WJCT, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 AND 2012

WJCT, INC. AND AFFILIATES
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees,
WJCT, Inc. and Affiliates:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of WJCT, Inc. and Affiliates (the "Station"), which comprise the consolidated statements of financial position as of September 30, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidating financial position of the Station as of September 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information (Exhibits I through IV) is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The nature of the expenses relating to the City of Jacksonville Cultural Services Grant (Exhibit IV) is in compliance with Section 118 of the City of Jacksonville Ordinances.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2014 on our consideration of the Station's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Station's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Gainesville, Florida
February 7, 2014

WJCT, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2013 AND 2012

ASSETS

	2013	2012
Current assets		
Cash and cash equivalents	$ 231,671	$ 181,678
Investments	844,107	785,296
Accounts receivable	341,399	410,422
Grants receivable	181,678	14,334
Broadcasting rights, current portion	574,381	276,534
Prepaid expenses	69,901	60,193
Total current assets	2,243,137	1,728,457
Property and equipment, net	9,100,543	10,233,763
Other assets		
Broadcasting rights, less current portion	218,980	82,600
Beneficial interest in perpetual trust	150,506	149,033
Total other assets	369,486	231,633
Total Assets	$ 11,713,166	$ 12,193,853

LIABILITIES AND NET ASSETS

	2013	2012
Current liabilities		
Current portion of long-term debt	$ 555,671	$ 569,904
Line of credit	150,000	-
Current portion of capital lease	4,421	8,409
Accounts payable and accrued expenses	1,126,248	599,668
Accrued salaries and wages	191,311	163,278
Deferred support and revenue	456,190	205,189
Total current liabilities	2,483,841	1,546,448
Long-term liabilities		
Long-term debt, less current portion	487,432	465,206
Capital lease, less current portion	-	4,037
Total long-term liabilities	487,432	469,243
Total liabilities	2,971,273	2,015,691
Net assets		
Unrestricted	1,968,139	3,087,365
Temporarily restricted:		
For Festival Park premises and PECO grant improvements	6,278,339	6,565,632
For support of programming and production	295,415	325,165
Permanently restricted:		
For support of programming and production	200,000	200,000
Total net assets	8,741,893	10,178,162
Total Liabilities and Net Assets	$ 11,713,166	$ 12,193,853

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

WJCT, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013				2012			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Support and revenue								
Support								
Grants	$ 2,006,954	$ -	$ -	$ 2,006,954	$ 1,654,508	$ -	$ -	$ 1,654,508
Membership income	1,380,477	-	-	1,380,477	1,580,094	-	-	1,580,094
Other	107,299	-	-	107,299	113,554	-	-	113,554
Total support	3,494,730	-	-	3,494,730	3,348,156	-	-	3,348,156
Revenue								
Underwriting	1,828,645	-	-	1,828,645	1,963,221	-	-	1,963,221
Production	60,155	-	-	60,155	106,185	-	-	106,185
Investment gain	12,670	8,483		21,153	27,986	37,043		65,029
Change in value of beneficial interest in perpetual trust	-	5,936	-	5,936	-	14,846	-	14,846
Master control service	279,119	-	-	279,119	-	-	-	-
Other	960,506	-	-	960,506	816,585	-	-	816,585
Total revenue	3,141,095	14,419	-	3,155,514	2,913,977	51,889	-	2,965,866
Total support and revenue	6,635,825	14,419	-	6,650,244	6,262,133	51,889	-	6,314,022
Net assets released from restrictions								
Satisfaction of activity restrictions	331,462	(331,462)	-	-	343,972	(343,972)	-	-
Total support and revenue after release from restrictions	6,967,287	(317,043)	-	6,650,244	6,606,105	(292,083)	-	6,314,022
Expenses (Exhibit I)								
Program services								
Programming and production	3,281,478	-	-	3,281,478	2,764,299	-	-	2,764,299
Broadcasting	2,340,012	-	-	2,340,012	2,270,018	-	-	2,270,018
Program information and promotion	155,826	-	-	155,826	287,243	-	-	287,243
Total program services	5,777,316	-	-	5,777,316	5,321,560	-	-	5,321,560
Supporting Services								
Fundraising and membership development	869,137	-	-	869,137	815,879	-	-	815,879
Underwriting and grant solicitation	865,598	-	-	865,598	1,000,697	-	-	1,000,697
Management and general	574,462	-	-	574,462	612,439	-	-	612,439
Total supporting services	2,309,197	-	-	2,309,197	2,429,015	-	-	2,429,015
Total expenses	8,086,513	-	-	8,086,513	7,750,575	-	-	7,750,575
Decrease in net assets	(1,119,226)	(317,043)	-	(1,436,269)	(1,144,470)	(292,083)	-	(1,436,553)
Net assets, beginning of year	3,087,365	6,890,797	200,000	10,178,162	4,231,835	7,182,880	200,000	11,614,715
Net assets, end of year	$ 1,968,139	$ 6,573,754	$ 200,000	$ 8,741,893	$ 3,087,365	$ 6,890,797	$ 200,000	$ 10,178,162

