DISTRICT BOARD OF TRUSTEES
PENSACOLA STATE COLLEGE
WSRE-TV STATION

FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

DISTRICT BOARD OF TRUSTEES
PENSACOLA STATE COLLEGE
WSRE-TV STATION

FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

TABLE OF CONTENTS

Warren Averett
CPAs AND ADVISORS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees - Pensacola State College
WSRE-TV Station
Pensacola, Florida

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, 2013 and 2012, 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.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2013 and 2012, 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 on pages 5 through 13 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 dated December 17, 2013, 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.

Warren Averett, LLC

December 17, 2013
Pensacola, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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, 2013 and 2012. 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 2012-13 and 2011-12 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 has operated as a non-commercial public television station regulated by the Federal Communications Commission under licensure to the District Board of Trustees of the College since 1968. 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% and 27% of the Station's operating revenue in 2013 and 2012, respectively. The Foundation operates under the governance of a 27-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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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

2013 HIGHLIGHTS

- The Station's financial position remained strong during fiscal year 2013, with operating revenues of $4 million, although this was a slight decrease from $4.1 million in fiscal year 2012. Significant changes are noted below.

  1) Operating grants increased 15% from 2012, due to the restoration in 2013 of the funding for Florida's Public Television Station Community Service Grant program, vetoed for 2011-12 by the Governor. This significant loss of funding, approximately $307,000, for the Station presented a major challenge for fiscal year 2012. Funds available from the *EnvisionIt!* Campaign were made available to continue support in 2012 for programming and local productions, and, through personnel reductions and other budgetary adjustments, the Station was able to absorb this unexpected shortfall in state funding with minimal impact to services provided to the public (see discussion of this campaign below).
  2) Sales and services income decreased by 60%, as use of uplink services and use of station facilities by others declined in 2013. The decline in uplink services is directly related to changes in technology that encourage other inexpensive alternatives to this service. The station continues to market its production facilities and services, and is hiring a business development manager to aggressively pursue new clients to improve this revenue stream.

  In spite of significant economic recessionary trends globally, in the United States and in Northwest Florida, the Foundation's revenues from special events and donations continued to hold steady in 2013 and 2012. 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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

successful fundraising efforts helping to garner additional operational funds as well. These included a very successful Wine & Food Classic event in Pensacola, complimented with a Ladies Tea held in both Pensacola and Destin. Total gross revenue for the three events was approximately $174,000. 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 and funding from Pensacola State College provided a sound basis of operational support for the Station in 2013.

- 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 in 2011-12, 2012-13 and will continue into 2014 and 2015. Funds expended from this source to support station programming and local production in 2013 was $130,300.

- 2013 continued the Station's efforts toward greater local program production begun in 2012. Complementing WSRE's lineup of regular programs such as *AWARE, Pensacola State Perspectives, and Legislative Review, In Your Own Backyard, Conversations with Jeff Weeks*, and a fourth season of *Studio Amped,* WSRE also produced a special musical program for air featuring famed guitarist Tommy Emmanuel live in the Amos Studio in 2013. 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. The culmination of the CPB-funded *Ready to Learn* initiative in 2011 was offset by the award of a private foundation grant for this program and will provide for continuation of this valuable literacy program in Okaloosa and Walton counties through 2014. WSRE and PBS-station WFSU in Tallahassee collaborate and share funding for this important program.

- 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

- 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. The Foundation will continue to seek grants and donations to continue support for content designed for rapidly changing 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. The components of the investment portfolio are detailed in Footnote C, pages 23-27, of the attached Financial Statements. The portfolio saw a 9% growth during fiscal year 2013 as economic conditions nationally improved.

- Operating expense exceeded operating revenue for both 2013 and 2012 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:

	2013	2012
Net operating loss as reported	$ (795,578)	$ (771,033)
Depreciation	565,515	739,842
Adjusted net operating income (loss)	$ (230,063)	$ (31,191)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

> The remaining adjusted net operating loss in 2013 is due primarily to the expenditure of *EnvisionIt!* donations recognized as income in 2011, as noted above. Review of the Station's Cash Flow Statement in conjunction with the Income Statement and Balance Sheet is important as it provides additional information regarding the Station's operations. This Statement also reflects the use of prior year *EnvisionIt!* donations to fund expenditures in 2013.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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.

