

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

FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

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

FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	5
FINANCIAL STATEMENTS	
Statements of Net Position	14
Statements of Revenues, Expenses and Changes in Net Position	15
Statements of Cash Flows	16
Notes to Financial Statements	17
ADDITIONAL INFORMATION	
Schedule of Functional Expenses	32
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 <i>GOVERNMENT AUDITING STANDARDS</i>	33

INDEPENDENT AUDITORS' 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, 2014 and 2013, 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, 2014 and 2013, 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 January 13, 2015 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

January 13, 2015
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)

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, 2014 and 2013. 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 2013-14 and 2012-13 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% of the Station's operating revenue in both 2014 and 2013. 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.

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)

WSRE-TV STATION
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY THE
DISTRICT BOARD OF TRUSTEES, PENSACOLA STATE COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

- National, statewide and local economic conditions that affect corporate and individual philanthropy
- Technological and regulatory changes occurring within the broadcast/public media industry

2014 HIGHLIGHTS

- The Station's financial position remained strong during fiscal year 2014, with operating revenues of \$4.08 million, a slight increase from \$4.03 million in fiscal year 2013.
- 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 2014 and 2013. 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 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 events was approximately \$202,000. Contributions to the Station through the Foundation increased from the prior year, from \$678,455 to \$706,063. 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 2014.
- 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 2013-14, and will continue into 2015. Funds expended from this source to support station programming and local production in 2014 and 2013 were \$124,464 and \$130,300, respectively.
- 2014 continued the Station's efforts toward greater local program production. 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*, was expanded to include *RALLY*, WSRE's signature pre-election debate programming during election season. 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.

WSRE-TV STATION
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY THE
DISTRICT BOARD OF TRUSTEES, PENSACOLA STATE COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

- 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 2015. 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. During 2014, \$30,000 in major support was received from the Kugelman Foundation for this initiative. Additional funding to support this exceptional facility is provided to the Station by the Florida Department of Education.
- 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, and now is fully integrated with national PBS offerings through their BENTO platform. 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.

WSRE-TV STATION
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY THE
DISTRICT BOARD OF TRUSTEES, PENSACOLA STATE COLLEGE

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

- 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. In 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. At June 30, 2014, \$100,000 had been transferred to this account for 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 23-28, of the attached Financial Statements. The Foundation’s investment portfolio saw a 12% growth during fiscal year 2014 as economic conditions nationally improved.
- Operating expense exceeded operating revenue for both 2014 and 2013 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:

	2014	2013
Net operating loss as reported	\$ (414,005)	\$ (795,578)
Depreciation	438,899	565,515
Adjusted net operating income (loss)	\$ 24,894	\$ (230,063)

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.

WSRE-TV STATION
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY THE
DISTRICT BOARD OF TRUSTEES, PENSACOLA STATE COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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.

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.

WSRE-TV STATION
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY THE
DISTRICT BOARD OF TRUSTEES, PENSACOLA STATE COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

	<u>JUNE 30, 2014</u>	<u>JUNE 30, 2013</u>
Assets		
Current	\$ 2,420,285	\$ 2,277,148
Noncurrent	50,018	155,048
Investments	1,479,433	1,227,101
Capital assets, net	<u>5,951,707</u>	<u>6,375,788</u>
Total Assets	<u>\$ 9,901,443</u>	<u>\$ 10,035,085</u>
Liabilities and Net Position		
Liabilities:		
Current	\$ 1,246,443	\$ 1,155,461
Noncurrent	<u>92,914</u>	<u>82,364</u>
Total Liabilities	1,339,357	1,237,825
Net Position:		
Invested in capital assets	5,951,707	6,375,788
Restricted	1,080,268	1,097,208
Unrestricted	<u>1,530,111</u>	<u>1,324,264</u>
Total Net Position	<u>8,562,086</u>	<u>8,797,260</u>
Total Liabilities and Net Position	<u>\$ 9,901,443</u>	<u>\$ 10,035,085</u>

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 the transfer of \$100,000 of cash into investments, interest and dividend income and increase in the market value of the portfolio during 2014. 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 2014. (See Footnote E, page 29).

