

FLORIDA PUBLIC BROADCASTING SERVICE, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2015 AND 2014

FLORIDA PUBLIC BROADCASTING SERVICE, INC.
TABLE OF CONTENTS
SEPTEMBER 30, 2015 AND 2014

| | <u>Page(s)</u> |
|--|----------------|
| Independent Auditors' Report | 1 – 2 |
| Financial Statements | |
| Statements of Financial Position | 3 |
| Statements of Activities and Changes in Net Assets | 4 |
| Statements of Cash Flows | 5 |
| Notes to Financial Statements | 6 – 10 |
| Supplemental Information | |
| Schedule of Functional Expenses (Exhibit I) | 11 |
| Schedule of Expenditures of State Financial Assistance (Exhibit II) | 12 |
| 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> | 13 – 14 |
| Independent Auditors' Report on Compliance For Each Major State Project and Report on Internal Control Over Compliance in Accordance with Chapter 10.650, Rules of the Auditor General, State of Florida | 15 – 16 |
| Schedule of Findings and Questioned Costs – State Financial Assistance Projects | 17 |
| Management's Response | 18 |

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Florida Public Broadcasting Service, Inc.:

We have audited the accompanying financial statements of Florida Public Broadcasting Service, Inc. (the Association), which comprise the statement of financial position as of September 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of Florida Public Broadcasting Service, Inc. as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

- 1 -

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/255-3261
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gmv@jmco.com

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of functional expenses and schedule of expenditures of state financial assistance as required by Section 215.97, Florida Statutes, Florida Single Audit Act; and the provisions of Chapter 10.650, Rules of the State of Florida, Office of the Auditor General, are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Fiscal Year 2014 Financial Information

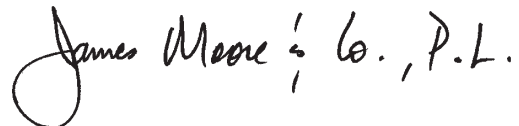
The financial statements of Florida Public Broadcasting Service, Inc. for the year ended September 30, 2014, were audited by another auditor who expressed an unmodified opinion on those statements on July 15, 2015.

Report on Summarized Comparative Information

As noted above, Florida Public Broadcasting Services Inc.'s September 30, 2014 financial statements, were previously audited and an unmodified audit opinion was expressed on those financial statements. In our opinion, the summarized comparative information presented for the statement of functional expenses for the year ended September 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June __, 2016, on our consideration of the Association'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* in considering the Association's internal control over financial reporting and compliance.



Gainesville, Florida
June 28, 2016

FLORIDA PUBLIC BROADCASTING SERVICE, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2015 AND 2014

| | 2015 | 2014 |
|--|---------------------|---------------------|
| <u>ASSETS</u> | | |
| Current assets | | |
| Cash and cash equivalents | \$ 454,999 | \$ 638,765 |
| Accounts receivable, net | 470,275 | 653,609 |
| Grant receivable | 250,000 | 24,950 |
| Other assets | 7,624 | 11,329 |
| Total current assets | 1,182,898 | 1,328,653 |
| Furniture and equipment, net | 16,031 | 9,328 |
| Total Assets | \$ 1,198,929 | \$ 1,337,981 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current liabilities | | |
| Line of credit | \$ 187,500 | \$ - |
| Accounts payable and accrued expenses | 768,439 | 734,754 |
| Deferred revenue | - | 98,614 |
| Accrued pension plan payable | 9,001 | 9,001 |
| Accrued compensated absences | 33,599 | 35,787 |
| Unearned revenue | 3,376 | 188,178 |
| Total current liabilities | 1,001,915 | 1,066,334 |
| Net assets | | |
| Unrestricted | 197,014 | 271,647 |
| Total Liabilities and Net Assets | \$ 1,198,929 | \$ 1,337,981 |