	JUNE 30, 2013	JUNE 30, 2012
Assets		
Current	$ 2,277,148	$ 2,544,960
Noncurrent	155,048	273,083
Investments	1,227,101	1,122,670
Capital assets, net	6,375,788	6,896,344
Total Assets	**$ 10,035,085**	**$ 10,837,057**
Liabilities and Net Position		
Liabilities:		
Current	$ 1,155,461	$ 1,319,056
Noncurrent	82,364	87,793
Total Liabilities	1,237,825	1,406,849
Net Position:		
Invested in capital assets	6,375,788	6,896,344
Restricted	1,097,208	1,142,947
Unrestricted	1,324,264	1,390,917
Total Net Position	8,797,260	9,430,208
Total Liabilities and Net Position	**$ 10,035,085**	**$ 10,837,057**

The decrease in Non Current Assets reflects the transition of future years' *EnvisionIt!* pledges into current year receivable and cash status as repayments continue. The increase in Investments reflects interest and dividend income in the Foundation's portfolio during 2013. 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 2013. (See Footnote E, page 28).

Current Liabilities are comprised primarily of gifts and grant receipts, approx. $1.1 million, that are recorded as deferred 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 change in deferred compensation is detailed in Footnote G, page 29. The Foundation maintains an open line of credit for $100,000 with a local financial institution, which was not utilized in either 2012-2013 or 2011-2012. The Station did not utilize loans, cash advances or any other formalized debt during 2012-13 or 2011-12.

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 (2013 only, as funding was vetoed in 2012) 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 15.

Summarized *Statements of Revenues, Expenses and Changes in Net Position* for the Station for the years ended June 30, 2013 and 2012 follow.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

	FOR THE YEAR ENDED	
	JUNE 30, 2013	JUNE 30, 2012
Operating Revenues		
Revenues	$ 4,032,868	$ 4,112,227
Expenses	4,828,446	4,883,260
Net Operating Loss	(795,578)	(771,033)
Non-operating Revenue		
Net investment income	25,710	24,305
Gain (loss) on investments	87,426	(5,020)
Net Non-operating Revenue	113,136	19,285
Capital Grants	49,494	32,169
Increase (decrease) in Net Position	**(632,948)**	**(719,579)**
Net Position, Beginning of Year	9,430,208	10,149,787
Net Position, End of Year	**$ 8,797,260**	**$ 9,430,208**

Operating revenue and expense for 2013 were comparable to 2012. 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.

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)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The information below is summarized to show the total net change in cash for the years ended June 30, 2013 and 2012. As part of the detailed statement on page 16, 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 2013 reflects expenditures from prior year *EnvisionIt!* funds and also the use of funds received in prior years for WSRE's literacy programs used in 2013 for the start-up costs for the Imagination Station.

Summarized *Statements of Cash Flows* for the years ended June 30, 2013 and 2012 follow.

	FOR THE YEAR ENDED JUNE 30, 2013	FOR THE YEAR ENDED JUNE 30, 2012
Cash Provided (Used) By:		
Operating Activities	$ (166,020)	$ (16,931)
Capital and Related Financing Activities	3,271	1,527
Investing Activities	8,705	6,207
Net Increase (Decrease) in Cash	**(154,044)**	**(9,197)**
Cash, Beginning of Year	2,155,869	2,165,066
Cash, End of Year	**$ 2,001,825**	**$ 2,155,869**

