AUDIT OF COMMUNITY SERVICE AND OTHER GRANTS AWARDED TO SOUTH FLORIDA PBS, INC. (SFPBS), BOYNTON BEACH, FLORIDA, FOR THE PERIOD JULY 1, 2019 THROUGH JUNE 30, 2021

REPORT NO. AST2204-2205

May 11, 2022

Office of the Inspector General
Corporation for Public Broadcasting

Report in Brief

Report No. AST2204-2205
May 11, 2022

Why We Did This Audit

We performed this audit based on our Annual Plan to audit public television and radio stations.

Our objectives were to examine SFPBS's certifications of compliance with Corporation for Public Broadcasting (CPB) grant terms to: a) claim Non-Federal Financial Support (NFFS) on its Annual Financial Reports (AFR) in accordance with CPB Financial Reporting Guidelines; b) expend grant funds in accordance with grant agreement requirements; and c) comply with the Certification of Eligibility requirements and the statutory provisions of the Communications Act of 1934, as amended (Act). The amount of NFFS a station reports to CPB affects the amount of CPB funding the station receives.

Send all inquiries to our office at (202) 879-9669 or email OIGemail@cpb.org

or visit https://cpboig.oversight.gov/

Listing of OIG Reports

Audit of Community Service and Other Grants Awarded to South Florida PBS, Inc. (SFPBS), Boynton Beach, Florida, for the Period July 1, 2019 through June 30, 2021

What We Found

SFPBS overstated NFFS by $2,889,946 and did not fully comply with Act and CSG General Provisions Requirements. requirements.

Based on our audit, SFPBS was not compliant with the following CPB grant requirements. Specifically, SFPBS:

- overstated NFFS totaling $2,889,946, resulting in potential CSG overpayments of $370,051;
- did not comply with Act requirements to ensure required information was made available to the public for open and closed meetings and its most recent AFR, and did not fully comply with its Community Advisory Board (CAB) responsibilities; and,
- did not fully comply with CPB CSG General Provisions and Eligibility Criteria (General Provisions) for its Diversity Statement and discrete accounting requirements.

In response to the draft report, station management did not agree with $2,680,146 of the $2,889,946 in NFFS overstatements. SFPBS management agreed with our findings and recommendations on Act and General Provisions noncompliance and said it has implemented corrective actions to ensure future compliance. CPB management will make the final determination on our findings and recommendations.

What We Recommend

We recommend that CPB management require SFPBS to:

- repay $370,051 in potential CSG overpayments and review the prior two-year period for similar NFFS overstatements;
- fully comply with Act requirements for open meeting advance notices, making available to the public the reasons for closing meetings, posting the most recent AFR on its website, and complying with CAB responsibilities;
- comply with General Provisions for its Diversity Statement and discrete accounting requirements; and
- identify the corrective actions and controls it will implement to ensure future compliance with NFFS and AFR reporting, Act, and General Provisions requirements.

Corporation for Public Broadcasting

Office of the Inspector General

Date: May 11, 2022

To: Jackie J. Livesay, Deputy General Counsel and Vice President, Compliance
Kathy Merritt, Senior Vice President, Radio, Journalism and CSG Services

From: Kimberly A. Howell, Inspector General

Digitally signed by Kimberly Howell
Date: 2022.05.11 09:34:38 -04'00'

Subject: Audit of Community Service and Other Grants Awarded to South Florida PBS, Inc. (SFPBS), Boynton Beach, Florida, for the Period July 1, 2019 through June 30, 2021, Report No. AST2204-2205

Enclosed please find our final audit report which contains our findings and recommendations. CPB officials must make a final management decision on the findings and recommendations in accordance with established audit resolution procedures.

Accordingly, we request that you provide us with a draft determination response to our findings and recommendations within 90 days of the final report. We will review your proposed actions and provide our feedback before you issue a final management decision to the grantee, which is due within 180 days of the final report. For corrective actions planned but not completed by the response date, please provide specific milestone dates so that we can track the implementation of corrective actions needed to close the audit recommendations.

We will post this report to the Office of the Inspector General's website and oversight.gov, and distribute to appropriate Congressional committees as required by the Inspector General Act of 1978, as amended. Please refer any public inquiries about this report to our website or our office.

Enclosure

cc: Bruce M. Ramer, Chair, CPB Board of Directors
Robert Mandell, Chair, Audit and Finance Committee, CPB Board of Directors
U.S. Senate Committee on Homeland Security and Governmental Affairs
U.S. House of Representatives Committee on Oversight and Government Reform
U.S. Senate Committee on Commerce, Science and Transportation
U.S. House of Representatives Energy and Commerce Committee

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U.S. Senate Committee on Appropriations
U.S. Senate Labor-HHS-Education Appropriations Subcommittee
U.S. House of Representatives Committee on Appropriations
U.S. House of Representatives Labor-HHS-Education Appropriations Subcommittee

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EXECUTIVE SUMMARY

We have completed an audit of the Corporation for Public Broadcasting (CPB) Community Service Grants (CSG) and other grants awarded to the South Florida PBS, Inc. (SFPBS), a community licensee, for the period July 1, 2019 through June, 2021.[1] Our objectives were to examine SFPBS's certifications of compliance with CPB grant terms to: a) claim Non-Federal Financial Support (NFFS) on its Annual Financial Reports (AFRs) in accordance with CPB Financial Reporting Guidelines (Guidelines); b) expend grant funds in accordance with grant agreement requirements; and c) comply with the Certification of Eligibility requirements and the statutory provisions of the Communications Act of 1934, as amended (Act).

Our audit found that SFPBS did not fully comply with all CPB requirements because SFPBS:

- overstated NFFS totaling $2,889,946, resulting in potential CSG overpayments of $370,051;
- did not comply with Act requirements to ensure required information was made available to the public for open and closed meetings and its most recent AFR, and did not fully comply with its Community Advisory Board (CAB) responsibilities; and
- did not fully comply with CPB CSG General Provisions and Eligibility Criteria (General Provisions) for its Diversity Statement and discrete accounting requirements.

We recommend that CPB management require SFPBS to:

- repay $370,051 in potential CSG overpayments and review the prior two-year period for similar NFFS overstatements from the donor/payor funding sources we identified (Exhibit D);
- fully comply with Act requirements for open meeting advance notices, making the reasons for closed meetings available to the public, posting the most recent AFR on its website, and complying with its CAB responsibilities;
- comply with General Provisions for its Diversity Statement and discrete accounting requirements; and
- identify the corrective actions and controls it will implement to ensure future compliance with NFFS and AFR reporting, as well as Act and General Provisions requirements.

In response to our draft report, SFPBS management did not agree with our findings on the overstatement of NFFS for three of the nine funding sources we identified (Exhibit D) representing $2,680,146 of $2,889,946 or 93 percent of the overstatements we found. Station

[1] We expanded on our audit period and reported on Communications Act and CPB General Provisions Eligibility Criteria compliance through the date we completed our audit fieldwork in February 2022 to assess the station's current compliance.

management did not agree with our findings that capital campaign contributions were for ineligible TV facilities and a co-production agreement was an ineligible payment/exchange transaction. The station's response did not specifically discuss the other six funding sources we found ineligible for NFFS but acknowledged that the overstatement should be reduced to $209,800, which is the amount we identified from these six funding sources.

Station management agreed with our findings that it did not fully comply with Act requirements for open meeting advance notice, making explanations for closed meetings and AFRs available to the public, and fulfilling its CAB responsibilities. SFPBS management also agreed that it was not fully compliant with the General Provisions requirements to annually review its diversity goals and statement and with discrete accounting for CPB expenditures. The station said it has addressed the Act and General Provisions issues raised and that they have acted upon the related recommendations. The station's response is summarized after each finding and the complete response is presented in Exhibit G.

Based on SFPBS management's response to the draft audit report, we consider recommendations one through three unresolved and open pending CPB's final management decisions resolving the audit findings. We consider recommendations four through eight resolved but open pending CPB's final management decisions and acceptance of SFPBS's corrective actions.

This report presents the conclusions of the Office of the Inspector General (OIG) and the findings do not necessarily represent CPB's final position on the issues. While we have made recommendations that are appropriate to resolve the findings, CPB officials will make final determinations on our findings and recommendations in accordance with established CPB audit resolution procedures.

We conducted our audit in accordance with *Government Auditing Standards* for attestation examination engagements. Our scope and methodology are discussed in Exhibit F.

BACKGROUND

SFPBS was created by the merger of WXEL Public Broadcasting Corporation, Boynton Beach, (WXEL) and Community Television Foundation of South Florida, Inc. Miami (WPBT) on September 30, 2015. SFPBS operates two noncommercial television stations on Channel 2 and on Channel 42, televising to the seven county South Florida service area. These noncommercial stations are affiliated with the public broadcasting service and also produce features and series for national and international distribution. The station's IRS Form 990 from its website describes its mission as "a vibrant force in the South Florida community that entertains, enlightens, and educates. Our content changes lives, inspires trust, and makes a difference. We reflect the diversity of the region in which we live and work."

In fiscal year (FY) 2018, SFPBS received a donated commercial Class A license WURH simulcasting SFPBS programming on channel 13. Both WXEL and WURH sold their spectrum and now channel share WPBT's spectrum. In 2021, WPBT combined its operating facilities with WXEL at the Boynton Beach location.

According to the station's financial statements, in May 2018, SFPBS launched a new 24-hour Health Channel and stated it is the first TV channel of its kind, connecting viewers with medical and well-being specialists in real time as well as continuing to develop its on-line presence as a health information resource.

SFPBS has related entities that include the SFPBS Foundation that provides financial support to the organization and COMTEL, a for-profit business for production services and facilities rental. SFPBS has also established a holding company related to the Health Channel but has not pursued further business operations for this entity at this time. All entities are consolidated in its financial statements.

In FYs 2020 and 2021, the independent public accountant (IPA) included an "*emphasis of matters*" section in its unqualified audit opinion of SFPBS's financial statements regarding the organization's operating deficits. Management took action to address the deficits as footnoted in its audited financial statements.

Prior to the merger, the OIG performed an audit of WPBT in 2003, but had not performed an audit of WXEL which was also a CSG grantee. The prior audit report found WPBT was noncompliant with Act and NFFS requirements. SFPBS performs its accounting operations inhouse, but outsources its AFR preparation to a National Educational Television Association (NETA) controller.[2]

CPB's Community Service Grant Program

The Act provides that specific percentages of the appropriated funds CPB receives annually from the United States Treasury must be allocated and distributed to licensees and permittees of public TV and radio stations. After funds are designated as either TV or radio funds, the funds are placed in the appropriate CSG grant pool for distribution to eligible stations. TV funds can be distributed only to TV stations and radio funds must go to radio stations.

Each year CPB awards CSG grants to public TV and radio stations based in part on the amount of NFFS claimed by all stations on their AFRs. The CSG calculation process starts with separate amounts appropriated for the TV and radio CSG pools adjusted by base grants and supplemental grants. The funds that remain are called the incentive grant pools; one is for TV and the other is for radio.

[2] NETA provides accounting services to public media stations and specializes in CPB reporting.

The Incentive Rate of Return (IRR) is separately calculated for television and radio grantees. This is done by dividing the incentive grant pools by the total adjusted NFFS claimed by all television grantees for the television IRR and by all radio grantees for the radio IRR. The IRR is then multiplied by each grantee's adjusted NFFS in various tiers to calculate the incentive award amount of its total CSG. There is a two-year lag between the reported NFFS and CPB's calculation of the FY's CSG amount. For example, CPB used the NFFS reported by SFPBS on its FYs 2018 and 2019 AFRs to determine the amount of the TV CSG funds the station received in FYs 2020 and 2021.

