WDSC-TV
A Public Broadcasting Station
Operated by Daytona State College

Financial Statements and
Supplemental Information

Years ended
June 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Daytona State College:

Report on the Financial Statements

We have audited the accompanying financial statements of WDSC-TV (the "Station"), a public telecommunications entity operated by Daytona State College, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management of the Station is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Station as of June 30, 2018, and the changes in its financial 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

Emphasis of Matter

As discussed in Note A, the financial statements of the Station are intended to present the financial position, and the changes in financial position and cash flows, of only the Station-related accounts of Daytona State College that are attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of Daytona State College as of June 30, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Predecessor Auditor's Opinion on the Prior Period Financial Statements

The financial statements of the Station for the year ended June 30, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on March 1, 2018.

As part of our audit of the June 30, 2018, financial statements, we also audited the adjustments described in Note H that were applied to restate the June 30, 2017, financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the June 30, 2017, financial statements of the entity other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the June 30, 2017, financial statements as a whole.

Correction of Error

As discussed in Note H to the financial statements, certain errors resulting in overstatement of amounts previously reported for compensated absences liability and other post-employment benefits liability as of June 30, 2017, were discovered during the current year. Accordingly, amounts reported for compensated absences liability and other post-employment benefits liability have been restated in the June 30, 2017 financial statements now presented, and adjustments have been made to net position as of June 30, 2017 and 2016, to correct the error. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis 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 Station’s basic financial statements. The Schedule of Functional Expenses (Exhibit I) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Functional Expenses 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. Such 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 Schedule of Functional Expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

James Moore & Co., P.L.

Daytona Beach, Florida
October 15, 2019

MANAGEMENT’S DISCUSSION AND ANALYSIS

The management discussion and analysis of WDSC-TV (the “Station”) special-purpose financial statements provides an overview of the Station’s financial activities for the years ended June 30, 2018 and 2017. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the preparers.

USING THIS ANNUAL REPORT

This report consists of three financial statements: the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position and the Statements of Cash Flows that provide information on the Station as a whole and present a long-term view of the Station’s finances.

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information on the Station as a whole and its activities as a public broadcasting station at a specified time and throughout the fiscal year. When 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 Station’s net position, the difference between assets and liabilities, is one way to measure the Station’s financial health or financial position. Over time, increases or decreases in net position are one indicator of whether financial health is improving or deteriorating. In assessing the overall financial health of the Station, non-financial factors need to be considered as well.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

TELEVISION STATION FINANCIAL HIGHLIGHTS

Net Position

Net position is used to meet the Station’s ongoing obligations. The Station’s net position increased from $3,269,094 at June 30, 2017 to $3,354,615 at June 30, 2018, which includes a prior period adjustment that resulted in a $199,356 increase to beginning net position in 2017. 2016 amounts in the following tables have not been restated.

Statements of Net Position

	2018	2017	2016
Assets:			
Current assets	$ 597,615	$ 432,861	$ 537,252
Capital assets	2,801,202	2,850,472	2,763,285
Total Assets	$ 3,398,817	$ 3,283,333	$ 3,300,537
Liabilities:			
Current liabilities	$ 44,202	$ 14,239	$ 46,310
Noncurrent liabilities	-	-	153,317
Total Liabilities	$ 44,202	$ 14,239	$ 199,627
Net Position:			
Net investment in capital assets	$ 2,801,202	$ 2,850,472	$ 2,763,285
Unrestricted	553,413	418,622	337,625
Total Net Position	$ 3,354,615	$ 3,269,094	$ 3,100,910

Operating Revenue

Operating revenues primarily consist of the Corporation for Public Broadcasting (CPB) Community Service grant funds, Florida Department of Education Community Service grant, and both direct and indirect support from the College. The overall decrease of $118,168 in operating revenues was primarily due to a decrease in state grants as the Station did not receive the Florida Community Service grant (CSG) in 2018. The College did increase direct support by $175,610 to help offset the loss of the Florida CSG grant in 2018 and to provide continued operational support for the Station; whose operations are an integral part of both the College and the community it serves. In 2017, the increase of $196,072 in operating revenues was primarily due to an increase in College direct and indirect support to offset the loss of the CPB grant and to provide continued operational support for the Station. The deficit of $96,364 in Community Service grants represents the amount refunded to CPB once it was determined the Station was CPB ineligible, as the grant funds were received in 2016 but returned to grantor in 2017.

