

WSRE-TV FOUNDATION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

**WSRE TV FOUNDATION, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
WSRE-TV Foundation, Inc.

Report on the Financial Statements

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 June 30, 2019 and 2018, 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.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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, 2019 and 2018, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages three through ten be presented to supplement the basic financial statements. Such information, 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 23 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 July 30, 2019, 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.



Pensacola, Florida
July 30, 2019

WSRE TV FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019

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, 2019 and 2018. 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 2019 and 2018.

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 AWARE, inStudio, Conversations with Jeff Weeks, In Your Own Backyard, Legislative Review, Pensacola State Today, Rally and StudioAmped.
- During fiscal year 2019, WSRE introduced a new local program *Nightmare Theatre*, producing thirteen episodes. Each episode highlights a Class-B horror film with introductions and movie fact sharing presented by local Sci-Fi celebrities. The premiere of the program was held in the Jean and Paul Amos Performance Studio, and included an interactive display of movie memorabilia. Due to the popularity of the program, another public television station in Florida began airing the program in June, 2019 and others are scheduling the program for the fall of 2019.
- StudioAmped celebrated eleven seasons of creating energized performances by regional bands in 2019 and serving the community by collecting donations of canned foods for a local food bank from audience members. This season included eight live performances and a special pledge program.
- Two of these programs, AWARE:Healthcare Connect, Part One and StudioAmped: Songwriters Special 2018, won 2019 Telly Awards for local television show episodes.

WSRE TV FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019

- 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 Imagination Station to provide exposure to the educational programming for visiting parents and children. In addition to the Imagination Station location at the Blue Wahoos Baseball stadium, WSRE launched a project for a satellite Imagination Station at C.A. Weis Elementary School in Pensacola, which is located in an area where a high percentage of the population is poverty stricken and underserved. Through partnership with the School District of Escambia County and using funding from the Amplify grant awarded to the Foundation by the Gulf Power Foundation, the satellite station will be in place soon after the beginning of the school year in August, 2019.
- During 2018, WSRE implemented the WSRE Passport program, which provides access to an on-demand library of public television programming to members. Passport use continues to grow as more viewers shift from conventional methods of accessing television programming to digital methods.
- 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 increased during 2019 to \$90,000 from \$73,000 in 2018. The Foundation's revenues from donations decreased during 2019, with memberships and contributions of \$773,000 from 2018's \$938,000, due to the receipt of two large bequests totaling approximately \$157,000 in the prior year. WSRE has been fortunate to have and is very appreciative of its strong and consistent support base.
- The Foundation's fundraising events during the year included the 30th annual October Wine & Food Classic celebrating the 51st anniversary of WSRE's existence as a public television station, a Masterpiece Holiday Tea and a spring WSRE PBS Kids & Family Day at Gulfarium Marine Adventure Park on Fort Walton Beach. Total net revenue from these events was \$85,000 in fiscal year 2019.
- The WSRE Foundation has partnered with Pensacola State College Foundation to kick off a comprehensive campaign to raise funds over several years for the needs of the College and capital needs of WSRE. Several WSRE TV Foundation Board members and station staff members are serving on the Campaign Cabinet.
- The Foundation funded community and family engagement events presented by WSRE, including PBS Kids and Family Day at Gulfarium Marine Adventure Park, Hit a Home Run for Early Learning at the Blue Wahoos Baseball Stadium and the second annual Be My Neighbor Day . The Foundation partnered with The Ounce of Prevention Fund's Prevent Child Abuse Florida chapter, along with the Escambia County Sheriff's Office, Gulf Power and Florida's Department of Transportation "Alert Today" and other community organizations to host this event which spotlights the neighborly values of Mister Rogers, while emphasizing early learning, health and safety. Interactive stations presented these lessons using characters from PBS children's programming. The event brought together resources for families from 43 community organizations and access to contacts from several local family-focused agencies

WSRE TV FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019

for information and outreach. Over 2,300 people attended the event, which reflected growth over the attendance at the first Be My Neighbor Day.

- As part of a grant to promote awareness of upcoming PBS series focused on Country Music, WSRE began work on a local companion piece focusing on the influence of an area native on early country music. The local documentary will premier in early 2020 and the PBS series will begin in the fall of 2019.
- Other grants and partnerships during the year enabled WSRE to produce spots, short programs and host speaker events in conjunction with the PBS theme of “The Great American Read”. Additional events focused on life on the Gulf Coast and the life of Mary McLeod Bethune Cookman.
- 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. The WSRE-TV Foundation also utilized a portion of the Amos Endowment funds during fiscal year 2019 to replace audio equipment in the Studio.
- 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 continue support for content designed for rapidly changing delivery 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 received 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 to house 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, 2019, 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, 2019

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 one indicator 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 expense for the year with the cash received and used for operations.