Current Liabilities are comprised primarily of gifts and grant receipts, approx. \$1.2 million that are recorded as unearned revenue until the monies are expended for the purposes authorized. Non-current Liabilities reflect deferred compensation (annual and sick leave earned and available to employees). The change in deferred compensation is detailed in Footnote G, page 30. The Foundation maintains an open line of credit for \$100,000 with a local financial institution, which was not utilized in either 2013-14 or 2012-13. The Station did not utilize loans, cash advances or any other formalized debt during 2013-14 or 2012-13.

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*.

WSRE-TV STATION
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY THE
DISTRICT BOARD OF TRUSTEES, PENSACOLA STATE COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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 15.

Summarized *Statements of Revenues, Expenses and Changes in Net Position* for the Station for the years ended June 30, 2014 and 2013 follow:

	FOR THE YEAR ENDED	
	<u>JUNE 30, 2014</u>	<u>JUNE 30, 2013</u>
Operating Revenues		
Revenues	\$ 4,081,336	\$ 4,032,868
Expenses	<u>4,495,341</u>	<u>4,828,446</u>
Net Operating Loss	(414,005)	(795,578)
 Non-operating Revenue		
Net investment income	22,762	25,710
Gain (loss) on investments	<u>134,501</u>	<u>87,426</u>
Net Non-operating Revenue	157,263	113,136
 Capital Grants	<u>21,568</u>	<u>49,494</u>
Increase (decrease) in Net Position	(235,174)	(632,948)
 Net Position, Beginning of Year	<u>8,797,260</u>	<u>9,430,208</u>
Net Position, End of Year	<u>\$ 8,562,086</u>	<u>\$ 8,797,260</u>

Operating revenues for 2014 were comparable to 2013. Expenses decreased in 2014 from 2013 levels due to reductions 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).

WSRE-TV STATION
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY THE
DISTRICT BOARD OF TRUSTEES, PENSACOLA STATE COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities. Non-operating revenue consists of investment income and "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, 2014 and 2013. 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 expenditure of funds received in prior years for WSRE's literacy programs used for the start-up costs for the Imagination Station.

WSRE-TV STATION
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY THE
DISTRICT BOARD OF TRUSTEES, PENSACOLA STATE COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Summarized *Statements of Cash Flows* for the years ended June 30, 2014 and 2013 follow.

	FOR THE YEAR ENDED	
	<u>JUNE 30, 2014</u>	<u>JUNE 30, 2013</u>
Cash Provided (Used) By:		
Operating Activities	\$ 220,704	\$ (166,020)
Capital and Related Financing Activities	6,750	3,271
Investing Activities	<u>(95,070)</u>	<u>8,705</u>
Net Increase (Decrease) in Cash	132,384	(154,044)
Cash, Beginning of Year	<u>2,001,825</u>	<u>2,155,869</u>
Cash, End of Year	<u>\$ 2,134,209</u>	<u>\$ 2,001,825</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, 2014 and 2013

ASSETS	2014	2013
CURRENT ASSETS		
Cash	\$ 1,848,826	\$ 1,545,306
Restricted cash	285,383	456,519
Accounts receivable	79,069	71,348
Real estate held for sale	30,000	30,000
Pledges receivable (net of allowance for uncollectible pledges of \$5,695 and \$6,145)	52,768	56,852
Prepaid assets	124,239	117,123
Total current assets	2,420,285	2,277,148
NONCURRENT ASSETS		
Pledges receivable (net of allowance for uncollectible pledges of \$5,410 and \$9,753)	50,018	90,048
Prepaid lease	-	65,000
Investments	1,479,433	1,227,101
Capital assets, net	5,951,707	6,375,788
Total noncurrent assets	7,481,158	7,757,937
Total assets	\$ 9,901,443	\$ 10,035,085
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 39,014	\$ 37,248
Accrued liabilities	31,562	25,874
Compensated absences	-	18,031
Unearned revenue	1,175,867	1,074,308
Total current liabilities	1,246,443	1,155,461
NONCURRENT LIABILITIES		
Compensated absences	92,914	82,364
NET POSITION		
Invested in capital assets	5,951,707	6,375,788
Restricted - expendable	1,080,268	1,097,208
Unrestricted	1,530,111	1,324,264
Total net position	8,562,086	8,797,260
Total liabilities and net assets	\$ 9,901,443	\$ 10,035,085