As shown in Exhibit A, SFPBS received CSG and other grant funds totaling $4,082,138 ($1,617,922 in FY 2020 and $2,464,216 in FY 2021) from CPB. The station reported NFFS of $27,333,024 ($15,085,390 in FY 2020 and $12,247,634 in FY 2021) as shown in Exhibit C. SFPBS's audited financial statements for the two fiscal years we audited reported total support and revenues of $40,333,364 ($20,238,045 in FY 2020 and $20,095,319 in FY 2021). SFPBS's fiscal year begins July 1 and ends June 30.

RESULTS OF REVIEW

In our opinion, SFPBS generally complied with CPB requirements except for the specific requirements as summarized in the following paragraph for the FYs 2020 and 2021 grant reporting as examined in Exhibits B and C. We reviewed SFPBS management's assertions of compliance with CPB grant requirements: a) CSG Certification of Eligibility; b) CSG Legal Agreement; and c) AFR Signature Page. The CSG Certification of Eligibility includes SFPBS's certification of compliance with AFR/NFFS reporting in accordance with CPB's Guidelines; Act requirements for open meetings, open financial records, CAB, equal employment opportunity (EEO) reporting and donor lists; use of CPB funds; and discrete accounting requirements. Our responsibility is to express an opinion on management's assertions about its compliance based on our examination.

Our audit found that SFPBS did not fully comply with all CPB requirements because SFPBS:

- overstated NFFS totaling $2,889,946, resulting in potential CSG overpayments of $370,051;
- did not comply with Act requirements to: ensure required information is made available to the public for open and closed meetings and its most recent AFR, and did not fully comply with its CAB responsibilities; and
- did not fully comply with CPB CSG General Provisions and Eligibility Criteria (General Provisions) for its Diversity Statement and discrete accounting requirements.

Our audit was conducted in accordance with the *Government Auditing Standards* for attestation examination engagements and, accordingly, included examining, on a test basis, evidence about

SFPBS's compliance with CPB's requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. However, it does not provide a legal determination on SFPBS's compliance with specified requirements.

FINDINGS AND RECOMMENDATIONS

I. OVERSTATED NFFS

Our audit found $2,889,946 in overstated NFFS as reported on SFPBS's FY 2020 and 2021 AFRs as presented in the following table and itemized in Exhibit D. As a result, SFPBS received potential CSG overpayments of $370,051. We classified this amount as funds put to better use for reporting purposes because the funds overpaid to SFPBS could have been distributed to other public broadcasting stations.

SFPBS made several reporting errors on its FYs 2020 and 2021 AFRs which resulted in overstated NFFS as itemized in the following table.

Overstated NFFS and CSG Overpayments

Conditions	Overstated NFFS		Total
	FY 2020	FY 2021	
Ineligible Contributions			
Total Ineligible Capital Campaign TV Facilities	$1,500,000	$50,146	$1,550,146
Total Ineligible Public Broadcasting Source	$17,500	$7,820	$25,320
Total Ineligible Contributions	***$1,517,500***	***$57,966***	***$1,575,466***
Total Ineligible Payments/Exchange Transactions	***$1,271,980***	***$42,500***	***$1,314,480***
Total Overstated NFFS	**$2,789,480**	**$100,466**	**$2,889,946**
IRR FY 2022 (CPB has not yet calculated its FY 2023 IRR)	0.1280476998	0.1280476998	
Potential CSG Overpayments FY 2022 and FY 2023	***$357,187***	***$12,864***	***$370,051***

SFPBS management agrees with our findings related to public broadcasting sources (NFFS of $25,320) but does not agree with most of the other NFFS overstatements. Further discussion on our findings for each category of NFFS is presented below.

A) Ineligible Contributions

Capital Campaign - TV Facilities

SFPBS claimed capital campaign funds solicited for TV facilities and equipment as NFFS. Our audit found that $1,550,146 in contributions from two of the donors solicited for facilities contributions were reported on AFR line 19 (Gifts and Bequests from Major Donors) and claimed as eligible NFFS. These contributions should have been reported on AFR line 18A (Capital fund contributions from individuals – Facilities and Equipment) and excluded from NFFS.

CPB Guidelines have specific NFFS reporting requirements for TV stations that raise funds as part of a capital Campaign.

> **Line 18 – Capital fund contributions from individuals**
> Use Line 18 to report capital campaign contributions from individuals. Also use this line to report gifts and contributions from individuals when the donor has restricted the gift or contribution for purposes of acquiring new equipment, or for upgrading existing or building new facilities.
>
> For NFFS reporting purposes, a restriction may be either explicitly applied by the donor or it may be considered implicitly applied based on how the capital campaign funds were solicited. In other words, if the capital campaign materials provided to potential donors in order to solicit funds indicate that some campaign funds may be used for the purposes of new facilities (land and structures), expansion of existing facilities, and / or the acquisition of new equipment, a portion of the campaign funds that do not have an explicit donor restriction must be reported on Line 18A.
>
> For those funds that do not have an explicit donor restriction, the allocation between Lines 18A and 18B must be made on a reasonable basis and should be supported by documentation, such as, but not limited to, an internal budget, that describes how the grantee intends to divide the capital campaign funds between facilities/equipment projects and non-facilities/equipment projects. In the absence of such documentation, the grantee will be required to divide the capital campaign funds evenly between the different projects listed in the campaign promotional materials and then allocate the divided funds between Lines 18A and 18B as appropriate.
>
> **TV Grantees**
> To eliminate distortions in the TV CSG grant program precipitated by extraordinary infusions of new capital investment in digital TV broadcasting, the CPB Board of Directors adopted the recommendation of the 1998 TV CSG Task Force to exclude from NFFS all capital contributions restricted for facilities and equipment improvements. This exclusion extends to ALL contributions (direct and in-kind) of, or for the purpose of

acquiring new broadcast and operational equipment, as well as new facilities, new construction, and facilities upgrades and improvements. This includes gifts, grants, bequests or any contribution restricted by the donor for capital purposes, including any direct revenues raised through a formal capital campaign program that are restricted for the purposes defined herein.

CPB implemented this policy change beginning with the FY 2001 grant year (i.e., in the 1999 AFR reporting year).

Specific Line Instructions:

A. Facilities and Equipment

Use this line to report funds restricted for the construction of new facilities (land and structures), expansion of existing facilities, and acquisition of new equipment.

TV Grantees: Revenue designated or restricted for this purpose does not qualify for NFFS matching purposes. Therefore, for TV grantees only, the total amount reported on Line 18A will forward to Line 25 and will be automatically excluded from NFFS.

This restriction does not apply to capital contributions restricted for purposes other than those defined above. See Line 18B instructions for exceptions.

B. Other

Report funds contributed for purposes other than those reported on Line 18A. For instance, capital campaigns raise funds for a variety of purposes including, for example, funding of future national productions; repayment of indebtedness incurred to acquire a stations license; capital to increase distribution of a station's news and information service; and to engage in other programmatic projects.

CPB Guidelines FY 2020, Part III – AFR and FSR Line Item Instructions, Completing AFR Schedule A – Direct Revenue, Line 18.

SFPBS reported $6,928,330 in capital campaign revenues in its general ledger accounting records in FYs 2020 and 2021. Of that amount, we identified $3,358,146 (48 percent) that was contributed for TV facilities and renovation. One contribution for $1,808,000 was properly classified as a capital campaign contribution for AFR reporting purposes, was restricted for TV facilities construction and renovation, and properly excluded on AFR line18A. However, we found the other $1,550,146 from two donors were not properly reported on line 18A and thereby excluded.

The other $3,570,184 recorded as capital campaign contributions in the general ledger should have been reported on the station's AFR on line 18B as other capital campaign contributions. However, the station reported these capital campaign contributions for other purposes on AFR line 19 (major donors) and on AFR line 17 (endowments); both are eligible NFFS categories.

SFPBS provided donor documentation showing the funds received and reported were contributions solicited for capital campaign purposes. The station's accounting department records the campaign contributions in separate general ledger accounts for capital campaign funds. However, the station's AFR reporting procedures were not set up to map the general ledger accounts to the proper AFR reporting categories for capital campaign contributions. Further, for the two contributions we questioned, SFPBS did not apply CPB's criteria for reporting capital campaign contributions solicited for TV facilities and did not report these contributions on AFR line 18A and exclude from NFFS as required.

As background, SFPBS initiated its capital campaign, "The Campaign for Lifelong Learning," in 2019 as part of its strategic plan. Its campaign solicitation brochure states:

> The Campaign for Lifelong Learning's goal is to raise $25,000,000. We will invest in innovative programming, upgrades to our technology and facilities, and long-term financial health and sustainability.
>
> The $25 million goal allocated funding as follows:
>
> - $9 million – State-of-the-Art Technology Fund
> - $6 million – Facilities Revitalization & Enhancements
> - $6 million – Educational Programming Funds
> - $4 million – Endowment Funds

Over 60 percent of the campaign goal was solicited for the first two goals for TV facilities and equipment which should be reported on AFR line 18A when funds are donated.

Station management and board members cultivated donors offering investment opportunities to achieve these goals. The station provided inserts with its campaign brochures showing very specific investment areas, for example, under Technology & Equipment, funds were solicited for tower and infrastructure upgrades, studio and production equipment. For Facilities and Revitalization & Expansion, the station's main WXEL broadcast building and specific building spaces and improvements were identified for donors to fund and included naming rights for major contributions. The brochure inserts, which were updated throughout the year to show goals met and opportunities available, specifically identified the names of two donor's contributions for facilities which included naming rights. SFPBS executed gift agreements with both of these donors because of the large dollar amount of the campaign contributions.

For example, one of the gifts was solicited for an addition to the station's facilities for a Learning and Cultural Arts center and the gift agreement specifically restricted the gift for support of the construction and renovation of the space and gave the donor naming recognition. SFPBS properly excluded this contribution on its FY 2021 AFR line 18A. However, for the other gift,

$2.5 million[3] cultivated for facilities which included naming rights for the station's main WXEL's broadcast home, SFPBS claimed the contribution as NFFS on AFR line 19 with major donor contributions.

Our review of the gift agreement and discussion with the station's development team supported the contribution as a capital campaign solicited for and received for facilities revitalization.

Specifically, the gift agreement stated:

> Nature of Gift
> … Challenge Grant to the Station to support the Campaign for Lifelong Learning. In recognition of the Gift, the Donee agrees to name the WXEL building … in honor of the Donor …

Further, under the recognition section of the agreement terms were defined for the naming recognition including use of funds:

> If the donor(s) are granted naming recognition pursuant to the foregoing provisions of this Section, such naming recognition will be provided for a period of at least twenty (20) years. Funds not initially spent on renovations, improvements and equipment will be held in a deferred maintenance fund for future revitalization and enhancements to the WXEL building.

We discussed our observations on this contribution with SFPBS financial officials and were provided additional background information on the use of these funds. First, they did not agree that this donation was restricted for facilities. Second, they said this contribution was used to fund operations under its management action plan and that building renovations had to be deferred until operating deficits were addressed to alleviate going concern issues.[4] Finally, they said the gift agreement had some contradictory language regarding the use of the funds.[5]

Management's action plan called for FY 2021 budget breakeven results, eliminating its Miami WPBT facility and lease, cutting discretionary spending for potential investment opportunities, and minimizing other costs. It did not mention deferring spending on its main WXEL facilities and improvements as part of its consolidation of operations.

