

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

FLORIDA WEST COAST PUBLIC BROADCASTING, INC.

September 30, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Florida West Coast Public Broadcasting, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Florida West Coast Public Broadcasting, Inc. (a nonprofit organization) ("WEDU"), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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.

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

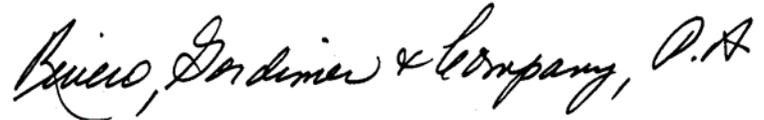
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WEDU as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2020, on our consideration of WEDU'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 WEDU's internal control over financial reporting and compliance.



Tampa, Florida
December 16, 2020

Florida West Coast Public Broadcasting, Inc.

STATEMENTS OF FINANCIAL POSITION

September 30,

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents (notes A4 and A5)	\$ 2,448,695	\$ 889,857
Receivables - current portion, net (notes A6 and C)	198,689	814,898
Prepaid expenses and other current assets	140,950	183,638
Beneficial interest in trust - current portion (notes A8, D and H)	<u>60,567</u>	<u>58,459</u>
TOTAL CURRENT ASSETS	2,848,901	1,946,852
Beneficial interest in trust - long term portion (notes A8, D and H)	526,364	507,158
Beneficial interest in perpetual trust (notes A8 and H)	2,349,311	2,288,128
Beneficial interest in funds held by others (notes A9 and H)	1,459,930	1,052,349
Investments held for long-term purposes (notes F, G and H)	18,001,700	16,578,335
Land, building and equipment, net (notes A10 and E)	4,681,026	4,667,554
Investment in the Digital Convergence Alliance (note I)	99,469	213,329
Other assets	<u>56,841</u>	<u>26,839</u>
TOTAL ASSETS	<u>\$ 30,023,542</u>	<u>\$ 27,280,544</u>
LIABILITIES AND NET ASSETS		
Notes payable, current portion (note K)	\$ -	\$ 327,692
Accounts payable	299,323	261,096
Accrued expenses	770,495	705,330
Deferred production and underwriting fees	<u>181,370</u>	<u>74,256</u>
TOTAL CURRENT LIABILITIES	1,251,188	1,368,374
Other liabilities	7,117	90,172
Commitments (notes I and M)	-	-
Long term portion of notes payable (note K)	<u>-</u>	<u>138,983</u>
TOTAL LIABILITIES	<u>1,258,305</u>	<u>1,597,529</u>
Net assets		
Without donor restrictions	22,436,468	19,846,324
With donor restrictions	<u>6,328,769</u>	<u>5,836,691</u>
TOTAL NET ASSETS	<u>28,765,237</u>	<u>25,683,015</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 30,023,542</u>	<u>\$ 27,280,544</u>

The accompanying notes are an integral part of these statements.

Florida West Coast Public Broadcasting, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended September 30, 2020

	Without donor restrictions	With donor restrictions	Total
Revenue			
Contributions and gifts	\$ 6,251,109	\$ 3,630	\$ 6,254,739
Governmental grants	1,959,039	-	1,959,039
In-kind contributions (note A14)	1,303,258	-	1,303,258
Local program underwriting	629,902	-	629,902
Program production and studio rental	143,772	-	143,772
Rental income	1,055,379	-	1,055,379
Investment income (realized and unrealized) (note F)	1,609,071	-	1,609,071
Change in value of beneficial interest in trusts	-	278,963	278,963
Change in value of beneficial interest in funds held by others	-	49,619	49,619
Special events	31,985	-	31,985
Other income	33,392	-	33,392
	<u>13,016,907</u>	<u>332,212</u>	<u>13,349,119</u>
Distributions from beneficial interest in trusts and funds held by others	<u>251,700</u>	<u>(251,700)</u>	<u>-</u>
Total revenue	<u>13,268,607</u>	<u>80,512</u>	<u>13,349,119</u>
Expenses			
Program services			
Programming and production	5,512,464	-	5,512,464
Broadcasting	2,382,906	-	2,382,906
	<u>7,895,370</u>	<u>-</u>	<u>7,895,370</u>
Supporting services			
Fundraising and membership	2,091,530	-	2,091,530
Management and general	1,227,203	-	1,227,203
	<u>3,318,733</u>	<u>-</u>	<u>3,318,733</u>
Total expenses	<u>11,214,103</u>	<u>-</u>	<u>11,214,103</u>
Revenues less expenses	2,054,504	80,512	2,135,016
Community foundation funds (note A9)	-	411,566	411,566
Other changes in net assets (note I)	(113,860)	-	(113,860)
PPP loan and forgiveness (note N)	649,500	-	649,500
	<u>2,590,144</u>	<u>492,078</u>	<u>3,082,222</u>
Change in net assets	2,590,144	492,078	3,082,222
Net assets at beginning of year	<u>19,846,324</u>	<u>5,836,691</u>	<u>25,683,015</u>
Net assets at end of year	<u>\$ 22,436,468</u>	<u>\$ 6,328,769</u>	<u>\$ 28,765,237</u>

The accompanying notes are an integral part of this statement.

