

**WFSU/WFSG-TV
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY
FLORIDA STATE UNIVERSITY**

FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

WFSU/WFSG-TV
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
FLORIDA STATE UNIVERSITY
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JAMES MOORE & CO., P.L.
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees,
Florida State University:

We have audited the accompanying financial statements of WFSU/WFSG-TV (the "Station"), a public telecommunications entity operated by Florida State University, as of and for the years ended June 30, 2012 and 2011, which collectively comprise the Station's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Station's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Station are intended to present the net assets, the changes in net assets and the cash flows of only that portion of Florida State University that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of Florida State University, as of June 30, 2012 and 2011, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective net assets of the Station, as of June 30, 2012 and 2011, and the respective changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2012, on our consideration of the Station'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* and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 6 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.

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

Tallahassee, Florida
December 19, 2012

James Moore & Co., P.L.

WFSU/WFSG-TV
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
FLORIDA STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012 AND 2011

INTRODUCTION AND REPORTING ENTITY

The following discussion and analysis is an overview of the financial position and activities of WFSU/WFSG-TV ("the Station") for the years ended June 30, 2012 and 2011. Management of WFSU-TV has prepared the following discussion, and it should be read with the financial statements and related footnotes which follow this section. Our discussion and analysis is required by accounting principles generally accepted in the United States of America in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The Governmental Accounting Standards Board has not developed accounting standards for presentation of auxiliary (or departmental) entities. The Station's accounting policies and practices do, however, conform with those permitted or allowed by the Corporation for Public Broadcasting (CPB), which generally follow published Governmental Accounting Standards. The overview presented below highlights the significant financial activities that occurred during the past year and describes changes in financial activity from the prior year. Please read this overview in conjunction with our comparative summaries of revenues and expenses on page 6 and our financial statements, which begin on page 7.

WFSU/WFSG-TV is a public service of Florida State University (FSU), licensed by the Federal Communications Commission to the Board of Trustees of The Florida State University. The University is governed by the Board of Trustees. The President of the University is responsible for the management of the University and WFSU-TV operates as a department of the University under the management of the station General Manager.

The mission of WFSU/WFSG is to provide the general public with a means of expanding and enriching its knowledge by extending the University's traditional role as a cultural and scientific resource. With over 50 years experience as a member station of the Public Broadcasting Service (PBS), WFSU/WFSG-TV serve approximately 400,000 television households in northwest Florida, southwest Georgia, and southeast Alabama, and continues a longstanding tradition in the delivery of award-winning public affairs, children's, fine arts, and information programming.

WFSU-TV studios and production facilities are located in Tallahassee, Florida at Florida State University Public Broadcast Center. Transmission facilities are located 19 miles West in the Apalachicola National Forest. WFSU also owns and operates a full powered satellite station, WFSG-TV in Panama City, Florida. The coverage area for WFSU/WFSG includes 27 counties in North Florida, Southwest Georgia, and Southeast Alabama. The signal is also carried by numerous cable systems in the immediate and in fringe viewing areas.

WFSU-TV manages Ku- and C-band satellite uplinks owned by Florida's Department of Education, which enable the station to transmit programs for PBS stations and teleconferences for state agencies across the country. The WFSU-TV facilities also include two fully equipped television studios and post-production editing suites.

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(Continued)

WFSU-TV and 4FSU, the University's cable access channel, provides coverage of major events affecting viewers throughout the Big Bend, University-related programming, and production services to FSU, the community, and state agencies. Operating 24 hours a day, seven days a week, the channel offers a mix of public television, Florida governmental affairs, and FSU programs. FSU-related programming continues to be expanded including coverage of lectures, degree ceremonies, concerts, and other events highlighting campus activities.

WFSU-TV provides gavel-to-gavel coverage of Florida's Legislature and Supreme Court when these bodies are in session, under the umbrella of The Florida Channel, our government affairs programming unit. The Florida Channel is offered as a 24-hour-a-day, 7-days-a-week program service, delivered to other public television stations and cable systems across the state. The Florida Channel is 100% closed captioned. Besides offering citizens an up-close view of government in action, these productions are great opportunities for training FSU students and recent graduates in television production.

