

WSRE-TV FOUNDATION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022



www.warrenaverett.com

The report accompanying this deliverable was issued
by Warren Averett, LLC.

**WSRE TV FOUNDATION, INC.
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JUNE 30, 2023 AND 2022**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
WSRE-TV Foundation, Inc.

Opinions

We have audited the accompanying financial statements of WSRE-TV Foundation, Inc., [a 501(c)(3) nonprofit corporation], hereinafter referred to as the Foundation, which comprise the statements of net position as of and for the years ended June 30, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation, as of June 30, 2023 and 2022, and the changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic 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 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 financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Foundation's basic financial statements. The schedule of functional expenses on page 24 is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2023, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Warren Averett, LLC

Fort Walton Beach, Florida
August 8, 2023

WSRE TV FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023

OVERVIEW

This discussion and analysis of WSRE-TV Foundation's ("Foundation") financial statements provide an overview of financial activities for the years ended June 30, 2023 and 2022. Management has prepared the financial statements and the related note disclosures, along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with management.

The Foundation is a Florida not-for-profit corporation, formed in 1990 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 ("College"). The Foundation serves as a direct support organization of the College, as allowable under Florida Statutes, and is financially accountable to the College. In addition to the financial statements presented herein, the Foundation and WSRE also issue combined financial statements for external reporting purposes. The Foundation provides approximately 30% of the total funds required for the annual operation of WSRE, supplemented with grants from the State of Florida, the Corporation for Public Broadcasting and general state appropriations. The discussion and analysis reflects financial activities solely of the Foundation for the fiscal years 2023 and 2022.

Other financial and non-financial considerations that impact the activities of the Foundation, which should be considered by the reader, include:

- Trends in federal and state funding provided to the Station for the operation of WSRE.
- National, statewide and local economic conditions that affect corporate and individual philanthropy.
- Technological change within the broadcasting industry.

HIGHLIGHTS

- Foundation funding allows WSRE to continue creating local, impactful programs, including Connecting the Community, inStudio, Conversations with Jeff Weeks, Legislative Review, Nightmare Theatre, and Pensacola State Today.
- WSRE continued to offer the 24/7 PBS Kids channel within its programming. This channel supplements the children's programming offered on the main channel and is utilized at the community engagement events to provide exposure to the educational programming for visiting parents and children.
- Revenue generation continued to be diversified among several sources: annual memberships, major gifts and donations, special events, television program underwriting and corporate support and program grants. Supplemental income continues to be received for production and uplink services provided to others. Studio related income decreased during 2023 to \$63,000 from \$66,000 in 2022. The Foundation's revenues from donations decreased during 2023, with memberships and contributions of \$657,000 from \$773,000 in 2022. WSRE has been fortunate to have and is very appreciative of its strong and consistent support base.

WSRE TV FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023

- The annual Be My Neighbor Day returned to a live, in person event in 2022. The 2023 event was very successful, with attendance estimated at 2000. Community organizations and vendors related to the enrichment of children participated by providing information for parents and/or providing hands on activities for children.
- In 2023, WSRE held the first Amazing Kids Day in the Amos Studio, providing a safe place for children affected by autism spectrum disorder to enjoy programs and sensory friendly activities, while offering educational resources to parents. WSRE partners with Autism Pensacola and other local organizations and sponsors to hold the event.
- Due to past generous gifts that helped fund the creation of the Jean and Paul Amos Performance Studio, numerous community and college events are held in the Studio every year, providing opportunities for community engagement, community service and educational events.
- WSRE began to air a fifth channel last year, which will be further developed to provide local community and educational programming and will be officially launched next year as the "Connect" channel. Plans are in progress to develop and produce local programming to be aired on this channel and to coordinate with local governments and school districts for development of programming.
- As media delivery platforms continue to expand, local high-definition content production remains a high priority for WSRE. Through free, digital over-the-air delivery of four channels and a robust website featuring PBS and WSRE programming, WSRE continues to meet the growing demand for high-quality, relevant and important local programming. The Foundation will continue to seek grants and donations to support for content designed for rapidly changing delivery platforms. WSRE programming is available through the on-demand Passport service and YouTube TV. WSRE is in the process of adding additional streaming platforms.
- Synovus Trust of Columbus, Georgia, is the investment manager for the Foundation's endowment assets. The endowments are composed of a board-designated endowment fund, whose earnings are to be reinvested until the corpus reaches \$1,000,000, at which time the earnings may be used for operations, and a donor-restricted endowment to support the future technology needs of the Amos Performance Studio. The Foundation's Investment Committee is responsible for the oversight of the management of the portfolio in accordance with the Foundation's investment policy and meets regularly. The investment strategy for the endowment fund is for long-term appreciation of the corpus and reinvestment of earnings to achieve growth over time and provides for a conservative target asset allocation of 65% equity and 35% fixed income and cash. The Foundation also has an individually managed investment account for operational funds not required for short term liquidity. This account is invested in a "Capital Preservation" strategy with target asset allocation of 80% fixed income and cash and 20% equity. As of June 30, 2023, the portfolio is in compliance with this target allocation. Portfolio holdings are detailed in Note 2.