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

WJCT, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013	2012
Cash flows from operating activities		
Cash received from grants, donors and fundraising activities	$ 6,673,536	$ 5,896,987
Cash paid to suppliers and employees	(6,819,481)	(5,989,541)
Cash paid for interest	(42,239)	(33,500)
Net cash used in operating activities	(188,184)	(126,054)
Cash flows from investing activities		
Purchases of property and equipment	(11,096)	(148,043)
Proceeds upon disposal of property and equipment	132,500	234,750
Proceeds on sales of investments	1,196,802	199,918
Purchases of investments	(1,234,460)	(149,805)
Distributions from beneficial interest in perpetual trust	4,463	5,168
Net cash provided by investing activities	88,209	141,988
Cash flows from financing activities		
Proceeds from issuance of long-term debt	141,025	1,522,554
Principal payments on long-term debt	(86,399)	(1,465,558)
Principal payments on capital lease	(8,025)	(8,039)
Proceeds from line of credit	910,201	-
Payments on line of credit	(806,834)	-
Net cash provided by financing activities	149,968	48,957
Net increase in cash and cash equivalents	49,993	64,891
Cash and cash equivalents, beginning of year	181,678	116,787
Cash and cash equivalents, end of year	$ 231,671	$ 181,678
Decrease in net assets	$ (1,436,269)	$ (1,436,553)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	920,070	1,020,849
Unrealized gains on investments	(3,913)	(96,717)
Realized gains on investments	(23,176)	(3,172)
Loss on disposal of property and equipment	91,746	181,922
Decrease (increase) in certain assets:		
Accounts receivable	69,023	(162,223)
Grants receivable	(167,344)	(14,334)
Broadcasting rights	(434,227)	(3,818)
Prepaid expenses	(9,708)	(20,770)
Increase (decrease) in certain liabilities:		
Accounts payable and accrued expenses	526,580	451,208
Accrued salaries and wages	28,033	302
Deferred support and revenue	251,001	(42,748)
Total adjustments	1,248,085	1,310,499
Net cash used in operating activities	$ (188,184)	$ (126,054)

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

(1) Summary of Significant Accounting Policies:

(a) **Organization and operation**—WJCT, Inc. and Affiliates (the "Station") operate a public service television and radio station located in Jacksonville, Florida. The accompanying consolidated financial statements include the accounts of WJCT, Inc. ("WJCT") and its financially interrelated affiliates, WJCT Foundation, Inc. (the "Foundation") and JCT Services, LLC ("JCT Services"), which are under common control and have a common economic interest. The Station is funded mainly by federal and state grants, community fundraising and underwriting contributions.

WJCT was established in 1958 to engage in broadcast operations as well as certain non-broadcast activities which enhance the educational, cultural, recreational and economic opportunities in the viewing area.

The Foundation was incorporated in 2000 to assume capital campaign and fundraising functions for WJCT. During the years ended September 30, 2013 and 2012, the Foundation served primarily to manage investment funds on behalf of WJCT.

JCT Services, LLC was formed as a limited liability corporation in May 2012 to service programming distribution for the Digital Convergence Alliance (DCA) (See Note 15). JCT Services, LLC is wholly owned by the Station.