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, 2014 and 2013

OPERATING REVENUES	2014	2013
Operating grants	\$ 1,077,255	\$ 1,251,078
Direct support - Pensacola State College	1,223,975	1,120,054
Contributions and program underwriting	706,063	678,455
Use of facilities and other indirect administrative support from Pensacola State College	749,662	707,844
Inkind support	171,521	178,322
Sales and services	90,587	60,608
Other operating revenues	62,273	36,507
Total operating revenues	4,081,336	4,032,868
OPERATING EXPENSES		
Program services		
Programming and production	2,507,927	2,639,099
Broadcasting	894,010	975,938
Total program services	3,401,937	3,615,037
Supporting services		
Fundraising and development	539,638	644,315
Management and general	553,766	569,094
Total supporting services	1,093,404	1,213,409
Total operating expenses	4,495,341	4,828,446
Net operating loss	(414,005)	(795,578)
NONOPERATING REVENUES		
Investment income (net)	22,762	25,710
Gain on investments	134,501	87,426
	157,263	113,136
Loss before capital grants and donations	(256,742)	(682,442)
CAPITAL GRANTS AND DONATIONS	21,568	49,494
Decrease in net assets	(235,174)	(632,948)
NET POSITION		
Beginning of year	8,797,260	9,430,208
End of year	\$ 8,562,086	\$ 8,797,260

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, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from operating grants	\$ 1,178,814	\$ 1,150,146
Cash receipts from Pensacola State College	1,223,975	1,120,054
Cash receipts from contributions and program underwriting	750,177	815,742
Cash receipts from sales and services to others	82,866	60,692
Cash receipts from other operating revenue	62,273	36,507
Cash payments to employees	(1,072,810)	(1,054,693)
Cash payments for operating expenses	(2,004,591)	(2,294,468)
Net cash flows from operating activities	220,704	(166,020)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants, gifts, and allocations received	21,568	49,494
Purchase of capital assets	(14,818)	(46,223)
Net cash flows from capital and related financing activities	6,750	3,271
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(577,668)	(223,429)
Sale of investments	459,838	206,424
Payments for investment management	(5,464)	(4,962)
Dividends/interest proceeds	28,224	30,672
Net cash flows from investing activities	(95,070)	8,705
NET INCREASE (DECREASE) IN CASH	132,384	(154,044)
CASH AT BEGINNING OF YEAR	2,001,825	2,155,869
CASH AT END OF YEAR	\$ 2,134,209	\$ 2,001,825
RECONCILIATION TO BALANCE SHEET		
Cash	\$ 1,848,826	\$ 1,545,306
Restricted Cash	285,383	456,519
	\$ 2,134,209	\$ 2,001,825
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
(Restricted - expendable	\$ (414,005)	\$ (795,578)
Adjustments to reconcile to net cash provided (used) by operating activities		
Depreciation	438,899	565,514
Uncollectible pledges/accounts receivable	(4,793)	(16,999)
(Increase) decrease in operating assets:		
Accounts receivable	(7,721)	2,584
Pledges receivable	48,907	151,786
Prepaid assets	57,885	94,432
Increase (decrease) in operating liabilities:		
Accounts payable	1,766	(81,689)
Accrued liabilities	5,688	2,260
Deferred revenue	101,559	(100,932)
Compensated absences	(7,481)	12,602
Net cash flows from operating activities	\$ 220,704	\$ (166,020)
SUPPLEMENTAL CASH FLOW INFORMATION		
Taxes paid	\$ 8,950	\$ 7,730

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

WSRE-TV Station
A Public Communications Entity Operated by the
District Board of Trustees, Pensacola State College
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

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.

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.

WSRE-TV Station
A Public Communications Entity Operated by the
District Board of Trustees, Pensacola State College
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

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

WSRE-TV Station
A Public Communications Entity Operated by the
District Board of Trustees, Pensacola State College
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

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.

WSRE-TV Station
A Public Communications Entity Operated by the
District Board of Trustees, Pensacola State College
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

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.

WSRE-TV Station
A Public Communications Entity Operated by the
District Board of Trustees, Pensacola State College
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

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. 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 2011.

13. Advertising

Advertising costs are expensed as incurred and were \$19,060 and \$36,125 for the years ended June 30, 2014 and 2013, 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.