Florida West Coast Public Broadcasting, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Contributions and gifts	\$ 6,498,823	\$ 591,531	\$ 7,090,354
Governmental grants	1,851,785	-	1,851,785
In-kind contributions (note A14)	1,453,840	-	1,453,840
Local program underwriting	835,152	-	835,152
Program production and studio rental	278,984	-	278,984
Rental income	732,208	-	732,208
Investment income (realized and unrealized) (note F)	971,461	-	971,461
Change in value of beneficial interest in trusts	-	48,221	48,221
Change in value of beneficial interest in funds held by others	-	23,317	23,317
Special events	70,815	-	70,815
Other income	105,860	-	105,860
	<u>12,798,928</u>	<u>663,069</u>	<u>13,461,997</u>
Distributions from beneficial interest in trusts and funds held by others	171,416	(171,416)	-
Assets released from restrictions	53,499	(53,499)	-
	<u>13,023,843</u>	<u>438,154</u>	<u>13,461,997</u>
Expenses			
Program services			
Programming and production	5,526,357	-	5,526,357
Broadcasting	2,391,630	-	2,391,630
	<u>7,917,987</u>	<u>-</u>	<u>7,917,987</u>
Supporting services			
Fundraising and membership	2,002,253	-	2,002,253
Management and general	995,348	-	995,348
	<u>2,997,601</u>	<u>-</u>	<u>2,997,601</u>
	<u>10,915,588</u>	<u>-</u>	<u>10,915,588</u>
Revenues less expenses	2,108,255	438,154	2,546,409
Other changes in net assets (note I)	(153,375)	-	(153,375)
Change in net assets	1,954,880	438,154	2,393,034
Net assets at beginning of year	17,891,444	5,398,537	23,289,981
Net assets at end of year	<u>\$ 19,846,324</u>	<u>\$ 5,836,691</u>	<u>\$ 25,683,015</u>

The accompanying notes are an integral part of this statement.

Florida West Coast Public Broadcasting, Inc.

STATEMENTS OF CASH FLOWS

For the year ended September 30,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 3,082,222	\$ 2,393,034
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	489,938	509,516
Gain on termination of joint tower agreement	-	(75,094)
Community foundation funds	(411,566)	-
Change in value of beneficial interest in trust	(279,593)	(613,838)
Change in value of beneficial interest in funds held by others	(49,619)	(23,317)
Net realized and unrealized gains	(1,609,071)	(971,461)
Funds appropriated from beneficial interest in trust	195,521	80,818
Funds appropriated from beneficial interest in funds held by others	54,604	44,440
Funds appropriated from endowment	582,066	667,483
Forgiveness of PPP loan	(649,500)	-
Decrease (increase) in receivables	616,209	(134,687)
Decrease in investment in Digital Convergence Alliance	113,860	153,375
Decrease (increase) in prepaid expenses and other current assets	42,688	(65,130)
Increase in other assets	(30,002)	(10,960)
Increase in accounts payable and accrued expenses	103,392	199,810
Increase (decrease) in deferred revenue	107,114	(44,818)
(Decrease) increase in other liabilities	(83,055)	2,717
Total adjustments	<u>(807,014)</u>	<u>(281,146)</u>
Net cash provided by operating activities	<u>2,275,208</u>	<u>2,111,888</u>
Cash flows from investing activities		
Purchase of fixed assets	<u>(503,410)</u>	<u>(608,770)</u>
Net cash used by investing activities	<u>(503,410)</u>	<u>(608,770)</u>
Cash flows from financing activities		
Purchase of endowment investments, net	(327,639)	(1,496,397)
Increase in funds held by others	(1,000)	(1,000)
Proceeds from notes payable	-	300,000
Payments on long-term debt	(221,343)	(78,657)
Payments for termination of joint tower agreement	(245,332)	(122,668)
Proceeds received from PPP loan	649,500	-
Net cash used by financing activities	<u>(145,814)</u>	<u>(1,398,722)</u>
Net increase in cash, cash equivalents and restricted cash	1,625,984	104,396
Cash, cash equivalents and restricted cash at beginning of year	<u>1,202,979</u>	<u>1,098,583</u>
Cash, cash equivalents and restricted cash at end of year (notes A2 and A4)	<u>\$ 2,828,963</u>	<u>\$ 1,202,979</u>

The accompanying notes are an integral part of this statement.

Florida West Coast Public Broadcasting, Inc.
STATEMENTS OF CASH FLOWS - CONTINUED

For the year ended September 30,

	<u>2020</u>	<u>2019</u>
Supplemental disclosures of cash flow information		
Cash paid during the year		
Interest	<u>\$ 6,180</u>	<u>\$ 6,157</u>
Taxes	<u>\$ -</u>	<u>\$ -</u>
Supplemental disclosures of noncash financing activities		
Termination of tower agreement through issuance of notes payable	<u>\$ -</u>	<u>\$ 368,000</u>

The accompanying notes are an integral part of this statement.

Florida West Coast Public Broadcasting, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2020