Transactions and balances between WJCT, the Foundation and JCT Services have been eliminated in consolidation.

(b) **Basis of accounting**—The accounts of the Station are maintained in conformity with the principles of accounting of not-for-profit accounting and have been prepared on the accrual basis.

(c) **Basis of presentation**—The Station reports net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Station and changes therein are classified and reported as follows:

Unrestricted Net Assets—Net assets that are not subject to donor-imposed stipulations. This category includes unrestricted assets, uncollected pledges and property.

Temporarily Restricted Assets—Net assets subject to donor-imposed stipulations that will be met either by actions of the Station and/or the passage of time. This category includes grants received by the Station and endowment pledges.

Permanently Restricted Net Assets—Net assets subject to donor-imposed stipulations that they be maintained permanently by the Station. The donors of these assets permit the Station to use the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as a "release of restrictions" in the accompanying consolidated statements of activities.

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

(d) **Cash and cash equivalents**—For purposes of reporting cash flows, cash and cash equivalents include only investments with original maturities of three months or less.

(e) **Accounts receivable—**Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for doubtful accounts was approximately $4,000 and $10,000 at September 30, 2013 and 2012, respectively.

(f) **Grants receivable—**For the years ended September 30, 2013 and 2012, the station has grants receivable due from various grantors. Management has concluded that realization of losses on balances outstanding at year-end will be immaterial to the consolidated financial statements.

(g) **Investments**—Investments are carried at fair value, and realized and unrealized gains and losses are reflected in the consolidated statements of activities. See Note 8 for further information on fair value reporting.

(h) **Costs incurred for programs not yet broadcast**—Costs incurred for programs not yet broadcast (broadcasting rights) are recorded as a deferred asset. Such costs relate to programs purchased or produced by the Station that will be broadcast subsequent to September 30. Programs to be completed and broadcast within one year are classified as current assets whereas programs to be completed and broadcast in more than one year are classified as long-term. As the programs are broadcast, the costs incurred will be included in expenses. Program status is evaluated annually. Costs associated with programs not considered to have future benefit are adjusted to net realizable value.

(i) **Property and equipment**—Property and equipment purchased or acquired with an original cost of $250 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets which range from ten to forty years for buildings and improvements and five to forty years for equipment.

(j) **Revenue recognition**—Unrestricted contributions, pledges and grants are recognized as revenue in the consolidated statement of activities upon receipt. Other unrestricted revenues are recognized as earned either upon receipt or accrual. Expenditures of unrestricted funds are recognized as expenses when expended or upon incurrence of the related liability.

The Station receives restricted grants where revenue is recognized and billed on a cost-reimbursable basis. Revenue on cost-reimbursable grants is recognized to the extent of costs incurred.

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

(k) **In-kind contributions**—Contributed materials, supplies, facilities, and property are recorded at their estimated fair value at the date of donation. The Station reports gifts of equipment, professional services, materials and other nonmonetary contributions as support in the accompanying consolidated statements of activities.

If the fair value of contributed materials, supplies, facilities, and property cannot be reasonably determined they are not recorded. Donated personal services of nonprofessional volunteers, as well as national and local programming services, are not recorded as revenue and expense as there is no objective basis available to measure the value of such services.

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

(l) **Pledges and contributions—**The Station engages in periodic fundraising campaigns manifested by offering special programs and on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the Station for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding viewers and listeners. Contributions are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional (i.e., when the conditions are substantially met). Contributions to be received after one year are discounted using an appropriate discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor imposed restrictions, if any, on such contributions. An allowance for doubtful accounts is provided based upon management's judgment, including such factors as prior collection history, type of contributions and general conditions. Contributions and collected pledges are components of the unrestricted operating fund inasmuch as their usage is not limited to specific activities of the Station. This usage is consistent with appeals for contributions and pledges.

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

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

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

The CSGs are reported on the accompanying consolidated financial statements as increases in unrestricted net assets.