WSRE TV FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019

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, 2019 and 2018, respectively, the percentage of total assets comprised by cash and investments were 91% and 92%. The increase in non-current assets from 2018 to 2019 is attributable to an increase in the investment portfolio of \$93,000 and equipment purchases, net of depreciation of \$52,000.

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, invested 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

	June 30, 2019	June 30, 2018
ASSETS		
Current	\$ 1,027,971	\$ 1,087,281
Noncurrent	2,341,367	2,196,286
TOTAL ASSETS	\$ 3,369,338	\$ 3,283,567
LIABILITIES AND NET POSITION		
Liabilities:		
Current	\$ 116,681	\$ 97,600
NET POSITION		
Invested in capital assets	147,957	96,190
Restricted - expendable	1,237,012	1,206,284
Unrestricted	1,867,688	1,883,493
TOTAL NET POSITION	3,252,657	3,185,967
TOTAL LIABILITIES AND NET POSITION	\$ 3,369,338	\$ 3,283,567

WSRE TV FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019

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, comprising 57% and 62% of operating revenue for 2019 and 2018, respectively. 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 increased in 2019. During 2019, the Foundation was able to support WSRE's local productions such as *Studio Amped*, *Pensacola State Today*, *In Your Own Backyard*, *AWARE*, *Conversations with Jeff Weeks*, *RALLY*, *inStudio*, and *Legislative Review*.

In 2019, the Foundation continued its contribution toward payment of WSRE's annual PBS dues and other program acquisition costs. Contributions toward these expenses in 2019 and 2018 were \$220,000 and \$161,000, respectively. 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. At June 30, 2019 and 2018, the market values of the Foundation's investments were \$2,152,000 and \$2,059,000 respectively.

WSRE TV FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
OPERATING REVENUE		
Contributions	\$ 773,202	\$ 938,383
Studio related income/contracted services	90,084	73,597
In-kind income and other	492,116	489,415
TOTAL OPERATING REVENUE	<u>1,355,402</u>	<u>1,501,395</u>
OPERATING EXPENSE		
Programming and production	565,832	465,207
Broadcasting	142,781	128,238
Fundraising and development	398,257	445,870
Management and general	322,523	330,043
Total operating expense	<u>1,429,393</u>	<u>1,369,358</u>
NET OPERATING (LOSS) INCOME	(73,991)	132,037
NON-OPERATING REVENUE		
Investment income	40,997	35,200
Net gain on investments	99,684	111,209
Total non-operating revenue	<u>140,681</u>	<u>146,409</u>
INCREASE IN NET POSITION	66,690	278,446
NET POSITION, BEGINNING OF YEAR	<u>3,185,967</u>	<u>2,907,521</u>
NET POSITION, END OF YEAR	<u>\$ 3,252,657</u>	<u>\$ 3,185,967</u>

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, 2019

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 2019 is directly related to the decrease in contributions received during the year. Cash balances provided by operating activities decreased in 2019, as the prior year amount included two large bequests totaling approximately \$157,000

STATEMENTS OF CASH FLOWS

	June 30, 2019	June 30, 2018
CASH (USED IN) PROVIDED BY :		
Operating activities	\$ (14,424)	\$ 119,221
Investing activities	47,367	2,085
Capital related financing activities	(73,491)	(84,469)
Net (decrease) increase in cash	(40,548)	36,837
CASH, BEGINNING OF YEAR	965,554	928,717
CASH, END OF YEAR	\$ 925,006	\$ 965,554