WSRE-TV Station
A Public Communications Entity Operated by the
District Board of Trustees, Pensacola State College
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

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, 2014 and January 13, 2015, 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 \$1,237,640 and \$1,075,952 as of June 30, 2014 and 2013, 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, 2014 and 2013, the carrying amounts of the Foundation's cash and money funds held in bank and brokerage accounts were \$896,569 and \$925,872, 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, 2014 and 2013 the balances in the cash and money market funds were FDIC or SIPC insured.

WSRE-TV Station
A Public Communications Entity Operated by the
District Board of Trustees, Pensacola State College
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE C - CASH AND INVESTMENTS -- (Continued)

1. Cash – (Continued)

The Foundation also invested in overnight repurchase agreements prior to the year ended June 30, 2014. This investment option was phased out in 2014, and there were no balances in these accounts at June 30. The balances at June 30, 2013 were \$352,000 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.

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, 2014 and 2013, the Foundation's balances in Florida PRIME were \$45,972 and \$143,294, 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, 2014 and 2013.

Interest Rate Risk: The weighted average days to maturity (WAM) of Florida PRIME's investment portfolio was 40.2 days at June 30, 2014 and 42.8 days at June 30, 2013. 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.

WSRE-TV Station
A Public Communications Entity Operated by the
District Board of Trustees, Pensacola State College
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE C - CASH AND INVESTMENTS -- (Continued)

2. Investments

Investments held by the Foundation at 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).

The position of the investments held by the Foundation at June 30, 2014 and June 30, 2013 are as shown in the following tables:

2014		
<u>Investment Type</u>	<u>Maturity</u>	<u>Fair Market Value</u>
Federated Government Obligations	n/a	\$ 127,972
<u>Equities</u>		
Alliance Bernstein Small Cap Growth		37,623
American Europacific Growth Fund A		48,661
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		37,228
<u>Fixed Income</u>		
Federated Total Return Bond Fund	Avg maturity 6.8 years Avg quality A	265,278
Pimco Funds Low Duration	Avg maturity 3.5 years Avg quality A	101,229
Pimco Total Return	Avg maturity 8.4 years Avg quality A+	197,648
Goldman Sachs Strategic Income Fund	Avg maturity 5.8 years Avg quality A+	54,651
Other		1,388
Total Investments		<u>\$ 1,479,433</u>

WSRE-TV Station
A Public Communications Entity Operated by the
District Board of Trustees, Pensacola State College
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE C - CASH AND INVESTMENTS -- (Continued)

2. Investments -- (Continued)

2013

<u>Investment Type</u>	<u>Maturity</u>	<u>Fair Market Value</u>
Federated Government Obligations	n/a	\$ 65,853
<u>Equities</u>		
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
<u>Fixed Income</u>		
Federated Total Return Bond Fund	Avg maturity 6.9 years Avg quality A+	281,512
Pimco Funds Low Duration	Avg maturity 3.4 years Avg quality AA	78,983
Pimco Total Return	Avg maturity 6.7 years Avg quality AA-	157,632
Other		3,732
Total Investments		<u>\$ 1,227,101</u>

WSRE-TV Station
A Public Communications Entity Operated by the
District Board of Trustees, Pensacola State College
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

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, 2014 meets the policy guidelines, with equities representing 49.4%, fixed income representing 41.9% and cash representing 8.7%.

Concentration of Credit Risk

There were no investments at June 30, 2014 and 2013 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, 2014 and 2013 consisted primarily of mutual funds.

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 4.3 years and the average maturity was 6.8 years, with a weighted average price of 106.94% of par. 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 6.9 years, with a weighted average price of 105.52% of par.

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, 2013, the PIMCO Low Duration Fund held an average rating of AA-. Effective average duration of this fund was 3.5 years; the effective average maturity was 3.4 years.

At June 30, 2014 the PIMCO Total Return Fund an average rating of A+. Effective average duration of this fund was 5.7 years, and the effective average maturity was 8.4 years. At June 30, 2013 the PIMCO Total Return Fund held an average rating of AA-. Effective average duration of this fund was 5.8 years; the effective average maturity was 6.7 years.