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[3] The total gift received was $2.5 million and the station received $1 million in FY 2019 which is outside of our audit scope.

[4] Operating deficits were addressed in the station's financial statement audit opinion "Emphasis of Matter" section. Station management and Board of Directors implemented a management action plan to alleviate the entities going concern issue. Management's action plan is footnoted in the organization's FY 2020 and FY 2021 audited financial statement, footnotes 22 and 23 respectively. The footnote stated that as a result of management's action plan, "the doubts about SFPBS's ability to continue as a going concern appear to be alleviated at October 15,2020."

[5] A section of the agreement discusses disposition of funds under extraordinary circumstances.

The other questioned donation for $50,146 was contributed to the capital campaign for the station's WXEL facility renovations. Because there was no formal gift agreement, the financial department recorded the gift as unrestricted and claimed it as NFFS on AFR line 19. However, in our review of the station's donor relation records and our conversations with station personnel, we found that the donor confirmed their intent with a board member that the gift was to support the WXEL facility renovations.

CPB criteria referenced above specifically states that capital campaign funds solicited for TV facilities and equipment should be excluded from NFFS whether explicitly restricted or implied based on how the funds were solicited. CPB requires that proper documentation be maintained for the allocation of capital campaigns funds when raised for both facilities/equipment projects and non-facilities/equipment projects. In the absence of such documentation, the funds should be distributed equally based on the projects listed in the campaign materials and then further divided between AFR line 18A (ineligible) and 18B (eligible) for NFFS reporting.

Our audit concluded after review and discussion with station personnel, that the station has adequate documentation to make the allocations between TV facilities/equipment and other funding areas but that the AFR reporting did not align with that documentation. We concluded that $1,550,146 was ineligible for NFFS because it was contributed as capital campaign gifts for TV facilities.

Ineligible Source - Contributions from Public Broadcasting Entities

The station claimed $25,320 as NFFS from ineligible public broadcasting entity sources. The station claimed underwriting revenue from a University that holds the license of another public radio and TV station that are CSG recipients. SFPBS also received two grants for special engagement events. Both were from entities that primarily produce and distribute public media content, one being a multicultural alliance funded by CPB and the other an entity that receives grants and funding from CPB, PBS, and the U.S. Department of Education Ready-to-Learn program.

CPB Guidelines define NFFS revenues as either contributions or payments and establish the criteria for each.

> Revenues are either a contribution or a payment, and must meet the recipient, form, source, and purpose criteria below to be reported as NFFS.
>
> **A. Contribution**. A contribution is a gift, grant, bequest, donation or appropriation (i.e., the form criterion). For a contribution to be reported as NFFS, it must meet the following criteria …

2. **Source**. The contribution may be from any source except the United States, any agency or instrumentality of the United States (i.e., the federal government), or a public broadcasting entity….

CPB Guidelines FY 2020 - Part II, Section II – Contribution vs. Payment.

The Guidelines identify types of revenues that should be excluded from NFFS and further defines public broadcasting entities for NFFS eligibility:

> Revenues from any of the sources below may not be reported as NFFS … However, this list is not exhaustive.
>
> A. Public broadcasting entities. Public broadcasting entities include but are not limited to:
>
> 1. CPB;
> 2. any licensee or permittee of a public broadcasting station;
> 3. any nonprofit institution primarily in the production, acquisition, distribution, or dissemination of educational and cultural television or radio programs., including but not limited to: …
>
> i. American Public Television;
> ii. National Public Radio;
> iii. Public Broadcasting Services; and
> iv. Public Radio International;
> v. American Public Media; and
> vi. National Educational Telecommunications Association.

CPB Guidelines FY 2020, Part II, Section V. - NFFS: Excluded Revenues.

SFPBS placed the underwriting through a public media agency for the University, as well as billed the agency and recorded the revenue source as the agency in its general ledger. The station did not provide enough detail in the accounting records to map to the proper source category on the AFR and therefore it was reported as business underwriting when in fact the underwriting contribution came from a licensee of a public broadcasting station, which is ineligible by statute and policy.

Station officials agreed that the public broadcasting entities should have been reported as ineligible sources for NFFS. SFPBS did not agree that they claimed ineligible capital campaign contributions.

In summary, the station claimed $1,575,466 ($1,550,146 - capital campaign TV facilities and $25,230 - public broadcasting entities sources) as contributions that are ineligible for NFFS.

These ineligible contributions could result in potential CSG overpayments of $201,735. See Exhibit D.

B) <u>Ineligible Payments/Exchange Transactions</u>

SFPBS claimed $1,314,480 of major donor contributions and underwriting as NFFS. However, these were exchange payments that were ineligible by policy or did not meet the source criteria for payments, i.e., received from state/local government or educational institution. We found:

- $1,130,000 in production/presenting station fees;
- $127,500 in collaboration partner funding;
- $36,500 in production services; and
- $20,480 in other fees for services.

CPB Guidelines classify revenues as either a contribution or payment for NFFS reporting and eligibility purposes.

> Revenues are either a contribution or a payment, and must meet the recipient, form, source, and purpose criteria below to be reported as NFFS ...
>
> **B. Payment.** A payment is a reciprocal transfer of cash, goods and/or services (e.g., exchange transaction) and may be reported as NFFS, if it meets the criteria below.
>
> 1. **Recipient:** Public broadcasting entity or an organization that receives the revenue on its behalf.
> 2. **Form:** The payment must be in the form of an appropriation or contract payment.
> 3. **Source:** The payment must be made by a state[6] or any educational institution.
> 4. **Purpose.** The payment must be in exchange for services or materials with respect to the provision of educational or instructional television or radio programs.

CPB Guidelines FY 2020 – Part II, Section II Contribution vs. Payment.

In addition, CPB excludes certain revenues from NFFS by policy.

> Revenues from any of the sources below may not be reported as NFFS …
>
> F. Presenting Station Fees. A presenting station fee is the fee often charged by an independent program producer to introduce a program into distribution among public broadcasters. The fee may be charged directly to and paid directly by the independent

[6] State includes local governments, state agencies, the District of Columbia, U.S. territories, public schools, and Native American Tribes as defined in the applicable year's General Provisions.

producer or retained by the public broadcasting entity from assets that it solicited or received from third-party underwriters on the producer's behalf. For clarification, the fee that a station receives or retains when introducing a program into public broadcasting distribution is a payment …

L. Other Revenues may include: …

2. revenues from a wholly or partially owned for-profit subsidiary, regardless of the nature of the subsidiary's work;

CPB Guidelines FY 2020 -Part II, Section V. NFFS – Excluded Revenues, F and L.

The Federal Communications Commission (FCC) regulations and the Act have certain requirements for allowable underwriting on public broadcasting.

VI. NFFS: Underwriting Revenues

The FCC[7] and the Communications Act[8] allow public broadcasting stations to broadcast underwriting credits which may also be referred to as sponsorships but prohibit them from broadcasting advertisements. Underwriting revenues are contributions to a CSG recipient primarily to support its programming or activities in exchange for underwriting credit.

CPB Guidelines FY 2020 -Part II, Section VI.

The station claimed production development funding and other fees as NFFS and reported as contributions from major individual donors, underwriting, and membership on its AFR. The station had contractual arrangements with different organizations that included for-profit companies and a not-for-profit entity. Station financial officials considered the contractual arrangements as contributions in support of station productions and said it did not believe that these were reciprocal transactions whereby the funder received more than nominal underwriting value or no value. Because SFPBS did not consider these transactions as payments, it did not identify that the sources were ineligible for NFFS purposes.

We discuss SFPBS's rationale for claiming the fees as contributions and OIG analysis of the contractual arrangements in more detail below. SFPBS received:

- $1,130,000 in payments from its co-producer/creator for the production of season 3 of a children program series that included the licensing and American Public Television (APT) distribution of it as a national public broadcast production.[9] Station officials said the funder was a prior governing board member, treated the funding as it would any other

[7] 37 C.F.R. §73.503(d) and §73.621(e)
[8] 47 U.S.C. §399(b)
[9] Seasons one and two of the children's series were produced in prior years.

major donation from a board member[10] to support SFPBS production development, and reported it as a contribution. However, this agreement did not identify that these payments were contributions. The agreement specifically stated that SFPBS would be providing presenting station services and that "SFPBS and the Co-producer shall share joint copyright in and to the Programs." The agreement stated the co-producer agreed to provide funding for the co-production of the program in accordance with applicable FCC and program distributor guidelines. The co-producer received credit as the "creator" and SFPBS as the presenting station. Moreover, APT's distribution guidelines do not allow underwriting credit for co-producers. We concluded the co-production agreement represented an exchange transaction and the source was not eligible for NFFS. Station officials evaluated our argument that this was an exchange transaction but did not agree with our conclusions.

- $127,500 from a collaboration agreement with a not-for-profit health provider to develop content for SFPBS's health channel productions and related activities, including providing resources, expertise, and sponsorship. In return, the agreement stated that SFPBS will prominently feature the physicians and facilities on the health channel in a manner that will enhance the health provider's recognition and reputation. The station would provide the expertise related to the distribution, marketing, and sales of the health channel and its content (presenting station type services). Further, the station would grant the health provider an exclusive, perpetual, non-transferable, royalty-free license to use the content for non-commercial, non-broadcast purposes after a seven-day period from the first air date on the channel. We consider this agreement more than nominal underwriting benefits and a payment for NFFS purpose. Therefore, the source is not eligible as it is not a state/local government or educational institution. Station management did not agree that the agreement provided reciprocal benefits of value and asserts that the contract value provided of $127,500 only related to the underwriting spot credits.

- $36,500 from a for-profit entity for production and distribution services provided by the station's for-profit entity, COMTEL. The agreement called for COMTEL to produce and distribute an underwriting segment for the health channel related to the entity's product as well as distribution to include national airings on cable channels not related to public broadcasting. The services were contracted with and paid to COMTEL, which is not an eligible recipient for NFFS purposes, nor are the source (not a state/local government or educational institution) and purpose (not solely for public broadcasting) eligible for NFFS. SFPBS said that because the segments produced were also broadcast on its health channel, it was underwriting and therefore eligible for NFFS.

- $20,480 from a for-profit business for reimbursement of studio and facilities time. The station recorded the reimbursement as membership related to virtual pledges because the

[10] Review of cash receipts from the co-producer showed source came from the co-producer's business, an LLC account.

for-profit business produced pledge drive programming for PBS programs. SFPBS management said this was a reimbursement. As such, it is an exchange payment, and the source is not eligible for NFFS purposes.

In summary, the station claimed $1,314,480 ($1,130,000 - major donor, $164,000 - underwriting and $20,480 - membership) on its AFR as eligible NFFS contributions when these were ineligible payments. As a result of the overstated NFFS for ineligible payments, SFPBS received potential CSG overpayments of $168,316 in FY 2020 and FY 2021. See Exhibit D.

* * * * *

To summarize our finding on overstated NFFS for ineligible contributions and payments, SFPBS overstated FYs 2020 and FY 2021 NFFS by $ $2,889,946 which could result in potential CSG overpayments of $370,051. See Exhibit D.

Recommendations:

We recommend that CPB management take the following actions:

1) recover $370,051 in potential CSG overpayments;

2) require station to review similar NFFS overstatements in the prior two-year period for the funding sources and projects we identified (Exhibit D); and

3) require SFPBS management to identify corrective actions it will implement to ensure future compliance with CPB AFR reporting requirements.