	Program Services			Supporting Services			Combined Total
	Programming and Production	Broadcasting	Total	Fundraising and Membership	Management and General	Total	
Salaries, payroll taxes and employee benefits	\$ 1,634,092	\$ 1,079,079	\$ 2,713,171	\$ 693,741	\$ 543,686	\$ 1,237,427	\$ 3,950,598
Advertising	90,453	4,523	94,976	13,568	23,250	36,818	131,794
Bad debts	-	-	-	-	153,932	153,932	153,932
Contract services	387,757	382,246	770,003	310,365	40,357	350,722	1,120,725
Depreciation	51,296	323,542	374,838	-	115,100	115,100	489,938
Donated facilities	667,071	133,819	800,890	100,365	112,530	212,895	1,013,785
Insurance	15,335	83,983	99,318	3,339	36,727	40,066	139,384
Broadcast system membership fees and program rights	2,177,560	4,922	2,182,482	5,422	34,457	39,879	2,222,361
Interest	-	-	-	-	6,180	6,180	6,180
Mailings and postage	79,792	1,136	80,928	56,691	1,272	57,963	138,891
Membership services	38,106	37,711	75,817	301,688	-	301,688	377,505
Premiums and commissions	32,819	29,651	62,470	434,040	-	434,040	496,510
Program guide	41,580	-	41,580	41,580	-	41,580	83,160
Professional membership and dues	4,777	693	5,470	3,306	7,302	10,608	16,078
Professional services	9,748	10,907	20,655	3,249	42,240	45,489	66,144
Repairs and maintenance	46,938	45,182	92,120	28,840	17,059	45,899	138,019
Supplies and printing	55,766	80,202	135,968	30,042	24,171	54,213	190,181
Telephone	59,954	54,885	114,839	33,766	30,726	64,492	179,331
Travel	50,746	11,348	62,094	25,768	8,950	34,718	96,812
Utilities	68,674	99,077	167,751	5,760	29,264	35,024	202,775
Total expenses	<u>\$ 5,512,464</u>	<u>\$ 2,382,906</u>	<u>\$ 7,895,370</u>	<u>\$ 2,091,530</u>	<u>\$ 1,227,203</u>	<u>\$ 3,318,733</u>	<u>\$ 11,214,103</u>

The accompanying notes are an integral part of this statement.

Florida West Coast Public Broadcasting, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2019

	Program Services			Supporting Services			Combined Total
	Programming and Production	Broadcasting	Total	Fundraising and Membership	Management and General	Total	
Salaries, payroll taxes and employee benefits	\$ 1,468,107	\$ 1,023,164	\$ 2,491,271	\$ 663,967	\$ 395,673	\$ 1,059,640	\$ 3,550,911
Advertising	147,162	20,781	167,943	49,545	17,064	66,609	234,552
Contract services	415,884	378,403	794,287	196,898	87,702	284,600	1,078,887
Depreciation	57,201	347,824	405,025	-	104,491	104,491	509,516
Donated facilities	667,071	133,819	800,890	100,365	112,530	212,895	1,013,785
Insurance	13,023	82,927	95,950	3,256	35,813	39,069	135,019
Broadcast system membership fees and program rights	2,242,586	4,729	2,247,315	5,029	33,102	38,131	2,285,446
Interest	-	-	-	-	6,157	6,157	6,157
Mailings and postage	70,560	1,906	72,466	70,981	1,897	72,878	145,344
Membership services	35,214	34,852	70,066	278,815	-	278,815	348,881
Premiums and commissions	30,132	30,132	60,264	469,356	-	469,356	529,620
Program guide	34,060	-	34,060	34,060	-	34,060	68,120
Professional membership and dues	8,926	1,136	10,062	7,463	9,281	16,744	26,806
Professional services	11,163	32,877	44,040	3,610	46,936	50,546	94,586
Repairs and maintenance	74,935	52,342	127,277	32,008	33,863	65,871	193,148
Supplies and printing	49,116	109,556	158,672	31,643	36,221	67,864	226,536
Telephone	54,162	40,419	94,581	23,921	20,672	44,593	139,174
Travel	67,563	15,605	83,168	24,675	18,073	42,748	125,916
Utilities	79,492	81,158	160,650	6,661	35,873	42,534	203,184
Total expenses	\$ 5,526,357	\$ 2,391,630	\$ 7,917,987	\$ 2,002,253	\$ 995,348	\$ 2,997,601	\$ 10,915,588

The accompanying notes are an integral part of this statement.

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and a summary of its significant accounting policies consistently applied in the preparation of the accompanying financial statements follow:

1. General

The accompanying financial statements include the accounts of Florida West Coast Public Broadcasting, Inc. ("WEDU"). WEDU is a nonprofit Florida corporation that operates a non-commercial public television station, WEDU, broadcasting to the west central Florida service area. WEDU receives its contributions and underwriting primarily from viewers in its service area along with funding from various federal and state grants.

The accounting and reporting policies of WEDU conform to accounting principles generally accepted in the United States of America and are in accordance with the auditing and accounting guide issued by the American Institute of Certified Public Accountants, *Audits of Not-for-Profit Organizations*.

These financial statements, presented on the accrual basis of accounting, have been prepared to focus on WEDU as a whole and to present net assets, revenues, and expenses based on the existence or absence of donor-imposed restrictions. This has been accomplished by the classification of assets, liabilities, and net assets into two groups – with donor restrictions and without donor restrictions.

These two groups are defined as follows:

- Net assets without donor restrictions – the portion of WEDU's net assets that is not subject to donor-imposed restrictions.
- Net assets with donor restrictions – the portion of WEDU's net assets that is subject to donor-imposed restrictions

A donor-imposed restriction is a stipulation that specifies a use for a contributed asset that is more specific than broad limits resulting from the nature of the organization, the environment in which it operates, or its mission. A donor-imposed restriction may be temporary or permanent. Temporary restrictions may be fulfilled by actions of the organization to meet the stipulations or be fulfilled by the passage of time. Permanent restrictions stipulate that the resources must be maintained in perpetuity.

WEDU follows the provisions of the Financial Accounting Standards Board *Accounting Standards Codification* ("FASB ASC").

FASB ASC 958-205 establishes standards for general purpose external financial statements of not-for-profit organizations that require a statement of financial position, a statement of activities and changes in net assets, and a statement of cash flows.

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2020 and 2019

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

FASB ASC 958-605 requires WEDU to distinguish between contributions that increase net assets without donor restrictions and net assets with donor restrictions. It also requires recognition of contributed services meeting certain criteria at fair values.