WSRE TV FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023

FINANCIAL STATEMENTS

This report consists of three basic financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. The Foundation's 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 Foundation's statements present consolidated results for three separate self-balancing funds:

- General Operating Fund (used for current year general station operations and activities)
- Board-Designated-Endowment Fund (a board-designated endowment used to reserve funds for future operations)
- Donor Restricted Funds (used to receive and disburse funds received from donors restricted as to time and/or purpose)

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information in a way that helps the reader determine if the Foundation is in a better financial position from one year to the next and allows the reader to analyze the information over long periods of time. In the Statement of Net Position, the difference between assets and liabilities, i.e., net position, is one way to measure the Foundation's financial solvency or health at the close of the fiscal year.

Over time, increases and decreases in the Foundation's net position are indicators of whether its financial health is improving or deteriorating. It also helps the user see how funds raised in one period may be expended in future periods in accordance with particular restrictions made by donors. The Statement of Revenues, Expenses and Changes in Net Position, summarizes the components of these increases and decreases for the year(s) being reported upon. If revenues and other support exceed expenses, the result is an increase in net position. If the reverse occurs, the result is a decrease in net position. The Statement of Cash Flows provides details regarding the sources and uses of cash during the year(s) being reported upon and reconciles the operating net income or loss for the year with the cash received and used for operations.

WSRE TV FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023

STATEMENT OF NET POSITION

The Statement of Net Position presents the assets, liabilities and net position of the Foundation 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 Foundation at a certain point in time. This statement allows the reader to determine assets available to continue the Foundation's activities in the short term ("current assets") and the long term ("non-current assets") and to ascertain the amounts due to vendors and others that represent claims to those assets.

At June 30, 2023 and 2022, respectively, the percentage of total assets comprised by cash and investments were approximately 94% and 91%, respectively. The increase in non-current assets from 2022 to 2023 is primarily attributable to an increase in the investment portfolio.

Current liabilities consist of accounts and income taxes payable and unearned grant support to fund specific projects in future years. While the Foundation is recognized as a tax-exempt organization for federal income tax purposes, corporate income taxes are remitted on uplink and production services provided to others and considered taxable Unrelated Business Income by the IRS.

The difference between assets and liabilities is presented as "Net Position." Net position is divided among three major categories. The first category, net investment in capital assets, represents the Foundation's net investment in property and equipment. Restricted net position represents the net funds available from donations, restricted by donors for specific time periods or purposes. The final category, unrestricted net position, represents accumulated surpluses from prior years available for any future lawful purpose of the Foundation.

STATEMENTS OF NET POSITION

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
ASSETS		
Current	\$ 886,195	\$ 1,173,941
Non-current	<u>3,223,459</u>	<u>2,612,134</u>
TOTAL ASSETS	<u>\$ 4,109,654</u>	<u>\$ 3,786,075</u>
LIABILITIES AND NET POSITION		
Current Liabilities	\$ 136,262	\$ 138,390
NET POSITION		
Net investment in capital assets	77,550	112,399
Restricted - expendable	1,513,081	1,392,303
Unrestricted	<u>2,382,761</u>	<u>2,142,983</u>
TOTAL NET POSITION	<u>3,973,392</u>	<u>3,647,685</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,109,654</u>	<u>\$ 3,786,075</u>

WSRE TV FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Changes in total net position, as presented on the Statement of Net Position, are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues earned by the Foundation, both operating and non-operating, and the expenses incurred by the Foundation, operating and non-operating, and any other revenues, expenses, gains and losses recognized for the specific fiscal periods noted.