SFPBS Management Response:

In response to our draft report, SFPBS management respectfully disagreed with 93 percent ($2,680,146 of the $2,889,946) of the NFFS overstatements identified in our report and stated the NFFS overstatement finding should be reduced to $209,800. As noted in the body of the report and reiterated in their response to the draft report, station management provided arguments for their disagreement with our NFFS overstatement findings for three of the nine funders we identified during our audit fieldwork and summarized in Exhibit D. SFPBS' full response to the draft report is presented in Exhibit G.

Ineligible Capital Campaign TV Facilities

Specifically, SFPBS management did not agree that two capital campaign contributions ($1,500,000 and $50,146) were ineligible as NFFS and stated the reasons why these donations were not restricted for TV facilities and equipment.

However, station management acknowledged that it did not take into consideration how gifts were solicited in making its determination of revenues to be reported on AFR line 18A. They stated absent any explicit restriction imposed by donor, the determination of whether or not a gift was for capital expenditures and reporting on AFR line 18A was based on their reasonable interpretation of the donor's intent and on the actual use of the funds.

SFPBS's arguments for the two ineligible capital campaign TV facilities contributions follow:

In the case of the $1,500,000 contribution, station management had three points to support their position that the funds were not restricted for TV facilities and thus should be eligible for NFFS. First, station management reiterated that the gift agreement had some contradictory language, as we previously noted in the body of the report, that Section 6 of the agreement allowed SFPBS to determine the use of the funds should extraordinary circumstance arise. They stated that the footnote 22 to its audited financial statement also referenced in the body of our report regarding its management action plan warranted an extraordinary circumstance. Second, they said the naming rights provided in its gift agreement did not necessarily restrict the gift for facilities and equipment, and third they stated that the agreement language referring to a deferred maintenance fund would not be considered a capital use of the funds but an expense.

With regard to the $50,146 contribution that we reported as ineligible NFFS, station management supported its accounting determination that the donor's intent of the contribution was not restricted for capital purposes over the commentary of its development department and not corroborated by any formal documentation from the donor. SFPBS management did agree that its accounting team needs to work closely with its development staff to avoid further miscommunication and said it is putting new procedures in place to address some of the issues we identified regarding capital campaign funds and AFR reporting.

Ineligible Payments/Exchange Transactions

Station management did not agree that $1,130,000 in funding from a well-established author to cover SFPBS's children's program production series costs were ineligible as NFFS because it considered the funding as underwriting with only philanthropic motives from the funder for making a gift and producing the program. The station did not agree that the funder paid for presenting station fees or received anything other than a nominal interest in the mention of his name in the form of an underwriting credit.

OIG Review and Comment:

Based on SFPBS' response to the draft report we have not changed our findings and recommendations. The station's response reiterated the information we received during our fieldwork. We provide additional comments on SFPBS' management response for the three funding sources that were specifically addressed in the station's response.

Ineligible Capital Campaign TV Facilities

In reference to the $1,500,000 capital campaign contribution finding, from our discussion with the station's development department and review of solicitation materials, donor agreement, accounting records, and cash receipts, we concluded that the total $2.5 million gift ($1.5 million in FY 2020, $1 million in FY 2019) was solicited for and the donor intended it would be used to support the capital campaign for TV facilities capital renovations.

First, we acknowledge the gift agreement section 6 allowed for management's discretion on the disposition of funds should extraordinary circumstances arise in the event the gift cannot be used for the purpose intended because it is no longer appropriate, necessary, practical or possible. The agreement states the station may, at its discretion, use the gift for the most closely related purpose, or for such purpose to foster the general welfare of the station consistent with the intent of the donor.

However, as stated above, management's action plan addressed several cost-saving measures but did not include the renovation of the WXEL facilities in these cost reductions. Further, our review of board minutes showed that the renovations (for which the donations were made) moved forward and were completed in March 2021. Therefore the purpose for which the donor intended the funds was still appropriate, necessary and was completed.

Second, in its response station management made the argument that naming rights do not necessarily correlate with funding capital expenditures such as facilities but in this case the solicitation materials clearly marketed the naming rights for funds raised under its goal for "Facilities Revitalization & Expansion -WXEL Palm Beach Broadcast Home – Name our Home -$2.5 million goal".

Finally, the station referred to section 5 of the agreement that we quoted above under this finding that stated: "Funds not initially spent on renovations, improvements and equipment will be held in a deferred maintenance fund for future revitalization and enhancements to the WXEL building." We interpret the deferred maintenance fund purpose to support future revitalization and enhancements, therefore capital improvements, not routine maintenance expense.

For the $50,146 capital campaign finding, the station's response supported SFPBS accounting determination of the intent of the donor's contribution as an unrestricted capital campaign contribution because there was no explicit written agreement for the donor's intent. However, our audit work, conversations with various personnel, and a review of donor relations records provided from both financial management and development staff leads us to independently conclude that the donor had intended the gift to support facilities renovations.

Moreover, as we discussed in our report, the development department maintained adequate records to support the allocation of capital campaign purposes for both TV facilities and equipment that should be reported on AFR line 18A and for other campaign purposes that should

be reported on AFR line 18B. However, accounting personnel did not use the same criteria to map to the AFR. In the absence of this detailed classification by the development department, at a minimum, accounting should have applied some percentage to an unrestricted capital campaign contribution to match the percentage allocation for which it was solicited. In this case, as we noted above per campaign solicitation materials, 60 percent was solicited for TV facilities and equipment. Therefore, for AFR line 18A reporting, a reasonable allocation of this unrestricted donation raised through a capital campaign which included TV capital facilities and equipment would be $30,088 (60 percent of $50,146)

Ineligible Payments/Exchange Transactions

We reviewed SFPBS's response to our draft report but have not changed our findings regarding the $1,130,000 in ineligible payments. Based on the co-production agreement terms and services performed, as well as the distribution agreement with APT, we concluded that the station provided presenting services and the co-producer/creator received more than nominal underwriting credit without regard to whether the co-producer funded the production costs. The co-production agreement specifically stated: "SFPBS shall co-produce the Programs and act as the presenting public television station for the Programs." The agreement also listed other services SFPBS would provide as well as provided joint copyright to the programs. In addition, the co-production agreement terms included presenting station identification credits, stating SFPBS shall be identified as the presenting station in any and all programs and that the co-producer shall have the right to an appropriate credit to read "Created by…." Further, the APT agreement refers to SFPBS as the presenting station but does not list the creator/co-producer as an underwriter. Our review of the station's website and other media surrounding the children's series found that the creator received credit and media coverage from his role as the creator and co-producer. One such article stated the author conceived of the show, brought in writers, and was heavily involved in each stage of the production and also stated he shares the copyright with his co-producer, SFPBS.

As stated in our report, the co-production funding is a payment, and its source does not meet CPB's criteria for NFFS eligibility.

The station's response did not specifically discuss the other six funders we found ineligible for NFFS but acknowledged that the overstatement should be reduced to $209,800, which is the amount we identified for these six funding sources.

Based on SFPBS management's response to the draft report, we consider recommendations one through three unresolved pending CPB's final management decision resolving our audit findings, the recovery of the CSG overpayments, review of the prior two-year period for similar overstatements, and acceptance of SFPBS's corrective actions to close the recommendations.

II. ACT NONCOMPLIANCE

Based on our review of SFPBS's website, requested central office public files, and other supporting documentation, we found that SFPBS was not fully compliant with the Act and CPB transparency requirements to ensure required information is made available to the public to:

- provide seven (7) days advance notice of governing board, committees, and CAB meetings;
- make reasons for closed meetings available to the public within 10 days; and
- post the most recent AFR on its website.

In addition, the station's CAB did not meet all of its required responsibilities because it did not advise the governing body on whether the station's programming and other significant policies are meeting the specialized educational and cultural needs of the communities served by the station nor did it make recommendations the CAB deemed appropriate to meet such needs.

We reviewed a total of 57 open and closed meetings during our audit fieldwork (56 open and 1 closed). In addition, during the 56 open meetings held for its board of directors, CAB, and committees, SFPBS held 2 closed executive sessions as part of otherwise open meetings. We present a summary of our testing in the following table and discuss further under each compliance requirement. Exhibit E provides additional details.

Communications Act Noncompliance

Combined Meeting Summary	Total	Percent
Total meetings	57	
Open meetings	56	
Closed Meeting – not subject to open meetings advance notice	1	
Advance Notice Compliant	5	
Advance Notice Noncompliant	***51***	**91%**
Closed Meeting or Session	3	
Closed meeting reasons not documented - Noncompliant	***0***	
Explanation for closed meeting notice to public within 10 days not provided - Noncompliant	***3***	**100%**

A) Open Meetings – Advance Notice

SFPBS did not provide the public with the required 7-day advance notice for public meetings of the board, committees, and CAB, for 51 of 56 (91 percent) meetings held and reviewed during our audit.

The Act, 47 U.S.C. Section 396 (k)(4), requires that stations provide the public with reasonable advance notice of open meetings. Specifically:

> Funds may not be distributed pursuant to this subsection to the Public Broadcasting Service or National Public Radio (or any successor organization), or to the licensee or permittee of any public broadcast station, unless the governing body of any such organization, any committee of such governing body, or any advisory body of any such organization, holds open meetings preceded by reasonable notice to the public.

Further, CPB's Communications Act Compliance requirements clarify that stations may satisfy the reasonable notice requirement by doing the following:

> Stations may satisfy that requirement by providing at least seven days' advance notice of an Open Meeting, including the time and place of the meeting, by:
>
> 1. Posting notice on the station website;[11]
> 2. Broadcasting notice on-air between 6 a.m. and 11 p.m., as shown by the station's log;
> 3. Placing notice in the "Legal Notices" section of a local newspaper in general circulation in the station's primary coverage area; or
> 4. Giving notice through a recorded announcement accessible on the station's phone system.

CPB's Communications Act Compliance requirements, 1. Open Meetings, E. Notice of Open Meetings (June 2021).

Station management did not post 7-day advance notices on its website or document other allowable means of providing the public notice for its board committees and CAB from the beginning of our audit period until November 2021. Station management said they were not aware that notices were required for the board committee and CAB meetings. Further, the station was not consistent in posting the required advance notice for its governing board meetings.

SFPBS management said that due to closing its Miami facility and consolidating operations in its Boynton Beach facility as well as COVID pandemic constraints, it did not update the website and post the required notices for a few governing board meetings. The station acknowledged it should have been posting the advance notices and has established additional procedures to ensure required notice is given for all of its meetings.

SFPBS was not in full compliance with Act requirements during our audit period and may be subject to penalties under CPB's CSG Non-Compliance Policy.

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[11] CPB Footnote: 1. "Station, "as defined in the General provisions, includes the CSG recipient's station website, if it has one, and if not then its licensee's website or an affiliated station's website. If the CSG recipient has none of the foregoing, it may with CPB's approval, use a website shared by other public broadcasting stations.

B) <u>Reasons for Closed Meetings</u>

The station did not make the reasons for the closed meetings available to the public within CPB's required 10-day notice period for any of the 3 closed meetings or executive sessions reviewed. See Exhibit E.

The Act and CPB's Communications Act Compliance requirements identify when stations may close a meeting:

> **When may a meeting be closed?** The Act allows stations to hold Closed Meetings, or to close an Open Meeting, when discussing any of the following:
>
> 1. matters concerning individual employees;
> 2. proprietary information;
> 3. litigation and other matters requiring confidential advice of counsel;
> 4. commercial or financial information obtained from a person on a privileged or confidential basis; or
> 5. the purchase of property or services, if the premature disclosure of the transaction would compromise the station's business interests. §396(k)

CPB's Communications Act Compliance requirements, 2. Closed Meetings, B. When may a meeting be closed? (June 2021).