Operating Revenue

	2018	2017	2016
Community Service grants	$ -	$ (96,364)	$ 352,163
State grants	-	307,447	307,447
Federal grants	51,423	19,074	-
Program production and broadcasting	94,959	80,279	18,275
Membership contributions	82,862	109,003	43,999
Program underwriting	13,467	9,036	12,329
Direct support provided by Daytona State College	816,110	640,500	212,452
Indirect support provided by Daytona State College	329,063	437,077	352,303
Total operating revenues	$ 1,387,884	$ 1,506,052	$ 1,298,968

Operating Expenses

The Station's operating expenses for 2018 decreased compared to fiscal year 2017 as itemized below. The programs and services generally associated with the Station's basic financial statement consist of programming and production, broadcasting, program information and promotion, management and general, fundraising and membership development, and underwriting and grant solicitation. The Station decreased operating expenses in the majority of these categories due to the decrease in funding resulting from the loss of the Florida CSG grant. Expenses are detailed in the Schedules of Functional Expenses on page 23 for both June 30, 2018 and 2017. Personnel services accounted for $374,800 of total operating costs at June 30, 2018 compared to $356,283 at June 30, 2017. Other major June 30, 2018 operating expenses included depreciation expense of $212,912, and indirect support from the College of $329,063. Personnel services accounted for $356,283 of total operating costs at June 30, 2017 compared to $401,652 at June 30, 2016. Other major June 30, 2017 operating expenses included depreciation expense of $165,168, and indirect support from the College of $437,077.

Operating Expenses

	2018	2017	2016
Programming and production	$ 452,457	$ 563,922	$ 495,020
Broadcasting	366,025	504,588	315,990
Program information and promotion	69,499	91,171	77,413
Management and general	283,839	237,877	258,587
Fundraising and membership development	77,585	82,453	71,439
Underwriting and grant solicitation	52,334	56,705	54,284
	$ 1,301,739	$ 1,536,716	$ 1,272,733

Non-Operating Revenues and Expenses

The Station incurred bank service fees of $624 and $507 at June 30, 2018 and 2017, respectively.

Non-Operating Revenue (Expense)

	2018	2017	2016
Royalties	$ -	$ -	$ 3,671
Loss on disposal of capital assets	-	-	(3,979)
Service fees	(624)	(507)	(655)
Total non operating revenues (expenses)	$ (624)	$ (507)	$ (963)

CAPITAL ASSETS AND DEBT

The following table summarizes the Station's capital assets at June 30,

	2018	2017	2016
Capital Assets			
Buildings	$ 4,546,621	$ 4,546,621	$ 4,546,621
Furniture, machinery, and equipment	6,070,879	6,346,061	6,279,759
Total Capital Assets	10,617,500	10,892,682	10,826,380
Less: Accumulated depreciation			
Buildings	2,077,393	1,969,782	1,862,171
Furniture, machinery, and equipment	5,738,905	6,072,428	6,200,924
Total accumulated depreciation	7,816,298	8,042,210	8,063,095
Capital Assets, net	$ 2,801,202	$ 2,850,472	$ 2,763,285

As of June 30, 2016 through June 30, 2018 the Station had no debt.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The Station's economic position is closely tied to that of the College's State of Florida funding, the Corporation for Public Broadcasting, and Daytona State College support. The College has committed itself to encourage the community to support the Station's offerings, local interest productions and college broadcast productions. The Station maintains its commitment to give the local communities strong public broadcasting services. Future plans are to strengthen its relations with the viewing community and seek additional funding sources, including an effort to increase membership, donor support, and production underwriting revenues. The state of Florida has restored the Station's CSG funding effective July 1, 2018. The Station will rely on fund balance reserves, cost containment and College support to continue to provide services to the community it serves.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Station's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Daytona State College, Office of the Vice President of Finance and Accounting/CFO, P.O. Box 2811, 1200 W. International Speedway Blvd, Daytona Beach, Florida 32120-2811.

