

**WSRE-TV FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Organization**

The WSRE-TV Foundation, Inc. (the Foundation) was formed in 1990, as a Florida not-for-profit corporation to raise funds and support the activities, operations and capital needs of WSRE, a public telecommunications entity licensed by the Federal Communications Commission to the District Board of Trustees of Pensacola State College (the College). The Foundation serves as a direct-support organization of the College in accordance with Florida Statutes and benefits from the use of property, facilities and personnel services of the College and WSRE. The Foundation and WSRE also issue combined financial statements for external reporting purposes.

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

**Basis of Presentation and Accounting**

The Foundation's 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 recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Because the Foundation serves to support the activities of a service of a government-owned college, as permitted by Governmental Accounting Standards Board ("GASB") Statement No. 34, the Foundation elects to use the economic resources measurement focus and the accrual basis of accounting.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments (other than those specifically identified as a component of the Foundation investment portfolio) purchased within three months of maturity to be cash equivalents.

**Capital Assets**

Capital assets are recorded at cost, except for donated assets, which are recorded at estimated acquisition value at the date of receipt. Assets with a cost of \$5,000 or more are capitalized and depreciated in sufficient amounts to allocate the cost to operations over their estimated service lives on a straight-line basis. Estimated lives are used in determining depreciation range from three to fifteen years.

**Net Position**

Net position comprises the various accumulated net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position reflects assets less liabilities for each of the following components:

*Net investment in capital assets* consists of all capital assets, net of accumulated depreciation and any direct debt related to the assets.

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**1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Net Position – Continued**

*Restricted-non-expendable net position* includes permanent endowments. Such funds are generally subject to donor restrictions requiring that the principal be invested in perpetuity for the purpose of producing income and appreciation that may be expended or added to principal in accordance with the donor's wishes. The Foundation did not hold any permanent endowments at year end.

*Restricted-expendable net position* relates to contributions designated by donors for use by particular programs or for specific purposes or functions of the Foundation. They also include funds functioning as endowments, of which the principal can be spent. Income and change in fair market value of endowment investments are classified as restricted-expendable net position unless otherwise specified by the donor. The Amos Endowment is included in this category based on the ability of the Board to expend principal upon affirmative vote of 80 percent of the Board, coupled with the occurrence of unforeseen circumstances.

*Unrestricted net position* consists of all other items not included in the above categories and includes Board Designated Endowments.

**Revenues and Expenses**

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Foundation in support of the mission of WSRE. Operating revenues consist primarily of membership and contribution revenues. Contributions and pledges are recognized as operating revenues in the period received or pledged.

Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities.

When an expense is incurred for purposes for which both restricted and unrestricted assets are available, restricted resources are used first.

Gifts for permanent endowment purposes and other additions of permanently restricted net position are classified under other changes in net position.

**Pledges Receivable**

Pledges receivable are unconditional promises to make future payments to the Foundation. Pledges meeting the requirements specified by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* ("GASB 33"), are included in the financial statements as pledges receivable and recognized in the period pledged. Pledges extending beyond one year are discounted to recognize the present value of the future cash flows. Management deems the amounts are fully collectible; therefore, no allowance for uncollectible pledges is recorded.

Conditional pledges, which depend on the occurrence of a specified future or uncertain event such as matching gifts from other donors, plus all pledges for endowment purposes, are recognized when the conditions are substantially met.

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**1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**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.

**Unearned Revenue**

Unearned revenue includes amounts received from grants that have not yet been earned because the Foundation has not met all of the eligibility requirements, primarily time requirements, of the applicable grant.

**In-Kind Contributions**

Donated services and materials are reflected as both revenue and as an equal amount of expense in the financial statements at the estimated fair value of such contributions.

**Advertising**

Advertising costs are expensed as incurred and were approximately \$18,000 and \$19,000 for the years ended June 30, 2021 and 2020, respectively.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that may affect amounts reported in the financial statements. Actual results could differ from those estimates.

**Endowments Policy**

Although no permanent endowments existed during the year, the Foundation has policies to follow the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) adopted by the State of Florida in 2012. UPMIFA does not set specific expenditure limits, but allows the Foundation to spend the amount it deems prudent after considering the following factors:

- The duration and preservation of the fund.
- The purpose of the fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Foundation and Station.
- The investment policies of the Foundation.

