**NOTE H - COLLEGE SUPPORT – (Continued)**

These indirect expenses for 2015 and 2014, respectively, are distributed functionally as follows:

	<u>2015</u>	<u>2014</u>
Programming and Production	\$ 444,583	\$ 423,108
Broadcasting	137,900	136,703
Fund Raising and Development	119,555	86,783
Management and General	<u>131,496</u>	<u>103,068</u>
Total Expenses	<u>\$ 833,534</u>	<u>\$ 749,662</u>

**NOTE I - 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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
<u>In-Kind Contributions Revenue</u>	<u>\$ 219,702</u>	<u>\$ 171,521</u>
<u>In-Kind Contributions Expense</u>		
Programming and Production	165,124	123,746
Broadcasting	25,159	13,350
Fundraising and Development	3,205	111
Management and General	<u>26,214</u>	<u>34,314</u>
Total Expenses	<u>\$ 219,702</u>	<u>\$ 171,521</u>

**NOTE J - 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 restricted gifts and grants received that are not recognized as revenue because not all eligibility requirements have been met, primarily time requirements, of the applicable gift or grant.



**WSRE-TV STATION  
A PUBLIC COMMUNICATIONS ENTITY OPERATED BY THE  
DISTRICT BOARD OF TRUSTEES, PENSACOLA STATE COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

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**NOTE K - 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 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 2015 or 2014 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 \$67,593 and \$67,593 as of June 30, 2015 and 2014, respectively.

**NOTE L - 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.

**NOTE M - 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. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years. General liability and property coverage for the Foundation are provided through purchased commercial insurance with minimum deductibles for each line of coverage.

## **SUPPLEMENTARY INFORMATION**

**WSRE-TV STATION**  
**A PUBLIC COMMUNICATIONS ENTITY OPERATED BY THE**  
**DISTRICT BOARD OF TRUSTEES, PENSACOLA STATE COLLEGE**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	Program Services			Supporting Services			2015 Total Expenses	2014 Total Expenses
	Programming and Production	Broadcasting	Total	Fundraising and Development	Management and General	Total		
Salaries	\$ 463,459	\$ 170,129	\$ 633,588	\$ 197,484	\$ 165,939	\$ 363,423	\$ 997,011	\$ 849,416
Payroll taxes	31,898	12,426	44,324	15,056	10,841	25,897	70,221	58,818
Fringe benefits	107,618	33,460	141,078	46,286	31,143	77,429	218,507	184,562
	602,975	216,015	818,990	258,826	207,923	466,749	1,285,739	1,092,796
Rent	23,533	106,125	129,658	3,807	-	3,807	133,465	144,625
Utilities	150,802	141,113	291,915	6,213	31,066	37,279	329,194	295,384
Memberships and subscriptions	90	81	171	1,588	1,006	2,594	2,765	2,690
Repair & maintenance	1,907	38,360	40,267	16,727	6,643	23,370	63,637	84,636
Professional services	168	-	168	-	39,393	39,393	39,561	34,730
Travel	12,258	3,910	16,168	2,763	10,518	13,281	29,449	16,011
Pledge Premiums	-	-	-	80,527	-	80,527	80,527	70,373
Program acquisitions/license fees	626,988	-	626,988	-	-	-	626,988	782,921
Programming affinity group fees	-	-	-	-	40,003	40,003	40,003	39,882
Program traffic expense	24,000	-	24,000	-	-	-	24,000	42,240
Videotape/storage media	3,050	-	3,050	-	-	-	3,050	98
Minor equipment purchases	45,387	9,419	54,806	525	4,097	4,622	59,428	12,584
Hospitality	333	-	333	4,358	3,522	7,880	8,213	6,760
Contracted labor	110,354	10,621	120,975	17,985	50,275	68,260	189,235	242,719
Software	798	3,000	3,798	3,000	-	3,000	6,798	9,851
Insurance	-	13,822	13,822	-	7,412	7,412	21,234	21,026
Honoraria fees	-	-	-	-	600	600	600	1,250
Supplies	11,687	1,627	13,314	2,621	1,788	4,409	17,723	28,178
Freight and postage	2,082	195	2,277	4,376	289	4,665	6,942	14,252
Communication	7,681	3,172	10,853	2,194	4,682	6,876	17,729	14,683
Printing	3,776	-	3,776	18,547	1,132	19,679	23,455	13,392
Advertising	26,928	-	26,928	7,386	1,369	8,755	35,683	19,060
Taxes	3,150	3,415	6,565	-	329	329	6,894	8,582
Other Services	267,722	1,275	268,997	46,571	12,619	59,190	328,187	119,873
Bank fees	-	-	-	11,236	1,695	12,931	12,931	9,843
Depreciation	241,680	114,642	356,322	6,279	33,749	40,028	396,350	438,899
Bad debt expense	-	-	-	-	-	-	-	6,820
	1,564,374	450,777	2,015,151	236,703	252,187	488,890	2,504,041	2,481,362
	2,167,349	666,792	2,834,141	495,529	460,110	955,639	3,789,780	3,574,158
Florida Dept. of Education	-	24,828	24,828	-	8,276	8,276	33,104	17,566
Donated materials and services	165,124	331	165,455	3,205	17,938	21,143	186,598	153,955
<b>TOTAL IN-KIND</b>	165,124	25,159	190,283	3,205	26,214	29,419	219,702	171,521
Pensacola State College - Occupancy	444,583	137,900	582,483	119,555	131,496	251,051	833,534	749,662
<b>TOTAL INDIRECT</b>	444,583	137,900	582,483	119,555	131,496	251,051	833,534	749,662
	\$ 2,777,056	\$ 829,851	\$ 3,606,907	\$ 618,289	\$ 617,820	\$ 1,236,109	\$ 4,843,016	\$ 4,495,341

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 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, 2015, and the related notes to the financial statements, which collectively comprise the Station's basic combined financial statements, and have issued our report thereon dated February 9, 2016.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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.

*Warren Averett, LLC*

February 9, 2016  
Pensacola, Florida