FINANCIAL STATEMENTS

**WSRE-TV FOUNDATION, INC.
STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018**

	ASSETS	<u>2019</u>	<u>2018</u>
CURRENT ASSETS			
Cash		\$ 925,006	\$ 965,554
Real estate held for sale		25,000	25,000
Accounts receivable, net		28,082	40,883
Pledges receivable, net		-	1,543
Prepaid expenses		<u>49,883</u>	<u>54,301</u>
Total current assets		1,027,971	1,087,281
NONCURRENT ASSETS			
Pledges receivable, net		41,018	41,018
Investments		2,152,392	2,059,078
Capital assets, net		<u>147,957</u>	<u>96,190</u>
Total noncurrent assets		<u>2,341,367</u>	<u>2,196,286</u>
TOTAL ASSETS		<u><u>\$ 3,369,338</u></u>	<u><u>\$ 3,283,567</u></u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable		\$ 16,494	\$ 14,754
Accrued tax liability		2,558	3,622
Unearned revenue		<u>97,629</u>	<u>79,224</u>
Total current liabilities		116,681	97,600
NET POSITION			
Invested in capital assets		147,957	96,190
Restricted - expendable		1,237,012	1,206,284
Unrestricted		<u>1,867,688</u>	<u>1,883,493</u>
TOTAL NET POSITION		<u>3,252,657</u>	<u>3,185,967</u>
TOTAL LIABILITIES AND NET POSITION		<u><u>\$ 3,369,338</u></u>	<u><u>\$ 3,283,567</u></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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Contributions	\$ 773,202	\$ 938,383
Studio related income/contracted services	90,084	73,597
In-kind income	432,278	425,149
Other operating revenues	59,838	64,266
Total operating revenues	<u>1,355,402</u>	<u>1,501,395</u>
OPERATING EXPENSES		
Programming and production	565,832	465,207
Broadcasting	142,781	128,238
Fundraising and development	398,257	445,870
Management and general	322,523	330,043
Total operating expenses	<u>1,429,393</u>	<u>1,369,358</u>
OPERATING (LOSS) INCOME	(73,991)	132,037
NON-OPERATING REVENUES		
Investment income	40,997	35,200
Net gain on investments	99,684	111,209
Total non-operating revenues	<u>140,681</u>	<u>146,409</u>
NET INCOME	66,690	278,446
NET POSITION, BEGINNING OF YEAR	<u>3,185,967</u>	<u>2,907,521</u>
NET POSITION, END OF YEAR	<u>\$ 3,252,657</u>	<u>\$ 3,185,967</u>

See notes to the financial statements.

WSRE-TV FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from memberships and contributions	\$ 774,745	\$ 938,911
Cash receipts from studio related income/contracted services	104,301	40,973
Cash receipts from other operating revenue	78,243	55,882
Cash payments for operating expenses	(971,713)	(916,545)
Net cash (used in) provided by operating activities	(14,424)	119,221
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(380,396)	(196,581)
Sale of investments	393,424	171,143
Payments for investment management	(6,658)	(7,677)
Interest and dividends received	40,997	35,200
Net cash provided by investing activities	47,367	2,085
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(73,491)	(84,469)
NET (DECREASE) INCREASE IN CASH	(40,548)	36,837
CASH AT BEGINNING OF YEAR	965,554	928,717
CASH AT END OF YEAR	\$ 925,006	\$ 965,554
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating (loss) income	\$ (73,991)	\$ 132,037
Adjustments to reconcile to net cash flows from operating activities:		
Depreciation	21,724	11,510
Uncollectible accounts receivable	(1,416)	30,729
Decrease (increase) in operating assets:		
Accounts receivable	14,217	(32,624)
Pledges receivable	1,543	528
Prepaid expenses	4,418	382
Increase (decrease) in operating liabilities:		
Accounts payable	1,740	(17,939)
Accrued tax liability	(1,064)	2,982
Unearned revenue	18,405	(8,384)
Net reconciliation of net operating (loss) income to net cash flows from operating activities	\$ (14,424)	\$ 119,221
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
CASH PAID DURING THE YEAR FOR:		
Taxes	\$ 10,678	\$ 5,856

See notes to the financial statements.

WSRE-TV FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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) with an original maturity of three months or less 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:

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

WSRE-TV FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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 eighty 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. In addition, an allowance for uncollectible pledges is recorded as determined by management.

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

WSRE-TV FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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 \$23,000 and \$42,000 for the years ended June 30, 2019 and 2018, 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.

WSRE-TV FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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, 2019 and July 30, 2019, 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, 2019 and 2018, the carrying amounts of cash and money market funds held at year end were approximately \$925,000 and \$966,000, 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 invested with the SBA represents the Foundation's participation in Florida PRIME, which is authorized by Section 218.415(17), Florida Statutes. Florida PRIME operates under investment guidelines established by Section 215.47, Florida Statutes. The Foundation's investments in Florida PRIME are reported at amortized cost. As of June 30, 2019 and 2018, the balance was approximately \$50,000 and \$49,000, 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, 2019, there were no redemption fees, maximum transaction amounts, or other requirements limiting participants' daily access to 100% of their account value.