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, 2013 and 2012

ASSETS	2013	2012
CURRENT ASSETS		
Cash	$ 1,545,306	$ 1,575,948
Restricted cash	456,519	579,921
Accounts receivable	71,348	71,432
Real estate held for sale	30,000	30,000
Pledges receivable (net of allowance for uncollectible pledges of $6,145 and $15,199)	56,852	141,104
Prepaid assets	117,123	146,555
Total current assets	2,277,148	2,544,960
NONCURRENT ASSETS		
Pledges receivable (net of allowance for uncollectible pledges of $9,753 and $15,898)	90,048	143,083
Prepaid lease	65,000	130,000
Investments	1,227,101	1,122,670
Capital assets (net)	6,375,788	6,896,344
Total noncurrent assets	7,757,937	8,292,097
Total assets	$ 10,035,085	$ 10,837,057
LIABILITIES & NET POSITION		
CURRENT LIABILITIES		
Accounts payable	$ 37,248	$ 120,202
Accrued liabilities	25,874	23,614
Compensated absences	18,031	-
Deferred revenue	1,074,308	1,175,240
Total current liabilities	1,155,461	1,319,056
NONCURRENT LIABILITIES		
Compensated absences	82,364	87,793
NET POSITION		
Invested in capital assets	6,375,788	6,896,344
Restricted	1,097,208	1,142,947
Unrestricted	1,324,264	1,390,917
Total net position	8,797,260	9,430,208
Total liabilities and net position	$ 10,035,085	$ 10,837,057

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

WSRE-TV Station
A Public Telecommunications Entity Operated by the
District Board of Trustees, Pensacola State College
STATEMENTS OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
For the years ended June 30, 2013 and 2012

	2013	2012
OPERATING REVENUES		
Operating grants	$ 1,251,078	$ 1,087,017
Direct support - Pensacola State College	1,120,054	1,188,667
Contributions and program underwriting	678,455	700,519
Use of facilities and other indirect administrative support from Pensacola State College	707,844	718,587
Inkind support	178,322	203,333
Sales and services	60,608	153,216
Other operating revenues	36,507	60,888
Total operating revenues	4,032,868	4,112,227
OPERATING EXPENSES		
Program services		
Programming and production	2,639,099	2,366,556
Broadcasting	975,938	1,211,515
Total program services	3,615,037	3,578,071
Supporting services		
Fundraising and development	644,315	689,625
Management and general	569,094	615,564
Total supporting services	1,213,409	1,305,189
Total operating expenses	4,828,446	4,883,260
Net operating loss	(795,578)	(771,033)
NONOPERATING REVENUES (EXPENSES)		
Investment income (net)	25,710	24,305
Gain (Loss) on investments	87,426	(5,020)
	113,136	19,285
Loss before capital grants and donations	(682,442)	(751,748)
CAPITAL GRANTS AND DONATIONS	49,494	32,169
Increase (decrease) in net position	(632,948)	(719,579)
NET POSITION		
Beginning of year	9,430,208	10,149,787
End of year	$ 8,797,260	$ 9,430,208

The accompanying notes are an integral part of these 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, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from operating grants	$ 1,150,146	$ 904,606
Cash receipts from Pensacola State College	1,120,054	1,247,512
Cash receipts from contributions and program underwriting	815,742	827,961
Cash receipts from sales and services to others	60,692	75,140
Cash receipts from other operating revenue	36,507	60,888
Cash payments to employees	(1,054,693)	(1,196,742)
Cash payments for operating expenses	(2,294,468)	(1,936,296)
Net cash flows from operating activities	(166,020)	(16,931)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants, gifts, and allocations received	49,494	32,169
Purchase of capital assets	(46,223)	(30,642)
Net cash flows from capital and related financing activities	3,271	1,527
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(223,429)	(164,102)
Sale of investments	206,424	147,579
Payments for investment management	(4,962)	(4,574)
Dividends/interest proceeds	30,672	27,304
Net cash flows from investing activities	8,705	6,207
NET INCREASE (DECREASE) IN CASH	(154,044)	(9,197)
CASH AT BEGINNING OF YEAR	2,155,869	2,165,066
CASH AT END OF YEAR	$ 2,001,825	$ 2,155,869
RECONCILIATION TO BALANCE SHEET		
Cash	$ 1,545,306	$ 1,575,948
Restricted Cash	456,519	579,921
	$ 2,001,825	$ 2,155,869
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating income (loss)	$ (795,578)	$ (771,033)
Adjustments to reconcile to net cash provided (used) by operating activities		
Depreciation	565,514	739,841
Uncollectible pledges/accounts receivable	(16,999)	(13,885)
(Increase) decrease in operating assets:		
Accounts receivable	2,584	(19,161)
Pledges receivable	151,786	148,311
Prepaid assets	94,432	54,912
Increase (decrease) in operating liabilities:		
Accounts payable	(81,689)	91,085
Accrued liabilities	2,260	(9,828)
Deferred revenue	(100,932)	(182,481)
Compensated absences	12,602	(54,692)
Total adjustments	629,558	754,102
Net cash flows from operating activities	$ (166,020)	$ (16,931)
SUPPLEMENTAL CASH FLOW INFORMATION		
Taxes paid	$ 7,730	$ 14,900

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

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. 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.