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

FLORIDA PUBLIC BROADCASTING SERVICE, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

| | 2015 | 2014 |
|--|-------------|-------------|
| Revenues and other support | | |
| Membership dues | \$ 162,500 | \$ 162,500 |
| Underwriting fees | 4,210,392 | 3,812,042 |
| PBS learning grant | 975,050 | 24,950 |
| Statewide education initiative | 5,821 | 76,478 |
| Loss on disposal of assets | - | (839) |
| Other revenue | 10,196 | 4,328 |
| Total revenues and other support | 5,363,959 | 4,079,459 |
| Expenses | | |
| Program | | |
| Underwriting | 4,048,247 | 3,585,802 |
| PBS learning grant | 986,948 | 25,209 |
| General and administrative | 403,397 | 420,053 |
| Total expenses | 5,438,592 | 4,031,064 |
| Increase (decrease) in net assets | (74,633) | 48,395 |
| Net assets, beginning of year | 271,647 | 223,252 |
| Net assets, end of year | \$ 197,014 | \$ 271,647 |

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

FLORIDA PUBLIC BROADCASTING SERVICE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

| | 2015 | 2014 |
|---|-------------|-------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ (74,633) | \$ 48,395 |
| Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities: | | |
| Depreciation | 3,307 | 3,915 |
| Loss on disposal of assets | - | 839 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 183,334 | (67,048) |
| Grant receivable | (225,050) | (24,950) |
| Other assets | 3,705 | (2,232) |
| Accounts payable and accrued expenses | 33,685 | 49,563 |
| Deferred revenue | (98,614) | 98,614 |
| Unearned revenue | (184,802) | (621,566) |
| Accrued compensated absences | (2,188) | 3,832 |
| Net cash used in operating activities | (361,256) | (510,638) |
| Cash flows from investing activities | | |
| Purchase of furniture and equipment | (10,010) | (4,276) |
| Cash flows from financing activities | | |
| Proceeds from line of credit | 187,500 | - |
| Net decrease in cash and cash equivalents | (183,766) | (514,914) |
| Cash and cash equivalents, beginning of year | 638,765 | 1,153,679 |
| Cash and cash equivalents, end of year | \$ 454,999 | \$ 638,765 |

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

FLORIDA PUBLIC BROADCASTING SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

(1) **Organization:**

Florida Public Broadcasting Service, Inc. (the Association) is a not-for-profit corporation organized to promote the interests of public broadcasters primarily in the State of Florida. The Association provides a variety of services to its members, including statewide underwriting sales education governmental affairs, and group purchasing.

(2) **Summary of Significant Accounting Policies:**

(a) **Basis of Accounting**—The Association prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recorded when earned and expenses are recorded when incurred.

(b) **Financial statement presentation**—The Association reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There are no temporarily or permanently restricted net assets at September 30, 2015 and 2014.

(c) **Cash and cash equivalents**—For purposes of the statement of cash flows, cash flow is expressed in terms of “cash and cash equivalents”. Cash equivalents include short-term highly liquid investments, such as bank and money market accounts with original maturities of three months or less.

(d) **Accounts receivable**—Accounts receivable consist primarily of amounts due from underwriting fees and member stations. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

(e) **Grant receivable**—At September 30, 2015, the grant receivable of the Association was due from the State of Florida, Department of Education. Management has concluded that realization of losses on balances outstanding at year-end will be immaterial.

(f) **Furniture and equipment**—Furniture and equipment purchased or acquired with an original cost of \$5,000 or more within the year ended September 30, 2015, or with an original cost of \$500 or more within prior years, are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Lesser amounts are expensed. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five to seven years.

(g) **Revenue recognition**—Revenues are generated primarily from sponsorships contracted on behalf of member stations. Revenues earned under service contracts are considered to be unrestricted. Revenues are recognized when the earnings process is complete.

FLORIDA PUBLIC BROADCASTING SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

(2) **Summary of Significant Accounting Policies:** (Continued)

(h) **Income taxes**—The Association is exempt from income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes is included in the accompanying financial statements. The Association files income tax returns in the U.S. federal jurisdiction. The Association’s income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

The Association has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Association for the years ended September 30, 2015 and 2014.

(i) **Functional allocation of expenses**—The costs of providing the various programs and other activities have been summarized on a functional basis in the schedule of functional expenses. Accordingly, certain costs have been allocated among the activities benefited.

