DISTRICT BOARD OF TRUSTEES
PENSACOLA STATE COLLEGE
WSRE-TV STATION

FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

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PENSACOLA STATE COLLEGE
WSRE-TV STATION

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JUNE 30, 2012 AND 2011

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WARREN AVERETT
O'SULLIVAN CREEL
A Business of Warren Averett, LLC | CPAs & Consultants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying combined balance sheets 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, 2012 and 2011, and the related combined statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These combined financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WSRE-TV Station's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the WSRE-TV Station, as of June 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2012 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 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.

Our audits were conducted for the purpose of forming opinions on the combined financial statements taken as a whole. The Schedule of Functional Expenses is presented for purposes of additional analysis and is not a required part of the 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 combined financial statements or to the 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 combined financial statements as a whole.

Warren Averett, LLC

December 28, 2012
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, 2012 and 2011. 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 2011-12 and 2010-11 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 27% and 32% of the Station's operating revenue in 2012 and 2011, 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

2012 HIGHLIGHTS

- The Station's financial position remained strong during fiscal year 2012, with operating revenues of $4.1 million. However, this did reflect a decrease from the prior year of $4.9 million due to two factors:

  1) WSRE Foundation's successful major giving campaign, *EnvisionIt!*, culminated in 2011. In anticipation of possible federal and state funding reductions, the Foundation planned and executed this campaign to raise funds for future equipment replacement, programs and services, and contributions to the Foundation's Endowment Fund. Recognition of gifts and pledges receivable income ($432,000) from this campaign occurred in 2011.

  2) Loss of state funding for fiscal year 2012. In June of 2011, continued funding for Florida's Public Television Station community Service Grant program for 2011-12 was vetoed 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. This funding was restored for 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 2012. Revenue generated from the Foundation continued to be well diversified, including memberships and contributions, broadcast uplink services, program grants, studio rentals and special events. Foundation Board engagement was intensified, with several successful fundraising efforts helping to garner additional operational funds as well. These included very successful Wine & Food Classic events both in Pensacola and Destin, complimented with a Ladies Tea held in May. 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 2012.

- 2012 continued the Station's efforts toward greater local program production begun in 2011. Complementing WSRE's lineup of regular programs such as *AWARE, Pensacola State Perspectives, and Legislative Review, In Your Own Backyard, Conversations with Jeff Weeks,* a fourth season of *Studio Amped,* and completion of a major documentary, *Baseball in Pensacola,* highlighted the Station's 2012 production schedule. 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 existing services and expansion into Okaloosa and Walton counties through 2014. WSRE and PBS-station WFSU in Tallahassee collaborate and share funding for this important program.

- Operating expense exceeded operating revenue for both 2012 and 2011 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:

	2012	2011
Net operating loss as reported	$ (771,033)	$ (615,353)
Depreciation	739,842	731,259
Adjusted net operating income (loss)	$ (31,191)	$ 115,906

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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

THE FINANCIAL STATEMENTS

This report consists of three basic financial statements. The *Balance Sheet*, the *Statement of Revenues, Expenses and Changes in Net Assets* 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 *Balance Sheet* and the *Statement of Revenues, Expenses and Changes in Net Assets* 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 *Balance Sheet*, the difference between assets and liabilities, i.e., net assets, 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 assets are one indicator of whether its financial health is improving or deteriorating. The *Statement of Revenues, Expenses and Changes in Net Assets* 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 assets. If the reverse occurs, the result is a decrease in net assets. 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.

BALANCE SHEET

The *Balance Sheet* presents the assets, liabilities, and net assets 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 Assets". Within the *Balance Sheet*, Net Assets are 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 Assets* 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 Assets*, representing assets that are available for any lawful purpose of the Station.