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

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.

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:

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

5. Capital Assets – (Continued)

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

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.

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

6. Net Position – (Continued)

- *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.

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 deferred revenue until the monies are expended for the purposes authorized.

Program production grants are reported as deferred 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.

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

7. Revenues and Expenses – (Continued)

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.

8. 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.

9. 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.

10. 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.

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

11. 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. With few exceptions, the Foundation is no longer subject to U.S. federal, state, or local income tax examinations by tax authorities for years before 2010.

12. Advertising

Advertising costs are expensed as incurred and were $36,125 and $13,569 for the years ended June 30, 2013 and 2012, respectively.

13. 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.

14. Reclassifications

Certain reclassifications were made to the 2012 financial statements to confirm them to the classifications used in 2013.

15. Events Occurring After Reporting Date

The Station has evaluated events and transactions that occurred between June 30, 2013 and December 17, 2013, 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 unrestricted cash consists of cash on hand, cash in demand accounts, money market funds, the SBA Florida PRIME investment account and overnight repurchase agreements.

At year end the carrying amounts of the Station's bank deposits held in the accounts of the College were $1,008,359 and $985,532 as of June 30, 2013 and 2012, 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, 2013 and 2012, the Foundation's cash and money funds held in bank and brokerage accounts before deposits in transit and outstanding checks were $655,438 and $515,602, 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, 2013 and 2012 the balances in the cash and money market funds were FDIC or SIPC insured.

The Foundation also invests in overnight repurchase agreements; these balances at June 30, 2013 and 2012 were $352,000 and $477,000, respectively, and were entirely collateralized by government agency securities. The concentration of credit risk, interest rate risk, and foreign currency risk requirements do not apply to the Foundation's cash and cash equivalent balances.

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, 2013 and 2012, the Foundation's balances in Florida PRIME were $143,294 and $139,836, 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, 2013 and 2012.

Interest Rate Risk: The weighted average days to maturity (WAM) of Florida PRIME's investment portfolio was 42.8 days at June 30, 2013 and 38.0 days at June 30, 2012. 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.

Restricted cash consists of funds received from donors for remaining digital television conversion costs and other equipment related purchases, endowment contributions to further WSRE operations in the future, and gifts and grants from donors restricted for a specific purpose.

2. Investments

Investments held by the Foundation at June 30, 2013 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).

NOTE C - CASH AND INVESTMENTS -- (Continued)

2. Investments -- (Continued)

The position of the investments held by the Foundation at June 30, 2013 and June 30, 2012 are as shown in the following tables:

2013

Investment Type	Maturity	Fair Market Value
Federated Government Obligations	n/a	$ 65,853
Equities		
Alliance Bernstein Small Cap Growth		25,944
American Europacific Growth Fund A		41,152
Columbia Dividend Opportunity Fund		75,037
Fidelity Small Cap Value Fund		25,506
Harbor International Fund		40,399
Leuthold Asset Allocation Fund		19,945
Munder Midcap Core Growth Fund		41,349
Oppenheimer Developing Markets Fund		30,061
Sentinel Common Stock Fund Class I		300,355
Victory Established Value Fund		39,641
Fixed Income		
Federated Total Return Bond Fund	Avg maturity 6.9 years Avg quality A+	281,512
Pimco Funds Low Duration	Avg maturity 3.40 years Avg quality AA	78,983
Pimco Total Return	Avg maturity 6.70 years Avg quality AA-	157,632
Other		3,732
Total Investments		**$ 1,227,101**
Short Term Investments		$ -0-
Long Term Investments		1,227,101
Total Investments		**$ 1,227,101**

NOTE C - CASH AND INVESTMENTS -- (Continued)