(j) **Use of estimates**—The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the reporting period. Accordingly, actual results could differ from those estimates.

(k) **Subsequent events**—The Association has evaluated events and transactions through June 28, 2016, the date the financial statements were available to be issued. See Note 11 for subsequent events.

(l) **Reclassifications**—Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation. These reclassifications had no effect on net income for 2014.

(3) **Accounts Receivable:**

Accounts receivable consists of the following at September 30, 2015 and 2014:

| | <u>2015</u> | <u>2014</u> |
|---------------------------------------|-------------------|-------------------|
| Service income receivable | \$ 7,109 | \$ 114,528 |
| Underwriting fees receivable | 955,083 | 548,681 |
| Less: Allowance for doubtful accounts | (491,917) | (9,600) |
| Accounts receivable, net | <u>\$ 470,275</u> | <u>\$ 653,609</u> |

FLORIDA PUBLIC BROADCASTING SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

(4) **Furniture and Equipment:**

A summary of furniture and equipment at September 30, 2015 and 2014, is as follows:

| | 2015 | 2014 |
|--------------------------------|-------------|-------------|
| Furniture and equipment | \$ 9,925 | \$ 9,925 |
| Computers | 26,002 | 15,992 |
| Less: Accumulated depreciation | (19,896) | (16,589) |
| Furniture and equipment, net | \$ 16,031 | \$ 9,328 |

For the years ended September 30, 2015 and 2014, depreciation expense for furniture and equipment was \$3,307 and \$3,915, respectively.

(5) **Related Party Transactions:**

The Association's Board of Directors is comprised of representatives for public television and radio broadcasting stations. These stations make up the Association's membership. The Association paid these members underwriting commissions totaling \$2,300,910 and \$2,151,585 during the years ending September 30, 2015 and 2014. Commissions payable to these member stations for the years ended September 30, 2015 and 2014 are included in accounts payable and accrued expenses and escrow deposits in the amount of \$588,486 and \$583,709, respectively.

The Association is reimbursed by member stations for their participation in board meetings, shared service costs, membership dues, underwriting revenue that is paid directly to individual stations and statewide projects. For the years ended September 30, 2015 and 2014 these members were billed \$267,576 and \$532,276. For the years ended September 30, 2015 and 2014, the member stations owed the Association \$7,109 and \$114,528, which is included in accounts receivable.

(6) **Retirement Plan:**

The Association maintains a defined contribution retirement plan for the benefit of its employees. Qualified employees can contribute a maximum of 15% of their annual salary. The Association matches employee contributions to the plan up to a maximum of 3% of compensation for employees that have completed one year of service. Contributions of \$19,368 and \$18,369 were included in salaries and benefits for the years ended September 30, 2015 and 2014, respectively. Accrued pension plan payable for the years ended September 30, 2015 and 2014 was \$9,001.

(7) **Commitments:**

The Association entered into a six year audit media contract. The contract covers the period January 1, 2013 through December 31, 2018 and requires the following future payments:

| Fiscal Year Ending September 30, | Amount |
|---|---------------|
| 2016 | \$ 81,976 |
| 2017 | 85,168 |
| 2018 | 88,360 |
| 2019 | 22,290 |
| Total | \$ 277,794 |

FLORIDA PUBLIC BROADCASTING SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

(7) **Commitments:** (Continued)

Effective December 1, 2008, the Association executed a noncancelable 5-year office building lease commencing December 1, 2008, which was extended November 1, 2013 through October 31, 2016. Rents are subject to an annual increase of 4%.

Minimum rentals, exclusive of the annual 4% increase, are as follows:

| <u>Fiscal Year Ending September 30,</u> | <u>Amount</u> |
|---|------------------|
| 2016 | \$ 19,485 |
| 2017 | 1,624 |
| Total | <u>\$ 21,109</u> |

Total lease payments on all leases for the years ended September 30, 2015 and 2014 were \$20,256 and \$19,807, respectively.

(8) **Concentrations:**

The Association's major source of revenue is providing underwriting services for broadcasting organizations, most of which are located in the Florida geographic area. If for any reason the Association would lose the ability to provide these underwriting services it could result in a severe impact on operations.