WSRE-TV FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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, 2019 and 2018.

Interest Rate Risk:

The weighted average days to maturity (WAM) of Florida PRIME's investment portfolio was 33 days at June 30, 2019, and 51 days at June 30, 2018. 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, 2019 and 2018, 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:

2019 - Investment Type	Maturity	Fair Market Value
Federal Government Obligations - Cash Equivalent	N/A	\$ 92,055
Equities:		
Alliance Bernstein Small Cap Growth	N/A	61,790
American EuroPacific Growth Fund	N/A	94,504
Fidelity Small Cap Value Fund	N/A	54,604
Vanguard Developed Markets	N/A	90,508
Oppenheimer Developing Markets Fund	N/A	48,433
Vanguard 500 Index Fund	N/A	686,981
JP Morgan Mid Cap Value Fund	N/A	63,151
Touchstone Large Cap Focused Fund	N/A	123,122
Janus Henderson Enterprise Fund	N/A	67,108
Fixed Income:		
Federated Total Return Bond Fund	Average Maturity 6.8 years Average quality A	307,106
Pimco Funds Low Duration	Average duration 5.6 years Average Maturity 2.4 years Average quality AA	175,355
Dodge and Cox Income Fund	Average duration 1.9 years Average Maturity 5.8 years Average quality A	287,675
	Average duration 4.2 years	
Total Investments		\$ 2,152,392

WSRE-TV FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

2. CASH AND INVESTMENTS – CONTINUED

Investments – Continued

<u>2018 - Investment Type</u>	<u>Maturity</u>	<u>Fair Market Value</u>
Federal Government Obligations - Cash Equivalent	N/A	\$ 120,054
Equities:		
Alliance Bernstein Small Cap Growth	N/A	68,582
American EuroPacific Growth Fund	N/A	90,128
Fidelity Small Cap Value Fund	N/A	53,633
Vanguard Developed Markets	N/A	87,743
Oppenheimer Developing Markets Fund	N/A	44,943
Vanguard 500 Index Fund	N/A	754,262
JP Morgan Mid Cap Value Fund	N/A	54,138
Massmutual Select Mid Cap Growth	N/A	58,747
Fixed Income:		
Federated Total Return Bond Fund	Average Maturity 7 years Average quality A-	302,157
Pimco Funds Low Duration	Average duration 4.9 years Average Maturity 2 years Average quality AA	152,995
Dodge and Cox Income Fund	Average duration 1.8 years Average Maturity 8 years Average quality A	271,696
	Average duration 4.4 years	
Total Investments		<u><u>\$ 2,059,078</u></u>

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, 2019, meets the policy guidelines, with equities representing 68%, fixed income representing 29%, and cash representing 3%. The short-term investment portfolio meets these requirements at June 30, 2019, with 21% in equity investments, 73% in fixed income investments, and 6% in cash.

Concentration of Credit Risk

There were no investments at June 30, 2019 and 2018, 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.

**WSRE-TV FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

2. CASH AND INVESTMENTS – CONTINUED

Investments – Continued

Interest Rate Risk

The Foundation's fixed income portfolio at June 30, 2019 and 2018, 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

Pledges receivable at June 30, 2019 and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
Amounts pledged	\$ 50,018	\$ 51,977
Less present value discount	(9,000)	(9,000)
	41,018	42,977
Less allowance for uncollectible pledges	-	(416)
	<u>\$ 41,018</u>	<u>\$ 42,561</u>
Amounts due in:		
Less than one year	\$ -	\$ 1,543
One to five years	-	367
Thereafter	41,018	40,651
	<u>\$ 41,018</u>	<u>\$ 42,561</u>

In the prior years, a ten percent allowance for uncollectible pledges has been provided for outstanding pledges from the Foundation's 40th Legacy Society and from the Foundation's EnvisionIt! Campaign, which started during 2011. There is no such allowance in the current year.