**Functional Allocation of Expenses**

The costs of various programs and activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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**1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Subsequent Events**

The Foundation has evaluated events and transactions that occurred between June 30, 2021 and July 28, 2021, which is the date that financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**Reclassifications**

Certain prior period financial statement amounts have been reclassified to conform to current period presentation.

**2. CASH AND INVESTMENTS**

The Foundation's investment policy provides guidelines for the investment of Foundation assets. The objectives of the Foundation's policy are to assure the preservation of capital, to provide a reasonable rate of return, and to provide liquidity and growth of assets to meet the operational and capital needs of WSRE. Allowable long-term investments include debt and equity securities; allowable short term investments of cash may include overnight repurchase agreements, Florida State Board of Administration (SBA) Florida PRIME investments (an external investment pool), 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 for U.S. Government bonds).

**Cash**

The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, money market funds, the SBA Florida PRIME investment account and an overnight repurchase agreement. At June 30, 2021 and 2020, the carrying amounts of cash and money market funds held at year end were approximately \$946,000 and \$940,000, respectively. Custodial credit risk is the risk that the Foundation's deposits might not be recovered. The Foundation does not have a deposit policy for custodial credit risk; however, the Foundation has not experienced any losses in its cash and money market fund accounts and believes it is not exposed to any significant risk.

Cash balances include the Foundation's participation in the State Board of Administration (SBA) Local Government Surplus Trust Funds Investment Pool 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 are reported at amortized cost. As of June 30, 2021 and 2020, the balance was approximately \$51,000. The fair value of the District's position in Florida PRIME is the same as the value of the pool shares. 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. In accordance with GASB Statement 79, Florida Prime qualifies to measure its investments at amortized cost and management of the pool believes that the pool is exempt from the GASB 72 fair value hierarchy disclosures. As of June 30, 2021, there were no redemption fees, maximum transaction amounts or other requirements limiting participants' daily access to 100% of their account value.

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**2. CASH AND INVESTMENTS – CONTINUED**

**Cash – Continued**

The SBA’s interpretation of GASB Statement No. 40 is that information related to credit risk and interest rate risk are applicable to the SBA accounts as noted below:

Credit Quality:

Florida PRIME is rated by Standard and Poors and carries an AAAM rating for both June 30, 2021 and 2020.

Interest Rate Risk:

The weighted average days to maturity (WAM) of Florida PRIME’s investment portfolio was 48 days at June 30, 2021, and 37 days at June 30, 2020. 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.

**Investments**

Investments held by the Foundation at June 30, 2021 and 2020, are reported at fair market value, as determined by level one inputs (valuation based on directly observable, quoted prices (unadjusted) in active markets for identical assets or liabilities), as shown in the following tables:

<u>2021 - Investment Type</u>	<u>Maturity</u>	<u>Fair Market Value</u>
Federal Hermes Government Obligations - Cash Equivalent	N/A	\$ 151,937
Equities:		
Alliance Bernstein Small Cap Growth	N/A	83,064
American EuroPacific Growth Fund	N/A	127,816
Fidelity Small Cap Value Fund	N/A	83,831
Vanguard Developed Markets	N/A	129,930
Invesco Oppenheimer Developing Markets Fund	N/A	66,149
Vanguard 500 Index Fund	N/A	662,112
JP Morgan Mid Cap Value Fund	N/A	86,055
Touchstone Large Cap Focused Fund	N/A	354,766
Janus Henderson Enterprise Fund	N/A	80,201
Fixed Income:		
Federated Hermes Total Return Bond Fund	Average Maturity 6.7 years Average quality BBB	396,606
Vanguard Short-Term Invest Grade Bond Index	Average duration 5.6 years Average Maturity 2.8 years Average quality BBB	74,139
Pimco Funds Low Duration Fund	Average duration 2.7 years Average Maturity 1.7 years Average quality AA	119,732
Dodge and Cox Income Fund	Average duration 1.7 years Average Maturity 9.0 years Average quality A	395,086
	Average duration 5.2 years	
Total Investments		\$ 2,811,424

**WSRE-TV FOUNDATION, INC.**  
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**2. CASH AND INVESTMENTS – CONTINUED**