WFSU-TV's website, <http://wfsu.org>, is rapidly expanding as a major means of distributing programming to people without easy access to its broadcast services. Most gavel-to-gavel coverage of Florida government is streamed on the Internet. Many programs are archived and are available to the public on demand.

The Station also continues its management of the state's leased satellite transponder and associated transmission facilities under an agreement with the Department of Education.

FINANCIAL HIGHLIGHTS

The Station's net assets decreased by \$528,565, or approximately 8 percent, from June 30, 2011 to June 30, 2012. The Station experienced a 1% increase in revenues and 2% increase in expenses.

USING THESE FINANCIAL STATEMENTS

These financial statements consist of statements of net assets and statements of revenues, expenses, and changes in net assets and the statement of cash flows. The statements of net assets and the statements of revenues, expenses, and changes in net assets are intended to demonstrate the Station's financial position as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

THE REPORTING ENTITY

The Station is a unit of Florida State University, and these financial statements include assets, liabilities and activity related to its public broadcasting function. This includes account activity within the University, Florida State University Foundation, Inc., and Florida State University Research Foundation, Incorporated, which are under the control of the Station manager.

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JUNE 30, 2012 AND 2011
(Continued)

CONDENSED STATEMENTS OF NET ASSETS

TABLE 1

	June 30, 2012	June 30, 2011	June 30, 2010
Current assets	\$ 4,194,257	\$ 4,089,025	\$ 4,168,182
Noncurrent assets	3,369,133	3,922,247	4,207,447
Total assets	<u>7,563,390</u>	<u>8,011,272</u>	<u>8,375,629</u>
Current liabilities	521,698	533,613	559,959
Noncurrent liabilities	208,846	116,248	47,305
Total liabilities	<u>730,544</u>	<u>649,861</u>	<u>607,264</u>
Net assets			
Unrestricted	3,158,598	2,055,717	2,737,444
Invested in capital assets	3,369,133	3,922,247	4,207,447
Restricted:			
Expendable	305,115	1,383,447	823,474
Total net assets	<u>\$ 6,832,846</u>	<u>\$ 7,361,411</u>	<u>\$ 7,768,365</u>

**CONDENSED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS**

TABLE 2

	June 30, 2012	June 30, 2011	June 30, 2010
Revenues			
Operating revenues	\$ 9,236,778	\$ 8,956,114	\$ 9,067,780
Non-operating revenues	10,991	217,530	233,552
Total revenues	<u>9,247,769</u>	<u>9,173,644</u>	<u>9,301,332</u>
Expenses			
Program services			
Programming and production	6,240,184	5,658,159	5,570,466
Broadcasting	1,668,469	1,959,652	2,013,996
Program information and promotion	268,122	309,963	328,483
Total program services	<u>8,176,775</u>	<u>7,927,774</u>	<u>7,912,945</u>
Supporting services			
Management and general	1,094,531	1,089,899	1,041,618
Fundraising and membership development	342,348	407,380	395,577
Underwriting and grant solicitation	162,680	155,545	141,403
Total supporting services	<u>1,599,559</u>	<u>1,652,824</u>	<u>1,578,598</u>
Total expenses	<u>9,776,334</u>	<u>9,580,598</u>	<u>9,491,543</u>
Decrease in net assets	<u>\$ (528,565)</u>	<u>\$ (406,954)</u>	<u>\$ (190,211)</u>

WFSU/WFSG-TV
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NEXT YEAR

Significant variations for fiscal year 2012 included the loss of the Florida Department of Education Community Service Grant (\$434,837 in fiscal year 2011), the transfer of total management of the Transponder Operations Center from the Florida Department of Education to WFSU-TV and increased operational expenses and appropriations related to the Florida Channel.