2. Change in Accounting Principle

During fiscal year 2020, WEDU adopted ASU 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*, as well as ASU 2014-09 *Revenue from Contracts with Customers*. WEDU adopted ASU 2018-08 and 2014-09 using the retrospective method. The adoption of these standards did not result in significant changes to WEDU's accounting policies or impact its financial position, results of operations, or cash flows. As such, prior period financial statements were not restated and there was no cumulative effect adjustment upon adoption.

During fiscal year 2020, WEDU also adopted ASU 2016-18 *Statement of Cash Flows (Topic 230): Restricted Cash*. The new standard changes the financial statements to include restricted cash and cash equivalents with cash and cash equivalents when reconciling the beginning of period and end of period amounts shown on the statement of cash flows. The amendments in ASU 2016-18 do not provide a definition of restricted cash or restricted cash equivalents. WEDU has applied ASU 2016-18 retrospectively to all periods presented.

As a result of the adoption of ASU No. 2016-18, the statement of cash flows for the year ended September 30, 2019 was adjusted as follows:

Statement of Cash Flows	<u>After Adoption</u>	<u>As Originally Presented</u>	<u>Effect of Change</u>
Net cash provided by operating activities	\$ 2,111,888	\$2,233,298	\$ (121,410)
Cash, cash equivalents, and restricted cash - beginning of year	\$ 1,098,583	N/A	\$1,098,583
Cash, cash equivalents, and restricted cash - end of year	\$ 1,202,979	N/A	\$1,202,979
Net change in cash and cash equivalents	N/A	\$ 225,806	\$ (225,806)
Net change in cash and cash equivalents - beginning of year	N/A	\$ 664,051	\$ (664,051)
Net change in cash and cash equivalents - end of year	N/A	\$ 889,857	\$ (889,857)

3. Revenue Recognition

Contributions, including unconditional pledges or promises to give, are recognized in the period received. Conditional pledges are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value. An allowance for uncollectible pledges receivable is provided based upon management's judgment and analysis regarding the creditworthiness of the donor, prior collection history, type of contribution and nature of fundraising activity.

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2020 and 2019

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Production underwriting is recorded on a completed contract basis. Program underwriting is recorded pro rata over the broadcast period. The unexpended portion of revenue received for program and production underwriting is reflected in the statement of financial position as deferred revenue.

In-kind contributions are recorded as revenue and expense in the fiscal year during which the benefit is received. In-kind contributions consist primarily of the use of donated facilities and equipment, professional services and promotions and are recorded at fair value.

4. Cash and Cash Equivalents

WEDU considers all short-term investments with an original maturity of three months or less to be cash equivalents, except those managed as part of investment strategies for investments held for long term purposes and beneficial interest in a perpetual trust asset. Cash and cash equivalents within investments held for long term purposes and beneficial interest in perpetual trust are considered restricted cash and may represent funds restricted due to management's policy or other arrangements.

The following table provides a reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,448,695	\$ 889,857
Restricted cash included in investments held for long-term purposes	365,635	296,914
Restricted cash included in beneficial interest in perpetual trust	<u>14,633</u>	<u>16,208</u>
Totals	<u>\$ 2,828,963</u>	<u>\$ 1,202,979</u>

5. Concentration of Credit Risk

Financial instruments, which potentially subject WEDU to concentrations of credit risk, consist principally of cash, cash equivalents and investments.

6. Pledges Receivable

The fair value of the pledges receivable is estimated by discounting expected future cash flows using a rate of return based on the yield of a U.S. Treasury Security with a maturity date similar to the expected collection period.

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2020 and 2019

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

7. Bequests in Process

WEDU recognizes a receivable and revenue for its interest in bequests in process based on the estimated realizable value expected to be received. WEDU records bequests in process when the court declares the related will valid.

8. Beneficial Interest in Trusts

WEDU has a beneficial interest in a perpetual trust known as the Clayton B. Howe Trust and receives income from this trust, which is administered by a third party. Perpetual trusts are recorded at the fair value of the trust assets and are classified as net assets with donor restriction restricted in perpetuity.

WEDU has a beneficial interest in a charitable trust in which annual distributions are received. Charitable trusts are recorded at the present value of expected cash flows to be received by the trust, discounted at a rate of 5% and are classified as net assets with donor restrictions.

9. Beneficial Interest in Funds Held by Others

WEDU has transferred assets to a community foundation which holds the funds for the benefit of WEDU. When a nonprofit transfers assets to a charitable trust or community foundation in which the resource provider names itself as beneficiary, the economic benefit of the transferred assets remains with the resource provider. The asset received in exchange is a beneficial interest in assets held by others, measured at the fair value of the asset contributed. Changes in the value are recognized in the statement of activities as “change in value of beneficial interest in funds held by others.”

During fiscal year 2020, WEDU recorded \$411,566 of funds held at the Community Foundation of Tampa Bay, which previously had not been recorded on the Organization’s books. WEDU receives periodic distributions from these designated funds.

10. Land, Building, and Equipment

Land, building, and equipment are stated at cost, or in the case of donated property, at estimated fair value at the date of receipt. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, ranging from three to thirty years. WEDU capitalizes land, building and equipment additions that exceed \$5,000.

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2020 and 2019

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

11. Functional Allocation of Expense

The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area of WEDU are reported as expenses of those functional areas. A portion of costs that benefit multiple functional areas are allocated on the basis of time and effort or other allocable bases.

12. Income Taxes

WEDU is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income taxes. The Internal Revenue Code provides for taxation of unrelated business income under certain circumstances. WEDU has cumulative unrelated business losses for tax purposes of approximately \$1,900,000; however, such status is subject to final determination upon examination of the related tax returns by the appropriate taxing authorities. There is a valuation allowance against the unrelated business taxable income net operating loss deferred tax asset due to the uncertainty of future unrelated business taxable income. Tax years after September 30, 2016 remain subject to examination by taxing authorities.