WDSC - TV

A Public Broadcasting Station Operated by Daytona State College

STATEMENTS OF NET POSITION

June 30,

	2018	2017
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 562,500	$ 374,995
Underwriting and Pledges Receivable, Net	728	19,616
Prepaid Expenses	34,387	38,250
Total Current Assets	597,615	432,861
Noncurrent Assets		
Capital Assets, Net	2,801,202	2,850,472
TOTAL ASSETS	3,398,817	3,283,333
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Expenses	44,202	14,239
Total Current Liabilities	44,202	14,239
TOTAL LIABILITIES	44,202	14,239
NET POSITION		
Net Investment in Capital Assets	2,801,202	2,850,472
Unrestricted	553,413	418,622
TOTAL NET POSITION	$ 3,354,615	$ 3,269,094

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

WDSC - TV
A Public Broadcasting Station Operated by
Daytona State College

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Fiscal Years Ended June 30,

	2018	2017
OPERATING REVENUES		
Community Service, federal, state and local grants	$ 51,423	$ 230,157
Membership contributions	82,862	109,003
Program production and broadcasting	94,959	80,279
Program underwriting	13,467	9,036
Direct support provided by Daytona State College	816,110	640,500
Indirect support provided by Daytona State College	329,063	437,077
Total Operating Revenues	1,387,884	1,506,052
OPERATING EXPENSES		
Program services:		
Programming and production	452,457	563,922
Broadcasting	366,025	504,588
Program information and promotion	69,499	91,171
Support services:		
Management and general	283,839	237,877
Fundraising and membership development	77,585	82,453
Underwriting and grant solicitation	52,334	56,705
Total Operating Expenses	1,301,739	1,536,716
Operating Income (Loss)	86,145	(30,664)
NONOPERATING REVENUES (EXPENSES)		
Service fees	(624)	(507)
Total Nonoperating Loss	(624)	(507)
Increase (Decrease) in Net Position	85,521	(31,171)
NET POSITION		
Net Position, Beginning of Year	3,269,094	3,100,910
Adjustment to Beginning Net Position	-	199,355
Net Position, Beginning of Year, as Restated (Note H)	3,269,094	3,300,265
Net Position, End of Year	$ 3,354,615	$ 3,269,094

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

WDSC - TV
A Public Broadcasting Station Operated by
Daytona State College

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended June 30,

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Community Service and Other Grants	$ 51,423	$ 230,157
Program Production and Broadcasting	94,959	80,279
Program Underwriting and Membership	96,329	118,039
All Other Receipts	816,110	640,500
Payments to Employees	(286,024)	(278,418)
Payments for Goods and Services	(421,025)	(661,272)
Net Cash Provided by Operating Activities	351,772	129,285
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Property and Equipment	(163,643)	(252,354)
Net Cash Used by Capital Financing Activities	(163,643)	(252,354)
CASH FLOWS FROM INVESTING ACTIVITIES		
Bank Service Fees	(624)	(507)
Net Cash Used in Investing Activities	(624)	(507)
Net Increase (Decrease) in Cash and Cash Equivalents	187,505	(123,576)
CASH AND CASH EQUIVALENTS		
Beginning of Year	374,995	498,571
End of Year	$ 562,500	$ 374,995
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ 86,145	$ (30,664)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	212,912	165,168
Decrease (Increase) in Certain Operating Assets:		
Underwriting and Pledges Receivable	18,888	(17,291)
Prepaid Expenses	3,864	(1,894)
Increase (Decrease) in Certain Operating Liabilities:		
Accounts Payable and Accrued Expenses	29,963	13,966
Net Cash Provided by Operating Activities	$ 351,772	$ 129,285

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

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

WDSC-TV (the Station) is a public broadcasting station of Daytona State College (the College) located in Daytona Beach, Florida conducting various public broadcasting functions. The College is regulated and coordinated by the State of Florida Department of Education, and the College's Board of Trustees. The President of Daytona State College is responsible for the management of the College and the Station operates as a department of the College under the control of the station General Manager.