Operating revenues are generated primarily from individual membership pledges and donations, corporate and other underwriting of programs and events, broadcast and production services provided to others and non-cash ("in-kind") donations from the station and from the public. Operating expenses are incurred to provide operational support to WSRE and acquire or produce goods and services provided in return for operating revenues. Non-operating revenues are revenues received for which goods and services are not provided.

The largest revenue source for the Foundation continues to be from contributions. Remaining operating revenue is comprised of studio production services, in-kind donations from the station and other income.

The overall level of support provided by the Foundation for programs and services expense on behalf of WSRE remained consistent in 2023.

The Foundation continued its contribution toward payment of WSRE's annual PBS dues and other program acquisition costs. Contributions toward these expenses were \$131,000 for both 2023 and 2022. Non-operating revenue includes interest income and dividends and realized and unrealized gains/losses on the Foundation's investment portfolio held with an external investment manager.

WSRE TV FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	June 30, 2023	June 30, 2022
OPERATING REVENUE		
Contributions	\$ 667,067	\$ 772,835
Studio related income/contracted services	63,083	66,492
In-kind income and other	391,388	453,621
TOTAL OPERATING REVENUE	1,121,538	1,292,948
OPERATING EXPENSE		
Programming and production	339,459	286,104
Broadcasting	104,733	218,114
Fundraising and development	293,967	402,407
Management and general	305,341	291,105
Total operating expense	1,043,500	1,197,730
NET OPERATING INCOME	78,038	95,218
NON-OPERATING REVENUE (LOSS)		
Investment income	48,343	29,918
Net gain (loss) on investments	199,326	(382,317)
Total non-operating revenue (loss)	247,669	(352,399)
INCREASE (DECREASE) IN NET POSITION	325,707	(257,181)
NET POSITION, BEGINNING OF YEAR	3,647,685	3,904,866
NET POSITION, END OF YEAR	\$ 3,973,392	\$ 3,647,685

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 Foundation during the year. The net change (increase or decrease) in cash is shown for different types of activities:

- Operating cash flows (net cash used by operating activities)
- Investing activities (cash used to purchase investments, cash received from the sale of investments, cash income received and management expenses paid)
- Capital and related financing activities (cash used for the acquisition and construction of capital and related items)

WSRE TV FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023

STATEMENT OF CASH FLOWS – CONTINUED

This information is consolidated to show the total increase or decrease in cash for the year as shown on the Statement of Net Position. A reconciliation is provided showing how the Operating Income (Loss) as shown on the Statement of Revenues, Expenses and Changes in Net Position, is related to the net cash generated or consumed by operations. The difference between operating income (loss) and net cash provided by (used in) operating activities occurs because of the use of accrual accounting. Income will reflect revenues earned, but not collected in cash, and expenses incurred, but not paid as of the end of the year. Thus, operating income (loss) may be more or less than net cash provided by (used in) operating activities.

The Cash Flow Statement is important to readers because it shows the Foundation'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. Operating cash flows mirror the changes in operating income and expense in the Statement of Revenues, Expenses and Changes in Net Position. Restricted cash represents funds on hand that have been restricted as to use by donors and/or grantors. Unrestricted cash may be used for any lawful purpose of the Foundation.

The decrease in cash balances in 2023 are directly related to an increase in investing activities as compared to the prior year.

STATEMENTS OF CASH FLOWS

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
CASH PROVIDED BY (USED IN) :		
Operating activities	\$ 161,783	\$ 44,726
Investing activities	<u>(398,505)</u>	<u>308</u>
Net increase (decrease) in cash	(236,722)	45,034
CASH, BEGINNING OF YEAR	<u>990,738</u>	<u>945,704</u>
CASH, END OF YEAR	<u><u>\$ 754,016</u></u>	<u><u>\$ 990,738</u></u>