The Act requires that stations document the reason(s) for closed meetings and make the reason(s) available to the public within a reasonable time after the closed meeting. Further, CPB's Communications Act Compliance requirements state that stations may satisfy the reasonable notice requirement by posting within ten days of the meeting:

> **C. Closed Meeting Documentation:** The Act requires stations to document and make available to the public the specific reason(s) for closing a meeting within a reasonable time after the meeting. CPB also requires that the written statement be made available for inspection, either at the CSG recipient's central office or posted on its station website, within 10 days after each closed meeting.

CPB's Communications Act Compliance requirements, 2. Closed Meetings, C. Closed Meeting Documentation (June 2021).

Station management was not aware of all of the requirements associated with closed meetings/sessions. SFPBS maintained minutes for its executive committee meetings including its closed meeting sessions. These minutes included information we determined would be an allowable reason to close a meeting session. However, the station did not make a written statement available for public inspection as to the specific reason(s) for closing a meeting within a reasonable time after the meeting, CPB requires notice be provided within 10 days after the

closed meeting. The station is now aware of the requirement to make the reasons for closing a meeting or session available to the public and will evaluate its procedures to ensure its future compliance with Act and CPB closed meeting requirements.

SFPBS was not in full compliance with Act requirements for open and closed meetings during our audit period and may be subject to penalties under CPB's CSG Non-Compliance Policy.

C) <u>Annual Financial Report – Public Access</u>

Our evaluation found that SFPBS did not fully comply with the open financial records requirement to post the most recent AFR on its website. At the time of our review, the station's FY 2018 AFR was posted on its website but not its most recent FY 2020 AFR.

The Act requires stations to make available to the public their annual financial and audit reports and other financial information they are required to provide to CPB. 47 U.S.C. §396(k)(5). CPB also requires that each CSG recipient post the following documents on its station website: …

2. Its most recent annual financial report (AFR) or annual financial summary report (FSR) (whichever is applicable).

CPB's Communications Act Compliance requirements, 3. E. The Public's Access to Financial Information (June 2021).

When we initiated our audit, the station did not have the most recent AFR (FY 2020) posted. The station promptly posted the AFR when our audit fieldwork began and said it had been an oversight during a period of consolidating offices. Additionally, during our fieldwork the station posted its AFR for FY 2021 and is now compliant with CPB open financial records.

SFPBS was not in full compliance with Act requirements during our audit period and may be subject to penalties under CPB's CSG Non-Compliance Policy.

D) <u>CAB Responsibilities</u>

The station's CAB did not fully meet its responsibilities because the CAB did not fulfill its obligation to advise and make recommendations to the governing body whether the station's programming and significant policies are meeting the specialized educational and cultural needs of the communities served by the station.

CPB's Communications Act Compliance requires that stations establish a CAB and the roles and responsibilities of the CAB and state:

> **CAB's Responsibilities**: A CAB may establish and follow its own schedule and agenda. The CAB's structure and composition, including the number of members, their terms and

method of appointment and removal, should be established by the station's governing body. The CAB's responsibilities include:

1. the right to review the station's programming goals;
2. the right to review the service provided by the station;
3. the right to review significant policy decisions rendered by the station; and
4. the obligation to advise the governing body on whether the station's programming and other significant policies are meetings the specialized educational and cultural needs of the communities served by the station, and to make recommendations the CAB deems appropriate to meet such needs.

CPB's Communications Act Compliance requirements, 4. Community Advisory Board, E.4 CAB's Responsibilities (June 2021).

The station has two operating CABs, one for each licensee (WPBT and WXEL). The CABs meet with station management and review and provide feedback on station programming and services. Station management receives this feedback but had not established a formal process to communicate this information to the governing body. Review of board minutes for the audit period did not indicate that CAB feedback was provided to the governing body. Station management said it is establishing a formal process to report to the governing board on CAB activities as it does for other committees of the board to ensure that the CAB meets its obligation to advise the governing body.

SFPBS was not in full compliance with Act requirements during our audit period and may be subject to penalties under CPB's CSG Non-Compliance Policy.

Recommendations:

We recommend that CPB management require SFPBS to:

4) fully comply with Act requirements for open meeting advance notices, and making the reasons for closing meetings and the most recent AFR available to the public;
5) ensure its CABs are meeting their responsibilities to advise and make recommendations to the governing body as required; and
6) identify the corrective actions and controls it will implement to ensure future compliance with Act requirements.

SFPBS Management Response:

In response to our draft report, SFPBS management acknowledged the findings regarding the Act noncompliance and confirmed that they have addressed the issues raised and have acted on all recommendations for open and closed meetings, providing the public access to its AFRs and fulfilling its CAB responsibilities.

OIG Review and Comment:

Based on SFPBS's response to the draft report, we consider recommendations four, five and six resolved pending CPB's final management decision and acceptance of SFPBS's corrective actions to close the recommendations.

III. GENERAL PROVISIONS AND ELIGIBILITY NONCOMPLIANCE

SFPBS did not fully comply with CPB CSG General Provisions requirements to annually review its diversity goals and diversity statement and use discrete accounting to identify its CPB expenditures.

A) Diversity Statement

SFPBS did not annually review its diversity goals and Diversity Statement as required. In addition, the single sentence "Diversity Statement" that the station provided is not sufficient as a diversity statement required by Section 5 B (2) of the annual CPB General Provisions. As noted, under the criteria, CPB's General Provisions require four elements to be included in the statement. Based on our review, the brief one sentence Diversity Statement may reflect the first element required by CPB's requirements, but does not address the remaining three:

- the extent station's staff and governance reflect the community's diversity;
- progress the station has made to increase its diversity in the last two to three years; and
- station's diversity plans for the coming year.

The Communications Act requires CPB to support diverse non-commercial educational content for unserved and underserved audiences. CPB's goal, therefore, is to support stations in providing a wide variety of educational, informational, and cultural content that addresses the following elements of diversity: gender, age, race, ethnicity, culture, religion, national origin, and economic status. It is appropriate that Grantee engage in practices designed to reflect such diversity of the populations they serve. In support of these objectives, Grantee must comply with the following:

A. Annual Review: Annually review and make any necessary revisions to station's established diversity goal for its workforce, management, and boards, including community advisory boards and governing boards having governance responsibilities specific to or limited to broadcast stations.

B. Diversity Statement: Undertake the following to achieve Grantee's diversity goal.

1. Annually review with the station's governing board or Licensee Official:

a. the diversity goal and any revisions thereto, and
b. practices designed to fulfill the station's commitment to diversity and to meet the applicable FCC guidelines (47 C.F.R. §73.2080).

2. Maintain on its website or make available at its central office a diversity statement (approximately 500 words) that reflects on the following points, reviewing and updating the same annually with station management.

    a. the elements of diversity that Grantee finds important to its public media work;
    b. the extent to which Grantee's staff and governance reflect such diversity,
    c. the progress Grantee has made to increase its diversity in the last two to three years; and
    d. Grantee's diversity plans for the coming year.

CPB FY 2021 TV CSG General Provisions, Part I, Section 5 Diversity Statement.

The station had a Diversity Statement that had not been recently reviewed and did not reflect on all of CPB's requirements. The station's Diversity Statement was only one sentence: "We believe living in a multicultural community gives us the responsibility to mirror the many cultures of our world, and to provide a platform for those voices." The station did not provide evidence that it annually reviewed its diversity goals or its progress to increase diversity in its staff and governance or address diversity plans for the coming year. Station management provided evidence of its annual review of the station's Affirmative Action Plan, including recruiting plans and FCC compliance specifically for its employment practices, but this support did not include the additional CPB diversity requirements, nor was it included in a written diversity statement.

Our review of the station's updated affirmative action plan found that the plan is directed towards non-discrimination in hiring and promotion, but does not address, in a proactive way, the types of activities and goals required by CPB for its diversity statement/program, that is, actively seeking out potential board members, employees, and programming that address the community at large.

During our fieldwork, SFPBS management established a working group to address the diversity goals, drafted a diversity plan and statement, and said they would be reviewing these goals and statement with its appropriate board committee at their next meeting to ensure the station's compliance with CPB General Provisions requirements.

SFPBS was not fully compliant with CPB General Provisions diversity statement requirements and may be subject to penalties under CPB's CSG Non-Compliance Policy.

B) Discrete Accounting

During our audit period SFPBS received CPB CSG, The Coronavirus Aid, Relief, and Economic Security Act (CARES), and American Rescue Plan Act (ARPA) grant funds. SFPBS did not discretely account for CPB CSG and other CPB grant expenditures as required. All CPB grant revenues were properly accounted for in discrete general ledger codes, but expenditures were recorded in a co-mingled PBS programming royalty expense amortization account in the general ledger, and we could not specifically identify CPB CSG and other grant fund expenditures in the station's general ledger. The station provided us with supplemental accounting showing how they applied the CSG and other CPB grant funds to the PBS programming expenses to reconcile the grant expenditures for each spending period.

The CPB General Provisions contain a discrete accounting requirement that states:

> **D. Discrete Accounting Requirement:** During the Spending Period, Grantee must be compliant with the Discrete Accounting Requirement.

CPB FY 2021 Television General Provisions; Part I, Section 3. Recordkeeping Requirements, D. Discrete Accounting Requirement.

CPB defines Discrete Accounting as:

> **Discrete Accounting Requirement:** Grantees must use unique accounting codes for CSG revenues and expenses. Specifically, Grantee's accounting system must be able to generate a report showing CSG revenues and how those funds were expended, using unique accounting codes. Those accounts may not include non-CSG revenues or expenses.

CPB FY 2021 Television CSG General Provisions, Part IV. Definitions. J. Discrete Accounting Requirement.

CPB ARPA funds also have discrete accounting requirements; these funds were also comingled in the PBS programming general ledger expense account.

The station commingled CSG and other CPB grant expenditures with non-CPB expenditures for PBS programming expenses. Because the station spent all its CPB CSG, CARES, and ARPA funds on PBS programming, it believed that this general ledger account met the CPB discrete accounting requirement. PBS programming expenses were greater than all the CPB grant expenditures. Because the funds were co-mingled, we verified all the PBS expenses and determined the portion funded with CPB funds were allowable grant expenditures. Station financial managers said they would evaluate setting up a CPB subcode for the CPB expenditures to ensure its full compliance with CPB discrete accounting requirements, but the station believed it adequately discretely accounted for CPB expenditures and provided OIG with reconciliations detailing the CPB expenditures.

The station was not fully compliant with CSG discrete accounting requirement to have a unique account code for its expenditures and may be subject to penalties under CPB's CSG Non-Compliance Policy.

Recommendations:

We recommend that CPB management require SFPBS to:

7) fully comply with CPB General Provisions requirements to annually review its diversity goals and provide a Diversity Statement that reflects all CPB requirements and to maintain discrete accounting for CPB grant expenditures; and
8) identify the corrective actions and controls it will implement to ensure future compliance with CPB General Provisions requirements.

SFPBS Management Response:

In response to our draft report, SFPBS management acknowledged our findings regarding noncompliance with CPB's CSG General Provisions to annually review its diversity goals and provide a diversity statement as well as applying discrete accounting to its CPB expenditures. Station management stated they have redrafted its diversity statement to fully comply with CPB requirements and have put a process in place to annually review its diversity goals and statement. In addition, the station said it had added a specific general ledger account to track CPB funds when expended.

OIG Review and Comment:

Based on SFPBS's response to the draft report, we consider recommendations seven and eight resolved but open pending CPB's final management decisions resolving the audit findings and acceptance of SFPBS's corrective actions.