CONTACTING MANAGEMENT

This financial narrative is designed to provide a general overview of the Station's finances and to show accountability for the contributions received by the Station. If you have questions about this report or need additional financial information, contact the Station at:

WFSU-TV
1600 Red Barber Plaza
Tallahassee, FL 32310
(850) 487-3170

WFSU/WFSG-TV
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
FLORIDA STATE UNIVERSITY
STATEMENTS OF NET ASSETS
JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 3,254,763	\$ 3,505,779
Accounts and grants receivable	843,468	510,779
Due from Florida State University	50,758	62,770
Prepaid program costs	45,268	9,697
Total current assets	<u>4,194,257</u>	<u>4,089,025</u>
Capital assets, net	3,369,133	3,922,247
Total Assets	<u><u>\$ 7,563,390</u></u>	<u><u>\$ 8,011,272</u></u>
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 194,367	\$ 160,824
Deferred revenue	2,181	4,673
Current portion of compensated absences	325,150	368,116
Total current liabilities	<u>521,698</u>	<u>533,613</u>
Noncurrent liabilities		
Compensated absences, less current portion	208,846	116,248
Total Liabilities	<u><u>\$ 730,544</u></u>	<u><u>\$ 649,861</u></u>
<u>NET ASSETS</u>		
Net assets		
Invested in capital assets	\$ 3,369,133	\$ 3,922,247
Unrestricted	3,158,598	2,055,717
Restricted:		
Expendable	305,115	1,383,447
Total Net Assets	<u><u>\$ 6,832,846</u></u>	<u><u>\$ 7,361,411</u></u>

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

WFSU/WFSG-TV
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
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STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Operating revenues		
Community Service Grants donated by the Corporation for Public Broadcasting	\$ 1,272,209	\$ 1,346,762
Other grants donated by the Corporation for Public Broadcasting	80,695	45,957
Community Service Grants donated by the Department of Education, State of Florida	-	434,477
Appropriations from Florida State University	1,163,447	1,345,593
Business and industry support	136,386	100,915
Membership income	665,492	293,740
Donated facilities and administrative support from Florida State University	1,531,955	1,551,809
Production	3,969,523	3,688,918
Miscellaneous support	88,495	34,333
In-kind contributions	21,108	36,762
Other	307,468	76,848
Total operating revenues	<u>9,236,778</u>	<u>8,956,114</u>
Operating expenses (Exhibit I)		
Programming and production	6,240,184	5,658,159
Broadcasting	1,668,469	1,959,652
Program information and promotion	268,122	309,963
Management and general	1,094,531	1,089,899
Fundraising and membership development	342,348	407,380
Underwriting and grant solicitation	162,680	155,545
Total operating expenses	<u>9,776,334</u>	<u>9,580,598</u>
Operating loss	<u>(539,556)</u>	<u>(624,484)</u>
Non-operating revenues		
Investment income	10,991	14,848
Capital grants donated by the U.S. Department of Commerce	-	6,826
Capital grants donated by the State of Florida, Department of Education	-	75,306
Appropriations from Florida State University	-	120,550
Total non-operating revenues	<u>10,991</u>	<u>217,530</u>
Change in net assets	<u>(528,565)</u>	<u>(406,954)</u>
Net assets, beginning of year	7,361,411	7,768,365
Net assets, end of year	<u>\$ 6,832,846</u>	<u>\$ 7,361,411</u>

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

WFSU/WFSG-TV
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
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STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Cash received from grants, donors and fundraising activities	\$ 6,197,099	\$ 5,933,918
Cash paid to employees for salaries and benefits	(4,238,473)	(4,495,014)
Cash paid to vendors	(1,743,442)	(1,335,803)
Net cash provided by operating activities	<u>215,184</u>	<u>103,101</u>
Cash flows from capital and related financing activities		
Capital grants received	-	82,132
Appropriations from Florida State University	-	120,550
Purchase of capital assets	(477,191)	(473,263)
Net cash used in capital and related financing activities	<u>(477,191)</u>	<u>(270,581)</u>
Cash flows from investing activities		
Investment income	10,991	14,848
Net decrease in cash and cash equivalents	<u>(251,016)</u>	<u>(152,632)</u>
Cash and cash equivalents, beginning of year	3,505,779	3,658,411
Cash and cash equivalents, end of year	<u>\$ 3,254,763</u>	<u>\$ 3,505,779</u>
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	<u>\$ (539,556)</u>	<u>\$ (624,484)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	659,836	741,298
Decrease (increase) in certain assets:		
Accounts and grants receivable	(332,689)	(42,518)
Due from Florida State University	12,012	(43,616)
Prepaid program costs	(35,571)	12,659
Increase (decrease) in certain liabilities:		
Accounts payable and accrued expenses	33,543	25,026
Deferred revenue	(2,492)	(1,898)
Compensated absences	49,632	19,469
Loss on disposal of assets	370,469	17,165
Total adjustments	<u>754,740</u>	<u>727,585</u>
Net cash provided by operating activities	<u>\$ 215,184</u>	<u>\$ 103,101</u>