FINANCIAL STATEMENTS

**WSRE-TV FOUNDATION, INC.
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 754,016	\$ 990,738
Real estate held for sale	25,000	25,000
Accounts receivable, net	42,565	113,496
Prepaid expenses	64,614	44,707
Total current assets	886,195	1,173,941
NON-CURRENT ASSETS		
Pledges receivable, net	41,018	41,018
Investments	3,104,891	2,458,717
Capital assets, net	77,550	112,399
Total non-current assets	3,223,459	2,612,134
TOTAL ASSETS	<u>\$ 4,109,654</u>	<u>\$ 3,786,075</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 18,778	\$ 12,584
Accrued tax liability	661	7,964
Unearned revenue	116,823	117,842
Total current liabilities	136,262	138,390
NET POSITION		
Net investment in capital assets	77,550	112,399
Restricted - expendable	1,513,081	1,392,303
Unrestricted	2,382,761	2,142,983
TOTAL NET POSITION	<u>3,973,392</u>	<u>3,647,685</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,109,654</u>	<u>\$ 3,786,075</u>

See notes to the financial statements.

WSRE-TV FOUNDATION, INC.
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Contributions	\$ 667,067	\$ 772,835
Studio related income/contracted services	63,083	66,492
In-kind income	368,139	423,740
Other operating revenues	<u>23,249</u>	<u>29,881</u>
Total operating revenues	1,121,538	1,292,948
OPERATING EXPENSES		
Programming and production	339,459	286,104
Broadcasting	104,733	218,114
Fundraising and development	293,967	402,407
Management and general	<u>305,341</u>	<u>291,105</u>
Total operating expenses	<u>1,043,500</u>	<u>1,197,730</u>
OPERATING INCOME	78,038	95,218
NON-OPERATING REVENUES		
Investment income	48,343	29,918
Net gain (loss) on investments	<u>199,326</u>	<u>(382,317)</u>
Total non-operating revenues (expenses)	<u>247,669</u>	<u>(352,399)</u>
NET INCOME (LOSS)	325,707	(257,181)
NET POSITION, BEGINNING OF YEAR	<u>3,647,685</u>	<u>3,904,866</u>
NET POSITION, END OF YEAR	<u>\$ 3,973,392</u>	<u>\$ 3,647,685</u>

See notes to the financial statements.

**WSRE-TV FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from memberships and contributions	\$ 667,067	\$ 772,835
Cash receipts from studio related income/contracted services	126,722	(25,563)
Cash receipts from other operating revenue	22,230	57,791
Cash payments for operating expenses	<u>(654,236)</u>	<u>(760,337)</u>
Net cash provided by operating activities	161,783	44,726
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,027,364)	(377,083)
Sale of investments	591,170	358,816
Payments for investment management	(10,654)	(11,343)
Interest and dividends received	<u>48,343</u>	<u>29,918</u>
Net cash provided by (used in) investing activities	(398,505)	308
NET INCREASE (DECREASE) IN CASH	(236,722)	45,034
CASH AT BEGINNING OF YEAR	<u>990,738</u>	<u>945,704</u>
CASH AT END OF YEAR	<u>\$ 754,016</u>	<u>\$ 990,738</u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 78,038	\$ 95,218
Adjustments to reconcile to net cash flows from operating activities:		
Depreciation	34,849	39,216
Uncollectible accounts receivable	7,292	-
Decrease (increase) in operating assets:		
Accounts receivable	63,639	(92,055)
Prepaid expenses	(19,907)	(4,736)
Increase (decrease) in operating liabilities:		
Accounts payable	6,194	(23,561)
Accrued tax liability	(7,303)	2,734
Unearned revenue	<u>(1,019)</u>	<u>27,910</u>
Net reconciliation of net operating income to net cash flows from operating activities	<u>\$ 161,783</u>	<u>\$ 44,726</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
In-kind operating expenses	<u>\$ 368,139</u>	<u>\$ 423,740</u>
Cash paid during the year for taxes	<u>\$ 12,652</u>	<u>\$ 17,370</u>

See notes to the financial statements.

WSRE-TV FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 15 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.

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.

WSRE-TV FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

Net Position – Continued

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.

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.