Exhibit A

CPB Payments to South Florida PBS
July 1, 2019 through June 30, 2021

CPB Grants	FY 2020	FY 2021	Total
***Community Service Grants*:**			
Community Service Grants	$1,390,225	$1,853,966	$3,244,191
Universal Service Grants	$676	$680	$1,356
Interconnection Grants	$27,021	$35,069	$62,090
Total Community Service Grants	***$1,417,922***	***$1,889,715***	***$3,307,637***
***Other Grants*:**			
CARES	$200,000	$0	$200,000
American Rescue Plan Act	$0	$574,501	$574,501
Total Other Grants	***$200,000***	***$574,501***	***$774,501***
Total CPB Payments to SFPBS	**$1,617,922**	**$2,464,216**	**$4,082,138**

South Florida PBS Annual Financial Report
For the Fiscal Years Ending June 30, 2020 and 2021

Schedule A
WPBT-TV (1737)
Boynton Beach, FL

NFFS Excluded?
If you have an NFFS Exclusion, please click the "NFFS X" button, and enter your NFFS data.

Source of Income

	2020 data	2021 data
1. Amounts provided directly by federal government agencies	$950,200	$862,495
A. Grants for facilities and other capital purposes	$0	$0
B. Department of Education	$0	$0
C. Department of Health and Human Services	$0	$0
D. National Endowment for the Arts and Humanities	$0	$0
E. National Science Foundation	$0	$0
F. Other Federal Funds (specify)	$950,200	$862,495
Description PPP Loan forgiveness — **Amount** $862,495		
2. Amounts provided by Public Broadcasting Entities	$1,675,876	$2,570,771
A. CPB - Community Service Grants	$1,390,225	$1,853,966
B. CPB - all other funds from CPB (e.g. DDF, RTL, Programming Grants)	$227,697	$610,250
C. PBS - all payments except copyright royalties and other pass-through payments. See Guidelines for details.	$14,000	$39,180
D. NPR - all payments except pass-through payments. See Guidelines for details.	$200	$0
E. Public broadcasting stations - all payments	$43,683	$57,375
F. Other PBE funds (specify)	$71	$10,000
Description Fred Rogers Company — **Amount** $10,000		
3. Local boards and departments of education or other local government or agency sources	$315,270	$50,726
3.1 NFFS Eligible	$315,270	$50,726
A. Program and production underwriting	$301,770	$44,768
B. Grants and contributions other than underwriting	$13,500	$5,958
C. Appropriations from the licensee	$0	$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	$0	$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	$0	$0
F. Other income eligible as NFFS (specify)	$0	$0
3.2 NFFS Ineligible	$0	$0
A. Rental income	$0	$0
B. Fees for services	$0	$0
C. Licensing fees (not royalties – see instructions for Line 15)	$0	$0

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D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	$0	$0
E. Other income ineligible for NFFS inclusion	$0	$0
4. State boards and departments of education or other state government or agency sources	$1,129,725	$640,821
4.1 NFFS Eligible	$640,800	$640,800
A. Program and production underwriting	$0	$0
B. Grants and contributions other than underwriting	$640,800	$640,800
C. Appropriations from the licensee	$0	$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	$0	$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	$0	$0
F. Other income eligible as NFFS (specify)	$0	$0
4.2 NFFS Ineligible	$488,925	$21
A. Rental income	$0	$0
B. Fees for services	$0	$0
C. Licensing fees (not royalties – see instructions for Line 15)	$0	$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	$488,864	$0
E. Other income ineligible for NFFS inclusion	$61	$21
Description / **Amount**: Discounts earned / $21		
5. State colleges and universities	$0	$0
5.1 NFFS Eligible	$0	$0
A. Program and production underwriting	$0	$0
B. Grants and contributions other than underwriting	$0	$0
C. Appropriations from the licensee	$0	$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	$0	$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	$0	$0
F. Other income eligible as NFFS (specify)	$0	$0
5.2 NFFS Ineligible	$0	$0
A. Rental income	$0	$0
B. Fees for services	$0	$0
C. Licensing fees (not royalties – see instructions for Line 15)	$0	$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	$0	$0

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E. Other income ineligible for NFFS inclusion	$0	$0
6. Other state-supported colleges and universities	$2,650	$0
6.1 NFFS Eligible	$2,650	$0
A. Program and production underwriting	$2,650	$0
B. Grants and contributions other than underwriting	$0	$0
C. Appropriations from the licensee	$0	$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	$0	$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	$0	$0
F. Other income eligible as NFFS (specify)	$0	$0
6.2 NFFS Ineligible	$0	$0
A. Rental income	$0	$0
B. Fees for services	$0	$0
C. Licensing fees (not royalties – see instructions for Line 15)	$0	$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	$0	$0
E. Other income ineligible for NFFS inclusion	$0	$0
7. Private colleges and universities	$0	$0
7.1 NFFS Eligible	$0	$0
A. Program and production underwriting	$0	$0
B. Grants and contributions other than underwriting	$0	$0
C. Appropriations from the licensee	$0	$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	$0	$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	$0	$0
F. Other income eligible as NFFS (specify)	$0	$0
7.2 NFFS Ineligible	$0	$0
A. Rental income	$0	$0
B. Fees for services	$0	$0
C. Licensing fees (not royalties – see instructions for Line 15)	$0	$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	$0	$0
E. Other income ineligible for NFFS inclusion	$0	$0
8. Foundations and nonprofit associations	$934,545	$1,195,930
8.1 NFFS Eligible	$933,945	$1,195,930

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A. Program and production underwriting	$913,945	$1,130,430
B. Grants and contributions other than underwriting	$20,000	$65,500
C. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	$0	$0
D. Gifts and grants received through a capital campaign but not for facilities and equipment	$0	$0
E. Other income eligible as NFFS (specify)	$0	$0
8.2 NFFS Ineligible	$600	$0
A. Rental income	$0	$0
B. Fees for services	$0	$0
C. Licensing fees (not royalties – see instructions for Line 15)	$0	$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	$0	$0
E. Other income ineligible for NFFS inclusion	$600	$0
9. Business and Industry	$1,533,536	$1,233,453
9.1 NFFS Eligible	$921,378	$866,001
A. Program and production underwriting	$921,378	$866,001
B. Grants and contributions other than underwriting	$0	$0
C. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	$0	$0
D. Gifts and grants received through a capital campaign but not for facilities and equipment	$0	$0
E. Other income eligible as NFFS (specify)	$0	$0
9.2 NFFS Ineligible	$612,158	$367,452
A. Rental income	$6,000	$6,000
B. Fees for services	$515,618	$295,072
C. Licensing fees (not royalties – see instructions for Line 15)	$0	$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	$0	$0
E. Other income ineligible for NFFS inclusion	$90,540	$66,380

Description	Amount
Barter UW not included with inkinds-no support	$66,380

10. Memberships and subscriptions (net of membership bad debt expense)	$3,662,928	$3,811,678
10.1 NFFS Exclusion – Fair market value of premiums that are not of insubstantial value	$772,710	$712,446
10.2 NFFS Exclusion – All bad debt expenses from NFFS eligible revenues including but not limited to pledges, underwriting, and membership (unless netted elsewhere in Schedule A)	$0	$0

	2020 data	2021 data
10.3 Total number of contributors.	32,480	34,587

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11. Revenue from Friends groups less any revenue included on line 10	$0	$0

	2020 data	2021 data
11.1 Total number of Friends contributors.	0	0

12. Subsidiaries and other activities unrelated to public broadcasting (See instructions)	$1,185	$12,144
A. Nonprofit subsidiaries involved in telecommunications activities	$0	$0
B. NFFS Ineligible – Nonprofit subsidiaries not involved in telecommunications activities	$0	$0
C. NFFS Ineligible – For-profit subsidiaries regardless of the nature of its activities	$1,185	$12,144
D. NFFS Ineligible – Other activities unrelated to public brodcasting	$0	$0

Form of Revenue

	2020 data	2021 data
13. Auction revenue (see instructions for Line 13)	$0	$0
A. Gross auction revenue	$0	$0
B. Direct auction expenses	$0	$0
14. Special fundraising activities (see instructions for Line 14)	$417,824	$355,672
A. Gross special fundraising revenues	$518,925	$442,751
B. Direct special fundraising expenses	$101,101	$87,079
15. Passive income	$58,646	$1,323,237
A. Interest and dividends (other than on endowment funds)	$53,231	$42,628
B. Royalties	$5,415	$39
C. PBS or NPR pass-through copyright royalties	$0	$1,280,570
16. Gains and losses on investments, charitable trusts and gift annuities and sale of other assets (other than endowment funds)	$190,328	$1,041,766
A. Gains from sales of property and equipment (do not report losses)	$25	$0
B. Realized gains/losses on investments (other than endowment funds)	$314,962	$240,781
C. Unrealized gains/losses on investments and actuarial gains/losses on charitable trusts and gift annuities (other than endowment funds)	$-124,659	$800,985
17. Endowment revenue	$1,337,668	$2,874,837
A. Contributions to endowment principal	$535,076	$80,000
B. Interest and dividends on endowment funds	$185,070	$88,484
C. Realized net investment gains and losses on endowment funds (if this is a negative amount, add a hyphen, e.g., "-1,765")	$771,782	$435,859
D. Unrealized net investment gains and losses on endowment funds (if this is a negative amount, add a hyphen, e.g., "-1,765")	$-154,260	$2,270,494
18. Capital fund contributions from individuals (see instructions)	$0	$1,808,000
A. Facilities and equipment (except funds received from federal or public broadcasting sources)	$0	$1,808,000
B. Other	$0	$0

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19. Gifts and bequests from major individual donors			$7,264,451	$3,567,033
	2020 data	2021 data		
19.1 Total number of major individual donors	371	499		
20. Other Direct Revenue			$162,667	$112,075
Description		Amount		
Media ads		$4,835		
Exclusion Description	Amount			
Other UBI (including the sale of advertising in publications and other media)	$4,835			
CEU fee income		$107,240		
Exclusion Description	Amount			
Revenue from non-broadcast activities that fail to meet exception criteria	$107,240			
Line 21. Proceeds from the FCC Spectrum Incentive Auction, interest and dividends earned on these funds, channel sharing revenues, and spectrum leases			$34,390	$0
A. Proceeds from sale in spectrum auction			$0	$0
B. Interest and dividends earned on spectrum auction related revenue			$0	$0
C. Payments from spectrum auction speculators			$0	$0
D. Channel sharing and spectrum leases revenues			$0	$0
E. Spectrum repacking funds			$34,390	$0
22. Total Revenue (Sum of lines 1 through 12, 13.A, 14.A, and 15 through 21)			$19,772,990	$21,547,717

Adjustments to Revenue

	2020 data	2021 data
23. Federal revenue from line 1.	$950,200	$862,495
24. Public broadcasting revenue from line 2.	$1,675,876	$2,570,771
25. Capital funds exclusion—TV (3.2D, 4.2D, 5.2D, 6.2D, 7.2D, 8.2D, 9.2D, 18A)	$488,864	$1,808,000
26. Revenue on line 20 not meeting the source, form, purpose, or recipient criteria	$162,667	$112,075
27. Other automatic subtractions from total revenue	$2,330,055	$4,927,261
A. Auction expenses – limited to the lesser of lines 13a or 13b	$0	$0
B. Special fundraising event expenses – limited to the lesser of lines 14a or 14b	$101,101	$87,079
C. Gains from sales of property and equipment – line 16a	$25	$0
D. Realized gains/losses on investments (other than endowment funds) – line 16b	$314,962	$240,781
E. Unrealized investment and actuarial gains/losses (other than endowment funds) – line 16c	$-124,659	$800,985
F. Realized and unrealized net investment gains/losses on endowment funds – line 17c, line 17d	$617,522	$2,706,353