**Investments – Continued**

<u>2020 - Investment Type</u>	<u>Maturity</u>	<u>Fair Market Value</u>
Federal Hermes Government Obligations - Cash Equivalent	N/A	\$ 141,356
Equities:		
Alliance Bernstein Small Cap Growth	N/A	63,920
American EuroPacific Growth Fund	N/A	92,254
Fidelity Small Cap Value Fund	N/A	54,035
Vanguard Developed Markets	N/A	92,501
Invesco Oppenheimer Developing Markets Fund	N/A	44,921
Vanguard 500 Index Fund	N/A	670,535
JP Morgan Mid Cap Value Fund	N/A	57,567
Touchstone Large Cap Focused Fund	N/A	118,758
Janus Henderson Enterprise Fund	N/A	62,688
Fixed Income:		
Federated Hermes Total Return Bond Fund	Average Maturity 6.4 years Average quality A- Average duration 5.7 years	348,889
Vanguard Intermediate Bond Index	Average Maturity 7.4 years Average duration 6.5 years	29,084
Pimco Funds Low Duration Fund	Average Maturity 2.7 years Average quality A+ Average duration 2.5 years	133,049
Dodge and Cox Income Fund	Average Maturity 9.2 years Average quality BBB Average duration 5.0 years	348,738
Total Investments		\$ 2,258,295

**Credit Risk**

The Foundation holds assets within two separate investment portfolios separated between operating funds and endowment funds. The investment policy guidelines provide for allocations in which equity investments will not exceed 65% for the endowment portfolio and 20% for the operating account. There is a caveat included in the investment policy that allows for up to a 5% deviation from those percentages to allow for market adjustments. The endowment portfolio at June 30, 2021, meets the policy guidelines, with equities representing 66%, fixed income representing 29% and cash equivalents representing 5%. The short-term investment portfolio meets these requirements at June 30, 2021, with 20% in equity investments, 74% in fixed income investments and 6% in cash.

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**2. CASH AND INVESTMENTS – CONTINUED**

**Investments – Continued**

Concentration of Credit Risk

There were no investments at June 30, 2021 and 2020, in which over 5% of the total investment portfolio derived from one issuer, excluding US government and US government agency-backed securities, investments in mutual funds and other pooled investment funds.

Interest Rate Risk

The Foundation's fixed income portfolio at June 30, 2021 and 2020, consisted primarily of mutual funds.

Custodial credit risk is the risk that the Foundation will not be able to recover the value of its investments that are in the possession of an outside party if the counterparty fails. The Foundation does not have a policy for custodial credit risk; however, the Foundation has not experienced any losses and believes it is not exposed to any significant risk.

**3. PLEDGES RECEIVABLE – NON-CURRENT**

Pledges receivable consist of the following:

	<b>2021</b>	<b>2020</b>
Amounts pledged	\$ 50,018	\$ 50,018
Less present value discount	(9,000)	(9,000)
	\$ 41,018	\$ 41,018

**4. CAPITAL ASSETS**

Capital assets consist of the following:

	<b>2021</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	
Furniture and fixtures	\$ 1,023,314	\$ 8,659		\$ 1,031,973
Accumulated depreciation	841,883	38,475		880,358
Capital assets, net	\$ 181,431	\$ (29,816)	\$ -	\$ 151,615
	<b>2020</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Furniture and fixtures	\$ 986,764	\$ 64,553	\$ (28,003)	\$ 1,023,314
Accumulated depreciation	838,807	31,079	(28,003)	841,883
Capital assets, net	\$ 147,957	\$ 33,474	\$ -	\$ 181,431

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**5. RELATED PARTY TRANSACTIONS**

A portion of certain salaries and expenses of the Foundation are provided by the College. These amounts totaled approximately \$414,000 and \$404,000 for the years ended June 30, 2021 and 2020, respectively. This support is included as in-kind revenue and distributed to the appropriate operating expense classification.

Contributions made by Board members during 2021 and 2020 were approximately \$13,000 and \$26,000, respectively. Contributions made by employees were approximately \$1,000 and \$3,000, respectively. These funds were for membership and special events.

**6. CONCENTRATIONS OF RISK**

The Foundation's activities are funded by contributions from individuals and businesses in the Northwest Florida area and by in-kind services and facilities provided by the College. The Foundation's ability to continue to operate at current levels is dependent on continued funding from these sources.

**7. RISK MANAGEMENT**

General liability and property coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage.

**8. NET POSITION AND ENDOWMENT FUNDS**

As of June 30, 2021, the Foundation had approximately \$1.5 million in restricted net position that mostly consists of a donor-restricted endowment fund established for future technological upgrades to the Jean and Paul Amos Performance Studio and the remaining balance is restricted for educational services and other programs within the Station.