WSRE-TV FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

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 \$15,000 and \$18,000 for the years ended June 30, 2023 and 2022, 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. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services based on estimates of time and effort. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Subsequent Events

The Foundation has evaluated events and transactions that occurred between June 30, 2023 and August 8, 2023, which is the date that financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

WSRE-TV FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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, 2023 and 2022, the carrying amounts of cash and money market funds held at year end were approximately \$739,000 and \$994,000, 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, 2023 and 2022, the balance was approximately \$53,000 and \$51,000, respectively. 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, 2023, there were no redemption fees, maximum transaction amounts or other requirements limiting participants' daily access to 100% of their account value.

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, 2023 and 2022.

Interest Rate Risk:

The weighted average days to maturity (WAM) of Florida PRIME's investment portfolio was 21 days at June 30, 2023, and 49 days at June 30, 2022. 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.

WSRE-TV FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

2. CASH AND INVESTMENTS – CONTINUED

Investments

Investments held by the Foundation at June 30, 2023 and 2022, 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:

2023 - Investment Type	Maturity	Fair Market Value
Federal Hermes Government Obligations - Cash Equivalent	N/A	\$ 295,177
Equities:		
Alliance Bernstein Small Cap Growth	N/A	78,566
American EuroPacific Growth Fund	N/A	112,818
Fidelity Small Cap Value Fund	N/A	78,195
Vanguard Developed Markets	N/A	160,612
DFA Emerging Markets Core Equity	N/A	47,506
Vanguard 500 Index Fund	N/A	597,138
JP Morgan Mid Cap Value Fund	N/A	79,343
Touchstone Large Cap Focused Fund	N/A	399,286
Janus Henderson Enterprise Fund	N/A	78,403
Fixed Income:		
Federated Hermes Total Return Bond Fund	Average Maturity 8.6 years Average quality AA- Average duration 6.0 years	439,739
Vanguard Short-Term Invest Grade Bond Index	Average Maturity 2.9 years Average quality A- Average duration 2.7 years	175,987
Pimco Funds Low Duration Fund	Average Maturity 1.2 years Average quality AA+ Average duration 1.8 years	123,384
Dodge and Cox Income Fund	Average Maturity 10.3 years Average quality A+ Average duration 5.3 years	438,737
Total Investments		\$ 3,104,891

WSRE-TV FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

2. CASH AND INVESTMENTS – CONTINUED

Investments – Continued

<u>2022 - Investment Type</u>	<u>Maturity</u>	<u>Fair Market Value</u>
Federal Hermes Government Obligations - Cash Equivalent	N/A	\$ 166,504
Equities:		
Alliance Bernstein Small Cap Growth	N/A	58,733
American EuroPacific Growth Fund	N/A	89,743
Fidelity Small Cap Value Fund	N/A	69,176
Vanguard Developed Markets	N/A	125,463
Invesco Oppenheimer Developing Markets Fund	N/A	38,619
Vanguard 500 Index Fund	N/A	572,539
JP Morgan Mid Cap Value Fund	N/A	69,612
Touchstone Large Cap Focused Fund	N/A	310,991
Janus Henderson Enterprise Fund	N/A	58,658
Fixed Income:		
Federated Hermes Total Return Bond Fund	Average Maturity 8.5 years Average quality A+	350,587
Vanguard Short-Term Invest Grade Bond Index	Average duration 6.0 years Average Maturity 2.9 years Average quality A-	130,886
Pimco Funds Low Duration Fund	Average duration 2.8 years Average Maturity 1.1 years Average quality AA-	67,641
Dodge and Cox Income Fund	Average duration 1.3 years Average Maturity 8.9 years Average quality A+	349,565
	Average duration 5.0 years	
Total Investments		\$ 2,458,717

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, 2023, meets the policy guidelines, with equities representing 65%, fixed income representing 29% and cash equivalents representing 5%. The short-term investment portfolio meets these requirements at June 30, 2023, with 15% in equity investments, 63% in fixed income investments and 22% in cash.