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

WFSU/WFSG-TV
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies of WFSU/WFSG-TV (the "Station"), which affect significant elements of the accompanying financial statements:

(a) **Reporting entity**—The Station is a department of Florida State University (the "University") located in Tallahassee, Florida and conducts various public broadcasting functions. The President of the University is responsible for the management of the University and the Station operates as a department of the University under the control of the Station manager. The financial statements include only those funds, under the administrative control of the Vice President of University Relations, that relate directly to the operation of the Station, including University funds as well as funds held by Florida State University Foundation, Inc. (the "Foundation") and Florida State University Research Foundation, Incorporated (the "Research Foundation"). These statements do not purport to present the financial position or results of operations of the University as a whole.

(b) **Basis of accounting**—For financial reporting purposes, the Station is considered a special-purpose government engaged only in business-type activities. Accordingly, the Station prepares its 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 of private business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred. The Station's accounting policies conform with accounting principles generally accepted by Governmental Accounting Standards Board (GASB). The Station follows Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

(c) **Net assets**—In the statements of net assets, net assets includes the following:

Invested in capital assets, net of related debt – This is the component of net assets 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, 2012 and 2011, there is no related debt.

Restricted assets—The component of net assets that reports the constraints placed on the use of net assets by either external parties and/or enabling legislation.

Unrestricted assets—The difference between the assets and liabilities that is not reported in *Invested in capital assets, net of related debt* and *Restricted assets*.

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

(d) **Cash and cash equivalents**—For purposes of reporting cash flows, cash and cash equivalents include cash on hand and cash in demand accounts. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool in accordance with Florida statutes.

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(1) **Summary of Significant Accounting Policies:** (Continued)

(e) **Investments**—Section 1011.42(5), Florida Statutes, authorizes universities to invest funds awaiting clearing with the State Treasury and State Board of Administration, and requests that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. As such, pursuant to Section 218.415(17) and 1011.42(5), Florida Statutes, the University is authorized to invest in the Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969; direct obligations of the United States Treasury; interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's Board of Trustees as authorized by law. The University's Board of Trustees has not adopted a written investment policy. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

(f) **Costs incurred for programs not yet broadcast**—Costs incurred for programs not yet broadcast (prepaid program costs) are recorded as a deferred asset. Such costs relate to programs purchased or produced by the Station that will be broadcast subsequent to June 30. Programs to be completed and broadcast within one year are classified as current assets whereas programs to be completed and broadcast in more than one year are classified as long-term. At June 30, 2012, there were no long-term costs incurred for programs not yet broadcast. As the programs are broadcast, the costs incurred will be included in program services. Program status is evaluated annually. Costs associated with programs not considered to have future benefit are adjusted to net realizable value.

(g) **Capital assets**—Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets ranging from 3 – 39 years.

(h) **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, materials and other nonmonetary contributions as support in the accompanying statements of revenues, expenses, and changes in net assets.

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 no 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.

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(1) **Summary of Significant Accounting Policies:** (Continued)

(i) **Revenue recognition**—State appropriations are recorded as revenue in the statements of revenues, expenses and changes in net assets when an expenditure is recorded.

Membership contributions are recognized as support in the period they are received.

Program production grants are reported as deferred revenues for programs not yet broadcast until the specific program is broadcast. At such time, amounts are included as revenues and the expenditures are recorded.

Revenue related to program underwriting for subsequent fiscal years is reflected as deferred revenues in the accompanying statements of net assets. Revenue is recognized when the related program is aired.

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.

(j) **Pledges and contributions**—The Station engages in periodic fundraising campaigns manifested by offering some special programs, as well as on-air and 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 expenses. Financial contributions are frequently evidenced by pledges received from responding viewers. Contributions including unconditional promises to give and membership receipts are recognized as revenue in the period received or given. However, uncollected pledges are not enforceable against contributors and are not shown as assets in the statements of net assets. Contributions and collected pledges are components of the unrestricted operating fund inasmuch as their usage is not limited to specific activities of the Station. This usage is consistent with appeals for contributions and pledges.