	JUNE 30, 2012	JUNE 30, 2011
Assets		
Current	$ 2,544,960	$ 2,540,105
Noncurrent	273,083	460,312
Investments	1,122,670	1,106,592
Capital assets, net	6,896,344	7,604,278
Total Assets	**$ 10,837,057**	**$ 11,711,287**
Liabilities and Net Assets		
Liabilities:		
Current	$ 1,319,056	$ 1,419,015
Noncurrent	87,793	142,485
Total Liabilities	1,406,849	1,561,500
Net Assets:		
Invested in capital assets	6,896,344	7,604,278
Restricted	1,199,757	1,075,128
Unrestricted	1,334,107	1,470,381
Net Assets	9,430,208	10,149,787
Total Liabilities and Net Assets	**$ 10,837,057**	**$ 11,711,287**

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 2012. The decrease in Capital Assets and Net Assets Invested in Capital Assets reflects depreciation expense in excess of the cost of new capital assets purchased in 2012. (See Footnote E, page 26).

Current Liabilities are comprised primarily of gifts and grant receipts, approx. $1.2 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 27. The Foundation maintains an open line of credit for $100,000 with a local financial institution, which was not utilized in either 2011-2012 or 2010-2011. The Station did not utilize loans, cash advances or any other formalized debt during 2011-12 or 2010-11.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Changes in total net assets as presented on the *Balance Sheet* are based on the activity presented in the *Statement of Revenues, Expenses, and Changes in Net Assets.* 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 (2011 only) 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 Assets* on page 14.

Summarized *Statements of Revenues, Expenses and Changes in Net Assets* for the Station for the years ended June 30, 2012 and 2011 follow.

	FOR THE YEAR ENDED	
	JUNE 30, 2012	JUNE 30, 2011
Operating Revenues		
Revenues	$ 4,112,227	$ 4,894,054
Expenses	4,883,260	5,509,407
Net Operating Loss	(771,033)	(615,353)
Non-operating Revenue		
Net investment income	24,305	25,915
Gain (loss) on investments	(5,020)	109,579
Net Non-operating Revenue	19,285	135,494
Capital Grants	32,169	110,446
Increase (decrease) in Net Assets	**(719,579)**	**(369,413)**
Net Assets, Beginning of Year	10,149,787	10,519,200
Net Assets, End of Year	**$ 9,430,208**	**$ 10,149,787**

As noted previously, operating revenue for 2011 exceeded 2012 levels primarily due to revenue related to the *EnvisionIt!* major giving initiative recognized during 2011, and to the loss of grant funding from the State of Florida for fiscal year 2012. Operating expense was lower in 2012 due to personnel and other budgetary cutbacks made as a result. 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. The decrease in capital grants and donations reflects culmination of the final phase of the Station's conversion to full HD production technology.

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, 2012 and 2011. As part of the detailed statement on page 15, a reconciliation is provided to show how Operating Income (Loss) as shown on the *Statement of Revenues, Expenses and Changes in Net Assets* 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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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. Summarized *Statements of Cash Flows* for the years ended June 30, 2012 and 2011 follow.

	FOR THE YEAR ENDED	
	JUNE 30, 2012	**JUNE 30, 2011**
Cash Provided (Used) By:		
Operating Activities	$ (16,931)	$ (24,770)
Capital and Related Financing Activities	1,527	33,278
Investing Activities	6,207	13,303
Net Increase (Decrease) in Cash	**(9,197)**	**21,811**
Cash, Beginning of Year	2,165,066	2,143,255
Cash, End of Year	**$ 2,155,869**	**$ 2,165,066**

FINANCIAL STATEMENTS

WSRE-TV Station
A Public Telecommunications Entity Operated by the
District Board of Trustees, Pensacola State College
BALANCE SHEETS
Fiscal Years Ended June 30, 2012 and 2011

ASSETS	2012	2011
CURRENT ASSETS		
Cash	$ 1,619,825	$ 1,718,534
Restricted cash	536,044	446,532
Certificates of deposit	0	3,000
Accounts receivable	71,432	59,421
Real estate held for sale	30,000	30,000
Pledges receivable (net of allowance for uncollectible pledges of $15,199 and $16,337)	141,104	146,151
Prepaid assets	146,555	136,467
Total current assets	2,544,960	2,540,105
NONCURRENT ASSETS		
Pledges receivable (net of allowance for uncollectible pledges of $15,898 and $29,365)	$ 143,083	265,312
Prepaid lease	130,000	195,000
Investments	1,122,670	1,106,592
Capital assets (net):	6,896,344	7,604,278
Total noncurrent assets	8,292,097	9,171,182
Total assets	$ 10,837,057	$ 11,711,287
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 120,202	$ 27,852
Accrued liabilities	23,614	33,442
Deferred revenue	1,175,240	1,357,721
Total current liabilities	1,319,056	1,419,015
NONCURRENT LIABILITIES		
Compensated absences	87,793	142,485
NET ASSETS		
Invested in capital assets	6,896,344	7,604,278
Restricted	1,199,757	1,075,128
Unrestricted	1,334,107	1,470,381
Total net assets	9,430,208	10,149,787
Total liabilities and net assets	$ 10,837,057	$ 11,711,287