(n) **Production revenue**—The Station uses the percentage-of-completion method of accounting for production revenue, whereby the cumulative production revenue earned equals the ratio of costs incurred to the estimated total costs at completion applied to the total committed revenues from outside sponsors. Production costs include charges by subcontractors plus all direct labor and other direct costs. Indirect and general and administrative expenses are charged to expense as incurred. Cost estimates on programs are reviewed periodically as the work progresses and adjustments, if needed, are reflected in the period in which the estimates are revised.

(o) **Program and production underwriting**—Revenue for program underwriting is recorded on a pro-rata basis for the period covered and for production underwriting on an estimated percentage-of-completion basis.

(p) **Income taxes**—The Station is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The activities of the Station which cause imposition of the unrelated business income tax provision have not resulted in significant income tax amounts.

The Station files income tax returns in the U.S. Federal jurisdiction. The Station's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination. The Station has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the consolidated financial statements of the Station.

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

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

(s) **Advertising costs**—Are expensed in the period in which they are incurred. Advertising expense for the years ended September 30, 2013 and 2012, was $369,874 and $576,389, respectively.

(t) **Subsequent events**—The station has evaluated events and transactions through February 7, 2014, the date the financial statements were available to be issued. See Note 16 for disclosure of subsequent events.

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

(u) **Reclassifications**—Certain amounts in the 2012 consolidated financial statements have been reclassified to conform to the 2013 presentation. These reclassifications had no effect on net income for 2012.

(2) **Festival Park Premises:**

The land on which WJCT's public broadcasting facility is located, is leased from the City of Jacksonville, Florida (the City) for one dollar per year for a ninety-nine year term which began March 3, 1977. Discontinuance of the use intended under the agreement or the failure of WJCT to remain a non-profit corporation providing educational and cultural opportunities for the citizens of the City would constitute a forfeiture of WJCT's interest in these premises. Upon termination of the lease, all structures become the property of the City.

Lease expense is recorded as in-kind contributions and expense at the estimated fair value of $75,737 per year.

Additionally, that proportion of the Festival Park public broadcasting facility constructed by the State of Florida (the "State") is leased from the State for a forty-five year term from the date of execution (December 20, 1977). Payments under this lease amount to one dollar per year. The terms of agreement between WJCT and the State provide that WJCT will have exclusive use of the building for forty years provided it does not cease operating as an educational and/or public broadcasting system. At the end of the initial forty-year period the State can: 1) renew the lease for an additional 20 years (at the end of this period the building would belong to WJCT) for one dollar per year; 2) demolish the building; or 3) abandon the building to WJCT.

The building is included in property and equipment in the accompanying consolidated statements of financial position at the State's cost to construct and renovate the facilities of $8,429,467 at September 30, 2013. Depreciation expense related to the facility was $210,737 for the years ended September 30, 2013 and 2012. Accumulated depreciation was $4,878,624 and $4,667,887 at September 30, 2013 and 2012, respectively. WJCT cannot assign its interest in the building to creditors, and as such, has recorded the building as temporarily restricted net assets. As the term of the initial lease expires, temporarily restricted net assets are released from restriction.

(3) **Long-term Debt:**

A summary of long-term debt as of September 30, 2013 and 2012, is as follows:

	2013	2012
Note payable to financial institution, payable on demand, with interest at LIBOR plus 2.625% (3.29% at September 30, 2013), collateralized by investments. Maximum amount is determined by formula at the financial institution's discretion, including the valuation and acceptability of collateral.	$ 403,472	$ 451,135

(3) **Long-term Debt:** (Continued)

	2013	2012
Note payable to financial institution, monthly payments, beginning March 7, 2013, of $14,873, including interest of 4.55%, collateralized by equipment.	$ 639,631	$ 583,975
	1,043,103	1,035,110
Less: Current portion	(555,671)	(569,904)
Long-term debt	$ 487,432	$ 465,206

Maturities on long-term debt over the next five years as of September 30, 2013, are as follows:

Years Ended	Amount
2014	$ 555,671
2015	158,988
2016	166,375
2017	162,069
Thereafter	-
Total	$ 1,043,103

(4) **Line of Credit:**

As of September 30, 2013 and 2012, WJCT had a revolving line of credit with a commercial bank that permits borrowing up to $200,000 at the bank's prime rate plus one-half percent interest, with a minimum rate of 5.0% (5.0% at September 30, 2013). The line of credit is collateralized by personal property. The outstanding balance on this line of credit at September 30, 2013 was $150,000. There was no outstanding balance on this line of credit at September 30, 2012.