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G. Rental income (3.2A, 4.2A, 5.2A, 6.2A, 7.2A, 8.2A, 9.2A)	$6,000	$6,000
H. Fees for services (3.2B, 4.2B, 5.2B, 6.2B, 7.2B, 8.2B, 9.2B)	$515,618	$295,072
I. Licensing Fees (3.2C, 4.2C, 5.2C, 6.2C, 7.2C, 8.2C, 9.2C)	$0	$0
J. Other revenue ineligible as NFFS (3.2E, 4.2E, 5.2E, 6.2E, 7.2E, 8.2E, 9.2E)	$91,201	$66,401
K. FMV of high-end premiums (Line 10.1)	$772,710	$712,446
L. All bad debt expenses from NFFS eligible revenues including but not limited to pledges, underwriting, and membership (Line 10.2)	$0	$0
M. Revenue from subsidiaries and other activities ineligible as NFFS (12.B, 12.C, 12.D)	$1,185	$12,144
N. Proceeds from spectrum auction and related revenues from line 21.	$34,390	$0
28. **Total Direct Nonfederal Financial Support** (Line 22 less Lines 23 through 27). (Forwards to line 1 of the Summary of Nonfederal Financial Support)	$14,165,328	$11,267,115

Comments

Comment	Name	Date	Status
Schedule B WorkSheet WPBT-TV (1737) Boynton Beach, FL			

Comments

Comment	Name	Date	Status
Occupancy List WPBT-TV (1737) Boynton Beach, FL			

	Type of Occupancy	Location	Value
Schedule B Totals WPBT-TV (1737) Boynton Beach, FL			

	2020 data	2021 data
1. Total support activity benefiting station	$	$0
2. Occupancy value		$0
3. Deductions: Fees paid to the licensee for overhead recovery, assessment, etc.	$	$0
4. Deductions: Support shown on lines 1 and 2 in excess of revenue reported in financial statements.	$	$0
5. Total Indirect Administrative Support (Forwards to Line 2 of the Summary of Nonfederal Financial Support)	$	$0
6. Please enter an institutional type code for your licensee.		

Comments

Comment	Name	Date	Status
Schedule C WPBT-TV (1737) Boynton Beach, FL			

	2020 data	Donor Code	2021 data
1. PROFESSIONAL SERVICES (must be eligible as NFFS)	$154,328		$87,310
A. Legal	BS $154,328	BS	$87,310
B. Accounting and/or auditing	$0		$0

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	2020 data	Donor Code		2021 data
C. Engineering	$0			$0
D. Other professionals (see specific line item instructions in Guidelines before completing)	$0			$0
2. GENERAL OPERATIONAL SERVICES (must be eligible as NFFS)	$724,429			$831,604
A. Annual rental value of space (studios, offices, or tower facilities)	SG $724,429		SG	$831,604
B. Annual value of land used for locating a station-owned transmission tower	$0			$0
C. Station operating expenses	$0			$0
D. Other (see specific line item instructions in Guidelines before completing)	$0			$0
3. OTHER SERVICES (must be eligible as NFFS)	$41,305			$41,305
A. ITV or educational radio	$0			$0
B. State public broadcasting agencies (APBC, FL-DOE, eTech Ohio)	SG $41,305		SG	$41,305
C. Local advertising	$0			$0
D. National advertising	$0			$0
4. Total in-kind contributions - services and other assets eligible as NFFS (sum of lines 1 through 3), forwards to Line 3a. of the Summary of Nonfederal Financial Support	$920,062			$960,219
5. IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS	$25,694			$0
A. Compact discs, records, tapes and cassettes	$0			$0
B. Exchange transactions	$0			$0
C. Federal or public broadcasting sources	$0			$0
D. Fundraising related activities	SG $25,000			$0
E. ITV or educational radio outside the allowable scope of approved activities	$0			$0
F. Local productions	$0			$0
G. Program supplements	$0			$0
H. Programs that are nationally distributed	$0			$0
I. Promotional items	$0			$0
J. Regional organization allocations of program services	$0			$0
K. State PB agency allocations other than those allowed on line 3(b)	$0			$0
L. Services that would not need to be purchased if not donated	$0			$0
M. Other	SG $694			$0
6. Total in-kind contributions - services and other assets (line 4 plus line 5), forwards to Schedule F, line 1c. Must agree with in-kind contributions recognized as revenue in the AFS.	$945,756			$960,219

Comments

Comment	Name	Date	Status
Schedule D WPBT-TV (1737) Boynton Beach, FL			

	2020 data	Donor Code		2021 data

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1. Land (must be eligible as NFFS)	$		$0
2. Building (must be eligible as NFFS)	$		0
3. Equipment (must be eligible as NFFS)	$		$0
4. Vehicle(s) (must be eligible as NFFS)	$	OT	$20,300
5. Other (specify) (must be eligible as NFFS)	$		$0
6. Total in-kind contributions - property and equipment eligible as NFFS (sum of lines 1 through 5), forwards to Line 3b. of the Summary of Nonfederal Financial Support	$		$20,300
7. IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS	$		$0
a) Exchange transactions	$		$0
b) Federal or public broadcasting sources	$		$0
c) TV only—property and equipment that includes new facilities (land and structures), expansion of existing facilities and acquisition of new equipment	$		$0
d) Other (specify)	$		$0
8. Total in-kind contributions - property and equipment (line 6 plus line 7), forwards to Schedule F, line 1d. Must agree with in-kind contributions recognized as revenue in the AFS.	$		$20,300

Comments

Comment	Name	Date	Status

Schedule E
WPBT-TV (1737)
Boynton Beach, FL

EXPENSES
(Operating and non-operating)

PROGRAM SERVICES	2020 data	2021 data
1. Programming and production	$11,510,634	$8,714,138
A. TV CSG	$1,390,225	$1,853,966
B. TV Interconnection	$0	$0
C. Other CPB Funds	$0	$0
D. All non-CPB Funds	$10,120,409	$6,860,172
2. Broadcasting and engineering	$3,345,730	$3,386,277
A. TV CSG	$0	$0
B. TV Interconnection	$27,021	$35,069
C. Other CPB Funds	$200,676	$575,181
D. All non-CPB Funds	$3,118,033	$2,776,027
3. Program information and promotion	$522,052	$522,209
A. TV CSG	$0	$0
B. TV Interconnection	$0	$0
C. Other CPB Funds	$0	$0
D. All non-CPB Funds	$522,052	$522,209

SUPPORT SERVICES	2020 data	2021 data
4. Management and general	$2,789,877	$2,638,857

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	2020 data	2021 data
A. TV CSG	$0	$0
B. TV Interconnection	$0	$0
C. Other CPB Funds	$0	$0
D. All non-CPB Funds	$2,789,877	$2,638,857
5. Fund raising and membership development	$3,489,933	$3,496,726
A. TV CSG	$0	$0
B. TV Interconnection	$0	$0
C. Other CPB Funds	$0	$0
D. All non-CPB Funds	$3,489,933	$3,496,726
6. Underwriting and grant solicitation	$543,177	$625,618
A. TV CSG	$0	$0
B. TV Interconnection	$0	$0
C. Other CPB Funds	$0	$0
D. All non-CPB Funds	$543,177	$625,618
7. Depreciation and amortization (if not allocated to functional categories in lines 1 through 6)	$0	$0
A. TV CSG	$0	$0
B. TV Interconnection	$0	$0
C. Other CPB Funds	$0	$0
D. All non-CPB Funds	$0	$0
8. Total Expenses (sum of lines 1 to 7) must agree with audited financial statements	$22,201,403	$19,383,825
A. Total TV CSG (sum of Lines 1.A, 2.A, 3.A, 4.A, 5.A, 6.A, 7.A)	$1,390,225	$1,853,966
B. Total TV Interconnection (sum of Lines 1.B, 2.B, 3.B, 4.B, 5.B, 6.B, 7.B)	$27,021	$35,069
C. Total Other CPB Funds (sum of Lines 1.C, 2.C, 3.C, 4.C, 5.C, 6.C, 7.C)	$200,676	$575,181
D. Total All non-CPB Funds (sum of Lines 1.D, 2.D, 3.D, 4.D, 5.D, 6.D, 7.D)	$20,583,481	$16,919,609

INVESTMENT IN CAPITAL ASSETS
Cost of capital assets purchased or donated

	2020 data	2021 data
9. Total capital assets purchased or donated	$1,165,137	$1,933,089
9a. Land and buildings	$967,017	$1,811,763
9b. Equipment	$198,120	$121,326
9c. All other	$0	$0
10. Total expenses and investment in capital assets (Sum of lines 8 and 9)	$23,366,540	$21,316,914

Additional Information
(Lines 11 + 12 must equal line 8 and Lines 13 + 14 must equal line 9)

	2020 data	2021 data

South Florida PBS Annual Financial Report
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	2020 data	2021 data
11. Total expenses (direct only)	$21,255,646	$18,423,606
12. Total expenses (indirect and in-kind)	$945,757	$960,219
13. Investment in capital assets (direct only)	$1,165,137	$1,912,789
14. Investment in capital assets (indirect and in-kind)	$0	$20,300

Comments

Comment	Name	Date	Status

Schedule F
WPBT-TV (1737)
Boynton Beach, FL

	2021 data
1. Data from AFR	
a. Schedule A, Line 22	$21,547,717
b. Schedule B, Line 5	$0
c. Schedule C, Line 6	$960,219
d. Schedule D, Line 8	$20,300
e. Total from AFR	$22,528,236

Choose Reporting Model

You must choose one of the three reporting models in order to complete Schedule F. After making your selection, click the "Choose" button below, which will display your reporting model. When changing to a different reporting model all data entered in the current reporting model will be lost.