(k) **Indirect support provided by Florida State University**—Indirect support from the University consists of allocated institutional support and physical plant costs incurred by the University for which the Station receives benefits. The fair value of this support is recognized in the statements of revenues, expenses, and changes in net assets as donated facilities and administrative support and is allocated as an expense to each of the functional expense categories.

(l) **Production revenue**—The Station uses the percentage-of-completion method of accounting for 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. Cost estimates on programs are reviewed periodically as the work progresses and adjustments, if needed, are reflected in the period in which the estimates are revised.

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(1) Summary of Significant Accounting Policies: (Continued)

(m) **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 basis.

(n) **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). In any event, 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 licensee status with the Federal Communications Commission.

The CSGs are reported on the accompanying financial statements as increases in restricted expendable net assets.

(o) **Operating activities**—The Station’s policy for defining operating activities as reported on the statements of revenues, expenses, and changes in net assets are those that generally result from the provision of public broadcasting and instructional technology services, and from the production of program material for distribution in those services. Revenues associated with, or restricted by donors to use for, capital improvements, and revenues and expenses that result from financing and investing activities are recorded as non-operating revenues.

(p) **Income taxes**—The Station is owned and operated by Florida State University which is a part of the State of Florida’s educational system. Accordingly, the Station is exempt from Federal income taxes.

(q) **Functional allocation of expenses**—The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of revenues, expenses, and changes in net assets. Accordingly, certain costs have been allocated among program and supporting services benefited based on total personnel costs or other systematic bases.

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(1) **Summary of Significant Accounting Policies:** (Continued)

(r) **Use of estimates**—The preparation of 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.

(s) **Compensated absences**—The liability for compensated absences represents employees' accrued annual and sick leave based on length of service subject to certain limitations as defined by state statute and University policies.

(t) **Advertising costs**—Advertising costs are expensed in the period in which they are incurred. Advertising expenses for the years ended June 30, 2012 and 2011, were \$5,059 and \$34,873, respectively.

(u) **Reclassifications**—Certain amounts in 2011 have been reclassified to conform with the 2012 presentation.

(v) **New accounting pronouncements**—In June, 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for periods beginning after December 15, 2011. Governmental entities often enter into transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods. These consumptions or acquisitions are considered *deferred outflows of resources* and *deferred inflows of resources*, respectively, and differentiated from assets and liabilities. This Statement provides guidance for reporting deferred outflows of resources and deferred inflows of resources balances. The Station is currently evaluating the effect this Statement will have on its financial statements.

(2) **Funds Held and Invested by Florida State University Foundation, Inc. and the Florida State University Research Foundation, Inc. on Behalf of the Station:**

The Station has an agreement with the Foundation and the Research Foundation, whereby Station funds are held and invested by the Foundation and the Research Foundation on behalf of the Station. These amounts are included in the accompanying financial statements of the Station in "Cash and cash equivalents". Total cash held by the Foundation is \$907,900 and \$1,306,319 as of June 30, 2012 and 2011, respectively. Total cash held by the Research Foundation is \$2,049,995 and \$1,992,192 as of June 30, 2012 and 2011, respectively.

All funds held and invested by the Foundation and the Research Foundation on behalf of the Station are invested in uninsured and unregistered investments, which are held in the name of the Foundation and the Research Foundation. The Station has no policy requiring collateral or other security to support these amounts. All funds held and invested by the Foundation and the Research Foundation on behalf of the Station are reflected at fair value.

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(3) Capital Assets:

Capital asset activity for the years ended June 30, 2012 and 2011 was as follows:

	July 1, 2011			June 30, 2012
	Beginning	Increases	Decreases	Ending
	Balance			Balance
Land	\$ 386,484	\$ —	\$ —	\$ 386,484
Buildings and improvements	3,912,002	—	—	3,912,002
Studio equipment	7,518,026	470,604	(1,633,562)	6,355,068
Office furniture, fixtures, and equipment	644,020	—	(266,010)	378,010
Transmitter and tower	4,854,604	6,587	(153,614)	4,707,577
Total	17,315,136	477,191	(2,053,186)	15,739,141
Less: Accumulated depreciation	(13,392,889)	(667,336)	1,690,217	(12,370,008)
Capital assets, net	<u>\$ 3,922,247</u>	<u>\$ (190,145)</u>	<u>\$ (362,969)</u>	<u>\$ 3,369,133</u>