WSRE-TV Station
A Public Communications Entity Operated by the
District Board of Trustees, Pensacola State College
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE C - CASH AND INVESTMENTS -- (Continued)

2. Investments -- (Continued)

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. The Foundation did not have investments in this fund during 2013.

NOTE D – PLEDGES RECEIVABLE

Pledges receivable at June 30, 2014 and 2012 consist of the following:

	2014	2013
Pledges receivable	\$ 121,647	\$ 173,197
Less present value discount	(7,756)	(10,399)
	113,891	162,798
Less allowance for uncollectible pledges	(11,105)	(15,898)
Net collectable pledges receivable	\$ 102,786	\$ 146,900
Amounts due in:		
Less than one year	\$ 52,768	\$ 56,852
One to four years	50,018	90,048
	\$ 102,786	\$ 146,900

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.

WSRE-TV Station
A Public Communications Entity Operated by the
District Board of Trustees, Pensacola State College
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE E - CAPITAL ASSETS

Capital assets consist of the following as of and for the years ended June 30, 2014 and 2012:

	2014			
	<u>Beginning</u>		<u>Deletions</u>	<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Depreciable assets:				
Building	\$8,597,577	\$ --	\$ --	\$8,597,577
Studio, broadcast, and other equipment	<u>7,857,875</u>	<u>14,818</u>	<u>706,821</u>	<u>7,165,872</u>
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	--
Studio, broadcast, and other equipment	<u>7,233,820</u>	<u>229,612</u>	<u>706,821</u>	<u>6,756,611</u>
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>
	2013			
	<u>Beginning</u>		<u>Deletions</u>	<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Depreciable assets:				
Building	\$8,597,577	\$ --	\$ --	\$8,597,577
Studio, broadcast, and other equipment	<u>7,900,738</u>	<u>44,958</u>	<u>87,821</u>	<u>7,857,875</u>
Total depreciable capital assets	<u>16,498,315</u>	<u>44,958</u>	<u>87,821</u>	<u>16,455,452</u>
Less accumulated depreciation for:				
Building	\$ 2,636,557		\$ 209,287	--
Studio, broadcast, and other equipment	<u>6,965,414</u>	<u>356,227</u>	<u>87,821</u>	<u>7,233,820</u>
Total accumulated depreciation	<u>9,601,971</u>	<u>565,514</u>	<u>87,821</u>	<u>10,079,664</u>
Net depreciable assets	<u>\$ 6,896,344</u>	<u>\$ (520,556)</u>	<u>\$ --</u>	<u>\$6,375,788</u>

WSRE-TV Station
A Public Communications Entity Operated by the
District Board of Trustees, Pensacola State College
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

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. This lease will expire in 2015.

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, 2014 were as follows:

Balance at July 1, 2013	\$ 100,395
Additions	7,336
Deletions	<u>(14,817)</u>
Balance at June 30, 2014	<u>\$ 92,914</u>

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 2014 and 2013, 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 \$1,223,975 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 \$749,662 for the year ended June 30, 2014. Comparable amounts for the year ended June 30, 2013 were direct support of \$1,120,054 and indirect support of \$707,844. These donated facilities and administrative support are recorded as revenue and expense in the accompanying financial statements.

WSRE-TV Station
A Public Communications Entity Operated by the
District Board of Trustees, Pensacola State College
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE H - COLLEGE SUPPORT – (Continued)

These indirect expenses for 2014 and 2013, respectively, are distributed functionally as follows:

	<u>2014</u>	<u>2013</u>
Programming and Production	\$ 423,108	\$ 396,229
Broadcasting	136,703	122,977
Fund Raising and Development	86,783	82,958
Management and General	<u>103,068</u>	<u>105,680</u>
Total Expenses	<u>\$ 749,662</u>	<u>\$ 707,844</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, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
<u>In-Kind Contributions Revenue</u>	<u>\$ 171,521</u>	<u>\$ 178,322</u>
<u>In-Kind Contributions Expense</u>		
Programming and Production	\$ 123,746	\$ 129,153
Broadcasting	13,350	20,088
Fundraising and Development	111	4,169
Management and General	<u>34,314</u>	<u>24,912</u>
Total Expenses	<u>\$ 171,521</u>	<u>\$ 178,322</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, 2014 and 2013

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 2014 or 2013 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, 2014 and 2013, 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.