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 ASSETS
For the years ended June 30, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Operating grants	$ 1,087,017	$ 1,448,375
Direct support - Pensacola State College	1,188,667	1,194,175
Contributions and program underwriting	700,519	1,039,058
Use of facilities and other indirect administrative support from Pensacola State College	718,587	811,833
Inkind support	203,333	206,265
Sales and services	153,216	162,469
Other operating revenues	60,888	31,879
Total operating revenues	4,112,227	4,894,054
OPERATING EXPENSES		
Program services		
Programming and production	2,366,556	2,810,011
Broadcasting	1,211,515	1,367,927
Total program services	3,578,071	4,177,938
Supporting services		
Fundraising and development	689,625	604,465
Management and general	615,564	727,004
Total supporting services	1,305,189	1,331,469
Total operating expenses	4,883,260	5,509,407
Net operating loss	(771,033)	(615,353)
NONOPERATING REVENUES (EXPENSES)		
Investment income (net)	24,305	25,915
Gain (Loss) on investments	(5,020)	109,579
	19,285	135,494
Loss before capital grants and donations	(751,748)	(479,859)
CAPITAL GRANTS AND DONATIONS	32,169	110,446
Increase (decrease) in net assets	(719,579)	(369,413)
NET ASSETS		
Beginning of year	10,149,787	10,519,200
End of year	$ 9,430,208	$ 10,149,787

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, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from operating grants	$ 904,606	$ 1,593,168
Cash receipts from Pensacola State College	1,247,512	1,253,020
Cash receipts from contributions and program underwriting	827,961	667,626
Cash receipts from sales and services to others	75,140	237,628
Cash receipts from other operating revenue	60,888	31,879
Cash payments to employees	(1,196,742)	(1,541,132)
Cash payments for operating expenses	(1,936,296)	(2,266,959)
Net cash flows from operating activities	(16,931)	(24,770)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants, gifts, and allocations received	32,169	345,192
Purchase of capital assets	(30,642)	(311,914)
Net cash flows from capital and related financing activities	$ 1,527	$ 33,278
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(164,102)	(337,194)
Sale of investments	147,579	322,938
Payments for investment management	(4,574)	(4,419)
Dividends/interest proceeds	27,304	31,978
Net cash flows from investing activities	6,207	13,303
NET INCREASE (DECREASE) IN CASH	(9,197)	21,811
CASH AT BEGINNING OF YEAR	2,165,066	2,143,255
CASH AT END OF YEAR	$ 2,155,869	$ 2,165,066
RECONCILIATION TO BALANCE SHEET		
Cash	$ 1,619,825	$ 1,718,534
Restricted Cash	536,044	446,532
	$ 2,155,869	$ 2,165,066
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating income (loss)	$ (771,033)	$ (615,353)
Adjustments to reconcile to net cash provided (used) by operating activities		
Depreciation	739,841	731,259
Uncollectible pledges/accounts receivable	(13,885)	42,392
(Increase) decrease in operating assets:		
Accounts receivable	(19,161)	134,074
Pledges receivable	148,311	(413,905)
Prepaid assets	54,912	61,739
Increase (decrease) in operating liabilities:		
Accounts payable	91,085	(49,684)
Accrued liabilities	(9,828)	(84,127)
Deferred revenue	(182,481)	144,723
Compensated absences	(54,692)	24,112
Total adjustments	754,102	590,583
Net cash flows from operating activities	$ (16,931)	$ (24,770)
SUPPLEMENTAL CASH FLOW INFORMATION		
Taxes paid	$ 14,900	$ 20,300

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.