(5) **Capital Lease:**

The Station leases equipment under a capital lease. The lease agreement contains a bargain purchase option at the end of the lease term. For the year ending September 30, 2014, the required minimum payment under this lease is $4,421, which will pay off the remaining balance on this lease.

(6) **Property and Equipment:**

A summary of property and equipment at September 30, 2013 and 2012, is as follows:

	2013	2012
Land	$ 87,760	$ 87,760
Buildings and improvements	14,456,672	14,456,672
Broadcast and other equipment	15,413,662	16,102,822
	29,958,094	30,647,254
Less: Accumulated depreciation	(20,857,551)	(20,413,491)
	$ 9,100,543	$ 10,233,763

(7) Investments:

Investments are carried at fair value on the consolidating statements of financial position, and realized and unrealized gains and losses are reflected in the consolidated statements of activities. The following is a summary of investments at September 30, 2013:

	Cost	Fair Value
Corporate stocks and mutual funds	$ 793,344	$ 844,107

The following is a summary of investments at September 30, 2012:

	Cost	Fair Value
Government issues	$ 173,237	$ 173,775
Corporate bonds	15,334	15,493
Corporate stocks and mutual funds	553,199	596,028
	$ 741,770	$ 785,296

(8) Fair Value Measurements:

The fair value measurement accounting literature provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GAAP are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Station has the ability to access.

Level 2 – Inputs to the valuation methodology include: (1) quoted market prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in inactive markets, (3) inputs other than quoted prices that are observable for the asset or liability, and (4) inputs that are derived principally from or corroborated by observable market data by correlation of other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

(8) **Fair Value Measurements:** (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes to the methodologies used at September 30, 2013 and 2012.

Corporate stocks, corporate bonds, government issues and mutual funds – Valued at quoted market prices.

Beneficial interest in a perpetual trust – Valued at the Station's share of the underlying assets held by the trust.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Station believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table summarizes the assets of the Station for which fair values are determined on a recurring basis as of September 30, 2013 and 2012:

	Assets at Fair Value as of September 30, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments				
Mutual funds				
Fixed income	$ 168,312	$ -	$ -	$ 168,312
Small value	42,522	-	-	42,522
Medium growth	86,788	-	-	86,788
Large blend	336,442	-	-	336,442
Large value	210,043	-	-	210,043
Beneficial interest in a perpetual trust	-	150,506	-	150,506
Total assets at fair value	$ 844,107	$ 150,506	$ -	$ 994,613

	Assets at Fair Value as of September 30, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments				
Government issues	$ 173,775	$ -	$ -	$ 173,775
Corporate bonds	15,493	-	-	15,493
Mutual funds				
Fixed income	132,410	-	-	132,410
Small value	54,216	-	-	54,216
Medium blend	77,990	-	-	77,990
Medium growth	6,197	-	-	6,197
Large blend	317,999	-	-	317,999
Large growth	7,216	-	-	7,216
Beneficial interest in a perpetual trust	-	149,033	-	149,033
Total assets at fair value	$ 785,296	$ 149,033	$ -	$ 934,329

(9) Beneficial Interest in a Perpetual Trust:

The beneficial interest in a perpetual trust represents the Station's 10% beneficial interest in a charitable trust established with a bank by a donor in 2007. The Station recognized a contribution based on its pro-rata share of the fair market value of the underlying assets in the trust which consist of cash, equity, fixed income, real estate, and tangible assets. The beneficial interest is included as part of the temporarily restricted net assets and income is available to the Station for its unrestricted use. The beneficial interest at September 30, 2013 and 2012, is valued based on the fair market value of the Station's share of the underlying assets held by the trust.

(10) Significant Concentrations:

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

(a) **Cash and cash equivalents**—The Station maintains demand deposit and money market account balances which at times may exceed federally insured limits. The Station has not experienced any losses in such accounts. As of September 30, 2013 and 2012, there were no uninsured cash balances.