	July 1, 2010			June 30, 2011
	Beginning	Increases	Decreases	Ending
	Balance			Balance
Land	\$ 386,484	\$ —	\$ —	\$ 386,484
Buildings and improvements	3,912,002	—	—	3,912,002
Studio equipment	7,248,021	422,333	(152,328)	7,518,026
Office furniture, fixtures and equipment	628,139	50,929	(35,048)	644,020
Transmitter and tower	5,259,469	—	(404,865)	4,854,604
Total	17,434,115	473,262	(592,241)	17,315,136
Less: Accumulated depreciation	(13,226,668)	(741,297)	575,076	(13,392,889)
Capital assets, net	<u>\$ 4,207,447</u>	<u>\$ (268,035)</u>	<u>\$ (17,165)</u>	<u>\$ 3,922,247</u>

(4) State Retirement Plans:

(a) **Florida retirement system**—The Station employees participate in the Florida Retirement System (FRS). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). 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 Plan eligibility, contributions, and benefits are defined and described in detail. Essentially, all regular employees of participating employers are eligible to enroll as members of the FRS.

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(4) **State Retirement Plans:** (Continued)

The Pension Plan provides vesting of benefits after six years of creditable service for those enrolled prior to July 1, 2011; for those enrolled on or after July 1, 2011 eight years of creditable service are required for vesting. Regular members are eligible for normal retirement after six years of service and attaining age 62 or 30 years of service regardless of age for those enrolled prior to July 1, 2011 and age 65 or 33 years of service for those enrolled on or after July 1, 2011. Early retirement may be taken at any time after completing the required years of service for vesting; however, there is a 5% benefit reduction for each year prior to normal retirement. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

The Deferred Retirement Option Program (DROP), implemented on July 1, 1998, is a program that allows the employee to retire without terminating employment for up to five years while retirement benefits accumulate and earn interest compounded monthly at an effective annual rate of 6.5%. This was reduced to 1.3% per year for any member whose DROP participation date is effective on or after July 1, 2011. This program is available to eligible members of the Florida Retirement System who are in the FRS Pension Plan. Employee participation in DROP does not change the employee's condition of employment. When the DROP period ends, the employee must terminate employment. At that time, the employee will receive the accumulated DROP benefits and begin receiving monthly retirement benefits. Eligible members may participate in DROP when they are vested and have reached the normal retirement age or years of service. If an employee completes 30 years of service before the age of 57, the employee may elect to defer the DROP election until age 57.

The contribution rates for plan members during the fiscal years ended June 30, 2012 and 2011 are shown below:

	Years ended June 30,	
	2012	2011
Regular	4.91%	10.77%
Senior Management	6.27%	14.57%
Deferred Retirement Option Program	4.42%	12.25%
SUS Optional Retirement Program (ORP)	7.92%	10.43%
Senior Management Optional Annuity Program	9.81%	12.49%

The Station'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 University. For the years ended June 30, 2012 and 2011, total contributions were approximately \$104,000 and \$238,000, respectively.

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(4) **State Retirement Plans:** (Continued)

(b) **Optional retirement program**—Pursuant to Section 121.35, Florida Statutes, the Florida legislature created an Optional Retirement Program (“Program”) for eligible university faculty and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in the FRS for six or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers.

The Station contributes, on behalf of the participant, 10.92% of the participant’s salary. A small amount remains in the Optional Retirement Program Trust Fund for administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by salary deduction, an amount not to exceed the percentage contributed by the University to the participant’s annuity account. Required contributions to the ORP during the years ended June 30, 2012 and 2011 were approximately \$25,000 and \$28,000, respectively.

During the fiscal years ended June 30, 2012 and 2011 and as of June 30, 2012 and 2011, the ORP held no securities issued by the University.

(c) **Public employee optional retirement program**—Section 121.4501, Florida Statutes, provides for a Public Employee Optional Retirement Program (PEORP). The PEORP is a defined contribution plan alternative available to all FRS members in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular, Special Risk, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Required contributions to the PEORP during the years ended June 30, 2012 and 2011 were approximately \$21,000 and \$51,000, respectively.