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

1. Basis of Presentation and Accounting -- (Continued)

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.

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. Capital Assets

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

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

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

5. Net Assets

Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components: *invested in capital assets, restricted, and unrestricted net assets. 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 net assets* consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, or from laws, regulations and enabling legislation, including self-imposed legal mandates. *Unrestricted net assets* consist of all other net assets not included in the above categories and which are available for the support of the Station's operations.

6. 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 Assets* 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.

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

6. Revenues and Expenses -- (Continued)

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.

7. 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.

8. 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.

9. 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 2009.

10. Advertising

Advertising costs are expensed as incurred and were $13,569 and $40,056 for the years ended June 30, 2012 and 2011, respectively.

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

11. 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.

12. Events Occurring After Reporting Date

The Station has evaluated events and transactions that occurred between June 30, 2012 and December 28, 2012, 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.

NOTE C - CASH AND INVESTMENTS -- (Continued)

1. Cash -- (Continued)

At year end the carrying amounts of the Station's bank deposits held in the accounts of the College were $985,352 and $997,664 as of June 30, 2012 and 2011, 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, 2012 and 2011, the Foundation's cash and money funds held in bank and brokerage accounts before deposits in transit and outstanding checks were $515,602 and $490,562, 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, 2012 and 2011, 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, 2012 and 2011 were $477,000 and $533,000, 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.

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, 2012 and 2011, the Foundation's balances in Florida PRIME were $139,386 and $137,617, 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:

<u>Credit Quality:</u> Florida PRIME is rated by Standard and Poors, and carries an AAAm rating for both June 30, 2012 and 2011.

NOTE C - CASH AND INVESTMENTS -- (Continued)

1. Cash -- (Continued)

Interest Rate Risk: The weighted average days to maturity (WAM) of Florida PRIME's investment portfolio was 38.0 days at June 30, 2012 and 31.5 days at June 30, 2011. 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, 2012 are reported at fair market value as determined by level one inputs (valuation based on unadjusted quoted prices for identical assets or liabilities in active markets), as shown in the following table:

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

NOTE C - CASH AND INVESTMENTS -- (Continued)

2. Investments -- (Continued)

Investment Type	Maturity	Fair Market Value
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**

Investments held by the Foundation at June 30, 2011 are reported at fair market value, as shown in the following table:

Investment Type	Maturity	Fair Market Value
Federated Government Obligations	n/a	$ 60,106
Certificates of Deposit		
Bank Hapoalim B M (.45%)	7-29-11	3,000
Equities		
ICM Small Company Portfolio		21,689
American Europacific Growth Fund A		38,408
Harbor International Fund		38,731
Leuthold Asset Allocation Fund		27,016
Munder Midcap Core Growth Fund		32,843
Sentinel Common Stock Fund Class I		302,319

NOTE C - CASH AND INVESTMENTS -- (Continued)

2. Investments -- (Continued)

Investment Type	Maturity	Fair Market Value
Sentinel Small Company Fund		21,860
Sentinel Mid Cap Value Fund		32,823
Vanguard Emerging Markets Stock Index Fund		28,026
Fixed Income		
Federated Total Return Bond Fund	Avg maturity 7.5 years Avg quality A+	273,226
Pimco Funds Low Duration	Avg maturity 2.7 years Avg quality A+	74,820
Pimco Total Return	Avg maturity 6.1 years Avg quality A+	148,287
Other		6,438
Total Investments		**$ 1,109,592**

Short Term Investments	$ 3,000
Long Term Investments	1,106,592
Total Investments	**$ 1,109,592**

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, 2012 meets the policy guidelines, with equities representing 49.5%, fixed income representing 43.4% and cash representing 7.1%.

Concentration of Credit Risk

There were no investments at June 30, 2012 and 2011 in which over 5% of the total investment portfolio was derived from one issuer, excluding US government and US government agency-backed securities.

NOTE C - CASH AND INVESTMENTS -- (Continued)

2. Investments -- (Continued)

Interest Rate Risk

The Foundation's fixed income portfolio at June 30, 2012 and 2011 consisted of mutual funds.

As provided by Morningstar, 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, 2011, the Federated Total Return Bond Fund held an average rating of A+ and had 99% of its holdings rated B or better. The average duration was 5.1 years and the average maturity was 7.5 years, with a weighted average price of 107.02% of par.