2. Investments -- (Continued)

2012

Investment Type	Maturity	Fair Market Value
Federated Government Obligations	n/a	$ 79,072
Equities		
ICM Small Company Portfolio		22,440
American Europacific Growth Fund A		36,256
Harbor International Fund		36,097
Leuthold Asset Allocation Fund		19,332
Munder Midcap Core Growth Fund		33,790
Sentinel Common Stock Fund Class I		320,106
Sentinel Small Company Fund		22,348
Vanguard Emerging Markets Stock Index Fund		28,671
Victory Established Value Fund		33,931
Fixed Income		
Federated Total Return Bond Fund	Avg maturity 6.0 years Avg quality A+	265,623
Pimco Funds Low Duration	Avg maturity 3.73 years Avg quality AA	72,553
Pimco Total Return	Avg maturity 6.99 years Avg quality AA-	146,859
Other		5,593
Total Investments		**$ 1,122,670**

Short Term Investments	$ -0-
Long Term Investments	1,122,670
Total Investments	**$ 1,122,670**

NOTE C - CASH AND INVESTMENTS -- (Continued)

1. 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, 2013 meets the policy guidelines, with equities representing 52.3%, fixed income representing 42.4% and cash representing 5.3%.

Concentration of Credit Risk

There were no investments at June 30, 2013 and 2012 in which over 5% of the total investment portfolio was 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, 2013 and 2012 consisted primarily of mutual funds.

As provided by Morningstar, at June 30, 2013 the Federated Total Return Bond Fund held an average rating of A+ and had 94% of its holdings rated B or better. The average duration was 4.5 years and the average maturity was 6.4 years, with a weighted average price of 105.52% of par. At June 30, 2012, the Federated Total Return Bond Fund held an average rating of A+ and had 98% of its holdings rated B or better. The average duration was 6.0 years and the average maturity was 4.1 years, with a weighted average price of 108.44% of par.

At June 30, 2013, the PIMCO Low Duration Fund held an average rating of AA-. Effective average duration of this fund was 3.50 years, the effective average maturity was 3.50 years. At June 30, 2012, the PIMCO Low Duration Fund held an average rating of AA. Effective average duration of this fund was 2.80 years; the effective average maturity was 3.73 years.

At June 30, 2013, the PIMCO Total Return Fund an average rating of AA-. Effective average duration of this fund was 5.80 years, and the effective average maturity was 6.50 years. At June 30, 2012, the PIMCO Total Return Fund held an average rating of AA-. Effective average duration of this fund was 4.82 years; the effective average maturity was 6.99 years.

NOTE D – PLEDGES RECEIVABLE

Pledges receivable at June 30, 2013 and 2012 consist of the following:

	2013	2012
Pledges receivable	$ 173,197	$ 327,887
Less present value discount	(10,399)	(12,603)
	162,798	315,284
Less allowance for uncollectible pledges	(15,898)	(31,097)
Net collectable pledges receivable	$ 146,900	$ 284,187
Amounts due in:		
Less than one year	$ 56,852	$ 141,104
One to four years	90,048	143,083
	$ 146,900	$ 284,187

A ten percent allowance for uncollectible pledges has been provided for outstanding pledges from the Foundation's 40th Legacy Society and from the Foundation's 2011 EnvisionIt! Campaign.

NOTE E - CAPITAL ASSETS

Capital assets consist of the following as of and for the years ended June 30, 2013 and 2012:

	2013			
	Beginning Balance	Additions	Deletions	Ending Balance
Depreciable assets:				
Building	$ 8,597,577	$ --	$ --	$8,597,577
Studio, broadcast, and other equipment	7,900,738	44,958	87,821	7,857,875
Total depreciable capital assets	16,498,315	44,958	87,821	16,455,452
Less accumulated depreciation for:				
Building	$ 2,636,557	$ 209,287	$ --	$2,845,844
Studio, broadcast, and other equipment	6,965,414	356,227	87,821	7,233,820
Total accumulated depreciation	9,601,971	565,514	87,821	10,079,664
Net depreciable assets	$ 6,896,344	$ (520,556)	$ --	$6,375,788

NOTE E - CAPITAL ASSETS -- (Continued)

	2012			
	Beginning Balance	Additions	Deletions	Ending Balance
Depreciable assets:				
Building	$ 8,597,577	$ --	$ --	$8,597,577
Studio, broadcast, and other equipment	8,313,493	31,907	444,662	7,900,738
Total depreciable capital assets	16,911,070	31,907	444,662	16,498,315
Less accumulated depreciation for:				
Building	$ 2,427,270	$ 209,287	$ --	$2,636,557
Studio, broadcast, and other equipment	6,879,522	530,554	444,662	6,965,414
Total accumulated depreciation	9,306,792	739,841	444,662	9,601,971
Net depreciable assets	$ 7,604,278	$ (707,934)	$ --	$6,896,344

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.