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. An annual report on 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, Division of Retirement.

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(5) Post-Employment Benefits:

Pursuant to Section 112.363, Florida Statutes, the Florida Legislature established the Retiree Health Insurance Subsidy (HIS) to assist retirees of all State-administered retirement systems in paying health insurance costs. During the 2011-12 fiscal year, the HIS program was funded by required contributions consisting of 1.11% assessed against the payroll for all active employees covered in State-administered retirement systems. This assessment is included in the Florida Retirement System contribution rates presented in the State Retirement Plans footnote above. Eligible retirees, spouses, or financial dependents under any State-administered retirement system must provide proof of health insurance coverage, which can include Medicare. During the 2011-12 fiscal year, participants received an extra \$5 per month for each year of creditable service completed at the time of retirement; however, no eligible retiree or beneficiary may receive a subsidy payment of more than \$150 or less than \$50. If contributions fail to provide full subsidy benefits to all participants, the subsidy payments may be reduced or canceled.

(6) Risk Management Programs:

Pursuant to Section 1001.72(2), Florida Statutes, the Station participates in State self-insurance programs providing insurance coverage for property and casualty, workers' compensation, general liability, and fleet automotive liability. During the 2011-12 fiscal year, for property losses, the State retained the first \$2 million of losses for each occurrence with an annual aggregate retention of \$40 million for named aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$50 million for named wind and flood. For perils other than named wind and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal civil rights and employment action coverage. All losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$100,000 per person and \$200,000 per occurrence as set by Section 768.28, Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain health care services through participation in the State's group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees' Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

(7) Lien on Property and Equipment:

The Federal government has a ten-year priority lien on any facilities and equipment purchased with funds from the National Telecommunications and Information Administration. The lien is to ensure that telecommunications facilities funded with Federal monies will continue to be used to provide public telecommunications services to the public during the period of Federal interest. The original cost of the property acquired with NTIA funds was approximately \$729,000 and the liens expire in years through 2020.

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(8) Significant Concentrations:

Information related to significant concentrations of revenues and credit risk for financial instruments owned by the Station, except as otherwise disclosed, is as follows:

(a) **Cash and cash equivalents**—The Station has demand deposits held at financial institutions for the University which are secured up to FDIC limits. Amounts in excess of FDIC limits are secured by collateral held by the financial institution which is pledged to the State of Florida Public Deposits Trust Fund. These deposits amounted to \$294,303 and \$252,696 at June 30, 2012 and 2011, respectively.

(b) **Accounts and grants receivable**—The Station has accounts and grants receivables of \$421,049 and \$99,360 from governmental and other sources and \$422,419 and \$411,419 from the Florida Department of Education and other agencies, at June 30, 2012 and 2011, respectively. The Station has no policy requiring collateral or other security to support these amounts.

(c) **Revenues**—The Station received significant revenue from three sources. The State of Florida, Department of Education and other departments provided 27% and 29%, the CPB provided 15% and 15%, and the University provided 29 % and 33% in cash support and donated facilities during the years ended June 30, 2012 and 2011, respectively.

(9) Compensated Absences:

Compensated absences liability activity for the years ended June 30, 2012 and 2011 were as follows:

<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Amount Due</u> <u>Within 1 Year</u>
\$ 484,364	\$ 348,999	\$ (299,367)	\$ 533,996	\$ 325,150

<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Amount Due</u> <u>Within 1 Year</u>
\$ 464,895	\$ 338,459	\$ (318,990)	\$ 484,364	\$ 368,116

(10) Litigation:

The Station is involved in pending litigation and intends to vigorously defend itself in this action. Management does not believe the settlement of any such claims resulting from this action would materially affect the Station's financial position.

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(11) Subsequent Events:

The Station has evaluated events and transactions for potential recognition or disclosure in the financial statements through December 19, 2012, the date which the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

(12) Grants for Corporation for Public Broadcasting:

The Station receives a Community Service Grant (“CSG”) from the Corporation for Public Broadcasting annually. The CSGs received and expended during the most recent fiscal years were as follows:

Years of Grant	Grants Received	Expended			Uncommitted Balance at June 30, 2012
		2009-10	2010-11	2011-12	
2009-11	\$ 1,231,631	\$ —	\$ 626,861	\$ 604,770	\$ —
2010-12	\$ 1,346,762	\$ —	\$ —	\$ 606,409	\$ 740,353
2011-13	\$ 1,272,209	\$ —	\$ —	\$ —	\$ 1,272,209

(13) Nonfederal Financial Support (NFFS):

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on 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 revenues received for any capital purchases.