At June 30, 2012, the PIMCO Low Duration Fund held an average rating of AA and had 98% of its holdings rated B or better. Effective average duration of this fund was 2.80 years, the effective average maturity was 3.73 years, and the weighted average price was 104.76% of par. At June 30, 2011, the PIMCO Low Duration Fund held an average rating of A+ and had 96% of its holdings rated B or better. Effective average duration of this fund was 1.87 years, the effective average maturity was 2.73 years, and the weighted average price was 102.74% of par.

At June 30, 2012, the PIMCO Total Return Fund an average rating of AA-. Effective average duration of this fund was 4.82 years, the effective average maturity was 6.99 years. At June 30, 2011, the PIMCO Total Return Fund held an average rating of A+ and had 96% of its holdings rated B or better. Effective average duration of this fund was 4.37 years, the effective average maturity was 6.07 years, and the weighted average price was 102.74% of par.

NOTE D – PLEDGES RECEIVABLE

Pledges receivable at June 30, 2012 and 2011 consist of the following:

	2012	2011
Pledges receivable	$ 327,887	$ 474,612
Less present value discount	(12,603)	(18,167)
	315,284	456,445
Less allowance for uncollectible pledges	(31,097)	(44,982)
Net collectable pledges receivable	$ 284,187	$ 411,463
Amounts due in:		
Less than one year	$ 141,104	$ 146,151
One to four years	143,083	265,312
	$ 284,187	$ 411,463

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, 2012 and 2011:

	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 E - CAPITAL ASSETS -- (Continued)

	2011			
	Beginning Balance	Additions	Deletions	Ending Balance
Depreciable assets:				
Building	$ 8,597,577	$ --	$ --	$8,597,577
Studio, broadcast, and other equipment	8,445,220	144,649	276,376	8,313,493
Total depreciable capital assets	17,042,797	144,649	276,376	16,911,070
Less accumulated depreciation for:				
Building	$ 2,217,983	$ 209,287	$ --	$2,427,270
Studio, broadcast, and other equipment	6,633,926	521,972	276,376	6,879,522
Total accumulated depreciation	8,851,909	731,259	276,376	9,306,792
Net depreciable assets	$ 8,190,888	$ (586,610)	$ --	$7,604,278

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, 2012 were as follows:

Balance at July 1, 2011	$ 142,484
Additions	21,967
Deletions	(76,658)
Balance at June 30, 2012	$ 87,793

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 2012 and 2011, 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 $1,188,667 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 $718,587 for the year ended June 30, 2012. Comparable amounts for the year ended June 30, 2011 were direct support of $1,194,175 and indirect support of $811,833. These donated facilities and administrative support are recorded as revenue and expense in the accompanying financial statements. These indirect expenses for 2012 and 2011, respectively, are distributed functionally as follows:

	2012	2011
Programming and Production	$ 380,052	$ 450,951
Broadcasting	120,634	141,377
Fund Raising and Development	83,464	69,560
Management and General	134,437	149,945
Total Expenses	$ 718,587	$ 811,333

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, 2012 and 2011:

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

	2012	2011
In-Kind Contributions Revenue	$ 203,333	$ 206,265
In-Kind Contributions Expense		
Programming and Production	$ 132,554	$ 129,890
Broadcasting	17,300	12,033
Fundraising and Development	32,086	34,840
Management and General	21,393	29,502
Total Expenses	$ 203,333	$ 206,265

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 2012 or 2011 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 $66,358 and $57,358 as of June 30, 2012 and 2011, 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 Junior College
SCHEDULE OF FUNCTIONAL EXPENSES
For the year ended June 30, 2012 with comparative totals for 2011