The Station's special-purpose financial statements include only the Station-related accounts of the College, under the administrative control of the Vice President and CIO of Information Technology, which relate directly to the operation of the Station. These statements do not purport to present the financial position or results of the College as a whole.

Summary of significant accounting policies

1. <u>Basis of accounting</u>

The Station prepares its special purpose financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for proprietary funds, which is similar to those for private business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred. As permitted by Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting,* the Station follows Financial Accounting Standards Board statements and interpretations issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

2. <u>Net position</u>

In the statements of net position, net position includes the following:

Net investment in capital assets – This is the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets. At June 30, 2018 and 2017, there was no related debt.

Restricted – The component of net position that reports the constraints placed on the use of net position by either external parties and/or enabling legislation, reduced by any liabilities to be paid from these assets. The Station does not have any restricted net position as of June 30, 2018 and 2017.

> *Nonexpendable restricted net position* – consists of endowment and similar type funds in which donors or other outside sources have stipulated that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Net position (continued)

Expendable restricted net position – includes resources in which the Station is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted – The component of net position that is neither classified as net investment in capital assets or restricted net position. There are no restrictions placed on the use of the net position by external parties and/or enabling legislation.

It is the Station's policy to expend restricted resources first and to use unrestricted resources when the restricted resources have been depleted.

3. Cash, cash equivalents and non-cash activities

For purposes of the statement of cash flows, the Station considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Station maintains its cash in local bank deposit accounts which, at times, may exceed federally insured limits. The Station has not experienced any losses in such accounts. The Station believes it is not exposed to any significant credit risk on cash and cash equivalents (see Note B).

4. Capital assets, net

Capital assets, which include property, plant and equipment, are defined as assets with an initial cost of $5,000 or more and are recorded at historical cost or estimated historical cost. Contributed capital assets are recorded at estimated fair value at the date of contribution. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets of the Station are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Years
Building	40
Furniture, machinery and equipment	3 - 7

5. Revenue recognition

Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Revenue recognition (continued)

Membership contributions are recognized as operating revenues in the period they are received.

Contributed support represents expenses paid on behalf of the Station by others outside the reporting entity, and includes contributed professional services, donated materials or facilities, and indirect administrative support.

6. In-kind contributions

Contributed materials, supplies, facilities, and property are recorded at their estimated fair value at the date of donation. The Station reports gifts of equipment, professional services, materials and other nonmonetary contributions as operating revenue in the accompanying statements of revenues, expenses, and changes in net position.

If the fair value of contributed materials, supplies, facilities, and property cannot be reasonably determined they are not recorded. Donated personal services of nonprofessional volunteers, as well as national and local programming services, are not recorded as revenue and expense as there is not an objective basis available to measure the value of such services.

Contributed advertising and promotion are recorded at the fair value of the contribution portion of the total value received.

7. Underwriting and pledges receivable

The Station engages in periodic fundraising campaigns manifested by offering on-air special programs or mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the Station for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding viewers.

Pledges and membership contributions are recognized as revenue in the period given. Uncollected pledges receivable are not enforceable against contributors. An allowance for uncollectible receivables is provided based upon the Station’s judgment including such factors as prior collection history and type of contribution. As of June 30, 2018 and 2017, the Station had no allowances for uncollectible receivables as all outstanding receivables were considered to be fully collectible.

All member pledges receivable are promises to give within one year of June 30, 2018 and 2017. Contributions and collected pledges are components of the unrestricted operating fund as their usage is not limited to specific activities of the Station.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Corporation for Public Broadcasting Community Service Grants

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). Each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years. Certain *General Provisions* must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These *General Provisions* pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and license status with the Federal Communications Commission.

There were no CPB CSG funds awarded to the Station in fiscal year 2018 and 2017. The Station reapplied for the CPB grant in the 2018-19 fiscal year, however WDSC-TV was not approved for readmission to CPB's CSG program.

9. Indirect support provided by Daytona State College

Indirect support from the College consists of allocated institutional support and physical plant costs incurred by the College and for which the Station receives a benefit. The fair value of this support is recognized in the statements of revenues, expenses, and changes in net position as indirect administrative support and is allocated as an expense to each of the functional expense categories. As of June 30, 2018 and 2017, indirect support totaled $329,063 and $437,077, respectively.