Management is not aware of any activities that would jeopardize WEDU's tax-exempt status. WEDU is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty.

13. Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

14. In-Kind and Non-Cash Contributions

In-kind donation items used by WEDU are recorded as contributions and expenses to the extent that an objective basis is available to measure the value of such items.

Contributed services are recorded as contributions and expenses at their fair value, to the extent they create or enhance non-financial assets or require specialized skills, are provided by individuals or organizations possessing these skills, and would typically need to be purchased if not provided by donations.

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2020 and 2019

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

In-kind contributions consisted of the following during the year ended September 30,:

	<u>2020</u>	<u>2019</u>
Donated facilities	\$ 1,013,785	\$ 1,013,785
Advertising and promotional services	228,882	380,731
Other	<u>60,591</u>	<u>59,324</u>
Total	<u>\$ 1,303,258</u>	<u>\$ 1,453,840</u>

A substantial number of volunteers have donated significant amounts of their time and resources toward the objectives of WEDU. However, no amounts are recorded in the accompanying financial statements for non-specialist services.

15. Reclassifications

Certain amounts from the September 30, 2019 comparative financial statement have been reclassified to conform to the September 30, 2020 presentation.

NOTE B - LIQUIDITY

WEDU's financial assets available within one year of the date of the financial statements of financial position for general expenditure are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,448,695	\$ 889,857
Current portion of receivables	<u>198,689</u>	<u>814,898</u>
Total financial assets available within one year	<u>\$ 2,647,384</u>	<u>\$ 1,704,755</u>

WEDU maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations become due. WEDU's investments are considered to be long term in nature, however, are available for expenditure subject to approval from the Board. Board designated investments were approximately \$16,000,000 and \$15,000,000, for the years ended September 30, 2020 and 2019, respectively.

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2020 and 2019

NOTE C - RECEIVABLES

Receivables consist of the following at September 30,:

	<u>2020</u>	<u>2019</u>
Pledges receivable, net of allowance for doubtful accounts of \$0 and \$349,076, respectively	\$ 26,308	\$ 648,388
Accounts receivable, net of allowance for doubtful accounts of \$7,429 for both years	<u>172,381</u>	<u>166,510</u>
Total receivables, net	<u>\$ 198,689</u>	<u>\$ 814,898</u>

NOTE D - BENEFICIAL INTEREST IN TRUST

In December 2018, WEDU received a beneficial interest in a trust known as the Doris Wagner Trust, which is administered by a third party. The trustee is required to pay WEDU an annuity amount equal to 5% of the initial net fair market value of WEDU's share of the trust on an annual basis. WEDU received \$68,410 and \$72,111 from the trust for the years ended September 30, 2020 and 2019, respectively.

NOTE E - LAND, BUILDING, AND EQUIPMENT

Land, building, and equipment consist of the following at September 30,:

	<u>2020</u>	<u>2019</u>
Land	\$ 614,029	\$ 614,029
Building	912,329	912,329
Telecasting equipment	5,133,812	5,005,497
Office furniture and equipment	585,828	452,549
Leasehold improvements	724,890	724,890
Digital transmission tower, antenna and related equipment	<u>6,861,517</u>	<u>6,619,701</u>
	14,832,405	14,328,995
Less accumulated depreciation	<u>(10,151,379)</u>	<u>(9,661,441)</u>
	<u>\$ 4,681,026</u>	<u>\$ 4,667,554</u>

Land under the operating facility, valued at \$75,000 was received in fiscal year 1976 from the City of Tampa and restricted for use as the site for construction of an educational and/or public broadcasting facility. Title will revert to the City of Tampa if the land ceases to be used for the purpose of a nonprofit and noncommercial educational and/or public broadcasting system.

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2020 and 2019

NOTE E - LAND, BUILDING, AND EQUIPMENT - Continued

Portions of the digital transmission tower and related equipment acquired with federal or state grant money are considered to be owned by WEDU. Furthermore, these grants have a reversionary clause that vests ownership of the related assets with the grantor entity for the useful life of the asset or a specific time period of 10 years, as described in the contracts. The cost basis of such property and equipment is \$5,019,493 and is expected to be utilized by WEDU for its entire useful life.

NOTE F - INVESTMENTS HELD FOR LONG-TERM PURPOSES

Investments held for long-term purposes represent WEDU's endowment fund, are stated at fair market value and are comprised of the following at September 30,:

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 365,635	\$ 296,914
Fixed income	4,612,580	4,494,121
Stocks and mutual funds	<u>13,023,485</u>	<u>11,787,300</u>
	<u>\$ 18,001,700</u>	<u>\$ 16,578,335</u>

These endowment fund investments include Board designated funds and donor restricted funds, which limit their use to the investment income earned during the year.

The components of investment return are as follows for the years ended September 30,:

	<u>2020</u>	<u>2019</u>
Dividends and interest	\$ 324,295	\$ 307,502
Net realized gains	312,457	336,152
Net unrealized gains	1,065,619	412,748
Investment fees	<u>(93,300)</u>	<u>(84,941)</u>
	<u>\$ 1,609,071</u>	<u>\$ 971,461</u>

NOTE G - ENDOWMENTS

WEDU's endowment includes both donor restricted funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on existence or absence of donor-imposed restrictions.