	Program Services			Supporting Services				
	Programming and Production	Broadcasting	Total	Fundraising and Development	Management and General	Total	2012 Total Expenses	2011 Total Expenses
1. Personnel Expense								
a. Salaries	$ 412,173	$ 202,354	$ 614,527	$ 142,088	$ 181,798	$ 323,886	$ 938,413	$ 1,109,202
b. Payroll taxes	26,836	14,937	41,773	10,281	12,665	22,946	64,719	77,681
c. Fringe benefits	46,099	20,459	66,558	38,815	41,598	80,413	146,971	303,118
TOTAL PERSONNEL EXPENSES	485,108	237,750	722,858	191,184	236,061	427,245	1,150,103	1,490,001
2. Operating Expense								
a. Rent	--	104,119	104,119	8,120	--	8,120	112,239	123,588
b. Utilities	132,878	134,238	267,116	5,076	28,646	33,722	300,838	303,106
c. Memberships and subscriptions	314		314		2,440	2,440	2,754	3,565
d. Repair & maintenance	1,570	132,675	134,245	17,732	5,416	23,148	157,393	92,078
e. Professional services	1,733	--	1,733	2,568	42,159	44,727	46,460	68,089
f. Travel	4,010	58	4,068	8,937	6,429	15,366	19,434	19,313
g. Pledge Premiums	--	--	--	55,313	--	55,313	55,313	56,311
h. Program acquisitions/license fees	681,458	--	681,458	42,000	--	42,000	723,458	684,229
i. Programming affinity group fees	5,883	68	5,951	--	32,700	32,700	38,651	28,851
j. Program traffic expense	61,553	142	61,695	--	--	--	61,695	59,094
k. Videotape/storage media	4,360	--	4,360	--	--	--	4,360	18,872
l. Minor equipment purchases	3,408	8,013	11,421	--	757	757	12,178	109,198
m. Hospitality	964	--	964	2,376	2,896	5,272	6,236	14,718
n. Contracted labor	104,301	18,547	122,848	49,682	43,579	93,261	216,109	218,545
o. Software	283	--	283	--	--	--	283	24,054
p. Insurance	--	13,749	13,749	--	7,100	7,100	20,849	18,006
q. Honoraria fees	--	--	--	300	--	300	300	-
r. Supplies	15,899	3,408	19,307	4,100	2,324	6,424	25,731	87,109
s. Freight and postage	1,684	1,181	2,865	11,195	684	11,879	14,744	17,124
t. Communication	5,175	2,450	7,625	3,296	4,812	8,108	15,733	23,235
u. Printing	741	--	741	28,477	665	29,142	29,883	30,846
v. Advertising	8,707	--	8,707	4,068	794	4,862	13,569	40,056
w. Taxes	--	15,628	15,628	--	571	571	16,199	27,522
x. Other Services	42,091	1,441	43,532	113,965	1,185	115,150	158,682	191,778
y. Bank fees	163	48	211	10,604	505	11,109	11,320	10,843
z. Depreciation	291,667	400,066	691,733	8,098	40,011	48,109	739,842	731,259
aa. Bad debt expense	--	--	--	6,984	--	6,984	6,984	(81)
TOTAL OPERATING EXPENSES	1,368,842	835,831	2,204,673	382,891	223,673	606,564	2,811,237	3,001,308
TOTAL DIRECT EXPENSES	1,853,950	1,073,581	2,927,531	574,075	459,734	1,033,809	3,961,340	4,491,309
IN-KIND:								
Florida Dept. of Education	--	17,300	17,300	--	2,191	2,191	19,491	33,685
Donated materials and services	132,554	--	132,554	32,086	19,202	51,288	183,842	172,580
TOTAL IN-KIND	132,554	17,300	149,854	32,086	21,393	53,479	203,333	206,265
INDIRECT:								
Pensacola State College	380,052	120,634	500,686	83,464	134,437	217,901	718,587	811,833
TOTAL INDIRECT	380,052	120,634	500,686	83,464	134,437	217,901	718,587	811,833
TOTAL EXPENSES	$ 2,366,556	$ 1,211,515	$ 3,578,071	$ 689,625	$ 615,564	$ 1,305,189	$ 4,883,260	$ 5,509,407

See independent auditor's report.

WARREN AVERETT
O'SULLIVAN CREEL
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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 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, 2012, and have issued our report thereon dated December 28, 2012. 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.

<u>Internal Control Over Financial Reporting</u>

Management of the Station is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Station's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Station's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Station's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the board of trustees, management, Federal, state or other awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Warren Averett, LLC

December 28, 2012
Pensacola, Florida