A “payment” is cash, property or services received by a public broadcasting entity from specific sources 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, any agency or political subdivision of a state, an educational institution or organization or a nonprofit entity; (2) the form of the payment must be appropriations or contract payments in exchange for specific broadcasting services or materials; (3) the purpose must be for any related activity of the public broadcast station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

Reported NFFS for the Station was \$7,089,494 and \$6,805,869 in 2012 and 2011, respectively.

SUPPLEMENTAL INFORMATION

WFSU/WFSG-TV
 A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
 FLORIDA STATE UNIVERSITY
 SCHEDULE OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED JUNE 30, 2012
 WITH SUMMARIZED INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2011

	Program Services			Supporting Services			2011 Total Expenses		
	Programming and Production	Broadcasting	Program Information and Promotion	Total	Management and General	Fundraising and Membership Development		Underwriting and Grant Solicitation	
Salaries, payroll taxes and employee benefits	\$ 2,855,206	\$ 517,243	\$ 138,983	\$ 3,511,432	\$ 583,246	\$ 106,681	\$ 102,189	\$ 4,303,548	\$ 4,532,384
Professional services	317,718	13,789	7,590	339,097	47,936	19,795	939	407,767	435,234
Facilities and administrative support	1,016,381	184,126	49,474	1,249,981	207,621	37,976	36,377	1,531,955	1,551,809
Postage and freight	4,198	1,291	1,149	6,638	1,737	3,538	110	12,023	15,987
Office supplies	9,988	586	295	10,869	17,852	-	-	28,721	30,016
Telephone and utilities	68,151	244,186	7,589	319,926	47,214	10,245	5,854	383,239	387,195
Advertising	2,550	-	1,378	3,928	1,131	-	-	5,059	34,873
Repairs and maintenance of equipment	68,539	183,821	9,300	261,660	17,710	1,138	-	280,508	242,804
Printing and publications	476	-	4,208	4,684	524	17,057	210	22,475	14,739
Travel and training	86,727	5,668	7,209	99,604	9,550	1,357	4,047	114,558	86,687
Operating supplies	223,145	11,979	29,514	264,638	14,031	72,340	640	351,649	203,836
Programming	1,226,926	-	-	1,226,926	-	-	-	1,226,926	1,221,630
Subscriptions and fees	13,730	930	1,130	15,790	20,477	10,404	235	46,906	44,420
Ratings and research	-	-	-	-	-	-	1,778	1,778	20,521
Depreciation	217,746	323,320	6,598	547,664	65,984	39,590	6,598	659,836	741,298
Loss on disposal of capital assets	122,255	181,530	3,705	307,490	37,047	22,227	3,703	370,467	17,165
Overhead	6,448	-	-	6,448	22,471	-	-	28,919	-
	\$ 6,240,184	\$ 1,668,469	\$ 268,122	\$ 8,176,775	\$ 1,094,531	\$ 342,348	\$ 162,680	\$ 9,776,334	\$ 9,580,598

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

JAMES MOORE & CO., P.L.
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**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**

To the Board of Trustees,
Florida State University:

We have audited the financial statements of WFSU/WFSG-TV (the "Station"), a public telecommunications entity operated by Florida State University, as of and for the year ended June 30, 2012, and have issued our report thereon dated December 19, 2012. We conducted our audit 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.

Internal Control Over Financial Reporting

Management of WFSU/WFSG-TV is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered WFSU/WFSG-TV's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of WFSU/WFSG-TV's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Station's internal control over financial reporting.

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 Station's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Station's financial statements are free of 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*.

This report is intended solely for the information and use of management and boards of the Station, others within the entity, the Florida Department of Education and the Corporation for Public Broadcasting and is not intended to be and should not be used by anyone other than these specified parties.

Tallahassee, Florida
December 19, 2012

James Moore & Co., P.L.