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2020 and 2019

NOTE G - ENDOWMENTS - Continued

Interpretation of Relevant Law

In July 2011, the State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act (“FUPMIFA”). WEDU has interpreted the FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, WEDU classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with the FUPMIFA, WEDU considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of WEDU and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and that appreciation of investments
6. Other resources of WEDU
7. The investment policies of WEDU

Return Objectives, Risk Parameters, and Strategies

WEDU has adopted an investment and spending policy for endowment assets that attempts to preserve the real (inflation adjusted) value of endowment assets, increase the real value of the portfolio and facilitate a potential distribution to support some level of future operations. Endowment assets include those assets of donor-restricted funds that WEDU must hold in perpetuity or for a donor-specified period(s). The terms of the operating policies of the endowment funds (the “Fund”) requires that the Fund will be monitored by the Investment Committee and approved by the Board of Directors. The Investment Committee is responsible to oversee the portfolio’s investments and monitor the investments on an ongoing basis to ensure that long-term objectives are being met.

The Investment Committee has agreed to a target asset allocation for the portfolio’s assets and seeks advice from professional investment managers which hold the assets. The Fund is to invest funds in accordance with the standards set forth in WEDU’s investment policy.

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2020 and 2019

NOTE G - ENDOWMENTS - Continued

Spending Policy and how the Investment Objective Related to Spending Policy

WEDU's Board of Directors, on the recommendation of the Investment Committee, has adopted a spending policy that governs the annual distributions from the endowment fund that may be expended for current operations of WEDU. This policy authorizes WEDU to distribute from its endowment fund a specified percentage, to be determined by the Board of Directors (Board) from time to time, of the current market at budget time or fiscal year-end of the endowment fund.

The policy also allows the Board to base the distribution formula on the average market value over a period of several years as it chooses to do so. For the fiscal years ended September 30, 2020 and 2019, WEDU's Board of Directors authorized the distribution and expenditure of five percent (5%) of the five-year average market value of the endowment as of December 31, 2019 and 2018, respectively.

Distributions cannot exceed the accumulated unspent earnings of the endowment without WEDU's Board approval. Income earned in excess of the spending rate may be reinvested in endowment principal. This is consistent with WEDU's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

Changes in the endowment's net assets are as follows:

	<u>Board Designated</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets at September 30, 2018	\$ 12,947,532	\$ 5,354,036	\$ 18,301,568
Interest and dividends	307,502	83,990	391,492
Realized and unrealized activity, net of fees	663,959	(12,450)	651,509
Endowment additions	1,472,132	582,531	2,054,663
Endowment distributions	<u>(743,387)</u>	<u>(171,416)</u>	<u>(914,803)</u>
Endowment net assets at September 30, 2019	14,647,738	5,836,691	20,484,429
Interest and dividends	324,295	75,394	399,689
Realized and unrealized activity, net of fees	1,284,776	253,188	1,537,964
Endowment additions	486,498	3,630	490,128
Community Foundation funds	-	411,566	411,566
Endowment distributions	<u>(674,204)</u>	<u>(251,700)</u>	<u>(925,904)</u>
Endowment net assets at September 30, 2020	<u>\$ 16,069,103</u>	<u>\$ 6,328,769</u>	<u>\$ 22,397,872</u>

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2020 and 2019

NOTE H - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Financial Accounting Standards Board's *Accounting Standards Codification 820* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

A fair value measure should reflect the assumptions that market participants would use in pricing the asset or liability, including the assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset and the risk of nonperformance.

The three levels of the fair value hierarchy under FASB ASC 820 are described below:

- Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the counter markets with sufficient volume),
- Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and
- Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on company-specific data. These unobservable assumptions reflect the Organization's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

ITEMS MEASURED AT FAIR VALUE ON A RECURRING BASIS

Investments held for long-term purposes, beneficial interest in trusts, and beneficial interest in funds held by others are recorded at fair value on a recurring basis. Below is a description on valuation methodologies for these assets.

Investments held for long-term purposes and beneficial interest in perpetual trusts primarily consist of publicly traded stocks and mutual funds. WEDU uses quoted market prices of identical assets on active exchanges, or Level 1 measurement.

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2020 and 2019

NOTE H - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

Beneficial interest in trust consists of a charitable trust in which WEDU receives annual payments. The fair value of the charitable trusts in which the Organization is a remainder beneficiary is based on the Organization's beneficial interest in the investments held in the trust, which are measure at fair value.

Beneficial interest in funds held by others consists of funds held by a community foundation. The beneficial interest is not actively traded and significant other observable inputs are not available. Thus, the fair value is equal to the value reported by the trustee.

The following table presents financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2020:

	Level 1	Level 2	Level 3	Fair Value
Assets:				
Investments held for long-term purposes				
Cash and equivalents	\$ 365,635	\$ -	\$ -	\$ 365,635
Equities				
U.S. Large Cap	9,937,130	-	-	9,937,130
International	3,086,355	-	-	3,086,355
Fixed				
U.S. Treasuries and agencies	-	4,611,013	-	4,611,013
Mortgage securities	-	1,567	-	1,567
Beneficial interest in trust	-	586,931	-	586,931
Beneficial interest in perpetual trust				
Cash and equivalents	14,633	-	-	14,633
Equities				
U.S. Large Cap	916,214	-	-	916,214
Small-Mid Cap	230,879	-	-	230,879
International Equity	384,796	-	-	384,796
Exchange Traded Funds	-	-	-	-
Fixed				
U.S. Treasuries and agencies	-	731,266	-	731,266
International	-	71,523	-	71,523
Beneficial interest in funds held by others	-	-	1,459,930	1,459,930
Total assets	<u>\$ 14,935,642</u>	<u>\$ 6,002,300</u>	<u>\$ 1,459,930</u>	<u>\$ 22,397,872</u>