The Association received \$2,121,195 and \$1,901,936 in underwriting fees from four underwriters during the year ended September 30, 2015 and 2014, respectively, which amounted to 50% of total underwriting fees. The accounts receivable balance at September 30, 2015, included \$39,017 from two of the four underwriters. The accounts receivable balance at September 30, 2014, included \$176,597 from three of the four underwriters. The accounts receivable balance decrease was due to the allowance recorded against balances at September 30, 2015. See Note 11. The September 30, 2015 and 2014, unearned revenue balances included \$3,376 and \$182,825 from two of the four underwriters.

The Association maintained multiple accounts at two financial institutions in the year ended September 30, 2015, and three financial institutions in the year ended September 30, 2014. The deposits were in excess of the FDIC coverage limits in the amount of \$42,244 and \$79,104 as of September 30, 2015 and 2014, respectively.

(9) **Compensated Absences:**

All full time employees earn paid vacation. A maximum of 160 hours of vacation leave may be accumulated and carried over from year to year. Accrued vacation of \$21,772 and \$22,150 are included in accrued compensated absences at September 30, 2015 and 2014, respectively.

All full time employees earn paid sick leave at a rate of 3.08 hours on a biweekly basis. Employees are allowed to accumulate a maximum of 480 hours. Employees who terminate after completing 10 years of service will be compensated for 25% of their accumulated sick leave balance up to a maximum of 480 hours. At September 30, 2015 and 2014, \$11,827 and \$13,637 of sick leave payable in the event of an employee termination has been included in accrued compensated absences. Sick leave of \$64,075 and \$66,176 is available for employee utilization at September 30, 2015 and 2014, respectively. Sick leave will not be paid during any period in which an employee is receiving benefits of income from either disability or worker's compensation insurance programs.

FLORIDA PUBLIC BROADCASTING SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

(10) **Line of Credit:**

As of September 30, 2015, the Association had a revolving line of credit with a commercial bank that permits borrowing up to \$250,000 at the prime rate plus 1.5% (5% at September 30, 2015). The line of credit is collateralized by accounts receivable and furniture and equipment. The outstanding balance on this line of credit at September 30, 2015, was \$187,500.

(11) **Subsequent Events:**

Subsequent to year end, an agency used by the Association's largest underwriter ceased operations and filed for bankruptcy protection. The Association has hired an attorney to try to collect amounts owed to the Association. As of June 28, 2016, the date the financial statements were available to be issued, the Association does not consider collectability of these funds likely and has provided an allowance for doubtful accounts in the amount of \$492,040 at September 30, 2015 as reflected in the statement of financial position.

(12) **Recent Accounting Pronouncements:**

The FASB and other entities issued new or modifications to, or interpretations of, existing accounting guidance during 2015. The Association has considered the new pronouncements that altered accounting principles generally accepted in the United States of America, and other than as disclosed in the notes to the financial statements, does not believe that any other new or modified principles will have a material impact on the Association's reported financial position or operations in the near term.

In May 2014, the FASB issued Accounting Standards Update 2014-09: Revenue from Contracts with Customers, to clarify the principles used to recognize revenue for all entities. The new standard is effective for the year ending December 31, 2018 and may be adopted early for the year ending December 31, 2017. The Association has not evaluated the impact of the adoption on its financial statements.

In February 2016, the FASB issued Accounting Standards Update 2016-02: Leases (Topic 842), to increase transparency and comparability among Associations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new standard is effective for the year ending December 31, 2020 and may be adopted early. The Association has not evaluated the impact of the adoption on its financial statements.