NOTE G - COMPENSATED ABSENCES AND POSTEMPLOYMENT BENEFITS

Station employees 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, 2013 were as follows:

Balance at July 1, 2012	$ 87,793
Additions	25,905
Deletions	(13,303)
Balance at June 30, 2013	$ 100,395

NOTE G - COMPENSATED ABSENCES AND POSTEMPLOYMENT BENEFITS -- (Continued)

The College follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment health care benefits provided through the Florida Community College Risk Management Consortium and life benefits through purchased commercial insurance. The College contributes to a cost-sharing multiple-employer defined benefit plan administered by the Consortium for postemployment health care benefits and is a single-employer defined benefit program for life benefits. Station employees, as employees of the College, are eligible to receive these benefits. As the amount of the Station's proportionate share of the College's unfunded amortized actuarial accrued liability and the annual normal cost are immaterial for both 2013 and 2012, no liability or expense for the related annual required contribution has been recorded in the station's financial statements for this period.

NOTE H - COLLEGE SUPPORT

In addition to state appropriations and other direct support totaling $1,120,054 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 $707,844 for the year ended June 30, 2013. Comparable amounts for the year ended June 30, 2012 were direct support of $1,188,667 and indirect support of $718,587. These donated facilities and administrative support are recorded as revenue and expense in the accompanying financial statements. These indirect expenses for 2013 and 2012, respectively, are distributed functionally as follows:

	2013	2012
Programming and Production	$ 396,229	$ 380,052
Broadcasting	122,977	120,634
Fund Raising and Development	82,958	83,464
Management and General	105,680	134,437
Total Expenses	$ 707,844	$ 718,587

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, 2013 and 2012:

NOTE I - IN-KIND CONTRIBUTIONS -- (Continued)

	2013	2012
In-Kind Contributions Revenue	$ 178,322	$ 203,333
In-Kind Contributions Expense		
Programming and Production	$ 129,153	$ 132,554
Broadcasting	20,088	17,300
Fundraising and Development	4,169	32,086
Management and General	24,912	21,393
Total Expenses	$ 178,322	$ 203,333

NOTE J - DEFERRED REVENUE

Cash advances received through community service grants from the Corporation for Public Broadcasting and from the Florida Department of Education are recorded as deferred revenue when received and revenues are recognized when expenditures of the grant funds are incurred. Other deferred revenue is recorded from restricted gifts and grants received that are not recognized until expenditures are made as stipulated by the donors/grantors.

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 2013 or 2012 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 and matching awards available to the Station were $67,593 and $66,358 as of June 30, 2013 and 2012, respectively.

NOTE L - CONCENTRATIONS OF RISK

The Station's operations are funded by federal and state community service grants, cash and inkind 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. In June of 2011, the Station was notified that state community service grant funding for public television and radio through the Florida Department of Education was eliminated by the Governor from the state budget for fiscal year 2011-12. Through personnel and budgetary adjustments, the Station was able to absorb this unexpected shortfall in state funding with minimal impact to services provided to the public. These funds were partially restored for fiscal year 2012-13.

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.