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2020 and 2019

NOTE H - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

The following table presents financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Assets:				
Investments held for long-term purposes				
Cash and equivalents	\$ 296,914	\$ -	\$ -	\$ 296,914
Equities				
U.S. Large Cap	8,939,627	-	-	8,939,627
International	2,847,673	-	-	2,847,673
Fixed				
U.S. Treasuries and agencies	-	4,491,084	-	4,491,084
Mortgage securities	-	3,037	-	3,037
Beneficial interest in trust	-	565,617	-	565,617
Beneficial interest in perpetual trust				
Cash and equivalents	16,208	-	-	16,208
Equities				
U.S. Large Cap	790,697	-	-	790,697
Small-Mid Cap	256,473	-	-	256,473
International Equity	425,580	-	-	425,580
Exchange Traded Funds	-	-	-	-
Fixed				
U.S. Treasuries and agencies	-	702,972	-	702,972
International	-	96,198	-	96,198
Beneficial interest in funds held by others	-	-	1,052,349	1,052,349
Total assets	<u>\$ 13,573,172</u>	<u>\$ 5,858,908</u>	<u>\$ 1,052,349</u>	<u>\$ 20,484,429</u>

Assets and liabilities in all levels could result in volatile and material price fluctuations. Realized and unrealized gains and losses on level 3 assets represent only a portion of the risk to market fluctuations on the statement of financial position.

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2020 and 2019

NOTE H - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

The following table illustrates a rollforward for all assets measured at fair value on a recurring basis using significant unobservable inputs (level 3).

A reconciliation of WEDU's level 3 assets follows:

Beneficial interest in funds held by others at September 30, 2018	\$ 1,072,472
Additions	1,000
Realized and unrealized gains, net	23,318
Distributions	<u>(44,441)</u>
Beneficial interest in funds held by others at September 30, 2019	1,052,349
Additions	412,566
Realized and unrealized gains, net	49,619
Distributions	<u>(54,604)</u>
Beneficial interest in funds held by others at September 30, 2020	<u>\$ 1,459,930</u>

NOTE I - INVESTMENT IN THE DIGITAL CONVERGENCE ALLIANCE (DCA)

On March 1, 2013 WEDU entered into agreements with the Corporation for Public Broadcasting (CPB) and the Digital Convergence Alliance (DCA) as a founding member of the Network Operations Center (NOC). CPB awarded a \$7 million grant to the Digital Convergence Alliance (DCA), comprising 11 public television stations that serve communities in Florida, Georgia, Texas, Wisconsin, and Illinois, to combine their operations into a single master control location. Specifically, CPB's grant will allow the DCA to establish the NOC, resulting in projected lower direct costs and a projected savings of more than \$20 million over 10 years.

Under the agreements, WEDU is required to pay \$2.2 million over a ten year period for the joint master control services provided by NOC (\$1.7 million), and for funding equipment replacements (\$0.5 million). These required payments could be reduced if additional NOC clients are acquired by the DCA. WEDU would likely be required to pay a \$700,000 penalty for withdrawing from the agreement at any time during the first five years. The possible withdrawal penalty is reduced to \$350,000 between years six and ten of the contracts. WEDU paid \$274,352 to the DCA for the years ended September 30, 2020 and 2019, respectively. Approximately \$1,828,000 and \$1,554,000 has been paid by WEDU as of September 30, 2020 and 2019, respectively, since entering into the agreement.

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2020 and 2019

NOTE I - INVESTMENT IN THE DIGITAL CONVERGENCE ALLIANCE (DCA) - Continued

WEDU accounts for its investment in the DCA as an investment in a cooperative. Under this method of accounting, WEDU's investment in DCA is increased or reduced by WEDU's allocation of DCA's net income or losses. For the years ended September 30, 2020 and 2019, WEDU's share of loss was \$113,860 and \$153,375, respectively, which consisted primarily of WEDU's share of depreciation on broadcast equipment. The carrying amount of the investment in DCA was \$99,469 and \$213,329 as of September 30, 2020 and 2019, respectively.

The following is a summary of DCA's financial position and operating results as of, and for the year ended September 30,:

	<u>2020</u>	<u>2019</u>
Total assets	<u>\$ 3,078,832</u>	<u>\$ 3,989,346</u>
Total liabilities	\$ 1,984,673	\$ 1,642,722
Members' equity	<u>1,094,159</u>	<u>2,346,624</u>
Total liabilities and members' equity	<u>\$ 3,078,832</u>	<u>\$ 3,989,346</u>
Revenue	\$ 3,445,374	\$ 3,332,533
Expenses	<u>4,697,839</u>	<u>5,019,654</u>
Loss	<u>\$ (1,252,465)</u>	<u>\$ (1,687,121)</u>

NOTE J - LINE OF CREDIT

WEDU has an unsecured \$500,000 bank line of credit which is payable on demand and reviewed annually by the bank. Interest is payable monthly at LIBOR index rate (0.16% and 2.02% at September 30, 2020 and 2019, respectively) plus 270 basis points with minimum interest of 3.25%. The effective interest rate at September 30, 2020 and 2019 was 3.25% and 4.78%, respectively. There was no outstanding balance on this line of credit as of September 30, 2020 and 2019.