**WSRE-TV FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

4. CAPITAL ASSETS

Capital assets consist of the following as of and for the years ended June 30, 2019 and 2018:

	2019			
	Beginning Balance	Additions	Deletions	Ending Balance
Furniture and fixtures	\$ 913,273	\$ 73,491	\$ -	\$ 986,764
Accumulated depreciation	817,083	21,724	-	838,807
Capital assets, net	\$ 96,190	\$ 51,767	\$ -	\$ 147,957
	2018			
Furniture and fixtures	\$ 828,804	\$ 84,469	\$ -	\$ 913,273
Accumulated depreciation	805,573	11,510	-	817,083
Capital assets, net	\$ 23,231	\$ 72,959	\$ -	\$ 96,190

5. RELATED PARTY TRANSACTIONS

A portion of certain salaries and expenses of the Foundation are provided by the College. These amounts totaled approximately \$424,000 and \$409,000 for the years ended June 30, 2019 and 2018, respectively.

This support is included as in-kind revenue and distributed to the appropriate operating expense classification.

Contributions made by Board members during 2019 and 2018 were approximately \$38,000 and \$62,000, respectively. Contributions made by employees were approximately \$4,000 and \$11,000, 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.

WSRE-TV FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

7. RISK MANAGEMENT

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

8. ENDOWMENT FUNDS

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 (reported as part of unrestricted net position) and a donor-restricted endowment fund established for future technological upgrades to the Jean and Paul Amos Performance Studio (reported as part of restricted-expendable net position). The Foundation does not have any true permanent endowment funds.

The following depicts the activity of funds functioning as endowment funds for the years ended June 30, 2019 and 2018:

	Board Designated Endowment	Donor Restricted Endowment
Endowment net position 6/30/17	\$ 910,650	\$ 771,584
Investment income	76,063	68,739
Expense	<u>(3,812)</u>	<u>(3,333)</u>
Endowment net position 6/30/18	<u>982,901</u>	<u>836,990</u>
Investment income	71,898	60,872
Expense	<u>(3,988)</u>	<u>(45,981)</u>
Endowment net position 6/30/19	<u><u>\$ 1,050,811</u></u>	<u><u>\$ 851,881</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, 2019 WITH COMPARATIVE TOTALS FOR 2018

	Programming and		Fundraising and	Management and	Total Expenses	
	Production	Broadcasting	Development	General	2019	2018
Supplies	\$ 12,427	\$ 2,844	\$ 9,500	\$ 2,152	\$ 26,923	\$ 24,263
Pledge premiums	-	-	43,492	-	43,492	45,873
Professional services	-	-	249	36,691	36,940	44,870
Contracted services	56,627	38,673	64,142	24,131	183,573	111,575
Leased Staff	72,665	8,205	2,185	5,270	88,325	129,977
Program and traffic services	24,000	-	-	-	24,000	24,000
Equipment repair & maintenance	5,247	9,736	-	-	14,983	50,242
Printing	5,889	-	17,449	80	23,418	24,440
Minor equipment	32,222	12,130	-	659	45,011	120
Rental facilities and equipment	1,058	32,420	12,270	98	45,846	40,603
Travel	7,709	-	4,478	5,925	18,112	38,919
Advertising	20,166	-	2,901	-	23,067	41,518
Insurance	-	7,053	608	5,865	13,526	12,510
Depreciation	4,015	17,327	-	382	21,724	11,510
Communications	5,519	2,988	1,283	3,050	12,840	15,275
Service charges	20	-	16,892	242	17,154	18,748
Memberships and subscriptions	412	170	720	1,884	3,186	3,873
Affinity group fees and dues	-	-	-	41,169	41,169	41,925
Program acquisitions	219,750	-	-	-	219,750	161,253
Hospitality	1,441	-	1,252	3,534	6,227	9,277
Software	149	793	-	-	942	4,205
Videotape/storage media	1,397	-	-	-	1,397	2,494
Taxes	365	10,053	-	260	10,678	5,856
Freight and postage	861	389	15,471	61	16,782	10,102
Bad debt expense	-	-	(416)	(1,000)	(1,416)	30,729
Staff development	1,125	-	100	234	1,459	2,102
Honoraria fees	-	-	-	-	-	1,022
Major equipment for station	52,947	-	-	-	52,947	36,928
Non capitalized repairs	5,060	-	-	-	5,060	-
In-kind value of goods and services used	-	-	2,500	6,026	8,526	16,379
Personnel costs provided by						
PSC/WSRE-TV Station	34,761	-	203,181	185,810	423,752	408,770
TOTAL FUNCTIONAL EXPENSES	\$ 565,832	\$ 142,781	\$ 398,257	\$ 322,523	\$ 1,429,393	\$ 1,369,358

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, 2019, 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 30, 2019.

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) 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 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Warren Averett, LLC

Pensacola, Florida
July 30, 2019