(b) **Accounts receivable**—The Station has no policy requiring collateral or other security to support accounts receivable.

(c) **Revenues**—The Station received significant revenue from two sources. The CPB provided approximately 18% during the years ended September 30, 2013 and 2012, and the Department of Education, State of Florida provided approximately 6% and 1%, respectively.

(11) Community Service Grants (CSG):

The Station receives a CSG from the Corporation for Public Broadcasting annually. The CSGs received and expended during the most recent fiscal years were as follows:

Year of Grant	Grants Received	Expended 2011-12	Expended 2012-13	Uncommitted Balance at September 30, 2013
2012-13	$ 977,490	$ -	$ 977,490	$ -
2011-12	$ 996,948	$ 996,948	$ -	$ -

(12) Lease Rental Income:

The Station leases broadcast stations and transmitter tower space to unrelated third parties. Lease rental income totaled $161,783 and $157,945 for the years ended September 30, 2013 and 2012, respectively. The Station negotiated an agreement with an unrelated third party to take over the old tower. The third party built a new tower with expanded capacity and in return, the Station receives broadcasting space on the new tower for a lease term of 30 years at no charge. The Station recognized $157,719 as in-kind contributions related to this transaction for the years ended September 30, 2013 and 2012.

(13) Retirement Plan:

The Station sponsors a Retirement and Thrift Plan allowed by Section 403(b) of the Internal Revenue Code covering all full-time employees with one year of service. The Station has the discretion to increase or decrease matching contribution percentages each year, up to 5% of employee salaries. During the years ended September 30, 2013 and 2012, the Station provided no matching contributions.

(14) Nonfederal Financial Support (NFFS):

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

A "contribution" is cash, property or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution or dissemination of educational television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

A "payment" is cash, property or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state or an educational institution; (2) the form of the payment must be appropriations or contract payments in exchange for specific broadcasting services or materials; (3) the purpose must be for the provision of educational or instructional television or radio programs; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

Reported NFFS for the Station was $4,142,002 and $4,211,039 for the years ended September 30, 2013 and 2012, respectively.

(15) Consolidated Master Control Arrangement:

The Digital Convergence Alliance (DCA) is a membership organization comprised of multiple public broadcasting stations. WJCT became a member of the DCA March 1, 2013, when they entered into a service provider agreement. Under this agreement WJCT will pay annual membership fees to the DCA for the provision of master control services in the amount of $275,000, less any adjustments for new members added. WJCT paid the first half of the first quarter annual service fee equal to $38,224 that is included as prepaid expenses on the consolidated statements of financial position.

Additionally, during the year ended September 30, 2013, WJCT paid $75,707 to the DCA for additional costs of membership that are included in programming costs and $44,569 for ramp up fees for the period from March through September 2013.

(15) **Consolidated Master Control Arrangement:** (Continued)

If WJCT terminates its membership during the initial term from March 1, 2013 through February 28, 2018, WJCT may be subject to an assessment from CPB equal to $700,000. If WJCT decides not to renew the agreement for the renewal term from March 1, 2018 through February 28, 2023, WJCT may be subject to an assessment from CPB equal to $350,000.

JCT Services will provide operational, management, engineering, and maintenance services for the DCA in exchange for an annual service fee of $1,185,000, plus adjustments for any new members added.

JCT Services billed the DCA $324,985 for ramp up fees during the year ended September 30, 2013, of which $199,757 was included in master control service revenue (to match current year expenses incurred) on the consolidated statements of activities and $125,228 was included in deferred support and revenue in the consolidated statements of financial position. Of the amount billed $81,246 is included in accounts receivable in the consolidated statements of financial position at year end. In addition, JCT Services received a deposit from the DCA for half of the first quarter annual service fee which is also included in deferred support and revenue in the consolidated statements of financial position.

(16) **Subsequent Events:**

On October 23, 2013, WJCT entered into an agreement with a financial institution to borrow $200,000 at an annual interest rate of 3.6%. Principal and interest are due on April 28, 2014.