SUPPLEMENTAL INFORMATION

FLORIDA PUBLIC BROADCASTING SERVICE, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(With summarized comparative totals for the year ended September 30, 2014)

| | <u>Program Activities</u> | | <u>General and Administrative</u> | <u>Total Expenses 2015</u> | <u>Total Expenses 2014</u> |
|--|---------------------------|---------------------|---------------------------------------|--------------------------------|--------------------------------|
| | <u>PBS Learning</u> | <u>Underwriting</u> | | | |
| Accounting | \$ - | \$ - | \$ 13,975 | \$ 13,975 | 13,600 |
| Agency fees | - | 231,698 | - | 231,698 | 148,226 |
| Automobile expense | - | 5,713 | 5,650 | 11,363 | 11,610 |
| Bad debt expense | - | 492,040 | - | 492,040 | 9,154 |
| Consulting and contract staffing | 84,117 | 12,612 | 122,802 | 219,531 | 152,988 |
| Depreciation | - | 2,480 | 827 | 3,307 | 3,915 |
| Finder fees | - | 83,025 | - | 83,025 | 88,191 |
| Insurance-corporate | - | - | 4,512 | 4,512 | 3,801 |
| License | 750,000 | - | - | 750,000 | - |
| Marketing | 78,167 | 1,691 | 475 | 80,333 | 7,972 |
| Office rent | 1,426 | 13,919 | 4,911 | 20,256 | 19,807 |
| Office expenses | 1,290 | 34,148 | 16,756 | 52,194 | 31,062 |
| Postage | - | 1,811 | 832 | 2,643 | 2,458 |
| Salaries and benefits | 57,916 | 539,578 | 193,329 | 790,823 | 737,610 |
| Station fees | - | 2,534,826 | - | 2,534,826 | 2,670,636 |
| Telephone | - | 6,686 | 2,115 | 8,801 | 10,225 |
| Travel, entertainment and board meetings | 14,032 | 19,042 | 37,213 | 70,287 | 50,831 |
| Research materials | - | 68,978 | - | 68,978 | 68,978 |
| Total | <u>\$ 986,948</u> | <u>\$ 4,048,247</u> | <u>\$ 403,397</u> | <u>\$ 5,438,592</u> | <u>\$ 4,031,064</u> |

The accompanying notes to financial statements
are an integral part of this statement.

FLORIDA PUBLIC BROADCASTING SERVICE, INC.
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| <u>State Grantor/Pass Through Grantor/Program Title</u> | <u>CSFA Number</u> | <u>Grantor's Contract Number</u> | <u>Program Award Amount</u> | <u>Expenditures</u> |
|---|------------------------|--|-------------------------------------|---------------------|
| Florida Department of Education | | | | |
| Florida Public Broadcasting System Learning Media Platform | 48.056 | 92U-99231-5Q001 | \$ 1,000,000 | \$ 975,050 |
| Total State Financial Assistance | | | <u>\$ 1,000,000</u> | <u>\$ 975,050</u> |

Note 1: Basis of Accounting

The Schedule of Expenditures of State Financial Assistance is prepared on the accrual basis of accounting. None of the State financial assistance expended by the Organization were in the form of noncash assistance, there was no insurance in effect during the year related to State awards, nor were there any loans or loan guarantees outstanding at year-end.

Note 2: Contracts

All awards were received by Florida Public Broadcasting Service, Inc. Only expenses incurred in accordance with the contract terms are reported as expenditures on the Schedule of Expenditures of State Financial Assistance.

The accompanying notes to financial statements
are an integral part of this statement.

**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**

To the Board of Directors,
Florida Public Broadcasting Service, Inc.:

We have audited, 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, the financial statements of Florida Public Broadcasting Service, Inc. (the "Association") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated June 28, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described below to be a material weakness.

2015-001 Financial Statement Preparation – The Association's employees and management have not been professionally educated and trained in the application of generally accepted accounting principles, which results in a design control deficiency. This control is necessary to prevent, detect and correct misstatements in the Association's recording of financial transactions and preparing its financial statements in accordance with generally accepted accounting principles.

- 13 -

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/255-3261
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gmv@jmco.com

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

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. We consider the deficiencies described below to be significant deficiencies.

2015-002 Approval of Journal Entries – Journal entries to the general ledger do not require approval at the present time. We suggest that all monthly journal entries be printed out at the end of each monthly accounting and stored in a separate file system. We recommend that the monthly journal entries report be initialed and dated by the individual responsible for recording the entries in the general ledger and that the journal entries be reviewed and approved by a second management individual, that will also initial and date the review of the entries.