10. Direct support provided by Daytona State College

Direct support from the College represents expenses paid on behalf of the Station from College Operating Revenue. The support and the corresponding expenses are reported in the statements of revenues, expenses, and changes in net position. As of June 30, 2018 the College provided direct support of $816,110. As of June 30, 2017 the College provided direct support of $640,500 to the Station.

11. Production revenue

The Station has a policy to use the percentage of completion method of accounting for externally provided production revenue, whereby the cumulative production revenue earned equals the ratio of costs incurred to the estimated total costs at completion applied to the total committed revenues from outside sponsors. Production costs include charges by subcontractors plus all direct labor and other direct costs. Indirect and general and administrative expenses are charged to expense as incurred.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Program and production underwriting

Revenue for program underwriting is recorded on a pro rata basis for the period covered and for production underwriting on an estimated percentage of completion.

13. Income taxes

The Station is owned and operated by the College which is a political subdivision of the State of Florida and a part of the State of Florida educational system. Accordingly, the Station is exempt from Federal income taxes.

14. Functional allocation of expenses

The cost of providing Station programs and other activities has been summarized on a functional basis in the schedule of functional expenses. Accordingly, certain costs have been allocated among program and supporting services benefited based on total personnel costs or other systematic basis.

15. Use of estimates

The preparation of special-purpose financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, results could differ from those estimates.

16. Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on net position other than reclassifying from restricted net position to unrestricted net position. The Station determined that although the Station is accounted for in a restricted fund of the College, the funds are not subject to external or legislative constraints as to the use by the Station.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

17. Recent accounting pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*, to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Station is currently evaluating the effect that implementation of the new statement will have on the financial statements.

NOTE B - DEPOSITS AND INVESTMENTS

The Station maintains its cash in local bank deposit accounts and the College's pooled cash deposit accounts which, at times, may exceed federally insured limits. The deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per entity. Balances in other account types, including interest bearing and non-interest bearing accounts, are insured up to $250,000. At June 30, 2018 and 2017, $618,017 and $429,882, respectively, of the Station's local bank balances were not fully insured. The Station has not experienced any losses in such accounts. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depository's pledging securities with the State Treasurer in such amounts required by Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the Station pursuant to Section 280.08, Florida Statutes. At June 30, 2018 and 2017 the Station maintained $868,017 and $679,882 in local bank accounts, and $0 in the College's pooled cash deposit accounts, respectively.

NOTE C - CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2018 and 2017 was as follows:

	July 1, 2017	Transfers	Increases	Decreases	June 30, 2018
Building	$ 4,546,621	$ -	$ -	$ -	$ 4,546,621
Furniture,machinery, and equipment	6,346,061	24,124	161,532	(460,838)	6,070,879
Total capital assets at historical cost	10,892,682	24,124	161,532	(460,838)	10,617,500
Less accumulated depreciation					
Building	$ 1,969,782	$ -	$ 107,611	$ -	$ 2,077,393
Furniture,machinery and equipment	6,072,428	22,014	105,301	(460,838)	5,738,905
Total accumulated depreciaton	8,042,210	22,014	212,912	(460,838)	7,816,298
Capital assets, net	$ 2,850,472	$ 2,110	$ (51,380)	$ -	$ 2,801,202

	July 1, 2016	Transfers	Increases	Decreases	June 30, 2017
Building	$ 4,546,621	$ -	$ -	$ -	$ 4,546,621
Furniture,machinery, and equipment	6,279,759	-	252,354	(186,052)	6,346,061
Total capital assets at historical cost	10,826,380	-	252,354	(186,052)	10,892,682
Less accumulated depreciation					
Building	$ 1,862,171	$ -	$ 107,611	$ -	$ 1,969,782
Furniture,machinery, and equipment	6,200,924	-	57,556	(186,052)	6,072,428
Total accumulated depreciaton	8,063,095	-	165,167	(186,052)	8,042,210
Capital assets, net	$ 2,763,285	$ -	$ 87,187	$ -	$ 2,850,472

Depreciation expense was $212,912 and $165,167 for the fiscal years ended June 30, 2018 and 2017, respectively.