ADDITIONAL INFORMATION

A Public Telecommunications Entity Operated by the
District Board of Trustees, Pensacola State College
SCHEDULE OF FUNCTIONAL EXPENSES
For the year ended June 30, 2013 with comparative totals for 2012

	Program Services			Supporting Services				
	Programming and Production	Broadcasting	Total	Fundraising and Development	Management and General	Total	2013 Total Expenses	2012 Total Expenses
1. Personnel Expense								
a. Salaries	$ 371,272	$ 197,438	$ 568,710	$ 152,810	$ 113,603	$ 266,413	$ 835,123	$ 938,413
b. Payroll taxes	25,551	14,573	40,124	11,257	8,112	19,369	59,493	64,719
c. Fringe benefits	81,987	30,659	112,646	29,528	33,876	63,404	176,050	146,971
TOTAL PERSONNEL EXPENSES	478,810	242,670	721,480	193,595	155,591	349,186	1,070,666	1,150,103
2. Operating Expense								
a. Rent	1,417	106,500	107,917	23,134	86	23,220	131,137	112,239
b. Utilities	115,925	129,482	245,407	4,428	24,992	29,420	274,827	300,838
c. Memberships and subscriptions	246	--	246	--	2,517	2,517	2,763	2,754
d. Repair & maintenance	2,323	53,556	55,879	14,642	5,772	20,414	76,293	157,393
e. Professional services	385	--	385	--	40,939	40,939	41,324	46,460
f. Travel	11,636	1,558	13,194	9,631	7,596	17,227	30,421	19,434
g. Pledge Premiums	--	--	--	66,208	--	66,208	66,208	55,313
h. Program acquisitions/license fees	829,564	--	829,564	54,000	--	54,000	883,564	723,458
i. Programming affinity group fees	1,644	70	1,714	--	37,710	37,710	39,424	38,651
j. Program traffic expense	63,620	--	63,620	--	--	--	63,620	61,695
k. Videotape/storage media	3,699	--	3,699	--	--	--	3,699	4,360
l. Minor equipment purchases	32,986	7,670	40,656	1,234	3,395	4,629	45,285	12,178
m. Hospitality	2,536	--	2,536	2,600	4,451	7,051	9,587	6,236
n. Contracted labor	133,867	10,011	143,878	28,569	88,683	117,252	261,130	216,109
o. Software	1,254	1,514	2,768	--	10,929	10,929	13,697	283
p. Insurance	1,208	13,364	14,572	313	7,723	8,036	22,608	20,849
q. Honoraria fees	--	--	--	6,800	--	6,800	6,800	300
r. Supplies	30,102	2,048	32,150	9,738	2,810	12,548	44,698	25,731
s. Freight and postage	2,146	470	2,616	9,378	569	9,947	12,563	14,744
t. Communication	7,496	3,690	11,186	2,783	4,622	7,405	18,591	15,733
u. Printing	1,886	--	1,886	12,680	1,047	13,727	15,613	29,883
v. Advertising	25,654	--	25,654	6,475	3,996	10,471	36,125	13,569
w. Taxes	--	7,282	7,282	--	574	574	7,856	16,199
x. Other Services	92,188	1,465	93,653	94,020	410	94,430	188,083	158,682
y. Bank fees	34	20	54	9,772	357	10,129	10,183	11,320
z. Depreciation	273,091	251,503	524,594	7,188	33,733	40,921	565,515	739,842
aa. Bad debt expense	--	--	--	--	--	--	--	6,984
TOTAL OPERATING EXPENSES	1,634,907	590,203	2,225,110	363,593	282,911	646,504	2,871,614	2,811,237
TOTAL DIRECT EXPENSES	2,113,717	832,873	2,946,590	557,188	438,502	995,690	3,942,280	3,961,340
IN-KIND:								
Florida Dept. of Education	--	20,088	20,088	--	6,474	6,474	26,562	19,491
Donated materials and services	129,153	--	129,153	4,169	18,438	22,607	151,760	183,842
TOTAL IN-KIND	129,153	20,088	149,241	4,169	24,912	29,081	178,322	203,333
INDIRECT:								
Pensacola State College	396,229	122,977	519,206	82,958	105,680	188,638	707,844	718,587
TOTAL INDIRECT	396,229	122,977	519,206	82,958	105,680	188,638	707,844	718,587
TOTAL EXPENSES	$ 2,639,099	$ 975,938	$ 3,615,037	$ 644,315	$ 569,094	$ 1,213,409	$ 4,828,446	$ 4,883,260

See independent auditor's report.

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

Board of Trustees - Pensacola State College
WSRE-TV Station
Pensacola, Florida

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, 2013, 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 December 17, 2013.

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

December 17, 2013
Pensacola, Florida