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2020 and 2019

NOTE K - LONG TERM DEBT

Long-term debt consists of the following at September 30,:

	<u>2020</u>	<u>2019</u>
Promissory note payable to bank, 47 monthly payments of \$6,683, interest at 4.5%, due April 2023, secured by equipment; remaining balance paid off in July 2020	\$ -	\$ 221,343
Payable to WUSF, to be paid in 12 monthly installments of \$30,667, with the final payment due June 1, 2020	-	<u>245,332</u>
	-	466,675
Less current maturities	-	<u>(327,692)</u>
Long-term portion	<u>\$ -</u>	<u>\$ 138,983</u>

NOTE L - RETIREMENT PLAN

WEDU formed the Florida West Coast Public Broadcasting, Inc. Tax Deferred Annuity Plan (the "Plan"), effective October 1991. The Plan is a Defined Contribution Plan created under Section 403(b) of the Internal Revenue Code and is available to all employees who have completed six months of service. Pursuant to the Plan document, WEDU, at the discretion of the Board of Directors, will match up to 4% of eligible employee contributions. WEDU contributed approximately \$88,000 and \$79,000 to the Plan during fiscal years 2020 and 2019, respectively.

NOTE M - COMMITMENTS AND CONTINGENCIES

The Telecommunications Act of 1996 (the "Act") established the requirement that all noncommercial television stations must begin digital transmission on new channel assignments no later than May 1, 2003. WEDU is in compliance with the 2003 digital transmission deadline and has constructed a new transmission tower for a digital transmitter, and a related broadcast facility building (together, the "tower") that was put in service in October 2002.

Funding for the tower and related other digital broadcast facilities and equipment was financed through government grants, a construction loan, community contributions and an agreement with another unrelated public broadcasting station ("WUSF"). The agreement with WUSF required WEDU to provide space on the tower and related facilities for WUSF digital and analog transmission equipment for the life of the tower, and to share 25% of the net operating expenses or income of the tower with WUSF. In exchange, WUSF agreed to contribute approximately \$800,000 and its assistance with certain land easement required for the tower construction.

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2020 and 2019

NOTE M - COMMITMENTS AND CONTINGENCIES - Continued

The contribution was recorded by WEDU as deferred revenue, to be amortized on a straight-line basis over the life of the tower (30 years). WEDU began amortizing the deferred rent in October 2002.

In May of 2019, an agreement was signed to terminate the agreement with WUSF. Per the agreement, WEDU paid the University of South Florida Board of Trustees \$368,000 in 12 monthly installments beginning on June 1, 2019 and WUSF will transfer all of its rights to the tower to WEDU. The net effect of this transaction resulted in a gain of approximately \$75,000 for the year ended September 30, 2019.

WEDU leases a building and space on the digital transmission tower to unrelated organizations under operating lease agreements for terms of up to 25 years. Approximate future minimum rentals to be received by WEDU are as follow:

Year ending September 30,

2021	\$	440,000
2022		421,000
2023		380,000
2024		<u>70,000</u>
	\$	<u>1,311,000</u>

WEDU leases equipment under operating leases. The following is a schedule of approximate minimum lease payments under those operating leases:

Year ending September 30,

2021	\$	21,000
2022		19,000
2023		<u>2,000</u>
	\$	<u>42,000</u>

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2020 and 2019

NOTE N - PPP LOAN AND FORGIVENESS

In April 2020, WEDU applied for and received funds of \$649,500 as part of the U.S. Small Business Administration ("SBA") Paycheck Protection Program ("PPP"). The proceeds from the loan were used to fund payroll and other specific costs outlined in the program for a twenty four week covered period after receipt of the proceeds. WEDU accounted for the loan in accordance with FASB ASC 958-605. Accordingly, the loan was recognized as a contribution once the conditions of release had been substantially met. Management determined all conditions to be met as of September 30, 2020. The entire amount of \$649,500 was recognized as contribution revenue for the year ended September 30, 2020. Additionally, the entire loan amount of \$649,500 was forgiven by the SBA on November 20, 2020.

NOTE O - COVID-19 RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a Public Health Emergency of International Concern and on March 11, 2020, declared it to be a global pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas and forces closures of certain types of public places and businesses. The coronavirus and actions taken to mitigate it have and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which WEDU operates. It is unknown how long these conditions will last and what the complete financial effect will be to WEDU. As a result, WEDU could be impacted and may experience a certain degree of business interruption. The extent to which the COVID-19 outbreak impacts WEDU's operations will depend on future developments, which are highly uncertain and unpredictable as of December 16, 2020, the date financial statements were available to be used.

NOTE P - SUBSEQUENT EVENTS

WEDU has evaluated events and transactions occurring subsequent to September 30, 2020 as of December 16, 2020 which is the date the financial statements were available to be issued.

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*

FLORIDA WEST COAST PUBLIC BROADCASTING, INC.

September 30, 2020 and 2019



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
Florida West Coast Public Broadcasting, 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 Florida West Coast Public Broadcasting, Inc. ("WEDU"), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered WEDU'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 WEDU's internal control. Accordingly, we do not express an opinion on the effectiveness of WEDU'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 WEDU'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 WEDU's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WEDU's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Buco, Gardner & Company, P.A." The signature is written in black ink and is positioned to the right of the date and location information.

Tampa, Florida
December 16, 2020

INDEPENDENT AUDITORS' MANAGEMENT LETTER
FLORIDA WEST COAST PUBLIC BROADCASTING, INC.

September 30, 2020 and 2019



INDEPENDENT AUDITORS’ MANAGEMENT LETTER

Board of Directors
Florida West Coast Public Broadcasting, Inc.

In planning and performing our audit of the financial statements of Florida West Coast Public Broadcasting, Inc. (“WEDU”), as of and for the years ended September 30, 2020 and 2019, in accordance with auditing standards generally accepted in the United States of America, we considered WEDU’s internal control over financial reporting (internal control) as a basis for designing our auditing 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 WEDU’s internal control. Accordingly, we do not express an opinion on the effectiveness of the WEDU’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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

This report is intended solely for the information and use of the management, Board of Directors, others within the entity and grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Tampa, Florida
December 16, 2020