SUPPLEMENTAL INFORMATION

WJCT, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(With summarized comparative totals for the year ended September 30, 2012)

	Program Services				Supporting Services					
	Programming and Production	Broadcasting	Program Information and Promotion	Total	Fundraising and Membership Development	Underwriting and Grant Solicitation	Management and General	Total	Total Expenses 2013	Total Expenses 2012
Salaries, wages, benefits	$ 963,647	$ 730,888	$ 127,801	$ 1,822,336	$ 362,923	$ 396,313	$ 496,637	$ 1,255,873	$ 3,078,209	$ 2,878,410
Occupancy	21,590	17,403	1,372	40,365	50,647	16,613	14,122	81,382	121,747	88,847
Programming costs	1,554,455	126,260	1,134	1,681,849	4,582	18,627	6,271	29,480	1,711,329	1,468,764
Repairs and maintenance	1,465	70,801	-	72,266	13,672	30	4,028	17,730	89,996	89,171
Travel and meetings	26,122	22,578	2,164	50,864	3,552	6,079	8,585	18,216	69,080	34,430
Advertising	2,323	493	11,912	14,728	722	354,258	166	355,146	369,874	576,389
Supplies and printing	20,957	15,554	6,426	42,937	136,251	23,803	3,004	163,058	205,995	188,571
Professional services	234,278	75,199	2,301	311,778	120,445	6,728	24,608	151,781	463,559	299,986
Supplies	70	75	-	145	1,564	345	4,383	6,292	6,437	8,601
Postage	12,307	7,012	975	20,294	19,626	494	1,232	21,352	41,646	43,279
Depreciation	147,211	754,458	-	901,669	9,201	-	9,200	18,401	920,070	1,020,849
Interest	-	41,978	-	41,978	-	-	261	261	42,239	33,500
Bad debts	-	-	-	-	-	40,785	-	40,785	40,785	13,434
In-kind	260,018	-	-	260,018	-	-	-	-	260,018	255,560
Membership maintenance	-	-	-	-	135,313	-	-	135,313	135,313	121,729
Utilities	20,885	238,420	1,741	261,046	10,639	1,523	1,965	14,127	275,173	292,589
Insurance	16,150	147,149	-	163,299	-	-	-	-	163,299	154,544
Loss on disposal of property and equipment	-	91,744	-	91,744	-	-	-	-	91,744	181,922
	$ 3,281,478	$ 2,340,012	$ 155,826	$ 5,777,316	$ 869,137	$ 865,598	$ 574,462	$ 2,309,197	$ 8,086,513	$ 7,750,575

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

WJCT, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2013

	WJCT, Inc.	WJCT Foundation, Inc.	JCT Services, LLC	Consolidating Entries	Consolidated
ASSETS					
Current assets					
Cash and cash equivalents	$ 210,209	$ 19,774	$ 1,688	$ -	$ 231,671
Investments	-	844,107	-	-	844,107
Accounts receivable	288,304	-	316,365	(263,270)	341,399
Grants receivable	181,678	-	-		181,678
Broadcasting rights, current portion	574,381	-	-	-	574,381
Prepaid expenses	65,855	-	4,046	-	69,901
Total current assets	1,320,427	863,881	322,099	(263,270)	2,243,137
Property and equipment, net	9,100,543	-	-	-	9,100,543
Other assets					
Broadcasting rights, less current portion	218,980	-	-	-	218,980
Beneficial interest in perpetual trust	150,506	-	-	-	150,506
Total other assets	369,486	-	-	-	369,486
Total Assets	$ 10,790,456	$ 863,881	$ 322,099	$ (263,270)	$ 11,713,166
LIABILITIES AND NET ASSETS					
Current liabilities					
Current portion of long-term debt	$ 555,671	$ -	$ -	$ -	$ 555,671
Line of credit	150,000	-	-	-	150,000
Current portion of capital lease	4,421	-	-	-	4,421
Accounts payable and accrued expenses	1,361,248	-	28,270	(263,270)	1,126,248
Accrued salaries and wages	191,311	-	-	-	191,311
Deferred support and revenue	162,361	-	293,829	-	456,190
Total current liabilities	2,425,012	-	322,099	(263,270)	2,483,841
Long-term liabilities					
Long-term debt	487,432	-	-	-	487,432
Total liabilities	2,912,444	-	322,099	(263,270)	2,971,273
Net assets					
Unrestricted	1,449,167	518,972	-	-	1,968,139
Temporarily restricted:					
For Festival Park premises and PECO grant improvements	6,278,339	-	-	-	6,278,339
For support of programming and production	150,506	144,909	-	-	295,415
Permanently restricted:					
For support of programming and production	-	200,000	-	-	200,000
Total net assets	7,878,012	863,881	-	-	8,741,893
Total Liabilities and Net Assets	$ 10,790,456	$ 863,881	$ 322,099	$ (263,270)	$ 11,713,166