2015-003 Review of Bank Reconciliations – The Executive reviewing the bank statements should also review the bank reconciliation reports prepared by management. Completion of the review procedures should be documented with the initials and the date performed being identified on the actual bank reconciliation report.

Compliance and Other Matters

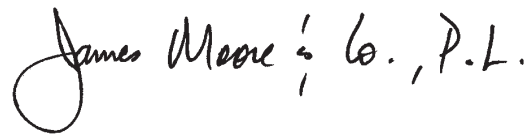
As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

Management's Response to Findings

Florida Public Broadcasting Services Inc.'s response to the findings identified in our audit are described starting on page 18. Florida Public Broadcasting Services Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Gainesville, Florida
June 28, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH CHAPTER 10.650, RULES OF THE
AUDITOR GENERAL, STATE OF FLORIDA**

To the Board of Directors,
Florida Public Broadcasting Service, Inc.:

Report on Compliance for Each Major State Project

We have audited Florida Public Broadcasting Service, Inc.'s compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of Florida Public Broadcasting Service, Inc.'s major State projects for the year ended September 30, 2015. Florida Public Broadcasting Service, Inc.'s major State projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Florida Public Broadcasting Service, Inc.'s major State projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.650, Rules of the Auditor General, State of Florida. Those standards and Chapter 10.650, Rules of the Auditor General, State of Florida, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major State project occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State project. However, our audit does not provide a legal determination of Florida Public Broadcasting Service, Inc.'s compliance.

- 15 -

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/255-3261
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gmv@jmco.com

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

Opinion on Each Major State Project

In our opinion, Florida Public Broadcasting Service, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State projects for the year ended September 30, 2015.

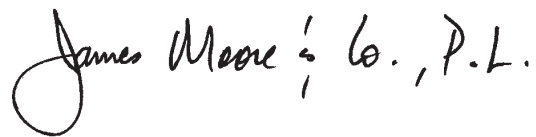
Report on Internal Control over Compliance

Management of Florida Public Broadcasting Service, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Florida Public Broadcasting Service, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State project and to test and report on internal control over compliance in accordance with Section 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Florida Public Broadcasting Service, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Section 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large loop at the beginning of the word "James".

Gainesville, Florida
June 28, 2016

**FLORIDA PUBLIC BROADCASTING SERVICE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

I. Summary of Auditors' Results:

Financial Statements:

- Type of audit report issued on the financial statements: Unmodified
- Material weaknesses and significant deficiencies related to internal control over financial reporting were disclosed by the audit of the basic financial statements.
- No instances of noncompliance material to the financial statements were disclosed during the audit.

State Financial Assistance:

- No material weaknesses or significant deficiencies related to internal control over major state projects were disclosed by the audit.
- Type of report issued on compliance for major state projects: Unmodified
- The audit disclosed no audit findings which are required to be reported under Chapter 10.650, Rules of the Auditor General, therefore the associated management letter is not being issued.
- Major state program identification:

CSFA Number 48.056 – Florida Public Broadcasting System Learning Media Platform
- The dollar threshold used to distinguish between Type A and Type B programs was \$292,515.

II. Financial Statement Findings:

2015-001, 2015-002 and 2015-003 were noted.

III. State Projects Findings and Questioned Costs:

No state projects findings were noted.

IV. Prior Audit Findings:

No prior audit findings related to State Financial Assistance were noted.

V. Corrective Action Plan:

See Management's Response to findings reported as noted in the table of contents.

MANAGEMENT'S RESPONSE

Finding 2015-001 Financial Statement Preparation

Corrective Action Plan:

Management will continue to have independent auditors assist in the review and preparation of annual financial statements.

Finding 2015-002 Approval of Journal Entries

Corrective Action Plan:

Management is in the process of implementing new accounting software, which will enable allocation of expenses shared by different programs (cost centers) reducing the need for a majority of monthly journal entries. All journal entries which affect retained earnings/profit or loss will be approved by management.

Finding 2015-003 Review of Bank Reconciliations

Corrective Action Plan:

Management has segregated accounting functions, so that accounts receivable, accounts payable, mail pick up and bank statement review are all handled by separate individuals.