NOTE D - POST EMPLOYMENT BENEFITS

As the Station is a department of the College, any pension liability and other post employment benefits are reported by the College.

NOTE D - POST EMPLOYMENT BENEFITS (continued)

Florida Retirement System

Plan description - The Station's employees participate in the Florida Retirement System (FRS), a cost-sharing, multiple-employer retirement plan and other nonintegrated programs administered by the State of Florida Department of Management Services, Division of Retirement. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. FRS provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. The FRS issues a publicly available financial report that includes financial statements, ten-year historical trend information, and other required supplementary information.

Special purpose financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. A comprehensive annual report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services Web site (www.dms.myflorida.com).

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2017-2018 fiscal year were as follows:

	Percent of Gross Salary	
Class of Service	Employee	Employer (1)
Florida Retirement System, Regular	3.00	7.92
Florida Retirement System, Senior Management Service	3.00	22.71
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	13.26
Florida Retirement System, Reemployed Retiree	(2)	(2)

(1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

(2) Contribution rates are dependent upon retirement class in which reemployed.

The College's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. For the years ended June 30, 2018, 2017 and 2016, total employer contributions for the College were $26,276, $58,161 and $60,127.

NOTE E - NONFEDERAL FINANCIAL SUPPORT (NFFS)

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on Non-Federal Financial Support (NFFS). NFFS is defined as the total value of cash and the fair market value of property and services received as either a contribution or a payment and meeting all of the respective criteria for each.

A “contribution” is cash, property, or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution or dissemination of educational television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station. However, to eliminate distortions in the TV CSG grant program precipitated by extraordinary infusions of new capital investments in DTV, all capital contributions received for purposes of acquiring new equipment or upgrading existing or building new facilities regardless of source or form of the contribution are not included in calculating the NFFS. This change excludes all received for any capital purchases.

A ”payment” is cash, property or services received by a public broadcasting entity from specific resources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state or local government or agency thereof, or an educational institution; (2) the form of the payment must be an appropriation or contract payment in exchange for specific materials or services related to public broadcasting; (3) the purpose must be for services or materials with respect to the provision of educational or instructional television or radio programs; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

Reported NFFS for the Station was $1,152,502 and $1,502,536 for the fiscal years ended June 30, 2018 and 2017, respectively.

NOTE F - COMMITMENTS AND CONTINGENCIES

Tower and facility license fee

On November 1, 2002, the Station entered into a broadcasting transmission agreement for the use of a broadcasting tower shared with WEFS-TV, another public broadcasting station. The terms of the agreement extended through the year 2017 and will automatically renew for two additional ten-year periods beginning in 2018 unless notification is made 90 days prior to the renewal date. The Station is responsible for 50% of the fees of the Agreement, specifically license fees of $4,800 per month for the first five years increasing to $8,000 the remaining ten years and increasing again by 5% for the each of the renewal terms; transmitter building license fees of $1,200 per month for the first five years increasing to $2,000 for the remaining ten years and increasing again by 5% for each of the renewal terms; a $100 per month fee for tower space and $100 per month for the lease of a generator is also paid.

NOTE F - COMMITMENTS AND CONTINGENCIES (continued)

Total tower and facility license fees charged to operations totaled $65,400 and $62,400 for fiscal years 2018 and 2017, respectively. The following is a schedule of future minimum lease payments reflecting the terms of the agreements described above for the year ended June 30:

2019	$	65,400
2020		65,400
2021		65,400
2022		65,400
2023		65,400
2024 - 2027		261,600
Total	$	588,600

NOTE G – SIGNIFICANT CONCENTRATIONS

The Station received significant revenue from Daytona State College. The College provided approximately 83% and 72% in support and donated facilities during the fiscal years ended June 30, 2018 and 2017, respectively.