The Foundation's endowment funds consist of individual funds established for the support of the future needs of WSRE. They consist of a Board-designated endowment fund which is reported as part of unrestricted net position, and a donor-restricted endowment fund reported as part of restricted-expendable net position. The Foundation does not have any true permanent endowment funds.

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**8. NET POSITION AND ENDOWMENT FUNDS – CONTINUED**

The following depicts the activity of funds functioning as endowment funds for the years ended June 30, 2021 and 2020:

	<b>Board Designated Endowment (Unrestricted)</b>	<b>Donor Restricted Endowment (Restricted)</b>
<b>Endowment net position 6/30/19</b>	\$ 1,050,811	\$ 851,881
Investment income	52,921	45,761
Expense	(4,174)	(3,621)
<b>Endowment net position 6/30/20</b>	<u>1,099,558</u>	<u>894,021</u>
Investment income	280,615	253,455
Expense	(4,843)	(4,219)
<b>Endowment net position 6/30/21</b>	<u><u>\$ 1,375,330</u></u>	<u><u>\$ 1,143,257</u></u>

**Spending Policy**

The board-designated endowment was established with the policy that earnings are reinvested until the corpus reaches \$1,000,000, at which time the earnings may be used to supplement income from other sources for program or capital expenses benefitting WSRE.

The donor restricted Amos Endowment was established to provide corpus and earnings to fund technological upgrades to the Jean and Paul Amos Performance Studio as needed. The Foundation's Board of Directors is empowered to determine the timing and distribution of funds for this purpose.

## **SUPPLEMENTARY INFORMATION**

**WSRE-TV FOUNDATION, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2021 WITH COMPARATIVE TOTALS FOR 2020**

	<b>Programming and</b>		<b>Fundraising and</b>	<b>Management and</b>	<b>Total Expenses</b>	
	<b>Production</b>	<b>Broadcasting</b>	<b>Development</b>	<b>General</b>	<b>2021</b>	<b>2020</b>
Supplies	\$6,040	\$3,616	\$6,852	\$4,827	\$ 21,335	\$38,434
Pledge premiums	-	-	46,541	-	46,541	52,911
Professional services	-	-	-	43,777	43,777	33,463
Contracted services	60,631	16,174	31,967	22,933	131,705	165,980
Leased Staff	13,187	1,768	847	6,444	22,246	76,558
Program and traffic services	24,000	-	-	-	24,000	24,000
Equipment repair & maintenance	-	4,645	-	-	4,645	1,671
Printing	4,696	-	25,326	-	30,022	24,039
Minor equipment	5,459	19,468	-	1,871	26,798	7,059
Rental facilities and equipment	-	30,909	-	-	30,909	40,240
Travel	24	-	607	-	631	8,546
Advertising	13,908	-	4,560	-	18,468	19,696
Insurance	-	7,601	-	5,871	13,472	13,552
Depreciation	16,137	21,956	-	382	38,475	31,079
Communications	4,751	1,825	1,609	4,136	12,321	13,639
Service charges	-	-	20,204	347	20,551	18,260
Memberships and subscriptions	180	170	1,150	1,190	2,690	2,760
Affinity group fees and dues	-	-	-	40,895	40,895	39,584
Program acquisitions	265,212	-	-	-	265,212	258,599
Hospitality	877	-	957	1,307	3,141	5,750
Software	599	500	-	-	1,099	1,048
Videotape/storage media	537	-	-	-	537	493
Taxes	8,987	3,979	-	253	13,219	13,775
Freight and postage	16	722	12,059	65	12,862	15,334
Bad debt expense	-	-	-	-	-	-
Staff development	360	-	750	1,503	2,613	8,034
Honoraria fees	-	-	-	-	-	300
Major equipment for station	-	5,042	-	-	5,042	18,633
Non capitalized repairs	-	-	-	-	-	-
In-kind value of goods and services used	-	-	7,350	16,332	23,682	9,306
Personnel costs provided by PSC/WSRE-TV Station	37,551	-	195,805	180,315	413,671	404,275
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 463,152</b>	<b>\$ 118,375</b>	<b>\$ 356,584</b>	<b>\$ 332,448</b>	<b>\$ 1,270,559</b>	<b>\$1,347,018</b>

See independent auditors' report.

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

Board of Directors  
WSRE-TV Foundation, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of WSRE-TV Foundation, Inc., [a 501(c)(3) nonprofit corporation], hereinafter referred to as the Foundation, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated July 28, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for determining 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 Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Warren Averett, LLC*

Fort Walton Beach, Florida

July 28, 2021