ADDITIONAL INFORMATION

WSRE-TV Station
A Public Telecommunications Entity Operated by the
District Board of Trustees, Pensacola Junior College
SCHEDULE OF FUNCTIONAL EXPENSES
For the year ended June 30, 2014 with comparative totals for 2013

	Program Services			Supporting Services			2013 Total Expenses
	Programming and Production	Broadcasting	Total	Fundraising and Development	General and Management	Total	
1. Personnel Expense							
a. Salaries	\$ 396,674	\$ 204,213	\$ 600,887	\$ 148,252	\$ 100,277	\$ 248,529	\$ 849,416
b. Payroll taxes	27,423	12,831	40,254	11,305	7,259	18,564	58,818
c. Fringe benefits	91,933	35,549	127,482	22,475	34,605	57,080	184,562
TOTAL PERSONNEL EXPENSES	516,030	252,593	768,623	182,032	142,141	324,173	1,092,796
2. Operating Expense							
a. Rent	18,057	106,740	124,797	19,795	33	19,828	144,625
b. Utilities	133,441	129,090	262,531	5,475	27,378	32,853	295,384
c. Memberships and subscriptions	220	75	295	1,271	1,124	2,395	2,690
d. Repair & maintenance/service contracts	4,008	57,134	61,142	17,168	6,326	23,494	84,636
e. Professional services	560	--	560	--	34,170	34,170	41,324
f. Travel	1,158	--	1,158	5,738	9,115	14,853	30,421
g. Pledge Premiums	--	--	--	70,289	84	70,373	66,208
h. Program acquisitions/license fees	782,921	--	782,921	--	--	--	883,564
i. Programming affinity group fees	86	--	86	--	39,796	39,796	39,424
j. Program traffic expense	42,240	--	42,240	--	--	--	63,620
k. Videotape/storage media	98	--	98	--	--	--	3,699
l. Minor equipment purchases	5,270	5,061	10,331	--	2,253	2,253	45,285
m. Hospitality	1,426	--	1,426	1,692	5,334	6,760	9,587
n. Contracted labor	110,922	21,089	132,011	19,744	90,964	110,708	261,130
o. Software	1,948	300	2,248	7,500	103	7,603	9,851
p. Insurance	--	13,347	13,347	--	7,679	7,679	21,026
q. Honoraria fees	300	--	300	750	200	950	1,250
r. Supplies	7,866	2,320	10,186	14,939	3,053	17,992	28,178
s. Freight and postage	1,640	747	2,387	11,658	207	11,865	14,252
t. Communication	6,062	3,417	9,479	1,052	4,152	5,204	14,683
u. Printing	1,702	--	1,702	10,863	827	11,690	15,613
v. Advertising	9,809	--	9,809	6,977	2,274	9,251	19,060
w. Taxes	3,599	4,570	8,169	--	413	413	8,582
x. Other Services	52,997	3,660	56,657	57,307	5,909	63,216	119,873
y. Bank fees	--	--	--	9,035	808	9,843	10,183
z. Depreciation	257,073	141,814	398,887	6,279	33,733	40,012	438,899
aa. Bad debt expense	1,640	2,000	3,640	3,180	--	3,180	6,820
TOTAL OPERATING EXPENSES	1,445,043	491,364	1,936,407	270,712	274,243	544,955	2,481,362
TOTAL DIRECT EXPENSES	1,961,073	743,957	2,705,030	452,744	416,384	869,128	3,574,158
IN-KIND Restricted - expendable							
Florida Dept. of Education	--	13,350	13,350	--	4,216	4,216	17,566
Donated materials and services	123,746	--	123,746	111	30,098	30,209	151,760
TOTAL IN-KIND	123,746	13,350	137,096	111	34,314	34,425	171,521
INDIRECT:							
Pensacola State College	423,108	136,703	559,811	86,783	103,068	189,851	749,662
TOTAL INDIRECT	423,108	136,703	559,811	86,783	103,068	189,851	749,662
TOTAL EXPENSES	\$ 2,507,927	\$ 894,010	\$ 3,401,937	\$ 539,638	\$ 553,766	\$ 1,093,404	\$ 4,495,341
							\$ 4,828,446

See independent auditor's report.

**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
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, 2014, 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 January 13, 2015.

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

January 13, 2015
Pensacola, Florida