NOTE H - PRIOR PERIOD ADJUSTMENT

The financial statements for fiscal year 2017 have been restated to remove the liabilities for compensated absences and other post-employment benefits that are reported by the College. The Station is a department of the College and is not responsible for any future payouts of these liabilities that may be incurred. The amount attributed to the compensated absences liability as of July 1, 2016 was $127,884. The amount attributed to the other post-employment benefits (OPEB) liability as of July 1, 2016 was $71,471. This prior period adjustment had an impact on the Station’s 2017 total operating expenses resulting in a change to the indirect support calculated amount. The indirect support increased by $11,012 because of the prior period adjustment but had no impact on net position as indirect support revenue and the offsetting expense both increased to $437,077 for fiscal year 2017. However, the prior period adjustments resulted in an increase of $199,355 in the Station’s net position as of June 30, 2017.

NOTE H - PRIOR PERIOD ADJUSTMENT (continued)

These adjustments have been reflected in the statements of revenues, expenses, and changes in net position as of June 30, 2017 as shown on page 9 and resulted in the following restatements for WDSC-TV:

2017 Net position, beginning of year as previously stated	$ 3,100,910
Remove the beginning fiscal year 2017 compensated absence liability	127,884
Remove the beginning fiscal year 2017 OPEB liability	71,471
2017 Net position, beginning of year as restated	$ 3,300,265

2017 Increase in net position as previously stated	$ 13,244
Remove the fiscal year 2017 compensated absence expense	(37,123)
Remove the fiscal year 2017 OPEB expense	(7,292)
2017 Decrease in net position as restated	$ (31,171)

2017 Net position, end of year as previously stated	$ 3,114,154
Remove the ending fiscal year 2017 compensated absence liability	90,761
Remove the ending fiscal year 2017 OPEB expense	64,179
2017 Net position, end of year as restated	$ 3,269,094

SUPPLEMENTAL INFORMATION

EXHIBIT I

WDSC - TV
A Public Broadcasting Station Operated by
Daytona State College
SCHEDULE OF FUNCTIONAL EXPENSES
For the year ended June 30, 2018
(With Summarized Comparative Totals for the year ended June 30, 2017)

	Program Services				Support Services					
	Programming & Production	Broadcasting	Program Information & Promotion	Total	Management & General	Fundraising & Membership Development	Underwriting & Grant Solicitation	Total	2018 Total Expenses	2017 Total Expenses
Salaries	$ 107,508	$ 36,683	$ 21,545	$ 165,736	$ 80,249	$ 23,897	$ 16,142	$ 120,288	$ 286,024	$ 278,418
Payroll Taxes and Benefits	35,062	10,801	6,914	52,777	23,970	7,191	4,838	35,999	88,776	77,865
Travel	115	-	-	115	-	20	-	20	135	1,880
Postage	-	972	-	972	6	295	-	301	1,273	3,028
Telephone & Communication	-	-	-	-	939	-	-	939	939	922
Printing	-	-	-	-	-	21	-	21	21	1,353
Repairs & Maintenance	-	4,712	-	4,712	-	-	-	-	4,712	20,205
Rentals	97,665	65,550	-	163,215	214	-	-	214	163,429	166,377
Insurance	2,979	53	-	3,032	-	-	-	-	3,032	2,951
Utilities	-	46,837	-	46,837	-	-	-	-	46,837	50,265
Other Services	-	-	-	-	-	-	-	-	-	500
Institutional Membership	-	-	-	-	8,110	-	-	8,110	8,110	15,830
Technical Services	-	5,150	-	5,150	-	-	-	-	5,150	18,098
Consulting & Professional Fees	4,340	37,900	-	42,240	16,439	-	-	16,439	58,679	35,245
Materials & Supplies	-	10,996	-	10,996	-	-	-	-	10,996	7,420
Bad Debt Expense	-	-	-	-	-	187	-	187	187	-
Depreciation Expense	80,450	26,328	16,122	122,900	60,051	17,882	12,079	90,012	212,912	165,168
Minor Equipment	-	63,262	-	63,262	1,050	-	-	1,050	64,312	242,883
Other Expenses	-	16,092	-	16,092	-	454	606	1,060	17,152	11,231
Indirect Support Provided By DSC	124,338	40,689	24,918	189,945	92,811	27,638	18,669	139,118	329,063	437,077
	$ 452,457	$ 366,025	$ 69,499	$ 887,981	$ 283,839	$ 77,585	$ 52,334	$ 413,758	$ 1,301,739	$ 1,536,716

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