WSRE-TV FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

2. CASH AND INVESTMENTS – CONTINUED

Investments – Continued

Concentration of Credit Risk

There were no investments at June 30, 2023 and 2022, 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, 2023 and 2022, 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:

	2023	2022
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:

	2023			
	Beginning Balance	Additions	Deletions	Ending Balance
Furniture and fixtures	\$ 1,031,973	\$ -	\$ -	\$ 1,031,973
Accumulated depreciation	919,574	34,849	-	954,423
Capital assets, net	\$ 112,399	\$ (34,849)	\$ -	\$ 77,550
	2022			
	Beginning Balance	Additions	Deletions	Ending Balance
Furniture and fixtures	\$ 1,031,973	\$ -	\$ -	\$ 1,031,973
Accumulated depreciation	880,358	39,216	-	919,574
Capital assets, net	\$ 151,615	\$ (39,216)	\$ -	\$ 112,399

WSRE-TV FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

5. RELATED PARTY TRANSACTIONS

A portion of certain salaries and expenses of the Foundation are provided by the College. These amounts totaled approximately \$353,000 and \$411,000 for the years ended June 30, 2023 and 2022, respectively. This support is included as in-kind revenue and distributed to the appropriate operating expense classification.

Contributions made by Board members during 2023 and 2022 were approximately \$9,000 and \$12,000, respectively. Contributions made by employees during 2023 and 2022 were approximately \$3,000. 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, 2023, 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.

**WSRE-TV FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

8. NET POSITION AND ENDOWMENT FUNDS – CONTINUED

The following depicts the activity of funds functioning as endowment funds for the years ended June 30, 2023 and 2022:

	Board Designated Endowment (Unrestricted)	Donor Restricted Endowment (Restricted)
Endowment net position 6/30/21	\$ 1,375,330	\$ 1,143,257
Investment expense	(165,243)	(147,040)
Expense	<u>(5,339)</u>	<u>(4,671)</u>
Endowment net position 6/30/22	<u>1,204,748</u>	<u>991,546</u>
Investment income	126,925	115,022
Expense	<u>(4,861)</u>	<u>(4,263)</u>
Endowment net position 6/30/23	<u><u>\$ 1,326,812</u></u>	<u><u>\$ 1,102,305</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, 2023 WITH COMPARATIVE TOTALS FOR 2022

	Programming and		Fundraising and	Management and	Total Expenses	
	Production	Broadcasting	Development	General	2023	2022
Supplies	\$ 9,449	\$ 3,811	\$ 5,986	\$ 3,468	\$ 22,714	\$ 25,843
Pledge premiums	-	-	32,446	-	32,446	51,741
Professional services	-	-	400	40,196	40,596	47,548
Contracted services	39,880	10,470	38,169	24,605	113,124	107,801
Leased Staff	26,123	758	2,857	2,788	32,526	19,313
Program and traffic services	24,000	-	-	-	24,000	24,000
Equipment repair & maintenance	-	17,736	-	-	17,736	20,924
Printing	9,542	-	7,678	70	17,290	17,776
Minor equipment	9,148	5,756	-	2,380	17,284	7,386
Rental facilities and equipment	100	34,768	2,568	-	37,436	34,812
Travel	9,962	487	2,465	5,704	18,618	1,977
Advertising	13,519	-	1,310	299	15,128	18,095
Insurance	-	8,481	393	6,365	15,239	14,542
Depreciation	16,137	18,330	-	382	34,849	39,216
Communications	2,387	637	604	1,877	5,505	7,499
Service charges	-	-	15,890	1,197	17,087	15,186
Memberships and subscriptions	185	170	470	1,150	1,975	2,362
Affinity group fees and dues	-	-	-	39,719	39,719	38,226
Program acquisitions	130,893	-	-	-	130,893	130,548
Hospitality	931	-	773	4,266	5,970	6,988
Software	-	1,496	-	-	1,496	-
Taxes	5,879	1,196	-	5,016	12,091	17,370
Freight and postage	1,400	637	10,429	186	12,652	14,476
Staff development	-	-	100	1,595	1,695	4,404
Major equipment for station	-	-	-	-	-	3,167
Bad debt expense	242	-	7,050	-	7,292	-
In-kind value of goods and services used	-	-	-	14,967	14,967	12,540
Personnel costs provided by						
PSC/WSRE-TV Station	39,682	-	164,379	149,111	353,172	411,200
Transfer to PSC	-	-	-	-	-	102,790
TOTAL FUNCTIONAL EXPENSES	\$339,459	\$104,733	\$ 293,967	\$ 305,341	\$ 1,043,500	\$ 1,197,730

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, 2023, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated August 8, 2023.

Report on 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.

Report on 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
August 8, 2023