- (●) FASB
- ( ) GASB Model A proprietary enterprise-fund financial statements with business-type activities only
- ( ) GASB Model B public broadcasting entity-wide statements with mixed governmental and business-type activities

	2021 data
2. FASB	
a. Total support and revenue - without donor restrictions	$20,095,319
b. Total support and revenue - with donor restrictions	$2,408,498
c. Total support and revenue - other	$0
d. Total from AFS, lines 2a-2c	$22,503,817

Reconciliation

	2021 data
3. Difference (line 1 minus line 2)	$24,419
4. If the amount on line 3 is not equal to $0, click the "Add" button and list the reconciling items.	$24,419

Description	Amount
Internal commissionis offset against income	$24,419

Comments

Comment	Name	Date	Status

Exhibit C

South Florida PBS
Summary of Non-Federal Financial Support
For the Fiscal Years Ending June 30, 2020 and 2021
Certified by Head of Grantee and Independent Accountant's Report

Line	Description	FY 2020	FY 2021	Total
	***Summary of Non-Federal Financial Support*:**			
1	Direct Revenue (Schedule A)	$14,165,328	$11,267,115	$25,432,443
2	Indirect Administrative (Schedule B)	$0	$0	$0
3	In-Kind Contributions	$0	$0	$0
	a. Services and Other Assets (Schedule C)	$920,062	$960,219	$1,880,281
	b. Property and Equipment (Schedule D)	$0	$20,300	$20,300
4	**Total Non-Federal Financial Support**	**$15,085,390**	**$12,247,634**	**$27,333,024**

Exhibit D

Overstated NFFS and CSG Potential Overpayments

Conditions	Claimed on AFR line	FY 2020	FY 2021	Total
Ineligible Contributions				
Major Donors -Capital Campaign - TV Facilities				
Donor A	19	$1,500,000	$ -	$1,500,000
Donor B	19		$50,146	$50,146
Total Ineligible Capital Campaign TV Facilities		***$1,500,000***	***$50,146***	***$1,550,146***
Ineligible Contribution Source - Public Broadcasting Station or Entity				
Donor C	14A	$10,000		$10,000
Donor D	9.1A		$7,820	$7,820
Donor E	14A	$7,500		$7,500
Total Ineligible Public Broadcasting Source		***$17,500***	***$7,820***	***$25,320***
Total Ineligible Contributions		**$1,517,500**	**$57,966**	**$1,575,466**
IRR FY 2022 (CPB has not yet determined FY 2023 IRR rate)		0.1280476998	0.1280476998	
Potential CSG Overpayments FY 2022 and FY 2023		***$194,312***	***$7,422***	***$201,735***
Ineligible Payments/Exchange transactions - Source not eligible				
Payor A	19	$1,130,000		$1,130,000
Payor B	9.1A	$85,000	$42,500	$127,500
Payor C	9.1A	$36,500	$ -	$36,500
Payor D	10	$20,480		$20,480
Total Ineligible Payments/Exchange transactions		**$1,271,980**	**$42,500**	**$1,314,480**
IRR FY 2022 (CPB has not yet determined FY 2023 IRR rate)		0.1280476998	0.1280476998	
Potential CSG Overpayments FY 2022 and FY 2023		***$162,874***	***$5,442***	***$168,316***
Summary Totals				
Total Overstated NFFS		**$2,789,480**	**$100,466**	**$2,889,946**
IRR FY 2022 (CPB has not yet determined FY 2023 IRR rate)		0.1280476998	0.1280476998	
Potential CSG Overpayments FY 2022 and FY 2023		***$357,187***	***$12,864***	***$370,051***

Exhibit E

Communications Act Noncompliance

Committee	Executive Committee	Audit Committee	Budget and Finance Committee	Nominating and Governance Committee	Personnel and Retirement Committee	Real Estate Committee	Total	Percent
Total meetings	8	3	5	9	6	1	32	
Open meetings	7	3	5	9	6	1	31	
Advance Notice Compliant	0	0	0	0	0	0	0	
Advance Notice Noncompliant	***7***	***3***	***5***	***9***	***6***	***1***	***31***	**100%**
Closed Meeting or Session *	3	0	0	0	0	0	3	
Closed meeting Reasons Not documented - Noncompliant	***0***						0	
Explanation for closed meeting notice to public within 10 days not provided - Noncompliant	***3***						***3***	**100%**
CAB							**Total**	**Percent**
Total meetings							14	
Open meetings							14	
Advance Notice Compliant							1	
Advance Notice Noncompliant							***13***	**93%**
Governing Board							**Total**	**Percent**
Total meetings							11	
Open meetings							11	
Advance Notice Compliant							4	
Advance Notice Noncompliant							***7***	**64%**

- There was only one fully closed meeting and two open meetings were closed for a portion of the meeting.

Exhibit F

Scope and Methodology

We performed an attestation examination to determine SFPBS's compliance with CPB Guidelines, provisions of the Act, grant certification requirements, and other grant provisions. The scope of the examination included reviews and tests of the information reported by the grantee on its AFRs and reconciled to audited financial statements for the fiscal years ending June 30, 2020 and 2021, grant certifications of compliance with Act requirements, and certifications on its financial reports submitted to CPB.

We tested the allowability of NFFS claimed on SFPBS's AFRs by performing financial reconciliations and comparisons to underlying accounting records (general ledger) and the audited financial statements for SFPBS. We reviewed grants, major donor and capital campaign contributions, underwriting, membership, in-kind, and other contributions, and related supporting documentation. Specifically, we tested $10,248,320 of $27,333,024 (37 percent) of revenue reported on the grantee's AFRs.

We reviewed the allowability of expenses charged to CSGs. To determine that expenditures were incurred in accordance with the grant terms, we reviewed 100 percent ($4,082,138) of CSG and other grant expenditures.

We reviewed corporate policies, records, and documents supporting the station's compliance with the Act requirements: to provide advance notice of public meetings; make financial and equal employment opportunity information available to the public; CAB operations; and provide documents supporting compliance with donor lists and political activities prohibitions. We also reviewed the station's website and policies to determine its compliance with CPB's transparency requirements for eligibility. We also reviewed the independent public accountant's (IPA) audit planning, internal controls, and attestation working papers. Our procedures included interviewing grantee officials.

We gained an understanding of internal controls over the preparation of AFRs, revenues and expenditures. We also gained an understanding of SFPBS's policies and procedures for compliance with certification of eligibility requirements, Act, and CPB grant agreement terms for allowable costs. We used this information to assess risks and plan the nature and extent of our testing to conclude on our objectives.

Our fieldwork was conducted from October 2021 through February 2022 and our examination was performed in accordance with the *Government Auditing Standards* for attestation engagement.

Exhibit G

April 19, 2022

Mr. William J. Richardson III
Deputy Inspector General
The Corporation for Public Broadcasting
401 Ninth Street, NW
Washington, DC 20004-2129

RE: Audit of Community Service and Other Grants Awarded to South Florida PBS, Inc. (SFPBS), Boynton Beach, Florida for the period July 1, 2019 through June 30, 2021, Draft Report No. AST2204-XXXX

Dear Mr. Richardson:

Thank you for your correspondence of March 23, 2022, and the copy of the referenced Draft Audit Report. Per your request, this letter comprises our comments regarding the findings and recommendations in the draft.

I. NFFS Reporting

We respectfully disagree with most of the Office of the Inspector General's finding regarding allegedly overstated NFFS and resultant CSG overpayments during fiscal years 2020 and 2021. Our response to each of the findings with which we disagree is as follows.

A. Ineligible Capital Campaign TV Facilities of $1,500,000 in FY2020

The $1,500,000 gift in FY2020 was allegedly overstated as NFFS in the Draft Report on the grounds that the gift was "ineligible for NFFS because it was contributed as a capital campaign gift for TV facilities." According to the report, this contribution should have been reported on AFR line 18A (Capital fund contributions from individuals – Facilities and Equipment) and excluded from NFFS. The report goes on to say that for NFFS reporting purposes, a restriction may be either explicitly applied by the donor or it may be considered implicitly applied based on how the capital campaign funds were solicited.

SFPBS financial management, in conjunction with its NETA consultants who assisted with the development of the AFR, did not take into consideration how gifts were solicited in making the determination of revenues to be reported on Line 18A. Rather, absent an explicit restriction imposed by the donor, the determination of whether or not the gift was for capital expenditures and subsequently reported on Line 18A was made based on our reasonable interpretation of the donor's intent and on the actual use of the funds.

In this case, the donor did sign a gift agreement in which there was admittedly some contradictory language making the donor's intentions unclear. However, there was language in the gift agreement that gave SFPBS discretion to use the funds as needed under extraordinary circumstances (Section 6 of the gift agreement). At the time the gift was made there were clearly extraordinary circumstances as indicated in Note 22 - Management Action Plan of the FY20 audited financial statements, also cited in the Report. Other aspects of the gift agreement that were noted in the Report include:

- The grant of naming rights to the donor was cited as support for designating the gift as capital restricted for facilities or equipment, however, it is a common practice for non-profit organizations to grant naming rights to donors for facilities, portions thereof, or equipment, that are built, paid for, and in the possession of the organization well prior to the donation—the mere act of providing donor recognition in the form of a naming right does not necessitate that a gift is intended to be used for a capital asset.
- The wording from the agreement: "Funds not initially spent on renovation, improvements and equipment will be held in a deferred maintenance fund for future revitalization…." is overwritten/negated by Section 6 regarding extraordinary circumstances. Further, even if the funds were to be placed in a deferred maintenance account, it is clear under GAAP accounting principles and the definition of "capital" that such funds would not be considered capital, which is defined under GAAP as an asset, such as facilities or equipment. Costs to repair and maintain assets are not capital in nature, and they are expensed as incurred.

The discussions held with Ms. Jacobson, the CPB OIG auditor, regarding gift solicitation and its impact on AFR line-item placement were helpful to SFPBS as we have agreed to implement internal measures to ensure that we comply with the requirement to maintain proper documentation for the allocation of capital campaign funds when raised for both facilities/equipment projects and non-facilities/equipment projects. These measures include developing an allocation methodology for capital campaign gifts and a procedure for mapping revenue accounts from the general ledger to the AFR.

B. Ineligible Capital Campaign TV Facilities of $50,146 in FY2021

Per the audit report, this gift should have been reported as capital on Line 18A based on conversations with the station's development personnel and from memo items found in the donor relationship records. SFPBS financial management maintains that the donor's intention to restrict the gift to capital is strictly hearsay because it is entirely based on commentary provided by our development staff and not corroborated by any formal documentation with the donor, any board member or our CEO. In fact, upon closer inspection of the donor records and additional inquiry with development staff, it appears that the donor simply wanted to make a gift but was noncommittal about how or if it should be designated.

We understand that the accounting team needs to work closely with development staff in order to avoid miscommunication such as occurred in this instance. The proposed measures discussed in (A) above will help prevent this from reoccurring.

C. Ineligible Payments/Exchange Transactions of $1,130,000 in FY2020

In the case of this gift from a board member, the audit report cites two reasons it should have been excluded from NFFS.

(1) The revenue was actually a presenting station fee (often charged by an independent program producer to introduce a program into distribution among public broadcasters), and
(2) The co-production agreement represented an exchange transaction in which the funder received more than nominal underwriting value.

We disagree with both aspects of this finding. SFPBS did not receive a presenting station fee for this transaction. All funds received were required to cover production costs of which zero was retained by SFPBS. As for the value of the underwriting, it is difficult to assign a value, but it was understood by SFPBS management that the donor had only philanthropic motives for making the gift and producing the program and, as a well-established author, had only nominal interest in any mention of his name in the form of underwriting credit.

We therefore believe that a total of $2,680,146 in allegedly overstated NFFS should be reduced to $209,800, that the alleged Net CSG Overpayment should be reduced to $26,864.41.

II. Act Noncompliance

We acknowledge the findings of the Office of the Inspector General regarding Act Compliance and confirm that we have addressed all the issues raised which include 1) advance notice of open meetings, 2) making reasons for closed meetings available to the public, 3) providing public access to SFPBS' AFR, and 4) fulfilling CAB responsibilities and all recommendations have been acted upon.

III. General Provisions and Eligibility Noncompliance

We acknowledge the findings of the Office of the Inspector General regarding CPB CSG General Provisions and Eligibility (General Provisions) requirements to annually review its diversity goals and diversity statement and apply discrete accounting to its CPB expenditures. The diversity statement has been redrafted and is now in compliance with CPB's requirements, and a process for an annual review of diversity goals and progress made is in place. The discrete

accounting requirement has also been addressed by adding specific general ledger accounts to track how CPB funds were expended.

Thank you for allowing us the opportunity to provide an explanation regarding the findings noted above. Please feel free to call me directly at 305-424-4250 if you have any further questions.

Sincerely,

Dolores Sukhdeo
President & CEO

Cc: Pamela Olmo, Chief Financial Officer
John Gamba, Senior Director of Finance
Kathy Merritt, Senior Vice President, Radio, Journalism and CSG Services, CPB
Jackie J. Livesay, Deputy General Counsel and Vice President, Compliance, CPB