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

WJCT, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	WJCT, Inc.	WJCT Foundation, Inc.	JCT Sercices, LLC	Consolidating Entries	Consolidated
Support and revenue					
Support					
Grants	$ 2,006,954	$ -	$ -	$ -	$ 2,006,954
Membership income	1,380,477	-	-	-	1,380,477
Other	102,299	5,000	-	-	107,299
Total support	3,489,730	5,000	-	-	3,494,730
Revenue					
Underwriting	1,836,645	-	-	(8,000)	1,828,645
Production	60,155	-	-	-	60,155
Investment gains	-	21,153	-	-	21,153
Change in value of beneficial interest in perpetual trust	5,936	-	-	-	5,936
Master control service	79,362	-	199,757	-	279,119
Other	937,961	27,545	-	(5,000)	960,506
Total revenue	2,920,059	48,698	199,757	(13,000)	3,155,514
Total support and revenue	6,409,789	53,698	199,757	(13,000)	6,650,244
Expenses (Exhibit I)					
Program services					
Programming and production	3,281,478	-	-	-	3,281,478
Broadcasting	2,140,255	-	199,757	-	2,340,012
Program information and promotion	155,826	-	-	-	155,826
Total program services	5,577,559	-	199,757	-	5,777,316
Supporting services					
Fundraising and membership development	869,137	-	-	-	869,137
Underwriting and grant solicitation	865,598	13,000	-	(13,000)	865,598
Management and general	572,387	2,075	-	-	574,462
Total supporting services	2,307,122	15,075	-	(13,000)	2,309,197
Total expenses	7,884,681	15,075	199,757	(13,000)	8,086,513
Transfers	(200,000)	200,000	-	-	-
Increase (decrease) in net assets	(1,674,892)	238,623	-	-	(1,436,269)
Net assets, beginning of year	9,552,904	625,258	-	-	10,178,162
Net assets, end of year	$ 7,878,012	$ 863,881	$ -	$ -	$ 8,741,893

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

WJCT, INC. AND AFFILIATES
SCHEDULE OF GRANTS - COUNCIL AUDITOR'S OFFICE
CITY OF JACKSONVILLE CULTURAL SERVICES GRANT FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

City of Jacksonville Grant Funding for Fiscal Year 2012/2013 Audit:

Receipt of City Funds:

	City FY 2011-2012 Cultural Council Grant	City FY 2012-2013 Cultural Council Grant
Amount of Award (per City budget ordinance)	$ 309,250	$ 307,656
Actual Funds Received from City in Last Audit Period	(309,250)	-
Actual Amount Received This Period	-	(307,656)
Amount Remaining to be Distributed	$ -	$ -

Expenditures of City Funds:

City FY 2011-2012 Cultural Services Grant $309,250

Item	Budgeted	Actual 10/1/2011 - 9/30/2012	Remaining Balance
Program Costs	$ 309,250	$ 309,250	$ -

City FY 2012-2013 Cultural Services Grant $307,656

Item	Budgeted	Actual 10/1/2012 - 9/30/2013	Remaining Balance
Program Costs	$ 307,656	$ 307,656	$ -

James Moore
Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees,
WJCT, Inc. and Affiliates:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of WJCT, Inc. and Affiliates (the "Station") as of and for the year ended September 30, 2013, and the related notes to the consolidated financial statements, which collectively comprise the Station's basic financial statements, and have issued our report thereon dated February 7, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Station's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control. Accordingly, we do not express an opinion on the effectiveness of the Station's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Station's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

James Moore & Co., P.L.

Gainesville, Florida
February 7, 2014